

July 5, 2016

Hello everyone,

This is the monthly advisor update of the **AlphaDelta Growth of Dividend Income Class** (“ADGoDIC” or the “Fund”) from SciVest Capital Management Inc. (the sub-advisor to the Fund).

**Attached is the ADGoDIC Portfolio Disclosure Page.** The front-side of the Portfolio Disclosure Page shows all of the current stock holdings of the ADGoDIC, as well as some descriptive, dividend and valuation characteristics for each portfolio holding – plus overall portfolio averages. The back-side of the Page shows a number of relevant pie charts depicting overall ADGoDIC portfolio exposures and characteristics such as sector, market capitalization, dividend yield and dividend growth “bucket” exposures.

As shown on the front of the Portfolio Disclosure Page, **across the Fund’s current holdings, the weighted average gross dividend yield is 3.59% per annum with impressive double-digit trailing 1, 3 and 5-year dividend growth rates (13.5%, 15.8% and 18.3%, respectively).** The 3.6% average dividend yield compares to a portfolio weighted average forward earnings per share yield of 8.4% (**234% dividend coverage**) and forward cashflow yield of 11.4% (**318% dividend coverage**). Regarding valuation, the portfolio weighted average 12-month forward price-to-earnings ratio is 15.0x and the average 12-month forward price-to-cash-flow ratio is 10.4x.

As always, the ADGoDIC portfolio is well diversified across sectors and industry groups with **the largest sector allocation (consumer discretionary) currently at 21.3%** (note that we break REITs out of the overall Financial Sector in the sector exposures pie chart, given their unique risk characteristics). In order of size, we have the following exposures to the Bloomberg defined Sectors (plus REITs): 21.3% Consumer Discretionary, 18.9% Financials, 10.9% Technology, 9.9% Industrials, 9.0% Health Care, 7.7% Energy, 5.8% REITs, 5.5% Communications, 5.1% Materials, 3.6% Consumer Staples, and 0% Utilities.

On an individual stock holding basis, we currently hold a **diversified portfolio of 81 equity positions.** During the month of June, we **initiated no new positions.** In addition, we **did not increase (by more than 0.5%)** any of our existing positions. During June, we **eliminated** our positions LaSalle Hotel Properties (LHO) and in Ventas Inc (VTR). During June we **did not decrease (by more than 0.5%)** any other positions.

Since our objective within the ADGoDIC is income/distribution growth, our monthly commentaries focus on growth of dividends amongst Fund holdings as opposed to short-term capital returns. In particular, each month we report those Fund holdings which declared dividend increases during the prior month, as well as those holdings we expect to declare dividend increases in the next month. Recall that one of our fundamental beliefs is that, if we can select stocks which consistently increase their dividends into the future, then price appreciation must eventually follow – that is, long-term price appreciation is a *consequence* of consistent earnings and dividend growth.

Amongst our current ADGoDIC holdings, [during the month of June 2016 we received three \(3\) declared dividend increases averaging an announced increase of 14.1% quarter-over-quarter \(“QoQ”\) and 21.8% year-over-year \(“YoY”\),](#) relative to those already known at the end of the prior calendar month.

No.	Company Name	Ticker Symbol	Current Ind Div Yld (% p.a.)	QoQ Div Increase (%)	YoY Div Increase (%)	Relative to Expected
1	Broadcom Ltd	AVGO	1.3	2.0	25.0	☹️
2	Discover Financial Services	DFS	2.2	7.1	7.1	☹️
3	Morgan Stanley	MS	3.1	33.3	33.3	😊😊😊
<b>Average</b>			<b>2.2</b>	<b>14.1</b>	<b>21.8</b>	

During June we received a modestly disappointing 2% quarter-over-quarter dividend increase from Broadcom Ltd., the large-cap, Singapore-based, semi-conductor and integrated circuit manufacturer. Nevertheless, Broadcom (formerly Avago Technologies, renamed after Avago acquired Broadcom) has increased its dividend every quarter for the last 23 consecutive quarters, since it began paying a dividend. The most recent year-over-year dividend increase for Broadcom was a healthy 25%.

At the end of June, the US Federal Reserve released this year’s CCAR (Comprehensive Capital Analysis and Review) stress test results for many of the larger US banks including three (3) of our holdings: Discover Financial Services, Morgan Stanley and JPMorgan Chase (JPM). All major US firms passed the CCAR stress-tests (a couple of foreign banks did not), allowing many of them to increase dividends and/or increase stock buy-back programs.

Discover Financial Services (credit card issuer and lender) increased its dividend by a disappointing 7.1% year-over-year. We view this as disappointing relative to its low current yield of 2.2%, its high current earning yield of 11% (9% cash-flow yield), and its trailing three (3) year dividend per share grow rate of 28% p.a. Nevertheless, Discover did also announce a \$1.95 billion share buyback program, representing up to 8.8% of its current shares outstanding.

