glc asset management

Diversification into global growth opportunities with moderate capital protection on the downside

What's the strategy?

The Equity/Bond (GLC) portfolio strategy is a more aggressive balanced portfolio that invests in Canadian, U.S. and international equities, and Canadian bonds and short-term investments.

What's the approach?

The portfolio has a more aggressive asset mix designed to generate capital appreciation over time from the growth-oriented equity components. At the same time the portfolio benefits from exposure to more stable fixed income investments. 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. 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 the target or 30% under the target); and 35% fixed income securities (with an ability to move 30% over the target or 10% under the target).

Why invest in this portfolio strategy?

This balanced portfolio strategy tends to be more aggressive and is designed to capture strong growth opportunities through solid global and domestic 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 while helping to protect against market downturns.

Typical portfolio characteristics

Here's what you can expect to see from the Equity/Bond balanced strategy:

- Diversification into a growth-focused, multi-asset class investment portfolio designed to grow while still offering some volatility mitigation
- Exposure to investment-grade fixed-income holdings, issued by strong companies offering good value
- A focus on global equity holdings with excellent growth opportunities

Strategy snapshot

Asset class
Balanced

Inception date
1988

Assets in mandate
$188.3 million

Benchmark
35% FTSE Canada Universe Bond Index
40% S&P/TSX Composite Index
15% S&P 500 Index
10% MSCI World 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

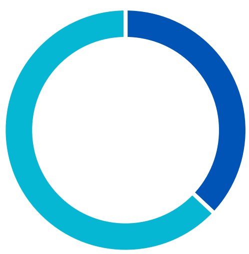
Portfolio Attributes

	Yield
Portfolio[1]	2.1%
Benchmark[2]	2.3%

Portfolio Breakdown	**Yield**
Fixed Income	1.7%
Equity	2.5%
Cash	0.2%

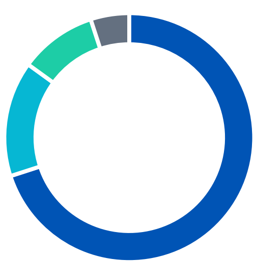
Asset Mix Range and Current Positioning

Asset Mix



Fixed Income	37%
Equity	63%

Geographic Mix



Canada	70%
United States	15%
International	10%
Cash	5%

Underlying Asset Allocation

	%
Canadian Equity	36.6
Fixed Income	35.1
US Equity	14.2
Foreign Equity	9.3
Cash	4.9

Fixed Income Attributes

Sector Allocation %

	Portfolio[1]	**Bond Index[3]**
Other	0.0	0.0
Canada	16.2	33.0
Provincial	26.0	37.6
Municipal	4.6	2.1
Corporate	53.2	27.2
Total	**100.0**	**100.0**

Corporate Credit Quality %

	Portfolio[1]
AAA	3.98
AA	6.26
A	17.82
BBB	23.19
<BBB	1.90
	53.16

Equity Attributes

Sector Allocation %

	Portfolio[1]
Communication Services	6.2
Consumer Discretionary	5.8
Consumer Staples	5.3
Energy	7.1
Financials	23.3
Health Care	6.3
Industrials	15.9
Information Technology	16.3
Materials	6.5
Other	0.6
Real Estate	5.5
Utilities	1.3
Total	**100.0**

Source: GLC, S&P, MSCI, FTSE Global Debt Capital Markets Inc. | 1. Fund: LL Equity Bond Fund | 2. Benchmark: 35% FTSE Canada Universe Bond Index, 40% S&P/TSX Composite Index, 15% S&P 500 Index, 10% MSCI World 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. Canadians 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 (37% 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. The international equity portion added value, as strong selection in the communication services and financials sectors contributed most of the outperformance.

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.