



It's not If but When...

Why Protection is more important Now then ever

November 2018

Desjardins

Inspiring trust from coast to coast

CREATED IN
1900

The leading financial
cooperative in Canada

\$290.1 B

In total assets



Over 7 million
clients and members

Ranked 4th
Safest Bank in
North America by
Global Finance



5th LARGEST HEALTH
AND LIFE INSURANCE
PROVIDERS IN CANADA

 **Desjardins**
Wealth Management
Investments

 **Desjardins**
Business

 **Desjardins**
Insurance
Life • Health • Retirement

 **Desjardins**
Insurance
Home • Auto

Assets, members and insurer ranking as at June 30, 2018.

Moody's ratings of Canada's 7 largest banks (including Desjardins), as at May 11, 2017.

Global Finance, Safest Banks In North America, September 2017.

 **Desjardins**
Insurance
Life • Health • Retirement

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Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company

Desjardins

Pioneer and leader in RI

Almost **\$3B**
in responsible investing
assets under management¹



1990
Launch of the
Desjardins Environment Fund:
The first of its kind
in Canada

Be ahead of the game

Where institutional investors lead,
retail investors follow.

Canadian assets

invested according to RI guidelines.²



Institutional Assets

42%

Non-RI Assets

58%

RI Assets

1. Assets under management as at June 30, 2017 (include all RI assets held within the Desjardins Group)
2. RI assets calculated according to the estimate published in RI Trends Report, Responsible Investment Association, 2017.

The Right Portfolio Manager for each Mandate

Objective and rational approach to manager selection

Managers



BLACKROCK



Sub-advisors



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Agenda

01 The state of Canadian Investors Today

02 Where are the risks in Equity Markets?

03 Where are the risks in Fixed Income?

04 Protection matters more than ever!

The state of Canadian investors today

Canadian investors focus on retirement programs

- Only 22.5% of Canadians contributed in 2016
- 2016 Median contribution: \$3,000
- 95% of persons that could contribute to an RRSP have unused room

Aged 55-70, 2015	%
RRSP, TFSA or RPP (at least one)	65.4
RRSP	36.5
RPP	27.3
TFSA	42.7
RRSP, TSFA and RPP (all 3)	9.6

Source: Statistics Canada, 2018

Canadian investors are world leaders – in debt

Total household
debt is around
170%
of disposable
income.

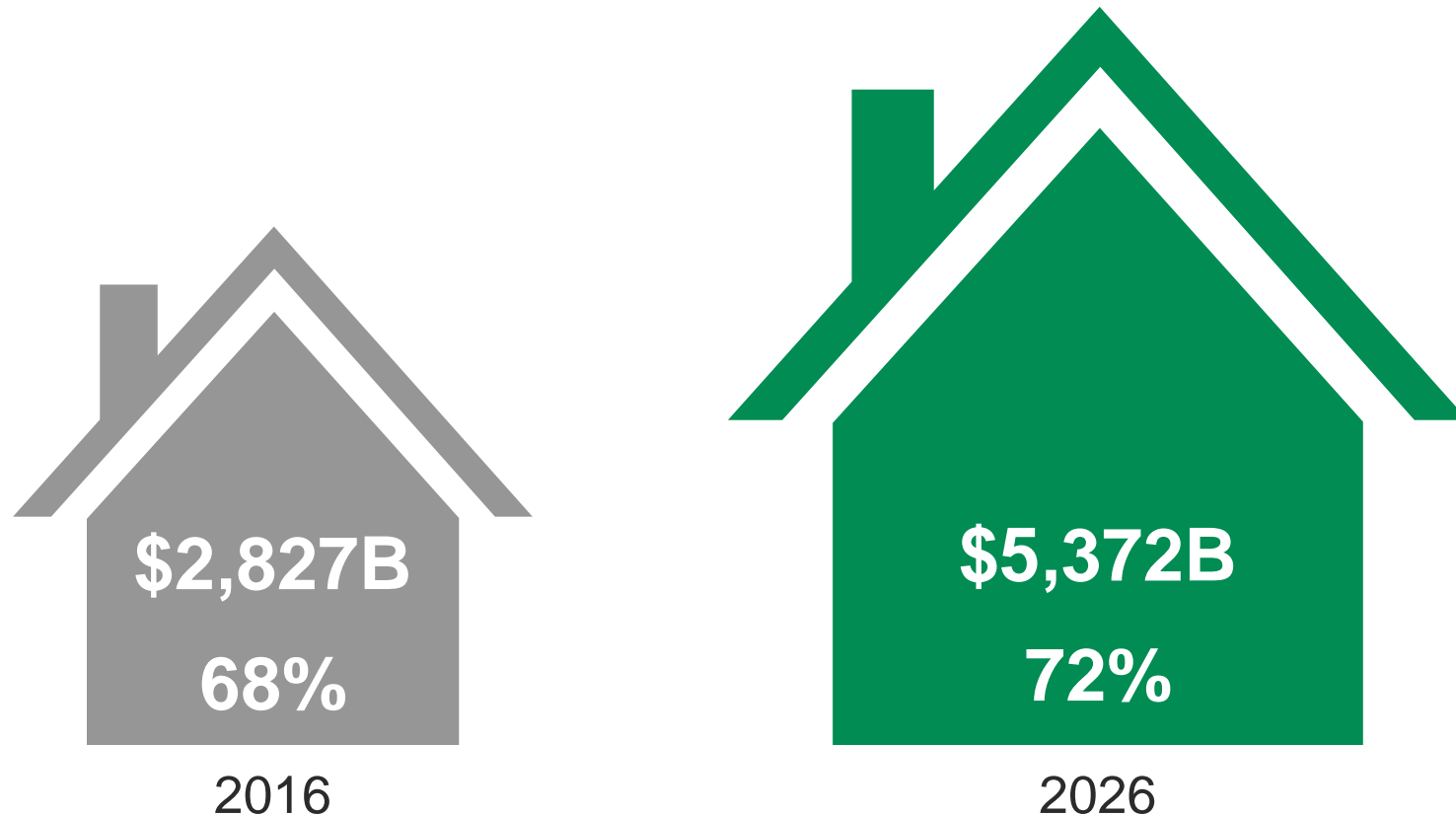
46% of
homeowners
aged 55 to 64
have a mortgage



Source: Equifax Canada, Bank of Canada, CPA Canada **Canada continues to be a world leader — in debt, April 2018**

Why should you care about the 55+ market?

Financial wealth of households aged 55+



Source: Strategic Insights, Household Balance Sheet, August 2017

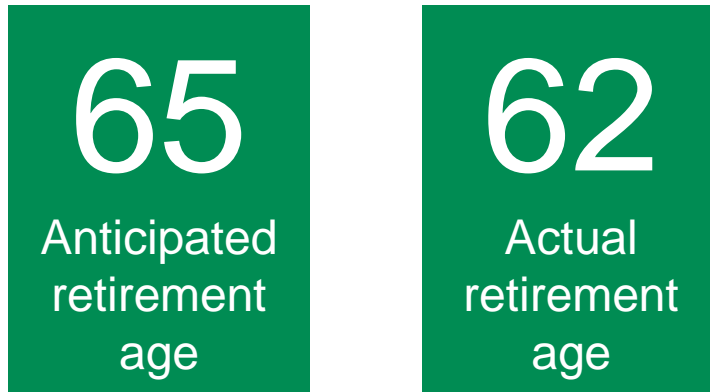
Why should you care about the 55+ market?



Within 5 years, **5 million** Canadians will retire

Retirement is not always when you want it to be

- More than half of retirees retired earlier than planned
- 3-year disconnect



- Most common reason for early retirement: health problems (32%)

Source: The Inner workings of retirement timings, LIMRA 2018

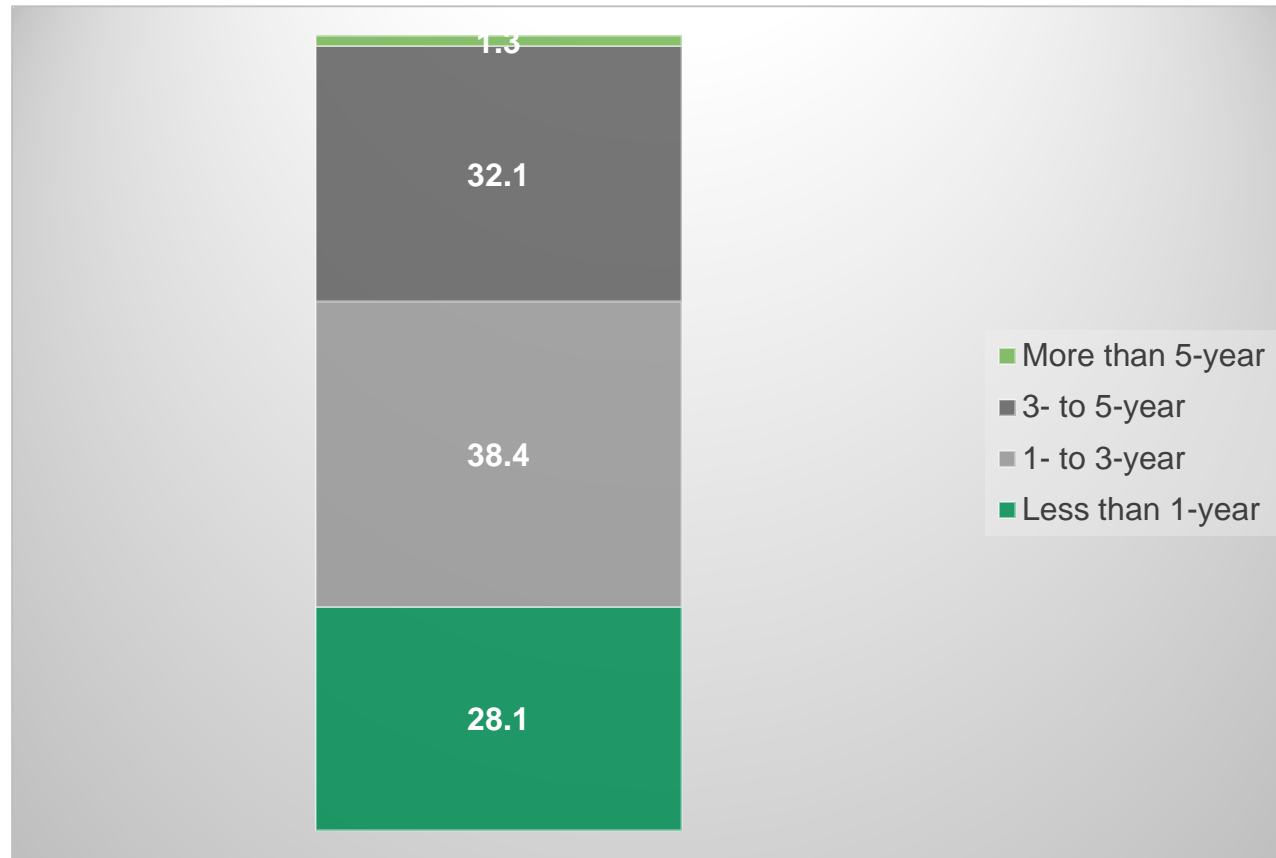
50% are seeking safety in fixed term investments

Total deposits	December 2017 (billions of dollars)
Regular savings and chequing	427
Premium savings accounts	392
Fixed term deposits	529
Short-term GICs	285
Long term GICs	182
Market-linked GICs	62
Total	1,347

Source: Strategic Insights, Deposit Advisory Service, Spring 2018

Where are they investing?