JPMorgan raised their dividend last quarter by 9% and thus maintained their dividend for the next quarter; however, JPMorgan did increase its stock buyback program to up to \$10.6 billion representing up to 4.7% of their current shares outstanding.

Finally, Morgan Stanley exceeded even our lofty expectations announcing a 33.3% year-over-year dividend per share increase thereby taking its dividend yield from 2.3% to 3.1% p.a. In addition, Morgan Stanley announced a \$3.5 billion share buyback program, representing up to 7.0% of its current shares outstanding. At current prices, with these announcements and given we believe that capital markets activity is increasing, Morgan Stanley is now one of our favourite financial firms.

During July 2016, we are expecting at least three (3) dividend increase announcements from our current holdings:

No.	Name	Ticker Symbol	Current Ind Div Yld (% p.a.)	Est. Announce Date	Est. Div Increase (%)
1	Cummins Inc.	CMI	3.5	July 12	5-8
2	Harmon International	HAR	1.9	July 28	6-14
3	Skyworks Solutions Inc	SWKS	1.7	July 14	15-20

While we are only expecting three (3) dividend increase announcements this month, all three (3) will be very interesting to observe. First, Cummins, the large diesel engine manufacturer, is expected to increase its dividend. While Cummins has been increasing its dividend consistently at a 25% p.a. rate for five (5) consecutive years, we do not expect anywhere near this rate of increase this year or in the medium term future. This is because Cummins' business has over the past year turned largely negative due to a significant and sudden contraction (of up to 25%) in North American truck sales (partially due to lower gas prices). As a result, earnings have started contracting, although this contraction has partially been offset by falling commodity prices and cost cutting endeavours. In addition, with the sizable dividend increases the past five (5) years, Cummins' dividend payout ratio is now approaching 50%, a level at which dividend increases for companies such as Cummins begins to reflect primarily earnings per share growth – which again is expected to stagnate this year into next year. As a result, we are expecting a modest 5% to 8% dividend increase, and would be very pleased with any increase in the high single digits.

We had expected Harmon International to announce their dividend increase at the end of June, as it has in each of the past five (5) years. Its next dividend does not go ex until mid-August; thus, their announcement may be either this month or early next month. Harmon International's stock price has been quite weak in the past year, along with most automobile related companies, and the Brexit vote added to this weakness. Nevertheless, Harmon is expected to continue to grow its earnings in the low double-digits for several years to come and thus we will be looking for management to pass at least this much growth back into Harmon's dividend per share.

Finally, we are expecting a substantial dividend increase from Skyworks Solutions, the fast growing wireless/mobile semiconductor company who is also an Apple iPhone supplier. In addition to strong earnings growth, we expect Skyworks to continue to increase its dividend payout ratio. Thus, we are expecting a substantial dividend increase in the 15% to 20% range from Skyworks.

Always remember our primary message: **"Growing income", as opposed to "fixed income", is the only means of maintaining the purchasing power of your (or your client's) income stream over the years to come.**

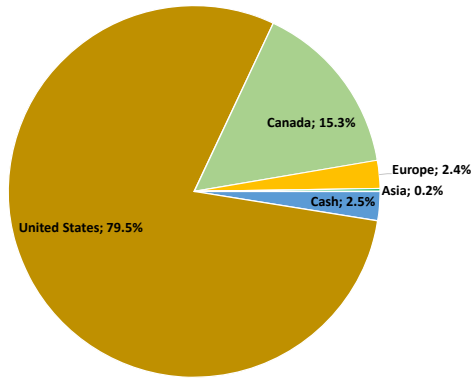
If you would like more information regarding the **AlphaDelta Growth of Dividend Income Class** and its current portfolio (including the up-to-date presentation piece), please feel free to contact me directly or alternatively contact AlphaDelta Management Corp. ( [www.AlphaDelta.com](http://www.AlphaDelta.com) ).

