Focused on Canada's long-term growth opportunities

What's the strategy?

The Canadian All Cap Growth Equity (GWLIM) portfolio invests primarily in medium- to large-cap Canadian stocks with above- average growth potential to achieve long-term capital appreciation.

What's the approach?

It follows a growth-oriented management style that blends top-down macro-analysis with bottom-up fundamental stock research.

Within well-defined risk parameters, the portfolio manager seeks out companies across the market cap spectrum, and will take meaningful positions in select companies when opportunities present. To a moderate degree, the portfolio manager can invest in U.S. stocks.

Why invest in this portfolio strategy?

Ideal for investors seeking exposure to Canadian equities with strong long-term growth potential.

The portfolio is well diversified across sectors and offers a portfolio of companies with higher growth potential than the broad market. Typical portfolio characteristics include higher return on equity and stronger growth momentum than its benchmark, the S&P/TSX Composite Index.

The portfolio has the flexibility to hold U.S. stocks which provides the opportunity to add diversification and seek out attractive opportunities often not available in the Canadian market.

This is a diversified Canadian equity portfolio that tends to have lower volatility than a Canadian small- or mid-cap portfolio.

Typical portfolio characteristics

Here is what you can expect to see from the Canadian All-Cap Growth Equity strategy when compared to its peers, or its Canadian benchmark, the S&P/TSX Composite Index:

- Outperformance in rising market conditions and defensive positioning in down market conditions
- Good diversification through exposure to at least 8 of the 11 sectors
- An average of 50-80 holdings
- Flexibility to hold up to 30% U.S. stocks

Strategy snapshot

Asset class
Equity

Inception date
1970

Assets in mandate
$2,811.5 million

Benchmark
S&P/TSX Composite Index

Investment team
GWL Investment Management

Portfolio manager(s)
Patricia Nesbitt,
Senior Vice-President, Equities

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

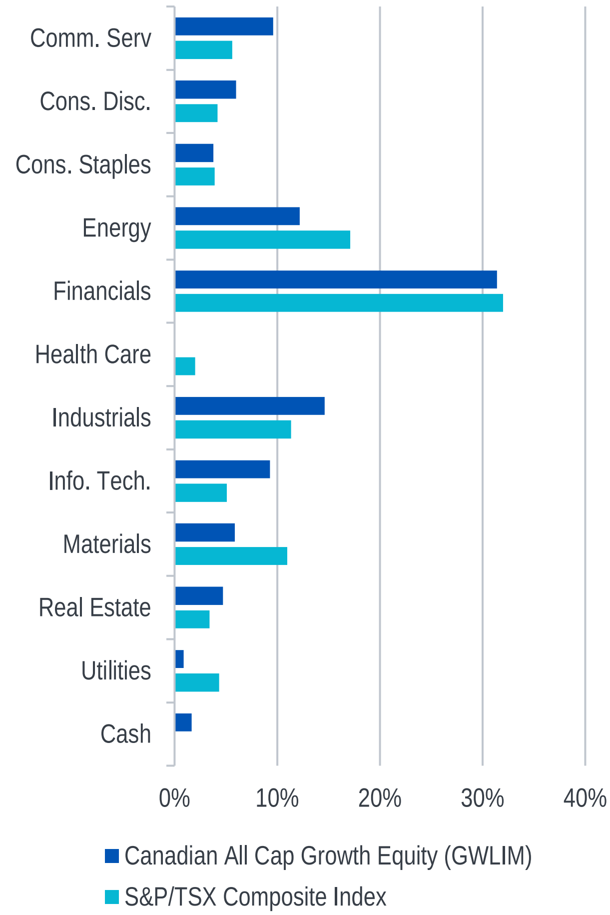
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	57.4	50.5
P/E Curr. Yr. Median	18.7	15.1
P/B Curr. Yr.	2.8	2.5
EPS Curr. Yr. Median Rev 3M	0.8	8.0
Qtly. Earn. Mom.	4.4	7.1
Qtly. Sales Mom.	-0.3	-0.3
ROE Trail. 12	16.2	14.8
Div. Yield	2.9	3.3
# of Equity Holdings	58	239
U.S. Equity Weight	10.5	-

