

AlphaDelta Canadian Growth of Dividend Income Class Quarter 3, 2019, Commentary

Hello everyone,

This is the quarterly advisor update of the **AlphaDelta Canadian Growth of Dividend Income Class** (“CGoDI” or the “Fund”) from SciVest Capital Management Inc., the sub-advisor of the Fund.

Attached to this commentary is the CGoDI Portfolio Disclosure as of the end of the quarter. The first page of the Portfolio Disclosure shows all of the current stock holdings of the Fund, as well as some descriptive, dividend and valuation characteristics for each portfolio holding – plus overall portfolio averages. The second page of the Portfolio Disclosure shows a number of relevant pie charts depicting overall CGoDI portfolio exposures and characteristics such as sector, market capitalization, dividend yield and dividend growth “bucket” exposures. We also publish and post on our website a *monthly* CGoDI Portfolio Disclosure (<http://scivest.com/strategies/manager-commentary>).

Portfolio Income and Income Growth:

The two primary **objectives of the Fund are to provide its shareholders with: (i) a consistent, and above average, annual distribution yield; *and* (ii) growth in the absolute level of distributions per share through time (i.e., income growth).**

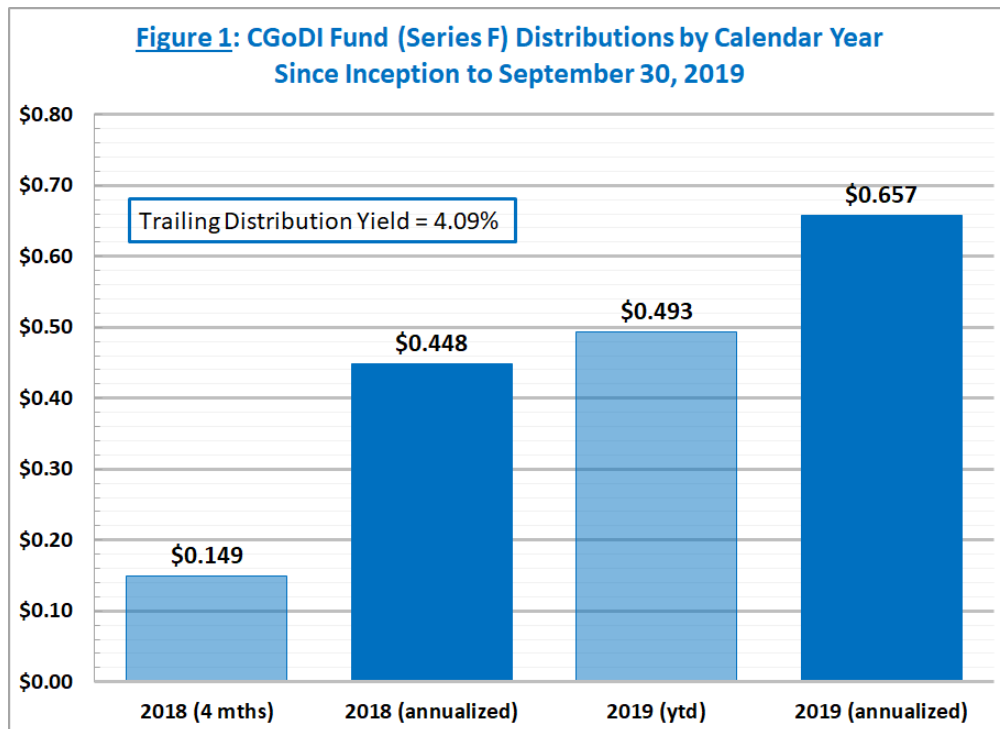
We attempt to deliver on these Fund-level objectives by investing in a Canadian (approximately 80% of net asset value) and US (approximately 20% of net asset value) portfolio of equities which, on average, pay a higher than average dividend yield and which are growing their dividends per share at a relatively high rate (in the context of their current yield). As shown in the Portfolio Disclosure, **across the Fund’s current holdings, the weighted average gross dividend yield is 4.5% per annum** (versus 3.1% for the S&P/TSX Composite Index and 1.9% for the Russell 1000 Index) **with impressive double-digit trailing 1, 3 and 5-year dividend growth rates of 10.6%, 13.9% and 14.2%, respectively.**

This 4.5% average portfolio dividend yield is well covered by company earnings and cash-flow. Specifically, the 4.5% average dividend yield compares to a portfolio weighted average forward earnings per share yield of 9.7% (**i.e., 216% dividend coverage by earnings**) and forward cashflow yield of 14.2% (**i.e., 316% dividend coverage by cash-flow**).

