

Investment details

at Dec. 31, 2019

Portfolio size: \$4,013.3 million

Proportion of total assets of the Canada Life™ participating account: 47.9 per cent

Investment guidelines

Publicly traded bonds are managed by a specialized public bond unit located in Winnipeg. The guidelines are to invest in high-quality investment grade bonds. Diversification is maintained by sector, geography and by issuer. Public bonds support the long-term stable growth and core guarantees within participating policies and provide liquidity.

Investment mix

at Dec. 31, 2019

| | \$ Millions | Percentage |
|---------------------------------|------------------|---------------|
| Public bonds | | |
| Government | \$798.9 | 19.9% |
| Corporate | \$3,214.4 | 80.1% |
| Total public bond assets | \$4,013.3 | 100.0% |

Investments by term

at Dec. 31, 2019

| | \$ Millions | Percentage |
|--------------------------|------------------|---------------|
| Years to maturity | | |
| 0 to 5 years | \$1,688.9 | 42.1% |
| More than 5 years | \$2,324.3 | 57.9% |
| Total | \$4,013.3 | 100.0% |

Investments by quality

at Dec. 31, 2109

| Rating | Percentage |
|------------|------------|
| AAA | 25.5% |
| AA | 24.2% |
| A | 31.2% |
| BBB | 19.0% |
| BB or less | 0.0% |

Corporate bonds by sector

at Dec. 31, 2019

| Sector | Percentage |
|-----------------------------------|------------|
| Consumer products & merchandising | 15.0% |
| Utilities | 13.4% |
| Asset-backed securities | 11.6% |
| Industrial products | 10.8% |
| Banks | 7.9% |
| All other sectors | 41.4% |

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

Major holdings

at Dec. 31, 2019

| | Percentage of public bond holdings | Percentage of total participating assets |
|------------------------------|------------------------------------|--|
| Government of Canada | 8.9% | 4.2% |
| Province of British Columbia | 2.7% | 1.3% |
| Bank of Montreal | 2.0% | 0.9% |
| Royal Bank of Canada | 1.4% | 0.7% |
| Province of Ontario | 1.4% | 0.7% |
| Cards li Trust | 1.4% | 0.7% |
| Province of Alberta | 1.4% | 0.7% |
| Nav Canada | 1.3% | 0.6% |
| Apple Inc | 1.3% | 0.6% |
| WTH Car Rental ULC | 1.3% | 0.6% |
| Total major holdings | 23.0% | 11.0% |

Historical average returns

at Dec. 31, 2019

| | 1-year (2019) | 2-year (2018–2019) | 3-year (2017–2019) | 4-year (2016–2019) | 5-year (2015–2019) | 10-year (2010–2019) |
|---|---------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Public bonds and private placements | 3.8% | 2.9% | 2.6% | 2.7% | 2.8% | 4.1% |
| Five-year GICs | 2.1% | 1.9% | 1.7% | 1.6% | 1.6% | 1.7% |
| Government of Canada five- to 10-year bonds | 1.5% | 1.9% | 1.8% | 1.6% | 1.5% | 1.8% |

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

The return on the bonds of the participating account reflects the return on the bond assets backing liabilities and surplus, after investment expenses are deducted. 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 return on the bonds of the participating account is in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011.

The return on the bonds contributes to the overall investment performance of the total participating account.

Five-year guaranteed investment certificate (GIC) returns are based on the nominal yields to maturity taken from Statistics Canada, CANSIM series V80691341 (Bank of Canada website) Feb. 28, 2020.

Government of Canada five- to 10-year bond returns are taken from Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website) Feb. 28, 2020. For each calendar year, the average of the monthly values was used.