

AlphaDelta Canadian Growth of Dividend Income Class Quarter 4, 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 characteristics such as sector, market capitalization, dividend yield and dividend growth “bucket” exposures. We also publish and post on our website a *monthly* version of the CGoDI Portfolio Disclosure document (<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).**

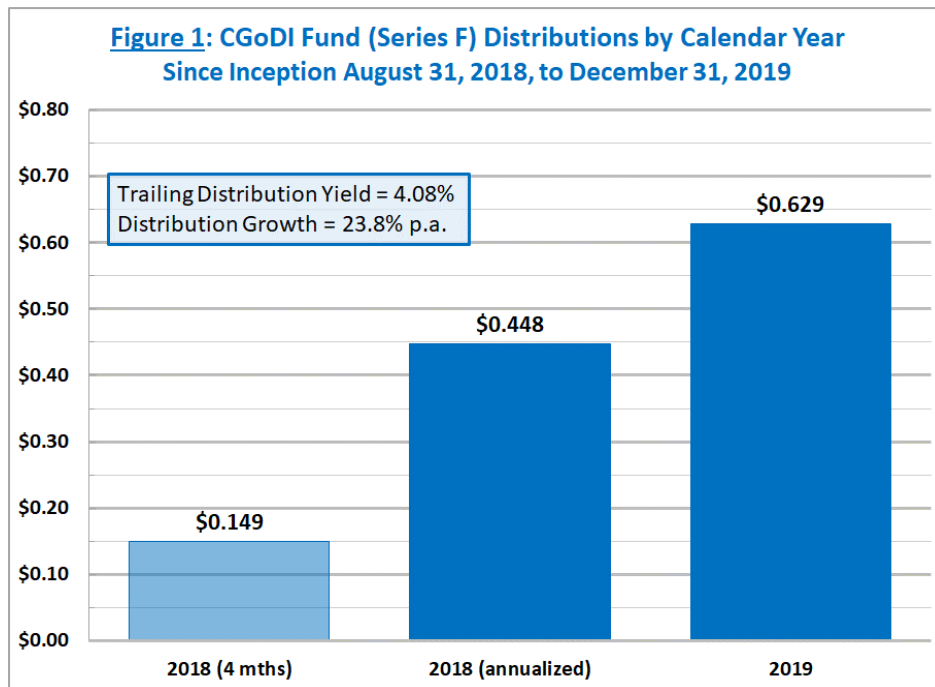
We attempt to deliver on these Fund-level objectives by investing in a Canadian (approximately 80% of net asset value) and US (approximately 20% of net asset value) portfolio of equities which, on average, pay a higher than average dividend yield and which are growing their dividends per share at a relatively 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 4.4% per annum** (versus 3.0% for the S&P/TSX Composite Index and 1.8% for the Russell 1000 Index) **with impressive double-digit trailing 1, 3 and 5-year dividend growth rates of 9.9%, 14.7% and 14.8%, respectively.**

This 4.4% average portfolio dividend yield is well covered by company earnings and cash-flow. Specifically, the 4.4% average dividend yield compares to a portfolio weighted average forward earnings per share yield of 9.1% (**i.e., 206% dividend coverage by earnings**) and forward cashflow yield of 12.7% (**i.e., 288% 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 underlying 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 December 31st 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 at an annualized rate of 23.8%.

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 and 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 [December 31st yield of 1.7% per annum on the benchmark 10-year Government of Canada bond](#) (as of the date of writing this commentary, the 10-year bond yield has fallen below 1.4%). [Even with 2.5x 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 80.2%](#) – meaning that 80.2% of the weights of our portfolio holdings do not overlap with the Fund’s Index benchmark (alternatively, only 19.8% 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 31.7%](#). In order of size, we have the following sector exposures: 31.7%

Financials, 18.4% Energy, 10.4% Consumer Discretionary, 10.3% Industrials, 6.4% Real Estate, 4.9% Health Care, 3.7% Utilities, 3.7% Consumer Staples, 3.0% Information Technology, 0.9% Communication Services, and 0.0% Materials.

