

# EMPIRE LIFE SHORT TERM HIGH INCOME GIF

Award winning diversified fixed income solution with downside protection

## Overview

- Available in an Empire Life GIF segregated fund contract
- 5-star Morningstar Rating™ overall<sup>1</sup> and FundGrade A+® Award winner for 2022<sup>2</sup>
- Lead Portfolio Manager has over 16 years of investment experience in corporate credit



## Why invest in the Empire Life Short Term High Income GIF



### Superior track record of risk-adjusted performance

- Has a 5-star overall Morningstar rating and is a recipient of the FundGrade A+® award in 2022 which recognizes it as one of the best in class within its category<sup>2</sup>.



### Exposure to multiple fixed income sectors and enhanced yield opportunities

- A diversified fixed income portfolio with a focus on high yield bonds.



### Demonstrated history of downside protection

- Our investment process strives to reduce risk by managing duration and the credit quality of the Fund's underlying securities.

## Strong track record of risk-adjusted performance

The fund has received a 5-star overall Morningstar rating and was a recipient of the FundGrade A+® award in 2022 which recognizes it as one of the best in class within its category. The fund's strong performance was underpinned by a rigorous investment process that emphasizes the management of the fund's duration and credit quality.

### Investment growth of the Empire Life Short Term High Income GIF since inception



Source: Morningstar as of December 31, 2023.

## Diversified fixed income exposure with enhanced yield opportunities

Historically, certain fixed income asset classes that the Fund invests in have been out-of-favour, while others have performed better. Within the Fund, government and investment grade corporate bonds provide more stability during volatile markets, while high yield bonds, convertible bonds and preferred shares are used to generate opportunities to enhance returns over the long-term.

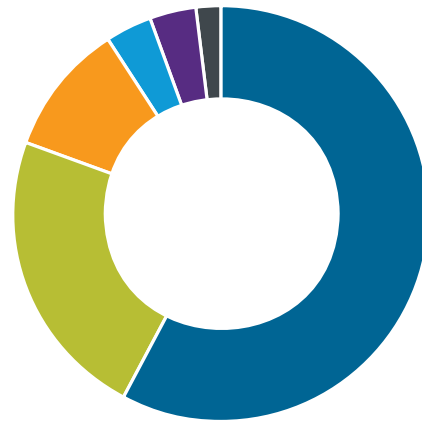
2018	2019	2020	2021	2022	2023
Money Market 1.90%	Convertible Bonds 23.15%	Convertible Bonds 46.22%	Convertible Bonds 6.34%	Money Market 0.54%	High Yield Bonds 13.45%
Government Bonds 0.86%	Inv Grade Corp Bonds 14.54%	Inv Grade Corp Bonds 9.89%	High Yield Bonds 5.28%	High Yield Bonds -11.19%	Convertible Bonds 12.87%
Convertible Bonds 0.15%	High Yield Bonds 14.32%	Government Bonds 8.00%	Preferred Shares 0.98%	Government Bonds -12.46%	Money Market 5.04%
High Yield Bonds -2.08%	Preferred Shares 10.67%	High Yield Bonds 7.11%	Money Market 0.04%	Inv Grade Corp Bonds -15.76%	Preferred Shares 4.52%
Inv Grade Corp Bonds -2.51%	Government Bonds 6.86%	Preferred Shares 1.61%	Inv Grade Corp Bonds -1.04%	Convertible Bonds -18.71%	Inv Grade Corp Bonds 8.52%
Preferred Shares -10.18%	Money Market 2.58%	Money Market 1.18%	Government Bonds -2.32%	Preferred Shares -23.91%	Government Bonds 4.05%

Source: Bloomberg as of December 31, 2023. Data represents index returns for the specified fixed income sectors. The following indices are used in the chart: Bloomberg Short-Term Treasury TR Index (Money Market), Bloomberg US Treasury TR Index (Government Bonds), Bloomberg US Corporate TR Index (Investment Grade Corporate Bonds), Bloomberg US Corporate High Yield TR Index (High Yield Bonds), ICE BofA US Convertible Index (Convertible Bonds), S&P Preferred Stock Index (Preferred Shares).

Compared to a traditional fixed income portfolio that invests solely in investment grade corporate and government bonds, the Fund strives to provide enhanced yield by investing primarily in high yield corporate bonds, as well as other higher yielding fixed income securities such as hybrid securities and preferred shares.