The Fund has a distribution policy whereby it distributes to its shareholders on a month-end basis *every dollar* (and no more) of dividend income (net of any dividend withholding taxes) accrued by the Fund during the month. As a result, monthly income varies with the dividend cycle of the Fund’s holdings, but the distributions perfectly reflect the true dividend income received by the Fund. Thus, the Fund does not experience the typical net asset value per share “grind” that other funds experience when their distributions are set higher than the income they actually receive. And, since the distributions are a true reflection of the income received by the Fund, they can be used to judge the true income generation and income growth capability of the Fund.

At the Fund-level, **the trailing 12-month distribution yield of the Fund (Series F shares) as of September 30th is a solid and above average 4.1%**. Note that this distribution yield is also quite tax efficient, as compared to most other income alternatives. Importantly, while the Fund strategy is only marginally over one-year old, this trailing 12-month 4.1% distribution income yield is already growing.

Figure 1 below shows the total distributions for the Fund (Series F shares) for each calendar year since the inception date of the Fund. Again, note that these distributions per Fund share reflect true underlying income growth resulting from the Fund’s portfolio of dividend-paying equities that themselves have grown their dividends per share while held by the Fund.



The **current Fund distribution yield of 4.1%** also compares very favourably with the **September 30th yield of 1.4%** on the benchmark 10-year Government of Canada bond. **Even with 3x the yield of the 10-year bond, the Fund’s income is growing – whereas, of course, a 10-year bond’s income does not ever grow.** In addition, the Fund’s distributions are *far more* tax efficient (in taxable accounts) than a bond’s income.

Current Portfolio:

The **CGoDI portfolio is, as always, very different from its benchmark (85% S&P/TSX Composite Index plus 15% Russell 1000 Index) with a current Active Share of 78.3%** – meaning that 78.3% of weights of our portfolio holdings do not overlap with the Fund’s Index benchmark (alternatively, only 21.7% of the weights of the CGoDI portfolio holdings overlap with the Fund’s benchmark). This means that the CGoDI portfolio should provide diversification and differentiation within an otherwise diversified portfolio.

The current CGoDI portfolio is itself well diversified across sectors and industry groups with **the largest sector allocation (Financials) currently at 31.2%**. In order of size, we have the following exposures to the Bloomberg

defined sectors (plus Real Estate): 31.2% Financials, 18.4% Energy, 10.6% Consumer Discretionary, 9.2% Industrials, 7.6% Real Estate, 5.3% Health Care, 3.7% Utilities, 3.6% Consumer Staples, 3.3% Technology, 1.0% Communications, and 0.0% Materials.

On an individual stock holding basis, we currently hold a **portfolio of 34 dividend paying equity positions**. The top 10 individual equity holdings represent 50.8% of the Fund's assets and are in descending order of size: Brookfield Property Partners (BPY.U, 7.6%), Bank of Nova Scotia (BNS, 7.0%), Fiera Capital Corp (FSZ, 6.8%), Manulife Financial Corp (MFC, 6.5%), Suncor Energy Inc (SU, 4.3%), Aecon Group Inc (ARE, 4.3%), NFI Group Inc (NFI, 4.3%), Canadian Tire Corp (CTC.A, 3.5%), Toronto-Dominion Bank (TD, 3.4%), and Enbridge Inc (ENB, 3.2%). (See entire CGoDI portfolio attached hereto.)

A byproduct of the sub-advisor's growing income investment strategy is that the CGoDI portfolio typically has better (i.e., cheaper) valuations than the overall equity markets. Currently, the portfolio weighted **average 12-month forward price-to-earnings ratio is 12.9x** (versus 14.6x for the S&P/TSX Composite Index and 17.2x for the Russell 1000 Index) and the **average 12-month forward price-to-cash-flow ratio is 7.7x** (versus 8.6x for the S&P/TSX Composite Index and 11.9x for the Russell 1000 Index).

Portfolio Changes and Movers:

During the third quarter, we **initiated no new positions, nor did we increase (by at least 1.0%) any of our existing positions**.

During the third quarter we **eliminated our position** in Invesco Ltd (IVZ). We typically eliminate positions when their forward-looking dividend growth becomes less promising (due to a number of potential reasons) and/or their valuations become excessively high (and thus dividend yields low). We also **decreased (by at least 1.0%) our existing positions** in NFI Group Inc (NFI) and TC Energy Corp (TRP).

Amongst the CGoDI portfolio holdings (that were held through the entire quarter), the five (5) **highest returns during the third quarter** (in descending order) were: Lam Research Corp (LRCX, +23.0%), Brookfield Infrastructure (BIP-U, +16.9%), CVS Health Corp (CVS, +15.7%), Boralex Inc (BLX, +14.9%), and IA Financial Corp Inc (IAG, +13.0%). Amongst the CGoDI holdings (that were held through the entire quarter), the five (5) **lowest returns during the third quarter** were: Enerflex Ltd (EFX, -31.8%), NFI Group Inc (NFI, -23.8%), Prudential Financial Inc (PRU, -10.9%), Fiera Capital Corp (FSZ, -8.7%), and Magellan Aerospace Corp (MAL, -8.7%).

