Benefit from experience, expertise and successful investing within the heart of the Canadian economy

What's the strategy?

The Canadian Resources (GWLIM) portfolio strategy invests mainly in medium- to large-cap Canadian resource-based stocks with above-average growth potential to achieve long-term capital appreciation.

What's the approach?

This strategy focuses on investing in Canadian resource companies across the market cap spectrum from industries such as oil and gas, gold and precious metals, metal and minerals, forest products and alternative energy. It follows a growth-oriented management style that blends top-down macro-analysis with bottom-up fundamental stock research. The portfolio manager seeks to identify industry risks, competitive opportunities and macro trends to influence sector allocations, alongside disciplined fundamental research to identify companies that are positioned to deliver strong results in the current market cycle.

Why invest in this portfolio strategy?

By investing in companies exposed to the commodity industry, the strategy can act as a Canadian equity diversifier within a portfolio by: Having low to negative correlation to equity and bond markets; and acting as an inflation hedge, as commodities typically perform better during periods of rising inflation. It offers an active management approach by a portfolio team with extensive experience in selecting resource stocks with higher growth potential than the broad Canadian market, and the opportunity to leverage the global demand for energy and commodities.

Typical portfolio characteristics

Here is what you can expect to see from the Canadian Resources (GWLIM) portfolio strategy when compared to the S&P/TSX Composite Index:

- Diversification within resource-related companies, no cap-size bias and an average of 40-80 holdings
- 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
- Greater long-term return opportunity and higher volatility than the broad Canadian market

Strategy snapshot

Asset class
Equity

Inception date
2015

Assets in mandate
$44.3 million

Benchmark
60% S&P/TSX Energy Index
40% S&P/TSX Materials Index

Investment team
GWL Investment Management

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

Dylan Fricker,
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.

Portfolio attributes

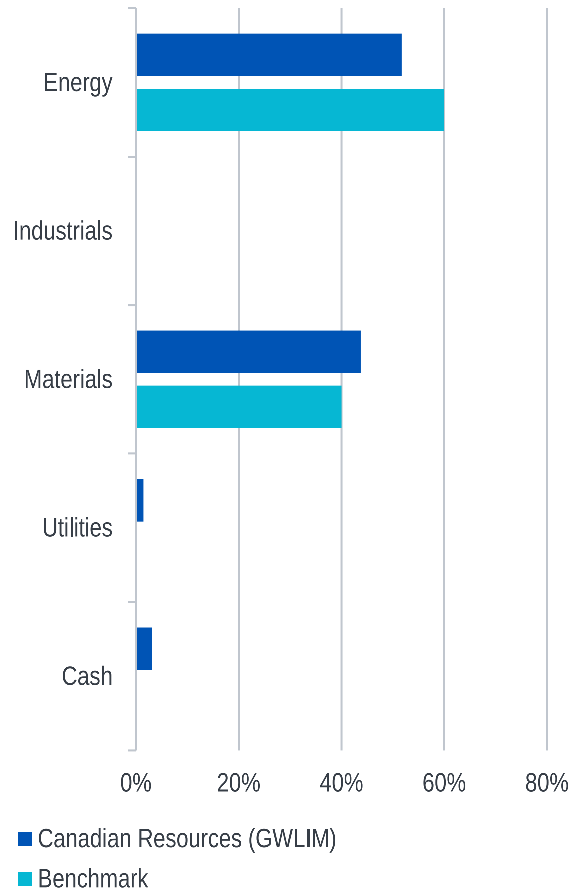
Key attributes	Portfolio[1]	Index[2]
Market Cap.	33.5	38.6
P/E Curr. Yr. Median	19.1	18.1
P/B Curr. Yr.	1.8	1.7
Debt to Equity	0.8	0.8
Cash Flow to Debt	0.2	0.2
ROE Trail. 12	11.7	11.5
Div. Yield	3.3	3.4
# of Equity Holdings	41	87
U.S. Equity Weight	2.3	-

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Tc Energy Corp	Energy	9.8
Enbridge Inc	Energy	9.6
Suncor Energy Inc	Energy	8.7
Nutrien Ltd.	Materials	6.9
Canadian Natural Resources Ltd	Energy	6.7
Pembina Pipeline Corporation	Energy	5.6
Franco-Nevada Corp	Materials	3.3
Agnico-Eagle Mines Ltd	Materials	3.0
Teck Resources Ltd	Materials	3.0
Royal Gold Inc.	Materials	2.3
Total		58.9

As at June 28, 2019

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: LL Canadian Resources Fund (GWLIM) | 2. Index: 60% S&P/TSX Energy Index, 40% S&P/TSX Materials Index

Portfolio manager's quarterly commentary

As at June 28, 2019

Market review

Canadian resource stocks were mixed in the second quarter of 2019. The Canadian Materials sector gained 5.4% (total return), while the Energy sector was down 2.8% (total return). The Materials sector, under pressure for much of the quarter, bounced back following a sharp 23% rally in gold stocks to end the quarter. Gold prices rose above the $1,400 USD level for the first time since 2013 on the prospect of lower policy rates in the U.S. and continued geopolitical tensions. Copper prices were weaker largely due to fears of slowing global growth. The Energy sector produced negative returns, with exploration and production companies suffering from weaker oil and gas prices. U.S. WTI crude prices were down 2.8% following a strong first quarter rally. Oil prices were volatile: weighed down initially by demand concerns and rising U.S. inventories, before escalating U.S.-Iran tensions and speculation of further OPEC cuts supported prices in June.

Portfolio performance

The fund outperformed its blended benchmark (60% S&P/TSX Energy and 40% S&P/TSX Materials) by posting a significantly higher single-digit positive return on a gross return basis for the quarter. In a reversal from Q1, the fund's underweight allocation and strong stock selection with the Energy sector was a significant contributor to performance for the period. EnCana, a significant weight in the index but not owned in the fund, was down over 35% during the quarter. In the Materials sector, some of the more defensive positions, such as Packaging, were positive contributors. A sharp late-quarter rally in the gold price helped boost absolute fund returns.

Portfolio activity

Vermilion Energy was eliminated from the fund over concerns about the sustainability of the company's dividend and balance sheet during a period of weak commodity prices. One new position was added to the fund during the quarter: Norbord Inc., a producer of oriented strand board (OSB), was added after announcements (from both the company and some of its competitors) that nearly 5% of industry capacity will be permanently curtailed. We're optimistic that greater producer discipline will support OSB prices in the future. In the mean time, investors are being compensated with an attractive dividend yield of approximately 5%.

Positioning & outlook

Macro economic growth concerns have taken over for supply-versus-demand fundamentals in commodity markets. While central banks around the world have reversed course on their plans to tighten liquidity, trade frictions remain unresolved. As a result, we are taking more of a "wait and see" approach to commodity-exposed sectors of the market. We hold an overweight position in the Materials and Utilities sectors and have an underweight in the Energy sector given Canada's unique egress challenges at present. Cash levels are relatively unchanged from the prior quarter.