

Diversified throughout Canada and the U.S. with a focus on growth

What's the strategy?

The Balanced Growth (GLC) portfolio strategy invests in Canadian and U.S. equities, and Canadian bonds and short-term investments. The portfolio has a more aggressive asset mix designed to generate capital appreciation over time from the growth-oriented equity components, while benefiting from exposure to more stable fixed income investments.

What's the approach?

The Global Multi-Asset Strategy (GMAS) team 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. With a nod to its more aggressive stance, the long-term target asset mix and asset mix ranges of the portfolio are 65% equities (with an ability to move 10% over or under the target), and 35% fixed income securities (with an ability to move 10% over or under the target).

Why invest in this portfolio strategy?

This more aggressive balanced portfolio strategy is designed to capture strong growth opportunities through solid equity exposure, supplemented by moderate exposure to fixed-income investments to dampen volatility. Active management of both the underlying portfolio components and the asset mix offer additional opportunity for strong investment results.

Typical portfolio characteristics

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

- A growth-focused, multi-asset class investment portfolio designed to grow over the long term while mitigating volatility
- Exposure to investment-grade fixed-income holdings
- A focus on Canadian and U.S. equity holdings with excellent growth opportunities

Strategy snapshot

Asset class

Balanced

Inception date

1998

Assets in mandate

\$82.9 million

Benchmark

35% FTSE Canada Universe Bond Index

45% S&P/TSX Composite Index

20% S&P 500 Index

Investment team

Global Multi-Asset Strategy (GMAS) team

About GLC

GLC Asset Management Group Ltd. (GLC) is a leading investment management firm that manages more than \$55 billion in assets.

GLC has 5 investment management divisions:

- GWL Investment Management
- London Capital Management
- Laketon Investment Management
- Portico Investment Management
- Global Multi-Asset Strategy (GMAS) team (including Portfolio Solutions Group)

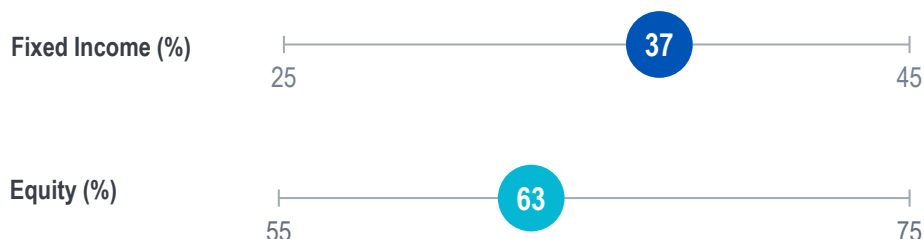
Each division has a distinct investment approach that offers deep expertise within specialized areas of portfolio management, bringing unique perspectives to navigating capital markets through varying cycles.

As at June 30, 2020

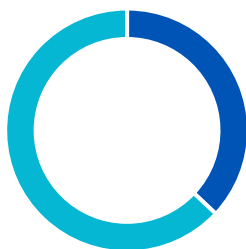
Portfolio Attributes

	Yield
Portfolio ¹	1.9%
Benchmark ²	2.2%
Portfolio Breakdown	
	Yield
Fixed Income	1.4%
Equity	2.4%
Cash	0.2%

Asset Mix Range and Current Positioning

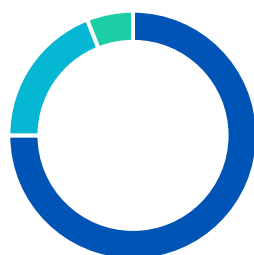


Asset Mix



Fixed Income	37%
Equity	63%

Geographic Mix



Canada	75%
United States	19%
Cash	6%

Underlying Asset Allocation

	%
Canadian Equity	40.2
Fixed Income	34.9
US Equity	19.2
Cash	5.7

Fixed Income Attributes

Sector Allocation %

	Portfolio ¹	Bond Index ³
Canada	25.3	33.0
Provincial	37.2	37.6
Municipal	0.0	2.1
Corporate	37.5	27.2
Total	100.0	100.0

