AlphaDelta Growth of Dividend Income Class
Quarter 2, 2020, Commentary

Hello everyone,

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

Attached to this commentary is the GoDI 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 GoDI 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 GoDI 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 global 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 June 30th Portfolio Disclosure, **across the Fund's current holdings, the weighted average gross dividend yield is 5.1% per annum** (versus 1.9% for the Russell 1000 Index and 2.3% for the MSCI World Index) **with impressive double-digit trailing 1, 3 and 5-year dividend growth rates of 12.8%, 16.4% and 16.8%, respectively**.

This 5.1% average portfolio dividend yield is well covered by company earnings and cash-flow. Specifically, the 5.1% average dividend yield compares to a portfolio weighted average forward earnings per share yield of 10.6% **(i.e., 209% dividend coverage by earnings)** and forward cashflow yield of 14.3% **(i.e., 283% dividend coverage by cash-flow)**. Note that both of these coverage ratios use forward-looking analyst estimates for earnings and cash-flows which, by now, reflect analyst forecasted impact of the COVID-19 Pandemic and related recession on corporate earnings and cash-flow.

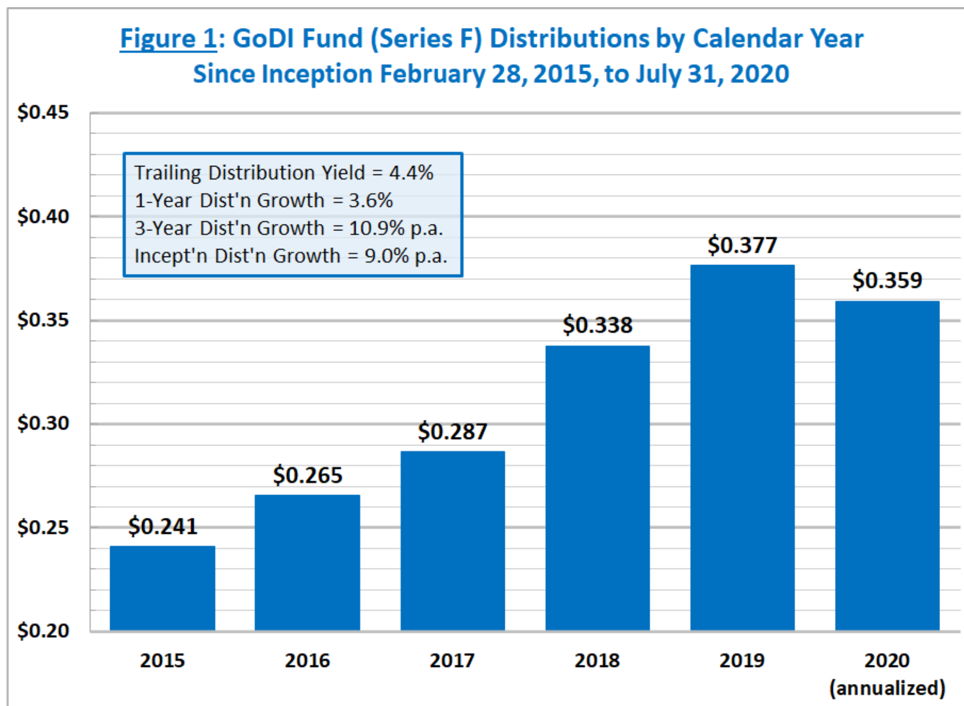
The Fund has a distribution policy whereby it distributes to its shareholders on a month-end basis *every dollar* (and no more) of dividend income (net of any dividend withholding taxes) accrued by the Fund during the month. As a result, monthly income varies with the dividend cycle of the Fund's holdings, 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 dividend funds experience when their distributions are set higher than the income they actually receive. And, since the Fund 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 July 31st is a solid and above average 4.4%**. The primary reason why these Fund-level distributions are less than the average dividend yield of Fund's holdings is because we subtract dividend withholding taxes from the Fund's distributions so that they reflect the true income generation of its underlying holdings. Nevertheless, due to the Fund's corporate structure, its distribution yield is also quite tax efficient as compared to most other income alternatives.

Furthermore, the Fund's trailing 12-month 4.4% distribution income yield has been growing at a rate much faster than the inflation rate through time. Specifically, **the trailing 12-month Fund-level distribution per share has experienced 3.6% growth year-over-year, 10.9% per annum growth over the past three (3) years, and 9.0% per annum growth since the inception date of the Fund** (for Series F shares). We consider 9.0% per annum income growth as substantial, especially in the context of a relatively high and diversified current income yield of 4.4%. Any income growth rate higher than the inflation rate represents real growth in income purchasing power – one of our primary objectives.

To further illustrate this distribution growth effect over time, Figure 1 below shows the total distributions for the Fund (Series F shares) for every 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).



