FOR ADVISORS ONLY

Participating life insurance

STRATEGY AND PERFORMANCE
OF THE PARTICIPATING ACCOUNT

POLICIES ISSUED SINCE 2017

AS AT DECEMBER 31, 2025

Desjardins
Insurance
Life • Health • Retirement

Our investment strategy

The investment strategy for the participating life product (PAR) is based on a thorough knowledge of the role and behaviour of each asset class. This allows them to be combined to take advantage of the portfolio's long-term horizon and low liquidity requirements, with the target of achieving a high return with a low to moderate risk tolerance.

The strategy is based on intelligent risk-taking, which is essential to achieving higher investment returns.

- The asset classes and management mandates are chosen in such a way to expose the portfolio to various risks that are well compensated over the long term, notably those related to fluctuations in economic growth, credit risk, or the lesser liquidity of some assets.
- This risk-taking is assumed and controlled with various types of sound diversification: within an asset class and between each class as well as from the temporal standpoint.

Unlike strategies traditionally associated with a low to moderate risk tolerance, the PAR strategy we have developed substitutes a portion of what would typically be invested in fixed income and common shares for a mix of alternative investments and a specialized strategy called "market-neutral".

- This approach helps to reduce expected volatility through enhanced diversification. It takes into account new sources of returns (including value creation specific to alternative investments) that are generally less dependent on changes in interest rates and equity markets.
- It also targets fixed income segments with higher expected returns, always ensuring that the associated risks are managed with appropriate mitigative measures.

Active management

Our investment strategy for the participating life insurance product also uses active management.

With active management, managers carefully select the securities they want in their portfolio based on their convictions, while controlling the risks inherent to these securities. The goal is to outperform simple index management, which consists of systematically buying all the securities in an index without any special analysis.

This approach has several advantages:

- It improves the risk-return profile of a portfolio compared to simple index tracking.
- It increases the portfolio's expected returns without significantly increasing estimated volatility.

Several active strategies are used in the participating life insurance product:

- Quantitative or fundamental management of publicly traded assets
- Tactical asset allocation (overlay of futures)
- Active management of all alternative investments by default (no passive management)

Choosing specific strategies provides another level of diversification, notably with respect to the signals used in different active management approaches. For example, traditional strategies for common shares focus on fundamental analysis of companies, such as their business plans, profitability, management quality, and so on, while tactical asset allocation strategies place more emphasis on analyzing the expected economic conditions.

Market review

(For 2025)

Despite a turbulent start to the year, 2025 saw robust growth across global stock markets, underscoring the resilience of the bull market that began in 2023. However, the US market lagged behind during this period, marking a structural shift after more than a decade of American dominance. The rise in global stock markets was largely driven by corporate earnings growth and the continued strength of sectors linked to artificial intelligence. Expectations of monetary easing by central banks amid moderating inflation also helped boost investor confidence. Preferred shares also benefitted from the positive market environment during the year.

Alternative investments and credit-linked asset classes also performed well, supported by a resilient economy and strong corporate earnings. Credit spreads widened significantly in the spring following the introduction of US tariffs, then narrowed over the remainder of the year.

While the Bank of Canada cut its policy interest rate several times during the year, long-term Canadian rates were pushed higher by announcements of increased infrastructure and defence spending by Mark Carney's government and lingering uncertainty over the impact of US tariffs on the Canadian economy. These rate increases negatively impacted the portfolio's government bonds, which have a long duration because of the role they play within the portfolio.

Rate of return on investments in participating account

	2023*	2024	2025
Net return for the year[1]	8.30%	8.29%	6.74%

* The previously published rate of return for 2023 (8.19%) has been revised following the discovery of an anomaly in the period used for the calculation.

Source: Desjardins Global Asset Management.

[1] Past performance is not indicative of future returns.