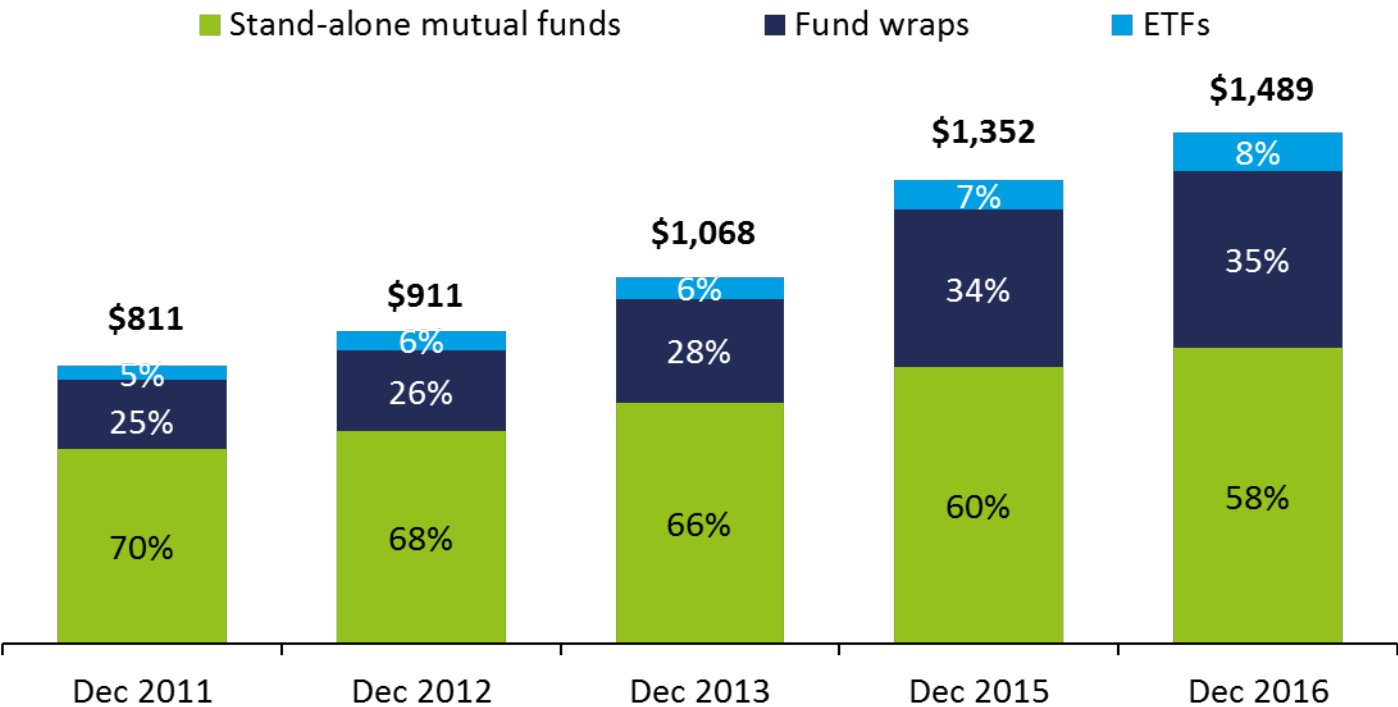
Investment in GIC terms (December 2017)



Source: Strategic Insights, Deposit Advisory Service, Spring 2018

50% are seeking growth and safety through diversification

In billions of dollars



	Growth		
	1-yr	3-yr CAGR	5-yr CAGR
All funds	10.1%	11.7%	12.9%
Stand-alone	8.8%	8.4%	9.8%
Stand-alone mutual funds	6.8%	7.1%	8.7%
ETFs	26.9%	21.6%	21.3%
Fund wraps	12.8%	19.2%	20.9%

All figures reported in fund administration view (an asset under administration view).

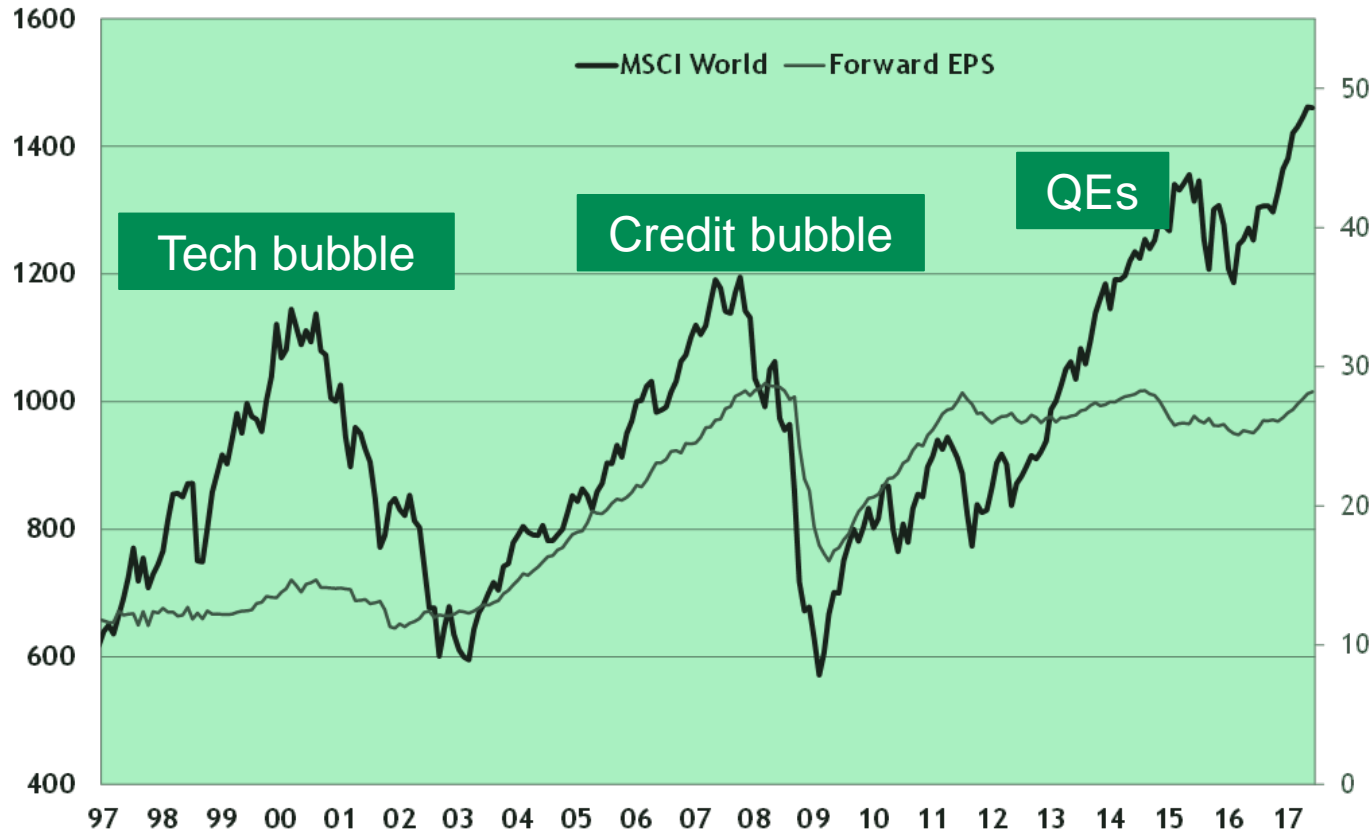
Investor Economics Insight January 2017

Where are the risks in Equity Markets

The longest bull market

Equity Market vs. Earnings – MSCI World

12-mth forward EPS vs. MSCI World index



Sources: Hexavest, IBES, MSCI, Datastream. Data from 1997 to 2017

Longest bull market

S&P/TSX Total Return index to September 30, 2018

Bull & Bear Since 1956

Average gain in bull market	128%
Average length of bull market	51 months
Average loss in bear market	- 28%
Average length of bear market	9 months

Current Bull Market Since 03/2009

Gain in the bull market	162%
Length of the bull market	115 months



The market is showing signs of disruption. On October 26, the S&P/TSX closed at its lowest level since November 2016.

Bear Market Statistics Since 1841 (S&P 500)

Start Date	End Date	Duration (Months)	Magnitude
1872.06	1877.06	62	-47.3%
1881.07	1896.08	153	-42.1%
1902.10	1903.11	14	-29.3%
1906.10	1907.11	15	-37.7%
1910.01	1921.08	141	-37.4%
1929.10	1932.07	34	-84.8%
1934.03	1935.03	14	-25.7%
1937.03	1942.04	63	-56.7%
1946.06	1949.06	38	-25.3%
1962.01	1962.06	7	-22.5%
1969.01	1970.06	19	-29.0%
1973.02	1974.12	24	-43.4%
1987.09	1987.12	5	-26.8%
2000.09	2003.02	31	-43.7%
2007.11	2009.03	18	-50.8%
Average		43	-40%
Median		24	-40%

Source: <https://greenbackd.com/2014/08/11/bear-markets-1871-to-date-duration-and-magnitude/>

US Market Valuations

S&P 500 Valuation

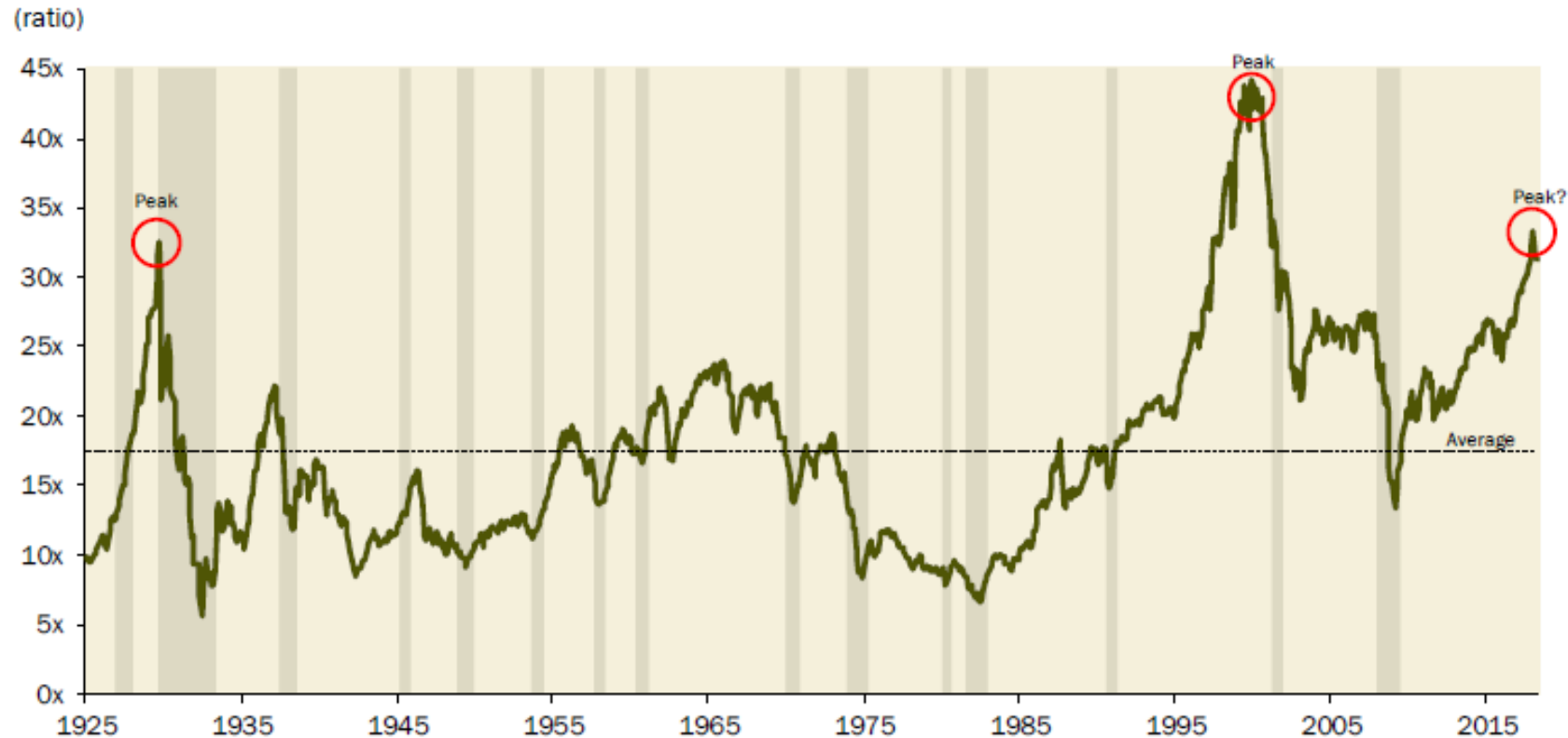
Metric	March 2018	Historical Decile	since
Price / forward Earnings	16.3	8	1985
Price / trailing Earnings	21.3	9	1954
Price-to-Book	3.0	9	1980
Price-to-cash flow	14.2	9	1990
EV / EBITDA	13.1	10	1990
Cyclically adjusted P/E (CAPE)	32.8	10	1881
PEG ratio	1.0	5	1985
Average decile		9	

