

FOR REPRESENTATIVES ONLY

DFS GIF – CANADIAN DIVIDEND – NEI NORTHWEST

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

PERFORMANCE	3 months
Series 6	3.39
Series 7	3.35

Portfolio Manager: Beutel, Goodman & Company Limited

Inception Date: February 24, 2014

PORTFOLIO COMMENTARY

- Strong stock selection in companies across several sectors contributed positively to performance.
- Shares in BCE and Telus appreciated as both companies had a strong growth in subscribers across their internet, television and wireless divisions.
- Information Technology holdings Cisco and Microsoft appreciated and added to the performance. In particular, Cisco reported a growth in revenue after a long period of decline. Guidance for the next quarter reflects further growth and was ahead of expectations. The company's transformation is gaining traction as subscriptions become a larger portion of revenues and new products are seeing positive demand. The valuation remains attractive as the earnings profile transitions to a steadier recurring base.
- In the Energy sector, some of the holdings including Arc Resources and Cenovus declined in price along with the broader sector. Canadian oil prices declined versus global benchmark prices due to a supply glut in Western Canada caused by a temporary shutdown in one of the main pipelines. Devon, Enbridge, Husky, and Royal Dutch Shell were positive contributors to the performance.
- Aryzta shares appreciated after announcing the hiring of a new CEO after a lengthy process. Quarterly earnings were in line with expectations which demonstrated stability after several declining quarters. The valuation is attractive and new senior management provides opportunities for strategic improvements.
- The financial holdings including the banks and insurance companies had positive returns on the back of good quarterly results with Bank of America, Bank of Montreal, CIBC, JP Morgan Chase, Manulife, Royal Bank, Sun Life, TD Bank, and Wells Fargo adding to the performance.
- Shares of Agrium moved higher during the quarter as constructive supply/demand dynamics supported continued improvement in the prices for each of the company's main fertilizer products. In addition, the company received all remaining regulatory approvals required to close the merger with Potash Corp., removing uncertainty surrounding the merger. Effective January 1, 2018 Agrium will be renamed Nutrien.

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