Diversified throughout Canada and the U.S. with a focus on growth

What's the strategy?

The Balanced Growth (GLC) portfolio strategy invests in Canadian and U.S. equities, and Canadian bonds and short-term investments. The portfolio has a more aggressive asset mix designed to generate capital appreciation over time from the growth-oriented equity components, while benefiting from exposure to more stable fixed income investments.

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. Each underlying component of this portfolio is actively managed by the experienced and proven investment professionals within GLC's respective investment divisions. With a nod to its more aggressive stance, the long-term target asset mix and asset mix ranges of the portfolio are 65% equities (with an ability to move 10% over or under the target), and 35% fixed income securities (with an ability to move 10% over or under the target).

Why invest in this portfolio strategy?

This more aggressive balanced portfolio strategy is designed to capture strong growth opportunities through solid equity exposure, supplemented by moderate exposure to fixed-income investments to dampen volatility. Active management of both the underlying portfolio components and the asset mix offer additional opportunity for strong investment results.

Typical portfolio characteristics

Here's what you can expect to see from the Balanced Growth strategy:

- A growth-focused, multi-asset class investment portfolio designed to grow over the long term while mitigating volatility
- Exposure to investment-grade fixed-income holdings
- A focus on Canadian and U.S. equity holdings with excellent growth opportunities

Strategy snapshot

Asset class
Balanced

Inception date
1998

Assets in mandate
$87.0 million

Benchmark
35% FTSE Canada Universe Bond Index
45% S&P/TSX Composite Index
20% S&P 500 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 June 28, 2019

Portfolio Attributes

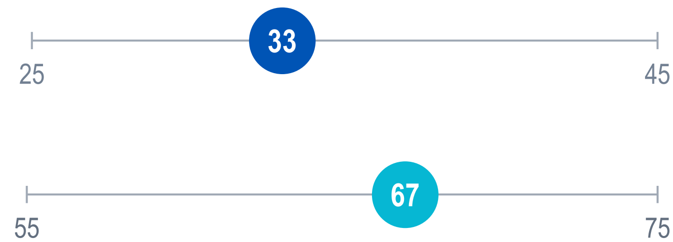
	Yield
Portfolio[1]	2.2%
Benchmark[2]	0.7%

Portfolio Breakdown	**Yield**
Fixed Income	2.2%
Equity	2.3%
Cash	1.7%

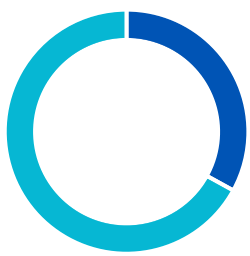
Asset Mix Range and Current Positioning

Fixed Income (%)

Equity (%)

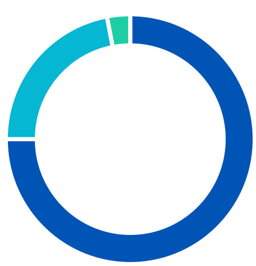


Asset Mix



Fixed Income	33%
Equity	67%

Geographic Mix



Canada	75%
United States	22%
Cash	3%

Underlying Asset Allocation

	%
Canadian Equity	43.4
Fixed Income	31.8
US Equity	21.5
Cash	3.3

Fixed Income Attributes

Sector Allocation %

	Portfolio[1]	**Bond Index[3]**
Canada	25.6	34.8
Provincial	32.7	35.5
Municipal	0.0	2.0
Corporate	41.7	27.7
Total	**100.0**	**100.0**

Corporate Credit Quality %

	Portfolio[1]
AAA	1.2
AA	14.6
A	14.4
BBB	11.1
<BBB	0.4
	41.7

Equity Attributes

Sector Allocation %

	Portfolio[1]
Communication Services	8.8
Consumer Discretionary	6.3
Consumer Staples	4.1
Energy	9.8
Financials	27.7
Health Care	4.3
Industrials	13.6
Information Technology	15.2
Materials	5.2
Real Estate	4.2
Utilities	0.6
Total	**100.0**

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc. | 1. Fund: LL Balanced Growth Fund | 2. Benchmark: 35% FTSE Canada Universe Bond Index, 45% S&P/TSX Composite Index, 20% S&P 500 Index | 3. FTSE Canada Universe Bond Index

Portfolio manager's quarterly commentary

As at June 28, 2019

Market review

The FTSE Canada Universe Bond Index returned 2.5% (total return) for the second quarter of 2019. North American bond yields moved lower with Canadian 10-year bond yields down 15 basis points (bps) and U.S. 10-year bond yields down 40 bps. The fall in bond yields coincided with a policy shift from various central banks, which abruptly shifted to a rate-cutting bias after hiking rates a quarter point last December. The Bank of Canada left rates unchanged during the period. The move in bond yields saw Canadian long-term bonds significantly outperform relative to short-term bonds. Canadian corporate bonds slightly outperformed government bonds. Provincial and municipal bonds outperformed within the government sector. The FTSE Canada Universe Bond Index returned 2.5% (total return) for the second quarter of 2019. North American bond yields moved lower, continuing a trend that began in October 2018. Canadian 10-year bond yields were down 15 basis points (bps), while U.S. 10-year bond yields fell 40 bps. The fall in bond yields coincided with a policy shift from various central banks, most notably the U.S. Federal Reserve, which abruptly shifted to a rate-cutting bias after hiking rates a quarter point last December. The Bank of Canada left rates unchanged during the period. The move in bond yields saw Canadian long-term bonds significantly outperform relative to short-term bonds. Canadian corporate bonds slightly outperformed government bonds. Provincial and municipal bonds outperformed within the government sector. The S&P/TSX Composite Index returned 2.6% (total return). Information Technology was the top performing Canadian sector, largely due to strong returns from Shopify. The heavyweight Financials sector outperformed the broad market despite mixed earnings from the Canadian banks. The Materials sector was under pressure but bounced back with a June rally in gold stocks. Gold prices spiked higher on the prospect of lower U.S. policy rates and continued geopolitical tensions. Health Care was the worst performing sector, due to a pull-back in cannabis stocks. The Energy sector also underperformed, hurt by weaker oil and gas prices. The S&P 500 gained 4.3% total return in U.S. dollars (2.3% in Canadian dollar terms). Financials and Information Technology were notable strong contributors, while Energy was the only sector that produced a negative quarterly return.

Portfolio performance

The fund posted a positive return that underperformed its blended benchmark on a gross return basis. Performance from a slightly underweight Canadian fixed income allocation matched that of the FTSE Universe. The Canadian equity component contributed to returns because of good selection with the Industrials sector and not owning the previously high-flying cannabis stocks within Health Care. With regard to U.S. equity holdings, selection within the American Materials, Health Care and Information Technology sectors detracted from total returns.

Positioning & outlook

Equity and bond markets continue to be buffeted by the dominant issues of Fed policy, China and trade/tariff concerns. On the Fed policy front, investor sentiment was buoyed by Fed Chair Powell's commentary regarding escalating trade tensions: "We are closely monitoring the implications of these developments for the U.S. economic outlook and, as always, we will act as appropriate to sustain the expansion". A global easing cycle is once again afoot. This accommodative policy is clearly a recognition of the deleterious effects of the trade war(s) being waged by the U.S. administration. This is bound to have an impact on domestic growth. Markets feel range-bound. We see reasonable economic growth, low inflation, accommodative central bankers and better earnings momentum on the "asset" side of the equity market balance sheet. The "liabilities" are clearly the prospects of a deteriorating trade situation with China and a U.S. market that is, in segments, richly valued. Given these variables and the prospect of possible flare-ups in volatility, our current neutral position within equities continues to be appropriate.