RBC Participating Life Insurance 2025 Financial Update

RBC Growth Insurance
RBC Growth Insurance Plus

Insurance

Message from the Portfolio Manager

Looking back at 2025, we see that the year was defined by a dramatic reversal in market sentiment. What began with heightened uncertainty, shaken by U.S. tariff announcements and the Bank of Canada cutting rates faster than any other G7 peer, ended with one of the most compelling recoveries in recent memory. There were persistent questions early on about whether equity valuations could sustain three consecutive years of gains, but the market proved those doubts wrong.

While the Canadian economy navigated headwinds from trade uncertainty, capital markets ultimately rewarded discipline and diversification. The S&P/TSX delivered its strongest year since 2009, North American corporate earnings proved remarkably resilient, and credit markets remained well-supported despite surrounding macro noise.

Through it all, the participating account delivered a yield of 9.5%, supported by outstanding equity returns, stable income from commercial real estate, and the steady contribution of our fixed income book. The portfolio's diversified structure once again demonstrated its value: each asset class played its role, and the result was a strong, consistent return for policyholders.

Fixed Income

Fixed income markets in 2025 were defined by the tension between aggressive central bank easing and upward pressure on longer-term yields. The Bank of Canada cut its overnight rate by 100 basis points to 2.25%, reflecting a cooling economy, rising unemployment, and inflation nearing its 2% target.

Despite this policy easing, longer-term Canadian bond yields remained relatively elevated, reflecting persistent fiscal concerns, sticky underlying inflation, and a repricing of term premium amid heightened uncertainty around U.S. trade policy.

Annualized Return for the Participating Account (%):[1,2]

Par Fund Yield

9.50

January 1, 2025–December 31, 2025

Dividend Scale Interest Rate

6.30

April 1, 2026–March 31, 2027

Benchmarks (%):

Consumer Price Index[3]

2.40

Canada Aggregate Bond Total Return Index[4]

2.36

S&P/TSX Composite Total Return Index[5]

31.70

[1] The par fund yield is net of investment expenses.

[2] It is important to mention that while the return realized on the assets in the participating account influences how the dividend scale and dividends paid to policyholders are calculated, we apply a smoothing technique in order to amortize the yield fluctuations and promote stable long-term growth.

[3] Total CPI index v41690973, Bank of Canada.

[4] Bloomberg Canada Aggregate Total Return Index Unhedged CAD

[5] Total Return from website S&P/TSX Composite Index | S&P Dow Jones Indices (spglobal.com)

Corporate credit remained a standout. Corporate bond credit spreads—the additional yield corporate bonds offer over government debt—began 2025 at historically tight levels and ended even tighter. Strong corporate balance sheets and persistent institutional demand for investment-grade bonds supported tight spreads throughout the year.

The portfolio's fixed income book benefited from active duration management, a strategic tilt toward corporate credit, and the illiquidity premium captured through allocations to commercial mortgages and private placements.

Public Equities

The S&P/TSX Composite Index rose 31.7% in 2025, driven by gold and precious metal companies, as well as by the continued global momentum of AI-driven firms. Financial stocks were another meaningful contributor, supported by improving credit conditions and a more favourable rate environment as the Bank of Canada continued its easing cycle.

U.S. equity markets performed well despite a turbulent 2025. Markets dropped sharply in the spring following the Trump administration's reciprocal tariff announcement, before recovering through year-end as trade deals and a temporary China truce emerged.

Commercial Real Estate

Canadian commercial real estate continued to benefit from stable and predictable rental income in 2025. Market conditions improved through the second half of the year as interest rate expectations became clearer and transaction activity increased. Overall property values across most sectors appear stable, reflecting more balanced market conditions.

Performance varied by property type. Office leasing activity improved in major downtown markets, while retail properties, particularly grocery-anchored and service-focused centres, remained resilient. Industrial markets continued to normalize after several strong years, and the multi-family sector adjusted to higher levels of new supply. Income across the portfolio remained steady and occupancy remains strong.

Looking ahead, we expect commercial real estate fundamentals to remain stable, with selective opportunities emerging as market activity increases in 2026. The focus remains on high-quality properties, active management, and disciplined capital deployment to support durable income and long-term value for the participating account.

Ultimately, what truly differentiates this account is not just what we hold, but how these assets are accessed and managed. Being part of RBC means our investment decisions are informed by deep market insight, credit research, and economic analysis drawn from one of Canada's largest financial institutions. The portfolio is intentionally structured and managed with a long-term time horizon while also identifying opportunistic investment opportunities to drive sustainable growth. This purposeful design will help deliver enduring value for policyholders across full market cycles.

