A diversified real estate equity portfolio built for growth and income

What's the strategy?

The Global Real Estate Equity (London Capital) portfolio invests in domestic and international real estate investment trusts and public companies engaged in real estate ownership, development and/or management. The portfolio exhibits strong growth characteristics combined with attractive dividend income with the potential for long-term capital appreciation.

What's the approach?

This portfolio follows a highly disciplined investment process designed to find differentiated global real estate stocks using a proprietary, multi-factor quantitative model with an emphasis on growth and quality. The portfolio managers use quantitative-driven analysis to identify stocks with an optimal combination of back-tested factors. In particular, they look for real estate securities (such as REITs and common shares) that are attractively priced, effectively managed, and historically profitable and growing. It's a systematic method designed to deliver strong, long-term, risk-adjusted returns through a transparent and repeatable process.

Why invest in this portfolio strategy?

The Global Real Estate Equity (London Capital) portfolio is ideal for investors seeking to diversify their global equity exposure with a portfolio of high-yielding, global real estate equities. The portfolio can also cushion volatility by investing across globally diverse interest-rate environments, which can help offset short-term turbulence caused by changing interest rates.

Typical portfolio characteristics

Here's what you can expect to see from London Capital's Global Real Estate Equity portfolio:

- Broad diversification across all major regions of the world, with emphasis on developed countries
- Exposure to income-oriented equities
- A low correlation to other asset classes and the potential to reduce volatility
- 40 to 90 holdings, equally-weighted
- A highly liquid, non-benchmark relative portfolio

Strategy snapshot

Asset class
Equity

Inception date
2008

Assets in mandate
$43.6 million

Benchmark
S&P Developed Property Index

Investment team
London Capital Management

Portfolio manager(s)
Robert Lee
Vice-President, Equities

Pei Li
Manager, 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

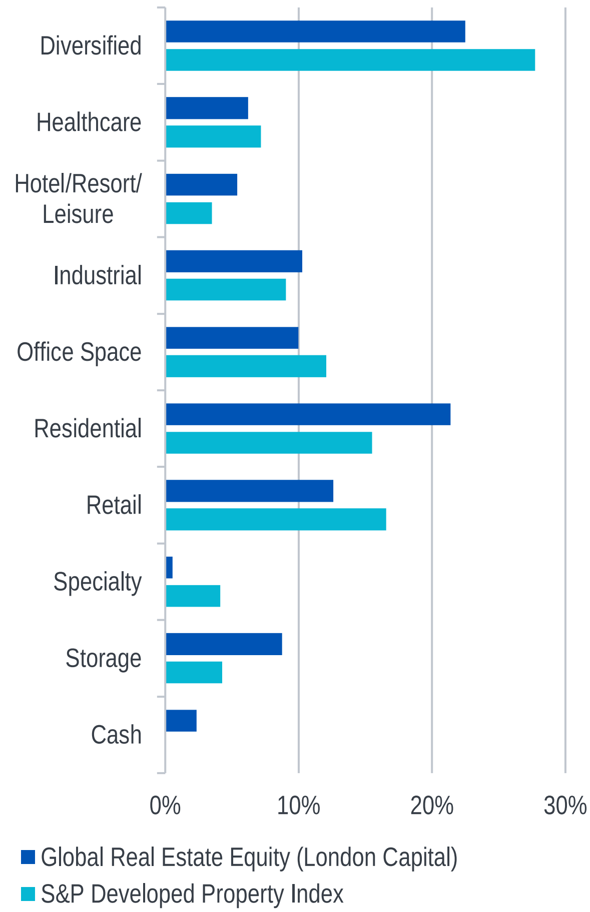
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	14.9	19.5
P/B Curr. Yr.	1.8	1.8
P/E Curr. Yr. Median	24.7	22.5
Div. Yield	3.9	4.0
Annual Div. Mom.	9.8	8.6
Debt to Capital	0.4	0.4
ROE Curr. Yr.	8.0	6.9
# of Equity Holdings	87	511

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Prologis Inc.	Industrial	3.9
Public Storage	Storage	3.4
Link REIT	Retail	2.4
Avalonbay Communities Inc.	Residential	2.4
Alexandria Real Estate Equities Inc	Office Space	2.0
Equity Lifestyle Properties Inc.	Residential	1.8
Daito Trust Construction Co. Ltd.	Residential	1.8
Mirvac Group REIT	Diversified	1.8
Simon Property Group Inc.	Retail	1.7
Extra SPAce Storage Inc. REIT	Storage	1.7
Total		22.7

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: LL Global Real Estate Fund (LCM) | 2. Index: S&P Developed Property 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) and the S&P 500 gained 4.3% (total return) in U.S. dollars (2.3% in Canadian dollar terms) for the quarter. European equities produced returns roughly in line with their North American peers. On a regional basis, German equities produced strong returns while Spain and Italy underperformed. Japanese equities and emerging market equities underperformed their global peers, largely due to trade and Chinese growth concerns. The S&P Developed Property Index returned -1.88% in Canadian dollar terms, underperforming the MSCI world index, which returned 1.73%.

Portfolio performance

The fund outperformed its S&P Developed Property index on a gross return basis during a challenging quarter. From a country perspective, stock selection in the U.S. and Japan contributed positively to returns, with the two comprising weights in the portfolio of 48.2% and 11.8%, respectively. The fund's stock holdings within the Retail REITs and Real Estate Operating Companies categories benefitted performance. Allocation to Hong Kong and Singapore were a drag on performance.

Portfolio activity

The fund pursues a highly disciplined factor-based investment approach, with regional and sector exposures highlighting the most attractive risk-adjusted return opportunities. We increased the fund's real estate equity exposure in the U.S. and Japan during the quarter. The fund decreased its overall Retail REIT exposure, while it increased its Industrials REIT exposure.

Positioning & outlook

We remain cautiously optimistic on REITs. Overall, fundamentals are solid, yields are generally attractive, and lease structures on certain property types offer a hedge to inflation. Additionally, both the consensus view and major economic indicators point toward a more gradual and balanced growth outlook for most major economies. We remain constructive on the space and expect to capitalize on solid investment opportunities going forward. The fund is currently overweight in Hong Kong and United Kingdom while being underweight in the U.S. and Japan. From a sector perspective, the fund is overweight in Real Estate Development, Residential as well as Hotel and Resort REITs and underweight in Retail REITs.