On an individual stock holding basis, we currently hold a **diversified portfolio of 33 dividend paying equity positions**. The top 10 individual equity holdings represent 48.9% of the Fund's assets and are in descending order of size: Fiera Capital Corp (FSZ, 6.8%), Manulife Financial Corp (MFC, 6.5%), Bank of Nova Scotia (BNS, 6.5%), Brookfield Property Partners (BPY.U, 6.4%), Suncor Energy Inc (SU, 4.2%), NFI Group Inc (NFI, 4.2%), Aecon Group Inc (ARE, 3.9%), Bank of Montreal (BMO, 3.5%), Canadian Natural Resources (CNQ, 3.5%), and Martinrea International Inc (MRE, 3.4%). (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 13.6x** (versus 15.0x for the S&P/TSX Composite Index and 18.7x for the Russell 1000 Index) and the **average 12-month forward price-to-cash-flow ratio is 11.3x** (versus 8.9x for the S&P/TSX Composite Index and 12.8x for the Russell 1000 Index).

Portfolio Changes and Movers:

During the fourth quarter we **eliminated our positions** in Carnival Corp (CCL), Lam Research Corp (LRCX) and Toronto-Dominion Bank (TD). 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 Brookfield Property Partners (BPY.U) and TC Energy Corp (TRP).

During the fourth quarter, we **initiated new positions** in Bank of Montreal (BMO) and Royal Caribbean Cruises Ltd (RCL) – effectively replacing our positions in Toronto-Dominion Bank and Carnival Corp, respectively. **We also increased (by at least 1.0%) our existing positions** in Broadcom Inc (AVGO) and Keyera Corp (KEY).

Amongst the CGoDI portfolio holdings (that were held through the entire quarter), the five (5) **highest returns during the fourth quarter** (in descending order) were: Martinrea International Inc (MRE, +25.3%), Morgan Stanley (MS, +19.8%), Canadian Natural Resources (CNQ, +19.1%), IA Financial Corp Inc (IAG, +18.3%), and CVS Health Corp (CVS, +17.8%). Amongst the CGoDI holdings (that were held through the entire quarter), the five (5) **lowest returns during the fourth quarter** were: Maple Leaf Foods Inc (MFI, -12.9%), Brookfield Property Partners (BPY.U, -11.8%), Canadian Tire Corp (CTC.A, -6.0%), Magellan Aerospace Corp (MAL, -5.6%), and NFI Group Inc (NFI, -5.2%).

Q4-2019 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**. We believe that: **"if you get the dividends right, then you will get the share prices right."**

Amongst our current 33 CGoDI holdings, during the calendar quarter ending December 31st, 2019, we received eight (8) declared dividend increases averaging an announced increase of 9.3% quarter-over-quarter (“QoQ”) and 10.4% 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.

No.	Company Name	Ticker Symbol	Current Ind Div Yld (% per annum)	QoQ Div Increase (%)	YoY Div Increase (%)
1	Abbvie Inc	ABBV	5.3	10.3	10.3
2	Bank of Montreal	BMO	4.2	2.9	6.0
3	Broadcom Inc	AVGO	4.1	22.6	22.6
4	Canadian Tire Corp	CTC.A	3.3	9.6	9.6
5	Enbridge Inc	ENB	6.3	9.8	9.8
6	Enerflex Ltd	EFX	3.8	9.5	9.5
7	Magellan Aerospace Corp	MAL	3.0	5.0	5.0
8	Pembina Pipeline Corp	PPL	5.2	5.0	10.5
Average			4.4	9.3	10.4

Across the 8 dividend increases last quarter, we **observe a very strong growth-to-yield combination with an average dividend per share growth rate of 10.4% year-over-year against an average dividend yield of 4.4% per annum** – 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

