

Equitable Life

Equitable Asset Management Group

Investment frameworks



Equitable Life
of Canada

DISCLAIMER

- Any statements contained herein that are not based on historical fact are forward-looking statements. Any forward-looking statements represent the portfolio manager's best judgment as of the present date as to what may occur in the future. However, forward-looking statements are subject to many risks, uncertainties and assumptions, and are based on the portfolio manager's present opinions and views. For this reason, the actual outcome of the events or results predicted may differ materially from what is expressed. Furthermore, the portfolio manager's views, opinions or assumptions may subsequently change based on previously unknown information, or for other reasons. Equitable Life of Canada® assumes no obligation to update any forward-looking information contained herein. The reader is cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

-

- This presentation is intended for information purposes only and is provided with the understanding that it does not render investment, legal, accounting, tax or other professional advice. Equitable Life® has made every effort to ensure the accuracy of this presentation, however, accuracy is not guaranteed.

-

- 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.

- Unless otherwise indicated, ® and TM denotes a trademark of The Equitable Life Insurance Company of Canada. S&P, S&P 500, and TSX are trademarks of the McGraw-Hill Companies Inc.

-

- FOR ADVISOR USE ONLY

-

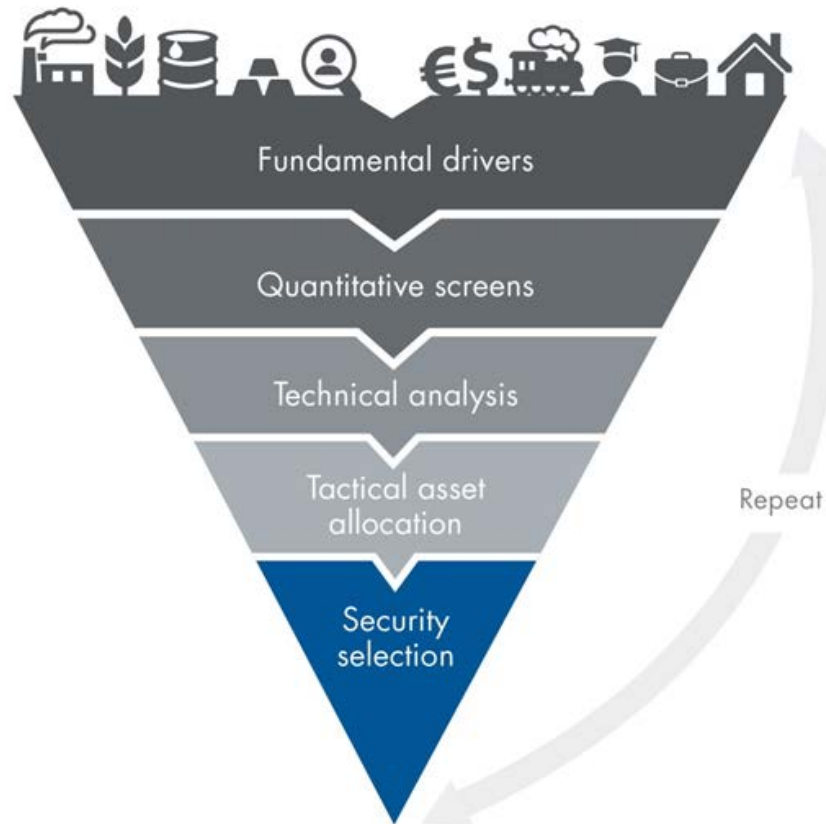
- © The Equitable Life Insurance Company of Canada. Reproduction of this publication without written permission is prohibited. All Rights Reserved.

