A concentrated portfolio of attractively priced large-cap Canadian companies held for their high-quality characteristics.

What's the strategy?

The Canadian Concentrated Value Equity (Laketon) portfolio invests primarily in large-cap Canadian companies priced below their intrinsic value given their long-term opportunities for growth. This strategy seeks out under-valued companies that are well-managed with strong balance sheets and have the potential to achieve long-term capital appreciation.

What's the approach?

The portfolio manager applies a deep fundamental analysis approach to stock selection. The portfolio is constructed to capture opportunities that are mispriced or not yet priced into the market, while managing both company-specific and portfolio risks. It's a deep fundamental analysis approach to stock selection that results in concentrated portfolios of large cap stocks we believe are poised to outperform.

Why invest in this portfolio strategy?

Ideal for investors seeking exposure to high quality Canadian equities that may have been overlooked by the market and offer long-term opportunities for growth. It's a concentrated portfolio of high quality companies added to the portfolio at attractive values and strong potential for capital appreciation

Typical portfolio characteristics

Here is what you can expect to see from the Canadian Concentrated Value Equity (Laketon) portfolio strategy when compared to its benchmark, the S&P/TSX Composite Index:

- Lower valuation, higher quality and solid earnings prospects
- Exposure to at least 7 of the 11 industry sectors
- Concentrated portfolio, of typically 25-45 holdings
- Pure Canadian equity exposure, avoiding foreign currency risk

Strategy snapshot

Asset class
Equity

Inception date
1961

Assets in mandate
$2,493.2 million

Benchmark
S&P/TSX Composite Index

Investment team
Laketon Investment Management

Portfolio manager(s)
Ryan Marcy
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

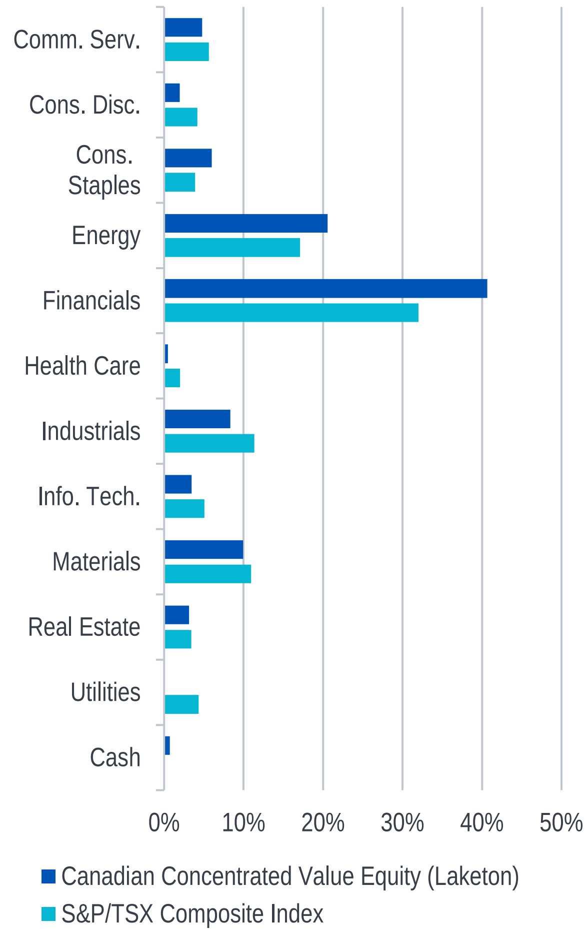
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	58.7	50.5
P/E Curr. Yr. Median	13.7	15.1
P/B Curr. Yr.	1.9	2.5
Earnings Growth	13.9	29.8
Debt to Equity	1.6	1.7
P/Cash Flow Trail. 12	9.4	12.9
ROE Trail. 12	15.4	14.8
Enterprise Value/EBITDA	11.5	12.5
Div. Yield	3.4	3.3
# of Equity Holdings	37	239