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Toronto-Dominion Bank	Financials	7.7
Royal Bank of Canada	Financials	7.5
Boyd Group Income Fund	Industrials	4.2
Bank of Nova Scotia	Financials	3.8
Canadian National Railway Co	Industrials	3.8
Suncor Energy Inc	Energy	3.2
Bank of Montreal	Financials	3.0
CGI Group Inc	Information Technology	2.9
Enbridge Inc	Energy	2.8
Brookfield Asset Mgmt A Ltd Voting	Financials	2.8
Total		41.7

Sector Allocation %



Source: GLC, Bloomberg, S&P │1. Fund: LL Canadian Equity (GWLIM)│2. Index: S&P/TSX Composite 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 rate cuts from the U.S. Federal Reserve over the coming months due to continued trade tensions and decelerating economic growth. Equity markets ebbed and flowed with trade developments –particularly evident during May when markets sold off after U.S.-China trade talks broke down. The S&P/TSX Composite Index returned 2.6% (total return) in the second quarter. Information Technology was the top performing sector in Canada, largely due to very strong returns from Shopify. The heavyweight Financials sector outperformed the broad market despite another mixed earnings season from the Canadian banks. The Materials sector, under pressure for much of the quarter, bounced back following a June rally in gold stocks. Gold prices spiked higher on the prospect of lower policy rates in the U.S. and continued geopolitical tensions. Health

Care was the worst performing sector, primarily due to a pull-back in cannabis stocks. The Energy sector also underperformed, with exploration and production companies suffering from weaker oil and gas prices.

Portfolio performance

The fund posted a single-digit positive return that outperformed the S&P/TSX Composite Index on a gross return basis over the period. Strong stock selection within the Industrials, Real Estate and Financials sectors contributed to performance, as did not holding any cannabis stocks. Fund performance was negatively impacted by an underweight position in the gold sector, which staged a strong rally late in the quarter. Additionally, stock selection within the Consumer Discretionary and Information Technology sectors was slightly detrimental to performance.

Portfolio activity

Holdings in Wyndham Hotels, the world's largest hotel franchise operator, were added to the fund within the Consumer Discretionary sector during the quarter. Wyndham has demonstrated consistent earnings and cashflow performance and has an unwarranted valuation discount to peers. Minto Apartment REIT was added – a high quality, urban focused multi-residential property REIT, with significant opportunities for expansion. We eliminated MTY Food Group due to an array of concerns; namely the recent acquisition of Papa Murphy's (a #5 player in a very competitive space), accelerating declines in same-store sales, rent pressures in select segments and labour shortages in the Quebec region. Shares in Spin Master were eliminated due to disappointing Q1 2019 results – the fourth consecutive quarterly miss. This, along with several factors (such as poor guidance, heightened dependence on Q3 results to meet full year guidance and slowing key products and categories) has led us to lower our conviction in the strength of the management team and increase our risk versus return profile. We trimmed several energy-related holdings, including Stantec and Methanex. While we cut back on Bank of Nova Scotia, we added to our holdings in the Financials sector with Intact Financial and TD Bank, where we continue to see compelling growth and reasonable valuation.

Positioning & outlook

Our outlook on Canadian equities is essentially unchanged from Q1. Accommodative stances by the FOMC, ECB, PBOC and the Bank of Canada have clearly benefitted equity market valuations. Global growth continues to falter: corporate earnings are decelerating, and valuations are less compelling than several months ago. This leads us to be cautious in our market outlook. We'll continue to seek out compelling growth opportunities in the months ahead – ideally at more favourable multiples. At the end of the reporting period, we are overweight in key growth sectors when compared to the S&P/TSX Composite Index: Information Technology, Industrials, Communication Services and Consumer Discretionary. The fund's key underweights are in the Materials, Health Care and Energy sectors.