Market Commentary:

With the backdrop of a US-China trade war, Brexit and slowing global growth, interest rates are in the spotlight and appear to be leading stock market returns. On the short end of the yield curve, the US Federal Reserve delivered a widely anticipated 0.25% Fed Funds interest rate cut (to 2.00%/2.25% from 2.25%/2.50%) in late July – its first rate cut in eleven years, and the first since the Great Recession. The US Federal Reserve cut another 0.25% (to 1.75%/2.00%) at their mid-September meeting. And, the markets now expect even more US Federal Reserve Fed Funds interest rate cuts this year, with a current 91% probability of another 0.25% (to 1.50%/1.75%) cut at their October 30th meeting (the Bank of Canada is not expected to reduce short-term rates at their next meeting).

For the longer side of the yield curve, Figure 2 below shows the current 5-year, 10-year and 30-year government bond yields for five of the more important countries in the world. Canada and US interest rates are amongst the highest within the developed world at 1.5% and 1.7% per annum, respectively, for 10-year bonds. What is interesting, and painful for fixed income investors, is that these 10-year interest rates are likely going to be less than the inflation rate – meaning that “real yields” (nominal bond yield minus inflation rate) are negative. On the other hand, the CGoDI portfolio average gross dividend yield of 4.5% per annum is 3x the 10-year bond yield.

