A diversified real estate equity portfolio built for growth and income

What's the strategy?

The Global Real Estate Equity (London Capital) portfolio invests in domestic and international real estate investment trusts and public companies engaged in real estate ownership, development and/or management. The portfolio exhibits strong growth characteristics combined with attractive dividend income with the potential for long-term capital appreciation.

What's the approach?

This portfolio follows a highly disciplined investment process designed to find differentiated global real estate stocks using a proprietary, multi-factor quantitative model with an emphasis on growth and quality. The portfolio managers use quantitative-driven analysis to identify stocks with an optimal combination of back-tested factors. In particular, they look for real estate securities (such as REITs and common shares) that are attractively priced, effectively managed, and historically profitable and growing. 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 Real Estate Equity (London Capital) portfolio is ideal for investors seeking to diversify their global equity exposure with a portfolio of high-yielding, global real estate equities. The portfolio can also cushion volatility by investing across globally diverse interest-rate environments, which can help offset short-term turbulence caused by changing interest rates.

Typical portfolio characteristics

Here's what you can expect to see from London Capital's Global Real Estate Equity portfolio:

- Broad diversification across all major regions of the world, with emphasis on developed countries
- Exposure to income-oriented equities
- A low correlation to other asset classes and the potential to reduce volatility
- 40 to 90 holdings, equally-weighted
- A highly liquid, non-benchmark relative portfolio

Strategy snapshot

Asset class
Equity

Inception date
2008

Assets in mandate
$37.2 million

Benchmark
S&P Developed Property 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

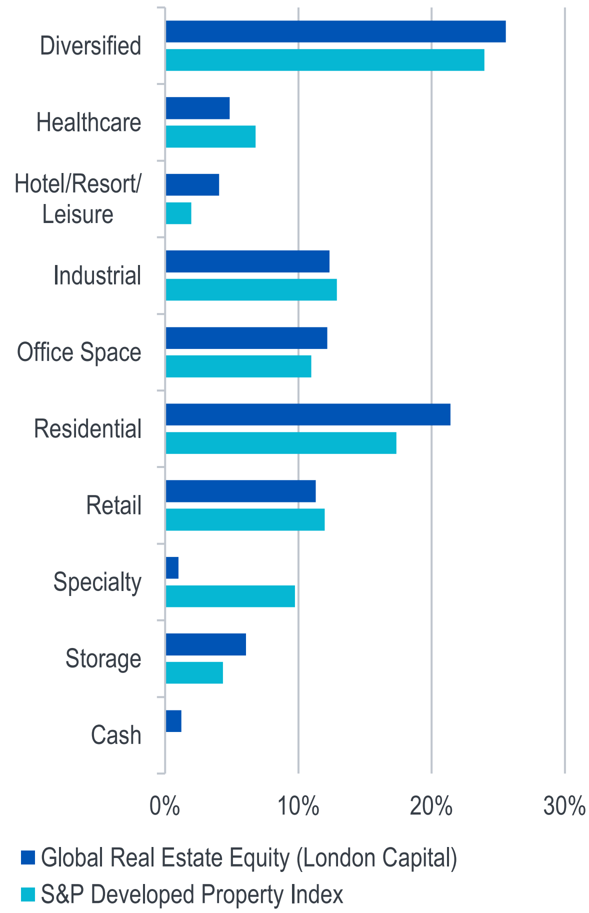
Portfolio attributes

Key attributes	Portfolio[1]	Index[2]
Market Cap.	13.5	21.7
P/B Curr. Yr.	1.3	1.4
P/E Curr. Yr. Median	24.7	24.9
Div. Yield	3.8	4.1
Annual Div. Mom.	7.2	4.2
Debt to Capital	0.4	0.4
ROE Curr. Yr.	5.9	6.0
# of Equity Holdings	87	499

Major equity holdings %

Security	Sector	Portfolio Weight[1]
Prologis Inc.	Industrial	4.8
Public Storage	Storage	2.8
Spirit Realty Capital Inc	Retail	2.3
Daiwa House Industry Co. Ltd.	Diversified	2.3
Cousins Properties, Inc. REIT	Diversified	2.0
Goodman Group REIT	Industrial	2.0
Site Centers Corp. REIT	Retail	2.0
Medical Properties Trust Inc. REIT	Healthcare	1.7
Store Capital Corp.	Diversified	1.7
Kilroy Realty Corporation REIT	Office Space	1.7
Total		**23.4**

Sector Allocation %



Source: GLC, Bloomberg, S&P | 1. Fund: LL Global Real Estate Fund (LCM) | 2. Index: S&P Developed Property 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. Gains were broad-based; all major regions enjoyed positive double-digit quarterly returns. U.S. equities outperformed their developed-market peers, benefitting from its favourable sector composition. In particular, large weights in the information technology and, to a lesser extent, consumer discretionary sectors drove performance. Canadian equities had a strong quarter, mainly attributable to a sizeable advance in information technology stocks that were spearheaded by Shopify's 136% gain, alongside a rebound in precious metal and oil prices. EAFE equities rose 14.2%, led by German stocks jumping almost 24% in the period. Emerging market equities marched 17.3% higher, benefitting from a risk-on environment as equity markets began pricing in a v-shaped recovery.

Portfolio performance

During a period characterized by expectations of global growth where equity markets rebounded after the severe Q1 selloff, the portfolio delivered a positive return that closely matched the S&P Developed Property Index on a gross return basis for the quarter. From a country perspective, positive contributions were derived from stock selection in Japan, allocation in France and both selection and allocation in the United Kingdom. Stock selection in the United States and Hong Kong contributed negatively to returns. The fund's stock holdings within Hotel and Residential categories benefitted performance although selection to Specialized REITs and both allocation and selection within the Retail REITs sector were drags 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, during the quarter we increased the fund's U.S. and Australia exposure as well as its holdings in Hotel REITs and increased its overall Retail REITs exposure.

Positioning & outlook

We remain cautiously optimistic on REITs as they have traditionally been a safe-haven alternative during periods of economic uncertainty. Overall fundamentals are solid, yields are generally attractive and lease structures on certain property types are attractive as an inflation hedge. Compared to the S&P Developed Property Index, the fund is currently overweight in Hong Kong, Japan and Canada and underweight in the United States, the United Kingdom, France and Singapore. By property type, the fund is overweight in the Hotel and Diversified sectors and underweight in Specialty, Health Care and Retail sectors. We remain constructive on the space and confident in the quality of our holdings and believe we'll capitalize on these solid investment opportunities over the long term.