Sources: Hexavest, MSCI, IBES, Datastream, Bloomberg, Robert Shiller

As at March 31, 2018

US Market Valuations

United States: Cyclically Adjusted Price-to-Earnings Ratio



Notes:

Shaded regions represent periods of U.S. recession

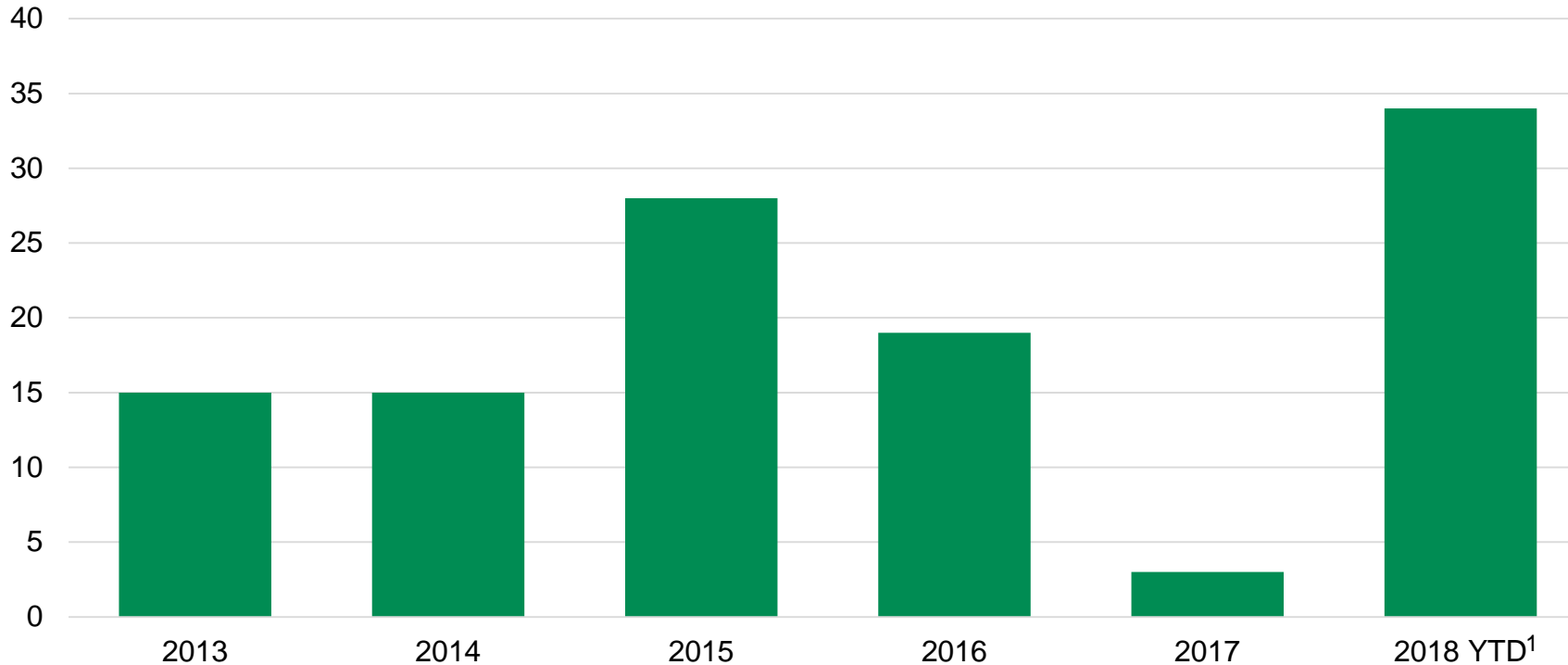
Source: Haver Analytics, Gluskin Sheff

47

But in 2018 - volatility is back !

Volatility is back!

Percent of days S&P 500 was up or down $\geq 1\%$ per year

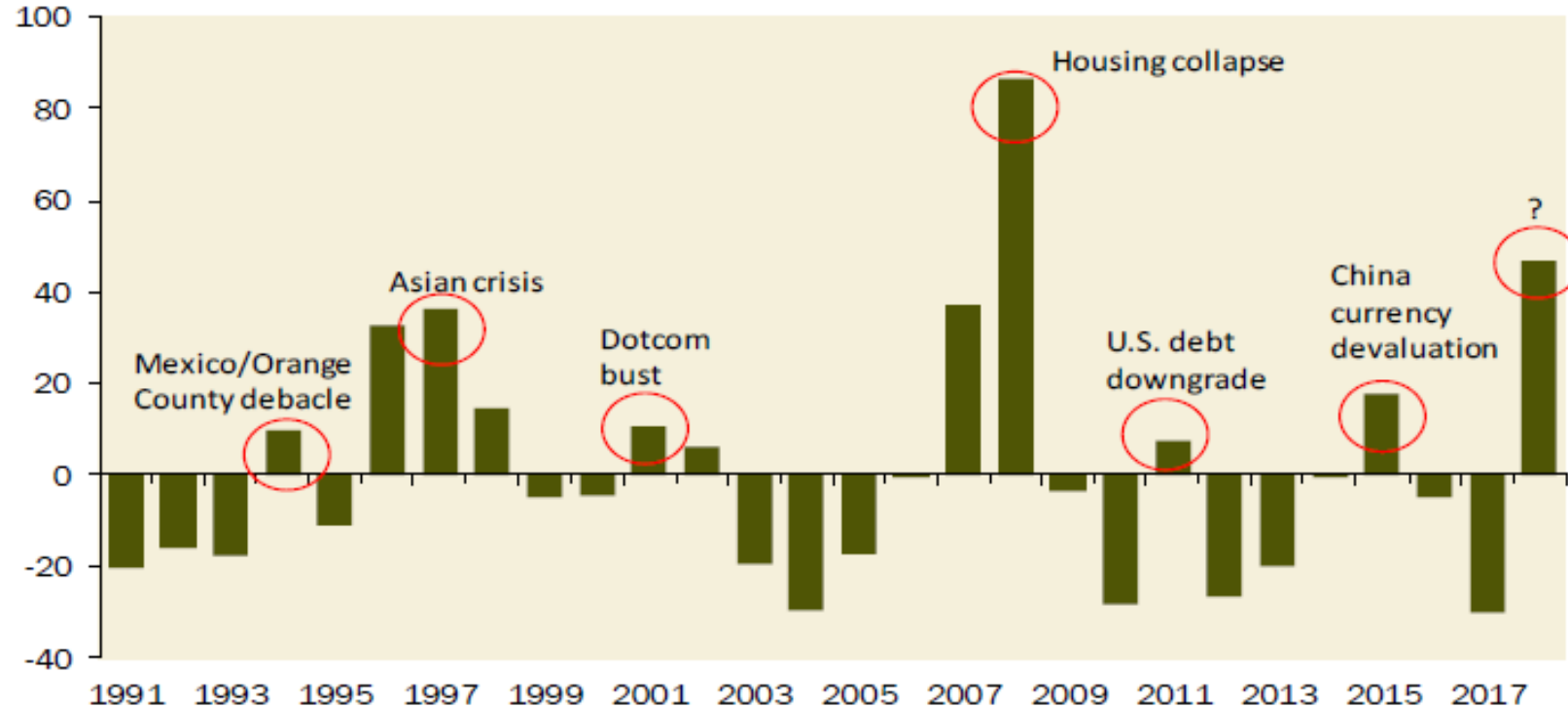


¹2018 YTD through 15 March 2018 | Sources: Bloomberg, Wellington Management

Increased Volatility Usually Comes With a Reason

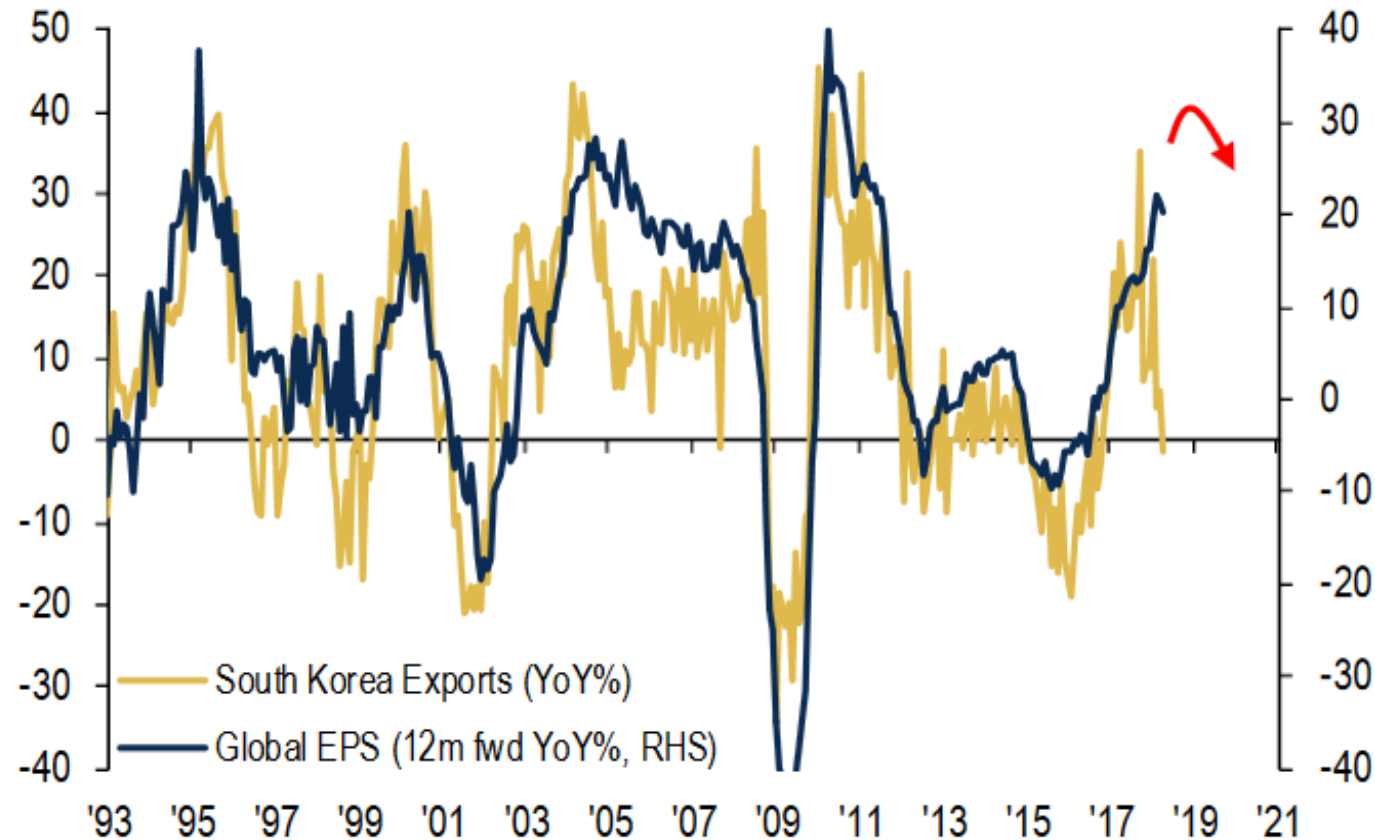
United States: Annual Percentage Change in VIX

(percent)



Source: Haver Analytics, Gluskin Sheff, Spring 2018

Growth seems on the point of falling ...

