

## Benefit from experience, expertise and successful investing within the heart of the Canadian economy

### What's the strategy?

The Canadian Resources (GWLIM) portfolio strategy invests mainly in medium- to large-cap Canadian resource-based stocks with above-average growth potential to achieve long-term capital appreciation.

### What's the approach?

This strategy focuses on investing in Canadian resource companies across the market cap spectrum from industries such as oil and gas, gold and precious metals, metal and minerals, forest products and alternative energy. It follows a growth-oriented management style that blends top-down macro-analysis with bottom-up fundamental stock research.

The portfolio manager seeks to identify industry risks, competitive opportunities and macro trends to influence sector allocations. This is done alongside disciplined fundamental research to identify resource-based companies that are positioned to deliver strong results in the current market cycle.

### Why invest in this portfolio strategy?

Ideal for investors seeking to diversify their Canadian equity exposure with sector specific exposure to Canadian companies engaged in natural resource industries.

By investing in companies exposed to the commodity industry the strategy can act as a diversifier within a portfolio by:

- Having low to negative correlation to equity and bond markets.
- Acting as an inflation hedge, as commodities typically perform better during periods of rising inflation.

It offers an active management approach by a portfolio team with extensive experience in selecting resource stocks with higher growth potential than the broad Canadian market, and the opportunity to leverage the global demand for energy and commodities.

### Typical portfolio characteristics

Here is what you can expect to see from the Canadian Resources (GWLIM) portfolio strategy when compared to its peers, or the S&P/TSX Composite Index:

- The portfolio is well diversified within resource related companies. No cap-size bias and an average of 40-80 holdings
- Flexibility to hold U.S. stocks which provides the opportunity to add diversification and seek out attractive opportunities often not available in the Canadian market
- Greater long-term return opportunity and higher volatility than the broad Canadian market

### Strategy snapshot

#### Asset class

Equity

#### Inception date

2015

#### Assets in mandate

\$42.8 million

#### Benchmark

60% S&P/TSX Energy Index  
40% S&P/TSX Materials Index

#### Investment team

GWL Investment Management

#### Portfolio manager(s)

Patricia Nesbitt,  
Senior Vice-President, Equities

Dylan Fricker,  
Vice-President, Equities

### 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.

### Portfolio attributes

Key attributes	Portfolio <sup>1</sup>	Index <sup>2</sup>
Market Cap.	28.4	32.6
P/E Curr. Yr. Median	16.3	15.5
P/B Curr. Yr.	1.7	1.5
Debt to Equity	0.7	0.7
Cash Flow to Debt	0.2	0.2
ROE Trail. 12	10.3	8.7
Div. Yield	3.6	3.6
# of Equity Holdings	40	95
U.S. Equity Weight	2.1	-

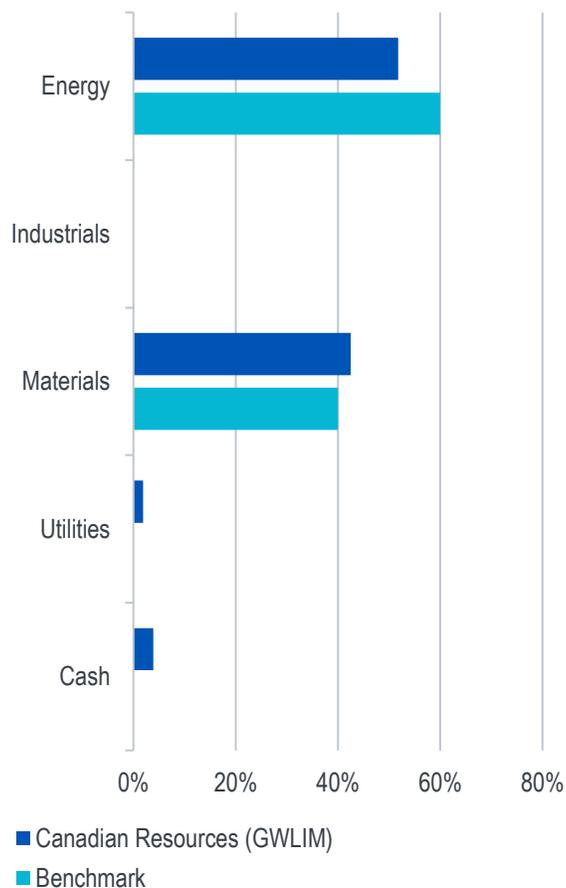
### Major equity holdings %

Security	Sector	Portfolio Weight <sup>1</sup>
Enbridge Inc	Energy	9.7
Suncor Energy Inc	Energy	8.8
Transcanada Corp	Energy	8.0
Nutrien Ltd.	Materials	7.8
Canadian Natural Resources Ltd	Energy	6.1
Pembina Pipeline Corporation	Energy	5.0
Franco-Nevada Corp	Materials	3.7
Teck Resources Ltd	Materials	3.2
Agnico-Eagle Mines Ltd	Materials	2.7
Wheaton Precious Metals Corp	Materials	2.4
<b>Total</b>		<b>57.4</b>

Source: GLC, Bloomberg, S&P | 1. Fund: LL Canadian Resources Fund (GWLIM) | 2. Index: 60% S&P/TSX Energy Index, 40% S&P/TSX Materials Index

As at December 31, 2018

### Sector Allocation %



## Portfolio manager's quarterly commentary

As at December 31, 2018

### Market review

The Canadian energy sector struggled in the fourth quarter of 2018, down over 18% (price return). Oil prices collapsed during the quarter (US WTI oil prices were down 38%) causing continued pressure for Canadian exploration and production (E&P) companies. In an effort to ease egress bottlenecks, the Alberta government announced unprecedented moves to start buying railcars and locomotives to bolster crude-by-rail capacity, along with instituting industry-wide production curtailments. Heavy oil differentials narrowed significantly but this provided little relief for the sector's share price performance. Energy infrastructure companies also finished in the red, but to a much lesser degree. This higher-yielding group of stocks benefitted from a drop in bond yields during the period. The Materials sector finished with a positive return as a flight-to-safety saw gold companies produce strong share price gains.

### Portfolio performance

The fund underperformed the blended benchmark (60% S&P/TSX Energy and 40% S&P/TSX Materials) on a gross return basis for the quarter. Allocation in Energy helped the fund, however the abrupt change in oil prices during the quarter,

particularly Canadian oil prices, was a drag on performance during the quarter. The fund's Energy sector security holdings were not immune, although a generally more defensive positioning and a lower allocation to the sector helped overall performance. In the Materials sector, some of the more "defensive" positions such as packaging companies, were a drag on performance, as was below benchmark exposure to gold stocks. Holding cash in the fund was a positive contributor to performance this quarter.

## Portfolio activity

Two positions were eliminated from the fund during the quarter due to either disappointing operational results or a deterioration in business outlook. These included Cascades Inc due to concerns over growing supply, and in Containerboard and Hardwood Distribution Inc. due to concerns of slowing US housing.

## Positioning & outlook

Macro economic growth concerns have taken over for supply versus demand fundamentals in commodity markets. With the world's largest central bank, the U.S. Federal Reserve, removing liquidity and trade frictions continuing, we are taking more of a "wait and see" approach to commodity exposed sectors of the market. Given some defensive selling of Energy earlier in the quarter, cash levels within the Fund have gone up.

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