EQUITABLE ASSET MANAGEMENT GROUP

- \$ 3.0 billion under management
 - Segregated Funds (Active Balanced funds & Active Cdn Bond fund)
 - Equimax Whole Life Participating Fund
 - Surplus and insurance accounts
- 10 Investment professionals
 - Wide variety of backgrounds within asset management with 15 years investment experience on average.
 - Asset class specialty model
- Risk management focus

TOP-DOWN INVESTMENT STYLE

Equitable Asset Management Group Investment Process

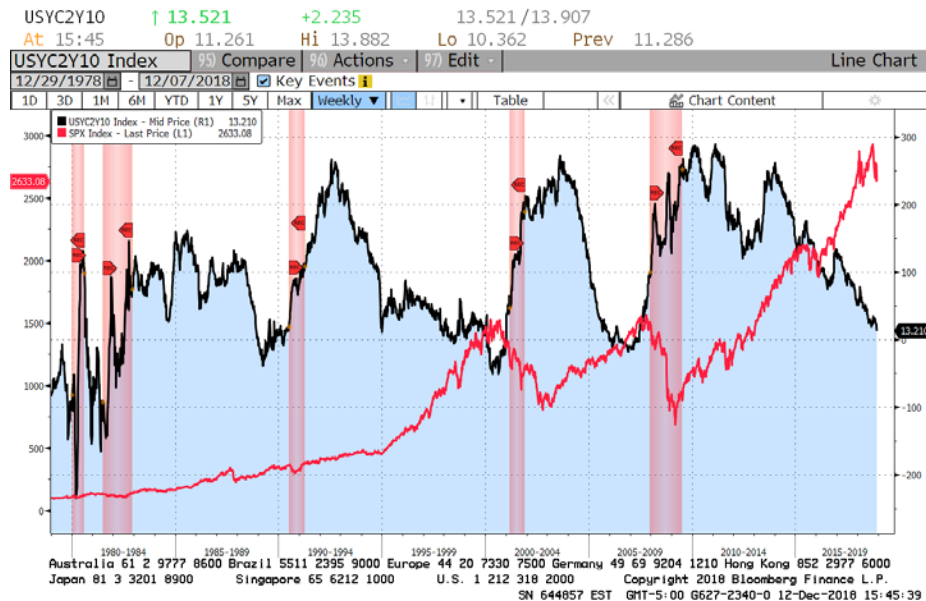


MACRO ENVIRONMENT

- Geopolitical risks
 - US Trade tensions
- Slowing global growth
 - Peak earnings growth concerns
- Yield curve inversion
 - Monetary policy uncertainty

YIELD CURVE INVERSIONS

- 10-year 2-year flat or inverted in advance of 5 of 14 bear markets in the past 50 years
- 5-year, 3-year missed only 3 of the downturns



