# MWG Portfolios: Trading Summary, June 2017

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

| Action: | Global Equity Growth Fund: | Income Growth Fund: |
|---|---|---|
| Bought: | • ATDb.TO | • EIF.TO |
| Increased: | • AAPL.OQ<br>• DLTR.OQ<br>• GILD.OQ<br>• ORCL.K<br>• PFE.N<br>• DEO.N<br>• DIS.N<br>• CELG.OQ<br>• HD.N<br>• KR.N<br>• LNR.TO<br>• MFC.TO<br>• TD.TO<br>• ENB.TO<br>• SNC.TO | • HOT_u.TO<br>• SPB.TO<br>• CUF_u.TO<br>• PWF.TO |
| Reduced | • CELG.OQ<br>• STZ.N | |
| Sold: | • GIL.TO | • TCLa.TO |

**Commentary:**

June brought a pause to the US Equity market rally, with flat performance from the S&P 500 and a 1% drop for the NASDAQ Composite Index. The month was marked by a rotation out of technology and leading growth stocks due to valuation concerns with strength found in Financials, Consumer Discretionary (ex-grocery and department stores) and Pharmaceutical stocks. While the sell off generated headlines on business news channels, we view these countertrend reversals as confirmation signals of bullish markets and continue to hold overweight positions in megacap internet technology companies such as Alphabet (Google), Microsoft, Facebook and Amazon.

Despite the weakness in oil prices and the breakdown in energy stocks, the TSX ended the month down just 1% due to strength in financials.

Looking back on the first half of 2017, the S&P 500 rallied 8% and the NASDAQ rose 14%. We continue to like the growth prospects of the US economy thus we maintain a 74% weighting to US stocks in our Global Equity Growth Fund. For comparison, the S&P TSX Index fell 1% in the first half of the year.

**Global Equity Growth Fund:**

The funds NAV slipped over the month by about 2.7% mainly due to a 5% rally in the Canadian dollar. Year to date, the NAV per unit has grown 9.4%.
During the month, we made one major change to the portfolio moving our position in Gildan (GIL) into Alimentation Couche Tard (ATD.B), the major convenience store operator as it received regulatory approval for its acquisition of assets from CST that will drive strong earnings growth in the near term. Gildan (GIL), a position added in April, had returned over 10% and was approaching out internal target price of $43.00.
We also want to highlight our portfolio management process, consisting of two disciplines; dedication to target prices and portfolio construction. These disciplines can help us add additional returns while managing risk. A recent example is Celgene (CELG), a high growth pharmaceutical company that has a model weight of 4.5% in the portfolio and a target price of $150. In late April, a portion of our holdings were sold off at a price of ~$125 as the position had reached a 5.3% weight in the portfolio. In early June, we topped up our position at just under $117, after a small sell-off in pharmaceuticals, as well as the rally of the rest of the Portfolio, dropped its portfolio weight to around 4%. The shares subsequently rallied to just over ~$133 three weeks later on positive news from the US regarding drug reform and a potential new cancer indication. We pared our position back to 4.5% of the portfolio, as the position weighting once again exceeded our target.

**Income Growth Fund:**

The Fund’s NAV per unit grew 0.1% for the month, up 4.1% year to date.
We sold our 3.5% position in Transcontinental Inc. (TCLb.TO) at $25.87 for a 43.7% gain. Its yield had dropped to below 3.1%, just above our 3% minimum requirement for inclusion in the Fund; it had also exceeded our internal target price at the time of sale. We had built our position in TCLb.TO across the summer of 2016 at an average cost of $18.00. The market reacted positively to the company’s plan to acquire packaging assets and reduce its exposure to newspaper printing.
TCLb.to was replaced with Exchange Income Corp (EIF), a well-run Winnipeg based operator of small airlines with a major aircraft overhaul business. Our target price for EIF is $40 and it has an attractive yield of 6.39%. Recently, it was revealed that a short seller had taken a stake in the company indicating that the dividend is not sustainable (this thesis was in the market before our purchase). We met with management prior to purchasing the shares and although the first half of 2017 was difficult for the company, we are confident its operations will improve throughout the rest of the year.