



## **The GLC Mid-Cap Canada Story**

Delivering additional diversification, strong returns and compelling growth opportunities

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# **GWLIM Mid-Cap Canada**

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# Mid Cap Canadian Equity (GWLIM)

Why mid-cap funds are important for diversification within a portfolio

## What's the strategy?

- Invests primarily in mid-sized (less than \$3.5 billion market capitalization) Canadian companies with the potential for high growth and long-term capital appreciation

## What's the approach?

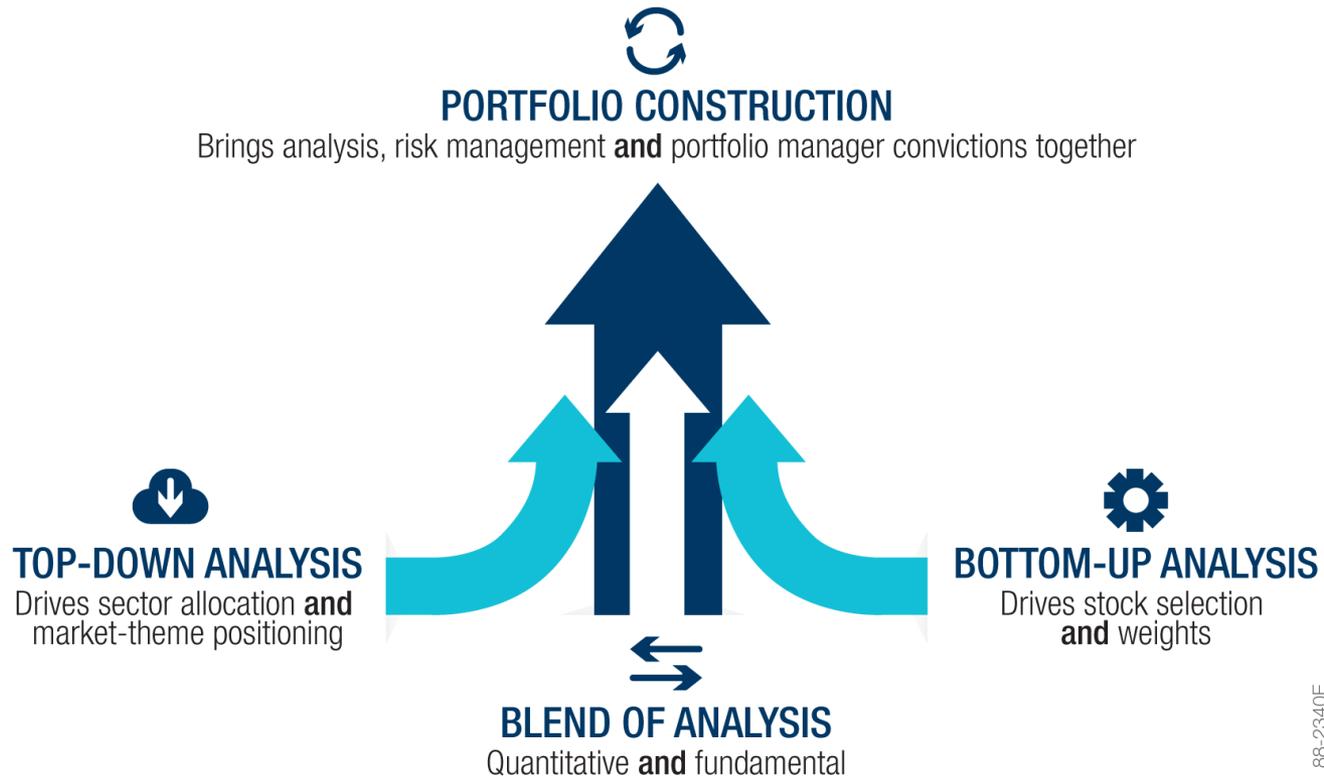
- Follows a growth-oriented management style that blends top-down macroanalysis with bottom-up fundamental stock research
- Seeks to identify industry risks, competitive opportunities and macro trends to influence sector allocations

## Why invest in this portfolio strategy?

- 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
- Strong diversifier from other core and mainstream Canadian equity portfolios, e.g. holds fewer “big banks” and has a broader opportunity set relative to large-cap Canadian equity portfolios

# Mid Cap Canadian Equity (GWLIM)

Investment process



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# What factors do we consider

## Qualitative Factors

- Best in class management team
- Scalability and applications of the business model

## Quantitative Factors

- Consistent and sustainable earnings growth
- Strong return on capital

## Strategic Opportunities

- Up to 30% exposure to U.S. mid-cap companies
- Ability to maintain modest cash for tactical flexibility



# Mid Cap Canadian Equity (GWLIM)

Why mid-cap funds are important  
for diversification within a portfolio

- Fund inception date: Jan. 15, 2001
- Fundata A+ Award winner for the past 3 years
- Solid returns over YTD, 1, 3, 5, 10, and 15 years
- Much lower standard deviation versus the mid-cap category & index

Source: Morningstar, as at May 31, 2020. | Returns for Quadrus Mid Cap Canada fund (GWLIM) Q Series. Retail data.

# Mid Cap Canadian Equity (GWLIM)

A measured growth story

Portfolio characteristics	Mid Cap Canadian Equity (GWLIM)	Morningstar category	Index
Standard deviation (annualized %)	17.04	19.38	25.83
Upside capture ratio (%)	62	66	100
Downside capture ratio (%)	49	67	100

Source: Morningstar, as at May 31, 2020 | Returns for Quadrus Mid Cap Canada fund (GWLIM) Q Series. Category: Canadian Focused Small/Mid Cap Equity, as of May 31, 2020 | Index: S&P/TSX Completion TR.

# Mid Cap Canadian Equity (GWLIM)

Case study

- **Kinaxis Inc (KXS)** is a provider of cloud-based subscription software for supply chain operations.
  - ✓ The stock was an IPO in 2014 at \$16 per share. At the time, GWLIM met with management and due diligence research led to concerns about the company's ability to meet their guidance on earnings given their untested business model.
  - ✓ GLC continued to watch the company's progress, met numerous times with management and closely examined its quarterly results. Management exceeded earnings expectations and proved the business model was scalable.
  - ✓ In December 2016, GLC added Kinaxis to the portfolio at a purchase price of \$19 per share.
  - ✓ By April 13, 2020, it had appreciated to over \$119 per share and continues to be one of the fund's largest holdings.
- **This Kinaxis example shows it pays to do your research.**
- Let the company gain experience and demonstrate good management and its scalability. Monitor the emerging leaders. Get to know management. Wait for a company to demonstrate their ability to succeed. This patience and discipline allows you to invest later at a much lower risk for the opportunity of more sustainable gains to come.

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