DundeeWealth Investment Counsel Perspectives

DWIC Equity Income Strategy

Fourth Quarter Commentary – December 31, 2012

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Overall, global markets delivered positive returns over the fourth quarter buoyed by supporting monetary policy, with the U.S. Federal Reserve announcing another round of quantitative easing in September, and fears over the eurozone debt crisis and a potential hard landing for China's economy receded. The lift in the markets in October was tempered by disappointing corporate earnings releases and uncertainty associated over the outcome of the US election. Following the results of the US election, market turbulence quickly materialized as concerns over the impeding US fiscal cliff moved to the forefront. The fear that the combined magnitude of impending tax increases for both dividends and capital gains and government spending cuts at the beginning of 2013, could move the US into a recession. This remained the focus for investors through to December until a partial deal was announced on January 1, 2013. Over the period, the DWIC Equity Income Strategy returned 0.1% versus its benchmark, the S&P/TSX Composite Index, which was up 1.7%.

During the quarter, the portfolio maintained its top three sector allocations in financials (which includes real estate), energy (which includes energy infrastructure) and utilities. The largest contributors to performance within the portfolio came from the financials, telecommunication services and consumer discretionary sectors. Among the financials, positions in the Bank of Nova Scotia, Toronto-Dominion Bank and a Canadian mortgage originator had the greatest impact on returns. Canadian banks continued to perform well while offering attractive dividend yields and the potential for dividend growth. Holdings in two Canadian telecommunication securities and US-based consumer discretionary Comcast Corporation also contributed positively. Overall, the energy exposure in the portfolio was a significant detractor, though energy securities delivered mixed returns. Energy infrastructure names, like Enbridge Inc. continued to be beneficial to performance and provided the portfolio with stable cash flows. At quarter end, 71% of the portfolio was invested in Canadian equities, where yields are more attractive, though the US weighting was increased to 13% as valuations were compelling.

We continue to believe that investing in dividend paying equities is an important theme due to an aging demographic seeking moderate income and lower volatility. The supply of businesses that provide these attributes is relatively limited, whereas the demand continues to increase. We continue to focus on the fundamentals in selecting the best companies that offer sustainable dividends with the potential for dividend growth.

As at December 31, 2012	3 Month	1 Year	3 Year	Since Inception
DWIC Equity Income Strategy	0.14%	10.01%	12.29%	12.66%
S&P/TSX Composite	1.72%	7.19%	4.79%	5.64%

Inception date: November 2009