

iA Participating Life Insurance (iA PAR)

PARTICIPATING ACCOUNT EXPLANATORY DOCUMENT



ENSURING THE GROWTH OF YOUR ESTATE

iA Participating Life Insurance (iA PAR) completes our line of permanent life insurance products and allows your clients to ensure tax-advantaged growth of their estates.

iA PAR is targeted to affluent clients, incorporated professionals and shareholders who want to maximize the value of their estate, have access to a source of liquidity and diversify their investments.

STRENGTH

Choosing iA PAR¹ means allowing your clients to benefit from the strength of one of the largest insurance and wealth management groups in Canada with over a century of experience. Founded in 1892, iA Financial Group is also one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

Our financial strength gives us the means for our ambitions.

DISCIPLINE

The participating account is managed by iA Investment Management, a seasoned team with incomparable expertise in asset management:

- close to 180 people on the iAIM team
- over 100 investment professionals
- close to 50 CFA charterholders

Solid management and tangible results

\$100B of the iA Financial Group's assets under management are managed by iAIM and our management subsidiaries.

STABILITY

The participating account benefits from an optimal diversification of asset classes as well as a smoothing technique that weakens variations to favour long-term stability. Our team of portfolio managers at iA Investment Management employs a prudent, measured approach to maximize long-term returns.

iA PARTICIPATING LIFE INSURANCE

iA PAR is a permanent life insurance product that ensures tax-advantaged growth of your estate. In addition to a guaranteed premium for the basis coverage, a guaranteed policy cash value and a guaranteed death benefit, the main advantage of iA PAR is that a dividend on your policy may be paid each year. According to the dividend option selected, the paid-up additions (PUA) option can be used to increase the amount of life insurance and the total surrender value while other options can provide a source of liquidity each year.

ANNUAL DIVIDENDS

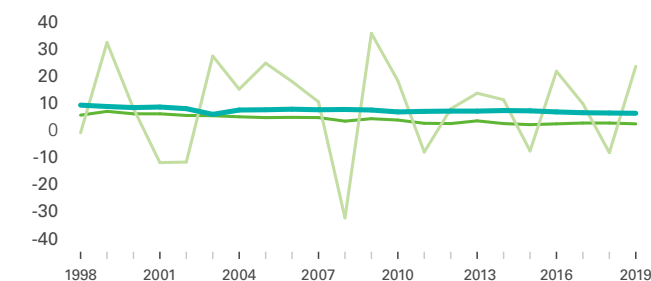
Each year, the iA Financial Group Board of Directors approves the amount of the dividend to be paid in accordance with the dividend policy. This policy governs the fair distribution of dividends to policy owners.

Dividends are not guaranteed.

The dividend amount is set according to the dividend scale. This scale depends on the financial results of the participating account, which are calculated primarily based on the elements below related to the iA PAR contracts:

- Investment income
- Mortality
- Contract lapses
- Expenses and taxes

While all of these elements factor into the dividend calculation, investment income of the account generally has the greatest influence on the dividend that could be paid. For this reason, we use an investment strategy that we consider optimal for this type of product. This strategy is based on maximizing long-term return, and therefore dividends. In order to ensure long-term stability, we apply a smoothing technique that amortizes major fluctuations in returns (positive and negative) to minimize volatility from year to year.



— S&P/TSX Composite Total Return Index
— 10-year bond coupon rate
— Interest rates for dividend scales in the closed participating account of iA Financial Group

Sources: S&P/TSX Index Services and Bank of Canada

PHILOSOPHY AND OBJECTIVE OF THE PARTICIPATING ACCOUNT

The management philosophy of the participating account is based on an understanding of the long-term risk/return relationship, and the resulting asset allocation opportunities. The search for added value is part of an active management process based on asset and risk diversification. The participating account is actively managed to maximize potential returns while maintaining a conservative approach. In order to optimize the risk/return relationship, investments in alternative assets will be integrated into the account in addition to fixed income securities and equities. Alternative assets offer various advantages such as higher returns with an equal or lower risk, low correlation with traditional asset classes and portfolio diversification. The alternative assets are the following: commercial mortgages, private debt, real estate investments and private equity and infrastructure.

¹ iA Participating Life Insurance may also be promoted as iA PAR.

