
MWG Portfolios: Trading Summary, FEB. 2017

Our portfolio trades for the month of February were as follows:

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:	<ul style="list-style-type: none"> • ENB.TO 	
Increased:	<ul style="list-style-type: none"> • LNR.TO • GOOG • BMW • MSFT 	<ul style="list-style-type: none"> • ENF.TO • CRJB.TO • ET.TO • SPB.TO • APR_u.TO
Reduced	<ul style="list-style-type: none"> • AAPL.OQ 	<ul style="list-style-type: none"> • IGM.TO
Sold:	<ul style="list-style-type: none"> • HBC.TO 	

Commentary: February.....and the US market shines

Investors in the US stock market enjoyed a strong month, with the S&P 500 rallying 3.7%, on the back of strong earnings and further momentum in housing and manufacturing. The new administration's potential tax policies are also being favoured by Wall Street, as US corporates are expected to repatriate a big chunk of their massive cash hoards in foreign subsidiaries. Meanwhile, the Canadian market struggled to post a small gain of 0.1%, as the recent outlook for further oil price increases subsided somewhat. The Canadian dollar declined by 2% to US\$ 0.7518. Investors are also concerned over the potential for higher Canadian capital gains taxes and the likelihood that interest rates will not climb in tandem with US rates. This will make Canada less attractive to foreign investors.

Global Equity Growth Fund:

We added a 2.0% position in Enbridge (ENB.TO) at \$55.30 to the Canadian holdings of the Fund. Enbridge recently completed its takeover of Spectra Energy, a major US based pipeline company with major assets in Canada in the Energy Sector. These include Union Gas, a major gas distributor in South Western Ontario, and the former Westcoast Energy, owner of the major British Columbia natural gas transmission line from North eastern B.C. to Vancouver and the US border, where gas is exported to the US Pacific Coast. Arbitrage activity and index related sales resulted in the stock trading well below its May 2015 high of \$66. The outlook for Enbridge is solid, as the company is expected to grow its dividend by almost 10% per annum over the next several years. We have a \$65 target on the stock based upon an 8.5 multiple of EBITDA (which is a measure of before tax and interest cash flow typically used to value long life capital intensive assets like pipelines.)

To fund Enbridge, we sold our position in Hudson's Bay Company (HBC.TO) at \$12.63. While HBC is not typical of the quality of companies we like to hold in this fund, it had been purchased as an asset play on its real estate holding, which some analysts' value in the high \$30 per share range. With the retail environment for department stores deteriorating, we believe that shareholders will have difficulty realizing the value of the real estate holdings. With a cost base of \$18.80, we are recognizing a loss, but it is best to put your mistakes behind you.

Cash flow during the month was invested across the portfolio, with the largest purchases being Alphabet (GOOG), Linamar (LNR.TO), BMW ADR's (BMWYY) and Microsoft (MSFT). Apple (AAPL) has had an extraordinary recovery since its mid-2016 lows of below US\$ 90 a share. Thus, we trimmed back to a 4% target weight at \$132.50. Our average cost on Apple is US\$ 112.04.

Income Growth Fund:

There was no meaningful activity in the Income Fund except for rebalancing some positions. We added to our positions in Enbridge Income Fund (ENF.TO) at \$34.40, Corus Entertainment (CRJb.TO) at \$12.74, Evertz Technologies (ET.TO) at \$17.40, Superior Plus (SPB.TO) at \$12.32 and Automotive Properties (APRu.TO) at \$10.79. We reduced our holdings in IGM Financial (IGM.TO) at \$40.75.