Although 2020 is only half over, the annualized year-to-date 2020 distribution is currently trending below the magnitude 2019 full-year distribution. This is a result of the COVID-19 induced "Dividend Armageddon" which the equity markets of the World have endured. We discuss this is more detail in the Market Commentary section of this commentary; although, we note here that approximately 18% of all dividend

paying, large-cap, North American equities have either cut, suspended, or eliminated their dividends. In this context, a year-to-date annualized fall of only 4.8% in calendar-year Fund-level distributions is well contained compared to the average dividend-paying equity within the North American equity markets – especially, after noting that we held more cash during the recent market volatility than normal (thereby pulling down dividend income and dividend income growth). **Now that the GoDI portfolio has been shored up with stronger dividend equities which can potentially weather the COVID-19 Pandemic and its associated recession better, and is also now almost fully invested, the year-to-date distribution deficit should begin to shrink during the remainder of the calendar year.**

In any event, the **current Fund distribution yield of 4.4% compares very favourably with the July 31st yield of 0.5% per annum on the benchmark 10-year Government of Canada bond**. Even with more than 8x the yield of the 10-year bond, **the Fund's income has grown at a rate of 9.0% per annum since inception – whereas, of course, a 10-year bond's income does not *ever* grow**.

Current Portfolio:

The **GoDI portfolio is, as always, very different from global equity benchmarks with a current Active Share of 93.3%**. This means that 93.3% of weights of our portfolio holdings do not overlap with the MSCI World Index benchmark (alternatively, only 6.7% of the weights of the GoDI portfolio holdings overlap with the MSCI World Index). As a result, the GoDI portfolio should **provide significant diversification and differentiation** within an otherwise diversified portfolio.

The June 30th GoDI portfolio is itself well diversified across sectors and industry groups with **the largest sector allocation (Financials) currently at 30.3%**. In order of size, we have the following sector exposures: 30.3% Financials, 15.6% Health Care, 9.4% Communication Services, 7.7% Energy, 7.0% Information Technology, 4.3% Real Estate, 3.7% Industrials, 2.4% Consumer Discretionary, 2.3% Consumer Staples, 1.9% Materials, and 0.0% Utilities. In addition, the Fund holds 6.6% in the "Other" sector category, which represents the Fund's investment in the AlphaDelta *Canadian* Growth of Dividend Income Fund.

On an individual stock holding basis, we currently hold a **diversified portfolio of 45 equity positions** (not including the Fund's holding in the AlphaDelta Canadian Growth of Dividend Fund which itself holds another 26 individual equity holdings). The current portfolio is somewhat more concentrated than in years past due to great uncertainty resulting from the COVID-19 Pandemic. The top 10 individual equity holdings represent 37.3% of the Fund's assets and are in descending order of size: Abbvie Inc (ABBV, 5.5%), Broadcom Ltd (AVGO, 4.9%), Brookfield Property Partners (BPY.U, 4.3%), Manulife Financial Corp (MFC, 3.6%), Fiera Capital Corp (FSZ, 3.4%), Lincoln National Corp (LNC, 3.4%), Prudential Financial Inc (PRU, 3.2%), Enbridge Inc (ENB, 3.1%), ViacomCBS Inc (VIAC, 2.9%), and Morgan Stanley (MS, 2.9%). (See entire June 30th GoDI portfolio attached hereto.)

A byproduct of our growing income investment strategy is that the GoDI portfolio typically has much better (i.e., cheaper) valuations than the overall equity markets – that is, **the GoDI portfolio has a high "value style exposure". In particular, the June 30th portfolio weighted average 12-month forward price-to-earnings ratio is 12.0x (versus 22.5x for the Russell 1000 Index and 20.2x for the MSCI World Index) and the average 12-month forward price-to-cash-flow ratio is 8.5x (versus 14.8x for the Russell 1000 Index and 12.5x for the MSCI World Index). In other words, the GoDI portfolio is 30% to 40% less expensive than the overall global equity markets based on forward-looking earnings and cash-flows.** Note that these valuation ratios now include analyst expectations with respect to the progression of the COVID-19 Pandemic and its associated recession.

Portfolio Changes and Movers:

During the second quarter we **eliminated our positions** in Best Buy Co Inc (BBY), BNP Paribus (BNPQY), CIT Group Inc (CIT), Foot Locker Inc (FL), Heidelberg Cement AG (HDELY), Invesco Ltd (IVZ), Meredith Corp (MDP), Prudential PLC (PUK), Royal Dutch Shell (RDS.B), Simon Property Group Inc (SPG), Smurfit Kappa Group PLC (SMFKY), and Societe Generale (SCGLY). Most of these stocks were eliminated from the GoDI portfolio due to actual and/or expected dividend decreases or suspensions due to the effects of the COVID-19 Pandemic. We also 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). In addition, we **decreased (by at least 0.5%) our existing position** in Bristol-Myers Squibb Co (BMY) and Enbridge Inc (ENB).

During the second quarter, we **initiated new positions** in Abbott Laboratories (ABT), Altria Group Inc (MO), Corning Inc (GLW), and NetApp Inc (NTAP). We also **increased (by at least 0.5%) our existing positions** in Abbvie Inc (ABBV), Brookfield Property Partners (BPY.UN), Fiera Capital Corp (FSZ), Grupo Financiero Banorte SAB (GBOOY), Lincoln National Corp (LNC), Nexstar Media Group Inc (NXST), Prudential Financial Inc (PRU), and ViacomCBS Inc (VIAC).

Amongst the GoDI portfolio holdings that were held through the entire quarter, the five (5) **highest returns during the second quarter** (in descending order) were: ViacomCBS Inc (VIAC, 66.5%), Marathon Petroleum Corp (MPC, 58.3%), Lowe's Corp (LOW, 57.0%), Ameriprise Financial Inc (AMP, 46.4%), and Fiera Capital Corp (FSZ, 45.3%). Amongst the GoDI holdings that were held through the entire quarter, the five (5) **lowest returns during the second quarter** were: Nippon Telegraph & Telephone (NTTYY, -1.6%), Pfizer Inc (PFE, 0.2%), Enbridge Inc (ENB, 0.6%), Ping An Insurance (PNGAY, 0.9%), and ORIX Corp (IX, 4.2%).