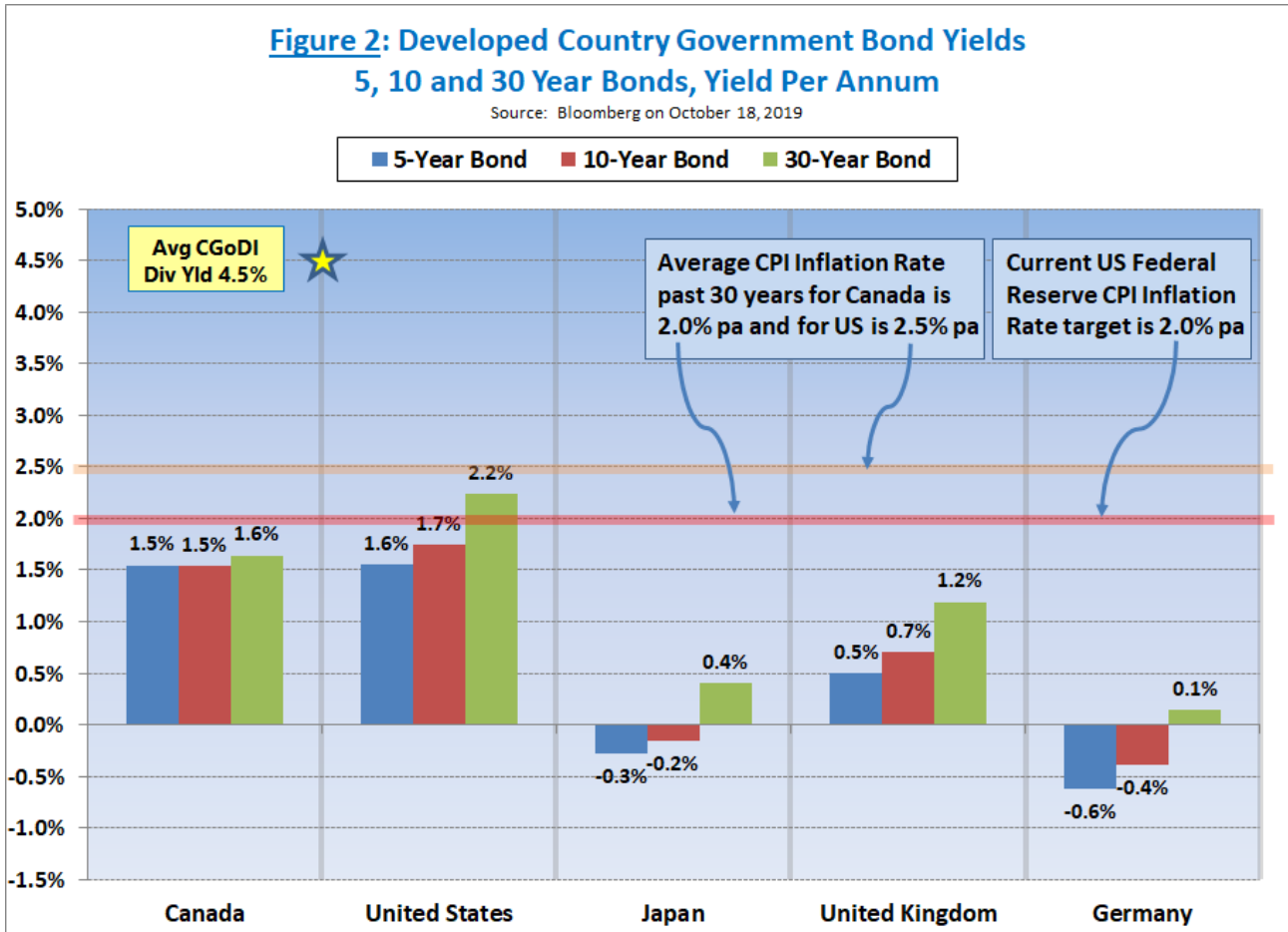


Figure 3 below shows the Canadian 10-year bond yield over the past 30 years. The trend is clear, and has imposed extreme difficulty for investors who require safe income in order to live. While it is difficult to imagine that Canadian interest rates could go any lower, having fallen almost 90% from the early 1990’s, 10-year bond yields are currently much lower, and in many cases negative, in other developed countries (see Figure 2 above).

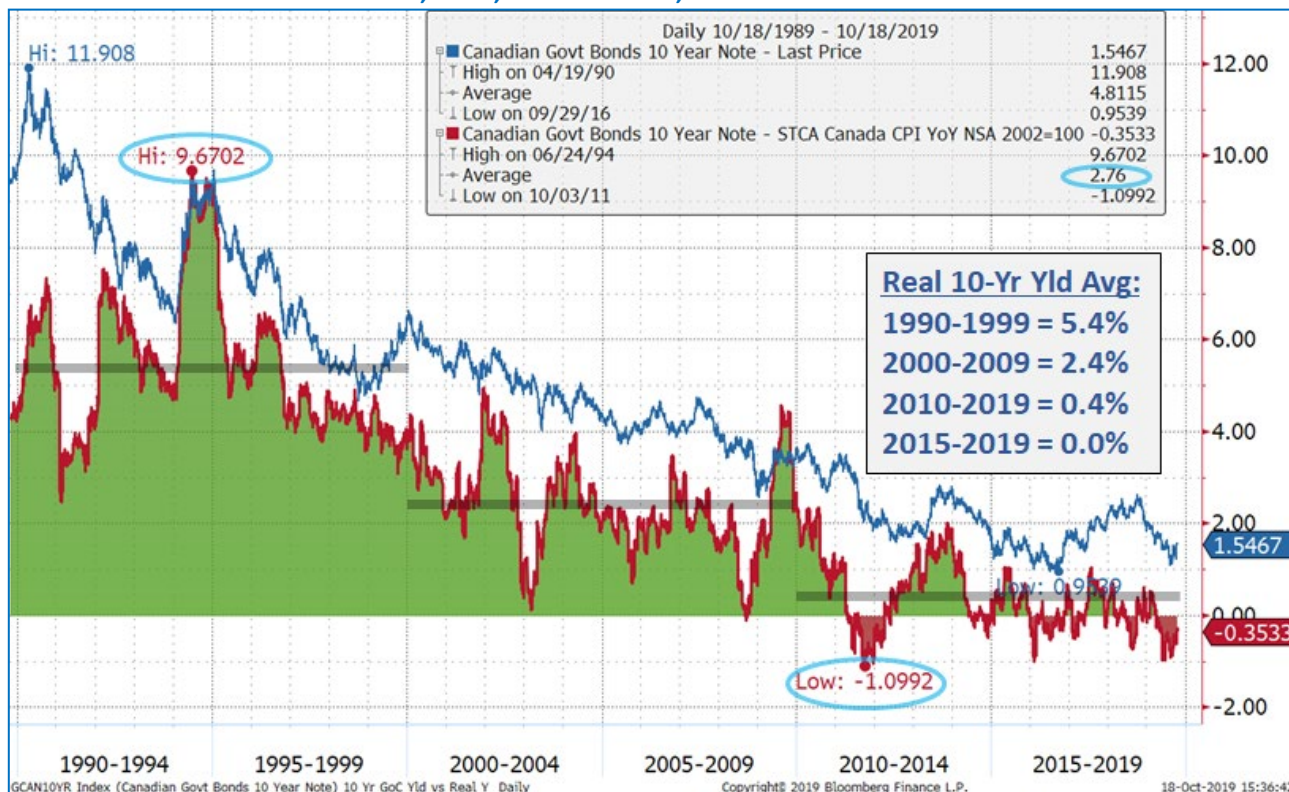
Figure 3: Government of Canada 10-Year Bond Yield for the Past 30 Years – October 18, 1989, to October 18, 2019.



