

Participating account asset mix quarterly update

As of December 2023



	December 2023		December 2022	
	\$ Thousands	Percentage	\$ Thousands	Percentage
Short term				
Cash and equivalents	\$ 64,290	4%	\$ (9,509)	-1%
Total short term	\$ 64,290	4%	\$ (9,509)	-1%
Fixed income				
Government bonds	\$ 275,340	15%	\$ 222,038	15%
Corporate bonds	\$ 340,179	19%	\$ 341,083	23%
Private placements	\$ 202,397	11%	\$ 150,662	10%
Commercial mortgages	\$ 136,027	8%	\$ 135,610	9%
Total fixed income	\$ 953,944	53%	\$ 849,394	57%
Non-fixed income				
Real estate	\$ 222,554	12%	\$ 190,455	13%
Common equity	\$ 246,663	14%	\$ 236,229	16%
Preferred equity	\$ 61,310	4%	\$ 59,143	4%
Private equity	\$ 25,204	1%	\$ -	0%
Total non-fixed income	\$ 555,731	31%	\$ 485,828	33%
Total invested assets	\$ 1,573,965	88%	\$ 1,325,713	88%
Policy loans	\$ 201,694	12%	\$ 146,521	10%
Other assets	\$ 6,954	0%	\$ 25,167	1%
Total participating assets	\$ 1,782,613	100%	\$ 1,497,401	100%

The 2023 Annual Report groups assets based on IFRS classification. The above asset mix considers core asset properties and may group assets differently than seen in the Annual Report.

A strong quarter for your participating account's returns

At Equitable®, we take pride in our mutuality. We also take pride in finding and investing in a variety of assets that can yield strong long-term performance for participating (par) clients. Here is our update on market performance of the participating account during Q4 2023.

Bond and stock markets each had excellent returns to end off 2023. In fact, in Q4, the Canadian bond market had its best 3-month return since 1996*. The return was over 8% in Q4 2023. Although the bond market performed weaker at the start of the year, a strong return in Q4 raised the bond market's return for the full year to almost 7%. Compared to the other quarters, long-term bonds performed the best in Q4, returning almost 15%. This brought a return of almost 10% for the full year. Falling interest rates led to strong bond performance. These were caused by the hope that central banks would start easing monetary policy in the first half of 2024.

Stock markets also gained from the great performance of bond markets and strong economic results in the U.S. Although Canadian economic results were not as strong as in the U.S., Canadian stocks did well. The S&P/TSX index gained about 8% over the quarter; this meant a total return of nearly 12% for the full year. The S&P 500 index gained nearly 12% during the last quarter. It had over a 26% return for the full year.

Our investment team has the participating account top of mind. By looking at the economic data, they can steer through unstable markets and position assets well. They focus on making investment decisions to bring stable sources of income and steady growth over time. For instance, in Q4, Equitable's team increased the percentage of real estate assets within the par account. The team also increased investments in renewable energy. We lent money to fund the creation of new solar energy projects in Saskatchewan. This is a great example of how we strive to invest in companies we believe in. These investments aim to provide good returns for participating clients. They are also good investments in our communities.

While not guaranteed, when interest rates are high, the par account returns usually go up over time. When interest rates are low, the returns usually go down over time. Money flowing in and assets maturing allow us to invest at higher interest rates. Most times, it takes a while for changes in interest rates to affect par account returns. This is because of how we value assets in the par account. This leads to more stability and fewer ups and downs in par account returns. Gains and losses on new bonds and equities are smoothed over time. Market value returns for existing bonds and equities do not directly affect the dividend scale interest rate (DSIR). For more details, please see the [Dividend Policy](#) or the [Dividend Notice](#).

This text has forward-looking statements. These are based on Equitable's current opinions and views about what might happen in the future. These statements are based on uncertainties and assumptions. The actual results may differ greatly from what is predicted. Equitable's opinions or predictions could change later based on currently unknown information or for other reasons. Equitable has no duty to update any forward-looking statements included here. The reader should be aware of these risks and carefully consider this information if choosing to rely on forward-looking statements.

* Source: FTSE Canada Universe Bond index calculated and provided by FTSE Russell.

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's dividend scale interest rate over 30 years compared to other well-known economic indicators.

Year	Equitable dividend scale interest rate	S&P/TSX total return index	Government of Canada 5 to 10 year bonds	5-year GIC	Consumer price index
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%
2023	6.25%	11.75%	3.38%	3.80%	3.40%
Average annualized returns					
5 years	6.15%	11.30%	1.92%	2.20%	3.46%
10 years	6.37%	7.62%	1.75%	1.89%	2.58%
20 years	6.95%	7.79%	2.46%	2.15%	2.16%
30 years	7.72%	8.06%	3.65%	3.10%	2.05%
Standard deviation over 30 years	1.31%	15.57%	2.08%	1.70%	1.27%

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; Statistics Canada; Bank of Canada.

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1360 (2024/03/01)