

MWG Portfolios: Portfolio Weighting Changes June 2018

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

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:		HWO.TO
Increased:	DLTR, GILD, MS, NFLX, RCL, AC.TO, LNR.TO	CJ.TO
Reduced	DEO, HD	
Sold:	PANW	

June Market Commentary

Political noise makes for volatility. June roared in like a lion on the back of strong economic news, with the S&P 500 gaining 3.1% by its monthly high on June 13th, only to give most of it back to close the month with a 0.5% gain as the market reacted to rising fears of a trade war and higher oil prices. The latter was spurred by the re-imposition of sanctions on Iran after the Trump Administration cancelled the Iran nuclear deal.

The S&P/TSX fared somewhat better, with a 1.3% gain, as the outlook for Canadian oil improved with a favourable endorsement of Enbridge's refurbishment plans in Minnesota and rising prices in the last few days of the month. The Canadian dollar, which started the month at \$US0.7716, however, took the Canadian stock gains away from global investors as it dropped below \$US 0.75 for a few days before recovering somewhat to end the month at US\$.7614 (for a loss of 1.3%). The markets mood also changed as the social media or FAANG stocks led the rally and then pulled back in the final two weeks of June. Netflix, for or example, rallied 20% from a May close of US\$351.60 to a high of US\$423.20 on June21, then declined almost 8%. With higher oil prices, commodity stocks jumped back into traders' minds. Share of bellwether energy company, Canadian Natural Resources, leapt almost 20% in the last half of June.

We look forward to the release of Q2 earnings starting later this month, with expectations of very good growth. Trump's trade war to date has been relatively modest over all, but the rhetoric will continue to haunt markets until resolution. Our portfolio's weighting away from heavy exposure to the goods weighted trade sectors provides some insulation from this.

June 30 marked the important three-year anniversary of our funds!

Global Equity Growth Fund:

The Fund's NAV increased 2.3% in June and is up 7.2% for the 1st half of 2018. The Global Equity Fund has performed well over the last three years, with a 12.44% per annum increase. We have marginally increased our weighting in Canada to 22%, adding half a percent to both Air Canada (to 1.5%) and Linamar (to 3.0%). Both stocks have sold off on the fears of higher oil prices and punitive tariffs.

We eliminated our 1.0% holding in Palo Alto Networks (PANW) at US\$207.00 as we could not justify a higher stock price for this leading Internet security business. Our average cost on the shares accumulated over the past 3 years was US\$142.69. We also substantially reduced the holding in Diageo (DEO), the leading spirits company, at US\$144.31, from 3% to 2% as the stock has outperformed most consumer staples by a wide margin. Our cost base on DEO was US\$117.09. We reinvested the proceeds by raising the weights of both Gilead (GILD) and Royal Caribbean (RCL) by half a percent to 2.5% and 4.0%, respectively. Gilead has been a disappointing performer over the past 3 years, but we are now getting more comfortable with its outlook and valuation. The cruise lines have backed off on the prospect of higher fuel prices, but the long-term outlook remains strong.

Income Growth Fund:

The Fund's NAV per unit dropped 0.2% for the month and is down 3.2% on the year, however our 3 year performance remains strong at 11.85% increase per annum. The threat of rising long term interest rates has hampered performance year to date. The portfolio is currently yielding 6.7%, with a 79% weighting in Canada. Activity in the portfolio was minimal. We continued to add to our energy holdings and deployed our remaining cash by doubling to 2% our position in Cardinal Energy, a well-run junior oil company in Alberta that yields 8%. We also added a 1% position in High Artic (HWO.TO- \$3.99), which is ironically an oil field drilling rig contractor with operations largely in Papua New Guinea, working on wells that feed a very large LNG facility.

As always, we appreciate your referrals so if you know someone that can benefit from our services, please do not hesitate to give us a call.