

# DundeeWealth Investment Counsel Perspectives

## DWIC Equity Income Strategy

First Quarter Commentary – March 31, 2013

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Equity markets globally posted positive returns over the first quarter as the focus on macro issues receded. Market resiliency was evident as the inconclusive elections in Italy and bailout of Cypress, which reaffirmed investor confidence in the European Central Bank's commitment to the eurozone, had a short-lived impact. Central banks remain accommodative, particularly in the US, and interest rates are still low with no signs of inflation. In this environment, the US outperformed most markets globally, with the exception of Japan. Investors focused on the positive developments in the US economy, including a rebound in the residential housing market, improving job market and increased business and consumer spending. While the Canadian market was up over the quarter, growth expectations remain more modest constrained by a soft export demand, concerns over a cooling housing market, and transportation limitations in the oil patch. Over the period, the DWIC Equity Income Strategy returned 5.7% versus its benchmark, the S&P/TSX Composite Index, which was up 3.3%.

During the quarter, the Strategy's investment in Canada was reduced to 68% and the exposure to the US increased to 19%. Equities in Canada continued to offer attractive yields while US companies provided the portfolio with the potential for more dividend growth. The portfolio maintained its top three sector allocations in financials (which includes real estate), energy (which includes energy infrastructure) and utilities. The weighting in financials was reduced as we eliminated some mortgage finance holdings, though we did add a Canadian insurance company and apartment REIT. The utility weighting was also lowered while the allocation to energy was raised, primarily through the addition of a Canadian energy firm and two US energy infrastructure names. Another sector that was increased over the period was industrials as we added positions selectively through the US. The largest contributors to performance within the portfolio came from the energy, financials and consumer discretionary sectors. Energy infrastructure firms Enbridge Inc. and Pembina Pipeline Corporation were significant contributors to returns. Among the financials, positions in Alaris Royalty Corporation and US-based Wells Fargo also had a positive impact. Other notable contributors included US consumer discretionary firm Comcast Corporation and Canadian company Rogers Communications.

We remain in a deleveraging and low interest rate environment, which is favourable for dividend paying equities. The market is rewarding businesses that not only generate solid cash flows but also those that can demonstrate an ability to use this cash prudently. We continue to focus on selecting the best companies that offer sustainable dividends with the potential for dividend growth.

As at March 31, 2013	3 Month	1 Year	3 Year	Since Inception
DWIC Equity Income Strategy	5.69%	11.38%	12.47%	13.53%
S&P/TSX Composite	3.34%	6.11%	4.86%	6.25%

Inception date: November 2009

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