TARGET COMPOSITION OF THE PARTICIPATING ACCOUNT

	Long-term target composition %	Min	Max
Short-term	0%	0%	15%
Total short-term	0%		
Policy loans	10%	0%	30%
Government bonds	10%	5%	50%
Corporate bonds	10%	0%	30%
Commercial mortgages	15%	0%	30%
Private debt	10%	0%	20%
Preferred shares	5%	0%	10%
Total bonds	60%		
Common shares	10%	0%	20%
Real estate investments	15%	0%	25%
Private equity and infrastructure	15%	0%	25%
Total non-fixed income (NFI)	40%		
	100%		

While the above investment guidelines represent the long-term target, the asset allocation may vary from the target allocation depending on investment opportunities. The portfolio managers may revise the targets as needed, depending on changes in economic conditions, for the greater benefit of our clients.

The stable nature of cash flows in the participating account allows for investment in assets requiring a long investment horizon, such as real estate, private debt, private equity and infrastructure projects.

For all asset classes, diversification and investment expertise are key to the management team's success.

MANAGEMENT PHILOSOPHY BY ASSET CLASS

Government and corporate bonds (20% target)

The government bond portfolio may include federal (Canadian and foreign), provincial and municipal bonds of various maturities. We aim to diversify geographically and by maturity. The corporate bond portfolio consists of bonds issued by large Canadian and Corporate bond issues. We invest in corporate issues of all maturities, with the primary objective of enhancing returns relative to government bonds.

For the entire bond portfolio, we aim for an average term of between 10 and 20 years and an average investment grade credit rating.

Commercial mortgages (15% target)

The commercial mortgage portfolio consists primarily of mortgages on multi-residential, retail, industrial and office properties. Our goal is to have a mortgage portfolio that is geographically diversified in Canada's major urban centres, with terms ranging from 5 to 20 years.

The managers adhere to a rigorous selection process. Location, quality of tenants, lease terms, quality of building construction, economic outlook for the area and financial health of the borrower are the main factors considered in granting mortgage loans.

Due to the lower liquidity profile of this asset class, commercial mortgages typically earn a higher yield than corporate bonds with similar risks.

Private debt (10% target)

For this type of asset, we primarily target long-term, geographically diversified private debt investments. We favour debt investments to finance infrastructure projects, which generate stable cash flows.

Above all, we favour high-quality borrowers. Since this type of investment is very long term (15 to 30 years), private in nature and not traded on organized markets, its yield is higher than comparable corporate bonds.

Preferred shares (5% target)

Preferred shares are an asset class that provides dividends which are generally stable and predictable over time. Within the participating account, the selection of preferred shares is based on the following principles: the level and stability of the dividends over time, the sector of exposure and the quality of the issuer.

Common shares (10% target)

The common shares portfolio in the participating account is invested primarily in the shares of large capitalization companies around the world. The portfolio is also well diversified across several sectors of the economy in order to diversify risk while taking advantage of various growth opportunities.

Real estate investments (15% target)

iA Financial Group owns and manages an impressive and well-diversified portfolio of real estate assets. The participating account is invested directly in some of these properties located in major urban centres in Canada. The account can be invested in office, retail, industrial and residential buildings. This asset class provides a stable income base as well as protection against inflation due to potential property value appreciation.

Private equity and infrastructure (15% target)

Capital and infrastructure investments are made in unlisted companies. Our objective is to invest in a diversified portfolio of infrastructure projects and private companies located around the world. We also aim to diversify across different industries and sectors such as renewable energy, transportation and telecommunications. Generally, these investments offer superior returns and a lower volatility profile relative to public equities. They can also provide a measure of protection against inflation.

iA PAR

STRENGTH
DISCIPLINE
STABILITY



ABOUT iA INVESTMENT MANAGEMENT (iAIM)

Opting for iA PAR means benefitting from the expertise of a seasoned asset management team.

Industrial Alliance Investment Management Inc. (iAIM) is a wholly-owned subsidiary of iA Financial Group. It has close to 180 employees, including over 100 investment professionals and close to 50 CFA charterholders.

The participating account is managed by the iAIM team responsible for managing iA Financial Group's entire asset portfolio. This team manages nearly \$45 billion in assets, including over \$10 billion in alternative assets. Alternative assets include real estate, private debt, commercial mortgages, infrastructure investments and private equity. The team's portfolio managers are supported by the expertise of numerous teams within iAIM, including a variety of highly experienced managers in equities, bonds, alternative assets, asset allocation, economics and risk management.

iA FINANCIAL GROUP IN NUMBERS

A solid, trusted company since 1892, iA Financial Group is one of Canada's largest public companies. Listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares) since February 3, 2000.

4 million+
clients

25,000+
advisors

7,700+
employees

\$611.2 million
net income attributed
to common shareholders

\$14.1 billion
premiums, premium
equivalents and deposits

IAG stock performance

601%

Growth of IAG share since iA Financial Group became a public company on February 3, 2000, compared to 96% for the S&P/TSX benchmark index of the Toronto Stock Exchange.