Source: Bloomberg, as of 12/12/2018

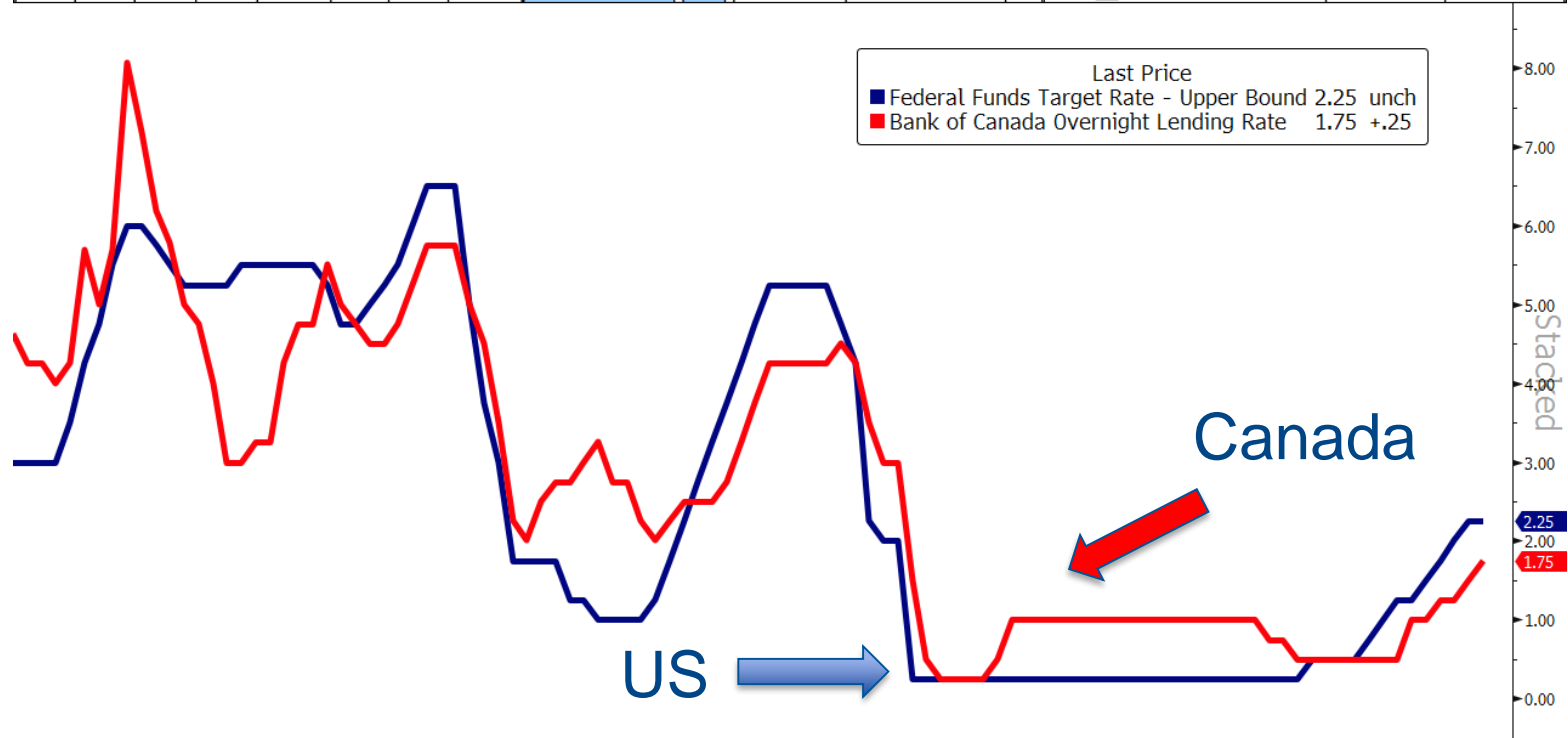
MONETARY POLICY

FDTR 2.25% For Nov 8 Next Release 19 Dec 14:00 Survey 2.50%

Federal Funds Target Rate - Upper Bound

Federal Reserve

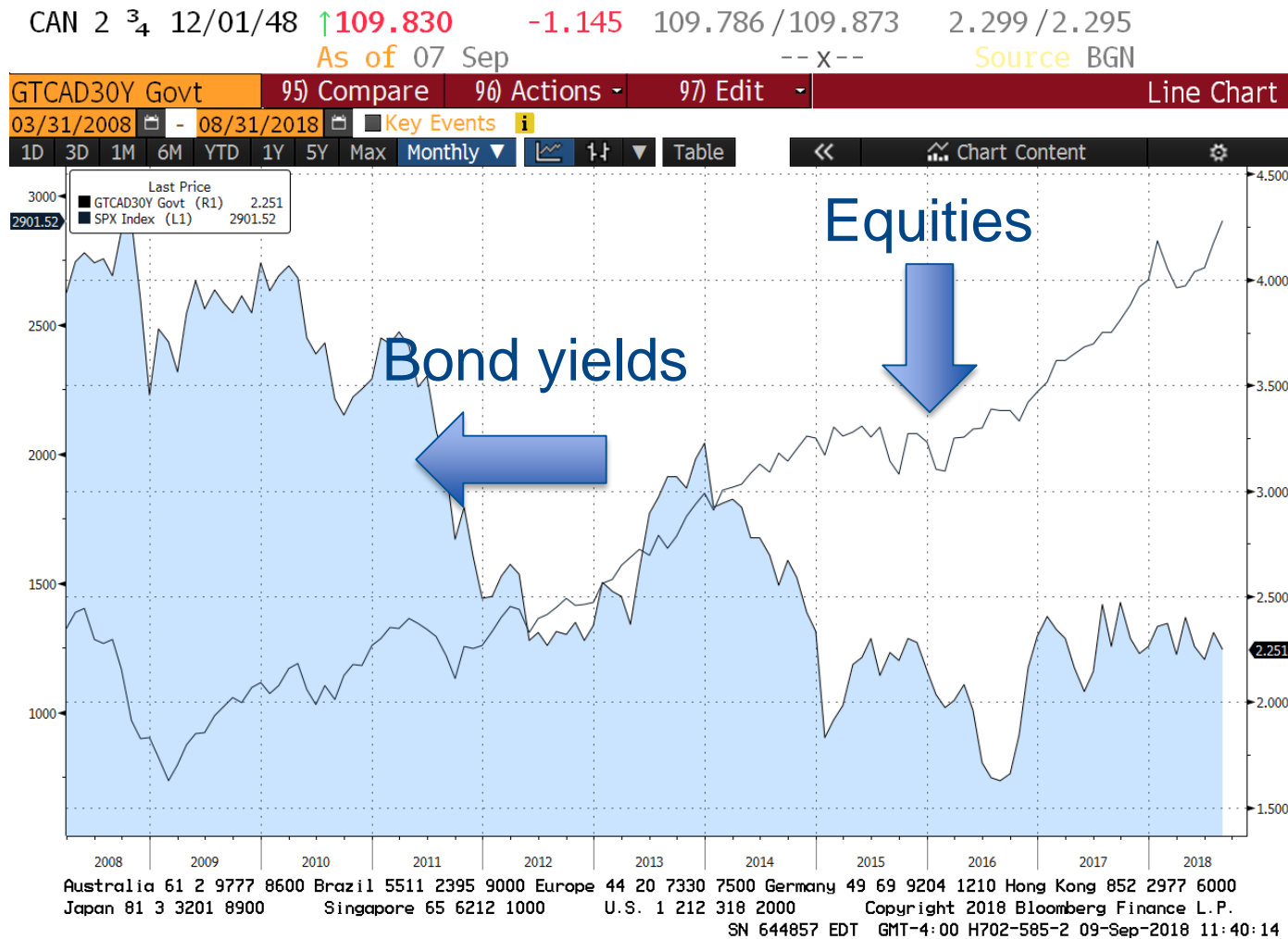
FDTR Index										96) Actions ▾		97) Edit ▾		G 127: Central Bank Rates									
03/31/1993 ▢ - 12/12/2018 ▢ < >										Local CCY ▾												↶	↷
1D	3D	1M	6M	YTD	1Y	5Y	Max	Quarterly ▾	📈	Table		⏪	📊 Chart Content			📄	⚙️						



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Australia 61 2 9777 8600													Brazil 5511 2395 9000												
Europe 44 20 7330													Germany 49 69 9204 1210												
Hong Kong 852 2977 6000													Japan 81 3 3201 8900												
Singapore 65 6212 1000													U.S. 1 212 318 2000												
																		Copyright 2018 Bloomberg Finance L.P.							
																		SN 644857 EST GMT-5:00 G627-2340-0 12-Dec-2018 16:22:00							

