Grow your portfolio with some of America's best companies

What's the strategy?

The U.S. Mid Cap (London Capital) portfolio strategy invests mainly in small to mid-cap U.S. publicly-traded companies 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 attributes. The portfolio manager seeks the flexibility of a small- or mid-cap company (ranging in size between US$1 and US$10 billion in market capitalization) to adapt to changing economic conditions, and a competitive product or service advantage relative to industry peers. Fundamental factor-analysis underpins stock selection and portfolio construction to isolate and capitalize on key drivers of market performance.

Why invest in this portfolio strategy?

This portfolio can be an excellent diversifier from other core and large-cap U.S. portfolio strategies and tends to hold stocks not typically held within large-cap U.S. portfolios. It offers a portfolio of companies with higher growth potential and the opportunity to participate in strong price appreciation at earlier stages of the investment lifecycle. Mid-cap companies tend to have smaller overseas exposure than their large-cap peers, allowing them to perform better when the U.S. economy is outperforming its global peers.

Typical portfolio characteristics

Here is what you can expect to see from the U.S. Mid Cap (London Capital) portfolio:

- Well diversified across sectors with an average of 50-100 holdings
- Stronger growth and growth momentum attributes than the S&P 400 Index
- Higher volatility than a core U.S. equity portfolio, but with greater opportunity for growth

Strategy snapshot

Asset class
Equity

Inception date
2000

Assets in mandate
$133.9 million

Benchmark
S&P Mid Cap 400 Index

Investment team
London Capital Management

Portfolio manager(s)
Brenda Nicholls
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)

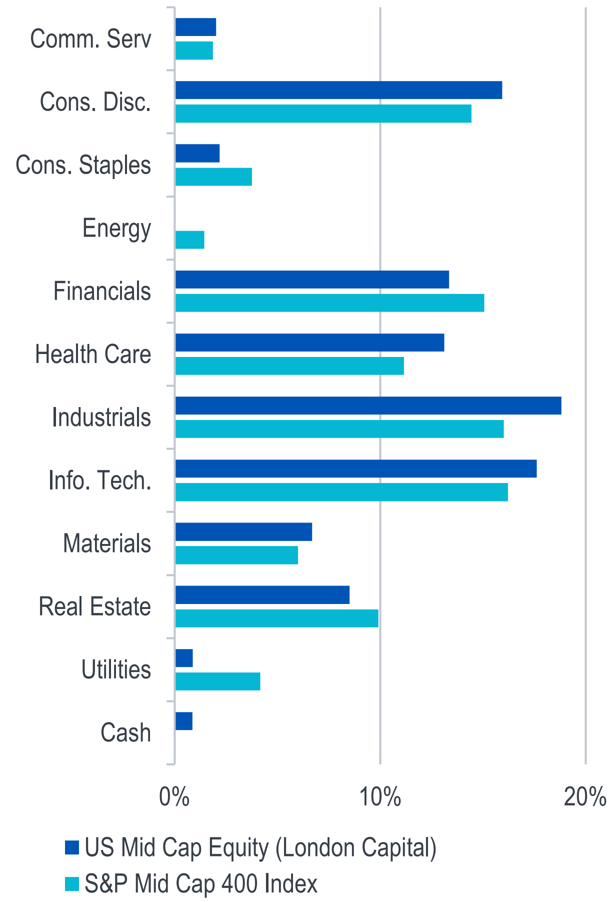
Each division has a distinct investment approach that offers deep expertise within specialized areas of portfolio management, bringing unique perspectives to navigating capital markets through varying cycles.

As at June 30, 2020

Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	7.7	5.8
P/E Curr. Yr. Median	30.4	27.3
P/B Curr. Yr.	4.8	3.4
Qtly. Earn. Mom.	-4.1	-8.1
Annual Earn. Mom.	0.5	-6.8
Sales Geo. Growth 5Y	7.0	7.3
ROE Trail. 12	19.0	10.3
Div. Yield	1.3	1.7
# of Equity Holdings	69	400

Sector Allocation %



Major equity holdings %

Security	Sector	Portfolio Weight[1]
Teradyne Inc.	Information Technology	3.6
Pool Corp.	Consumer Discretionary	2.9
Sei Investments Co.	Financials	2.8
Masimo Corp.	Health Care	2.8
Murphy USA Inc.	Consumer Discretionary	2.7
The Scotts Miracle-Gro Company	Materials	2.6
Landstar System Inc	Industrials	2.6
Teledyne Technologies Inc.	Industrials	2.4
Manhattan Associates Inc.	Information Technology	2.4
Maximus Inc.	Information Technology	2.4
Total		**27.1**

Source: GLC, Bloomberg, S&P | 1. Fund: LL U.S. Mid Cap Fund (LCM) | 2. Index: S&P Mid Cap 400 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 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. U.S. mid-caps bounced back 24.1% in U.S. dollar terms (total return), outperforming their large-cap counterparts during the quarter. Gains were broad-based with all 11 sectors finishing in positive territory. Many information technology 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 energy sector also bounced back sharply, supported by WTI oil prices that soared 92%.

Portfolio performance

During a period where equity markets rebounded after the severe Q1 selloff, the portfolio gave back some of its first quarter outperformance but delivered a strong double-digit positive return, underperforming the S&P 400 benchmark Index on a gross return basis during Q2 2020. The S&P 400 surprised the majority of market participants by continuing its upward momentum through to early June where it has since been consolidating. The fund had adverse selection within the Consumer Discretionary and Industrials sectors, which were responsible for the majority of the performance lag. Strong stock selection in both the Information Technology and Financials sectors contributed with positive performance to help offset lags in other areas.

Portfolio activity

The mandate uses a highly disciplined investment process that seeks out U.S. mid-cap equity stocks featuring an attractive combination of growth attributes. The Financials sector weight was reduced slightly while the composition was altered to a higher-quality mix of holdings. The proceeds were added to the fund’s Health Care sector weighting as there was an abundance of opportunities with strong growth characteristics within the group.

Positioning & outlook

The new decade started off relatively promising but completely derailed as the health care response to fight the new coronavirus pandemic essentially halted the global economy. The extreme fallout has turned to an ongoing debate about the pace of recovery, which has been hampered within the U.S. by higher virus caseloads in various States across the country. Monetary policy from the Federal Reserve has supported the economy, as has the fiscal response to date. The general consensus is that more fiscal help is needed but electoral political rhetoric is preventing timely cooperation. The next number of months will feature much higher levels of uncertainty as investors attempt to quantify the macro impacts down to an individual sector and company level – particularly in terms of revenues and earnings growth (both in the near term and longer term). We continue to be overweight in the Information Technology, Consumer Discretionary and Health Care sectors while maintaining underweight positions in Utilities, Energy and Consumer Staples sectors. As stock correlations come down once macro risk recedes over the next number of months, we believe company fundamentals will be more relevant than ever.