Combination of steady dividend income and capital growth

What's the strategy?

The Canadian Concentrated Pure Dividend (Laketon) portfolio invests primarily in Canadian dividend-paying equities with attractive dividend yields, and to a lesser extent may hold preferred shares. This strategy seeks to achieve a steady stream of income-generation with the potential for long-term capital appreciation.

What's the approach?

The portfolio manager applies a deep fundamental analysis approach to stock selection and focuses on positive return generation in up markets and capital preservation in down markets. Using dynamic and proprietary financial models along with deep dive analysis into companies, the portfolio manager seeks to capture opportunities and manage risks that are mispriced or not yet priced into the market.

Why invest in this portfolio strategy?

Ideal for investors seeking exposure to large-cap pure Canadian equity portfolio of high quality dividend-paying stocks that offer the potential for attractive long-term capital appreciation and the benefits of compounding dividend income over time.

Typical portfolio characteristics

Here is what you can expect to see from the Canadian Concentrated Pure Dividend (Laketon) portfolio:

- Pure Canadian equity exposure
- A concentrated portfolio with an average of 25-45 holdings across at least 7 of the 11 sectors
- An attractive risk/return profile versus most Canadian equity strategies
- A track record of historically lower volatility when compared to its benchmark and a tendency to outperform in down markets
- Lower valuation metrics (i.e.price per earnings) and a higher dividend yield than the broad Canadian market

Strategy snapshot

Asset class
Equity

Inception date
1985

Assets in mandate
$2,500.9 million

Benchmark
S&P/TSX Composite Index

Investment team
Laketon Investment Management

Portfolio manager(s)
Bradford Cann
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 (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

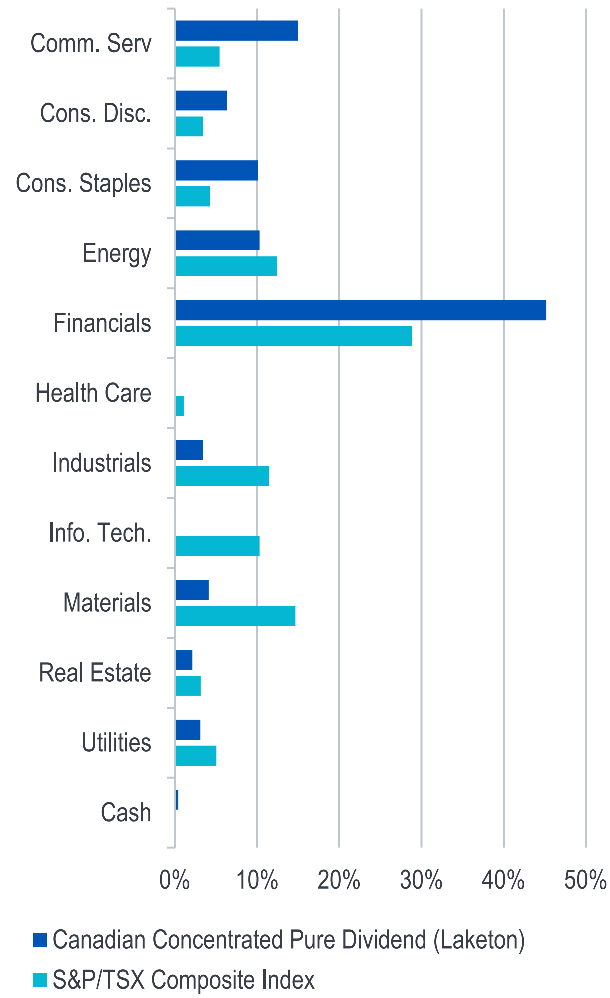
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
P/E Curr. Yr. Median	16.1	24.7
P/E Trail. 12	14.4	19.4
P/Cash Flow Trail. 12	5.6	9.4
Div. Yield	4.7	3.4
Payout Ratio Curr. Yr. Median	67.4	45.2
Debt to Equity	1.9	1.6
Market Cap.	54.6	52.7
# of Equity Holdings	33	222

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Royal Bank of Canada	Financials	8.4
Toronto-Dominion Bank	Financials	8.1
BCE Inc	Communication Services	7.9
Bank of Nova Scotia	Financials	7.3
Canadian Imperial Bank of Commerce	Financials	6.4
Bank of Montreal	Financials	6.3
Telus Corporation	Communication Services	5.1
Magna International Inc	Consumer Discretionary	4.2
Sun Life Financial Inc	Financials	3.7
Enbridge Inc	Energy	3.6
Total		**60.9**

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: CL - Enhanced Dividend Fund (Laketon) | 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 where equity markets rebounded after the severe Q1 selloff, the portfolio delivered a positive return, although – not surprising for a dividend focused fund during these market conditions – it underperformed the S&P TSX Composite Index on a gross return basis during Q2 2020. A significant part of the underperformance can be attributed to the fund's underweight positioning in Information Technology (due to Shopify's immense price growth) and precious metals equities, both of which significantly outperformed. Additonally, overweight positioning in the Financials, Telecommunications and Consumer Staples sectors also detracted from performance as all three sectors lagged the market. The fund's overweight positioning in the Consumer Discretionary sector and underweight position in Industrials helped offset some of the underperformance. The fund's top stock contributor was Magna and its top detractor was BCE.

Portfolio activity

The fund initiated new positions in Canadian Tire and Boardwalk REIT. Canadian Tire had been on our radar for a while as the company continued to demonstrate strong operational performance in the face of market skepticism. The stock was hit disproportionately hard during the market selloff, and we took the view that the business would recover quickly once the economy was permitted to re-open. Given the value for the REIT holdings, and the financial services business, the implied multiple of the retail segment hit all-time lows when the stock sold off to the ~$80 level – roughly where we began to initiate a position. Boardwalk is a stock that was also hit hard during the market selloff, significantly underperforming its multi-family residential peers and trading at a significant discount to NAV and replacement value. We felt that their assets would prove more stable than the market was anticipating and this discount would close over time. In addition to these new holdings, we added to fund positions in Barrick, Agnico Eagle, TC Energy and Enbridge. We exited small positions in Vermillion, ARC Resources and Crescent Point Energy. Positions in BCE, Hydro One, Magna, National Bank and Rogers Communications were also trimmed.

Positioning & outlook

We are somewhat cautious on the continuation of the market's strength during the second half of the year given continued uncertainty around the economic implications of COVID-19, as well as the potential for further flareups of the virus. The portfolio's core positioning remains consistent, with material overweight allocations to the Financials, Communication Services and Consumer Staples sectors and underweight positioning in the Materials, Information Technology and Industrials sectors. We shifted some of our Energy sector weighting from producers to pipelines and exited three small energy positions, as we believe the macro backdrop for oil will remain challenged for the foreseeable future. We continue to look for opportunities to recycle capital out of areas of the market we feel have run too far, and re-deploy into areas that have unjustifiably lagged during the market's recovery. Nevertheless, our focus remains longer term in nature and we continue to invest in companies that can maintain and grow their dividends, exhibit high-quality earnings through different parts of the cycle, have proven management teams and possess strong balance sheets.