Q2-2020 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 sooner or later."**

Amongst our current 45 GoDI holdings, **during the calendar quarter ending June 30th, 2020, we received 3 declared dividend increases averaging an announced increase of 8.4% quarter-over-quarter** ("QoQ") **and 9.1% year-over-year** ("YoY"), relative to those already known at the end of the prior calendar quarter.

No.	Company Name	Ticker Symbol	Current Ind Div Yld (% p.a.)	QoQ Div Increase (%)	YoY Div Increase (%)
1	Ameriprise Financial Inc	AMP	2.8	7.2	7.2
2	Unilever PLC	UL	3.3	2.3	4.4
3	UnitedHealth Group Inc	UNH	1.7	15.7	15.7
	Average		**2.6**	**8.4**	**9.1**

As a result of the COVID-19 pandemic and the resulting Dividend Armageddon, we did suffer several more dividend decreases during Q2 2020, in addition to those suffered during the Q1 (see the Q1 2020 commentary). Specifically, during the second quarter, Foot Locker (FL) suspended its dividend, Invesco Ltd (IVZ) cut its dividend in half, Meredith Corp (MDP) discontinued its dividend, Royal Dutch Shell (RDS.B) cut its dividend by almost two-thirds, and Simon Property Group (SPG) cut its dividend by approximately 40%. While a couple of these, Foot Locker and Simon Property Group, make some sense ex post due to their retail mall exposures, the others were more of a surprise. For example, Royal Dutch Shell, one of the World's largest and most diversified energy companies, cut its dividend for the first time since World War II – surely, there have been far more difficult times in the energy industry than now over the past 80 years? And, while both Invesco and Meredith have each been suffering from low growth for several years due to poor corporate execution and competition within their respective industries, neither appeared to "need to" reduce their dividends due to cash-flow concerns – it almost appears as if they used COVID-19 and the resulting Dividend Armageddon as an excuse to reduce their dividend "constraint" while using the COVID-19 Pandemic as partial cover for their decision. Nevertheless, per the mandate of the GoDI strategy, all five (5) of these dividend decreasers have been eliminated from the GoDI portfolio.

Importantly, **despite the difficult current environment, we continue to insist that our portfolio companies demonstrate the ability and the desire to increase future dividend per share payments. While we expect, and will tolerate, some and possibly many GoDI portfolio companies to temporarily defer their customary annual dividend increases, and thereby maintain their current dividend per share payouts for the time-being, we will only continue to hold such companies as long as we believe that increases in dividends per share are still possible at some time in the future. In addition, we continue our policy of searching for and eliminating any portfolio position that we expect may cut or suspend their dividend in the future.** Finally, should a dividend actually get cut or suspended while being held within the GoDI portfolio, the position will be eliminated at the earliest opportunity (regardless of the capital gain or loss on the position) subject to attempting to maximizing our exit price.

Given the current dividend environment, the investment management processes described above has meant that the number of positions within the GoDI portfolio has shrunk considerably from 61 as of the end of Q4-2019 to 45 as of the end of Q2-2020. While still well diversified, we are focusing the GoDI portfolio on those companies that are the most promising dividend growers with the highest and safest dividend yields, and which are less likely to cut or suspend their dividend in short-to-medium-term future. However, during July we did begin to add net new positions to the GoDI portfolio, as we gain more and more clarity regarding the COVID-19 Pandemic and its ultimate fall-out.

Market Commentary:

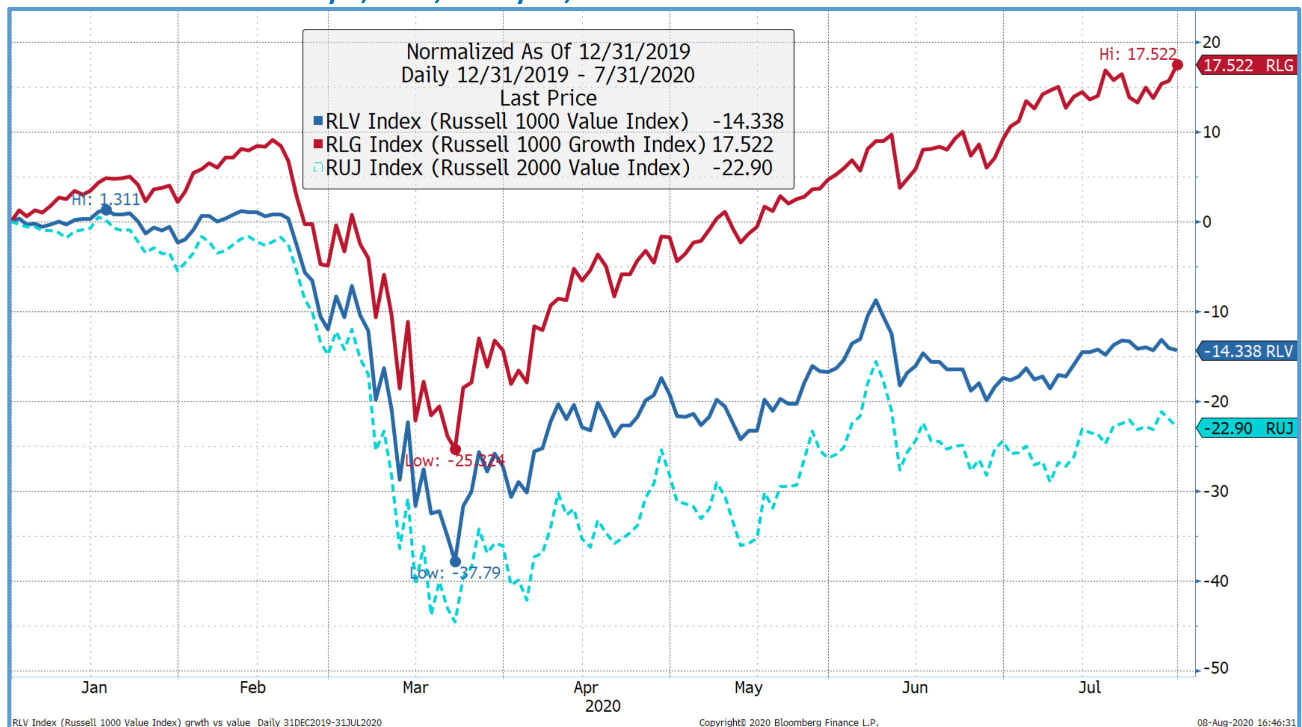
Beginning in mid-February, the global stock markets entered into an extremely volatile period as fears surrounding COVID-19 began to spread around the world. As COVID-19 achieved formal "Pandemic" status from the World Health Organization, market volatility and losses accelerated with stocks markets around the world experiencing "the quickest bear market in history." At the same time, the US VIX Volatility Index hit its highest level in history. The speed and brutality of this COVID-19 induced bear market was like nothing seen before in the financial markets. The North American stock markets bottomed on Monday, March 23rd, and surprisingly to many market observers (including us) this bottom has not only held, but the S&P 500 Index has recovered almost all of its losses and is just a couple percentage points from its all-time high hit on February 19, 2020 when the North American economies were in a very different condition. In fact, despite the COVID-19 Pandemic causing the worst economic recession since the Great Depression almost 100 years

ago, the S&P 500 Total Return Index is actually up 2.4% year-to-date (through July 31, 2020) – hard to believe on the surface, given the economic pain being suffered by many.

However, **the S&P 500 Index return year-to-date is *heavily biased* by a select few stocks. For example, the FANGMA stocks (or FANMAG stocks) – Facebook, Amazon, Netflix, Google/Alphabet, Microsoft and Apple – are up year-to-date by an average 38.6% through July 31, 2020. And, these six (6) stocks now represent almost 25% of the entire S&P 500 Index, of 500 stocks, representing the highest concentration within the S&P 500 Index in history.** Not only do these stocks represent all of the year-to-date gains of the S&P 500, the S&P 500 Index would still be down materially without them. Add in a few more technology names such as Nvidia Corp, which is now the 15th largest component in the S&P 500 Index after an 80% year-to-date gain, and the return concentration problem gets worse.

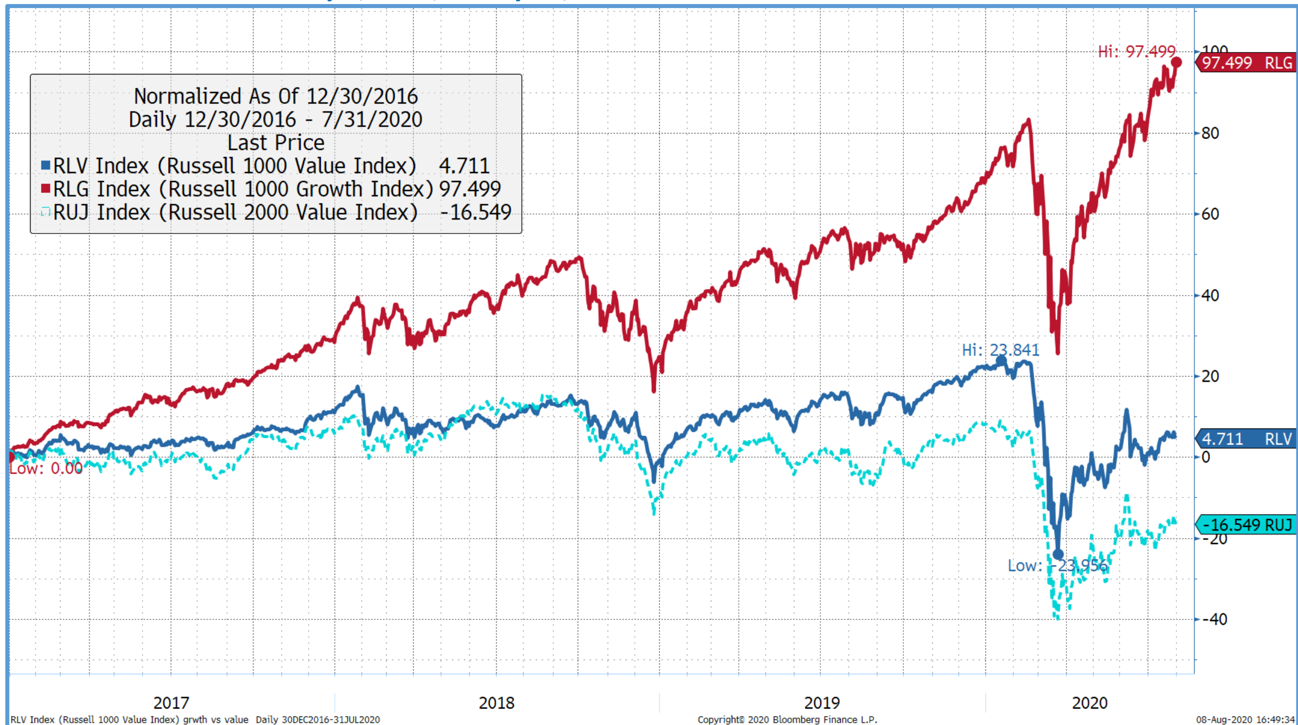
This concentration problem is actually a symptom of a bigger, more important, issue – the historic underperformance of US value stocks relative to US growth stocks, which we have been writing about for several quarters now. This is relevant to the GoDI Fund because, as a consequence of our process to simultaneously *maximize* dividend yield, dividend growth and dividend safety, the GoDI portfolio generally has a significant value style bias (as well as, of course, a significant dividend yield exposure). In fact, we have shown in prior commentaries that, while the GoDI Fund possesses approximately 3x more Dividend Yield style exposure than the Russell 1000 Value Index, it also possesses approximately 3x more Value style exposure than the Russell 1000 *Value* Index. **While the underperformance of US Value stocks relative to US growth stocks was historic prior to the COVID-19 Pandemic, the COVID-19 Pandemic has actually "turbo-charged" the return disparity to levels never before seen, including during the technology bubble of the late-1990's.**

