

FOR REPRESENTATIVES ONLY

## DFS GIF – SPECIALTY EQUITY – NEI NORTHWEST

### QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

<b>PERFORMANCE</b>	<b>3 months</b>
<b>Series 6</b>	<b>4.95</b>
<b>Series 7</b>	<b>5.08</b>

**Portfolio Manager:** Montrusco Bolton Investments Inc.

**Inception Date:** February 24, 2014

### PORTFOLIO COMMENTARY

- The strategy's top contributing investments were Canadian Western Bank, Labrador Iron Ore Royalty Co. and Varex Imaging Corp. The largest detractors were Aritzia Inc., Laurentian Bank of Canada and Superior Plus Corp.
- The sub-advisor initiated a position in Peyto Exploration & Development Corp., a high quality, low cost natural gas producer with assets concentrated in Alberta. Peyto historically had an above-average return on capital record and delivered strong growth in reserves and production on a per share basis. They believe Peyto's assets will remain resilient in a sustained low natural gas price environment. The company's valuation and asset quality enhanced the portfolio at a time when natural gas prices were at multi-decade lows.
- The sub-advisor exited their investment in Ensign Energy Services Inc. Oilfield service providers have struggled to improve profitability in a rising oil price environment. They believe other energy-related businesses in the portfolio exhibit stronger competitive barriers over a full cycle, and present less downside risk in a more difficult environment.
- During the quarter, Laurentian Bank of Canada disclosed documentation and client misrepresentation issues in mortgages that were sold to a third party. The issues were said to be contained to less than 1% of total loans and are not expected to materially impact the bank's funding channels or normal course of operations. Management has indicated it has taken action to address the issue and the loan book continues to perform well. Given the importance of operational excellence, the sub-advisor elected to reduce their investment. They have identified several milestones they would like to see before considering further action.
- The sub-advisor also trimmed their investments in Richelieu Hardware Ltd., Labrador Iron Ore Royalty Corp. and Canadian Western Bank due to strong share price performance. Proceeds were re-deployed into existing positions that enhance the portfolio, including Parkland Fuel Corp., Industrial Alliance Insurance and Financial Services Inc. and Cominar REIT.

The Contract and Information Folder contains important information on the Desjardins Financial Security Guaranteed Investment Funds Plan - Helios2 and the DFS Guaranteed Investment Funds. Please read it carefully before investing. Helios2 is a trademark owned by Desjardins Financial Security Life Assurance Company. DFS Guaranteed Investment Funds is a registered trademark owned by Desjardins Financial Security Life Assurance Company. DFS Guaranteed Investment Funds are established by Desjardins Financial Security Life Assurance Company.

DFS stands for Desjardins Financial Security.

<sup>TM</sup> Trademark owned by Desjardins Financial Security

Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company.



**Desjardins**  
Insurance

LIFE • HEALTH • RETIREMENT