

FOR REPRESENTATIVES ONLY

DFS GIF – GROWTH AND INCOME – NEI NORTHWEST

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

PERFORMANCE	3 months
Series 6	3.79
Series 7	3.88

Portfolio Manager: Kingwest & Company

Inception Date: February 24, 2014

PORTFOLIO COMMENTARY

- In the Canadian bond portfolio, short-term corporates outperformed relative to comparable term Canadas and Provincials. Mid and Long-term Provincials outperformed relative to comparable term Canadas and Corporates. Overall, lower quality issues provided the best returns with the Universe BBB Index returning 2.03% while the AAA/AA rated Universe corporate bonds gained 0.48%. In the portfolio, the focus on higher quality issues was a relative detractor from the results. One area of the portfolio that was particularly strong was the long standing focus on Long term provincial bonds. The FTSE Long Provincial Bond Index was the strongest area of the market with a 6.0% return.
- The Canadian equity portfolio remains overweight the Financials, Consumer Discretionary and Telecommunication sectors and underweight the Energy and Material sectors. The increase in the market was broad based with all sectors being positive while delivering similar returns. However being underweight Energy stocks was accretive as was being overweight Financials. In terms of security selection, Bombardier increased 34% while Equitable Group and First Quantum Inc. increased 29% and 27% respectively.
- In the global equity portfolio, stock selection in industrials dominated performance contribution. This was led by capital goods companies Boeing and Mitsubishi Corporation. On the other hand, stock selection in the health care sector was underwhelming led by Celgene and Genmab. Stock selection in the United States, China, and Germany contributed positively to performance while Denmark, Mexico and the Netherlands offset the gains. Within the period, the portfolio moved to be further exposed to banks and insurance while being funded largely from the health care sector. Notable purchases included Comerica and China Construction Bank. Existing holdings of Bank of America and East West Bancorp were also added to. Notable sells included Genmab, Bayer and Merck & Co.

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