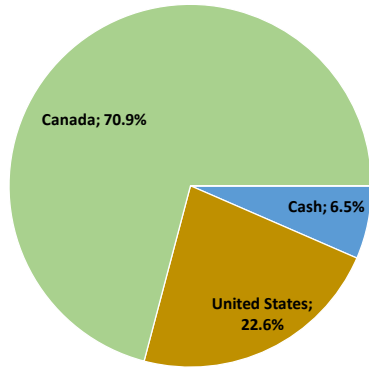
No.	Ticker	List Type	Company Name	Portfolio Weight	Country of Domicile	Sector	Industry	Market Cap (\$B CAD)	Div Yld Indicated (% p.a.)	Ind Div PS 1 Year Growth (% p.a.)	Ind Div PS 1 Year Time Series	Ind Div PS 3 Year Growth (% p.a.)	Ind Div PS 3 Year Time Series	Ind Div PS 5 Year Growth (% p.a.)	Ind 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
				93.5%																
1	FSZ	CA	FIERA CAPITAL CORP	6.8%	CA	Financials	Capital Markets	1.2	7.2	5.0		9.5		11.8		35.5	12.7	11.8	7.9	8.5
2	MFC	CA	MANULIFE FINANCIAL CORP	6.5%	CA	Financials	Insurance	51.4	3.8	0.0		10.6		10.0		22.3	11.8	n/a	8.5	n/a
3	BNS	CA	BANK OF NOVA SCOTIA	6.5%	CA	Financials	Banks	89.2	4.9	5.9		6.7		6.4		28.2	10.0	10.1	10.0	9.9
4	BPY-U	CA	BROOKFIELD PROPERTY PARTNERS	6.4%	US	Real Estate	Real Estate Management & Devel	23.8	7.4	4.8		5.6		5.7		29.0	0.0	n/a	n/a	n/a
5	SU	CA	SUNCOR ENERGY INC	4.2%	CA	Energy	Oil, Gas & Consumable Fuels	65.7	3.9	16.7		13.1		8.4		32.6	7.1	16.9	14.1	5.9
6	NFI	CA	NFI GROUP INC	4.2%	CA	Industrials	Machinery	1.7	6.4	13.3		21.4		23.8		28.5	9.3	n/a	10.7	n/a
7	ARE	CA	AECON GROUP INC	3.9%	CA	Industrials	Construction & Engineering	1.1	3.3	16.0		8.0		10.0		24.3	7.4	n/a	13.5	n/a
8	BMO	CA	BANK OF MONTREAL	3.5%	CA	Financials	Banks	64.3	4.2	6.0		7.2		6.3		22.2	9.8	10.8	10.2	9.3
9	CNQ	CA	CANADIAN NATURAL RESOURCES	3.5%	CA	Energy	Oil, Gas & Consumable Fuels	49.7	3.6	11.9		14.5		10.8		36.8	7.2	20.6	14.0	4.9
10	MRE	CA	MARTINREA INTERNATIONAL INC	3.4%	CA	Consumer Discretionary	Auto Components	1.2	1.3	0.0		14.5		8.4		8.5	17.4	29.2	5.7	3.4
11	ENB	CA	ENBRIDGE INC	3.4%	CA	Energy	Oil, Gas & Consumable Fuels	104.5	6.3	9.8		15.2		18.3		30.3	5.1	9.9	19.4	10.1
12	PBH	CA	PREMIUM BRANDS HOLDINGS CORP	3.3%	CA	Consumer Staples	Food Products	3.4	2.3	10.5		11.4		10.9		18.0	4.5	6.9	22.4	14.5
13	ABBV	US	ABBVIE INC	3.2%	US	Health Care	Biotechnology	170.1	5.3	10.3		22.6		19.2		31.2	10.9	11.9	9.2	8.4
14	CTC/A	CA	CANADIAN TIRE CORP-CLASS A	3.1%	CA	Consumer Discretionary	Multiline Retail	8.7	3.3	9.6		20.5		16.7		27.8	10.1	n/a	9.9	n/a
15	IAG	CA	IA FINANCIAL CORP INC	3.1%	CA	Financials	Insurance	7.6	2.5	8.4		12.0		10.0		18.8	9.5	1.4	10.5	70.3
16	AVGO	US	BROADCOM INC	3.0%	US	Information Technology	Semiconductors & Semiconductor	163.3	4.1	22.6		85.4		59.0		33.3	7.3	8.7	13.8	11.4