Composition of the participating account

As at December 31, 2025

Asset class	Invested assets ($M)	Proportion (%)	Target range (%)
Cash and short-term investments	0.9	1.0	0 to 5
Government bonds	13.2	14.9	30 to 55
Corporate bonds	8.8	9.9	
Mortgages and commercial loans	11.5	12.9	
High-yield bonds	4.9	5.5	5 to 15
Bank loans	4.2	4.8	
Preferred shares	5.3	6.0	0 to 10
Fixed income	**48.8**	**55.0**	**45 to 75**
Common shares	**11.5**	**13.0**	**5 to 25**
Private equity	5.3	6.0	0 to 15
Private debt*	5.3	6.0	0 to 15
Infrastructure	8.0	8.9	0 to 15
Real estate	7.1	8.0	0 to 15
Alternative investments	**25.7**	**28.9**	**20 to 40**
Specialized strategy (market neutral)	**2.7**	**3.1**	**0 to 5**
TOTAL	**88.7**	**100**	

* Private debt is both a form of fixed income and a sub-category of alternative investments. The type of private debt included in the portfolio gives it a projected risk-return profile closer to the other aspects of the alternative investments portion of the portfolio than the fixed income portion.

Source: Desjardins Global Asset Management.

Notes: The table above illustrates cash investments in the portfolio, which reflect the strategy for the desired portfolio (longer horizon). Futures contracts are used to exercise controlled tactical deviations (over the short term) but since they can change quickly, they aren't included in this table.

About the asset classes

Cash and short-term investments

The cash and short-term investments portfolio consists mainly of debt securities with maturities of less than one year. While they are a source of current yields, their primary role is to provide the liquidity necessary to manage the portfolio. Their very low volatility also reduces portfolio risk exposure.

Mortgages and commercial loans

The portfolio contains mostly mortgage loans granted to businesses and public sector entities for different types of real estate in Canada's major urban centres. These assets play a similar role to corporate bonds, while providing additional compensation because of their illiquidity.

Government bonds

The government bonds portfolio is the defensive part of the strategy. It provides regular interest coupons while reducing portfolio risk exposure.

Corporate bonds and high-yield credit

The portfolio contains bonds issued by Canadian and foreign companies in various sectors. These high-quality, high-yield securities can enhance the portfolio's performance by providing credit spreads that have historically covered most of the additional credit risk. High-yield securities may include bank loans traded on the secondary market. These loans have similar features to high-yield bonds in terms of their credit risk and expected long-term returns. Since they are variable-rate instruments rather than fixed rate, they diversify exposure to credit risk.

Quality of the bonds and bank loans portfolio

As at December 31, 2025

Portfolio allocation credit ratings	Provincial bonds	Corporate bonds	High-yield bonds (Alliance Bernstein)	Bank loans (Oak Hill Advisor)	TOTAL WEIGHTING
AAA	0%	1.2%	0%	0%	0.4%
AA+ to AA-	99.0%	32.0%	0.4%	0%	50.3%
A+ to A-	1.0%	38.9%	1.4%	0%	13.9%
BBB+ to BBB-	0%	27.8%	8.8%	1.7%	11.0%
BB+ to BB-	0%	0.1%	45.3%	16.2%	8.5%
B+ to B-	0%	0%	43.9%	82.1%	15.8%
Below B and unrated	0%	0%	0.2%	0%	0.1%
TOTAL	100%	100%	100%	100%	100%

Source: Desjardins Global Asset Management.

Preferred shares

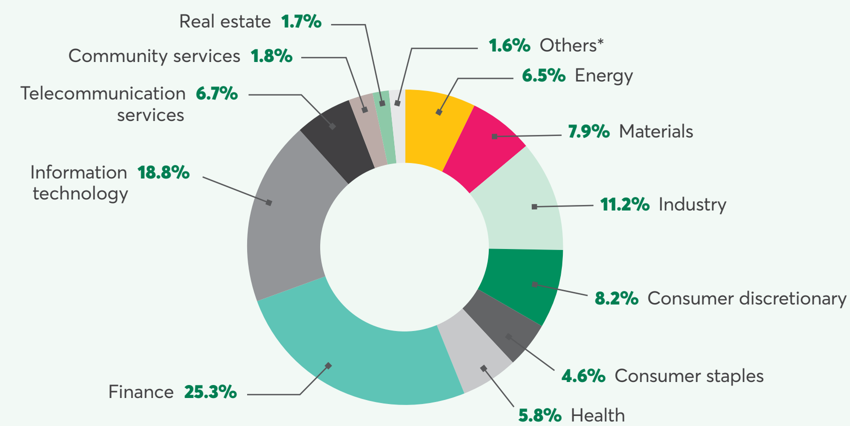
These securities are often presented as a cross between common shares and corporate bonds. Preferred shares typically provide high and stable dividend payments. The use of such an asset class helps to optimize portfolio diversification. At this time, the portfolio includes only Canadian securities.