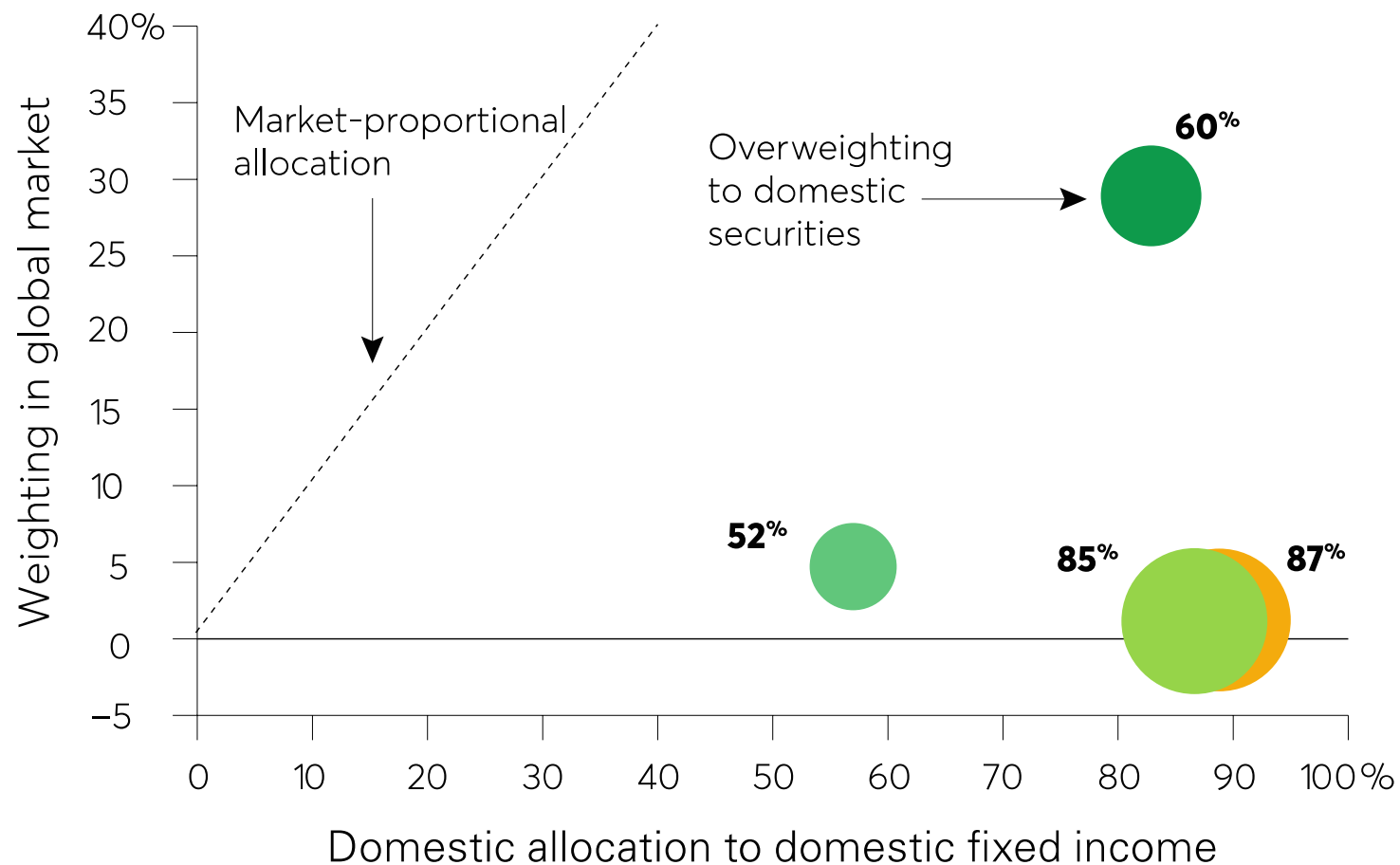


Earnings are at a peak
South Korea Exports and Global EPS

Source: BofA Merrill Lynch Global Fund manager Survey, Bloomberg, Datastream, IBES, MSCI, 2018

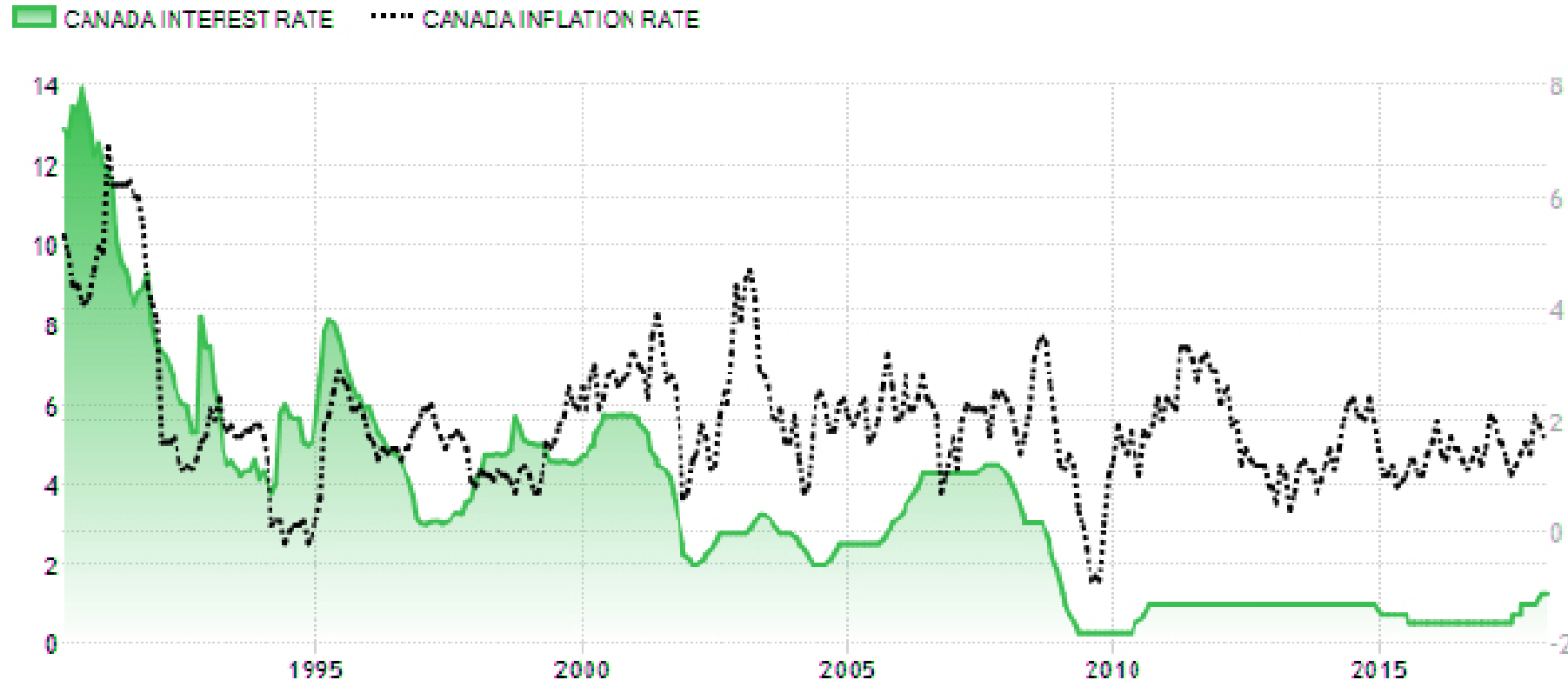
Where are the risks in Fixed Income

Canadian Fixed Income home bias



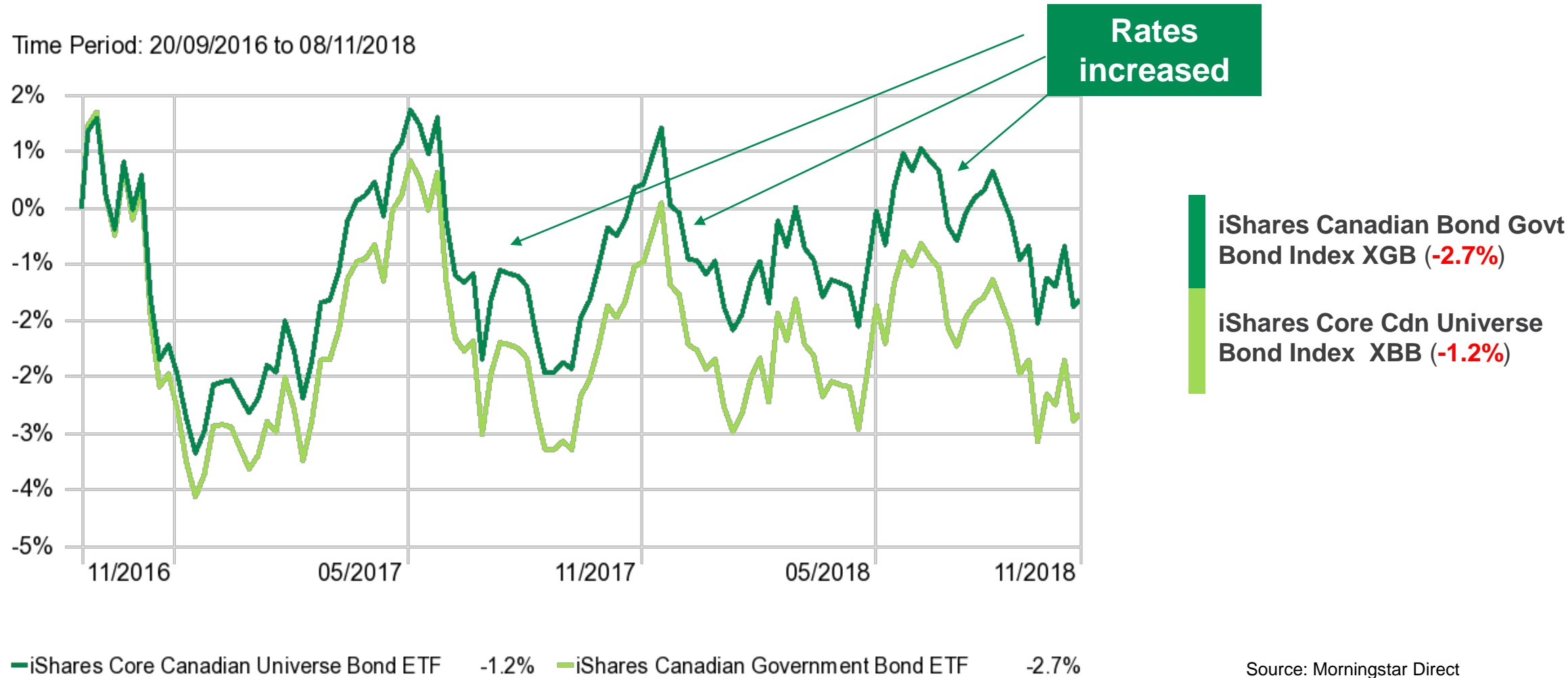
Source: IMF's Coordinated Portfolio Investment Survey (2011), Barclays Capital, Thomson Reuters Datastream. All data as of December 31, 2010