17	PPL	CA	PEMBINA PIPELINE CORP	2.8%	CA	Energy	Oil, Gas & Consumable Fuels	24.6	5.2	10.5		9.5		7.7		37.6	5.2	9.3	19.1	10.7
18	KEY	CA	KEYERA CORP	2.4%	CA	Energy	Oil, Gas & Consumable Fuels	7.3	5.6	6.7		6.5		8.3		29.0	5.8	10.7	17.4	9.4
19	MS	US	MORGAN STANLEY	2.1%	US	Financials	Capital Markets	107.5	2.7	16.7		20.5		28.5		36.6	10.1	10.2	9.9	9.8
20	RCL	US	ROYAL CARIBBEAN CRUISES LTD	2.0%	US	Consumer Discretionary	Hotels, Restaurants & Leisure	36.4	2.3	11.4		17.6		21.1		27.9	7.9	12.3	12.7	8.1
21	MG	CA	MAGNA INTERNATIONAL INC	1.9%	CA	Consumer Discretionary	Auto Components	21.8	2.7	10.6		13.4		13.9		18.7	12.1	21.0	8.3	4.8
22	C	US	CITIGROUP INC	1.9%	US	Financials	Banks	226.6	2.6	13.3		47.2		100.0		31.4	10.5	12.6	9.5	7.9
23	CVS	US	CVS HEALTH CORP	1.7%	US	Health Care	Health Care Providers & Servic	125.6	2.7	0.0		5.6		12.7		19.0	9.6	12.0	10.4	8.3
24	BIP-U	CA	BROOKFIELD INFRASTRUCTURE PA	1.7%	CA	Utilities	Multi-Utilities	25.7	4.1	6.9		8.8		9.4		37.3	2.1	7.9	48.7	12.6
25	EIF	CA	EXCHANGE INCOME CORP	1.6%	CA	Industrials	Airlines	1.5	5.1	4.1		2.8		5.6		27.2	7.4	14.7	13.6	6.8
26	PRU	US	PRUDENTIAL FINANCIAL INC	1.4%	US	Financials	Insurance	49.0	4.3	11.1		12.6		11.5		35.2	13.1	16.5	7.6	6.0
27	BLX	CA	BORALEX INC -A	1.1%	CA	Utilities	Independent Power and Renewabl	2.4	2.7	0.0		5.6		4.9		8.3	1.1	11.6	88.4	8.6
28	EFX	CA	ENERFLEX LTD	1.1%	CA	Energy	Energy Equipment & Services	1.1	3.8	9.5		10.6		6.2		21.5	9.8	19.5	10.2	5.1
29	TRP	CA	TC ENERGY CORP	1.0%	CA	Energy	Oil, Gas & Consumable Fuels	64.6	4.3	8.7		9.9		9.3		30.8	6.0	10.8	16.8	9.2
30	CPX	CA	CAPITAL POWER CORP	1.0%	CA	Utilities	Independent Power and Renewabl	3.8	5.6	7.3		7.2		7.1		35.3	5.4	17.4	18.5	5.8
31	CMCSA	US	COMCAST CORP-CLASS A	0.9%	US	Communication Services	Media	265.8	1.9	10.5		15.2		13.3		25.7	7.3	13.5	13.8	7.4
32	MAL	CA	MAGELLAN AEROSPACE CORP	0.7%	CA	Industrials	Aerospace & Defense	0.8	3.0	5.0		17.3		13.8		19.8	10.3	n/a	9.8	n/a
33	MFI	CA	MAPLE LEAF FOODS INC	0.4%	CA	Consumer Staples	Food Products	3.2	2.2	11.5		17.2		29.4		29.0	3.2	n/a	31.6	n/a
Invested Portfolio Equal Weighted Average				2.83%				53.8	3.96	8.9		15.3		16.3		27.2	8.1	13.0	16.4	10.7
Invested Portfolio Weighted Average				3.89%				50.4	4.40	9.9		14.7		14.8		27.6	9.1	12.7	13.6	11.3