Common shares

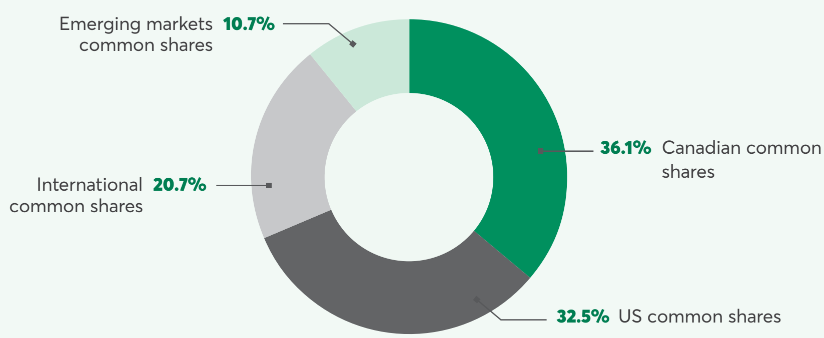
Common shares are beneficial in a diversified portfolio. They offer potential for long-term growth through capital appreciation and dividends. Owning shares requires accepting fluctuations in companies' valuations and in the economic cycle. The portfolio is diversified across Canadian, US and international equities (other developed and emerging markets).

As at December 31, 2025

Common shares by sector



Common shares by geographic area



Common share holdings reflect mandates assigned by region. The inclusion of non-benchmark securities (for example, the Canadian equity mandate, which also holds some US securities) can paint a slightly different picture.

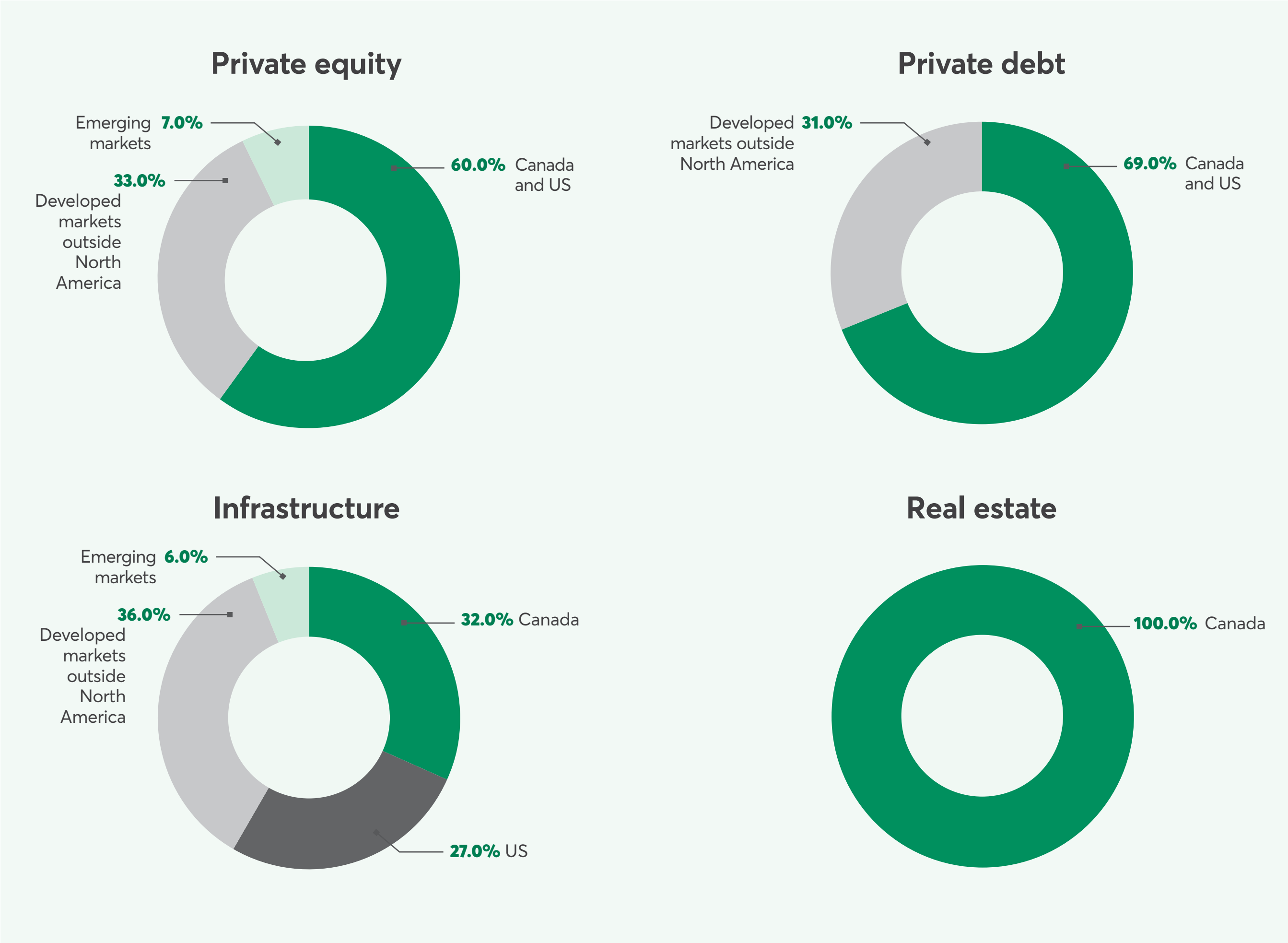
* Including cash and money market within equity mandates.
Source: Desjardins Global Asset Management.