Corporate Credit Quality %

	Portfolio ¹
AAA	0.38
AA	9.67
A	15.61
BBB	11.44
<BBB	0.43
Total	37.52

Equity Attributes

Sector Allocation %

	Portfolio ¹
Communication Services	7.4
Consumer Discretionary	4.9
Consumer Staples	4.0
Energy	7.7
Financials	23.1
Health Care	5.8
Industrials	15.5
Information Technology	18.1
Materials	6.2
Real Estate	6.2
Utilities	1.1
Total	100.0

Source: GLC, S&P, FTSE Global Debt Capital Markets Inc. | 1. Fund: LL Balanced Growth Fund | 2. Benchmark: 35% FTSE Canada Universe Bond Index, 45% S&P/TSX Composite Index, 20% S&P 500 Index | 3. FTSE Canada Universe Bond Index

Portfolio manager's quarterly commentary

As at June 30, 2020

Market review

Global equity markets bounced back sharply, posting one of the strongest and quickest recoveries in history. Unprecedentedly large monetary and fiscal support from world governments and central banks, improving economic data in May and June and global economies reopening have stocks closing in on their previous all-time highs set earlier this year prior to the coronavirus crisis. Gains were broad-based, as all major regions enjoyed positive double-digit returns in the period. U.S. equities outperformed their developed market peers in the quarter, benefitting from its favourable sector composition. In particular, having large weights in the information technology sector and to a lesser extent, consumer discretionary drove performance. Canadian equities had a strong quarter, mainly attributable to a sizeable advance in information technology stocks; spearheaded by Shopify's 136% gain, alongside a rebound in precious metal and oil prices. EAFE equities rose 14.2%, led by German stocks jumping almost 24% in the period. Emerging market equities marched 17.3% higher, benefitting from a risk-on environment as equity markets began pricing in a v-shaped recovery. The FTSE Canada Universe Bond Index returned 5.9% (total return) in the second quarter, the third largest quarterly return since 2000. Sovereign bond yields continued their descent to new historic lows, anchored by global central banks keeping their policy rates near zero. Canadian bond yields fell in the quarter, particularly on the longer end of the curve, which resulted in longer term bonds outperforming its shorter-term counterparts. Canadian corporates outperformed relative to government bonds, strengthened by narrowing credit spreads as economies slowly reopened. High yield bonds slightly lagged investment-grade bonds, while provincial bonds outperformed within the government sector.

Portfolio performance

The fund's strong double-digit return trailed its blended benchmark on a gross return basis. In April, the decision was made to further increase the tactical overweight to cash by 3% to 5% in favour of equity (60% of the fund). This decreased risk but was disadvantageous in the quarter due to a surge in equity markets. The fixed income allocation outperformed the strong return from the FTSE Canada Universe Bond Index due mainly to an overweight to corporate bonds during the quarter. The Canadian equity allocation (41% of the fund) detracted value relative to the S&P/TSX Composite Index; challenging positioning within the materials and information technology sectors was the key driver of underperformance. The U.S. equity allocation beat the S&P 500 Index, led by stock selection in the financials sector.

Positioning & outlook

Equity markets are euphoric on initial reopening success – the extent of the recovery seems unrealistic given the vast extent of the unknowns that remain and lie ahead. Capital markets are functioning, supported by monetary and fiscal authorities flooding the system with liquidity. This has fueled asset prices, both risky and safe, leaving equity markets expensive and sovereign bond yields low. This combination delivers a muted return outlook for the time being. We recommend an overweight to high-quality fixed income over equities. Within fixed income, we recommend a neutral position in sovereign bonds and favour investment-grade (I.G.) corporate bonds over high yield bonds. With respect to our views toward equities, we see N.A. equities in today's environment as being less sensitive to weaker global economic conditions than emerging markets and with fewer longer-term domestic structural issues than many international markets. We believe the fund is well positioned to generate capital appreciation over time from the growth-oriented equity components, while at the same time benefiting from the exposure to more stable fixed income investments and reduced volatility during times of market turbulence.

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