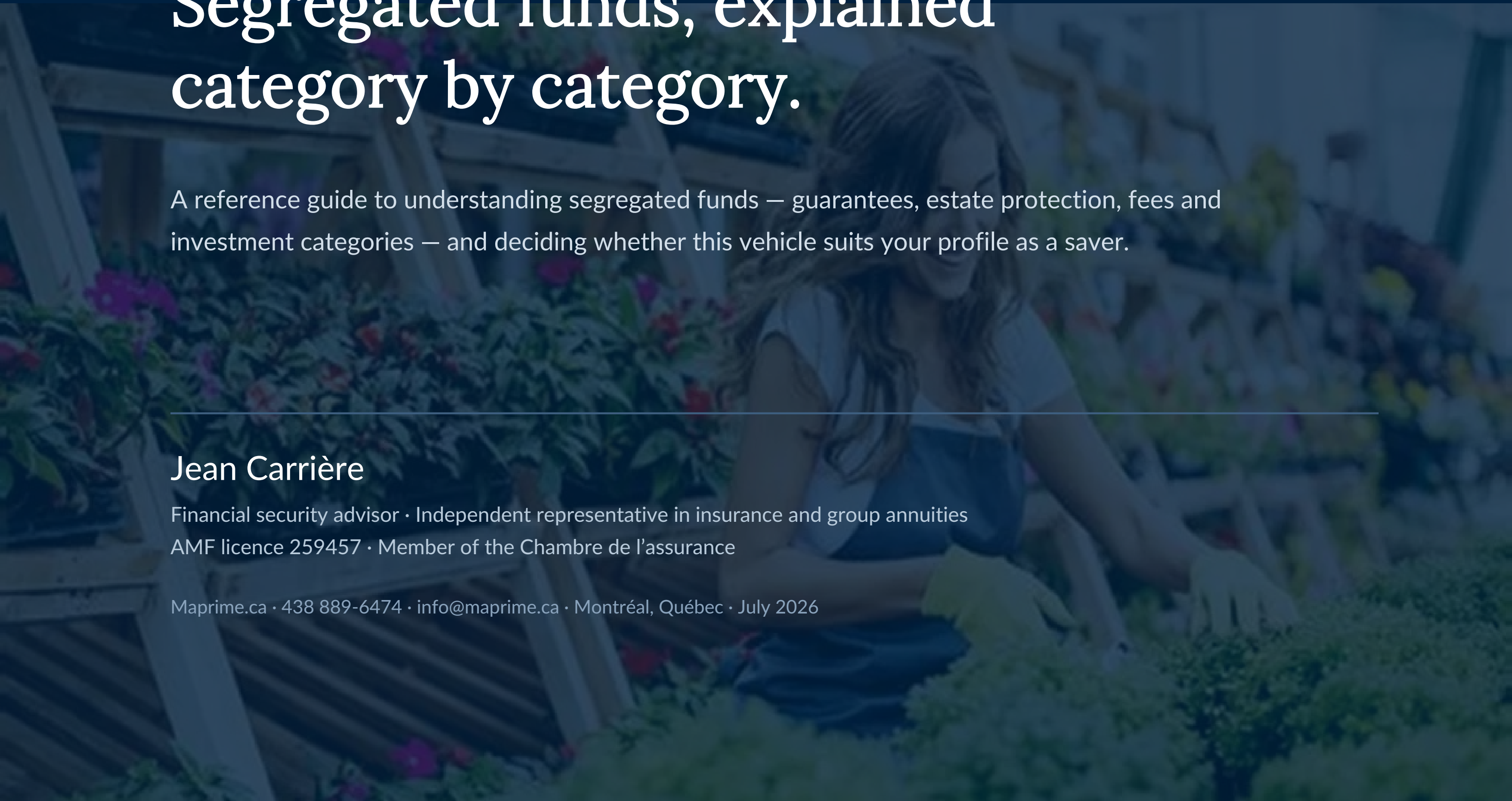
MONTRÉAL · QUÉBEC

INDIVIDUAL INVESTMENT GUIDE

Segregated funds, explained category by category.

A reference guide to understanding segregated funds — guarantees, estate protection, fees and investment categories — and deciding whether this vehicle suits your profile as a saver.



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IN THIS GUIDE

Contents

01	What is a segregated fund	2
02	How the guarantees work	4
03	Estate protection, fees and risks	5
04	The fund categories, in detail	6
05	Insurers represented	9
06	How I work	9
07	Next steps	10

01 — INTRODUCTION

What is a segregated fund?

Self-employed or business owner: the potential protection from creditors deserves serious consideration.

A segregated fund — also called an individual variable insurance contract — is an investment product offered exclusively by life insurance companies. Like a mutual fund, it pools money from several investors in a portfolio run by professional managers (equities, bonds, money-market securities). What sets it apart: it comes with a guarantee at death and a guarantee at contract maturity (generally 10 to 20 years, or age 100 or 105), offered in exchange for management fees that are usually higher than those of an equivalent mutual fund.

