A well-diversified portfolio to help you achieve your responsible investing goals

What's the strategy?

The SRI Balanced (GLC) portfolio strategy invests in a diversified mix of Canadian and global equities, Canadian bonds and short-term investments. Holdings in each of the underlying portfolios are subject to specific exclusionary screening criteria related to a company's environmental sustainability, social responsibility and corporate governance (ESG) performance as well as the company's involvement in certain industries, such as tobacco, alcoholic beverages, gambling, adult entertainment, military contracting, and nuclear power.

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. Active portfolio management allows for asset mix shifts that target a low-to-moderate risk profile. The long-term target asset mix and asset mix ranges of the portfolio are: 30% domestic equities (with an ability to move 15% over or under the target); 25% foreign equities (with an ability to move 15% over or under the target); and 45% fixed income securities (with an ability to move 20% over or under the target).

Why invest in this portfolio strategy?

This strategy is ideal for investors seeking a global balanced portfolio with a meaningful way of ensuring investment dollars promote a higher level of environmental sustainability, social responsibility and corporate governance, while benefiting from expert investment analysis. The portfolio offers an opportunity for attractive capital appreciation through meaningful domestic and global exposure, and ability to mitigate volatility through a significant exposure to fixed income securities.

Typical portfolio characteristics

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

- Diversification into a multi-asset class responsible investment portfolio
- ESG factors considered within every investment decision, with additional screening and adherence to exclusionary security selection criteria
- Investment-grade fixed income holdings

Strategy snapshot

Asset class
Balanced

Inception date
2015

Assets in mandate
$39.8 million

Benchmark
45% FTSE Canada Universe Bond Index
30% S&P/TSX Composite Index
25% MSCI World 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

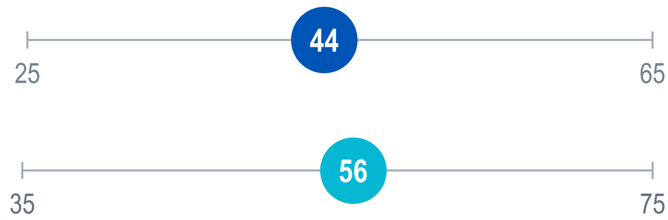
Portfolio Attributes

	Yield
Portfolio[1]	2.3%
Benchmark[2]	1.0%

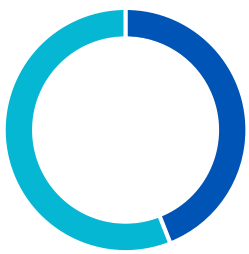
Asset Mix Range and Current Positioning

Fixed Income (%)

Equity (%)



Asset Mix

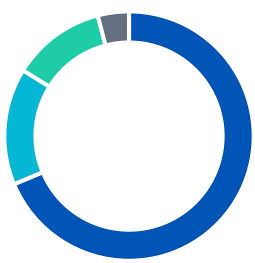


Fixed Income	44%
Equity	56%

Underlying Asset Allocation

	%
Fixed Income	42.0
Canadian Equity	26.0
US Equity	15.9
Foreign Equity	12.0
Cash	4.0
	100.0

Geographic Mix



Canada	68%
United States	15%
International	12%
Cash	4%

Geographic Breakdown

Fixed Income	%
Canada	43.8
	43.8

Equity	%
Canada	27.1
United States	16.1
International	13.0
	56.2

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc., MSCI | 1. Fund: LL SRI Fund | 2. Benchmark: 45% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Index, 25% 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 that underperformed its blended benchmark during the quarter. The fund's fixed income allocation kept pace with its benchmark to help mitigate risks during a risk-on period. Canadian growth and mid-cap equity allocations outperformed the benchmark while the Canadian dividend portion underperformed the broader markets in a growth-driven environment. Global equity holdings, in particular, found it challenging to keep up with their indices, as value-oriented stocks lagged growth stocks in the quarter.

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 portfolio offers exclusionary screening of companies based on environmental, social and governance (ESG) considerations and involvement in certain industries such as tobacco, gambling, adult entertainment, military contracting, and nuclear power. The active management approach is designed to offer an opportunity for attractive capital appreciation through meaningful domestic and global exposure, while mitigating volatility through a significant exposure to fixed income securities.