Figure 4 below shows the “real” Government of Canada 10-year bond yield over the past 30 years (the bold red line in the figure), where we define “real” Government of Canada 10-year bond yield as the nominal Government of Canada 10-year bond yield less the trailing Canadian year-over-year CPI inflation rate. It is the interest rate an investor receives after allowing for inflation. It is important to note that inflation consumes the purchasing power of the capital invested in the bonds – as a result, interest rates (even “risk-free” interest rates) throughout most of history are typically much higher than the inflation rate (otherwise the investor would actually be losing money on a net of inflation basis).

As shown in Figure 4, the real Government of Canada 10-year bond yield has fallen in lockstep with nominal yields – that is, the rate of inflation has not been falling with nominal interest rate. During the 1990’s the real 10-year bond yield was a solid 5.4% per annum – however, it fell by more than half to 2.4% during the 2000’s and fell significantly again to only 0.4% over the past decade. In fact, over the past five (5) years, the real Government of Canada 10-year bond yield has averaged 0.0% per annum. Unfortunately, it is now a terrible time to be a fixed income investor (even if rates continue to fall and bonds prices continue to increase). Fortunately, many common stocks now offer dividend yields that are much higher than bond yields (albeit with higher volatility risk) and dividend yields which are also much higher than the CPI inflation rates (i.e., positive real dividend yields). In addition, these yields may growth through time thereby offering income growth and capital appreciation – neither of which bonds can offer.

Figure 4: Government of Canada 10-Year Bond Yield Minus the Trailing Year-Over-Year CPI Inflation Rate for the Past 30 Years – October 18, 1989, to October 18, 2019.



Q2-2019 Dividend Announcements:

Since income and income growth are the Fund’s primary objectives, each quarter we report those Fund holdings which declared dividend changes during the prior calendar quarter. Recall also 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.**

No.	Company Name	Ticker Symbol	Current Ind Div Yld (% per annum)	QoQ Div Increase (%)	YoY Div Increase (%)
1	Bank of Nova Scotia	BNS	4.8	3.4	5.9
2	Capital Power Corp	CPX	6.3	7.3	7.3
3	CitiGroup Inc	C	3.0	13.3	13.3
4	Exchange Income Corp	EIF	5.5	4.1	4.1
5	Keyera Corp	KEY	6.0	6.7	6.7
6	Lam Research Corp	LRCX	2.0	4.5	4.5
7	Morgan Stanley	MS	3.3	16.7	16.7
Average			4.4	8.0	8.4

As shown above, amongst our current 34 CGoDI holdings, during the calendar quarter ending September 30th, 2019, we received seven (7) declared dividend increases averaging an announced increase of 8.0% quarter-over-quarter (“QoQ”) and 8.4% year-over-year (“YoY”), relative to those already known at the end of the prior calendar quarter. There were no dividend decreases during the quarter.

Across the seven (7) dividend increases last quarter, we observe a strong yield-to-growth combination with an average dividend per share growth rate of 8.4% against an average dividend yield of 4.4% – precisely what the Fund attempts to achieve with its portfolio holdings.

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 and decades to come.

If you would like more information regarding the **AlphaDelta Canadian 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).

