

## Investing in companies that participate in infrastructure opportunities around the world

### What's the strategy?

The Global Infrastructure Equity (London Capital) portfolio strategy invests in domestic and global securities that directly or indirectly benefit from the development, maintenance, service and management of infrastructure with the aim of achieving long-term capital appreciation. This strategy focuses on attractive income-yielding stocks whose dividend income could enhance portfolio returns, primarily within 3 major sectors – energy, industrials and utilities.

### 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 stock attributes. Fundamental factor-analysis underpins stock selection and portfolio construction to isolate and capitalize on key drivers of market performance. The holdings are equally weighted, making the portfolio non-benchmark relative. 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 Infrastructure Equity (London Capital) portfolio is ideal for investors seeking exposure to global infrastructure opportunities with longer term growth potential. This unique portfolio offers broad diversification across all major regions of the world, with emphasis on developed countries, but with exposure to emerging countries. The portfolio offers access to leading companies from around the world in a highly liquid investment vehicle.

### Typical portfolio characteristics

Here is what you can expect to see from the Global Infrastructure Equity (London Capital) portfolio strategy:

- Lower price per earnings (i.e. valuation) with a higher dividend yield
- Exposure to dividend-paying equities, focused around three major sectors (energy, industrials, utilities)
- A low correlation to other asset classes and the potential to reduce volatility when it is added to a diversified equity portfolio
- A globally invested portfolio that can hold up to 30% in cash when a relatively low number of stocks rank well
- An average of 70-90 holdings

### Strategy snapshot

#### Asset class

Equity

#### Inception date

2009

#### Assets in mandate

\$714.7 million

#### Benchmark

S&P Global Infrastructure 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

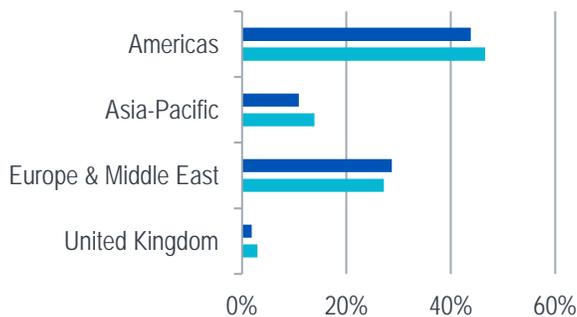
| Key attributes       | Portfolio <sup>1</sup> | Index <sup>2</sup> |
|----------------------|------------------------|--------------------|
| Market Cap.          | 36.6                   | 44.4               |
| P/B Curr. Yr.        | 2.4                    | 2.4                |
| P/E Curr. Yr. Median | 19.2                   | 19.0               |
| Div. Yield           | 4.4                    | 4.3                |
| Annual Div. Mom.     | 12.3                   | 12.5               |
| Debt to Capital      | 0.5                    | 0.5                |
| ROE Trail. 12        | 7.7                    | 8.9                |
| # of Equity Holdings | 71                     | 75                 |

Major equity holdings %

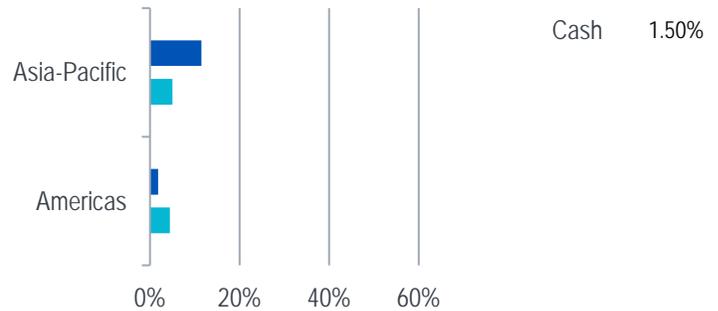
| Security                            | Country       | Sector      | Portfolio Weight <sup>1</sup> |
|-------------------------------------|---------------|-------------|-------------------------------|
| Aena SM                             | Spain         | Industrials | 6.4                           |
| Transurban Group Stapled Securities | Australia     | Industrials | 4.5                           |
| Atlantia SPA                        | Italy         | Industrials | 4.0                           |
| Auckland International Airport Ltd. | New Zealand   | Industrials | 3.6                           |
| The Williams Companies Inc.         | United States | Energy      | 3.6                           |
| Exelon Corp.                        | United States | Utilities   | 3.4                           |
| Nextera Energy Inc.                 | United States | Utilities   | 3.3                           |
| Kinder Morgan Inc.                  | United States | Energy      | 3.2                           |
| Enel SPA                            | Italy         | Utilities   | 3.1                           |
| Enbridge Inc                        | Canada        | Energy      | 2.9                           |
| <b>Total</b>                        |               |             | <b>37.9</b>                   |

Regional Allocation %

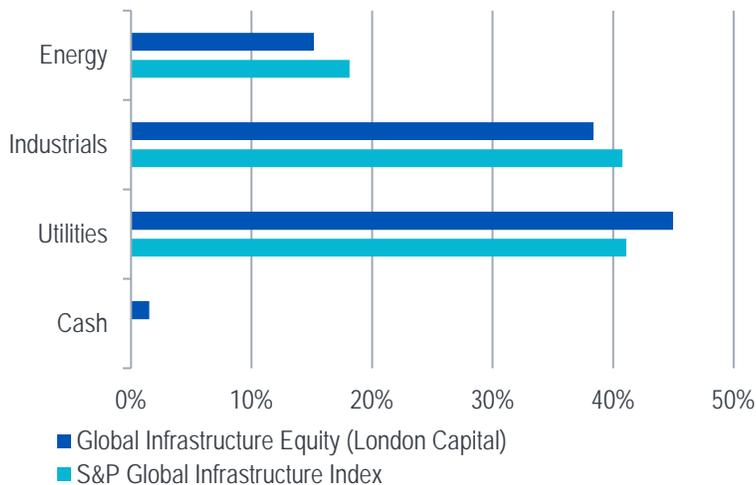
Developed Markets



Emerging Markets



Sector Allocation %



Source: GLC, S&P | 1. Fund: LL Global Infrastructure Equity Fund (LCM) | 2. Index: S&P Global Infrastructure 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 Global Infrastructure Index returned 3.04% in Canadian dollar terms, outperforming the MSCI World Index, which returned 1.73%.

### Portfolio performance

The portfolio posted a single-digit positive return that underperformed the S&P Global Infrastructure index on a gross return basis during a challenging quarter. From a country perspective, good allocation and an overweight to holdings in New Zealand improved returns, as did selection in Brazil, but these were offset by selection and an underweight position in China and Spain. Our underweight position in the Oil and Gas Storage and Transportation sectors faced headwinds and 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. The fund trimmed its exposure to Canada while it increased its exposure to countries like Spain. The fund increased its exposure to the Utilities and Industrials sectors by 1.32% and 0.43%, respectively, and trimmed its exposure to the Energy sector by 2.44%.

### Positioning & outlook

Despite near-term market fluctuations, we believe this portfolio is well-positioned. The United States, Italy and Spain remain the top three largest holdings by country, while the Utilities sector still makes up the largest sector by weight. The fund is overweight in Spain and Italy and underweight in the United States, Australia and France. The fund remains focused on holding dividend-paying global infrastructure securities with relatively attractive valuations, selected through a disciplined quantitative factor-based investment approach.

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