DWIC Core Equity Strategy

Fourth Quarter Commentary – December 31, 2012

Adam Donsky, CFA
Vice President & Portfolio Manager

Q4 saw a tepid market environment amid uncertainty over the November US elections and the impacts of the US fiscal cliff – in particular federal tax increases and spending cuts scheduled to kick in during January. For the three month period ending December 31, 2012, the DWIC Core Equity Strategy generated a total return of -1.04% compared to 3.79% for the MSCI World (C$). The Strategy ended the period with approximately 48% in Canadian equities. This significant overweight to Canada versus the benchmark weighting of approximately 5% was a negative for Fund performance, as Canada was the third worst performing country for the benchmark during the period. The second worst performing country for the index during the period (Israel was the worst and was the only region that detracted from benchmark performance during the period), was the US. The Strategy's US equity weighting of 29%, versus the benchmark's of 52%, was a positive for Strategy performance. However, the Strategy's collective US holdings detracted from performance, while the benchmark's US holdings contributed slightly to performance. Switzerland was the only other country represented in the Strategy. The Strategy's Swiss holdings (ABB and Richemont) did well in Q4 and earned a better return than those of the benchmark. Our above average cash weighting of more than 20% was a drag on performance as the benchmark earned a positive return for the period, which was higher than that of the CIBC World Markets 91 Day Treasury Bill Index.

All of the MSCI World's (C$) sectors earned positive returns during the quarter, except the telecommunication services, information technology, and energy sectors. Energy was the index's worst performing sector for the year, but was still a positive contributor to performance. The financials and consumer discretionary sectors were the best performers during the final quarter, and for all of 2012. Industrials were the third best performing sector during the past three months, and the fourth best performer for 2012. The two main detracting sectors from Strategy performance during the period were materials and information technology with four of the top five biggest detracting stocks coming from these two sectors. Materials stocks Allied Nevada Gold and Barrick Gold were the two biggest detracting stocks from the Strategy during the period and Barrick was the biggest detractor in 2012. For the year, Allied Nevada Gold was a positive contributor to performance. While we still believe in the fundamental case for gold, we have reduced our equity exposure and added to our position in the physical commodity. Gold bullion was a positive contributor to Strategy performance during the year, but detracted from our fourth quarter performance. CGI Group, Microsoft and Corning were information technology stocks among the Strategy's top ten detractors. We continue to believe in the case for Microsoft and have used the price decrease in Q4 to increase our weighting in the stock. Laboratory Corp. of America was one of two healthcare stocks held by the Strategy during the period, and a top ten detractor from Strategy performance; however, we continue to favour the stock. Recently we went to Nashville to meet several management teams of hospitals and other healthcare related companies. During our meetings we heard from several executives that the US healthcare system will increasingly focus on cost control and preventive medicines. We believe these dynamics bode particularly well for the clinical lab industry. Clinical laboratory tests and procedures are used by hospitals, physicians and other healthcare providers to assist in the detection and diagnosis of various diseases and medical conditions, and could become a necessary tool in preventive medicine. Diagnostic tests are integral to basic healthcare delivery. The test results are used for over 80% of diagnostic and medication decisions, and yet they only account for 3-4% of total medical costs. We believe

DUNDEEWEALTH
Investment Counsel

LabCorp is well positioned to take advantage of this opportunity. LabCorp is half of a duopoly at the top of a still fragmented clinical laboratory market.

The three best contributing sectors to Strategy performance during the period were the financials, consumer staples and industrials sectors. All but one of our financial holdings were positive contributors during the period with Canadian banks, Bank of Nova Scotia and Royal Bank of Canada, among the top ten contributors. Shoppers Drug Mart was a top ten contributing stock from the consumer staples sector and the main reason why the sector was a top contributor to Fund performance. Canadian National Railway, one of the Strategy's ten highest weighted stocks, was a top ten contributor to Strategy performance from the industrials sector.

With a number of our previous macro concerns seemingly addressed, we have become incrementally more positive on broader markets. Draghi's "whatever it takes" comments have essentially taken European sovereign systemic risk off the table. The probability of a hard landing scenario in China has been diminished with a string of economic data from the region suggesting growth may be accelerating once again. A last minute deal on the US fiscal cliff delayed spending cuts for the time being and averted a potentially greater market disruption by removing the uncertainty. The global economic picture appears to be turning for the better, with the OECD's aggregate leading economic index up over the last six months and global PMIs following. Central banks remain very accommodative on the monetary policy front. The most recent example comes from Japan, where Shinzo Abe was elected Premier on a platform of devaluing the Yen and influencing the Bank of Japan to ease until a 2% inflation target is reached. We continue to maintain higher than normal cash levels as our investment discipline emphasizes a margin of safety by being sensitive to how much we pay for well managed, strong businesses with good long term prospects. The US debt ceiling debate anticipated to take place in February remains one large potential storm cloud on the horizon. The last time the debt ceiling was an issue (August 2011), Standard & Poor's downgrade of the US government's debt caused markets around the world to experience one of their most volatile weeks in recent memory. The TSX Composite was down almost 11% between August 1st and August 8th, 2011 and we anticipate opportunities to deploy cash this time around as well.

Our goal is and continues to be to win by not losing, and our primary concern will always be the preservation of our client's capital. 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. While we cannot ignore macro events, we will invest the cash in the portfolio when we have opportunities to invest in high quality companies, with strong balance sheets and free cash flow which provide products or services that will continue to be in use over the long-term.

As at December 31, 2012	**3 Month**	**1 Year**	**3 Year**	**Since Inception**
DWIC Core Equity Strategy (Series A)	-1.04%	6.82%	5.16%	9.70%
MSCI World Index (C$)	3.79%	14.00%	5.78%	10.52%

Inception date: March 2009