

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 40-90 holdings

Strategy snapshot

Asset class

Equity

Inception date

2009

Assets in mandate

\$701.8 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 \$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

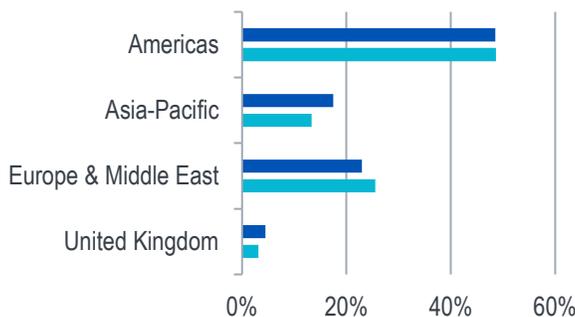
Key attributes	Portfolio ¹	Index ²
Market Cap.	41.0	46.4
P/B Curr. Yr.	1.8	1.9
P/E Curr. Yr. Median	20.2	24.1
Div. Yield	4.2	4.1
Annual Div. Mom.	1.3	-1.2
Debt to Capital	0.5	0.6
ROE Trail. 12	8.0	7.1
# of Equity Holdings	87	75

Major equity holdings %

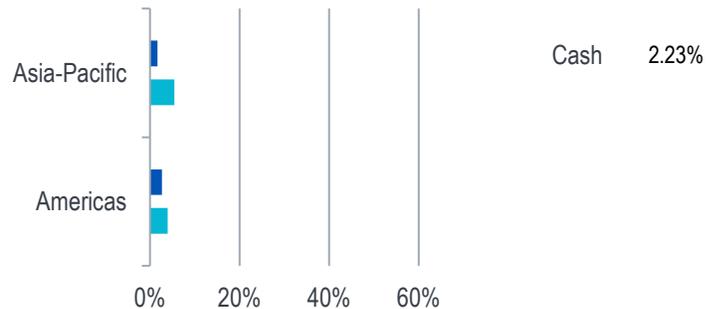
Security	Country	Sector	Portfolio Weight ¹
Nextera Energy Inc.	United States	Utilities	5.0
Transurban Group Stapled Securities	Australia	Industrials	4.8
Duke Energy Corp.	United States	Utilities	4.2
Enbridge Inc	Canada	Energy	3.9
Kinder Morgan Inc.	United States	Energy	3.7
Aena SM	Spain	Industrials	3.4
Enel SPA	Italy	Utilities	3.3
Getlink SE	France	Industrials	3.2
The Williams Companies Inc.	United States	Energy	3.1
Atlas Arteria Limited	Australia	Industrials	2.6
Total			37.3

Regional Allocation %

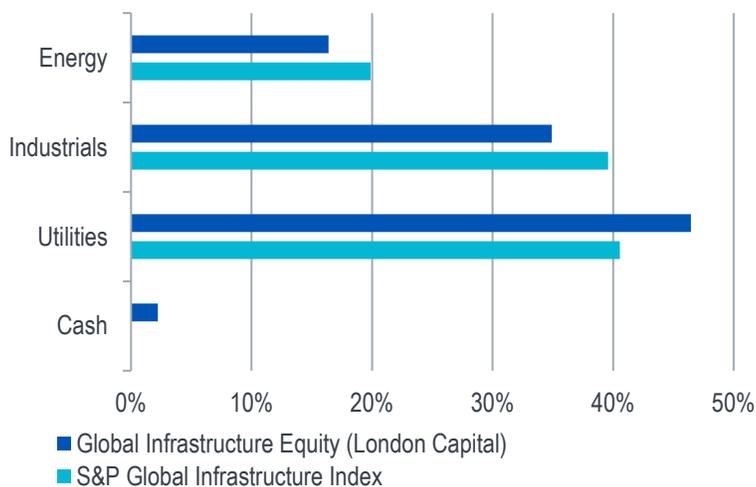
Developed Markets



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 30, 2020

Market review

The S&P Global Infrastructure Index rose 13.9% (total return) in U.S. dollars (9.3% in Canadian dollar terms) in the second quarter. All three sectors in the index contributed positively, with energy and industrials leading the way. Industrial-sector equities produced a 25% total return in the period, powered by economies reopening, while energy companies recovered after a disastrous start to the year (WTI oil prices soared 92%). However, 2020 global oil consumption is estimated to contract a record 8.1 million barrels per day (bpd). While a recovery is expected, demand is not anticipated to reach 100 million bpd until 2023. Oil prices face more fundamental downward pressure due to excess capacity and supply, as opposed to supportive pressure stemming from demand. Precarious OPEC+ production curbs are the only thing keeping oil prices afloat, but these appear to be holding for now. The Utilities sector, despite delivering a double-digit return, lagged the other two sectors given the risk-on environment in equity markets.

Portfolio performance

During a period characterized by expectations of global growth where equity markets rebounded after the severe Q1 selloff, the portfolio delivered a strong positive quarterly return, though it underperformed the S&P Global Infrastructure Index on a gross return basis during Q2 2020. From a country perspective, good selection and an underweight to holdings in the United Kingdom contributed to returns, as did selection and allocation in Canada and selection in Hong Kong. Selection in an overweighted Italy region was a drag on performance, as was selection to Mexico. Allocation to an underweight position in the Energy sector contributed to returns while selection within Industrials was 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. Portfolio activity during any given quarter is an outcome of disciplined stock selection and London Capital's risk-mitigating process. As a result, the fund trimmed its exposure to Italy while it increased its exposure to more isolated countries (the global pandemic in mind) like Australia. The fund increased its exposure to the Utilities and Industrials sectors and trimmed its exposure to the Energy sector.

Positioning & outlook

Despite near-term market fluctuations, we believe this portfolio is well-positioned. Our disciplined focus on attractive stock metrics and risk-mitigation has helped us find attractive stocks with good return outlooks. The United States, Italy, Australia and Canada are the top four largest holdings by country, while the Utilities sector still makes up the largest sector by weight. Relative to its benchmark, the fund is overweight in Japan, China, Italy and Hong Kong and underweight in the United States, Australia, France and Canada. 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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