

PARTICIPATING ACCOUNT ASSET MIX QUARTERLY UPDATE

AS OF SEPTEMBER 30, 2014

	September 30, 2014	December 31, 2013*
Short-term		
Cash and equivalents	<1%	<1%
<i>Total short-term</i>	<1%	<1%
Fixed income		
Government bonds	18%	18%
Corporate bonds	16%	17%
Private placements	9%	9%
Commercial mortgages	11%	12%
<i>Total fixed income</i>	54%	56%
Non-fixed income		
Real estate	12%	13%
Common equity	15%	13%
Preferred equity	6%	4%
<i>Total non-fixed income</i>	33%	30%
Total invested assets	87%	86%
Policy loans	12%	13%
Other assets	1%	1%
Total participating assets	100%	100%

* Values published in Understanding Participating Whole Life Insurance (1038). See that guide for full details.

Quarterly Commentary

Canadian economy

We expect Canadian economic growth of 2.4% for 2014, a lag of almost one percent relative to the US. Trade and a weaker consumer continue to drive this relationship. The Canadian consumer remains resilient, but will fall to only 50% of GDP in the coming year as households remain stretched. The weakened Canadian dollar and strengthening US economy will support net trade to keep the economy growing above 2%.

US economy

Early indicators of the third quarter growth are progressing in line with our expectations, after a second quarter rebound in economic growth of 4.6% in the US and 3.1% in Canada. The second quarter rebound was on the back of weak, weather induced data. Personal consumption will continue to drive economic growth on strong consumer confidence and expanding credit. Business investment will contribute almost 1% as CEO confidence improves and capacity utilization increases.

Participating account positioning

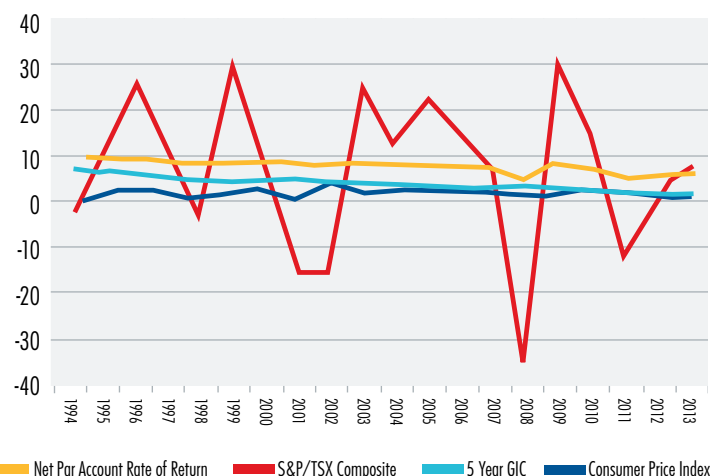
Over the third quarter there were no significant changes in the participating account. There was a slight decrease in our corporate bond exposure of -1.1% and a slight decrease within commercial mortgages. Common equity exposure to the US increased from 46% to 47% with an equal offset to Canada. We continue to anticipate stronger performance in the US market over the long-term and believe our current geographical exposures offer superior diversification compared to that offered by international markets.

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The following shows historical results of Equitable Life's participating account, net of investment expenses, compared to other well-known economic indicators.¹

Year	Net participating account rate of return	S&P/TSX Composite Index	5 Year GIC	Consumer Price Index
1994	9.6	-2.5	7.4	0.2
1995	9.4	11.9	7.1	1.8
1996	9.1	25.7	5.6	2.2
1997	8.5	13.0	4.7	0.8
1998	8.3	-3.2	4.4	1.0
1999	8.2	29.7	4.8	2.6
2000	8.2	6.2	5.3	3.2
2001	7.7	-13.9	4.0	0.7
2002	8.0	-14.0	3.9	3.8
2003	7.7	24.3	3.1	2.1
2004	7.6	12.5	2.9	2.1
2005	7.5	21.9	2.7	2.1
2006	7.6	14.5	3.2	1.7
2007	7.3	7.2	3.3	2.4
2008	4.9	-35.0	3.0	1.2
2009	8.6	30.7	2.0	1.3
2010	7.8	14.4	2.0	2.4
2011	6.0	-11.1	1.9	2.3
2012	7.3	4.0	1.7	0.8
2013	8.5	9.6	1.6	1.2
Average Annualized Returns				
1	8.5	9.6	1.6	1.2
3	7.3	0.8	1.7	1.4
5	7.7	9.5	1.8	1.6
10	7.3	6.9	2.4	1.8
20	7.9	7.3	3.7	1.8
Standard deviation since 1994	1.1	16.7	1.7	0.9



The dividend scale interest rate reflects the investment performance of the participating account and is used in the calculation of the investment performance component of the dividend².

Here is a summary of our current and previous dividend scale interest rates:

Year	Dividend scale interest rate
2005	8.2%
2006	7.9%
2007	7.9%
2008	7.9%
2009	7.4%
2010	7.1%
2011	7.1%
2012	6.8%
2013	6.8%
2014	6.8%

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.

Determining the dividends takes into consideration various components of the participating block of policies. The investment performance is just one component; other components include mortality, expense, lapse, claims experience, taxes and other experience of 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.

For more information on dividends and how they are calculated please see Understanding Participating Whole Life Insurance (1038).

¹ Sources: Statistics Canada, Bank of Canada, Equitable Life of Canada®. Historical results are not indicative of future performance.

² Dividends are not guaranteed. They are subject to change, and will vary based on the actual investment returns in the participating account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies. Decreases in the dividend scale do not affect the guaranteed premium, guaranteed cash values, or guaranteed death benefit amount.

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