Figure 2: Relative Performance of the Russell 1000 Growth Index, Russell 1000 Value Index and Russell 2000 Value Index – January 1, 2020, to July 31, 2020.



As shown in Figure 2, **year-to-date through July 31, 2020, US *large-cap value* stocks have underperformed *large-cap growth* stocks by 31.9%** (as judged by the Russell 1000 Value Index versus the Russell 1000 Growth Index); **and, year-to-date US *small-cap value* stocks have underperformed US *large-cap growth* stocks by 40.4%** (as judged by the Russell 2000 Value Index versus the Russell 1000 Growth Index). Figure 3 shows the value versus growth spreads over the past several years. **Since January 1, 2017 through July 31, 2020, US *large-cap value* stocks have underperformed *large-cap growth* stocks by 92.8%, and US *small-cap value* stocks have underperformed US *large-cap growth* stocks by 114.1%** (these numbers are *not* typos).

Figure 3: Relative Performance of the Russell 1000 Growth Index, Russell 1000 Value Index and Russell 2000 Value Index – January 1, 2017, to July 31, 2020.

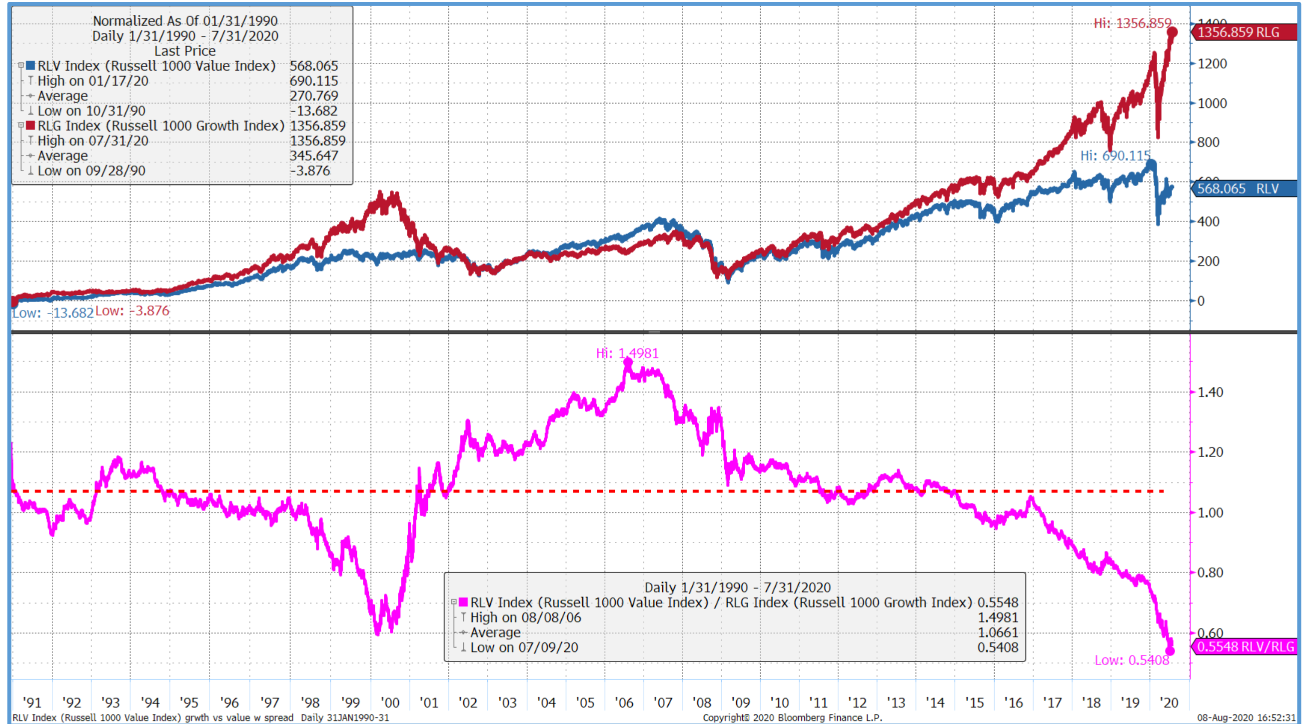


The value versus growth spreads are absolutely enormous for such a short period of time. And, keep in mind that the Russell 1000 Value Index and the Russell 1000 Growth Index sum to the Russell 1000 Index which itself represents approximately 94% of the US total equity market capitalization and 63% of the World's total equity market capitalization. That is, **it is hard to understate the economic importance of these value versus growth spreads. During the past 3.6 years, approximately half of the US stock market is essentially flat in price (value stocks), while the other half is up almost 100% (growth stocks). Yet, finance academics have shown that value stocks (especially small-cap value stocks) significantly outperform growth stocks in most times periods and in the long-run, with some academic studies using more than 100 years of data.** Finance academics have also shown that value typically beats growth in virtually every stock market in the world, as well as within most the other asset classes such as bonds, commodities and foreign currencies. **This current period of value underperformance, using academic study definitions, is now the largest, and in fact the longest, in recorded stock market history.**

