

# DundeeWealth Investment Counsel Perspectives

## DWIC Equity Income Strategy

Second Quarter Commentary – June 30, 2013

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Most major global equity markets delivered positive returns over the second quarter, led by the US and Japan. Data in the US continued to signal an economic recovery, which helped drive equities higher and signs of a rotation out of defensives and into cyclical stocks appeared. This became more pronounced following statements by US Federal Reserve Chairman Ben Bernanke in May that a tapering of their quantitative easing program could begin later this year, dependent on further improving economic data. Bond yields rose sharply and concerns over the possibility of rising interest rates triggered selling in all asset classes, particularly defensive equities and fixed income securities. The Canadian market generated a negative return over the quarter impacted by a softening global demand for commodities. Beginning in April, significant declines in commodity prices, particularly gold, were seen. Over the period, DWIC Equity Income Strategy returned -1.6%, while the S&P/TSX Composite Index returned -4.1%.

The Strategy remained overweight in Canada though the exposure was lowered to 62% over the quarter as the allocation to the US was increased to 23%. The portfolio maintained its top three sector allocations in financials (which includes real estate), energy (which includes energy infrastructure) and utilities. The allocation to financials overall declined as the weighting in real estate fell, though the addition of a US insurance company was made. The energy weighting also decreased marginally over the quarter as some energy stocks were sold. Utilities in the portfolio remained unchanged. The exposure to energy infrastructure, real estate and utilities, all defensive equities, detracted from performance over the period. In addition, an announcement late in the quarter of a US telecommunications firm in initial talks to purchase two Canadian wireless providers had a negative impact on the sector. As a result, the largest detractors from performance in the portfolio were holdings in Rogers Communications and Telus. Sectors that contributed positively to returns included industrials, materials and consumer discretionary though it was financials Alaris Royalty Corporation and US-based Wells Fargo that had the biggest impact.

We remain in a historically low interest rate environment, though the potential for rising interest rates are on the horizon if the economy continues to show signs of improvement. This setting lends itself to an equity bias investment strategy. We believe we are in a stock picker's market where our focus is on selecting best-in-class companies with high free cash flow, dividend growth and pricing power to offset the impact of rising interest rates. From a geographic perspective, the US is a region where we see attractive opportunities for investment.

As at June, 2013	3 Month	1 Year	3 Year	Since Inception
DWIC Equity Income Strategy	-1.56%	9.60%	13.09%	12.06%
S&P/TSX Composite	-4.08%	7.90%	5.39%	5.91%

Inception date: November 2009

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