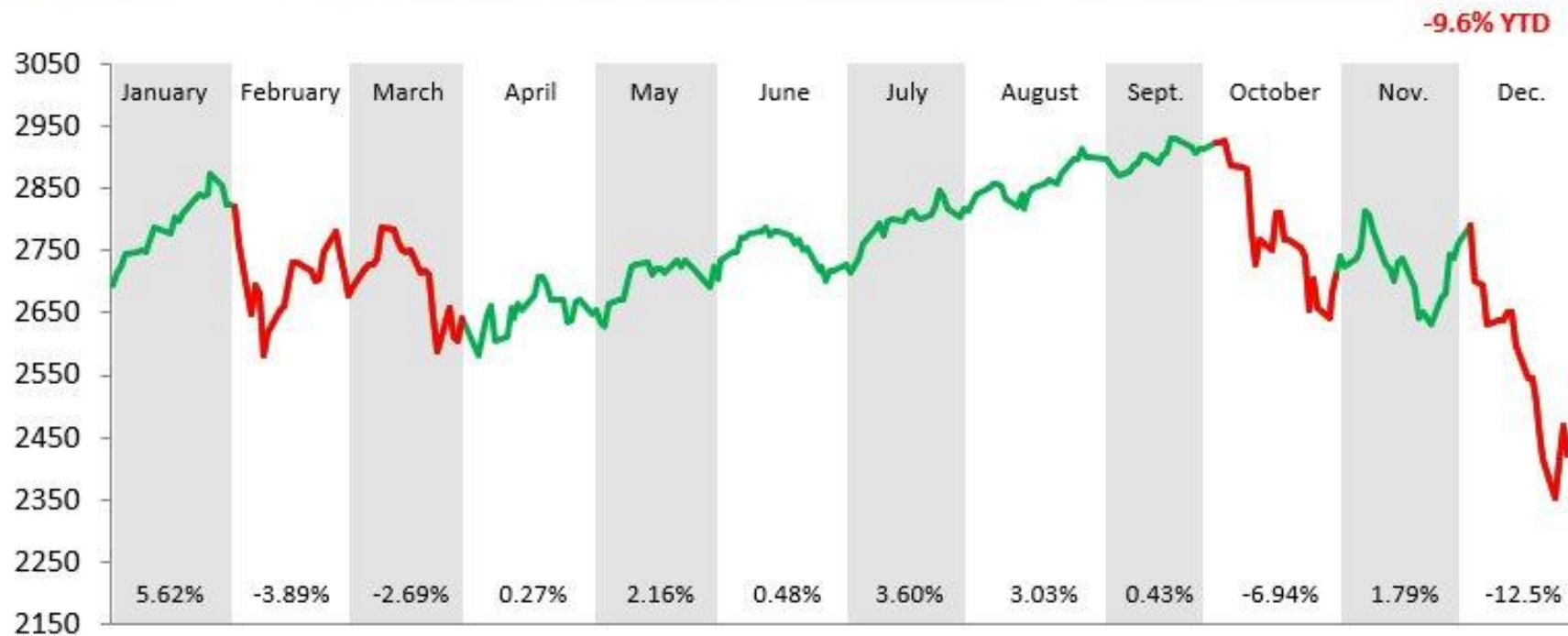
Copyright 2018 Bloomberg Finance L.P.
SN 644857 EST GMT-5:00 G627-2340-0 12-Dec-2018 16:22:00