Interest rates in Canada re-emerge from historic lows



Source: Trading Economics
From 03-20-1990 to 03-20-2018

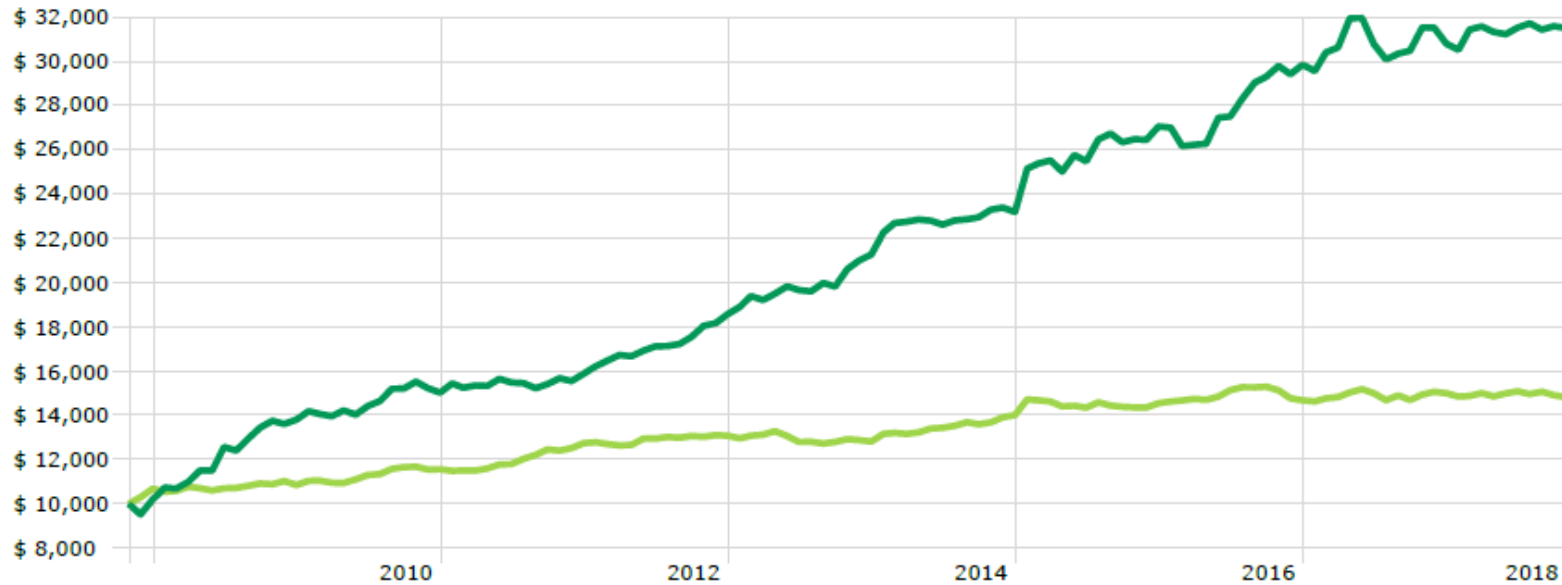
Will domestic fixed income insulate your clients' portfolios?



Many investors are seeking higher yield as a result

Growth of \$10 000 over 10 years

Time Period: 01/11/2008 to 31/10/2018



BBGBarc Global High Yield TR C\$ 31,493.0 FTSE Canada All Government Bond 14,817.9

10-year Risk Data

Time Period: 01/11/2008 to 31/10/2018 Calculation Benchmark: None

	Cumulative Return	Standard Deviation	Sharpe Ratio
BBGBarc Global High Yield TR C\$	214.93	7.55	1.34
FTSE Canada All Government Bond	48.18	4.07	0.58

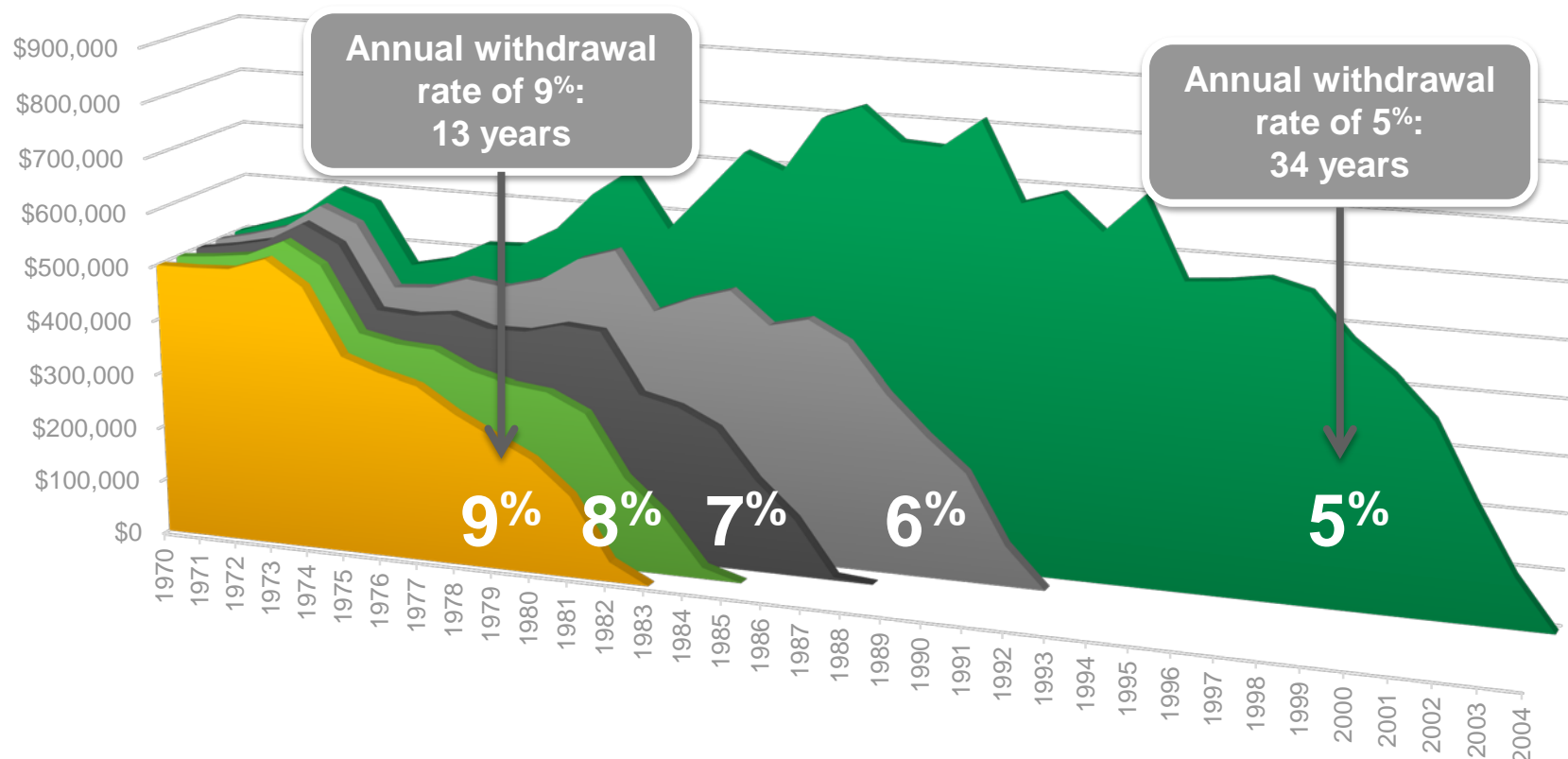
Risk: High yield tends to be highly correlated to equity markets...

Source: Morningstar Direct

Protection matters more than ever

Can your clients afford a market drop?

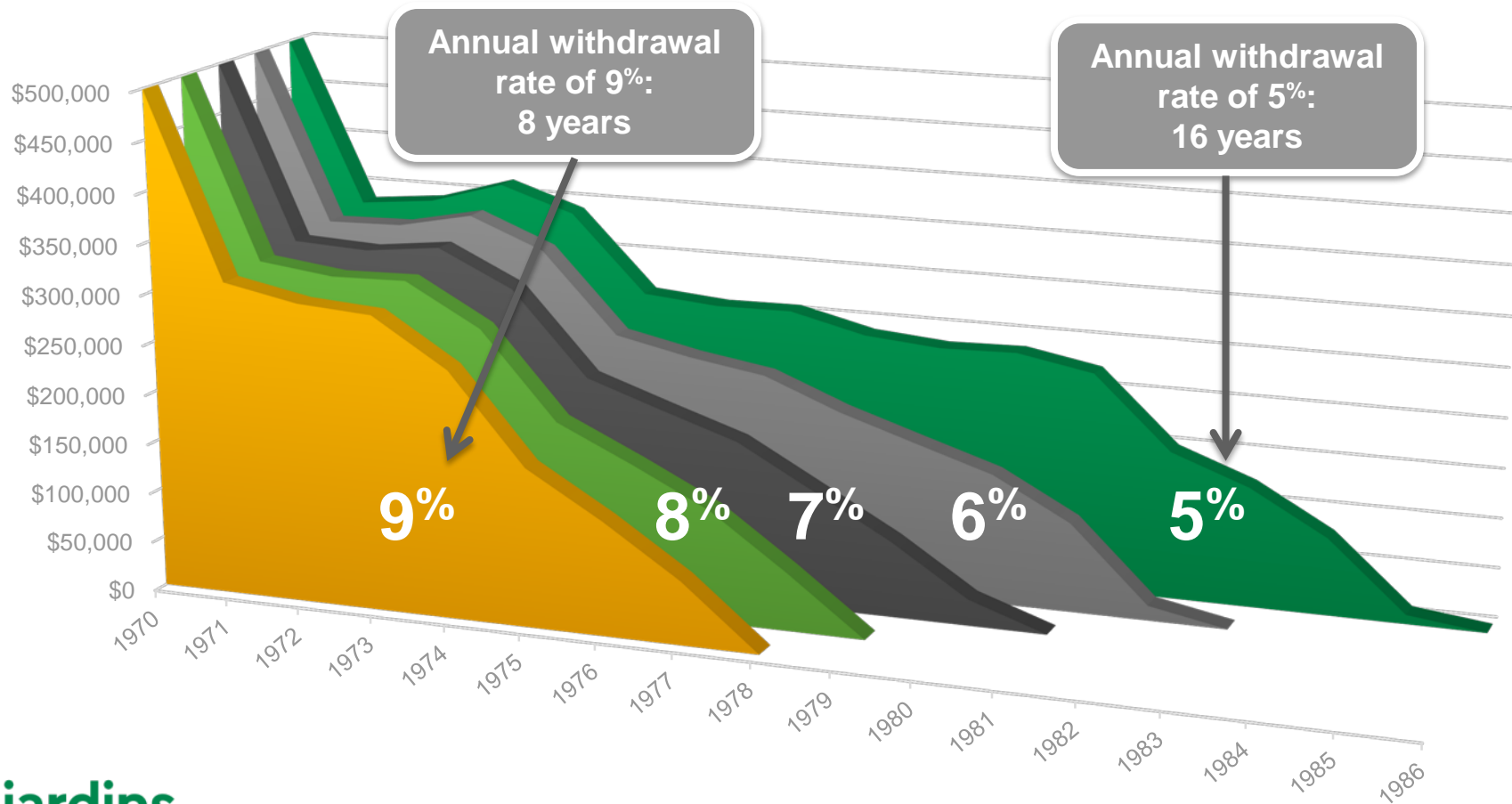
Annual withdrawals as a % of the initial inflation-indexed portfolio value



Hypothetical portfolio of \$500,000 invested on January 1, 1970. Portfolio composed of 50% Canadian equity (Canadian common stock) and 50% Canadian bonds (Canada long bonds). Assumptions: Income reinvested, with no management fees, front- and back-end loads or tax. For information purposes only. Data source: ICA; Report on Canadian Economic Statistics 1924–2015

Can your clients afford a market drop? (First year at -28%)

Annual withdrawals as a % of the initial inflation-indexed portfolio value



Hypothetical portfolio of \$500,000 invested on January 1, 1970. Portfolio composed of 50% Canadian equity (Canadian common stock) and 50% Canadian bonds (Canada long bonds). Assumptions: Income reinvested, with no management fees, front- and back-end loads or tax. For information purposes only. Data source: ICA; Report on Canadian Economic Statistics 1924–2015

Protect past gains...

