glc asset management

A blend of actively managed asset classes and alternative investments

What's the strategy?

The Diversified Plus (GLC) portfolio strategy invests in Canadian, U.S. and international equities, and Canadian bonds, mortgages, real estate and short-term investments. This highly diversified and balanced portfolio is designed to capture growth opportunities with an eye to reduce 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. 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 are leveraged for the portfolio's international exposure. The long-term target asset mix and asset mix ranges of the portfolio are: 50% equities (with an ability to move 20% over or under the target); 40% fixed income securities (with an ability to move 20% over or under the target); and 10% real estate exposure (with an ability to move 5% over or under the target).

Why invest in this portfolio strategy?

The Diversified Plus (GLC) portfolio strategy is designed to capture additional return opportunities through global and domestic equity exposure, a complement of fixed income investments, and real estate exposure. This diversified portfolio supplements traditional actively-managed equity and fixed-income investments with increased diversification through real estate and mortgage investments.

Typical portfolio characteristics

Here's what you can expect to see from GLC's Asset Mix Committee's Diversified Plus strategy:

- Diversification into a multi-style, multi-asset class investment portfolio designed to grow and help mitigate volatility
- An actively managed asset mix allowing for participation in the growth opportunities of international, U.S. and Canadian equity markets while helping to protect against market downturns with a yield-oriented income focus
- Investment-grade fixed-income holdings, such as commercial mortgages, real estate and high-quality bonds

Strategy snapshot

Asset class
Balanced

Inception date
1985

Assets in mandate
$598.4 million

Benchmark
40% FTSE Canada Universe Bond Index
10% FTSE Canada Mortgage 3 Year
35% S&P/TSX Composite Index
7.5% S&P 500 Index
7.5% 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

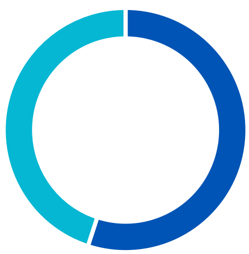
	Yield
Portfolio[1]	2.2%
Benchmark[2]	0.9%

Asset Mix Range and Current Positioning

Fixed Income (%) 45 (range 30 – 70)

Equity (%) 55 (range 20 – 60)

Asset Mix

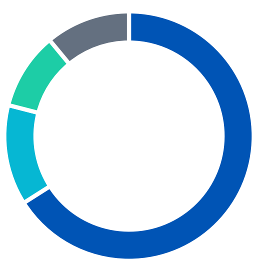


Equity	55%
Fixed Income	45%

Underlying Asset Allocation

	%
Fixed Income	29.2
Canadian Equity	25.5
US Equity	13.8
Commercial	11.3
Foreign Equity	9.3
Cash	10.8
	100.0

Geographic Mix



Canada	66%
United States	13%
International	10%
Cash	11%

Geographic Breakdown

Fixed Income	%
Canada	45.4
	45.4

Equity	%
Canada	28.6
United States	15.0
International	10.9
	54.6

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc., MSCI | 1. Fund: LL Diversified Plus Fund | 2. Benchmark: 40% FTSE Canada Universe Bond Index, 10% FTSE Canada Mortgage 3 Year , 35% S&P/TSX Composite Index, 7.5% S&P 500 Index, 7.5% MSCI EAFE 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 delivered a positive return that outperformed its blended benchmark on a gross return basis for the quarter. The mandate's fixed-income component provided positive returns ahead of its benchmark. True to their purpose of adding stable returns, alternative investments in Canadian real estate and Canadian mortgages contributed to the fund but lagged versus equities in a strong risk-on quarter. The fund's Canadian equity component contributed strong absolute returns above the S&P/TSX Composite, due to an overweight allocation to the Information Technology and Industrials sectors. The U.S. mid cap allocation outperformed while the U.S. large cap equity portion detracted from returns. International and emerging markets both returned solid gains well ahead of their respective benchmarks.

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. We are maintaining the solid fixed income exposure due to its risk-mitigation properties.