* Data as of date = December 31, 2019

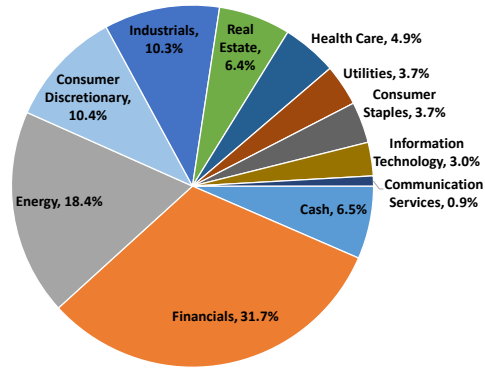
Dividend Coverage = 206% 288%

** All data is captured just prior to publication. Data is sourced and derived from Bloomberg and SciVest Capital Management Inc. "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 annualize 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.

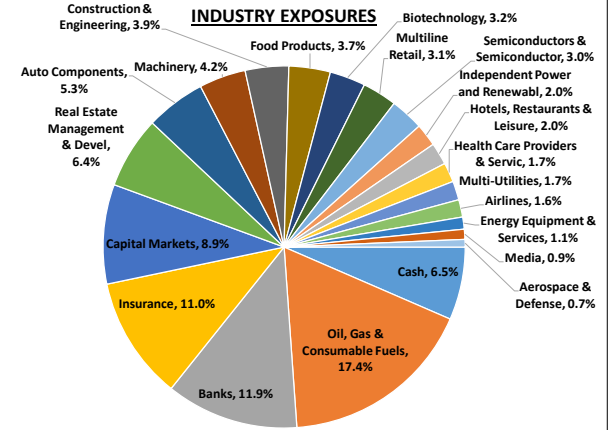
DOMICILE EXPOSURES



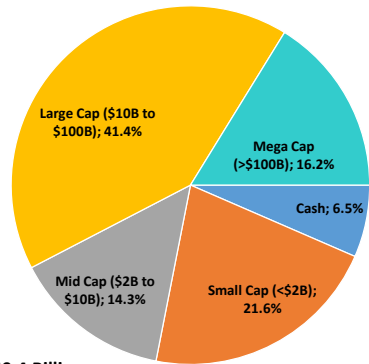
SECTOR EXPOSURES



INDUSTRY EXPOSURES

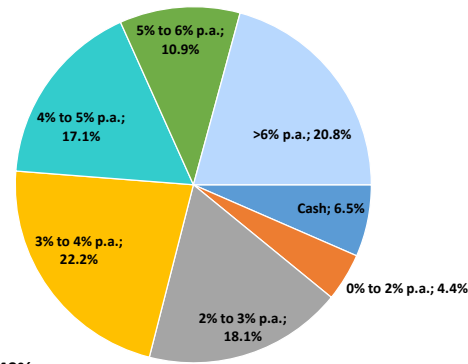


MARKET CAP BUCKETS (CA\$)



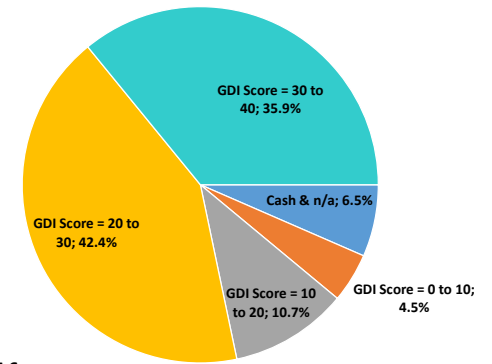
Average = \$50.4 Billion

DIVIDEND YIELD BUCKETS



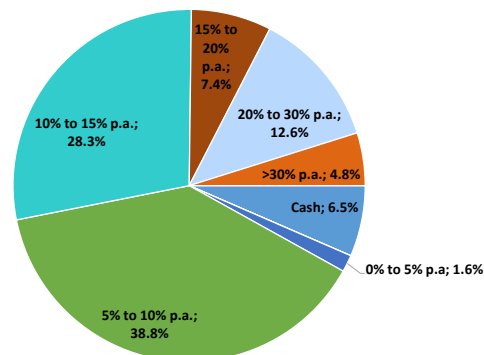
Average = 4.40% p.a.

SCIVEST GDI SCORE BUCKETS



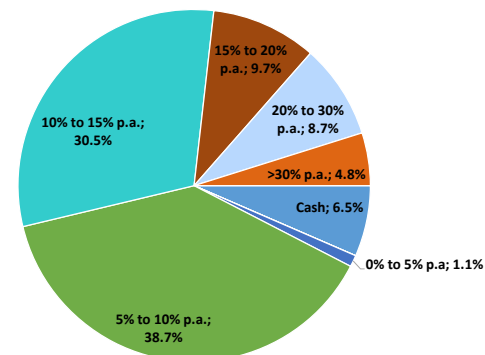
Average = 27.6

3 YEAR DIVIDEND GROWTH BUCKETS



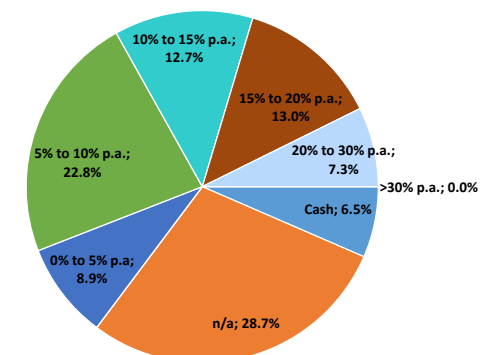
Average = 14.7% p.a.

5 YEAR DIVIDEND GROWTH BUCKETS



Average = 14.8% p.a.

10 YEAR DIVIDEND GROWTH BUCKETS



Average = 11.1% p.a.