

Canada Life participating account – total account

Excludes former New York Life and Crown Life blocks



Account details

as of September 30, 2019

Account size: \$7,982.2 million

Account investment objectives:

- Primary objective: Provide stable long-term growth.
- Secondary objective: Provide returns that are partially responsive to changing economic conditions.

Investment guidelines

The company's investment division manages participating account assets. The investment guidelines recognize business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of the participating business. The company's asset/liability management group monitors the overall asset mix and manages investment activity within investment guideline parameters. The board of directors must approve any changes to these guidelines.

A large portion of the participating account assets is invested in fixed-income assets to support long-term stable growth and the core guarantees within participating policies. The company's asset/liability management group employs cash flow matching techniques so asset cash flows are sufficient to meet obligations. In addition, a portion of the portfolio is reinvested each year so returns reflect interest rate trends.

This strategy helps stabilize variation in the investment returns used to determine dividends.

Asset mix

as of September 30, 2019

	\$ Millions	Percentage
Short term		
Cash and equivalents	\$392.3	4.9%
Total short term	\$392.3	4.9%
Fixed income		
Public bonds		
Government	\$647.8	8.1%
Corporate	\$3,140.7	39.3%
Private placements	\$472.8	5.9%
Mortgages		
Residential	\$285.4	3.6%
Commercial	\$1,208.2	15.1%
Total fixed income	\$5,755.0	72.1%
Equities		
Real estate		
Real estate	\$448.0	5.6%
Public equities		
Common stock	\$1,086.9	13.6%
Preferred stock	\$0.0	0.0%
Private equities*	\$13.3	0.2%
Total equities	\$1,548.2	19.4%
Total invested assets		
Policy loans	\$337.5	4.2%
Other assets**	\$(50.7)	(0.6)%
Total participating assets	\$7,982.2	100.0%

Account composition

as of September 30, 2019

This account composition is for total participating account assets.

Asset class	Percentage
Corporate bonds	39.3%
Commercial mortgages	15.1%
Common stock	13.6%
Government bonds	8.1%
Private placements	5.9%
Real estate	5.6%
Cash and equivalents	4.9%
Policy loans	4.2%
Residential mortgages	3.6%
Private equities	0.2%
Preferred stock	0.0%
Other assets	(0.6)%

Notes:

Asset values are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011.

Throughout the report, totals may not add up to 100 per cent due to rounding.

*Private equities are included in the investment guidelines for common stock.

**Includes assets such as investment income due and accrued, outstanding premiums (receivables), future income tax and reinsurance assets.

Investment guidelines

The company has guidelines in place to manage the allocation of invested assets by asset class for the participating account. Any change to the guidelines must be approved by the board of directors.

The column to the right shows the investment guidelines applicable to the assets backing participating account liabilities. These ranges don't include surplus assets or the categories of policy loans or other assets found in the table on the previous page. The assets backing participating account surplus are primarily invested in fixed income.

As of September 30, 2019	\$ Millions	Percentage	Guideline
Short term			
Cash and equivalents	\$392.3	5.1%	0-5%
Fixed income			
Public bonds and private placements	\$4,261.3	55.4%	40-75%
Residential and commercial mortgages	\$1,493.6	19.4%	15-40%
Total fixed income	\$5,755.0	74.8%	
Equities			
Real estate	\$448.0	5.8%	0-15%
Common stock and private equities	\$1,100.2	14.3%	5-20%
Preferred stock	\$0.0	0.0%	0-5%
Total equities	\$1,548.2	20.1%	
Total invested assets	\$7,695.5	100.0%	

Historical average returns

at Dec. 31, 2018

	1-year (2018)	2-year (2017–2018)	3-year (2016–2018)	4-year (2015–2018)	5-year (2014–2018)	10-year (2009–2018)
Canada Life™ participating account	1.2%	2.6%	3.6%	3.4%	4.1%	5.4%

The participating account return is the return on the participating account assets backing liabilities and surplus after investment expenses are deducted. In 2018, investment expenses were 8.0 basis points. Investment expenses may vary from year to year due to changes in the asset mix of the total participating account, economies of scale and other factors. The participating account return is a short-term indicator of investment performance. With the exception of unrealized gains and losses on bonds, which are excluded because bonds in the participating account are generally held until maturity, the participating account return is in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective, Jan. 1, 2011.

Historical average returns

at Dec. 31, 2018

	1-year (2018)	5-year (2014–2018)	10-year (2009–2018)	20-year (1999–2018)	30-year (1989–2018)	60-year (1959–2018)	Standard deviation (since 1989)
Canada Life dividend scale interest rate	5.5%	6.0%	6.6%	7.4%	8.5%	8.9%	1.9%
S&P/TSX composite total return index	(8.9)%	4.1%	7.9%	6.6%	7.6%	9.0%	16.3%
Five-year GICs	1.7%	1.6%	1.7%	2.7%	4.2%	n/a	2.7%
Government of Canada five- to 10-year bonds	2.2%	1.6%	2.0%	3.3%	4.8%	6.5%	2.7%
Consumer price index	2.0%	1.7%	1.6%	1.9%	2.1%	3.7%	1.2%

All historical average annual returns are geometric means.

Performance data are provided for illustrative purposes only and represent past performance, which is not necessarily indicative of future performance.

The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends. It is based on the smoothed investment return on the assets backing participating account liabilities. It does not include the return on assets backing the participating account surplus. Dividend scale interest rates shown are for the Canada Life open and closed blocks.

The dividend scale interest rate is only one of many factors that contribute to an individual policy's performance. The actual growth in cash value for any specific policy varies based on a number of factors. These include type of product, product features, premium-paying period, issue age, rating, dividend option, the dividend scale and other factors.

S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2019 TSX Inc. All rights reserved.

Five-year guaranteed investment certificate (GIC) returns are based on the nominal yields to maturity taken from Statistics Canada, CANSIM table 176-0043, series V122526 (Statistics Canada website) Feb. 8, 2019. For each calendar year, the average of the monthly GIC rates was used.

Government of Canada five- to 10-year bond returns are taken from Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website) Feb. 8, 2019. For each calendar year, the average of the monthly values was used.

Consumer price index inflation rates are based on the change from December to December taken from Statistics Canada, CANSIM table 326-0020, series V41690973 (Statistics Canada website) Feb. 8, 2019.