**Bond Type Allocation**  
as of December 31, 2023

● High Yield Corporate	57.78%
● Investment Grade Corporate	22.90%
● Federal Government	10.17%
● Floating Rate	3.74%
● Preferred Shares	3.68%
● Convertible Bonds	1.73%

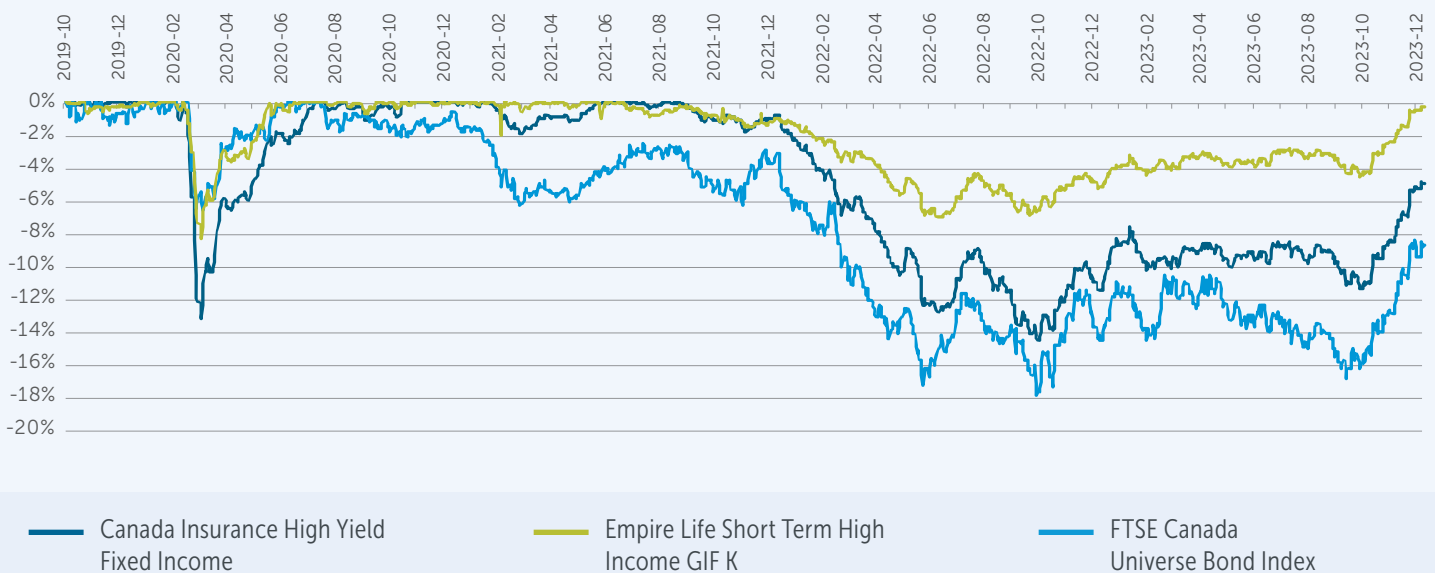


Source: Empire Life Investments Inc.

## Demonstrated history of downside protection

The chart below demonstrates the historical drawdown of the portfolio compared to its peer group, and the FTSE Canada Universe Bond Index, which is used as a proxy for a core fixed income portfolio without high-yield exposure.

**Historical portfolio drawdowns during periods of market volatility**



Source: Morningstar as of December 31, 2023. Drawdown measures downside volatility and is measured as the Fund's decline from the peak in performance and remains in effect for the length of time that the performance remains below that peak.

## Reduced interest rate sensitivity through shorter duration

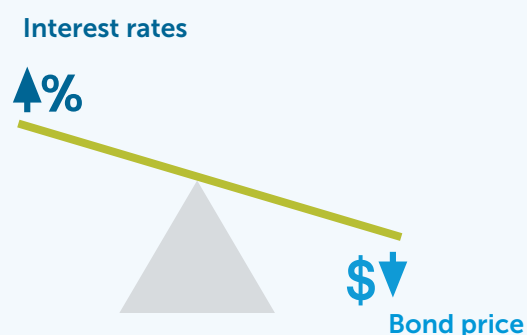
The Fund reduces interest rate risk by investing in fixed income securities with an average duration of 1-5 years.

	Empire Life Short Term High Income GIF- Class K	Canada Insurance High Yield Fixed Income Category	FTSE Canada Universe Bond Index
Average duration since fund inception	2.28	3.46	7.82
Duration as of December 31, 2023	2.40	2.88	7.33

Source: Empire Life Investments, Morningstar Research Inc. Modified duration provided by Bloomberg as of December 31, 2023. The inception date for Empire Life Short Term High Income GIF, Class K is October 23, 2019.

### How shorter duration helps provide downside protection

Bond prices generally move in the opposite direction of interest rates; when interest rates go up, bond prices go down and the opposite is also true. A key metric that investors analyze to determine interest rate sensitivity is a bond's duration, which measures the anticipated corresponding change in a bond's price when there is a change in the interest rate. The higher the bond's duration, the more its price will drop as interest rates rise.



### High yield exposure with an emphasis on credit risk management

The team focuses on companies with strong fundamentals and balance sheets for the Fund's high yield allocation. Often, this results in the team investing in bonds issued by companies with a rating of BB or higher, which have historically experienced far less defaults than bonds rated B or CCC and below. In addition, the Empire Life Fixed Income team implements a rigorous credit research process to manage credit risk in the portfolio.

