# 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**
$3,298.9 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 $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 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.

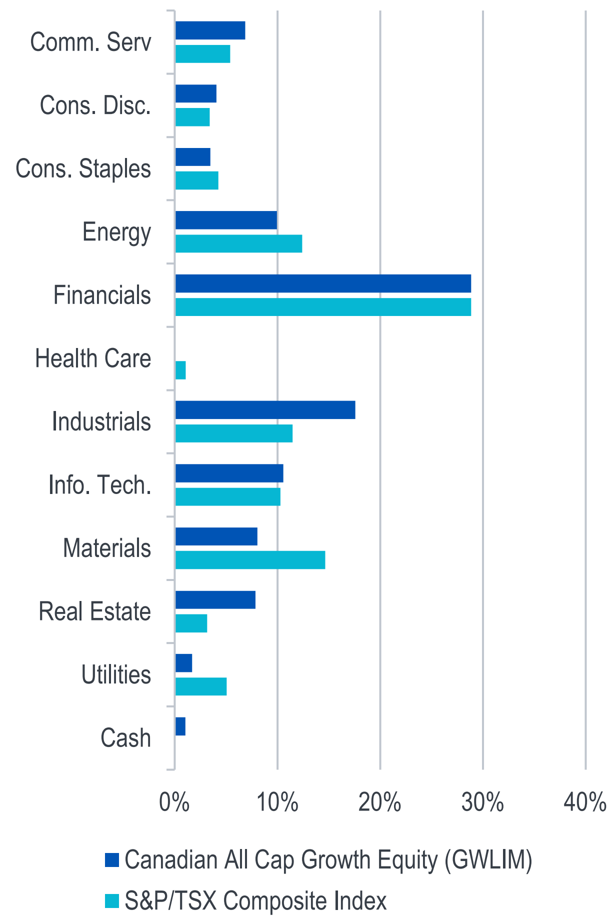
## Portfolio attributes

| Key attributes | Portfolio[1] | Index[2] |
|---|---|---|
| Market Cap. | 60.8 | 52.7 |
| P/E Curr. Yr. Median | 26.8 | 24.7 |
| P/B Curr. Yr. | 2.6 | 2.2 |
| EPS Curr. Yr. Median Rev 3M | -17.1 | -9.2 |
| Qtly. Earn. Mom. | -5.2 | -4.1 |
| Qtly. Sales Mom. | -3.5 | -2.5 |
| ROE Trail. 12 | 11.8 | 9.2 |
| Div. Yield | 3.0 | 3.4 |
| # of Equity Holdings | 57 | 222 |
| U.S. Equity Weight | 6.4 | - |

## Major equity holdings %

| Security | Sector | Portfolio Weight[1] |
|---|---|---|
| Royal Bank of Canada | Financials | 7.6 |
| Toronto-Dominion Bank | Financials | 7.0 |
| Canadian National Railway Co | Industrials | 4.3 |
| CP Railway Ltd | Industrials | 3.6 |
| Boyd Group Services Inc. | Industrials | 3.6 |
| Brookfield Asset Mgmt A Ltd Voting | Financials | 3.3 |
| Kinaxis Inc | Information Technology | 3.1 |
| Bank of Nova Scotia | Financials | 3.0 |
| Open Text Corp | Information Technology | 2.9 |
| Enbridge Inc | Energy | 2.9 |
| **Total** | | **41.2** |

## 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 30, 2020

## Market review

Global equity markets bounced back sharply, posting one of the strongest and quickest recoveries in history. Stocks closed in on their previous all-time highs set prior to the coronavirus crisis due to unprecedentedly large monetary and fiscal support from world governments and central banks, improving economic data in May and June and reopening global economies. The S&P/TSX Composite Index surged 17.0% (total return) during the quarter – the second largest quarterly gain in over a decade. All but one of the 11 sectors finished in positive territory. The information technology sector was the best performer, spearheaded by Shopify's 136% gain. The materials sector benefitted from a strong rally in precious metals, particularly by gold stocks that soared over 50% in the period. The consumer discretionary and energy sectors were also noteworthy contributors: energy companies benefitted from a sharp rebound in oil prices (Western Canadian Select jumped 474% during the quarter). Communication services was the lone sector to produce a negative return.

## Portfolio performance

During a period of equity market recovery, the portfolio delivered a double-digit positive return, although it underperformed the S&P TSX Composite Index on a gross return basis during Q2 2020. After the significant selloff during the first quarter, the market posted a dramatic recovery – fueled in large part by a massive injection of liquidity by central banks in an effort to stave off a global depression. During such a recovery bounce, our style of portfolio management – seeking quality companies with strong balance sheets and more resilient earnings – will generally lag the overall market. Portfolio performance was negatively impacted by an underweight position in gold stocks, which rallied hard in the quarter. Additionally, stock selection within the Information Technology sector (due to not holding Shopify) was a significant drag to overall performance. The overweight Real Estate sector was also a negative contributor to performance with several holdings that had provided excellent defensive properties during Q1 lagging throughout the recovery bounce. Performance was aided by stock selection within the Utilities and Industrials sectors.

## Portfolio activity

The fund made several changes throughout the quarter to add exposure to a recovering economy. Holdings within the overweight Communications Services sector were trimmed – notably, BCE and Comcast. Consumer Discretionary exposure was increased via a new position in Amazon and an increase to our Canadian Tire holding. Investment in the Energy sector was increased via larger holdings in Parkland Corp, Pembina Pipeline and Suncor. We increased Industrials sector exposure via the addition of Air Canada and added to our Materials exposure through the addition of Agnico Eagle Mines, Alamos Gold, Wheaton Precious Metals, Norbord and West Fraser Timber. Our Real Estate positioning was amended – profits were taken through the sale of Americold Realty Trust and Digital Realty Trust while the portfolio added a purchase into Colliers International.

## Positioning & outlook

If one ever doubted the old adage “Don’t fight the fed”, this past quarter has taken another generation of investors to school. The question is where to go from here. As central bankers provided cover for virus containment efforts to work and economies to begin to re-open, equities have surged – in some cases to record highs. Our concern is that earnings expectations looking out to 2021 may prove overly optimistic. Barring an imminent vaccine, economic growth and corporate earnings will likely be constrained and guidance disappointing. We expect market volatility to remain elevated. Stock selection will once again be critical and we believe quality, earnings growth, strong balance sheets and a track record of returning capital to shareholders will be rewarded. As such, the fund remains overweight in sectors where we can build positions in these types of growth businesses: Communication Services, Consumer Discretionary, Information Technology, Industrials and Real Estate. The fund will remain underweight in the Energy, Utilities and Materials sectors.