



Empire Life Multi-Strategy GIFs

QUARTERLY COMMENTARY

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June 30, 2021

Overview

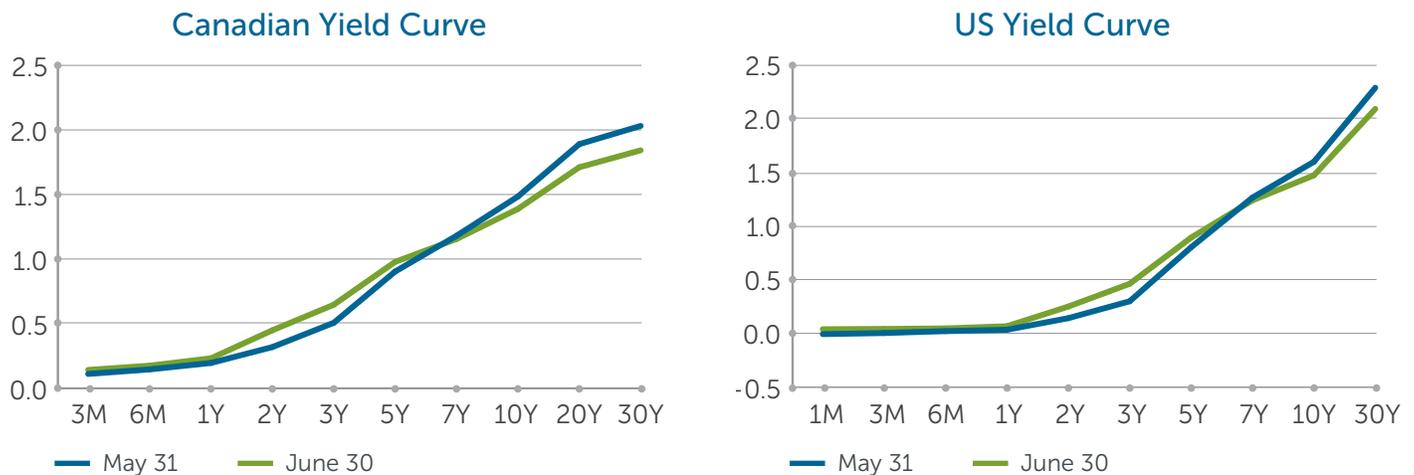
The second quarter saw the equity market rally continue upwards with most equity markets ending the quarter in positive territory, and many hitting new record highs. Leading the way was the NASDAQ 100 Index which gained 9.7% in Canadian dollar terms, as investor attention returned to many of the high-flying growth and technology names that had led the market through most of 2020. The S&P/TSX Composite Index had a strong quarter gaining 8.5%, driven higher by financials, technology, and energy. Asia was the only region that saw negative returns, as the MSCI Pacific Index ended lower by 0.1%, dragged down by a 1.7% drop in the MSCI Japan Index.

	3 month	YTD	1 year	3 year	5 year	10 year
NASDAQ 100 TR	9.74	10.17	31.24	26.05	27.03	24.59
S&P/TSX Composite TR	8.54	17.28	33.85	10.80	10.77	7.44
S&P 500 TR CAD	6.95	12.02	28.01	16.31	16.53	17.74
MSCI World GR	6.30	10.15	26.99	13.28	14.35	14.07
MSCI Europe GR	6.15	9.13	23.48	7.09	9.93	8.88
MSCI ACWI GR	5.94	9.41	27.17	12.84	14.11	13.27
MSCI EAFE GR	3.83	6.12	20.85	6.60	9.74	9.07
MSCI EM GR	3.57	4.57	28.52	9.44	12.35	7.29
MSCI Pacific Ex Japan GR	3.24	6.58	22.12	6.12	9.51	8.33
MSCI China GR	0.09	-4.11	14.00	11.40	21.87	13.31
MSCI Pacific GR	-0.14	1.11	16.49	5.74	9.55	9.53
MSCI Japan GR	-1.72	-1.39	13.87	5.48	9.53	10.18

Source: Morningstar Research Inc., as of June 30, 2021.

