

PARTICIPATING ACCOUNT ASSET MIX QUARTERLY UPDATE

AS OF DECEMBER 31, 2014

	December 31, 2014	December 31, 2013*
Short-term		
Cash and equivalents	<1%	<1%
<i>Total short-term</i>	<1%	<1%
Fixed income		
Government bonds	21%	18%
Corporate bonds	18%	17%
Private placements	9%	9%
Commercial mortgages	10%	12%
<i>Total fixed income</i>	58%	56%
Non-fixed income		
Real estate	12%	13%
Common equity	12%	13%
Preferred equity	5%	4%
<i>Total non-fixed income</i>	29%	30%
Total invested assets	86%	86%
Policy loans	13%	13%
Other assets	1%	1%
Total participating assets	100%	100%

* Values published in Understanding Participating Whole Life Insurance (1038). See that guide for full details.

Quarterly Commentary

Canadian economy

Significant declines in the oil sector will prove to be a headwind for the broader economy in 2015. Marginal offsets in manufacturing will likely come later in the year off of a weaker Canadian dollar. Our overall expectations for growth are approximately 2.1% for 2015 with personal consumption providing the biggest contribution.

US economy

Despite secular headwinds, the US should remain relatively robust in 2015. For the full year, we expect the economy to grow approximately 3%. Positive contributions will be driven by increased consumer spending, an improving labour market, falling energy prices, and decreased consumer leverage.

Participating account positioning

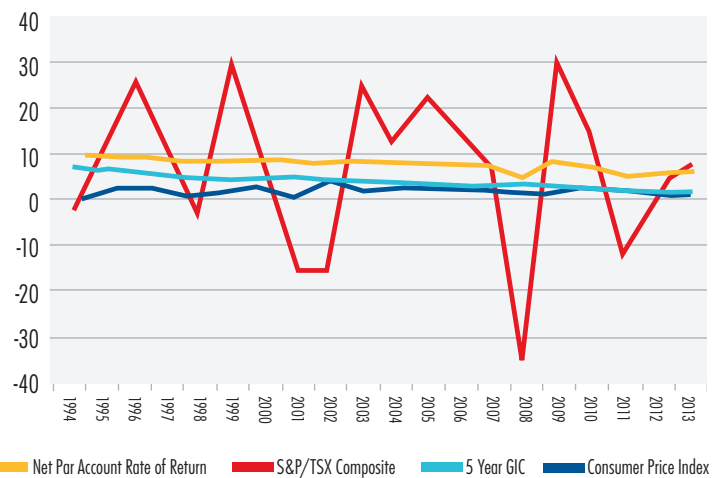
Over the quarter, we sold equities reducing our exposure from 15% to 12%. Regionally, we remain 62% exposed to Canada and 38% to the US. The proceeds of these transactions were invested in Government of Canada bonds which will be re-allocated to higher yielding assets as opportunities become available. We reduced our exposure to fixed income securities with maturities greater than 10 years and we look to make further reductions given the low interest rate environment.

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The following shows historical results of Equitable Life's participating account, net of investment expenses, compared to other well-known economic indicators.¹

Year	Net participating account rate of return	S&P/TSX Composite Index	5 Year GIC	Consumer Price Index
1994	9.6	-2.5	7.4	0.2
1995	9.4	11.9	7.1	1.8
1996	9.1	25.7	5.6	2.2
1997	8.5	13.0	4.7	0.8
1998	8.3	-3.2	4.4	1.0
1999	8.2	29.7	4.8	2.6
2000	8.2	6.2	5.3	3.2
2001	7.7	-13.9	4.0	0.7
2002	8.0	-14.0	3.9	3.8
2003	7.7	24.3	3.1	2.1
2004	7.6	12.5	2.9	2.1
2005	7.5	21.9	2.7	2.1
2006	7.6	14.5	3.2	1.7
2007	7.3	7.2	3.3	2.4
2008	4.9	-35.0	3.0	1.2
2009	8.6	30.7	2.0	1.3
2010	7.8	14.4	2.0	2.4
2011	6.0	-11.1	1.9	2.3
2012	7.3	4.0	1.7	0.8
2013	8.5	9.6	1.6	1.2
Average Annualized Returns				
1	8.5	9.6	1.6	1.2
3	7.3	0.8	1.7	1.4
5	7.7	9.5	1.8	1.6
10	7.3	6.9	2.4	1.8
20	7.9	7.3	3.7	1.8
Standard deviation since 1994	1.1	16.7	1.7	0.9



The dividend scale interest rate reflects the investment performance of the participating account and is used in the calculation of the investment performance component of the dividend².

Here is a summary of our current and previous dividend scale interest rates:

Year	Dividend scale interest rate
2005	8.2%
2006	7.9%
2007	7.9%
2008	7.9%
2009	7.4%
2010	7.1%
2011	7.1%
2012	6.8%
2013	6.8%
2014	6.8%

The investments in the participating account are managed by the Equitable Life Asset Management Group, which is ideal for clients who are looking for a more stable, hands-off investment approach.

Determining the dividends takes into consideration various components of the participating block of policies. The investment performance is just one component; other components include mortality, expense, lapse, claims experience, taxes and other experience of 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.

For more information on dividends and how they are calculated please see Understanding Participating Whole Life Insurance (1038).

¹ Sources: Statistics Canada, Bank of Canada, Equitable Life of Canada®. Historical results are not indicative of future performance.

² 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.

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