

PARTICIPATING ACCOUNT ASSET MIX QUARTERLY UPDATE

AS OF DECEMBER 31, 2015

	December 31, 2015		December 31, 2014*	
	\$ Thousands	Percentage	\$ Thousands	Percentage
Short-term				
Cash and equivalents	\$ -	0%	\$ -	0%
<i>Total short-term</i>	\$ -	0%	\$ -	0%
Fixed income				
Government bonds	\$ 66,662	18%	\$ 74,613	21%
Corporate bonds	\$ 76,288	20%	\$ 64,358	18%
Private placements	\$ 37,812	10%	\$ 32,968	9%
Commercial mortgages	\$ 43,091	11%	\$ 33,410	10%
<i>Total fixed income</i>	\$ 223,853	59%	\$ 205,349	58%
Non-fixed income				
Real estate	\$ 43,210	11%	\$ 42,133	12%
Common equity	\$ 41,409	11%	\$ 41,845	12%
Preferred equity	\$ 17,337	5%	\$ 18,436	5%
<i>Total non-fixed income</i>	\$ 101,956	27%	\$ 102,414	29%
Total invested assets	\$ 325,809	86%	\$ 307,763	87%
Policy loans	\$ 50,035	13%	\$ 43,359	12%
Other assets	\$ 4,825	1%	\$ 5,167	1%
Total participating assets	\$ 380,669	100%	\$ 356,289	100%

The investments in the participating account are managed by the Equitable Life 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.

Quarterly Commentary

Canadian economy Our base case scenario for the Canadian economy in 2016 includes a low growth environment due to weak oil markets. As a result of this, businesses have become more cautious with their use of cash which will challenge the broader economy. While oil markets will prove to be a headwind for energy related provinces, the weaker Canadian dollar may benefit the Canadian export market. We expect this will assist those non-energy provinces dependent on manufacturing, including Ontario.

US economy Much like Canada, we expect a low growth profile for the US economy in the sub 2% range. While oil markets negatively impact energy related sectors, we also see weakness in the manufacturing sector which may contribute to a low growth environment. With low oil prices, consumers potentially offer support to the broader economy, provided consumer confidence continues. Should global demand deteriorate from current levels however, we would expect headwinds to intensify.

Participating account positioning Over the year there were several strategic changes within the portfolio. Specifically we reduced our duration within the bond portfolio by reducing our government bond exposure by 3%, with an offsetting increase to corporate bonds. Several immaterial changes include an increase private placements and commercial mortgages. Our equity exposure decreased 1% over the year primarily as a result of changes in market value.

1360(2016/07/01)

equimax

DIVIDEND SCALE INTEREST RATE

25-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 following chart shows a 25-year history of Equitable Life's dividend scale interest rate compared to other well-known economic indicators.

Year	Dividend scale interest rate	S&P/TSX composite index	Government of Canada 5 to 10 Year Bonds	5-year GIC	Consumer price index
1991	11.3%	7.8%	9.4 %	9.3%	3.8%
1992	10.7%	-4.6%	8.2 %	7.8%	2.1%
1993	10.7%	29.0%	7.2 %	6.4%	1.7%
1994	10.2%	-2.5%	8.3 %	7.4%	0.2%
1995	10.2%	11.9%	7.9 %	7.1%	1.8%
1996	9.6%	25.7%	6.9 %	5.6%	2.2%
1997	10.0%	13.0%	5.9 %	4.7%	0.8%
1998	9.1%	-3.2%	5.3 %	4.4%	1.0%
1999	8.8%	29.7%	5.6 %	4.8%	2.6%
2000	8.8%	6.2%	6.0 %	5.3%	3.2%
2001	8.8%	-13.9%	5.3 %	4.0%	0.7%
2002	8.8%	-14.0%	5.1 %	3.9%	3.8%
2003	8.4%	24.3%	4.5 %	3.1%	2.1%
2004	8.2%	12.5%	4.3 %	2.9%	2.1%
2005	8.2%	21.9%	3.9 %	2.7%	2.1%
2006	7.9%	14.5%	4.2 %	3.2%	1.7%
2007	7.9%	7.2%	4.3 %	3.3%	2.4%
2008	7.9%	-35.0%	3.4 %	3.0%	1.2%
2009	7.4%	30.7%	2.8 %	2.0%	1.3%
2010	7.1%	14.4%	2.9 %	2.0%	2.4%
2011	7.1%	-11.1%	2.5 %	1.9%	2.3%
2012	6.8%	4.0%	1.6 %	1.7%	0.8%
2013	6.8%	9.6%	2.0 %	1.6%	1.2%
2014	6.8%	7.4%	1.9 %	1.9%	1.5%
2015	6.8%	-11.1%	1.2 %	1.5%	1.6%
Average annualized returns					
1 Year	6.8%	-11.1%	1.2 %	1.5%	1.6%
3 Years	6.8%	1.5%	1.7 %	1.7%	1.4%
5 Years	6.9%	-0.7%	1.8 %	1.7%	1.5%
10 Years	7.2%	1.4%	2.7 %	2.2%	1.6%
20 Years	8.1%	5.2%	4.0 %	3.2%	1.8%
25 Years	8.6%	5.7%	4.8 %	4.0%	1.9%
Standard deviation since 1991	1.4%	16.2%	2.3 %	2.2%	0.9%

Data as of December 31 each year except for dividend scale interest rate which is as of July 1 each year.

Notes:

- Dividends are not guaranteed. They are subject to change, and 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.
- All average returns are calculated using a geometric mean.
- Past performance is not indicative of future performance.
- Information Sources: Equitable Life of Canada; Statistics Canada; Bank of Canada.

® Denotes a trademark of The Equitable Life Insurance Company of Canada.

1360(2016/07/01)

equimax