DundeeWealth Investment Counsel Perspectives

DWIC Canadian Value Strategy

Second Quarter Commentary – June 30, 2013

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The second quarter of 2013 proved volatile for the S&P/TSX Composite, which declined -4.06% over the quarter. A number of sectors detracted from the benchmark's returns this quarter including the largest detractor materials as well as energy and telecommunications. The mid-April collapse in the price of gold was the largest contributor to decline of the materials sector, whilst the announcement that US-based telecommunication provider Verizon may look to enter the Canadian market contributed to the decline of a number of Canadian telecom stocks. The consumer discretionary, consumer staples and health care sectors were the largest positive contributors to the Index's returns over the quarter.

In our view, the rebound in global growth remains sub-par and may impact future global rebound. The biggest surprise has been that the growth out of emerging markets such as China and Brazil has been much slower than expected compared to the hyper growth rates that have been delivered historically. In Europe, we're of the view that we have seen the worst and that equity markets have bottomed; however, we are yet to see the signs of pickup in growth. In early July, both Bank of England governor Mark Carney as well as the European Central Bank president Mario Draghi signalled that they expect interest rates in the UK and continental Europe to remain low for the foreseeable future. In the US, the growth of the housing market has continued to surprise on the upside. We have seen recent increases in the mortgage rate of around 100 basis points as the Federal Reserve has indicated that they may begin to taper stimulative asset purchasing. In our view, the current levels of global growth do justify the recent increases in rates, and we expect the Federal Reserve to continue their program of Quantitative Easing.

For the quarter ended June 30, 2013, the DWIC Canadian Value Strategy generated a total return of +0.36%, significantly outperforming the S&P/TSX Composite Index by +4.44%. Information technology, healthcare, consumer discretionary and consumer staples sectors were all positive contributors to both absolute and relative Strategy performance during the period whilst the materials, energy and telecommunications sectors detracted from Strategy performance.

The information technology sector was the quarter's largest contributor to Strategy performance as key holding CGI Group as well as information management software developer Open Text were both amongst the Strategy's top performers. The Strategy exited key consumer staple holding Nu Skin Enterprises, which was the period's top contributor.

The Strategy recently increased exposure to the telecommunication sector as a result of attractive valuations in the sector; however, performance over the quarter detracted as the sector declined as Verizon announced they were looking to enter the Canadian telecom market, which weighed on performance.

The April fall in the price of gold affected a number of the Strategy's gold and precious metal holdings including Barrick Gold, Silver Wheaton and Goldcorp. Also detracting from performance were a number of energy stocks including key holdings MEG Energy and Paramount Resources as well as the Strategy's largest quarterly detractor Southern Pacific Resources.

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The Canadian market continues to be comprised primarily of energy, materials, and banks stocks. The materials sector has experienced ongoing volatility driven mainly by slowing growth in China as well as volatility in the price of gold and precious metals. The Strategy's cash component was lower at the end of the quarter, declining from 6% at March 31 to 3% as we were able to take advantage of volatility to purchase quality companies trading at attractive valuations.

As at June 30, 2013	3 Month	1 Year	3 Year	Since Inception
DWIC Canadian Value Strategy	0.36%	20.29%	7.06%	5.06%
S&P/TSX Composite	-4.08%	7.90%	5.39%	5.91%

Inception date: November 2009

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