

Participating Account Asset Mix

Quarterly Update

As of June 2023

	June 2023		December 2022	
	\$ Thousands	Percentage	\$ Thousands	Percentage
Short term				
Cash and equivalents	\$ 38,683	3%	\$ (9,509)	-1%
<i>Total short term</i>	\$ 38,683	3%	\$ (9,509)	-1%
Fixed income				
Government bonds	\$ 181,497	12%	\$ 222,038	15%
Corporate bonds	\$ 278,183	19%	\$ 341,083	23%
Private placements	\$ 156,798	11%	\$ 150,662	10%
Commercial mortgages	\$ 122,093	8%	\$ 135,610	9%
<i>Total fixed income</i>	\$ 738,572	50%	\$ 849,394	57%
Non-fixed income				
Real estate	\$ 217,899	15%	\$ 190,455	13%
Common equity	\$ 220,573	15%	\$ 236,229	16%
Preferred equity	\$ 54,574	4%	\$ 59,143	4%
Private equity	\$ 24,101	1%	\$ -	0%
<i>Total non-fixed income</i>	\$ 517,147	35%	\$ 485,828	33%
Total invested assets	\$ 1,294,402	88%	\$ 1,325,713	88%
Policy loans	\$ 172,266	12%	\$ 146,521	10%
Other assets	\$ 5,582	0%	\$ 25,167	1%
Total participating assets¹	\$ 1,472,250	100%	\$ 1,497,401	100%

The investments in the participating account are managed by the Equitable Asset Management Group, which is ideal for clients who are looking for a more stable, hands-off investment approach. Values are published in the guide Understanding Participating Whole Life Insurance (1038). See guide for more information on dividends and the calculation method.

¹On January 1, 2023, a new accounting standard came into effect. As a result, insurance companies had to change their reporting. This change led to reduced par account reserves and the assets that support them. However, this change does not impact policyholders or dividends.

A strong quarter for your participating account's returns

At Equitable, we take pride in our mutuality. We also take pride in seeking out and investing in diverse assets on behalf of participating clients. Our focus is on generating strong long-term performance. To do this, our investment team strategically invests assets based on current market conditions.

We are pleased to outline our recent market performance. There were solid contributions to the participating account over Q2 2023.

After a strong start to the year, equity markets continued to push higher in Q2. The S&P 500 gained 8.7%. The TSX gained 1.2%. US equities boomed with major investments into mega-cap technology stocks. These were spurred by heavy interest in advancements in artificial intelligence (AI). The strong performance of stock markets helped the corporate bond market. It gained 0.2% in Q2. But anxiety around sticky inflation resulted in higher interest rates. This caused Canadian government bonds to fall by 1.0% in Q2. Canada bonds across the board reduced by 0.7% in Q2.

Our investment experts have the participating account top of mind. They are focused on making investment decisions that will bring stable sources of income and steady growth over time. By analysing the economic data, they can steer through unstable markets and position assets well.

Here are some examples of investments in Q2 2023:

- We partnered with a private equity manager with whom we've invested before.
- We had three private debt investments approved. These investments had varying types of underlying assets. These assets included equipment funding and telecommunications infrastructure.
- We had four mortgages funded. These were for two multi-family properties, one industrial property, and one retail property.

In this day and age, it's crucial to adapt to changes in the economy. We've seen weakness in commercial real estate markets. Higher interest rates, remote work, and online shopping are all factors that impact those markets. However, we have stayed agile. We saw great prospects to lend against strong assets and took them with zeal. Our teams have seen good long-term fundamentals at higher-than-average yields. Combined with a diverse portfolio, these assets help provide solid long-term performance of the fund.

Dividend Scale Interest Rate

30-year historical performance

The dividend scale interest rate reflects the investment performance of the participating account which is smoothed to reduce volatility. The dividend scale interest rate is just one factor used to determine the dividends paid in a participating policy. Other factors include mortality, expense, lapse, claims experience, taxes, and other experience of the participating block of policies. The dividend scale interest rate does not include policy loans. Dividends are paid at the sole discretion of the Board of Directors. This chart shows Equitable Life's dividend scale interest rate over 30 years compared to other well-known economic indicators.

Year	Equitable Life dividend scale interest rate	S&P/TSX total return index	Government of Canada 5 to 10 Year Bonds	5-year GIC	Consumer price index
1993	10.70%	32.55%	7.24%	6.40%	1.70%
1994	10.20%	-0.18%	8.26%	7.40%	0.20%
1995	10.20%	14.53%	7.93%	7.10%	1.80%
1996	9.60%	28.35%	6.86%	5.60%	2.20%
1997	10.00%	14.98%	5.87%	4.70%	0.80%
1998	9.10%	-1.58%	5.26%	4.40%	1.00%
1999	8.80%	31.71%	5.56%	4.80%	2.60%
2000	8.80%	7.41%	5.96%	5.30%	3.20%
2001	8.80%	-12.57%	5.32%	4.00%	0.70%
2002	8.80%	-12.44%	5.08%	3.90%	3.80%
2003	8.40%	26.72%	4.54%	3.10%	2.10%
2004	8.20%	14.48%	4.34%	2.90%	2.10%
2005	8.20%	24.13%	3.89%	2.70%	2.10%
2006	7.90%	17.26%	4.18%	3.20%	1.70%
2007	7.90%	9.83%	4.25%	3.30%	2.40%
2008	7.90%	-33.00%	3.36%	3.01%	1.20%
2009	7.40%	35.05%	2.84%	1.95%	1.30%
2010	7.10%	17.61%	2.88%	2.00%	2.40%
2011	7.10%	-8.71%	2.47%	1.87%	2.30%
2012	6.80%	7.19%	1.63%	1.65%	0.80%
2013	6.80%	12.99%	1.99%	1.63%	1.20%
2014	6.80%	10.55%	1.86%	1.92%	1.50%
2015	6.80%	-8.32%	1.19%	1.47%	1.60%
2016	6.50%	21.08%	1.02%	1.41%	1.50%
2017	6.50%	9.10%	1.61%	1.39%	1.90%
2018	6.35%	-8.89%	2.22%	1.69%	2.00%
2019	6.20%	22.90%	1.53%	2.08%	2.20%
2020	6.20%	5.60%	0.65%	1.28%	0.70%
2021	6.05%	25.09%	1.27%	0.99%	4.80%
2022	6.05%	-5.84%	2.78%	2.87%	6.30%
Average annualized returns					
1 Year	6.05%	-5.84%	2.78%	2.87%	6.30%
10 Years	6.42%	7.74%	1.61%	1.67%	2.36%
20 Years	7.05%	8.47%	2.52%	2.12%	2.10%
30 Years	7.86%	8.67%	3.77%	3.19%	2.00%
Standard deviation over 30 years	1.39%	16.14%	2.18%	1.80%	1.25%

Data as of December 31 each year. Dividend scale interest rate is set as of July 1 of each year. Average returns are calculated using a geometric mean.

Notes:

- Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends will vary based on the actual investment returns and experience in the participating account and the participating block of policies. Improvements in some of the components can help offset declines in other components. For example, improvements in mortality can help offset the impact of declining interest rates on investment performance.
- Past performance is not indicative of future performance.
- Information Sources: Equitable Life of Canada; Statistics Canada; Bank of Canada.

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