To further illustrate the longer-term importance of the recent underperformance of value relative to growth, Figure 4 plots the Russell 1000 Value Index relative to the Russell 1000 Growth Index from January 31, 1990, through July 31, 2020, to intentionally include the technology stock bubble of the late-1990's. The bottom half of Figure 4 shows (the purple line) the *ratio* of the Russell 1000 Value Index price level to the Russell

1000 Growth Index price level. The average of the value-to-growth price index ratio (the red dashed line) over the entire 30-year period of time is 1.066 (i.e., the Value Index was on average slightly higher than Growth Index), with the value-to-growth index ratio drifting around this average level for the majority of the past 30-years. However, it is easy to observe two (2) extreme Growth Index outperformance periods and one (1) extreme Value Index outperformance period.

Figure 4: Relative Index Levels of the Russell 1000 Value Index Versus Russell 1000 Growth Index – January 31, 1990, to July 31, 2020.



The first extreme Growth Index outperformance period was, of course, the technology stock bubble of the late-1990's whereby the Growth Index massively outperformed the Value Index from early 1998 through March of 2000. During this period, we saw the value-to-growth index ratio compress from roughly average at 1.036 at the beginning of 1998 to a low of 0.594 in the middle of March 2000. That is, the price of the Value Index was trading at only 59.4% of the price of the Growth Index. Amazingly, **over the next year the entire Growth Index outperformance resulting from the late-1990's technology stock bubble was unwound with the value-to-growth index ratio returning to its long-term average by mid-March of 2001 – only 12-months after hitting its low. This reversion back to mean was accomplished primarily by the Growth Index falling approximately 50% in price, while the Value Index rose modestly.**

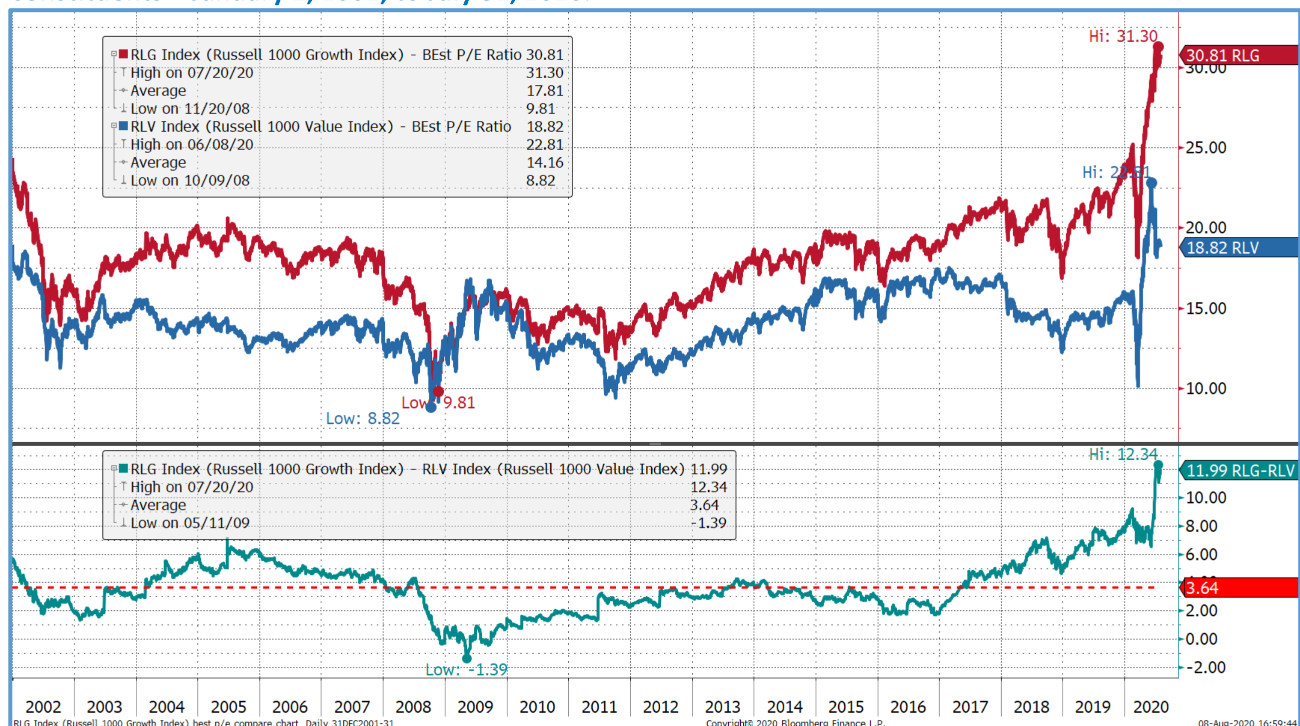
Over the subsequent five (5) years, the Value Index continued to rise relative to the Growth Index driving the value-to-growth index ratio up to a 30-year high 1.498 in August of 2006. From the bottom of the value-to-growth index ratio (0.594) in March 2000 to the top of the value-to-growth index ratio (1.498) in August 2006, there was a cumulative 250% increase in the value-to-growth index ratio – or, alternatively, a roughly 50% cumulative fall in the Growth Index versus a cumulative 75% rise in the Value Index. This was an incredible 6-year run for the Value Index relative to the Growth Index that was setup, to a large extent, by the growth stock bubble of the late-1990's.

