

MWG Portfolios: Portfolio Weighting Changes September 2018

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

Action:	Global Equity Growth Fund:	Income Growth Fund:
Bought:		
Increased:		APR.UN
Reduced		SMU.UN
Sold:		

September Market Commentary

In our view, an eleventh-hour NAFTA deal marked a major victory for the Trudeau Government, with minimal concessions and disruptions to the auto and dairy sectors, as well as the maintenance of the Chapter 19 Dispute/Resolution system and a 16-year certainty before its expiry. The trade deal removes a key overhang to the prospects of Canadian manufacturers as the Trump administration will likely shift its focus increasingly to China. Canada will still need to grapple with its landlocked oil production, which is greater than pipeline capacity and selling at huge discounts to world benchmark prices. However, the sector saw some short-term wins in a positive investment decision by LNG Canada for a massive liquefaction facility on the coast of British Columbia and additional consolidation in the oil sands market.

Our market outlook remains positive and we continue to prefer U.S. equities over those of both Canada and Europe. We believe we are in an elongated cycle supported by low interest rates/inflation, digitally enhanced productivity, and pro-market policies. Further tax cuts and the resolution of trade/tariff disputes should act as additional future catalysts.

The S&P returned 0.5% for the month and is now up 9.0% on the year. Meanwhile, the tech-focused NASDAQ fell 0.8% in August but is up a healthy 16.7% YTD. The TSX, on the other hand, fell 1.1% on additional weakness in the energy and resources sectors and is flat on the year. Market volatility remains near the low end of its historical range, which is supportive of additional market gains.

The Canadian dollar continues to trade in a range between US\$0.75-0.80, closing up US\$0.01 in September at US\$0.776.

Global Equity Growth Fund:

The Fund's net asset value inched slightly lower to \$12.84 at the end of September, down 0.2% on the month but up 12.3% YTD. We maintain an 80% weighting in U.S. and international equities, which has helped drive performance this year.

After establishing three new positions in August, our trading activity in September was minimal. Top performers during the month were Broadcom (+14%), Boston Scientific (+10%) and Teleflex (10%), while Stelco (-16%) BMW (-8%) and Facebook (-6%) were at the other end of the performance scale.

Income Growth Fund:

The Fund's NAV per unit increased 0.7% for the month and is positive on the year at +1.6%. The portfolio is currently yielding 6.1%, with a 79% weighting in Canada.

As with the Global Equity Growth Fund, our trading activity was minimal with only a small change to our REIT portfolio. We increased our weighting in Automotive Properties by 0.5% to 2.5% on a company financing after the company announced the purchase of land from two car dealerships. To fund this portfolio allocation, we reduced our position in Summit REIT by 0.5%.

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.