Thank you for your continued interest in the Fund,

John J. Schmitz

John J. Schmitz, Ph.D., CFA



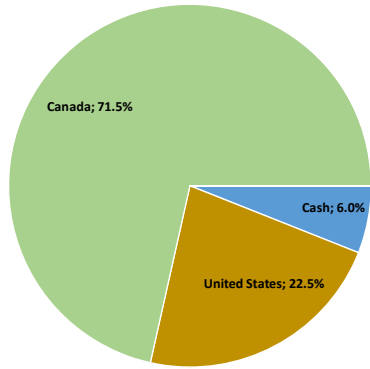
No.	Ticker	List Type	Company Name	Portfolio Weight	Country of Domicile	BICS Sector	BICS Industry	Market Cap (\$B CAD)	Div Yld Indicated (% p.a.)	Ind Div PS 1 Year Growth (% p.a.)	Ind Div PS 1 Year Time Series	Ind Div PS 3 Year Growth (% p.a.)	Ind Div PS 3 Year Time Series	Ind Div PS 5 Year Growth (% p.a.)	Ind Div PS 5 Year Time Series	SciVest GDI Score	12-Mth Forward EPS Yld (% p.a.)	12-Mth Forward CF Yld (% p.a.)	12-Mth Forward P/E	12-Mth Forward P/CF
				94.0%																
1	BPY-U	CA	BROOKFIELD PROPERTY PARTNERS	7.6%	US	Financials	Real Estate Owners & Develepe	26.8	6.5	4.8		5.6		5.7		26.2	8.1	n/a	12.4	n/a
2	BNS	CA	BANK OF NOVA SCOTIA	7.0%	CA	Financials	Diversified Banks	91.8	4.8	5.9		6.7		6.4		27.7	10.0	10.1	10.0	9.9
3	FSZ	CA	FIERA CAPITAL CORP	6.8%	CA	Financials	Investment Management	1.0	8.2	5.0		9.5		11.8		40.0	13.8	14.2	7.3	7.0
4	MFC	CA	MANULIFE FINANCIAL CORP	6.5%	CA	Financials	Life Insurance	47.3	4.1	13.6		10.6		10.0		34.7	12.8	12.8	7.8	7.8
5	SU	CA	SUNCOR ENERGY INC	4.3%	CA	Energy	Integrated Oils	65.0	4.0	16.7		13.1		8.4		32.5	7.7	18.1	13.0	5.5
6	ARE	CA	AECON GROUP INC	4.2%	CA	Industrials	Infrastructure Construction	1.1	3.2	16.0		8.0		10.0		31.5	7.0	17.0	14.2	5.9
7	NFI	CA	NFI GROUP INC	4.2%	CA	Industrials	Commercial Vehicles	1.8	6.0	13.3		21.4		23.8		21.7	10.9	17.7	9.1	5.7
8	CTC/A	CA	CANADIAN TIRE CORP-CLASS A	3.5%	CA	Consumer Discretionary	Automotive Retailers	9.4	2.8	15.3		21.7		15.7		31.3	9.7	17.6	10.3	5.7
9	TD	CA	TORONTO-DOMINION BANK	3.4%	CA	Financials	Banks	140.6	3.8	10.4		10.4		9.5		32.2	9.4	10.0	10.6	10.0
10	ENB	CA	ENBRIDGE INC	3.2%	CA	Energy	Midstream - Oil & Gas	94.1	6.3	10.0		11.7		16.1		27.0	5.5	10.2	18.0	9.8
11	PBH	CA	PREMIUM BRANDS HOLDINGS CORP	3.1%	CA	Consumer Staples	Packaged Food	3.5	2.3	10.5		11.4		10.9		22.4	4.9	7.4	20.4	13.4
12	IAG	CA	IA FINANCIAL CORP INC	3.1%	CA	Financials	Life Insurance	6.4	3.0	8.4		12.0		11.6		26.9	10.5	n/a	9.6	n/a
13	PPL	CA	PEMBINA PIPELINE CORP	3.0%	CA	Energy	Midstream - Oil & Gas	25.1	4.9	5.3		7.7		6.6		32.9	5.6	10.1	17.8	9.9
14	MRE	CA	MARTINREA INTERNATIONAL INC	2.9%	CA	Consumer Discretionary	Auto Parts	0.9	1.6	0.0		14.5		8.4		11.0	25.4	44.6	3.9	2.2
15	CNQ	CA	CANADIAN NATURAL RESOURCES	2.8%	CA	Energy	Exploration & Production	41.9	4.3	11.9		17.7		10.8		37.1	7.8	24.8	12.9	4.0
16	ABBV	US	ABBVIE INC	2.8%	US	Health Care	Large Pharma	148.2	5.7	11.5		23.4		20.6		32.4	12.4	16.1	8.0	6.2
17	TRP	CA	TC ENERGY CORP	2.5%	CA	Energy	Midstream - Oil & Gas	64.0	4.4	8.7		9.9		9.3		31.8	6.0	10.6	16.5	9.5
18	CVS	US	CVS HEALTH CORP	2.5%	US	Health Care	Health Care Supply Chain	108.6	3.2	10.0		5.6		12.7		21.3	11.0	13.4	9.1	7.4
19	MG	CA	MAGNA INTERNATIONAL INC	2.0%	CA	Consumer Discretionary	Auto Parts	21.9	2.7	10.6		13.4		13.9		18.5	12.2	20.8	8.2	4.8
20	BIP-U	CA	BROOKFIELD INFRASTRUCTURE PA	1.8%	CA	Utilities	Utility Networks	26.0	4.1	6.9		8.5		9.4		30.2	2.2	7.9	44.9	12.7
21	LRCX	US	LAM RESEARCH CORP	1.7%	US	Technology	Semiconductor Mfg	44.3	2.0	4.5		56.5		44.9		24.8	6.0	6.1	16.7	16.5
22	AVGO	US	BROADCOM INC	1.6%	US	Technology	Semiconductor Devices	145.0	3.8	51.4		74.4		55.7		23.3	8.3	10.3	12.1	9.7
23	C	US	CITIGROUP INC	1.6%	US	Financials	Diversified Banks	206.6	3.0	13.3		47.2		100.0		32.4	11.6	13.8	8.7	7.2
24	EIF	CA	EXCHANGE INCOME CORP	1.5%	CA	Consumer Discretionary	Airlines	1.3	5.5	4.1		4.3		6.3		30.4	8.6	18.1	11.6	5.5
25	MS	US	MORGAN STANLEY	1.5%	US	Financials	Institutional Brokerage	93.4	3.3	16.7		20.5		28.5		38.1	11.3	11.6	8.9	8.6
26	PRU	US	PRUDENTIAL FINANCIAL INC	1.4%	US	Financials	Life Insurance	47.9	4.4	11.1		12.6		13.5		40.0	14.1	17.8	7.1	5.6
27	KEY	CA	KEYERA CORP	1.4%	CA	Energy	Midstream - Oil & Gas	6.9	6.0	6.7		6.5		8.3		31.4	6.3	11.7	15.9	8.5
28	EFX	CA	ENERFLEX LTD	1.1%	CA	Energy	Oil & Gas Services & Equip	1.0	3.6	10.5		7.3		7.0		24.6	13.9	26.3	7.2	3.8
29	BLX	CA	BORALEX INC -A	1.0%	CA	Utilities	Power Generation	2.0	2.9	4.8		5.6		4.9		11.3	1.1	15.2	91.5	6.6
30	CMCSA	US	COMCAST CORP-CLASS A	1.0%	US	Communications	Cable & Satellite	271.3	1.9	10.5		15.2		13.3		27.0	7.3	13.8	13.6	7.3
31	CPX	CA	CAPITAL POWER CORP	0.9%	CA	Utilities	Power Generation	3.4	6.3	7.3		7.2		7.1		36.4	5.4	19.2	18.6	5.2
32	CCL	US	CARNIVAL CORP	0.8%	US	Consumer Discretionary	Cruise Lines	39.3	4.6	0.0		12.6		14.9		23.5	10.0	18.9	10.0	5.3
33	MAL	CA	MAGELLAN AEROSPACE CORP	0.8%	CA	Industrials	Aircraft & Parts	0.9	2.7	17.6		20.3		20.1		22.9	9.5	n/a	10.5	n/a
34	MFI	CA	MAPLE LEAF FOODS INC	0.5%	CA	Consumer Staples	Packaged Food	3.7	2.0	11.5		17.2		29.4		27.5	4.8	10.5	21.0	9.5
Invested Portfolio Equal Weighted Average				2.76%																
Invested Portfolio Weighted Average				4.02%	52.7	4.05	10.4	16.2	17.2	28.3	9.2	15.4	15.2	7.6						
				48.8	4.50	10.6	13.9	14.2	29.2	9.7	15.1	12.9	7.7							