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Toronto-Dominion Bank	Financials	8.0
Bank of Nova Scotia	Financials	6.8
Royal Bank of Canada	Financials	5.8
Enbridge Inc	Energy	5.4
Brookfield Asset Mgmt A Ltd Voting	Financials	4.7
Suncor Energy Inc	Energy	4.4
Tc Energy Corp	Energy	4.2
Manulife Financial Corp	Financials	4.1
Nutrien Ltd.	Materials	3.5
Canadian Natural Resources Ltd	Energy	3.5
Total		50.5

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund:LL Canadian Equity Value Fund (Laketon) | 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

Despite posting another quarter of positive returns on a gross return basis, the fund slightly trailed the S&P/TSX Composite Index benchmark. The fund's performance was helped by its lack of exposure to cannabis stocks within the Health Care sector, as those stocks pulled back after a strong start to the year. The fund also benefitted from its overweight exposure to Financials, a sector that slightly outperformed the broader market last quarter. In particular, the fund benefitted from its holdings in property insurer Intact Financial, as well as Manulife and Industrial Alliance in the life insurance sub-sector. Fund performance was negatively impacted by an overweight exposure to Energy, in particular the exploration and production companies which traded lower on the back of weakening oil prices. In the Information Technology sector, despite solid absolute returns from the fund's value-oriented holdings in Open Text and CGI holdings, the fund's zero weight exposure to Shopify hurt materially, as the company continued to rally sharply. Finally, the fund's underweight exposure and selection within the Industrials sector dragged on performance, particularly with SNC remaining under pressure during the quarter.

Portfolio activity

The fund's exposure at the sector level was tweaked slightly during the quarter, though it remains focused on value-oriented equities within the Canadian investible universe. The fund initiated a position in the Health Care sector, adding Chartwell Retirement after the stock sold off with a pullback in the broader market. The fund's relative exposure to Materials (compared to the S&P/TSX Composite) also increased during the quarter. The fund retained its position Newmont Goldcorp after the closing of Newmont's acquisition of Goldcorp, which effectively increased the fund's relative exposure to the gold sub-sector (given that Newmont Goldcorp is no longer in the S&P/TSX Composite Index). The fund also initiated a small position in Wheaton Precious Metals, adding high-quality exposure to the precious metals space in conjunction with an improved outlook for gold. Within the Financials sector, the fund eliminated its overweight position in Bank of Montreal following the stock's strong outperformance to start the year. The fund remains overweight in Canadian banks. The fund also lowered its exposure to Magna after a strong start to the year, although it remains our only holding within the Consumer Discretionary space.

Positioning & outlook

After the strong start to the year for the S&P/TSX Composite, the market has endured a material cross-current of changing macro-related drivers during the second quarter – ranging from softening global growth, a dovish U-turn by the U.S. central bank and the re-incarnation of U.S./China trade fears. As we work to navigate through this ever-changing investment landscape, our general outlook for the Canadian equity markets remains positive. Overall market valuation for the S&P/TSX Composite Index remains relatively attractive to both historical levels and U.S./global peers, assuming underlying earnings estimates remain reasonable. Canada (and Canadian equities) continue to work through country-specific issues including Canadian oil and natural gas pricing differentials, Canadian housing market pressure and trade-related concerns. Nevertheless, we continue to believe that as time progresses, these headwinds will slowly dissipate, making Canadian equities more attractive. Earnings growth expectations for Canadian equities also remain relatively subdued, with a deceleration in year-over-year growth in 2019 appearing realistic. Although we see some risk to a re-acceleration in growth implied by 2020 estimates, we believe valuation adequately accounts for this risk. The portfolio is fully invested at quarter-end, with exposure to 10 of 11 GICS sectors. We remain focused on finding high-quality companies that are temporarily priced below their intrinsic value (due to transitory or other issues) and have long-term opportunities for growth. We continue to hold an overweight bias towards the Financials and Energy sectors – ones where we see considerable valuation upside if concerns dissipate as we anticipate. The fund has an underweight bias to the Utilities, Industrials, Consumer Discretionary and Information Technology sectors where valuation levels seem elevated as investors flock to more expensive growth and/or defensive equities.