For retirees and pre-retirees



**Set a floor
on retirement income**
Helios2 Contract with the
Helios2 – 75/100 GLWB
Guarantee

For accumulators

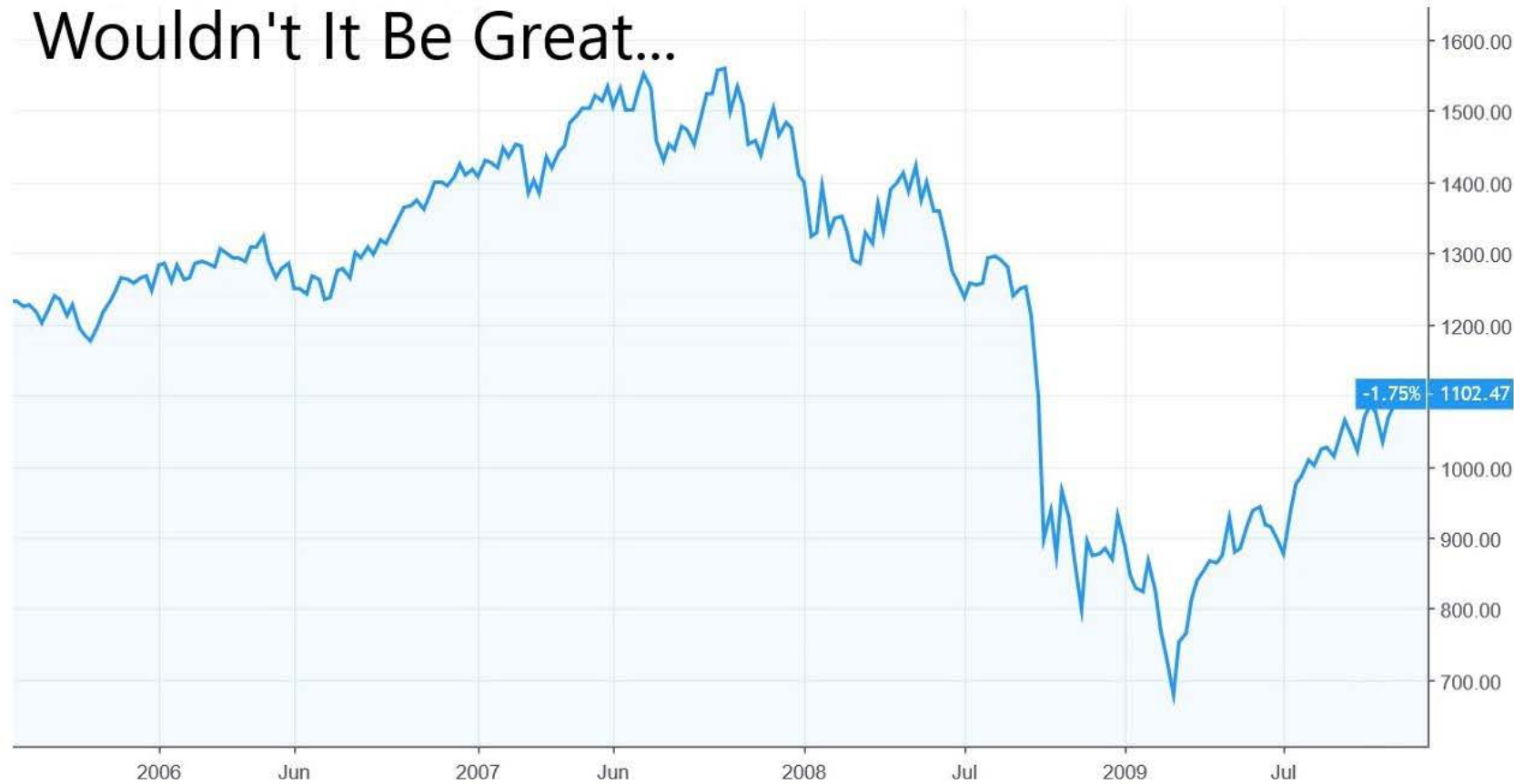


**Stay invested and
protect the downside**
Guarantee Advantage

Set a floor on retirement income

Helios2 – 75/100 GLWB

Wouldn't It Be Great...



For information purposes only. This is neither an indication nor a guarantee of future results.



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And even raise it with a bonus?

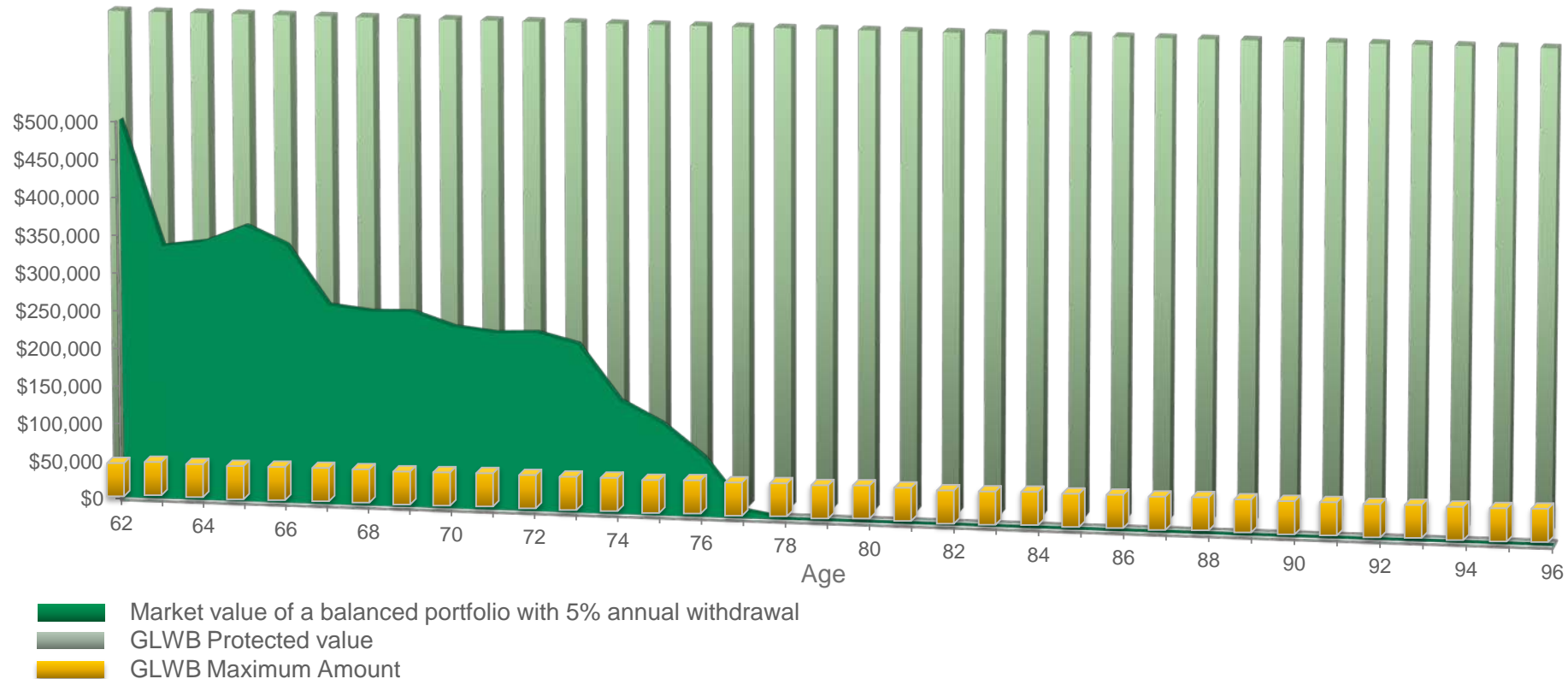
Wouldn't It Be Great...



...To Lock In Your Market Gains
At A High Point?

For information purposes only. This is neither an indication nor a guarantee of future results.

More money for retirement!



This simulation is for information purposes only and is neither an indication nor a guarantee of future results. Please refer to the Contract and Information Folder for more information on the Helios2 Contract and the Helios2 – 75/100 GLWB Guarantee.

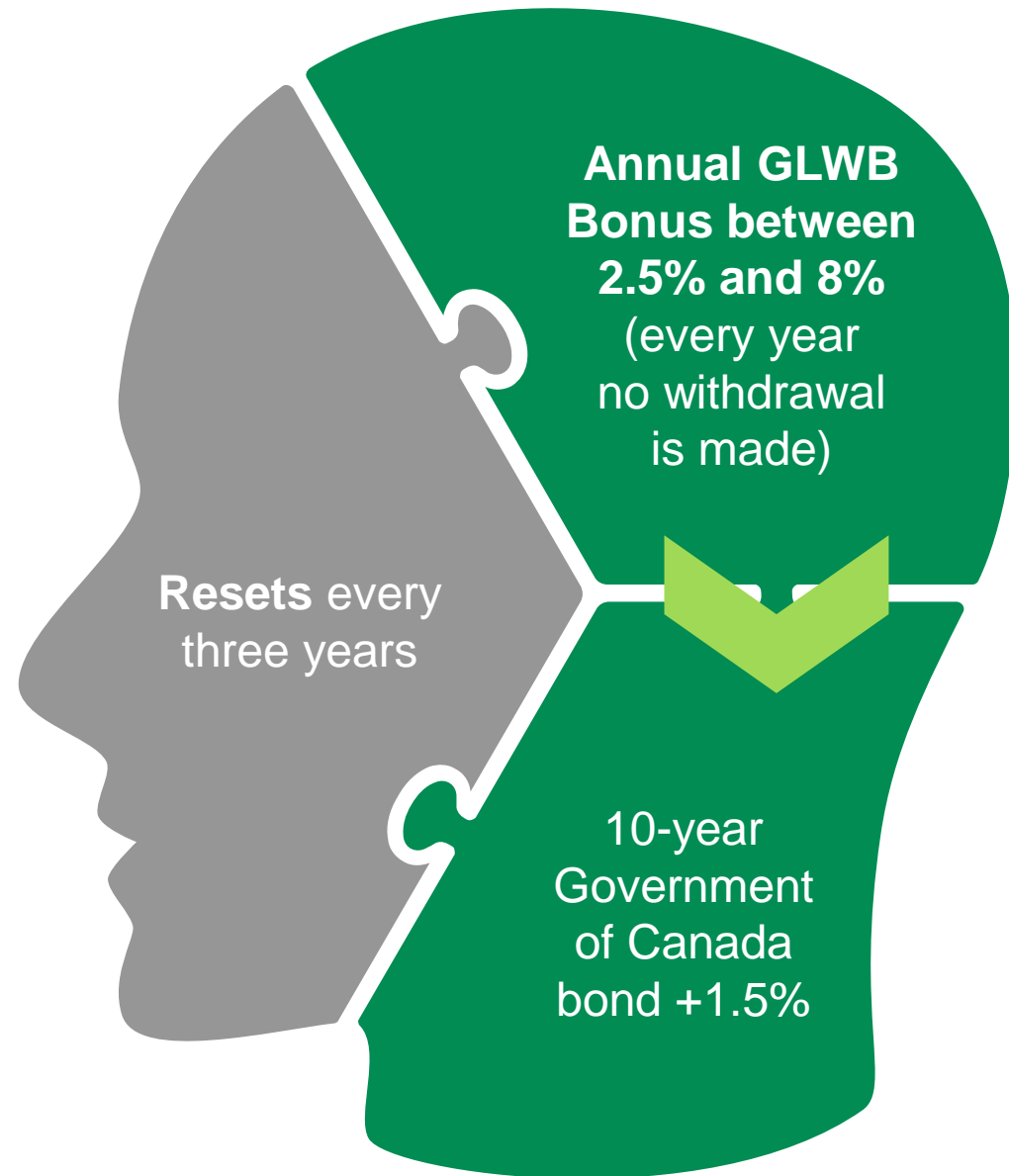
Helios2 – 75/100 GLWB

Guaranteed Lifetime Withdrawal Benefit

Your clients will receive
guaranteed income for life.

