An actively managed, diversified portfolio of equity and fixed income

What's the strategy?

The Growth and Income Balanced portfolio strategy is a multi-asset class, multi-style, balanced portfolio designed to provide investment diversity through an actively managed portfolio of underlying funds.

What's the approach?

The GLC Asset Mix Committee leverages the broad skill set of a multi-disciplinary team to make tactical and strategic moves within asset classes and regional exposures of the portfolio. The portfolio managers identify current risks and opportunities within each asset class, as well as macro trends in economic and market cycles to guide the longer term asset mix positioning.

The long-term target asset mix and asset mix ranges of the portfolio are:

- 60% equities (with an ability to move 7% over or under the target), and
- 40% fixed income securities (with an ability to move 7% over or under the target).

Each underlying component of this portfolio is actively managed by the experienced and proven investment professionals within GLC's respective investment divisions, and the specific expertise of external managers is leveraged for the portfolio's international exposure.

Why invest in this portfolio strategy?

The Growth and Income Balanced portfolio strategy provides investors with broad exposure to equities around the world, with opportunistic shifting of styles and geographic exposure, along with a dynamic mix of bond holdings to dampen risk.

Typical portfolio characteristics

Here is what you can expect to see from the Growth and Income Balanced portfolio strategy when compared to its peers, or its blended benchmark:

- Global diversification in a multi-style, multi-asset class investment portfolio designed to mitigate volatility.
- An actively managed asset mix allowing you to participate in the growth opportunities of equity markets while helping protect you against market downturns
- Investment-grade fixed income holdings, dividend-paying and all-cap equity holdings in high quality companies with attractive valuation and earnings profiles
- Equity growth opportunity plus yield-oriented income focus

Strategy snapshot

Asset class
Balanced

Inception date
2012

Assets in mandate
$292.0 million

Benchmark
40% FTSE Canada Universe Bond Index
30% S&P/TSX Composite Index
15% S&P 500 Index
15% MSCI EAFE Index

Investment team
GLC Asset Mix Committee

About GLC

GLC Asset Management Group Ltd. (GLC) is a leading investment management firm that manages more than $50 billion in assets.

GLC has 5 investment management divisions:

- GWL Investment Management
- London Capital Management
- Laketon Investment Management
- Portico Investment Management
- Portfolio Solutions Group

Each division has a distinct investment approach that offers deep expertise within specialized areas of portfolio management, bringing unique perspectives to navigating capital markets through varying cycles.

As at September 30, 2018

Portfolio Attributes

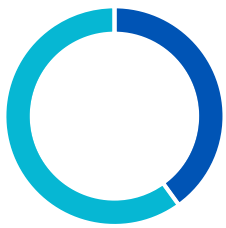
	Yield
Portfolio[1]	2.9%
Benchmark[2]	2.6%

Asset Mix Range and Current Positioning

Fixed Income (%): 30 – **40** – 50

Equity (%): 50 – **60** – 70

Asset Mix

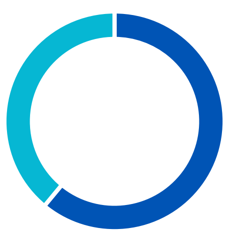


Fixed Income	40%
Equity	60%

Underlying Asset Allocation

Fixed Income	40.0%
Canadian Equity	24.8%
U.S. Equity	22.1%
Foreign Equity	13.1%
Total	**100.0%**

Geographic Mix



Domestic	61%
Foreign	39%

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc. │1. Fund: Quadrus Growth and Income Fund │2. Benchmark: 40% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Index, 15% S&P 500, 15% MSCI World Index

Portfolio manager's quarterly commentary

As at September 30, 2018

Market review

Global equities moved higher in the third quarter, with strength in U.S. equities offsetting weakness in other regions. The MSCI World (Net) Index for global equities rose 5.0% in U.S. dollar terms (3.2% in Canadian dollar terms, total return). Stronger relative economic growth in the U.S. and robust corporate earnings, helped by lower tax rates, were a key driver of continued outperformance from U.S. equities. Trade tensions remained elevated during the quarter, most notably between the U.S. and China, which weighed on sentiment for certain regions. Chinese equities entered bear market territory (a 20% peak-to-trough decline) during the quarter, with tariffs imposed by the U.S. adding to uncertainty over the economic outlook for China. Lack of meaningful progress on Brexit negotiations and concerns over Italy's budget weighed on sentiment towards European equities. Japanese equities performed strongly, helped by Yen weakness and news that Prime Minister Abe was re-elected as president of the ruling Liberal Democratic Party. Tighter global liquidity, mainly in the form of higher interest rates in the U.S. and a strong U.S. dollar, was a headwind for many emerging markets. Canadian equities finished in the red, weighted down by NAFTA uncertainty and weakness in the Energy and Materials sectors.

The FTSE Canada Universe Bond Index returned -0.96% (total return) for the third quarter of 2018. North American bond yields moved higher, with both central banks hiking rates during the quarter. The Bank of Canada hiked rates by 0.25% in July, bringing the overnight rate to 1.50%. The U.S. Federal Reserve continued their quarterly rate hike cycle, lifting rates by 0.25% in September, bringing the Federal Funds rate to a range between 2.0% and 2.25%. Robust economic growth and signs of firming inflation in the U.S. pushed long-term yields higher. Canadian 10-year bond yields finished the quarter 0.26% higher, while U.S. 10-year yields were 0.20% higher. The rise in yields resulted in long-term bonds underperforming relative to short-term bonds. All sectors finished with losses. Provincial bonds underperformed the broad index due to their longer duration profile. Corporate and provincial spreads were slightly narrower.

Portfolio performance

The fund modestly outperformed the blended benchmark on a gross return basis for the quarter. International equity component of the fund led the way, highly outperforming the EAFE, while Canadian growth- and dividend-oriented equites and mid-cap allocations also provided a positive contribution against negative-yielding benchmarks. The fund's fixed income component detracted somewhat with a negative return but matched its FTSE Universe benchmark. Only U.S. value and dividend allocations failed to surpass or keep up with benchmark this quarter, despite contributing with positive returns.

Positioning & outlook

The world economy and financial markets are progressing through the later stage of the business cycle. Global economic growth, coupled with low inflation and favourable financial conditions are powerful drivers of corporate earnings and equity prices. We recognize that globally, equities are not cheap but the fundamentals remain solid. With market volatility rising, we believe the right approach is to strike a balance by maintaining a neutral stance on Canadian, U.S. and foreign equities. We also recognize the outlook for fixed income remains challenging, yet fixed income is a valuable risk-mitigating tool that increases in value the closer we get to the end of this business cycle phase. Given that, we feel the current asset mix of 60% allocation to equities and 40% allocation to fixed income is appropriate.

The diversified nature of this portfolio, with its actively managed underlying fixed income and equity components, can provide opportunities for both income and growth, while mitigating capital market volatility.