LOW RATES HAVE BEEN GOOD FOR EQUITIES

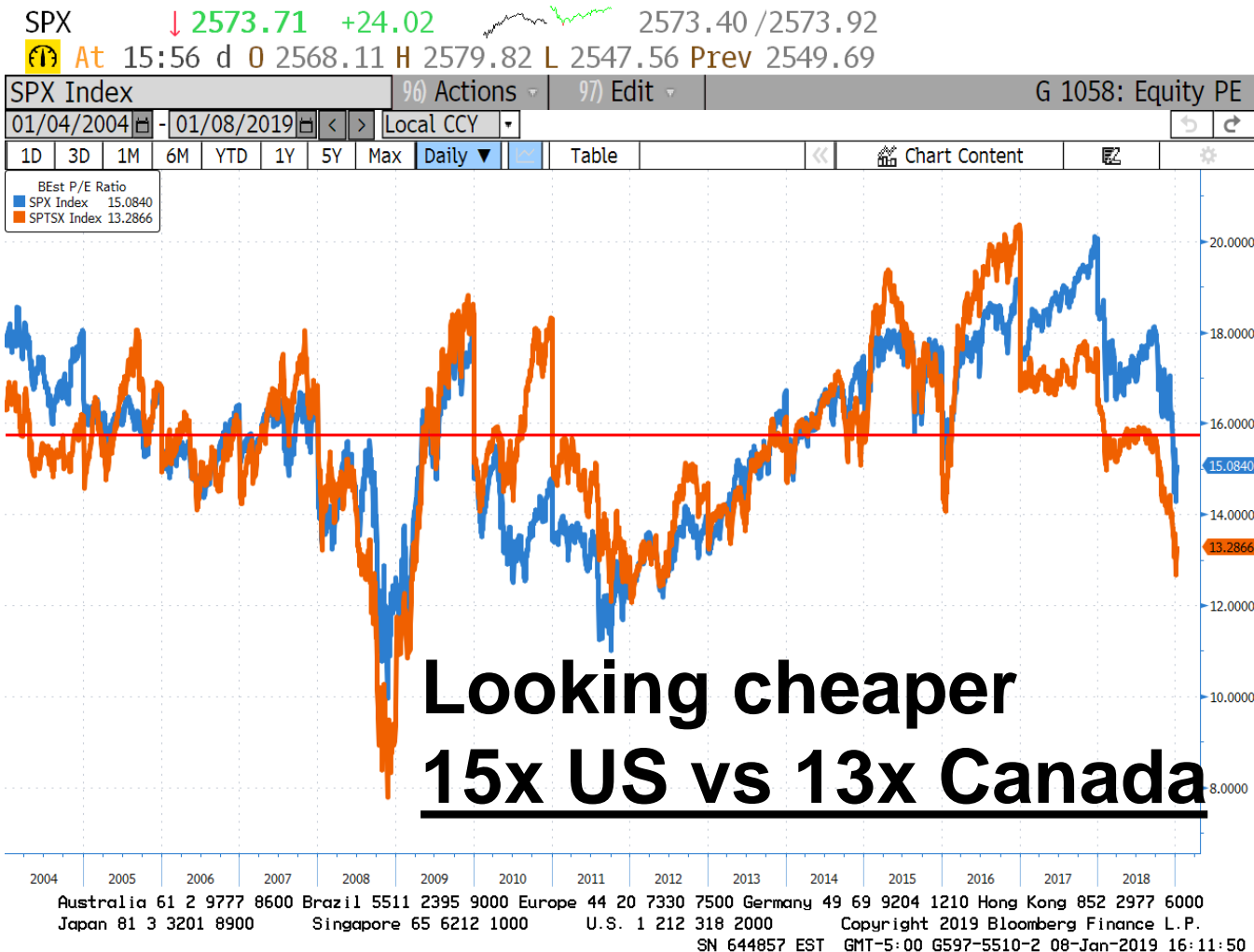


BEAR MARKET OR JUST A TECHNICAL CORRECTION?