\$197.5 billion

assets under management (AUM)
and administration (AUA)

Solvency ratio

130%

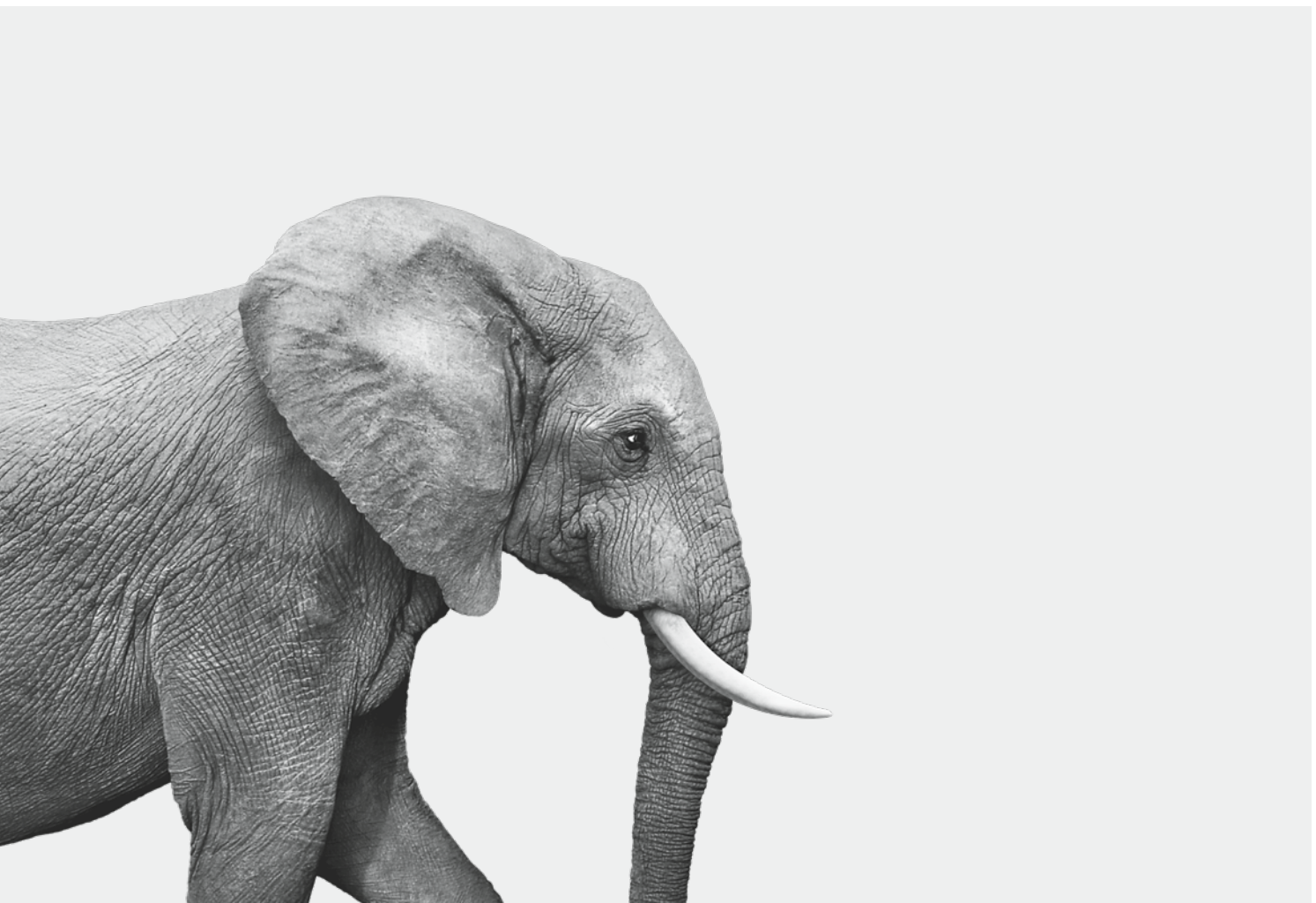
Above the **110 % – 116 %** target range

Data as at December 31, 2020, unless otherwise indicated.

iA Financial Group – A solid, trusted company

With over 125 years of history in the insurance and wealth management businesses, iA Financial Group is a name that inspires trust for its clients. Founded in 1892, iA has always succeeded in adapting its practices and product offering to changing market needs in order to meet the needs of clients.

Our mission is to ensure the financial wellbeing of our clients by offering them personal insurance coverage and investment solutions to help them achieve their personal goals.



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INVESTED IN YOU.

iA Financial Group is a business name and trademark of
Industrial Alliance Insurance and Financial Services Inc.

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