An actively managed, globally diversified income-focused strategy

What's the strategy?

The Monthly Income portfolio strategy combines active management, diversification, and fixed income and income-oriented equity assets – 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 Monthly Income portfolio strategy provides access to diverse income options – a portfolio with a broad mix of income generating assets from around the globe, attractive especially in low interest rate environments – in a single investment with high liquidity.

Typical portfolio characteristics

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

- Broad diversification across asset classes and geographic regions, reducing risk and volatility, with limited currency risk through broad country diversification and/or currency hedging when appropriate.
- 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.
- An actively managed asset mix, allowing you to participate in the growth opportunities of equity markets while helping protect you against market downturns.

Strategy snapshot

Asset class
Balanced

Inception date
2010

Assets in mandate
$331.3 million*

Benchmark
50% FTSE Canada Universe Bond Index
30% S&P/TSX Composite Index
20% MSCI World Index

Investment team
GLC Asset Mix Committee

* Represents total assets in the 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

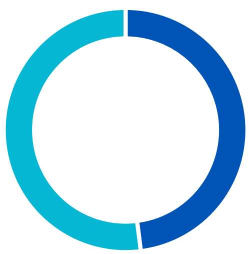
	Yield
Portfolio[1]	3.2%
Benchmark[2]	1.1%

Asset Mix Range and Current Positioning

Fixed Income (%)

Equity (%)

Asset Mix

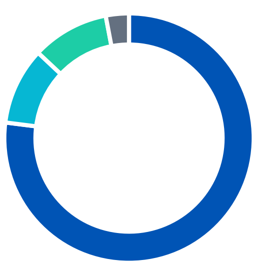


Fixed Income	48%
Equity	52%

Underlying Asset Allocation

	%
Fixed Income	46.9
Canadian Equity	30.3
US Equity	10.3
Foreign Equity	9.4
Cash	3.0
	100.0

Geographic Mix



Canada	77%
United States	10%
International	10%
Cash	3%

Geographic Breakdown

Fixed Income	%
Canada	48.4
	48.4

Equity	%
Canada	31.4
United States	10.1
International	10.1
	51.6

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc., MSCI | 1. Fund: LL Monthly Income Fund | 2. Benchmark: 50% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Index, 20% 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 created a positive return for the quarter but underperformed its blended benchmark on a gross return basis. During a period of temporary volatility based on global growth fears, corporate bond holdings outperformed the FTSE Bond Universe Index while the core bond allocation produced positive returns that matched it. In general, dividend stocks underperformed broader markets in a growth-driven environment. The Canadian equity component did not keep pace with the S&P/TSX Composite Index, largely due to the portfolio's more defensive positioning and the risk-on nature of the market. Performance was hurt by an overweight allocation to the underperforming Consumer Staples and Communication Services sectors. Our underweight stance in the Materials, Industrials and Information Technology sectors were a detraction from fund performance as all three sectors outperformed the broader market. Our underweight position in Energy and Health Care (cannabis stocks) positively contributed to performance. Holdings in U.S. dividends were a drag on performance due to selection within the Information Technology sector. Global dividend holdings fared even worse, detracting from returns. Investment in global infrastructure contributed a substantial positive return to offset other foreign performance.

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.