S&P 500 in 2018



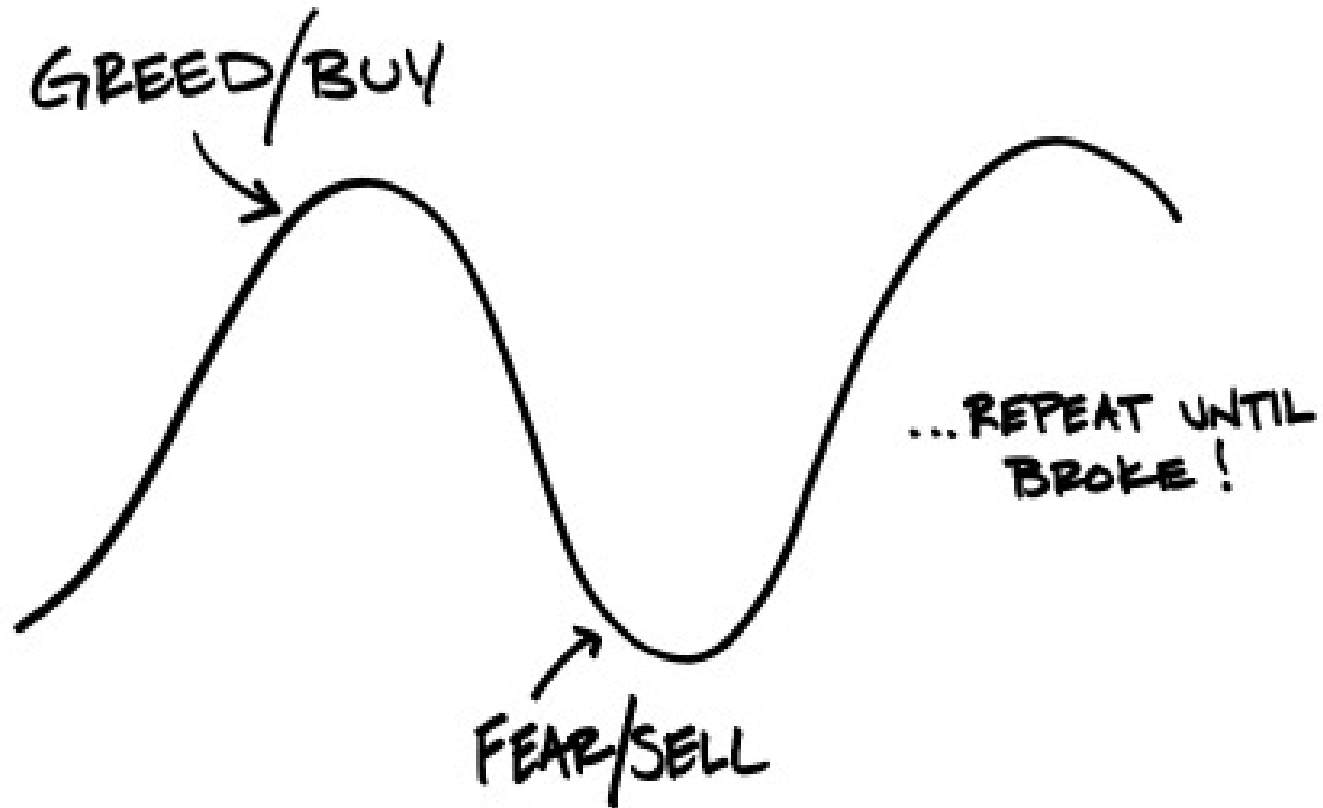
VALUATION: TSX VS S&P 500



10

VIX FEAR INDEX

EMOTIONAL DECISION MAKING



BEHAVIOR GAP

12

EMOTIONS AND INVESTING

Exhibit 1
Dual-System Model of Mental Processing

System 1	System 2
Fast	Slower
Automatic	Controlled
Effortless	Requires effort
Autopilot	Requires attention
Unconscious (invisible to us)	Conscious (who we think we are)
Influences System 2	Often unaware of System 1's influence
For illustrative purposes only	

WHAT ARE INVESTMENT FRAMEWORKS

- A system for decision making.
- A collection of investment rules based on historical analysis and intuitive reasoning.
- A hybrid approach that recognizes the importance of data, rules and intuition.

Well built frameworks eliminate:

- Unstructured, subjective decision making.
- Emotional decision making.
- Pre-decisional distortion & confirmation biases.

WEIGHT OF EVIDENCE

Fundamentals (Long-term)	Neutral
Manufacturing	Neutral
Retail sales	Neutral
Housing	Bearish
Valuation (Long-term)	Bullish
P/E ratios	Bullish
Value vs bonds	Bullish
Technicals (Short-term)	Bullish
Externals	Bullish
Internals	Bullish
Monetary policy (Short-to-Mid-term)	Neutral
Yield curves	Bearish
Rate hikes	Neutral

WHAT'S THE SOLUTION? DIVERSIFICATION

																	2003 - 2017	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Ann.	Vol.	
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Small Cap 11.5%	EM Equity 12.7%	EM Equity 23.0%	
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Large Cap 10.6%	Small Cap 11.2%	REITs 22.3%	
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	Asset Alloc. 2.9%	REITs 11.1%	Small Cap 18.8%	
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	REITs 1.8%	Large Cap 9.9%	Comdty. 18.8%	
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 6.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Cash 1.3%	High Yield 9.6%	DM Equity 18.4%	
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 16.5%	High Yield 14.8%	Asset Alloc. 0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	High Yield -0.6%	DM Equity 8.6%	Large Cap 14.5%	
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	DM Equity -1.0%	Asset Alloc. 8.3%	High Yield 11.3%	
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.8%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Fixed Income -1.6%	Fixed Income 4.1%	Asset Alloc. 11.0%	
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Comdty. -2.0%	Cash 1.2%	Fixed Income 3.3%	
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -7.4%	Comdty. -0.3%	Cash 0.8%	

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/02 – 12/31/17. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.

