

Wise Capital Management Inc.

Discretionary managers delivering superior long term performance

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July 2013 Wise Capital Management Investment Themes

Overall Equity Market Outlook: Positive for Canada and global markets through early 2015

Our Most Bullish Themes:

1. Small cap stocks will outperform the market as they have historically, and we have added to our overweighting in Canada. However, at the current time there is a shortage of high quality Canadian names.
2. Energy: Oil will continue to rise, with spikes on geopolitical events. Therefore we have emphasized exploration companies who will benefit most from higher prices. Natural Gas will rise at a faster pace.
3. The economy will pick up steam. We are overweight in undervalued engineering and transportation companies. We also maintain an investment in selective undervalued companies in the auto sector.
4. Banks outside Canada are still undervalued and will be more profitable as the interest rate curve steepens. We are overweight.
5. There are undervalued profitable companies across the globe, including technology companies. We have a systematic process to uncover them.
6. Copper will continue to be a long term play and we are overweight on the Canadian side.

Bearish plays:

7. We are avoiding yield plays and anything real estate related. Interest rates will continue to rise across the globe.
8. We continue to be underweight gold and silver, given its decade long rise.
9. Insurance around the world has hit a peak in the cycle, and we do not see the investment case of most of these companies across the world.



2013 Year-to-Date

As of July 11th, we are slightly ahead of the TSX, which is up.

On global equity, we are up 19% USD (26% in Canadian dollars), about 6% above the world stock market index.

Global small cap is up about 6%, behind the world stock market, but well ahead of the TSX and Canadian small cap indices, and therefore a good investment this year.

The Canadian bond index is down year-to-date. Rising rates will continue to drive bond prices lower.

