

A focus on preserving capital and stable long-term income

What's the strategy?

The Core Bond (Portico) portfolio strategy invests primarily in government bonds and high-quality corporate bonds with a variety of maturity terms and credit risks to create a highly-diversified core Canadian bond portfolio. The portfolio manager's goal is to outperform the FTSE Canada Universe Bond Index by seeking to optimize yield opportunities, while maintaining prudent diversification to moderate volatility and preserve capital.

What's the approach?

The portfolio manager pursues a consistent, measured and disciplined approach to capture incremental gains through a multi-factor approach to analyzing interest rates, credit markets and yield curves. The portfolio manager manages the portfolio within a moderate variation of the index duration. This purely Canadian bond portfolio is highly diversified by sector, term and issuance, with a focus on capital preservation and a long-term view towards conservative, stable income and capital appreciation.

Why invest in this portfolio strategy?

Ideal for investors seeking a conservatively managed, highly diversified core fixed income portfolio that's designed to be responsive to changes in interest rates and market risks, while controlling overall risk levels.

Typical portfolio characteristics

Here's what you can expect to see from Portico's Core Bond fixed income strategy:

- A purely Canadian bond portfolio that is highly diversified by sector, term and issuance
- A conservatively managed, high-quality portfolio of investment-grade fixed-income holdings
- Active management of credit risk, duration, yield curve and sector positioning to optimize yield opportunities while mitigating risk
- Active management of sector exposure to seek greater yield opportunities and manage risk

Strategy snapshot

Asset class

Fixed Income

Inception date

1962

Assets in mandate

\$3,765.1 million

Benchmark

FTSE Canada Universe Bond Index

Investment team

Portico Investment Management

Portfolio manager(s)

Dale Haynes
Vice-President, Fixed Income

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

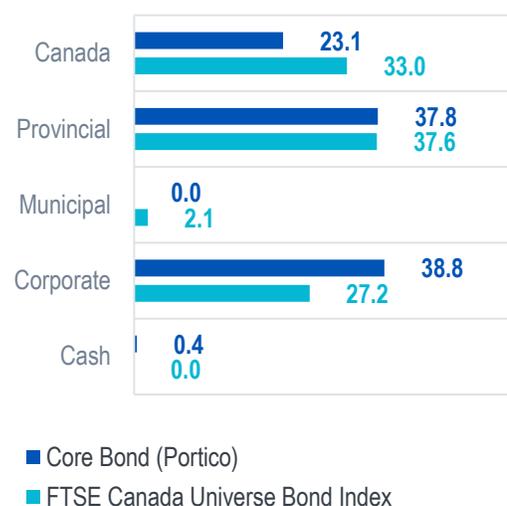
Portfolio attributes

	Portfolio ¹	Index ²
Average term (years)	11.03	11.12
Modified duration (years)	8.47	8.49
Market yield (%)	1.40	1.33
Number of Bonds	143	1,505

Credit quality %

	Portfolio ¹	Index ²
AAA	29.5	36.7
AA	38.6	36.8
A	20.3	14.8
BBB	11.1	11.6
<BBB	0.5	0.0

Sector Allocation %



Source: GLC, FTSE Global Debt Capital Markets | 1. Fund: LL Core Bond Fund (Portico) | 2. Index: FTSE Canada Universe Bond Index

Portfolio manager's quarterly commentary

As at June 30, 2020

Market review

The FTSE Canada Universe Bond Index returned 5.9% (total return) in the second quarter, the third largest quarterly return since 2000. Sovereign bond yields continued their descent to new historic lows, anchored by global central banks keeping their policy rates near zero. Canadian bond yields fell in the quarter, particularly on the longer end of the curve, which resulted in longer-term bonds outperforming their shorter-term counterparts. Canadian corporates outperformed relative to government bonds, strengthened by narrowing credit spreads as economies slowly re-opened. High-yield bonds slightly lagged investment-grade bonds, while provincial bonds outperformed within the government sector.

Portfolio performance

After a tumultuous Q1 and a quarter of equity market recovery, the portfolio delivered a positive return that outperformed the FTSE Bond Universe Index on a gross return basis during Q2 2020. Strong fund performance was helped by the reversal in corporate spreads, which tightened during much of the quarter. Specifically, the rebound in the price of oil – although at times fleeting – helped the five- and ten-year overweight exposure to energy, utility and infrastructure sector names.

Portfolio activity

The fund's duration was no more than 60 days shorter or longer than the benchmark, but closer to neutral for much of the period. From a sector perspective, we decreased the fund's exposure to cash and offset with an increase in provincial bond exposure, while leaving corporate exposure the same as the end of the previous quarter.

Positioning & outlook

Exceptional ongoing market circumstances due to COVID-19 will have a direct impact on the fund outlook for the remainder of 2020. The fund's duration position will be managed very close to its benchmark. The fund remains overweight in corporate bonds with a focus on traditionally liquid corporate names. Should corporate spreads remain wide, we'll look to increase the fund's corporate bond exposure at higher yields. We believe the fund is well-positioned and remain confident in the quality of the credit issues within the portfolio, regardless of the underlying trend or the absolute level of yields.

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