

# Participating account asset mix quarterly update

As of December 2024



	December 2024		December 2023	
	\$ Thousands	Percentage	\$ Thousands	Percentage
<b>Short term</b>				
Cash and equivalents	\$ 54,395	2%	\$ 64,290	4%
<b>Total short term</b>	<b>\$ 54,395</b>	<b>2%</b>	<b>\$ 64,290</b>	<b>4%</b>
<b>Fixed income</b>				
Government bonds	\$ 234,101	10%	\$ 275,340	15%
Corporate bonds	\$ 526,501	22%	\$ 340,179	19%
Private placements	\$ 250,421	10%	\$ 202,397	11%
Commercial mortgages	\$ 192,564	8%	\$ 136,027	8%
<b>Total fixed income</b>	<b>\$ 1,203,587</b>	<b>50%</b>	<b>\$ 953,944</b>	<b>53%</b>
<b>Non-fixed income</b>				
Real estate	\$ 296,543	13%	\$ 222,554	12%
Common equity	\$ 407,149	17%	\$ 246,663	14%
Preferred equity	\$ 104,852	4%	\$ 61,310	4%
Private equity	\$ 39,644	2%	\$ 25,204	1%
<b>Total non-fixed income</b>	<b>\$ 848,188</b>	<b>36%</b>	<b>\$ 555,731</b>	<b>31%</b>
<b>Total invested assets</b>	<b>\$ 2,106,169</b>	<b>88%</b>	<b>\$ 1,573,965</b>	<b>88%</b>
Policy loans	\$ 278,063	12%	\$ 201,694	12%
Other assets	\$ 9,848	0%	\$ 6,954	0%
<b>Total participating assets</b>	<b>\$ 2,394,080</b>	<b>100%</b>	<b>\$ 1,782,613</b>	<b>100%</b>

## A strong quarter for your participating account's returns

At Equitable®, we manage the participating (par) investment portfolio to protect today and prepare tomorrow. As a mutual, our main goal is to deliver strong and steady long-term returns to our clients. Our participating clients are also our owners. We are happy to share an economic and market update for the fourth quarter (Q4) of 2024.

Central banks continued to lower their overnight interest rates in Q4 to ease monetary policy. The U.S. Federal Reserve (Fed) cut its interest rate by 0.25% at each of its meetings in Q4. As a result, it ended the year at 4.5%. The Bank of Canada (Bank) cut its overnight interest rate even more. The Bank lowered it by 0.5% at each of its Q4 meetings. It finished the year at 3.25%. The Bank has lowered its overnight interest rate more aggressively than the Fed has because economic growth has slowed more in Canada. Inflation also dropped further. The U.S. re-election of President Trump impacted the level of interest rates in Q4. President Trump's policies are thought to be pro-growth (e.g. tax cuts) but also likely inflationary (e.g. tariffs). There were already concerns before his election that inflation in the U.S. may not be under control yet. If inflation stays too high, the Fed wouldn't be able to cut interest rates more until it dropped further. Therefore, his election caused bond yields to move higher in Q4. That was good news for policy holders as we could invest more money in bonds with better yields.

Stock markets finished the year with another solid quarter in Q4. Strong equity market returns in 2024 benefited the par portfolio. The Canadian stock market's S&P/TSX index gained over 21% during the year. It nearly matched the 25% return of the U.S. stock market's S&P 500 index. The portfolio also gained from the Canadian preferred share market's strong performance. This returned nearly 25% in 2024. We boosted our investments in both the equity market and the preferred share market early in 2024 to capitalize on those trends.

In Q4, we invested more in commercial mortgages and in real estate. Even though the yields on publicly-traded corporate bonds fell through most of the year, mortgages still offer good returns. This makes them very appealing. In Q4, we made a record-breaking deal with an investment in a multi-unit residential property in Vancouver. We also invested in a high-rise building in Toronto. 10% of the Toronto building units are for affordable housing. We are proud to help make affordable rental housing available in the GTA. These investments have diversified our real estate portfolio and will help bring solid risk-adjusted returns over time for our clients.

