

Building growth from tech and innovation

What's the strategy?

The Science and Tech (London Capital) portfolio strategy invests primarily in U.S. and Canadian companies with strong growth prospects in science and technology related sectors to achieve long-term capital appreciation. The fund is exclusively focused in the information and technology and communication services sectors.

What's the approach?

The portfolio managers pursue a systematic approach in which top-down analysis determines industry weight positioning and a bottom-up analysis determines stock selection and weights. The mandate takes a longer-term view on companies and, as a result, has a lower turnover than most other funds of a similar nature. The portfolio manager seeks to identify industry risks, competitive opportunities and macro trends to influence sector allocations. This is done alongside disciplined fundamental research to identify science and technology related companies that are positioned to deliver strong results in the current market cycle.

Why invest in this portfolio strategy?

Ideal for investors seeking sector specific exposure to science and technology growth-related companies to complement a well-diversified portfolio. Investors gain access to the potential of forward-thinking, innovative science and technology companies through this mandate. These growth companies rapidly evolve in today's market place, tending to outpace inflation and have strong price appreciation over the long term. The portfolio will invest across the market cap spectrum in both the Canadian and U.S. markets.

Typical portfolio characteristics

Here's what you can expect to see from London Capital's Science and Technology equity strategy:

- An above-average earnings momentum compared to broad index
- Between 30 and 70 holdings
- 50% to 100% Canadian and U.S. holdings
- 0% to 30% international holdings

Strategy snapshot

Asset class

Equity

Inception date

2000

Assets in mandate

\$550.5 million

Benchmark

20% S&P/TSX Capped IT Index

55% S&P 500 Information Technology Index

25% S&P 500 Communication Services

Investment team

London Capital Management

Portfolio manager(s)

Martin Rose,

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 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

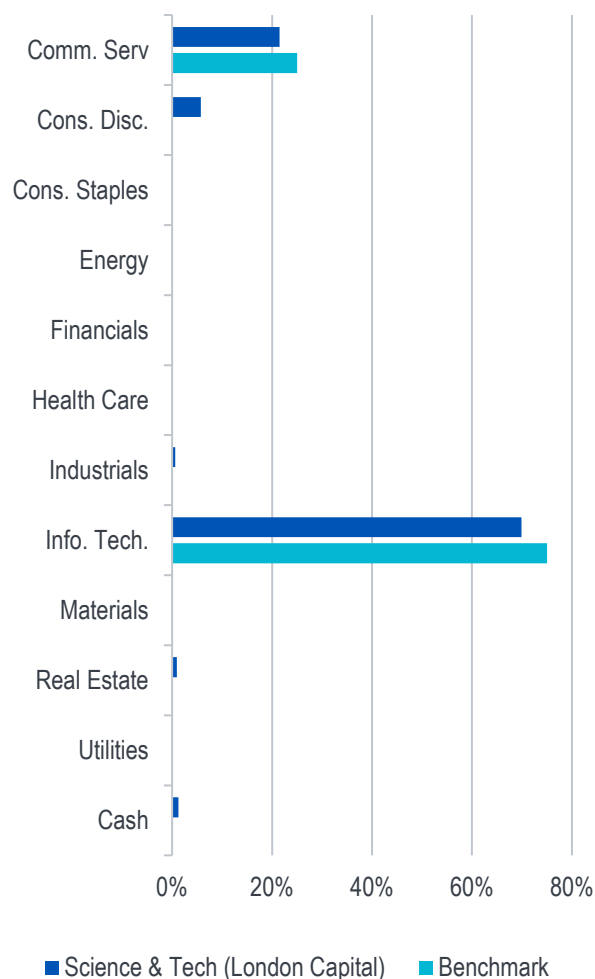
Portfolio attributes

Key attributes	Portfolio ¹	Index ²
Market Cap.	758.5	804.2
Qtly. Sales Mom.	4.0	3.0
P/E Curr. Yr. Median	46.6	46.5
P/B Curr. Yr.	12.3	10.4
EPS Curr. Yr. Median Reinvest. Rate	22.6	24.7
ROE Trail. 12	19.1	21.7
Div. Yield	0.5	1.0
# of Equity Holdings	48	107

Major equity holdings %

Security	Sector	Portfolio Weight ¹
Microsoft Corp	Information Technology	8.5
Apple Inc	Information Technology	8.2
Alphabet Inc-Class A	Communication Services	7.8
Facebook Inc.	Communication Services	5.3
Amazon.com Inc.	Consumer Discretionary	4.9
Shopify Inc.	Information Technology	4.7
Constellation Software Inc	Information Technology	4.1
Paypal Holdings Inc.	Information Technology	3.6
Visa Inc-Class A Shares	Information Technology	3.2
Mastercard Inc Cl A	Information Technology	2.9
Total		53.1

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: LL Science and Tech Fund (LCM) | 2. Index: 20% S&P/TSX Capped IT Index, 55% S&P 500 Information Technology Index, 25% S&P 500 Communication Services

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 500 Index had its strongest quarterly gain since 1998, surging 20.5% (total return; 15.7% in Canadian dollar terms), largely on the backs of the heavily weighted information technology (IT) sector. Many IT companies began to show they benefitted by and/or adapted to the lockdown environment. Meanwhile, consumer discretionary stocks enjoyed a robust 61% total return, powered by lockdown measures being lifted, which in turn unleashed pent-up consumer demand. The remaining sectors all finished in positive territory, enjoying the general positive momentum offered by U.S. stocks.

Portfolio performance

During a period where equity markets rebounded after the severe Q1 selloff, the portfolio delivered a substantial double-digit positive return that outperformed the broad S&P/TSX Composite Index and S&P 500 index on a gross return basis during Q2 2020. Many of the fund's holdings have not experienced the reduction in demand that has occurred in many areas of the economy. In fact, several companies (such as Amazon, PayPal and Shopify) have increased in activity substantially, driven by stay-at-home orders. The fund also benefitted from their positions in Spotify, Kinaxis Inc and Lightspeed, all of which saw extraordinary quarterly returns of over 70%. Underweight positions in Apple, Microsoft and Nvidia stocks, while benefiting absolute returns, detracted from performance relative to the fund's science and tech focused blended benchmark.

Portfolio activity

The fund's portfolio management team added several new positions during the quarter to take advantage of more favourable prices. T-Mobile (after combining with Sprint) has a leading position in the 5G race within the U.S. Micron continues to benefit from the increasing amount of memory required for the ongoing digital transformation around the world. Atlassian Corp is a leading collaborative tool for software developers that we expect will receive further strong demand for their services as businesses across industries rely on custom software and hire more programmers. The fund did not eliminate any holdings during the quarter; however, the fund's position in Shopify was reduced because the stock continues to yield remarkable returns, making the risk/return profile no longer as favourable as it was earlier in the year.

Positioning & outlook

Technology stocks continue to benefit from strong returns as demand continues unabated throughout the pandemic. Many of the companies provide mission-critical services and receive recurring revenue, making them somewhat insulated from an overall economic slowdown. We have used market volatility to add to quality names that we feel have been caught up in the market downdraft. We're also selecting those enterprises in areas that will benefit from structural changes the virus might bring: accelerating corporations' digital transformations; the ability of employees to work from home; and, online commerce. We believe the fund is well positioned with most of its holdings (over 90%) in the U.S. and Canadian Information Technology and Communication Services sectors. The remainder is invested in technological leaders within their respective industries, such as the Health Care, Consumer Discretionary and Industrials sectors. The fund is fully invested and holds approximately 2% cash.

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