PARTICIPATING ACCOUNT ASSET MIX QUARTERLY UPDATE

AS OF MARCH 31, 2016

	March 31, 2016		December 31, 2015*	
	$ Thousands	Percentage	$ Thousands	Percentage
Short-term				
Cash and equivalents	$ -	0%	$ -	0%
Total short-term	$ -	0%	$ -	0%
Fixed income				
Government bonds	$ 73,602	19%	$ 66,662	18%
Corporate bonds	$ 77,525	20%	$ 76,288	20%
Private placements	$ 39,824	11%	$ 37,812	10%
Commercial mortgages	$ 42,716	11%	$ 43,091	11%
Total fixed income	$ 233,667	61%	$ 223,853	59%
Non-fixed income				
Real estate	$ 43,175	11%	$ 43,210	11%
Common equity	$ 37,061	10%	$ 41,409	11%
Preferred equity	$ 16,203	4%	$ 17,337	5%
Total non-fixed income	$ 96,439	25%	$ 101,956	27%
Total invested assets	$ 330,106	86%	$ 325,809	86%
Policy loans	$ 50,153	13%	$ 50,035	13%
Other assets	$ 4,675	1%	$ 4,825	1%
Total participating assets	$ 384,934	100%	$ 380,669	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.

Quarterly Commentary

Canadian economy Our base case scenario for the Canadian economy over the next four quarters is continued low growth on relative oil market weakness and a particularly strong dollar which will likely hurt trade. A stronger consumer however should offer positive offset to the strong dollar and continued vulnerabilities in the energy sector. Our inflation expectations remain in the sub-2% region given employment markets remain soft. Based on these factors we expect GDP growth of 1.5% over the coming 12 months.

US economy Our view on the US economy is more positive compared to Canada, but still offers a muted view of the economy. Personal consumption has not been performing as expected and is showing some sign of slowing from a +2% level contributing to the tepid view. While labour markets have been relatively healthy, consumers have increased their savings rate which is negatively impacting consumer spending. Offsetting this weakness is a softer US dollar which should offer some support to exports. Based on this, our 12 month US GDP growth forecast is 1.8%.

Participating account positioning Over the quarter there were no significant changes to the participating account portfolio. Our government bond exposure increased marginally to 19% of the fund from 18%, while our corporate bond exposure remained flat at 20% of total assets. There was a slight decrease in common equity as we reduced the allocation to equities as the outlook for corporate earnings growth has deteriorated. There was also a 1% drop in preferred equities on weak market performance.

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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.

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