### Higher rated issuers can help provide downside protection

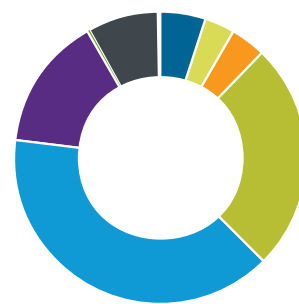
The Fund's high yield exposure focuses on companies with bond ratings BB or higher, which have historically experienced lower defaults than high yield bonds with lower ratings.

### Average annual U.S. corporate default rates 1981-2022

Investment Grade				High Yield		
AAA	AA	A	BBB	BB	B	CCC or lower
0.00%	0.03%	0.03%	0.20%	0.82%	3.95%	25.72%

Source: 2022 Annual U.S. Corporate Default and Rating Transition Study, S&P Global

Credit Quality Allocation as of September 30, 2023



● AAA	5.06%	● B	14.94%
● AA	3.47%	● <B	0.01%
● A	3.72%	● NR	8.05%
● BBB	25.34%	● Other	0.00%
● BB	39.42%		

<sup>1</sup> Morningstar is an independent organization that groups funds with generally similar investment objectives for comparison purposes and ranks them on a historical basis. Morningstar Ratings reflect performance as of October 31, 2023 for Class K units and are subject to change monthly. The ratings are calculated from a fund's 3, 5 and 10-year returns measured against 91-day Treasury bill and peer group returns. For each time period the top 10% of the funds in a category get five stars, the next 22.5% four stars; the following 35% three stars; the next 22.5% two stars, and the bottom 10% one star. The Overall Rating is a weighted combination of the 3, 5 and 10-year ratings. The inception date for Empire Life Short Term High Income GIF, Class K is October 23, 2019, the fund falls within the Canada Insurance High Yield Fixed Income Category. Empire Life Short Term High Income GIF – K received 5 stars for the 3 year period when compared to 148 Canada Insurance High Yield Bond funds. For more details on the calculation of star ratings or quartile rankings, please see [www.morningstar.ca](http://www.morningstar.ca). © 2023 Morningstar Research Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Morningstar quartile rankings show how well a fund has performed compared to all other funds in its peer group.

<sup>2</sup> FundGrade A+<sup>®</sup> is used with permission from Fundata Canada Inc., all rights reserved. The annual FundGrade A+<sup>®</sup> Awards are presented by Fundata Canada Inc. to recognize the "best of the best" among Canadian investment funds. The FundGrade A+<sup>®</sup> calculation is supplemental to the monthly FundGrade ratings and is calculated at the end of each calendar year. The FundGrade rating system evaluates funds based on their risk-adjusted performance, measured by Sharpe Ratio, Sortino Ratio, and Information Ratio. The score for each ratio is calculated individually, covering all time periods from 2 to 10 years. The scores are then weighted equally in calculating a monthly FundGrade. The top 10% of funds earn an A Grade; the next 20% of funds earn a B Grade; the next 40% of funds earn a C Grade; the next 20% of funds receive a D Grade; and the lowest 10% of funds receive an E Grade. To be eligible, a fund must have received a FundGrade rating every month in the previous year. The FundGrade A+<sup>®</sup> uses a GPA-style calculation, where each monthly FundGrade from "A" to "E" receives a score from 4 to 0, respectively. A fund's average score for the year determines its GPA. Any fund with a GPA of 3.5 or greater is awarded a FundGrade A+<sup>®</sup> Award. For more information, see [www.FundGradeAwards.com](http://www.FundGradeAwards.com). Although Fundata makes every effort to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Fundata.


	3-month	1-year	3-year	Since Inception
Fund – Class K	3.60%	5.11%	0.97%	2.29%
Canada Insurance High Yield Fixed Income Category	-2.57%	7.32%	-1.08%	-
Quartile	4	4	1	
# of funds in the category	154	152	148	

Source: Morningstar Inc. as of December 31, 2023. Annual Compound Returns: Returns under 1 year are simple rates of return. All others are annual compound rates of return.

All returns are calculated after taking expenses, management and administration fees into account.

Segregated Fund contracts are issued by The Empire Life Insurance Company ("Empire Life"). A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a segregated fund is invested at the risk of the contract owner and may increase or decrease in value.** Please read the information folder, contract and fund facts before investing. Performance histories are not indicative of future performance. This document includes forward-looking information that is based on the opinions and views of Empire Life Investments Inc. as of the date stated and is subject to change without notice. Information obtained from and based on third party sources are believed to be reliable, but accuracy cannot be guaranteed.

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 **Contact your advisor to find out how Empire Life Short Term High Income GIF fits into your portfolio or visit [empire.ca/prices](http://empire.ca/prices) and performance to learn more.**

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