However, from that mid-2006 value peak forward, on average the Growth Index has outperformed the Value Index. The value-to-growth index ratio retreated from its high of 1.498 in August 2006 to roughly its long-term average by early 2009. From 2009 through 2016 the value-to-growth index ratio traded somewhat around its long-term average. **Then, from December 2016, shortly after Donald Trump got elected as President of the United States, the value-to-growth index ratio went from approximately its long-term average of 1.050, to a new *all-time low* of 0.541 near the end of July 2020 – now well below its prior all-time low of 0.594 at the peak of the late-1990's technology stock bubble.**

Given the COVID-19 Pandemic and its impact on earnings expectations, it is worthwhile looking at the valuation levels of both the Growth Index and Value Index. Figure 5 shows the 12-month *forward* P/E ratios (using 12-month forward-looking analyst expected EPS) for the constituents of the Russell 1000 Growth Index relative to the constituents of the Russell 1000 Value Index for the 18+ year time period from January 1, 2002, through July 31, 2020. Two primarily observations can be gleaned from this graph.

First, **on average, currently neither growth stocks nor value stocks are currently inexpensive by historical standards. After the incorporating COVID-19 earnings impacts and the stock market price recovery, forward looking valuations for the constituents of the Russell 1000 Growth Index are incredibly high with a forward P/E ratio of 30.8x – almost double its average forward P/E of 17.8x over the past 18 years. The Russell 1000 Value Index is only moderately expensive by historical measures with a forward P/E of 18.8x versus is 18-year average of 14.2x.** However, it is important to note that interest rates are also at their lowest in history, which we believe should support higher than historical average P/E ratios for both growth and value stocks.

Figure 5: Forward P/E Ratio of Russell 1000 Growth Index Constituents and Russell 1000 Value Index Constituents – January 1, 2002, to July 31, 2020.



Second, **the current *valuation spread* between the forward P/E ratios for the constituents of the Russell 1000 Growth Index relative to the constituents of the Russell 1000 Value Index is much higher that its prior**

18 year high, with the Growth Index trading at a 12.0x P/E premium to the Value Index versus an average P/E premium of only 3.6x. Note, however, that the P/E spread was higher at the peak of the late-1990's technology stock bubble, as many of the "dot-com" firms at the time actually having significantly negative EPS (unlike the positive earnings observed by many of the larger capitalization technology firms today).

What happens next? Will history repeat itself as it so often does? Or, is this time different? **We will state here and now that the current disparity between growth stocks and value stocks is indeed "a Bubble" of significant proportions. This time is *not* different, and history *will* to some degree repeat itself. We believe that a long period of significant outperformance of value stocks (especially those value stocks that pay respectable dividends) relative to growth stocks is highly probable at some point in the near-to-medium-term future. We believe that we may ultimately experience a period very similar to the unwind of the last growth stock bubble in the early 2000's whereby growth stocks fall in price and value stocks rise in price, but where the fall in growth stocks exceeds the rise in value stocks thereby constraining the overall stock market return.** However, precisely timing this turn in the value-growth cycle is impossible, as bubbles by their very nature (and in fact by definition) can inflate well beyond any reasonable person's expectations. Some market observers believe that the catalyst to begin this rotation may be the FDA announcement of the approval of the first COVID-19 vaccine – this seems a little too easy to us, but we shall see. **We believe that positioning *now* for the value-growth rotation makes the most sense, even if you might be early.**

In addition to blowing-out the value-versus-growth spread into what we now call a Growth Stock Bubble, the COVID-19 Pandemic has seriously impacted dividend payments by many global companies. In order to determine the magnitude of COVID-19 Pandemic on company dividends, we examine all of the dividend announcements from all the companies within the Russell 1000 Index in the US and within the S&P/TSX Composite Index in Canada on a year-to-date basis. To provide a baseline for what we are observing with respect to dividend changes year-to-date in 2020 (through July 31, 2020), we compare 2020 to the same year-to-date period in 2019 (through July 31, 2019). Figure 6 reports the results of this analysis.