* Data as of date = September 30, 2019

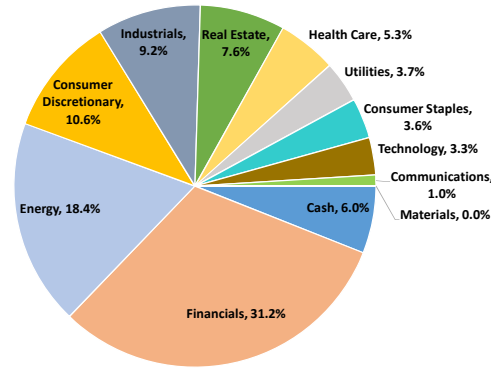
Dividend Coverage = **215%** **335%**

** All data is captured just prior to publication. Data is sourced and derived from Bloomberg and SciVest Capital Management Inc. "BICS Sector" and "BICS Industry" definitions are from the Bloomberg Industry Classification System. "Market Cap" is the current market capitalization of equity. "Div Yld Indicated" is the most recent indicated annualized dividend yield. "Ind Div PS" is the annualized gross amount of the most recent indicated dividend per share. The "Ind Div PS Times Series" charts show the annualized indicated dividend per share on a monthly basis as of each calendar month-end for the stated time period. The "SciVest GDI Score" is SciVest Capital Management Inc.'s proprietary Growth of Dividend Income Score. The SciVest GDI Score ranges from 0 to 40 (higher is better) and captures the magnitude of the combination of current dividend yield and dividend per share growth for each company stock (i.e., the higher the SciVest GDI Score, the higher the companies relative combined dividend yield and dividend growth). "12-Mth Forward P/E" is the ratio of current stock price to Bloomberg's blended 12-month forward aggregate analyst estimate of earnings per share from continuing operations, while "12-Mth Forward EPS Yld" is the inverse of this ratio. "12-Mth Forward P/CF" is the ratio of current stock price to Bloomberg's blended 12-month forward aggregate analyst estimate of cash flow per share, while "12-Mth Forward Cashflow Yld" is the inverse of this ratio. "Portfolio Equal Weighted Average" is the simple arithmetic mean of each data item across all portfolio holdings, and "Portfolio Weighted Average" is the weighted average of each data item where each data point within the average is weighted by the percentage held of each portfolio holding (not including cash). Within the each average calculation, missing values are assigned the average of the remaining data items.