Digging below the surface, value and cyclical stocks which had been leading the market since the November vaccine announcement took a back seat to more growth investments. Some of this resurgence can be attributed to the U.S. Federal Reserve, who at their June meeting noted that they were talking about tapering their bond purchases.

Investors took this as a sign that the Fed was looking to move interest rates higher sooner than had been originally expected. This saw the yield curve flatten, with short-term bond yields moving higher while the long-term yields moved lower.



Source: Bloomberg, as at June 30, 2021.

This proved to be a positive for bonds, which were generally up in the quarter. The Bloomberg Barclays US Aggregate Bond Index (CAD Hedged) rose by 1.8% in the quarter, while the Bloomberg Barclays Canadian Aggregate Bond Index gained 1.5%. Not surprisingly, longer term bonds outperformed short-term bonds given the respective movements in yields at the long and short end of the yield curve.

COVID 19 continued to weigh, with an upsurge in cases in India. With a newly identified and more transmissible variant, Delta, the country saw hundreds of thousands of new cases identified daily, with more than 400,000 per day in May. As the quarter-end neared, case counts returned to more normalized levels. It wasn't all bad news, as the pace of vaccinations continued its upward trajectory with many countries approaching more than half of their populations fully vaccinated. Of late, countries including the U.S. and the UK have seen their vaccination rates drop, but the overall trajectory is positive, which will bode well for the return to normal, allowing many nations to reduce restrictions and move towards a full reopening.

In this environment, the Empire Life Multi-Strategy GIFs were all positive, led by our Empire Life Multi-Strategy Global Growth GIF that benefitted from the surge in growth stocks.

	3 month	YTD	1 year	Inception
Empire Life Multi-Strategy Canadian Equity	6.3%	14.2%	27.6%	10.7%
Empire Life Multi-Strategy US Equity	4.5%	6.3%	17.6%	12.7%
Empire Life Multi-Strategy Global Equity	4.0%	4.5%	14.6%	8.9%
Empire Life Multi-Strategy Global Conservative Port.	1.7%	0.2%	4.5%	3.0%
Empire Life Multi-Strategy Global Balanced Port.	2.4%	1.2%	6.6%	4.2%
Empire Life Multi-Strategy Global Moderate Growth Port.	3.1%	2.8%	10.1%	6.2%
Empire Life Multi-Strategy Global Growth*	-	-	-	-
Empire Life Multi-Strategy Global Growth Balanced Port.*	-	-	-	-

Source: Morningstar Research Inc., as of June 30, 2021. *Regulations restrict the presentation of performance figures until a fund reaches its one-year anniversary.

Fund positioning

With the potential for higher bond yields looking like it may happen sooner than expected the interest rate sensitivity in the Multi-Strategy Global Portfolio GIFs was reduced. To do this, weights to short-term and high yield corporate bonds was increased, while exposure to non-North American core fixed income was reduced. The net result was an increase to the yield to maturity of the GIFs, with a reduction to the duration, which is a measure of interest rate sensitivity. This change in positioning is expected to help performance in a flat or rising yield environment without significantly increasing the risk profile.

To increase the growth potential of the Empire Life Multi-Strategy Global Growth GIF, a position in the Global X Thematic Growth ETF was initiated. The ETF provides exposure to several high growth industries including genomics, fintech, cloud computing, robotics, cannabis, and social media. Further, this position helps to improve the overall diversification of the portfolio by providing exposure to areas that were not well represented.

Each of the Empire Life Multi-Strategy GIFs are diversified across active, passive, and smart beta strategies, and have exposure to different investment styles and risk factors. This blend helps us maintain our long-term focus, while short-term tactical tilts are used to help keep the portfolio mix well positioned for the market environment.

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