Paul Kahlon
Senior Portfolio Manager, Asset Allocation
RBC Insurance

Composition of the Participating Account

As of December 31, 2025

	December 2025		December 2024	
Asset Class	**Invested Assets**	**% of Total**	**Invested Assets**	**% of Total**
Fixed Income				
Short-Term/Cash*	$6,615,459	13%	$167,903	2%
Government Bonds	$2,435,184	5%	$33,487	0%
Corporate Bonds	$17,409,994	34%	$4,560,627	48%
Commercial Mortgages	$4,682,122	9%	—	0%
Private Placement	$981,133	2%	—	0%
Non-fixed Income				
Public Equity	$12,929,091	25%	$2,511,288	26%
Commercial Real Estate	$6,341,881	12%	$2,327,146	24%
Total	**$51,394,864**	**100%**	**$9,600,451**	**100%**

*Short-term instruments represent 13% of the portfolio, above our long-term target. This reflects a deliberate decision to preserve capital flexibility in the short term while assessing deployment opportunities across alternative non-fixed income asset classes that meet the fund's long-duration and asset liability management investment objectives. The redeployment of these funds will bring our asset mix back to the 50/50 fixed income/non-fixed income target.

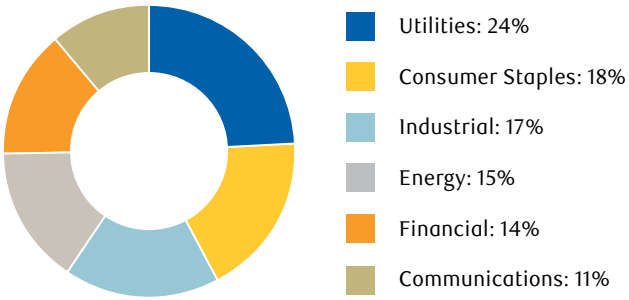
Fixed Income Holdings

As of December 31, 2025

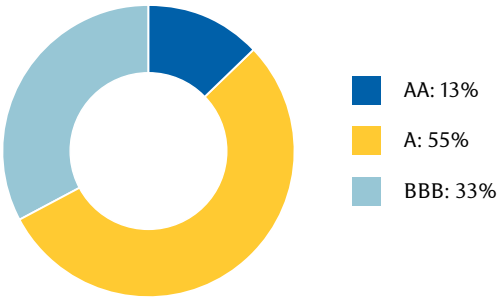
The fixed income portfolio maintains an investment-grade profile, with a balanced allocation across securities rated A+ and BBB to enhance yield while preserving overall credit quality.

The portfolio is positioned in sectors characterized by stable and predicable cash flows, including regulated utilities, telecommunications, and financial institutions, supporting strong alignment with long-duration policyholder liabilities.

Corporate Bond Sector Breakdown



Corporate Bonds Credit Ratings



Commercial Mortgage

Commercial mortgage loans provide stable, contractual cash flows secured by income-producing real estate, aligning well with the long-term obligations of the participating account. These investments are primarily senior secured, first-mortgage loans, offering attractive yield with the benefit of real asset collateral. Loans are sourced and underwritten through RBC Insurance's direct origination platform, enabling disciplined structuring, detailed property-level analysis, and ongoing borrower engagement. The participating account benefits from the same origination, ongoing evaluation, refinancing discipline and institutional expertise that support RBC Insurance's general account mortgage assets.

Private Placements

Private placements are investment-grade debt instruments issued directly to institutional investors outside the public bond market. These investments provide access to a broader set of issuers and structures, while offering a yield premium over comparable public bonds to compensate for reduced liquidity. They often include stronger covenant protections, supporting active credit monitoring over time.

Non-fixed Income Holdings

As of December 31, 2025

Equity Holdings

The equity allocation is held through passive index funds providing broad exposure to North American equity markets, capturing both the Canadian and the U.S. market. This structure maintains broad diversification across sectors.

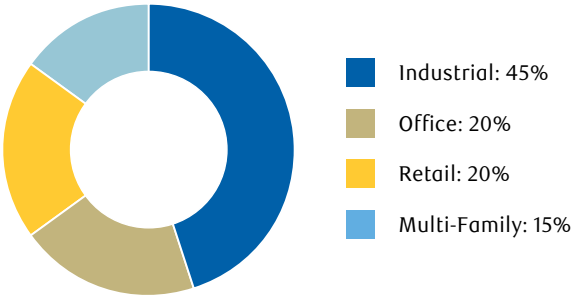
Commercial Real Estate Fund Holdings

The commercial real estate allocation is invested in a diversified private real estate fund. The portfolio remains well diversified, with industrial assets and Ontario representing the largest concentrations.

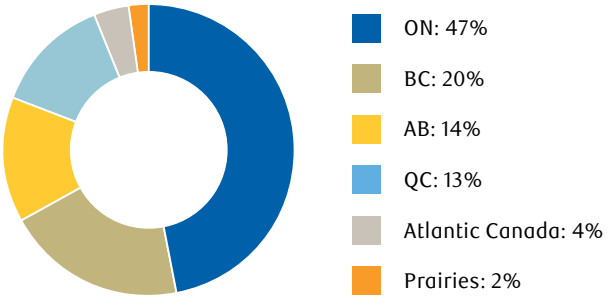
Top office and industrial holdings of this fund include:

Office — 121 King, Toronto, ON
Office — Place de Ville, Ottawa, ON
Industrial — Atlantic Canada Industrial Portfolio, Dartmouth, Atlantic
Industrial — Brant Business Park, Brantford, ON

Diversification by Property Type



Diversification by Location



For more information, please contact your Insurance Advisor or visit **rbcinsurance.com/growth-insurance**.

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