

PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2020

Canadian Markets Review

2020 was a tumultuous year and surely a year for the history books. The 2020 stock market crash marked the fastest correction in market history; yet numerous stock markets defied expectations and closed at all-time highs. All in all, global markets finished the year with stellar performance, especially when taking into account the major correction that took place in March. The MSCI World Index gained 16.5% with the Information Technology sector as the best performing sector, gaining 44.3% during the year; Consumer Discretionary was the second-best performing sector, outperforming the MSCI World Index by 20.5%. In North America, the S&P 500 was up 18.4%, while the S&P/TSX Composite was up 5.6%, both of which were led by strong performance from the Information Technology sector. In Europe, the STOXX 600 was down 1.4% for the year. Germany and Switzerland had the best performance, where the DAX and SMI were up 3.5% and 4.3%, respectively. France's CAC 40 Index declined 5.0%. Spain and U.K. also finished the year in negative territory as the IBEX 35 and FTSE 100 declined 12.7% and 11.4%, respectively.

During the fourth quarter, global economies continued the path to recovery while certain parts of the world combated a resurgence of COVID-19. In general, Asian countries have been able to control the spread of COVID-19 much better than North America and Europe. In November, significant progress was made with the development and the rollout of COVID-19 vaccines. Pfizer and Moderna's vaccines both showed efficacy rates above 90%. AstraZeneca's vaccine also showed efficacy rate above the 50% threshold set by the World Health Organization. Several countries have granted emergency approval for these vaccines and are undergoing the inoculation process. At the same time, we saw sequential improvement in manufacturing production and sequential declines in the unemployment rate after peaking out in April. In the U.S., Democratic presidential nominee Joe Biden was elected the 45th president of the United States and was inaugurated on January 20, 2021. The two Georgia Senate runoff elections in January 2021 resulted in Democratic control of the Senate. Democrats gained control of both the Congress and the White House for the first time since 2011. A Democratic win in combination with vaccine news pushed stock markets to new highs in November. The more cyclical parts of the economy benefited the most, including Energy, Financials, Materials and Industrials. Performance of Information Technology stocks remained robust, as the work from home theme continue to be a secular tailwind for the sector. In December, equity markets rallied further despite the implementation of lock down measures in certain countries. Risk appetites continue to favor pro-cyclical stocks as additional coronavirus relief get passes by the U.S. congress.

Effective central bank policies played an essential role in the recovery of global equities. In Canada, following three rate cuts in the first quarter, the Bank of Canada (BoC) has kept interest rates unchanged at 0.25% for the remainder of the year to combat the impact of COVID-19 on the economy. At the same time, the rate is expected to remain at the effective lower bound until the 2% inflation target is sustainably achieved, which is not expected to happen until into 2023. Record high cases of COVID-19 in parts of Canada caused the re-imposition of restrictions during the fourth quarter. The BoC will continue to offer market support through its quantitative easing program at the current pace of at least \$4 billion per week.

At the end of 2020, the number of confirmed infections worldwide exceeded 84 million, with cumulative deaths approaching 2 million- more than double the number of infections at the end of the third quarter. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in October 2020, global gross domestic product is projected to contract 4.4% this year, a less severe contraction than the previous forecast in June as activity began to improve sooner than expected after lockdowns were scaled back in May and June. The IMF projected the global growth rate for 2021 to be 5.2%. The path to recovery will follow a choppy trajectory as it is predicated upon a confluence of factors including public health response, progress with vaccines rollouts and the size and effectiveness of the policy response. The intricacy of interactions between multiple factors at play makes forecasting a difficult exercise.

Looking forward to 2021, the rollout of COVID-19 vaccines should allow societies to ease restriction in the coming year and thus push equity prices higher. The appreciation of the Canadian dollar against the US dollar and the recovery of commodity prices should serve as tailwinds for Canadian equities. In terms of central bank policy, we expect the Bank of Canada to remain on hold in 2021 as the current policy remains accommodative and supportive of healthy growth in Canada.

Portfolio Review:

Units (1 Class A share plus 1 Preferred share) of Dividend Growth Split Corp. (the "Fund") were down 2.9% during 2020, outperforming the S&P/TSX Composite High Dividend Index, which was down 7.4% over the same period.

Stock picking in the Energy and the Communication Services sector was the top contributing factor to the Fund's outperformance. We have a favourable view on Canadian Natural Resources due to its operating leverage stemming from the steady climb in WTI prices to levels above US\$40 a barrel. We are market weight both sectors heading into 2021 and pivot to owning market leaders in both groups. Within the Communication Services space, we believe Telus is well positioned to deliver on its expansion into new verticals including health care and digitalization, while its competitors face top line earnings growth pressure.

The portfolio's underweight positions in Materials detracted from the Fund's gains in the aforementioned sectors. Pandemic induced uncertainties drove major rallies in gold prices as investors sought after safe haven assets, that momentum started to fade out since August. We are more cautious on gold and prefer adding base metals exposure to the portfolio, as base metals have a tendency to outperform during periods of investor optimism.

During the fourth quarter, we increased the Fund's cyclical exposure by increasing weights in Consumer Discretionary and Industrials. Canadian rails have proven their resiliency throughout the pandemic with their industry-leading earnings growth and cost control measures. CN and CP's mature and flexible operating models should help them navigate any volume fluctuation in carloads. Within Consumer Discretionary, we added more cyclicity to the Fund through the addition of Magna and Canadian Tire. Our pro-cyclical thesis also led us to trim allocations to Real Estate and Utilities.

Annual Compound Returns ¹	1-YR	3-Yr	5-YR	10-YR	Since Inception ²
Dividend Growth Split Corp. - Class A	(20.1%)	(7.2%)	7.0%	8.3%	5.5%
S&P/TSX Composite High Dividend Index	(7.4%)	1.3%	7.5%	5.1%	4.0%
Dividend Growth Split Corp. - Preferred	5.6%	5.5%	5.4%	5.4%	5.4%
S&P/TSX Preferred Share Index	6.1%	0.4%	4.2%	2.0%	2.6%
Dividend Growth Split Corp. - Unit	(2.9%)	1.1%	6.5%	6.9%	5.5%

⁽¹⁾ Returns are for the periods ended December 31, 2020. The table shows the Fund's compound return on a Class A share, Preferred share and unit for each period indicated, compared with the S&P/TSX Composite High Dividend Index (the "Composite High Dividend Index") and the S&P/TSX Preferred Share Index ("Preferred Index") (together the "Indices"). The Composite High Dividend Index tracks the performance, on a market weight basis and a total return basis, of 50-75 highest dividend yielding securities within the Composite Index. The Preferred Index tracks the performance, on a market weight basis, of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund invests in an actively managed portfolio and is rebalanced at least annually. It is therefore not expected that the Fund's performance will mirror that of the Indices, which have more diversified portfolios. The Indices are calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund's performance is calculated after deducting such fees and expenses. Further, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares.

⁽²⁾ Inception Date December 3, 2007.

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There are ongoing fees and expenses associated with owning shares of an investment fund. An investment fund must prepare disclosure documents that contain key information about the Fund. You can find more detailed information about the Fund in the public filings available at www.sedar.com. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income tax payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

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