A regulatory point worth knowing: only representatives in insurance of persons (financial security advisors) registered with the Autorité des marchés financiers may offer segregated funds. A mutual fund dealing representative cannot sell them unless they also hold that insurance licence. It is a product that falls directly within my field of practice.

Who it is generally suited to

- You intend to hold your investments until the contract matures (10 years or more).
- You want to guarantee all or part of the value of your investments on death, to protect your heirs against a market downturn.
- You are prepared to pay higher management fees in exchange for reduced risk.

Who it is generally not the first choice for

If you may need to withdraw your money before the contract matures, a segregated fund is generally not the most appropriate vehicle: an early withdrawal cancels the benefit of the guarantee, while the higher fees have already been paid.

Source: Autorité des marchés financiers, "Les fonds distincts" (lautorite.qc.ca, consulted 24 July 2025).

02 — HOW THE GUARANTEES WORK

Two numbers, two moments: 75/100, 100/100...

Segregated fund contracts use a two-number notation to describe their guarantees — for example 75/75, 75/100 or 100/100 (sometimes followed by an "i" for inflation protection). The first number is the minimum percentage of invested capital guaranteed at contract maturity. The second is the minimum percentage guaranteed on death.

	GUARANTEED AT MATURITY	GUARANTEED ON DEATH
Example: a 75/100 contract	75%	100%

> **Worked example (AMF) :** Ève invests $50,000 in a segregated fund offering 75/100 protection. At maturity she will receive the greater of the market value of her investments and $37,500 (75% of $50,000). On her death, her beneficiaries would receive the greater of $50,000 and the market value of her investments.

Essential condition : to benefit from the guarantee, the fund must be held until the contract matures or until death. A withdrawal before maturity cancels the guarantee — you then receive market value, potentially below the capital invested, having paid higher management fees for protection you will not have used.

Resetting the guarantee

Many contracts allow the guarantee to be reset from time to time, adjusting it to current market value and thereby locking in the growth achieved. A reset generally pushes back the maturity date of the maturity guarantee by the same amount.

Reset example (AMF) : Ève's initial $50,000 investment is now worth $53,000. The value is reset to $53,000: her 100% death guarantee now applies to that amount, and her maturity guarantee rises to $39,750 (75% of $53,000) — but the maturity date at which she becomes entitled to it is pushed back fifteen years. Depending on the contract, a reset may be automatic or on the client's request, annual or every three years, and is sometimes no longer offered after a certain age, often 80.

Source: Autorité des marchés financiers, "Les fonds distincts" (lautorite.qc.ca, consulted 24 July 2025) — examples and guarantee mechanics reproduced directly from the regulator's official documentation.

What sets a segregated fund apart from a mutual fund

Because a segregated fund is an insurance contract with a designated beneficiary, the death benefit generally falls outside the estate and is therefore not subject to probate. The money is usually paid to the beneficiary within two weeks, rather than waiting for the estate to be settled — an advantage in speed and, potentially, in estate costs.

A beneficiary designation also generally allows protection from the policyholder's creditors, both during their lifetime and after death. That protection is not absolute: it can be challenged if the fund was purchased when the investor knew they were in financial difficulty, or about to be. It is also easier to change the beneficiaries of a segregated fund than those of a will — a point worth keeping in mind.

Fees and costs

Because of the guarantee, segregated funds generally carry higher management fees than comparable mutual funds. One third-party provider estimates that the fees attributable specifically to the capital guarantee often represent about 1% of invested capital, on top of the management fees of the underlying fund. A regulatory change worth noting: deferred sales charges (DSC) have been prohibited since 1 June 2023 for new contracts — a contract taken out before that date may still be subject to them for future contributions.

Segregated funds are not risk-free

Even with a 75% guarantee at maturity, a market decline of 25% or more before maturity means you could still lose up to 25% of the capital invested. The loss can be larger still if you surrender your contract before maturity to raise cash, since the guarantee then does not apply — something to weigh before subscribing to a contract whose guarantee matures at age 100 or 105.

> **In short :** a segregated fund trades a potentially reduced return (higher fees) for a capital guarantee conditional on the investment horizon — a compromise that suits some savers' profiles, not all.

Sources: Autorité des marchés financiers, "Les fonds distincts" (lautorite.qc.ca); HelloSafe, "Faut-il placer en fonds distincts ?" (hellosafe.ca); CI Global Asset Management, "Segregated funds in estate planning" (cifinancial.com) — all consulted 24 July 2025.

Nine fund families, nine investor profiles

The categories below reflect the classification commonly used by insurers offering segregated funds in Quebec (a structure based on iA Financial Group's eight-category classification, with an added category grouping conservative and money-market funds). The exact composition, fees and managers vary from one insurer to another.

Money-market and conservative funds — low risk

Invest in very short-term, low-risk securities (Treasury bills, high-quality commercial paper). The objective is capital preservation and liquidity rather than growth.