*This text talks about market returns. Market value returns for existing bonds and equities do not directly affect the dividend scale interest rate (DSIR). Investment gains and losses are smoothed over time. When interest rates go up, the par account returns tend to go up over time. When interest rates go down, the returns usually go down over time. The way we value the par account assets means there can be a delay between these changes. This helps keep the par account returns stable with fewer ups and downs even though markets and interest rates are always changing.*

# Dividend scale interest rate

## 30-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 dividend scale interest rate does not include policy loans. Dividends are paid at the sole discretion of the Board of Directors.

This chart shows Equitable's dividend scale interest rate over 30 years compared to other well-known economic indicators.

Year	Equitable dividend scale interest rate	S&P/TSX total return index	Government of Canada 5 to 10 year bonds	5-year GIC	Consumer price index
1994	10.20%	-0.18%	8.26%	7.40%	0.20%
1995	10.20%	14.53%	7.93%	7.10%	1.80%
1996	9.60%	28.35%	6.86%	5.60%	2.20%
1997	10.00%	14.98%	5.87%	4.70%	0.80%
1998	9.10%	-1.58%	5.26%	4.40%	1.00%
1999	8.80%	31.71%	5.56%	4.80%	2.60%
2000	8.80%	7.41%	5.96%	5.30%	3.20%
2001	8.80%	-12.57%	5.32%	4.00%	0.70%
2002	8.80%	-12.44%	5.08%	3.90%	3.80%
2003	8.40%	26.72%	4.54%	3.10%	2.10%
2004	8.20%	14.48%	4.34%	2.90%	2.10%
2005	8.20%	24.13%	3.89%	2.70%	2.10%
2006	7.90%	17.26%	4.18%	3.20%	1.70%
2007	7.90%	9.83%	4.25%	3.30%	2.40%
2008	7.90%	-33.00%	3.36%	3.01%	1.20%
2009	7.40%	35.05%	2.84%	1.95%	1.30%
2010	7.10%	17.61%	2.88%	2.00%	2.40%
2011	7.10%	-8.71%	2.47%	1.87%	2.30%
2012	6.80%	7.19%	1.63%	1.65%	0.80%
2013	6.80%	12.99%	1.99%	1.63%	1.20%
2014	6.80%	10.55%	1.86%	1.92%	1.50%
2015	6.80%	-8.32%	1.19%	1.47%	1.60%
2016	6.50%	21.08%	1.02%	1.41%	1.50%
2017	6.50%	9.10%	1.61%	1.39%	1.90%
2018	6.35%	-8.89%	2.22%	1.69%	2.00%
2019	6.20%	22.90%	1.53%	2.08%	2.20%
2020	6.20%	5.60%	0.65%	1.28%	0.70%
2021	6.05%	25.09%	1.27%	0.99%	4.80%
2022	6.05%	-5.84%	2.78%	2.87%	6.30%
2023	6.25%	11.75%	3.38%	3.80%	3.40%
2024	6.40%	21.65%	3.33%	3.67%	1.80%
Average annualized returns					
5 years	6.19%	11.08%	2.28%	2.52%	3.38%
10 years	6.33%	8.65%	1.89%	2.06%	2.61%
20 years	6.86%	8.12%	2.41%	2.19%	2.15%
30 years	7.59%	8.77%	3.49%	2.98%	2.11%
Standard deviation over 30 years	1.25%	15.63%	1.89%	1.50%	1.22%

Data as of December 31 each year. Dividend scale interest rate is set as of July 1 of each year. Average returns are calculated using a geometric mean.

### Notes:

- Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends 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.
- Past performance is not indicative of future performance.
- Information Sources: Equitable; Statistics Canada; Bank of Canada.

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