DundeeWealth Investment Counsel Perspectives

DWIC Core Equity Pool

Third Quarter Commentary – September 30, 2013

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As we exit the third quarter the political environment in the US remains uncertain with the looming debt ceiling and the first partial shutdown of Government in 17 years but US fundamentals continue to remain strong as shown by strong consumption and employment data throughout the year. Global markets, specifically Europe and Japan, have begun to see manufacturing and consumer confidence data trend upward with better auto sales data as well as inventory rebuilding in Europe and increased corporate capex on the back of higher corporate profits in Japan. Recovery in Europe and Japan should positively impact US equity markets as an uptick in consumption will strengthen US firms leveraged to global markets.

The MSCI World C$ Index returned 6.0% during the quarter, up from 4.1% in Q2, 2013. During the period, all sectors of the MSCI World Index were positive contributors to benchmark performance. The financials sector was the top contributing sector to benchmark performance during the period, followed by industrials, and consumer discretionary sectors. The utilities, consumer staples and telecom services sectors were the bottom three contributors to benchmark performance during the period as global economic recovery spurred a move out of defensive sectors. 14 of the top 25 contributing stocks came from the financials, industrials and consumer discretionary sectors.

For the three month period ended September 30, 2013, the DWIC Core Equity Pool generated a return of 3.5% compared to a 6.0% for the MSCI World C$. The benchmark was led by its holdings in the US, UK and France. While the Pool held securities in both the US and the UK, both groups of holdings were outperformed by the benchmark. However, the combined returns of all US and UK holdings positively contributed to the Pool's return during the quarter. The Portfolio did not have any holdings in France, which negatively impacted relative performance versus the benchmark. The Pool held one stock in Switzerland during the period, which outperformed the total holdings of the benchmark in the same region.

The Pool had positive contributions from all but two of its invested sectors during Q3 2013. The two sectors to detract from Pool performance were the healthcare and information technology sectors. Microsoft, one of the Pool's highest conviction holdings, was a detractor to Pool performance during the quarter primarily due to speculation arising from the coming departure of Steve Ballmer, Microsoft CEO. These short term fluctuations do not impact the solid fundamentals of the holding as well as the continued attractive valuation. The top contributor to Portfolio performance was Shoppers Drug Mart as the company received an unsolicited bid from Loblaws, which was significantly higher than Shoppers stock prior to the bid. Shoppers was followed by Ecolab and TD Bank rounding out the top three contributing stocks to Pool performance. All three of these holdings were also included in the top weighted holdings as high conviction stocks within the Pool.

The top three contributing sectors to Pool performance were the financials, consumer staples and materials sectors. Materials rebounded from a weak second quarter on the back of substantial positive contributions from top 10 contributors/weighted holdings Ecolab and Stella Jones. The Pool's cumulative holdings in consumer staples significantly outperformed the benchmark's holdings and the Pool's overweight position in the sector was a positive for relative performance versus the benchmark. The financials sector saw strong performances from Canadian banking leaders that included Royal Bank of Canada and Bank of Nova Scotia in addition to top three contributor, TD Bank.

During the quarter two new stocks were added to the Pool and several positions were liquidated. We believe the UK market is in the early stages of a recovery, a few years behind the US and following the same playbook. The UK government recently announced a stimulus program to bolster the housing market and in turn spur growth in the retail home improvement and mortgage market. Thus one of the new holdings in the Pool this quarter was Kingfisher. The company is one of Europe's largest home improvement retailers, is attractively valued and has excellent fundamentals. Additionally, the Pool added drilling fluid systems design and speciality chemical company, Canadian Energy Services & Technology. The company is engaged in providing services to oil and gas producers in North America, a rapidly growing industry as the US continues to emerge as a global leader in O&G production. All gold equities and physical holdings were liquidated from the Pool during the quarter as we believe commodities will continue to face significant headwinds as global economic recovery continues.

The global economic picture continues to improve as positive economic data comes out of Europe and the US. Accommodative monetary policy remains the norm for central banks the world over in order to stimulate growth and reduce unemployment rates. We must address the market action following Ben Bernanke's May 22nd testimony, where he merely mentioned the possibility of "tapering" the Fed's quantitative easing efforts. Subsequently, almost every global asset class fell in value. We believe this market reaction is just a taste of what is possible and justifies a continued conservative investment posture. Uncertainty driven by such political issues historically leads to high volatility in markets and presents a potential entry opportunity for us to deploy cash.

As always, our goal is to protect and grow your capital year over year. We have structured our portfolios with high quality businesses that have pricing power, attractive growth opportunities and are trading at attractive valuations. We believe these businesses are best suited to withstand a number of possible outcomes of today's macro environment. Our investment decisions emphasize margin of safety by being sensitive to how much we pay for well-managed, strong businesses with good long-term growth prospects.

As at September 30, 2013	3 Month	1 Year	3 Year	Since Inception
DWIC Core Equity Strategy	3.5%	9.7%	7.2%	11.3%
MSCI World Index (C$)	6.0%	26.3%	12.5%	9.5%

Inception date: March 2009