

# DundeeWealth Investment Counsel Perspectives

## D DWIC Canadian Value Strategy

Fourth Quarter Commentary – December 31, 2012

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For the three month period ending December 31, 2012, the DWIC Canadian Value Strategy generated a total return of 2.40%, outperforming the S&P/TSX Composite Index which returned 1.72%. With the exception of energy and materials, all of the benchmark's sectors earned positive returns during the quarter, led once again by the financials sector which was the quarter's largest contributor. Five out of the Index's top ten contributors were from the financials sector, including diversified banks Royal Bank of Canada, Bank of Nova Scotia and Bank of Montreal, as well as insurer Manulife Financial and Sun Life Financial. The materials sector experienced the largest decline in the index over the quarter as gold stocks in particular detracted from returns.

Similar to the S&P/TSX Composite Index, financials and industrials were the top two contributing sectors to the Strategy's performance during the quarter. The financials sector was the best performing sector with all but one of our holdings adding value, including one of the Strategy's key holdings, insurer Intact Financial. The largest contributor in the industrials sector holdings was equipment rental firm United Rentals. The company appreciated more than 40% during the quarter, contributing 0.46% to the Strategy's overall performance. The Strategy continued to maintain a large underweight allocation to the materials sector, finishing the period with a 7% weighting versus the broader benchmark weight of 19%. Materials was the worst performing sector for the Index, thus, the Strategy's underweight to the sector, and gold stocks in particular, was a positive. Stock selection, however, resulted in materials being one of the Strategy's largest contributing sectors with key holding, West Fraser Timber, benefiting from an increase in the lumber price as US housing starts continued to improve. Within the Strategy's collective materials, holding Barrick Gold was the largest detractor.

The only sectors which detracted from performance for the Strategy were consumer staples and information technology. The largest detractor in the consumer staples sector was US cosmetics firm Nu Skin Enterprises. The Strategy's largest single holding, CGI Group, was the main detractor in the information technology sector and the security which detracted the most from the Strategy's total return was oil producer Canadian MEG Energy.

The Canadian market continues to be comprised primarily of energy, materials, and bank stocks. Materials continue to remain under pressure driven mainly by China. Although a few months ago we believed that China would experience a hard landing, we now believe that fundamentals have improved and that a soft landing is more likely which will be a positive for commodities. The Strategy's cash component at the end of the quarter was approximately 6% as concerns over the fiscal cliff caused us to remain defensive.

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**DUNDEEWEALTH**  
Investment Counsel

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As at December 31, 2012	3 Month	1 Year	3 Year	Since Inception
DWIC Canadian Value Strategy	2.40%	10.00%	2.60%	3.01%
S&P/TSX Composite	1.72%	7.19%	4.79%	5.64%

Inception date: November 2009

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