MWG Portfolios: Trading Summary, May 2017

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

Action:	**Global Equity Growth Fund:**	**Income Growth Fund:**
Bought:	• MS.N	• VLO.N
Increased:	• PFE.N • DEO.N • DIS.N • BNS.TO • TD.TO • ENB.TO • SNC.TO • GIL.TO	• BNS.TO • ENF.TO • TD.TO • HOT_u.TO • SPB.TO • PFE.N • GM.N • RY.TO • CIX.TO • CUF_u.TO • IGM.TO • PWF.TO
Reduced	• AMZN.OQ • STZ.N	• TCLa.TO • GRT_U.TO • VSN.TO
Sold:	• CB • AMT	• HPQ

Commentary:

May markets little changed: Markets took a breather for the second time in three months, with the S&P 500 rising 1.2%. For Canadian investors, this gain was mostly offset by a comparable rise in the CAD/USD exchange rate. The TSX, with its large components of oils and financials, fared slightly worse, with a 1.5% decline.

Home Capital... or lack of it: In Canada, the Home Capital saga was front page focus for investors throughout most of May. At issue is Home Capital's collection of what are perceived to be risky mortgages in the face of a potential slowdown in Canadian housing markets. Depositors have rapidly withdrawn savings from the lender and the company now faces a capital crunch should it be unable to attract sufficient new purchasers as its GIC book matures. While a slowdown in Canadian housing may impact growth rates in the Canadian banks' mortgage arms, we do not believe that Home Capital's perilous position is systemic. We have used the spillover weakness in the sector to add to our positions in financials.

Oil rally stalls… again: The outlook for oil prices dimmed as an extension of OPEC production cuts were shrugged off by the market, despite some excitement leading up the meeting. The political backdrop continues to pose headwinds for Canadian producers, with the potential US border tax, BC pipeline access and new tax regimes in Alberta all front and centre.

Global Equity Growth Fund:

We enjoyed another good month in the Global Equity Growth Fund, with the Fund's NAV per unit growing 1.1% during the month and 12.5% year to date.

We used the May 17th sell off, triggered by Trump's alleged interactions with the FBI, to acquire a 3% portfolio position in Morgan Stanley (MS.N) at US$40.86. Morgan Stanley is levered to a prosperous American and global economy. Our US$52.50 target price is based on a relatively modest 15X P/E multiple. To fund the purchase, we sold our 2% position in large US property insurer Chubb Ltd (CB.N) at US$138.03. Our position in Chubb had an average cost of US$125.26. While CB is well managed, it does not offer the same upside to a stronger economy. We also sold our 1% holding in American Tower (AMT.N) at US$130.80. With major ownership of cell towers in Mexico, AMT has rallies on bad news for the US President. We had purchased AMT.N at an average of US$96.95. While we had a US$133 target on AMT, that valuation was based on a very lofty multiple of 25X free cash flow per share.

Given that the Canadian portion of the Fund had drifted away from its 20% target due to the selloff of Canadian financials, we added marginally to many of our Canadian holdings and trimmed Amazon (AMZN.OQ) and Constellation Brands (STZ.N) back to their portfolio target weights of 2% and 4%, respectively.

Income Growth Fund:

The Fund's NAV per unit slipped 0.1% for the month due to its large weight in financials, but is still up 4.0% year to date.

We sold our remaining 2.5% position in HP Inc. (HPQ.N) at US$19.36 as its yield had dropped to 2.7%, below our 3% minimum requirement for inclusion in the Fund. HP Inc. acquired the computer hardware and printing assets when Hewlett Packard was broken into two companies. We had built our position in HPQ after the break-up in early 2016 at an average cost of US$11.16, when most holders preferred HP Enterprises, which held the more exciting software and computer services businesses. A 2% weight in Valero Energy (VLO.N) was added to the portfolio at UD$65.92, with a yield of 4.2%. In addition, we reduced some of the Fund's outperformers back to target to fund purchases of underperformers, mainly Canadian banks, mutual fund holding companies and other non-bank financials.