

Our fixed-income investment strategy for participating life insurance

Active management and responsiveness

To ensure our participating account remains strong and stable, our fixed-income investment strategy focuses on high-quality public bonds, mortgages, private placements and other fixed-income assets.

We manage the participating account as a broadly diversified fixed-income account, with a target asset mix of approximately 70% fixed-income investments and 30% non-fixed income. Our asset mix supports our goal of long-term performance and stability.

We actively manage our fixed-income assets to invest in various terms, including terms greater than 10 years, so that approximately 10% of fixed-income assets mature each year. This approach balances performance and stability with responsiveness to interest rate changes and additional flexibility.

Laddering strategy for fixed income assets

Laddering is an investment strategy used to ensure that assets mature at varying dates and are subsequently reinvested at current market rates.

We use a 10-year ladder strategy for our fixed income assets. This means each year approximately 10% of our fixed-income assets mature and are re-invested at then-current rates of return.

All else being equal, a 10-year ladder strategy is more responsive to a change in interest rates than a longer-term strategy might be. For example, a 20-year laddering strategy would have approximately 5% of fixed-income assets mature each year and be re-invested at then current rates of return.

Our laddering strategy – responsive and flexible

We've geared our strategy toward long-term sustainable performance. All else being equal:

- A shorter-term laddering strategy provides more liquidity than longer-term laddering strategies. Increased liquidity gives us more flexibility when managing assets during turbulent equity markets (or even during stable markets) without the need to sell longer duration assets.
- A shorter-term laddering strategy is more responsive to the current economic environment than a longer-term laddering strategy. As a result, the Canada Life™ participating account is well positioned, relative to accounts with longer laddering strategies, to benefit from rising interest rate environments.

