Benefit from a portfolio that offers large-cap stocks in some of America's best companies

What's the strategy?

The U.S. Large Cap Growth Equity (London Capital) portfolio strategy invests primarily in large-cap U.S. stocks with above-average growth potential to achieve long-term capital appreciation.

What's the approach?

The portfolio managers pursue a proprietary and systematic approach, benefiting from quantitative-driven analysis to identify stocks with the most attractive combination of growth attributes. Fundamental factor-analysis underpin stock selection and portfolio construction to isolate and capitalize on key drivers of market performance.

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?

Ideal for investors seeking exposure to a wide spectrum of growth opportunities in U.S. equities.

This growth-style portfolio strategy focuses on some of America's strongest and most established companies that can deliver strong earnings growth and returns over the long-term. An emphasis is placed on companies that exhibit accelerating revenue and earnings growth.

The portfolio is well diversified across sectors and offers a portfolio of companies with higher growth potential than the broad market.

This is a diversified U.S. equity portfolio that tends to have lower volatility than a U.S. small- or mid-cap portfolio.

Typical portfolio characteristics

Here is what you can expect to see from the U.S. Large Cap Growth Equity (London Capital) portfolio strategy when compared to its peers, or its U.S. benchmark, the S&P 500 Index:

- Stronger growth and growth momentum attributes versus the S&P 500 Index
- Higher expected earnings growth than the benchmark and above average return on equity versus the benchmark
- Good diversification through an average of 50-100 holdings

Strategy snapshot

Asset class
Equity

Inception date
1983

Assets in mandate
$795.7 million

Benchmark
S&P 500 Index

Investment team
London Capital Management

Portfolio manager(s)
Brenda Nicholls,
Vice-President, Equities

Martin Rose,
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

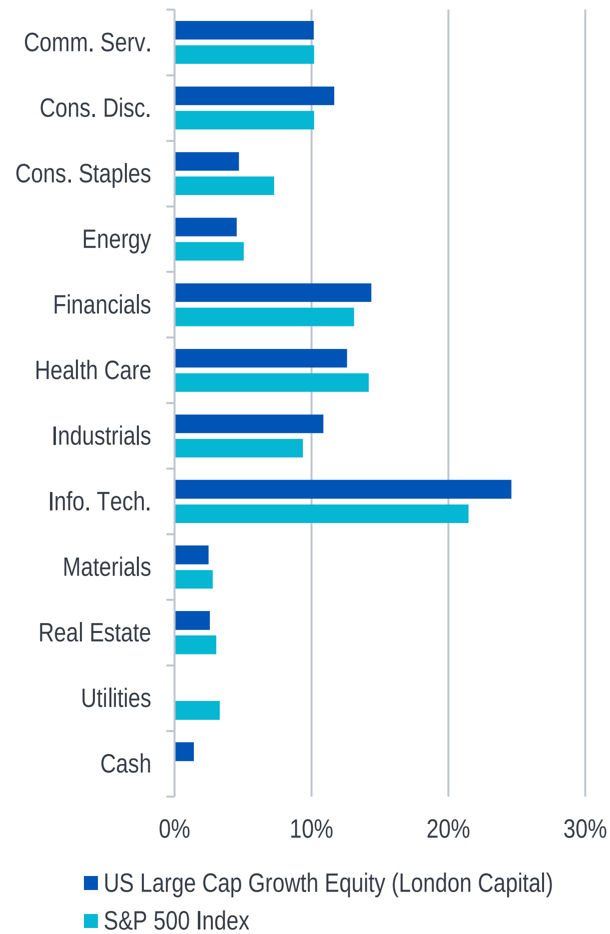
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	156.6	250.5
P/E Curr. Yr. Median	21.5	17.7
P/B Curr. Yr.	7.5	5.7
Qtly. Earn. Mom.	3.0	3.0
Annual Earn. Mom.	20.9	16.1
Sales Geo. Growth 5Y	11.7	6.3
ROE Trail. 12	29.2	25.0
Div. Yield	1.4	2.1
# of Equity Holdings	70	505

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Broadcom Inc.	Information Technology	3.2
Facebook Inc.	Communication Services	3.0
Adobe Inc.	Information Technology	3.0
Visa Inc-Class A Shares	Information Technology	2.9
S&P Global Inc.	Financials	2.9
Mastercard Inc Cl A	Information Technology	2.9
Monster Beverage Corp.	Consumer Staples	2.8
Starbucks Corp.	Consumer Discretionary	2.7
Comcast Corp. Class A	Communication Services	2.7
The Progressive Corp.	Financials	2.6
Total		28.6

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: LL U.S. Equity Fund (LCM) | 2. Index: S&P 500 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 500 gained 4.3% total return in U.S. dollars (2.3% in Canadian dollar terms) for the quarter. Financials was the top performing sector with U.S. bank stocks benefitting from a healthy economy and a steeper U.S. yield curve. Information Technology also performed well, with sizable contributions from Microsoft, Visa and Mastercard. Energy was the only sector that produced a negative return in the quarter. U.S. WTI crude prices were down 2.8% following a strong rally in the first quarter. 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 had a more challenging second quarter as the market rallied into new highs at the end of April, declined to year-to-date lows end of May, only to rally back to prior high levels mid-June. As a result, the fund posted a single-digit positive return that underperformed its S&P 500 Index on a gross return basis for the quarter. Global growth fears were the primary catalyst behind the move lower and they negatively impacted our Chemours Co holding in the Materials sector. Biotechnology and Pharmaceuticals were hurt over the quarter by increased political focus on drug pricing in the group while Semiconductors and Equipment within the Information Technology sector were negatively influenced by the fallout of the U.S./China trade deal that ultimately couldn't close. Positive offsets included our overweight positioning in Communication Services as well as strong performance from Monster Beverage in the Consumer Staples group.

Portfolio activity

We pursue a highly disciplined investment process that seeks out large-cap stocks with an attractive combination of growth attributes. As a result of this rigorous stock selection process, the fund's holdings tend to be high-quality, mature companies with above-average, long-term growth potential. During the quarter, we added to our Technology sector weighting as we believe, despite short-term choppiness and growth fears stemming from trade/tariff wars, there are substantial growth opportunities within this space over the long term. In order to fund this trade, we reduced our lower-growth exposure within the Consumer Staples sector by reducing our weighting in Sysco Industries as they issued warning guidance on their future prospects.

Positioning & outlook

The markets have been buffeted in the second quarter by more of the same concerns that were highlighted during the first quarter: ongoing trade and tariff tensions plus global and domestic growth concerns while geopolitical considerations ramped up in the latter weeks of the quarter. Domestically, the Presidential election cycle is already heating up, which means equities will be subject to headline noise and political rhetoric over the coming number of months. We continue to believe in the potential of secular growers (i.e., those companies that have a sustainable competitive advantage), such as Visa and Mastercard. We also believe that as stock correlations come down, company fundamentals will continue to be more relevant and will look for longer-term secular winners. We are currently overweight in the Information Technology, Consumer Discretionary and Industrials sectors while maintaining our underweight positions in the Utilities and Consumer Staples sectors.