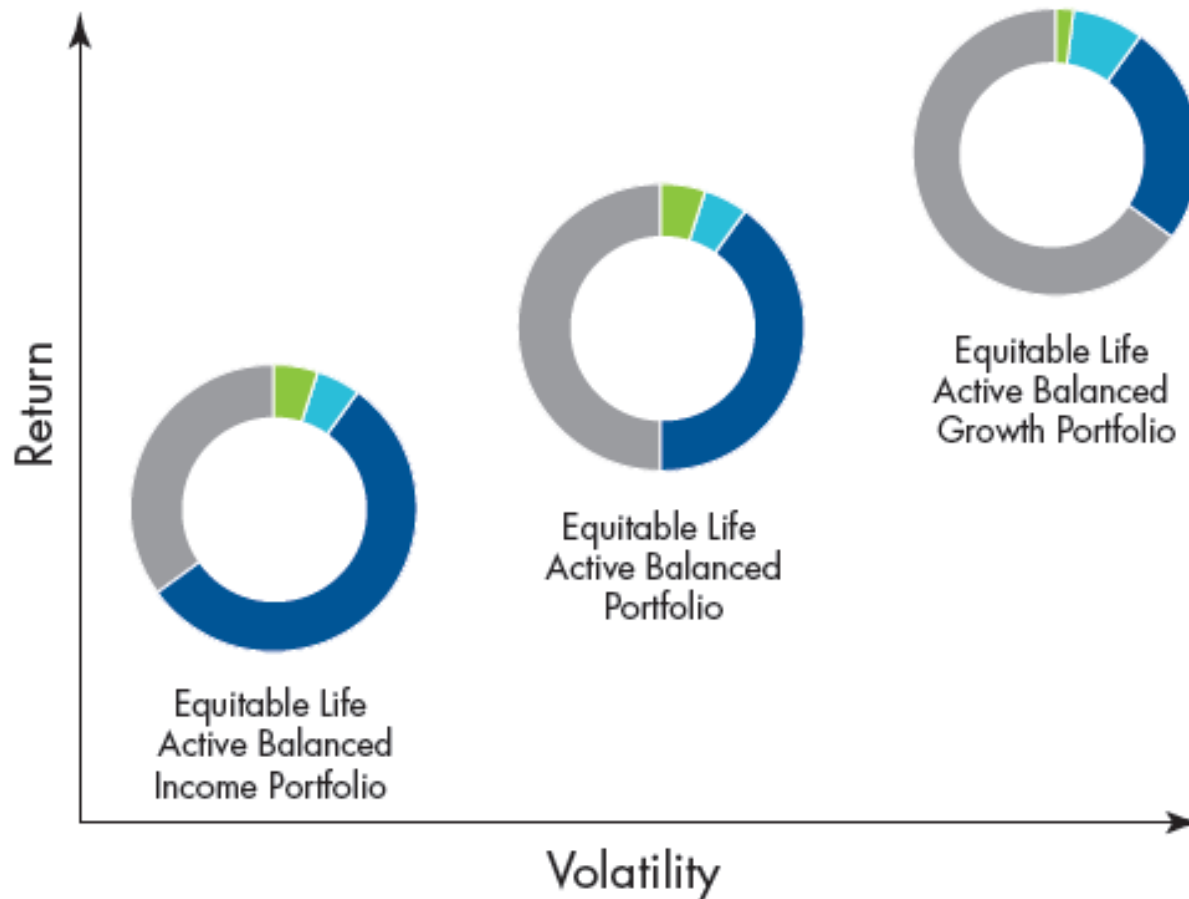
Guide to the Markets – U.S. Data are as of September 30, 2018.

J.P.Morgan
Asset Management

DISCIPLINED AND REPEATABLE PROCESS

- Create a rules based strategy
- Monitor and rebalance
 - What does your recession portfolio look like?
 - Pre-determine when you buy and when you sell.
 - Rules based investing is the best way to eliminate emotion from the investment decision making process.

ACTIVE BALANCED PORTFOLIOS



EQUITABLE LIFE ADVANTAGES

1. Core investments
2. Tactical asset allocation
3. Disciplined rules based approach



Home

WHO we are

OUR products

JOIN our team

GET in touch

Investment management

Investment Rule #2: Apply discipline

Equitable Asset Management Group

Our approach

Why us?

About us

Equitable Asset Management Group

Investment Playbook

Equitable Life Active Portfolios – Q2 2018

Content

- Global economic outlook
- Asset class outlook

Paul English, MBA, CFA – Senior Vice President, Investments

Our products

- Individual insurance
- Savings & Retirement
- Group Benefits
- Investment Management
 - Our approach
 - The funds
 - Key reasons to own
 - Why us?
 - Frequently asked questions
 - Commercial mortgages

Resources

- Equitable Life Active Balanced Portfolio Funds
- Investment Playbook Q2 2018
- Pivotal Select Segregated Funds

Equitable **Asset Management Group**