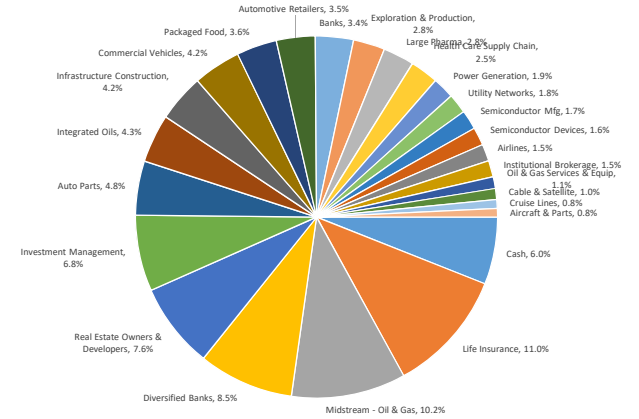
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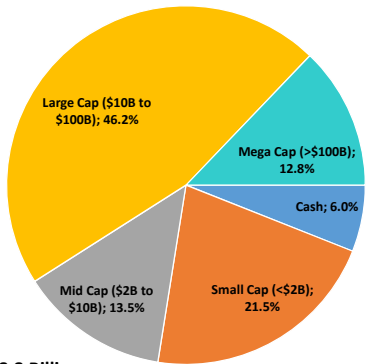
BLOOMBER SECTORS



BLOOMBER INDUSTRY GROUP

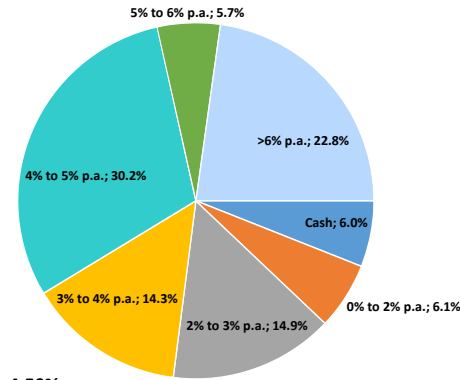


MARKET CAP BUCKETS (CA\$)



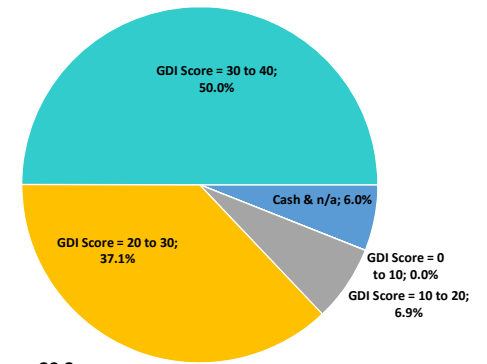
Average = \$48.8 Billion

DIVIDEND YIELD BUCKETS



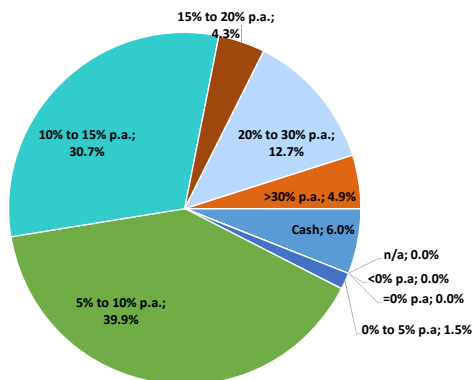
Average = 4.50% p.a.

SCIVEST GDI SCORE BUCKETS



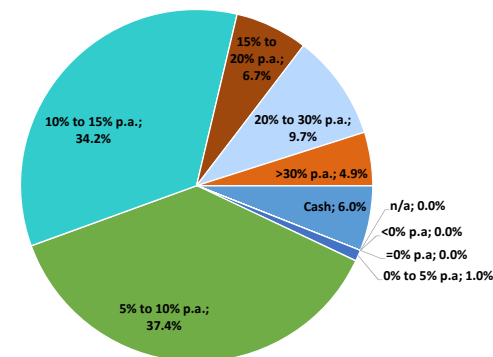
Average = 29.3

3 YEAR DIVIDEND GROWTH BUCKETS



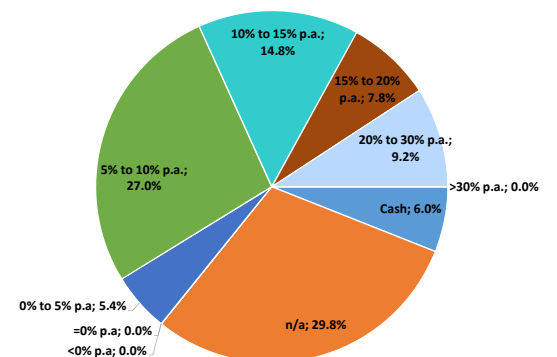
Average = 13.9% p.a.

5 YEAR DIVIDEND GROWTH BUCKETS



Average = 14.2% p.a.

10 YEAR DIVIDEND GROWTH BUCKETS



Average = 11.3% p.a.