This income is **protected
from market downturns**
but can still benefit from
market upturns:

Please refer to the Contract and Information Folder for more information.



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2019 GLWB Bonus

- Calculated on November 30, 2019
- 10-year Government of Canada bond + 1.5%

The GLWB Bonus Rate is based on the 10-year Canadian Bond rate as the last business day of November plus 1.5%, subject to a minimum rate of 2.5% and a maximum rate of 8%, each year no withdrawals are made. For illustrative purposes only. Past performance is not an indication of future results. For more information, please refer to the Contract and Information Folder.

Benefits of Helios2 Contract

Bonus before year end*	HNW pricing**	Best Death Benefit	Fee deductibility
<ul style="list-style-type: none">GLWB Bonus will be determined on November 30, 2019. (Helios2 – 75/100 GLWB)	<ul style="list-style-type: none">Series 8	<ul style="list-style-type: none">100% Death Benefit (Helios2 – 75/100 GLWB)	<ul style="list-style-type: none">Additional Guarantee Fees paid by the Contract Owner after December 31, 2014, should be deductible as capital losses when a guarantee payment is made or when the Contract terminates (non-registered Contracts).

*The GLWB Bonus Rate is based on the 10-year Canadian Bond rate as the last business day of November plus 1.5%, subject to a minimum rate of 2.5% and a maximum rate of 8%, each year no withdrawals are made. Estimated rate at November 7, 2018: 2.52% + 1.50% = 4.02%. For illustrative purposes only. Past performance is not an indication of future results.

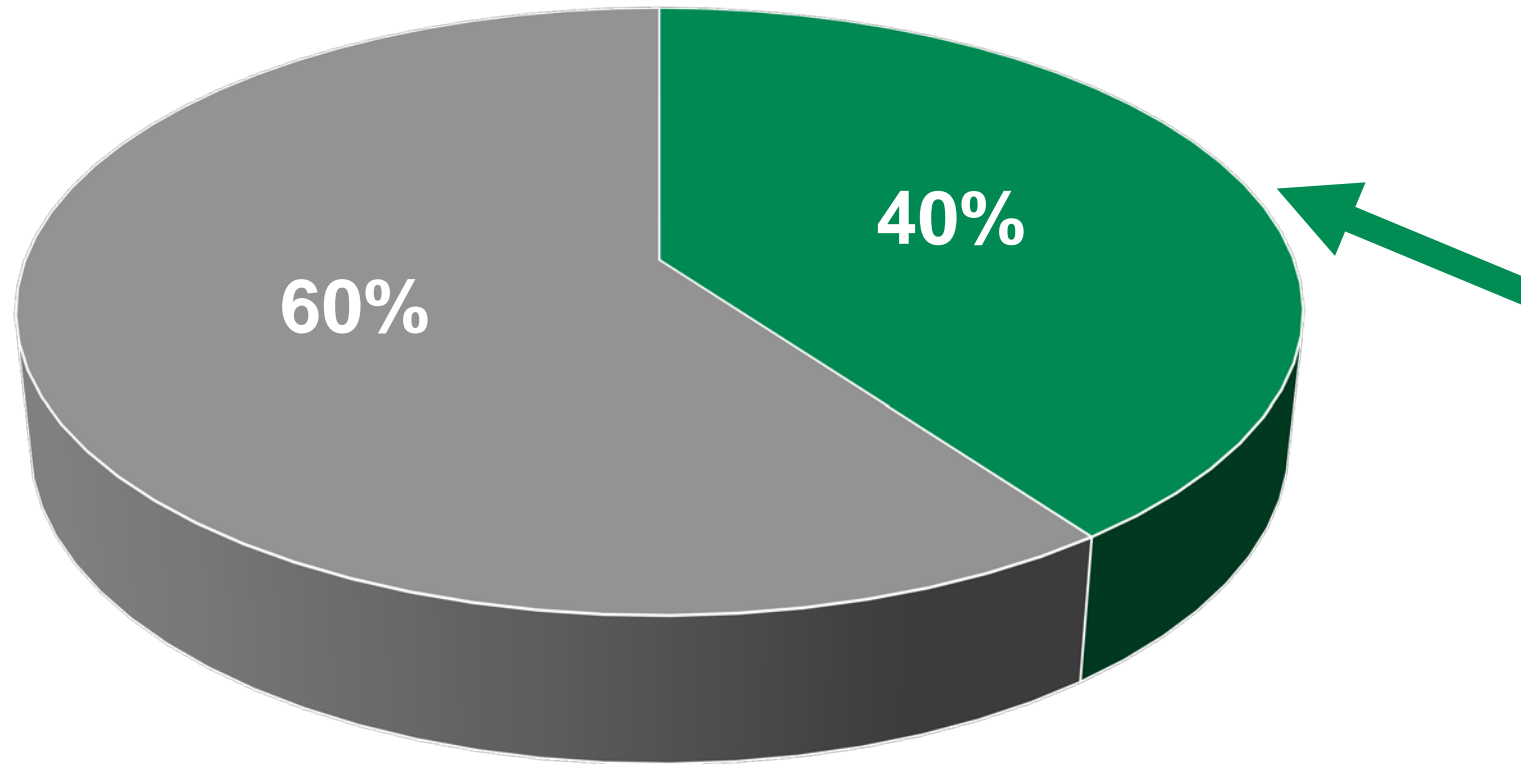
** Conditions apply.

For more information on Series 8 and the Guarantees of the Helios2 Contract, please refer to the Contract and Information Folder.

Stay invested and protect the downside

Guarantee Advantage (GA)

Consider GA to protect portfolio

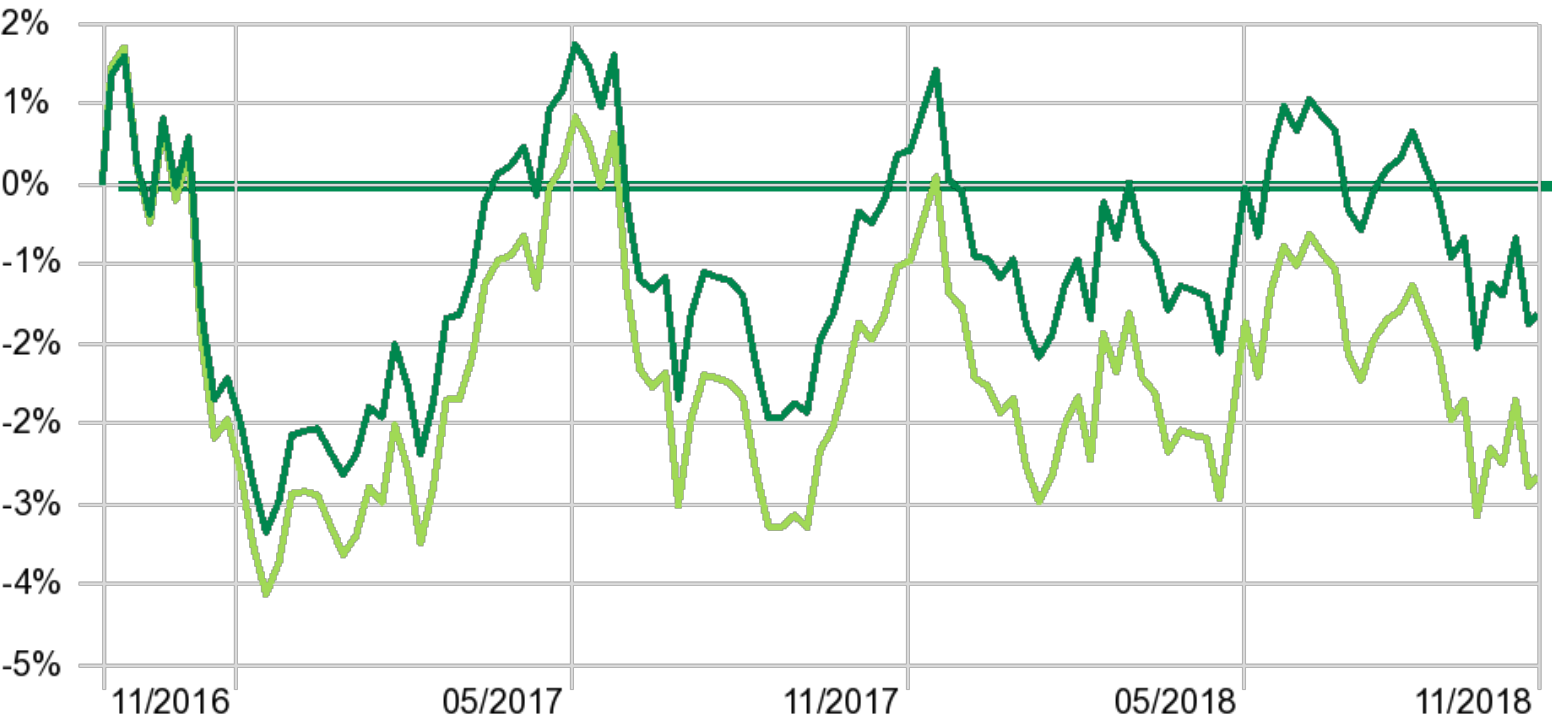


**Replace
Fixed
income
with GA**

■ Fixed income ■ Equities

Consider GA to protect portfolio

Time Period: 20/09/2016 to 08/11/2018



GA 3-year potential maximum: **20%***

GA 3-year guaranteed minimum: **0%***

- iShares Canadian Bond Govt Bond Index XGB (-2.7%)
- iShares Core Cdn Universe Bond Index XBB (-1.2%)

iShares Core Canadian Universe Bond ETF -1.2% iShares Canadian Government Bond ETF -2.7%

