A highly diverse mix of global value opportunities and fixed income reliability

What's the strategy?

The Balanced (GLC) portfolio strategy invests in Canadian, U.S. and international equities, and Canadian bonds and short-term investments. This highly diversified and well-balanced portfolio focuses on value-style equities to capture capital appreciation opportunities with an eye to mitigating volatility.

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 long-term target asset mix and asset mix ranges of the portfolio are: 60% domestic and foreign equities (with an ability to move 10% over or under the target); 40% Canadian fixed income securities (with an ability to move 10% over or under the target).

Why invest in this portfolio strategy?

The Balanced (GLC) portfolio strategy is designed to capture additional return opportunities through value-oriented global and domestic equity exposure with a complement of domestic and foreign fixed-income investments to help mitigate volatility. 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 global exposure.

Typical portfolio characteristics

- Here's what you can expect to see from GLC's Asset Mix Committee's Balanced strategy:
- Diversification into a growth-focused, multi-asset class investment portfolio designed to grow and help mitigate volatility
- Exposure to investment-grade domestic and foreign fixed-income holdings, issued by strong companies offering good value
- Global equity growth opportunities with a yield-oriented income focus

Strategy snapshot

Asset class
Balanced

Inception date
1993

Assets in mandate
$248.5 million

Benchmark
5% FTSE Canada 91 Day T-bill Index
35% FTSE Canada Universe Bond Index
35% S&P/TSX Composite Index
12.5% S&P 500 Value Index
12.5% 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.

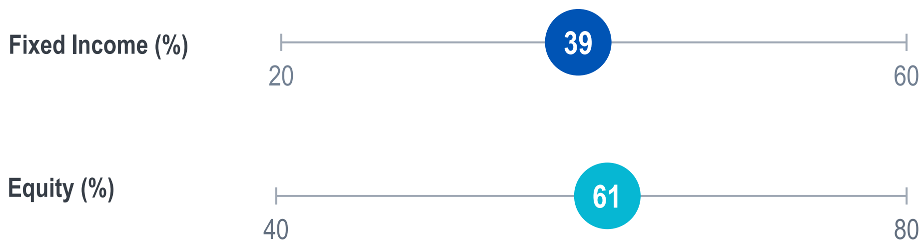
As at June 28, 2019

Portfolio Attributes

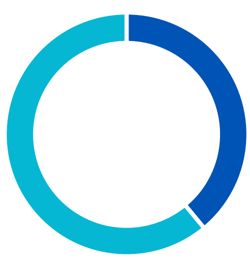
	Yield
Portfolio[1]	2.9%
Benchmark[2]	0.8%

Portfolio Breakdown	**Yield**
Fixed Income	2.3%
Equity	3.3%
Cash	1.7%

Asset Mix Range and Current Positioning

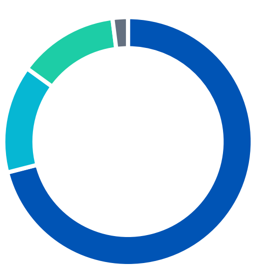


Asset Mix



Fixed Income	39%
Equity	61%

Geographic Mix



Canada	71%
United States	14%
International	13%
Cash	2%

Underlying Asset Allocation

	%
Fixed Income	38.3
Canadian Equity	34.7
US Equity	13.3
Foreign Equity	12.2
Cash	1.5

Fixed Income Attributes

Sector Allocation %

	Portfolio[1]	Bond Index[3]
Canada	27.5	34.8
Provincial	24.8	35.5
Municipal	5.3	2.0
Corporate	42.4	27.7
Total	**100.0**	**100.0**

Corporate Credit Quality %

	Portfolio[1]
AAA	1.5
AA	8.0
A	15.5
BBB	15.7
<BBB	1.8
	42.4

Equity Attributes

Sector Allocation %

	Portfolio[1]
Communication Services	5.5
Consumer Discretionary	4.3
Consumer Staples	9.0
Energy	13.2
Financials	33.0
Health Care	5.1
Industrials	11.4
Information Technology	6.4
Materials	6.5
Real Estate	4.0
Utilities	1.7
Total	**100.0**

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc. | 1. Fund: LL Balanced Fund | 2. Benchmark: 5% FTSE Canada 91 Day T-bill Index, 35% FTSE Canada Universe Bond Index, 35% S&P/TSX Composite Index, 12.5% S&P 500 Value Index, 12.5% MSCI EAFE Index | 3. FTSE Canada Universe Bond Index

Portfolio manager's quarterly commentary

As at June 28, 2019

Market review

World equity markets produced modest positive returns in the second quarter of 2019. Stocks were supported by dovish central banks and falling interest rates. With inflation remaining contained, markets are pricing in U.S. Federal Reserve rate cuts due to continued trade tensions and decelerating economic growth. Equity markets ebbed and flowed with trade developments – evident in May when markets sold off after U.S.-China trade talks broke down. The S&P/TSX Composite Index returned 2.6% (total return) and 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 in both Canada and the U.S., while the Energy sector was a drag on returns. European equities produced returns roughly in line with their North American peers. On a regional basis, German equities produced strong returns while Spain and Italy underperformed. Japanese equities and emerging market equities underperformed their global peers, largely due to trade and Chinese growth concerns. 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.

Portfolio performance

The fund posted a positive return that underperformed its blended benchmark during a quarter noted for periodic volatility and a risk-on environment. On the fixed income side, the fund's bond holdings posted positive returns that matched their FTSE Universe benchmark to demonstrate their value of a risk-mitigating tool. The value approach of the equity portfolios lagged the broader market as growth stocks led the way in the quarter. Performance by Canadian equity holdings were negatively impacted by an overweight exposure to Energy, which traded lower on the back of weakening oil prices. An underweight exposure and selection within the Industrials sector also dragged on performance. International equity performance faced significant headwinds based on global economic and trade concerns. The U.S. equity component was hurt by poor selection within the Industrial and Information Technology sectors, despite solid returns from its other value-oriented holdings. Global growth fears negatively impacted holdings within the Materials sector and Information Technology was negatively influenced by the fallout from of the lack of progress in the U.S./China trade deal.

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.