Alternative investments

Alternative investments are made up of a number of asset classes which have in common that they are traded outside the markets, resulting in lower volatility and less liquidity. These assets may consist of equities, debt securities or real assets (such as real estate or infrastructure).

These investments also offer good diversification compared to traditional assets. They provide investors with higher returns through compensation for reduced liquidity or they can create value through full asset control and the judicious use of financial leverage.

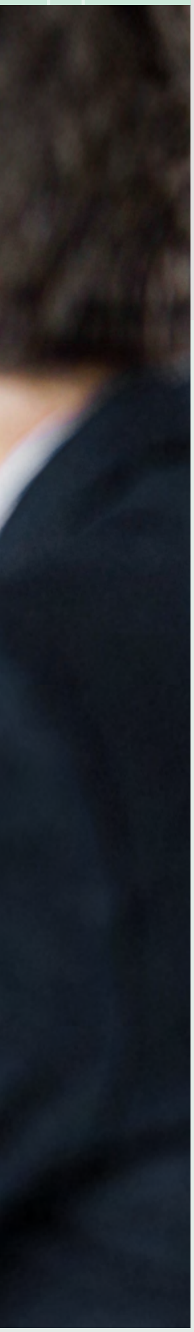
As at December 31, 2025



Source: Desjardins Global Asset Management.

Specialized strategies

Specialized strategies round out the portfolio. They're designed to be independent of market direction. The portfolio includes two market neutral strategies containing short positions financing long positions in equity market (specific securities, sector indices or regional indices), with net performance on top of the money market returns. This strategy aims to achieve stable positive returns, low volatility and low correlation with the rest of the portfolio.



Choose Desjardins Insurance

When you choose Desjardins Insurance, you offer your clients the strength and stability of a company specializing in life and health insurance and retirement savings. We have earned the trust of over 10 millions Canadians.[1] You're also choosing Desjardins Group, the largest cooperative financial group in Canada and one of the best-capitalized financial institutions in the country.

Investment expertise

Policyowners benefit from the expertise of Desjardins Global Asset Management's (DGAM) specialized portfolio management team. DGAM was founded in 1998 and is today one of Canada's largest asset managers, with in-house expertise in fixed-income securities, public equities and real assets (infrastructure, real estate) across a variety of investment vehicles.

DGAM also offers strategic asset allocation services to its clients based on their objectives, investment horizon and risk tolerance. As at December 31, 2025, DGAM managed over $124.2 billion[2] in institutional assets on behalf of insurance companies, pension funds, endowment funds, non-profit organizations and corporations across Canada.

DGAM's team of over 100 investment professionals develops in-depth investment strategies. Prudent risk management and responsible investment practices are incorporated into the investment process, creating long-term value for clients. Plus, DGAM has been an active signatory of the Principles for Responsible Investment (PRI) since 2017.

DGAM also teams up with reputable sub-managers for certain asset classes, particularly for high-yield credit and some alternative investments.

1. Source: Who we are… Desjardins Life Insurance.
2. Source: Desjardins Global Asset Management as at December 31, 2025.

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17086E (2026-04)