

MWG Portfolios: Trading Summary, October 2017

Our portfolio actions for the month of October were as follows:

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:	No Changes	AD.TO
Increased:	No Changes	DR.TO
Reduced	No Changes	CHR.TO
Sold:	No Changes	No Changes

Commentary:

The narrative changed from late summer gloom to October boom, with the focus shifting from North Korea and hawkish central bank commentary towards synchronized global growth, Trump's tax plan and third quarter earnings. Indices on both sides of the border reached all-time highs during the month and weakness in the Canadian Dollar aided foreign investment holdings. Recent events support a continuation of the market rally through year-end; technology stocks continue to drive the cycle, growth continues to strengthen globally and tame inflation is keeping real interest rates accommodative (which supports high equity valuations).

Canada - The S&P TSX Total Return Index increased 2.7% in October and is now up 7.3% for the year. We note that the three sectors that drive TSX performance, banking, materials and energy have all strengthened significantly in the second half of the year. After peaking at USD\$83.5 cents in mid-September, we believe we have seen the year's high for the Loonie, with the recent weak inflation data and further rate hikes from the Bank of Canada on hold. While recent oil price strength poses a risk to this theory if it holds, we are skeptical that it will.

United States - US markets broadly increased in September, with the S&P 500 increasing 2.3% on a total return basis while the NASDAQ increased 3.6% in a month that culminated with blow-out results from the mega-cap tech companies (Alphabet/Google, Facebook, Amazon, Microsoft). Strong earnings are certainly a part of the equation to explain market strengths. However, policy makers are also once again making their mark on equities. The Trump Administration is now focused on passing its tax cut plan, with bills likely making their way through the floors of both Congress and the Senate by year-end and Presidential approval possible in 2018. Equities are certainly pricing in some of the benefits from lower taxes and repatriation, and thus, we will watch how this reform plays out through the remainder of the year.

Global Equity Growth Fund:

The Fund's NAV grew over by 4.1% in October. Year to date, the NAV per unit has grown by 17.3%.

We made no changes to our target portfolio during the month. Our overweight stance in technology (29% of the Fund) has been a strong driver of the Fund's performance, which continued to benefit from the strong performance of Google (5.9%), Microsoft (18.3%), Amazon (15.0%) and Facebook (5.3%) in addition to positions in Apple and Qualcomm, which have been strong performers in early November. We expect to remain overweight technology given the growth opportunities for internet/data technology and what we consider to be reasonable valuations.

During the month, we made several rebalancing trades, buying some additional shares in Kroger, Oracle, Disney and Celgene on the US side of the portfolio and adding to Cameco and Enbridge on the Canadian side.

Income Growth Fund:

The Fund's NAV per unit grew 3.2% for the month and is up 12.1% year to date. The portfolio is currently yielding 5.7%

The lone addition to the portfolio was Alaris Royalty Corp (AD.TO). Alaris provides alternative financing to high growth businesses in exchange for a monthly distribution that can increase every year as a mutually agreed upon key performance indicator (revenue or gross profit for example) grows. We met with management in late September and were impressed with the breadth of businesses Alaris has acquired. Moreover, the company's positioning as a preferred lender with high growth private companies should provide opportunities for additional portfolio diversification. Alaris currently yields 8.1%.

We made two other small changes in the portfolio by continuing to build our position in Medical Facilities and reducing our position in Chorus Aviation. We also purchased some additional shares in European Commercial REIT and American Hotel Income Fund.