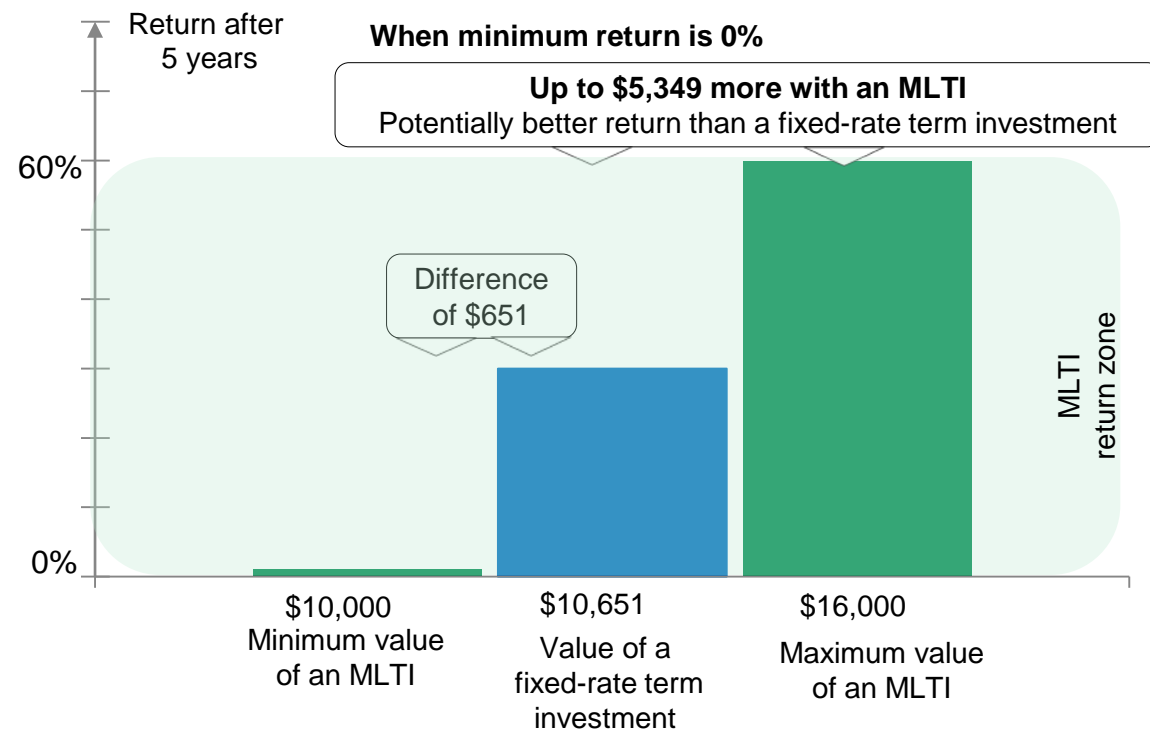
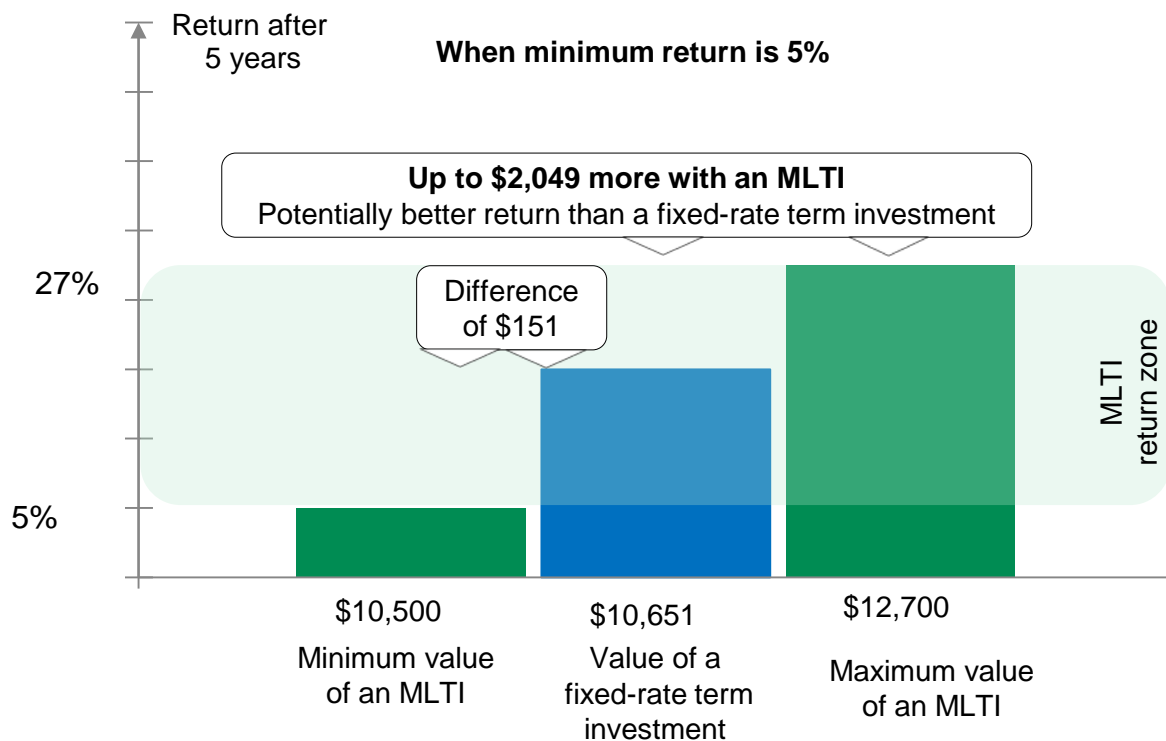


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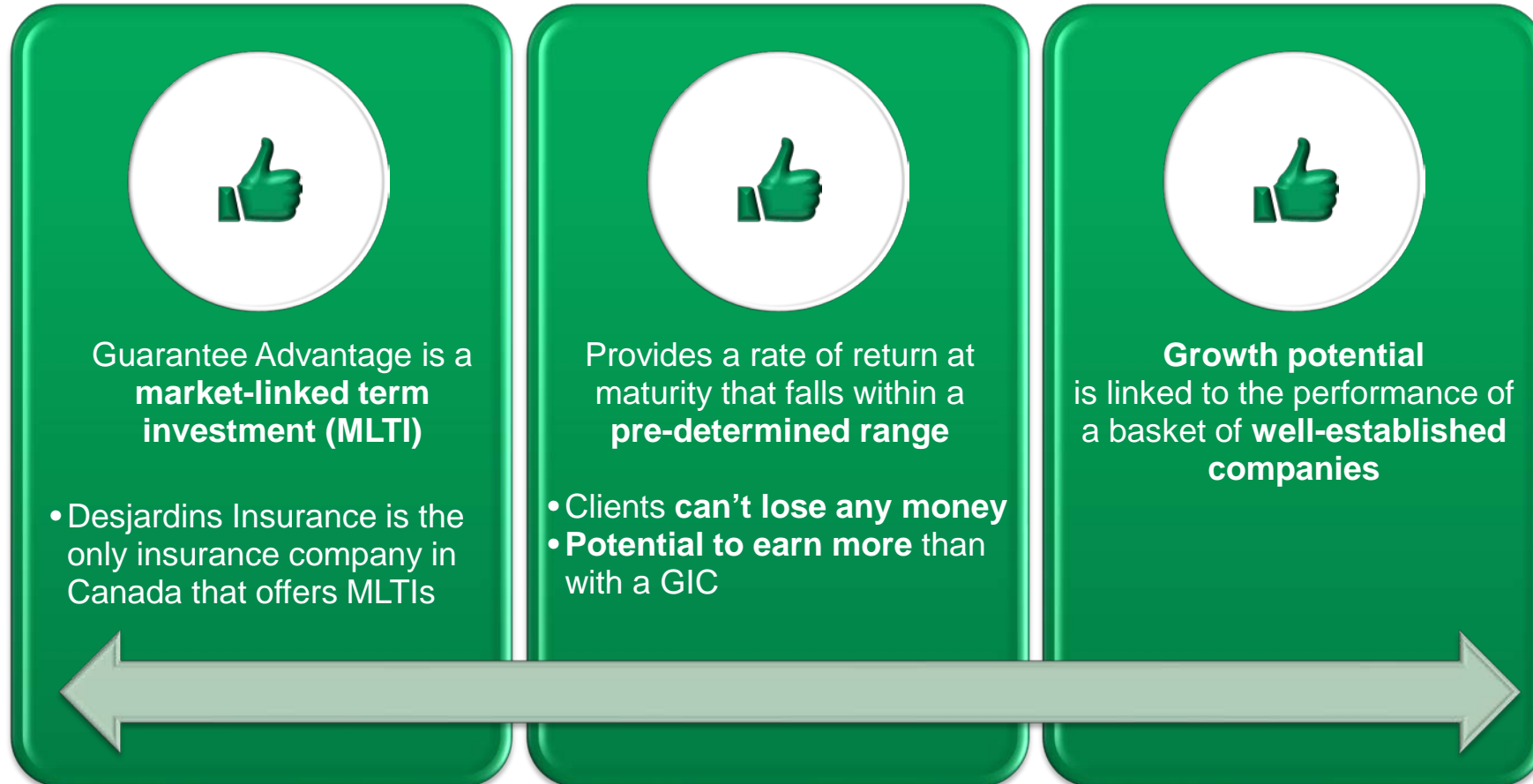
Source: Morningstar Direct
* For the January 2019 campaign

Higher return potential than a fixed-rate term investment

In exchange for a guaranteed minimum return that is slightly lower than that of a fixed-rate term investment, an MLTI gives your clients a much higher potential return at maturity.



What is Guarantee Advantage?



Why choose an MLTI?

1. To take advantage of benefits exclusive to life insurers

- ✓ **No probate fees**
- ✓ **Beneficiary designation:** for a quick and confidential payout of the Death Benefit
- ✓ **Guaranteed Death Benefit:** Deposits are 100% guaranteed at maturity and upon death
- ✓ **Protection from creditors and civil lawsuits:*** for self-employed and professional clients who want to protect their personal savings and their family's financial security

2. Higher return potential than a fixed-rate term investment**

- ✓ Potentially better performing and 100% secure alternative to a fixed-rate term investment.

*Creditor protection rules can be complex and vary from one province to another. Interested investors should consult a legal advisor (lawyer or notary) for an assessment of their specific situation.

**The rate of 1.27% indicated for the fixed-rate term investment is the average of the interest rates for all 5-year fixed-term investments offered by the major banks on the last Wednesday of each month from 2013 to 2017. Source: Bank of Canada, Data & Statistics Office.

Guarantee Advantage Offers

100% Contract Maturity

**The Shortest term for Maturity Benefit
Guarantee in the Market Place**

Can be Purchased up to Age 95

\$500 minimum Deposit

No Management Fees

February 2019 campaign

Deadline for Deposits: January 25th, 2019

February 2019 campaign return options

February 2019 campaign

Initial Date for Deposits: **November 24, 2018**

Deadline for Deposits: **January 25, 2019**

Return options

	Term of 3 years and 2 days	Term of 4 years and 2 days	Term of 5 years and 2 days							
	Global Diversified	Global Diversified	Global Diversified			Canadian Diversified			Consumer Staples	Global Financials
			\$500 - \$24,999	\$25 000 - \$249,999	\$250,000 +	\$500 - \$24,999	\$25 000 - \$249,999	\$250,000+		
Univeris product code¹	GAV48	GAV49	GAV50	GAW02	GAY02	GAG24	GAQ06	GAU06	GAB40	GA022
Initial Date	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019	Feb. 6, 2019
Maturity Date	Feb. 8, 2022	Feb. 8, 2023	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024	Feb. 8, 2024
Return (%) guaranteed minimum – potential maximum (Annual return (%))	0 – 20 (0 – 6.27)	0 – 35 (0 – 7.79)	0 – 60 (0 – 9.86)	0 – 66* (0 – 10.67*)	0 – 72** (0 – 11.46**)	0-unlimited (0 – unlimited)	0-unlimited (0 – unlimited)	0-unlimited (0 – unlimited)	5 – 27 (0.98 – 4.9)	0 – 60 (0 – 9.86)
Participation rate	100%	100%	100%	110%	120%	100%	110%	120%	100%	100%

February 2019 campaign

Desjardins Financial Security Life Assurance Company reserves the right to suspend **Guarantee Advantage** Deposits for the December 2018 campaign or to postpone the Initial Date.

The annualized minimum returns are for information purposes only and not an indication of actual results.

Questions