

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

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

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:	<ul style="list-style-type: none"> <li>AZN</li> </ul>	<ul style="list-style-type: none"> <li>AZN.N</li> <li>CPX.TO</li> <li>FN.TO</li> </ul>
Increased:		
Reduced		<ul style="list-style-type: none"> <li>IGM.TO</li> <li>PWF.TO</li> <li>CIX.TO</li> <li>GM.N</li> <li>SMU.UN</li> </ul>
Sold:	<ul style="list-style-type: none"> <li>DLPH</li> <li>JMPLY</li> </ul>	<ul style="list-style-type: none"> <li>PFE</li> </ul>

### **Commentary:**

The month of September can often be a volatile one for equity markets with Traders returning from summer holidays, corporate financial/operations updates and a shift in investor focus to future year earnings.

**Canada** - The S&P TSX Total Return index increased 3.2% in September and is now up 4.4% on the year. After peaking at USD\$83.5 mid-month, we believe we have seen the year's high for the loonie after the Canadian economy posted growth slightly below expectations and the US Federal Reserve looks poised to resume hiking rates. We see several headwinds ahead for Canada's economy including softening house prices and a smaller energy sector as well as unknown effects of Government policy changes (both foreign and domestic).

**United States** - The US markets broadly increased in September with the S&P 500 increasing 1.8% and with the NASDAQ, with its heavy technology focus, mostly flat. The month showed a resurgent cyclical sector catalyzed by a Morgan Stanley sector rotation call. Energy, autos and financials all posted strong moves in the month. We view this broad based rally as another check mark that the second longest bull market in history will continue, fueled by accelerating global growth that will lead to higher earnings.

**Global Equity Growth Fund:**

The Fund's NAV grew over by 1.5% in September. Year to date, the NAV per unit has grown 12.4%.

During the month, we sold our positions in two shares that have rallied strongly on the market's exuberance for electric vehicles (EVs). Starting with Delphi, the auto parts manufacturer will be splitting in two, with the company's electronics and 'traditional' auto parts divisions soon trading as standalone companies. The company is a very well managed firm. However, the shares were trading at too rich of a premium to other North American automakers at close to 16x earnings while other very high-quality companies (including Magna and BMW, both held in our Global Equity Fund) trade in the 8-10x EPS range. Also sold was Johnson Matthey, a UK-based chemicals and battery technology company after the shares rallied over 20% following the announcement of the successful development of new EV battery technology. There remains uncertainty around European Clean Diesel Vehicle Sales, which is Johnson Matthey's core playing field, so while the new battery technology is positive incrementally for the company, we would prefer more clarity on the direction of the industry.

With the sale proceeds, we purchased AstraZeneca (AZN), a UK based pharmaceuticals company. AZN is at an inflection point; the company is exiting a period of depressed cash flow after several of its large drugs rolled off patent protection. At the same time, its large portfolio of Phase 3 cancer drugs should provide a new period of growth as they enter the market. The company is also widely viewed as an acquisition candidate if the Trump administration can pass any of its tax reforms. We also continued to build positions in Kroger, Newell Brands, Disney, Qualcomm and Mondelez as current prices are very attractive for longer term investment.

**Income Growth Fund:**

The Fund's NAV per unit grew 4.9% for the month, up 10% year to date.

We made some notable additions to the portfolio, as we continued our search for higher but stable yields.

We swapped out Pfizer as it neared our target price and moved the proceeds into AstraZeneca, picking up a higher yield and better growth potential. We also added Capital Power, an Edmonton-based Power provider that should benefit from ongoing regulatory changes in Alberta. In addition, we started a position in First National Financial, a very well-run mortgage lender focused on the prime segment of the market. Even though we believe there are increased risks in the housing market, First National should continue to benefit from a move towards mortgage brokers versus home banks [what are home banks?] and could take market share in a weakening housing market. To fund the purchase, we trimmed our position in some of the lower yielding holdings, namely Canadian Investment managers CI Financial, Investors Group and Power Financial as well as General Motors and Summit REIT.