Thank you for your continued interest in the Fund,

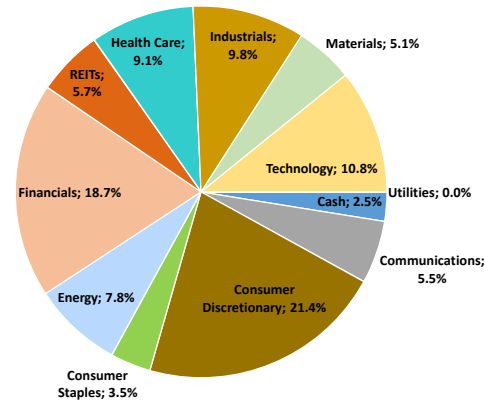
John J. Schmitz, Ph.D., CFA



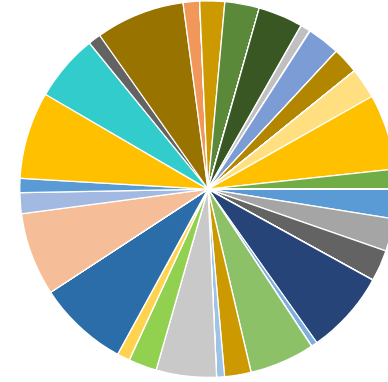
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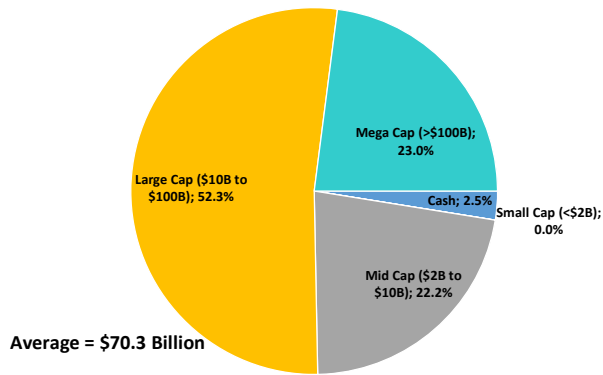
**BICS SECTOR**



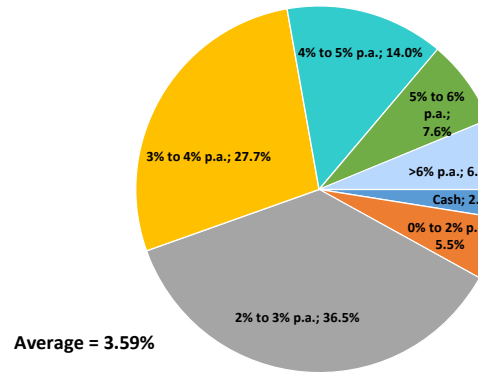
**BICS INDUSTRY GROUP**



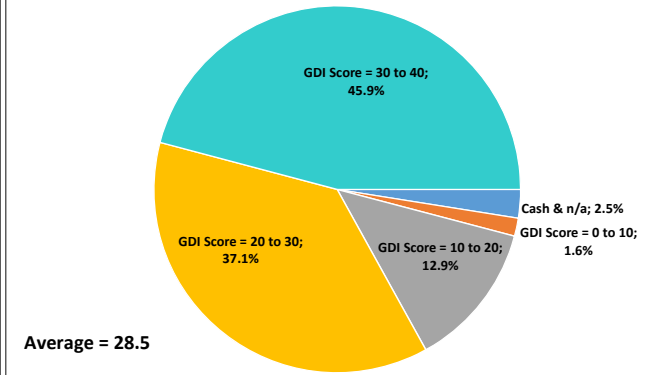
**MARKET CAP BUCKETS (CA\$)**



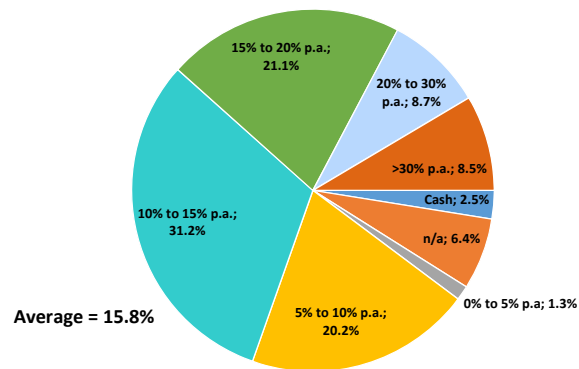
**DIVIDEND YIELD BUCKETS**



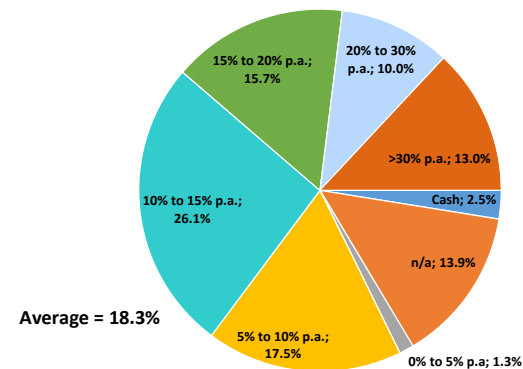
**SCI VEST GDI SCORE BUCKETS**



**3 YEAR DIVIDEND GROWTH BUCKETS**



**5 YEAR DIVIDEND GROWTH BUCKETS**



**10 YEAR DIVIDEND GROWTH BUCKETS**

