DWIC Global Value Strategy

Fourth Quarter Commentary – December 31, 2012

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After two positive months to begin the final quarter of 2012, the MSCI World C$ finished the year off with a final month return of 2.2% to end the quarter at 3.79%. 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, may have played a part in the US being the second worst performer for the MSCI World Index (C$) during the year, although providing the benchmark with a positive return. After Mario Draghi, President of the European Central Bank, pledged to do "whatever it takes" to protect the eurozone from collapse, in the third quarter, sovereign systemic risk was essentially taken off the table. This statement played a major part in the MSCI World holdings of countries like Greece, Portugal, Spain, and Italy (in total representing just over 2% of the index) to earn returns in the third quarter of more than 10% each. The French holdings in the index returned 12%, while the German holdings returned just under 10%. With a weighting of approximately 5%, the Strategy was overweight Italy relative to the benchmark. The collective return of the Fund's Italian holdings, Davide Campari, and Tod's, slightly underperformed those of the benchmark, but were solid contributors to Strategy performance. With the exception of the overweight to Italy, the Strategy's underweight to the European countries listed above was a drag on performance as all of those countries, earned returns of 10% or more. The Strategy was overweight the US by more than 15%. As the US, though earning positive returns, was one of the worst performers for the index during the period, our overweight to the US was a drag on relative performance versus the MSCI World (C$).

In Canadian dollar terms, the DWIC Global Value Strategy returned 1.97% for the quarter, underperforming the MSCI World C$. Our relative underperformance was a direct result of country weightings as mentioned above, as well as several other items.

The only two sector detractors from performance this quarter were the consumer staples and information technology sectors and the detraction was less than 10 bps in both cases. Five of the ten top detracting stocks to Fund performance were from the information technology sector with Apple being the Strategy's biggest detractor and Microsoft and IBM, among the top five. Apple was the third best contributor to Strategy performance for 2012, and IBM was also a positive contributor for the year. Three of our holdings in the consumer staples sector, Altria Group, Coca-Cola and Davide Campari detracted from performance during the period; however, none of these stocks were among the Strategy's top ten detractors. Davide Campari is a beneficiary of the growth of the global spirits industry, which is benefitting from a favourable secular shift away from other alcoholic beverages such as beer. The company has a strong track record of growth by acquisitions. We see strong growth potential for some of the company's key brands via leveraging the company's global distribution and marketing infrastructure. Another one of the Strategy's consumer staples positions, Costco Wholesale, was a positive contributor to performance during the quarter and the year.

The top three contributing sectors to Strategy performance during the period were financials, materials, and energy. The financials sector was the top performing sector for both the index and the Strategy during the period. The Strategy's average weighting to financials of 7.3% during the period, was significantly underweight relative to the benchmark. Since the sector was

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the best performer for the benchmark during the period, this underweight was a negative to Strategy performance versus the benchmark. Also, our collective holdings in the sector underperformed those of the benchmark; however, all three of our financials holdings at period end, American Tower, Chubb and Public Storage were positive contributors to Strategy performance and American Tower was among the top ten. In our opinion Chubb is the go to name for high quality property and casualty services. The company is well respected by customers, which allows them to charge higher premiums than competitors. We believe we are in a rising pricing environment which will lift earnings growth despite lower returns from investment income. Also, the company distributes excess capital back to shareholders through higher dividends and share buybacks. From the materials sector, Frutarom, a global flavor and fine ingredients company in the field of flavors and fragrances, was the second biggest contributor to Strategy performance during the period. Among the three energy stocks the Strategy held at year end, Noble Energy was the top contributor to performance during the quarter and the year. The company is a leading independent energy company with a diverse portfolio of high-quality assets with broad-based operations that include the exploration, development and production of crude oil and natural gas in the U.S. and internationally. We believe the company is well-run and has high growth potential assets they have yet to exploit, and numerous catalysts for value accretion.

Looking ahead, the first half of the year may be tumultuous for stocks as Congress negotiates spending cuts and votes on the debt ceiling. Last time the vote on the debt ceiling was delayed, S&P downgraded US debt from AAA to AA and the stock market fell over 10%. Presumably, Congress remembers that and won't repeat the performance, but you never know. That is another good reason to own high quality stocks which are more resilient in market downturns. In any case, the market recovered the last time the debt ceiling issue wasn't resolved and we think there are enough underlying currents for recovery in the US that our stock positions should do well. We are looking to potentially add more industrial names as the Global PMI is turning upward and industrial stocks do well in this kind of environment, while possibly shifting some weight out of consumer staples names that have been a haven for investors looking for the safety of higher dividends but are likely to underperform as investors reward higher beta names. We still do not own US Banks as we don't see fundamental improvement in their businesses.

As at December 31, 2012	**3 Month**	**1 Year**	**3 Year**	**Since Inception**
DWIC Global Value Strategy	1.97%	10.96%	3.73%	3.76%
MSCI World Index (C$)	3.79%	14.00%	5.78%	6.05%

Inception date: November 2009

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