Figure 6: Year-to-Date Dividend Changes for the Russell 1000 Index Companies and S&P/TSX Composite Index Companies – January 1 to July 31, 2020 Versus January 1 to July 31, 2019.

	Year-to-Date Thru July 31, 2020		Year-to-Date Thru July 31, 2019	
	No.	%	No.	%
Russell 1000 Index				
Stocks Currently in Index	999		999	
Stocks Paying Dividends in Index @ Jan 1 of Year (DPS>0)	708	70.9%	689	69.0%
Stocks Increasing DPS Year-to-Date (ΔDPS>0%)	234	33.1%	337	48.9%
Stocks Maintaining DPS Year-to-Date (ΔDPS=0%)	347	49.0%	338	49.1%
Stocks Decreasing DPS Year-to-Date (ΔDPS<0%)	127	17.9%	14	2.0%
Stocks Suspending DPS Year-to-Date (ΔDPS=-100%)	81	11.4%	0	0.0%
S&P/TSX Composite Index				
Stocks Currently in Index	229		229	
Stocks Paying Dividends in Index @ Jan 1 of Year (DPS>0)	181	79.0%	180	78.6%
Stocks Increasing DPS Year-to-Date (ΔDPS>0%)	60	33.1%	82	45.6%
Stocks Maintaining DPS Year-to-Date (ΔDPS=0%)	88	48.6%	92	51.1%
Stocks Decreasing DPS Year-to-Date (ΔDPS<0%)	33	18.2%	6	3.3%
Stocks Suspending DPS Year-to-Date (ΔDPS=-100%)	12	6.6%	0	0.0%

For the current Russell 1000 Index companies, 708 (or 70.9% on the index constituents) reported an indicated regular dividend coming into 2020. Year-to-date in 2020, out of the 708 dividend payers within the Russell 1000 Index, 234 companies (33.1% of dividend payers) have actually increased their indicated dividend per share payment and 347 companies (49.0% of dividend payers) have (so far) maintained their prior indicated dividend per share payment. These figures compare to a year-to-date 2019 total of 337 (48.9%) dividend increasers and 338 (49.1%) dividend maintainers.

Unfortunately year-to-date in 2020, out of the 708 dividend payers within the Russell 1000 Index, 127 companies (17.9% of initial dividend payers) have decreased their indicated dividend per share payment, with 81 (11.4% of initial dividend payers) of these decreasers having fully suspended or eliminated their entire dividend per share payment. These figures compare to a year-to-date 2019 total of 14 (2.0%) dividend decreasers and no (0.0%) dividend eliminators. Obviously, **the COVID-19 Pandemic has caused significant damage to US dividend-paying companies with 1-in-5.6 US dividend-paying companies decreasing their dividend per share, and 1-in-8.8 US dividend-paying companies eliminating or "suspending" their dividend per share entirely. We have thus coined this COVID-19 Pandemic period "Dividend Armageddon" for US dividend-paying stocks.**

For the current S&P/TSX Composite Index companies, 181 (or 79.0% on the index constituents) reported an indicated regular dividend coming into 2020. Year-to-date in 2020, out of the 181 dividend payers within the S&P/TSX Composite Index, 60 companies (33.1% of dividend payers) have increased their indicated dividend per share payment and 88 companies (48.6% of dividend payers) have maintained their prior indicated dividend per share payment. These figures compare to a year-to-date 2019 total of 82 (45.6%) dividend increasers and 92 (51.1%) dividend maintainers.

However, similar to the US experience, year-to-date in 2020 out of the 181 dividend payers within the S&P/TSX Composite Index, 33 companies (18.2% of initial dividend payers) have decreased their indicated dividend per share payment, with 12 (6.6% of initial dividend payers) of these decreasers having fully suspended or eliminated their entire dividend per share payment. These figures compare to a year-to-date 2019 total of 6 (3.3%) dividend decreasers and no (0.0%) dividend eliminators. Therefore, **similar to the US, the COVID-19 crisis is causing significant damage to Canadian dividend-paying companies with 1-in-5.5 Canadian dividend-paying companies decreasing their dividend per share. Again, a Dividend Armageddon scenario for Canadian dividend-paying stocks.**

While the full extent of the earnings and thus dividend damage may not have been fully realized as of yet, the amount of dividend cuts and suspensions in the past couple of months has decreased significantly. This is especially reassuring as we have just completed the bulk of the Q2 earnings reporting season, a period when we could have seen many more dividend decreases. This gives us some optimism that the majority of the dividend damage may now be done.

While there are now plenty of reasons to be more optimistic than several months ago, it is very likely that there will be more, possibly much more, fall-out from the COVID-19 Pandemic as we move through the remainder of the 2020 calendar year and into 2021. There will also likely be more indirect fall-out, or second-order effects, that are also very difficult to forecast at this point. **We do believe the economy will not fully recover as fast as many market observers believe – even with viable COVID-19 vaccines available. The initial bounce from virtual economic lock-down is, of course, going to be very strong; however, recovering to the heights of the turn of the decade in terms of economic output and employment will in our view take several years – and, the recovery may also be bumpy depending upon the progression of the COVID-19**

Pandemic and its first and second order effects. In such an environment, stocks with higher dividend yields that lean towards a value bias may be one of the best investment alternatives.

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 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