An actively managed, globally diversified income-focused strategy

What's the strategy?

The Global Monthly Income portfolio strategy is actively managed and diversified across fixed income and equity assets around the world – in a single investment.

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 management of the underlying fund components focuses on high-quality holdings that generate attractive income and growth opportunity for the portfolio, while the active portfolio management approach of the GLC Asset Mix Committee allows for asset mix shifts that target a low-to-moderate risk profile.

Why invest in this portfolio strategy?

- The Global Monthly Income portfolio strategy provides exposure to diverse income options from around the world – a portfolio with a broad mix of global income generating assets, attractive especially in low interest rate environments – in a single investment with high liquidity. This actively managed asset mix allows investors to participate in the growth opportunities of equity markets while helping protect against market downturns.

Typical portfolio characteristics

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

- Broad global diversification across asset classes and geographic regions, reducing risk and volatility, moderating currency risk through broad country diversification and/or currency hedging when appropriate.
- The income generating aspect of the portfolio and broad global diversification by geographic region, type of security and asset class combine to create an attractive risk/return profile.
- A higher yield than its blended benchmark and exposure to a range of yield-oriented assets including investment-grade and high-yield fixed income and equities

Strategy snapshot

Asset class
Balanced

Inception date
2015

Assets in mandate
$133.4 million*

Benchmark
15% FTSE Canada Universe Bond Index
25% FTSE World Government Bond Index
15% S&P/TSX Composite Index
45% MSCI World Index

Investment team
GLC Asset Mix Committee

*Represents total assets in the Global Monthly Income mandate across the mutual and segregated fund versions.

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

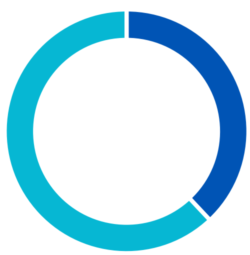
	Yield
Portfolio[1]	3.2%
Benchmark[2]	0.3%

Asset Mix Range and Current Positioning

Fixed Income (%)

Equity (%)

Asset Mix

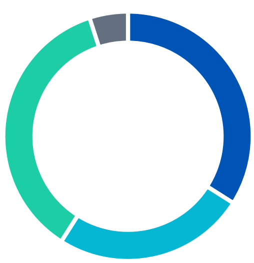


Fixed Income	38%
Equity	62%

Underlying Asset Allocation

	%
Fixed Income	36.1
Foreign Equity	21.5
US Equity	21.1
Canadian Equity	16.1
Cash	5.3
	100.0

Geographic Mix



Canada	34%
United States	25%
International	36%
Cash	5%

Geographic Breakdown

Fixed Income	%
Canada	19.2
United States	4.9
International	14.0
	38.1

Equity	%
United States	21.1
Canada	17.2
International	23.6
	61.9

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc., MSCI | 1. Fund: LL Global Monthly Income Fund | 2. Benchmark: 15% FTSE Canada Universe Bond Index, 25% FTSE World Government Bond Index, 15% S&P/TSX Composite Index, 45% MSCI World 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 but underperformed its blended benchmark on a gross return basis during a quarter that was notable for a risk-on environment. Fixed-income investments demonstrated their value as a risk-mitigating tool and contributed positive returns that matched their benchmark. Of the holdings, corporate bonds performed best, based on their security selection and by having a higher average yield than the index (shorter duration and therefore less exposure to interest rates changes). Equity performance across all regions were a drag on returns. In general, dividend stocks underperformed broader markets in a growth-driven environment. Allocation to the Information Technology sector in both Canada and the U.S. detracted from returns. Additional investment in global infrastructure contributed strong performance and provided diversity to the portfolio.

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. The income focus of the fund strategy should fare well during downdrafts in the markets, providing a smoother ride than growth strategies in volatile markets. Our focus continues to be on high-quality Canadian government and corporate bond holdings in this portfolio.