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## *MWG Portfolios: Trading Summary, April 2017*

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

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:	<ul style="list-style-type: none"> <li>• GIL.TO</li> </ul>	
Increased:	<ul style="list-style-type: none"> <li>• PFE.N</li> <li>• QCOM.OQ</li> <li>• PANW.OQ</li> <li>• LNR.TO</li> <li>• TD.TO</li> </ul>	<ul style="list-style-type: none"> <li>• GM. N</li> <li>• ET.TO</li> <li>• TD.TO</li> </ul>
Reduced	<ul style="list-style-type: none"> <li>• CELG.OQ</li> </ul>	
Sold:	<ul style="list-style-type: none"> <li>• OSB.TO</li> </ul>	

### **Commentary: April was pretty boring .....until earnings arrived**

The investment world carried the March doldrums into April, with the S&P 500 declining by some 1.4% over the first two weeks of the month. However, as corporate earnings started to filter in during the last week of April, widely expected strength in bank and oil earnings (as discussed in our 1<sup>st</sup> quarter outlook) was accompanied by solid results from the industrial and transport groups. Next, technology based social media companies came through, with Microsoft, Alphabet (Google) and Amazon all handily beating estimates and raising their outlooks. These three companies are the leaders in cloud computing technology, with each posting strong growth rates in their respective cloud divisions. These companies are growing at multiples of GDP and we view their sources of growth as largely independent of economic activity. As result, the S&P 500 rallied 2.4% during the 2<sup>ND</sup> half of April, with some of our portfolio stocks handily outperforming. We note that GOOGL.OQ rallied 10%, MSFT 4.5% and RCL, the cruise line company recovering from last year's Zika virus scare, 11.1%.

**Global Equity Growth Fund:**

We enjoyed a good month in the Global Equity Growth Fund, with the Fund's NAV per unit growing 4.4% during the month and over 11% year to date. The only material change to the portfolio was the elimination of the final 1% of Norbord (OSB.TO) at \$41.25 as it spiked on the Trump administration's announcement of renewed tariffs on Canadian lumber imports. Norbord, while a Canadian company, has most of its mills in the southern U.S. Our position in OSB had been accumulated through several trades, mainly in the second half of 2015, at an average cost of \$25.88. However, with the stock exceeding our \$39.75 target price, which we believe discounts a U.S. housing recovery, we decided to cash in our remaining position.

We replaced Norbord with a holding in Gildan Activewear (GIL.TO), one of the outstanding Canadian growth companies of the past two decades, at \$38.10. While in the rather mundane business of cotton garments, the company has been extremely profitable without leveraging up its balance sheet. Management must be credited with its growth trajectory. We have a \$43.50 target on Gildan. Note that the stock traded over \$45 in the summer of 2015.

We also trimmed our Celgene (CELG.OQ) position, selling the stock back to its 4.5% target weight at US\$125.60. Our holding had been increased substantially in the fall of last year at a price just below US\$100. Our average cost on Celgene is US\$ 104.93. Celgene still has one of the best outlooks in health care and we maintain a US\$150 target price on the stock.

Small additions were made to the holdings of TD Bank, Linamar, Palo Alto Networks and Qualcomm on trading weakness.

**Income Growth Fund:**

The Fund had a gain in its NAV per unit of 0.9% for the month and 4.1% year to date as Canadian financials, which make up just over 28% of the fund's assets, softened as news of quality problems with some of the mortgages underwritten by Home Capital caused weakness across the sector. This encouraged profit taking and increased shorting of the sector by U.S. based hedge funds, which have been suspiciously eyeing the Canadian housing market for several years.

We used the month's cash flow to marginally increase holdings of General Motors, Evertz Technology and TD Bank.