- Typical profile: a conservative investor, a very short horizon, or a temporary parking place for cash pending an investment decision.
- Role in a portfolio: stability; a return generally close to short-term interest rates.

Income funds (bonds) — low to moderate risk

Conservative funds whose return comes from low-risk securities generating predictable interest — government and corporate bonds. A sub-category, specialised income funds, targets more specific debt (high-yield, international debt), generally riskier and used to complement diversification.

- Typical profile: a conservative to moderate investor seeking predictable income.
- Role in a portfolio: income funds generally move counter to equity funds, offsetting part of the portfolio's overall volatility.

Diversified (balanced) funds — moderate risk

Also called balanced funds, they combine bonds and equities within a single fund, either directly or through underlying funds.

- Typical profile: a moderate investor who wants diversification in a single investment decision.
- Role in a portfolio: often used as a single "core" solution, or alongside more specialised funds.

Equity funds, by geographic market

Each gives access to a different segment of world stock markets; the management style (growth, dividend, capitalisation) also varies from one fund to another within the same insurer.

CATEGORY	COMPOSITION
Canadian equities	Companies active in the Canadian market, sometimes with a limited portion of foreign equities.
U.S. equities	Companies located in the United States — more than half of world market capitalisation.
International / global equities	More than 20 developed markets outside Canada and the United States (Europe, Australasia, Far East); "global" funds generally combine roughly 50% U.S. and 50% international equities.

Specialised funds (sector or geographic) — high risk

Concentrate the investment on one region, one industry or one particular asset type (emerging markets, natural resources, technology, and so on).

- Typical profile: an experienced investor seeking targeted exposure, alongside an already diversified portfolio.
- Role in a portfolio: generally used as "satellite" holdings rather than as a core investment — more concentrated, therefore more volatile.

Responsible investment and turnkey solutions

Socially responsible investment funds (SRI / ESG)

Aim for a competitive long-term return while applying strict environmental, social and governance (ESG) criteria in selecting securities. The risk level generally follows that of the underlying asset class (equities, balanced, and so on) — the ESG approach is a selection filter, not a separate risk level.

- Typical profile: savers who want to align their investments with sustainability criteria without giving up a competitive return objective.

Managed and index solutions (turnkey portfolios)

Rather than choosing fund by fund, several insurers offer families of ready-diversified portfolios managed to a predetermined risk profile (conservative, moderate, balanced, growth, aggressive), rebalanced automatically by the manager. Some families are actively managed, others follow a relatively low-cost index approach.

- Typical profile: savers who prefer a single asset-allocation decision aligned with their risk tolerance, rather than managing several funds individually.
- Point to consider: the name and exact composition of these portfolio families vary from one insurer to another — the comparison is made at quotation time.

> **How I help you choose :** the right combination of categories depends on your investor profile (conservative, moderate, balanced, growth, aggressive), your investment horizon and your objectives — never on a single category taken in isolation. That is the purpose of the diagnostic I carry out with every client before any recommendation.

Source: iA Financial Group, "Catégories de fonds distincts" (ia.ca, consulted 24 July 2025) — the eight-category classification used as a structural reference; the exact composition and naming of funds vary from one insurer to another.

05 — INSURERS REPRESENTED

A compared quote, not a single catalogue

As an independent representative in insurance of persons, I am not tied exclusively to any insurer. Depending on your profile and objectives, your file may be directed to one of the following insurers offering segregated funds — the fund range, guarantee levels and exact fees vary from one contract to another and must be confirmed at quotation time:

iA Financial Group · Beneva · Manulife · Sun Life · Canada Life · Empire Life · Equitable

Comparing guarantee levels, fees and fund families across several insurers is generally the best way to find the contract best suited to your profile, without sacrificing the protection you are seeking.

06 — HOW I WORK

Diagnostic, analysis, recommendation, follow-up

1. Diagnostic — establishing your investor profile (conservative to aggressive), your investment horizon, your risk tolerance and your savings objectives.
2. Analysis — comparing guarantee levels, fund categories and fees offered by several insurers for your profile.
3. Recommendation — a clear allocation across fund categories and a guarantee level suited to your horizon, with no promise of return.
4. Follow-up — periodic review of your portfolio and of opportunities to reset the guarantee as markets and your situation evolve.

07 — NEXT STEPS

Three ways to begin

1. Write to me for a first overview — give your approximate investment horizon and your objectives (retirement, a project, estate protection) at info@maprime.ca.
2. Complete an investor profile — so we can determine together the allocation across fund categories and the guarantee level that suits you.
3. Schedule an exploratory meeting — to discuss your situation directly, with no obligation.

Ready to explore segregated funds for your savings?

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> **Verify my registration :** Autorité des marchés financiers — certificate 259457, verifiable at lautorite.qc.ca/grand-public/registres. Chambre de l’assurance — member in good standing, chambreassurance.ca

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