GDV Global Dividend Growth Split Corp.

Portfolio Manager Commentary - March 31, 2025

Global Markets Review

It was a turbulent first quarter for Global equity markets, marked by a sharp divergence between the U.S. and international indices. Tariff fears have introduced significant uncertainty into global markets. U.S. tech stocks, especially mega-cap AI names, sank after a Chinese AI developer released DeepSeek, which raised questions on capital investments into AI infrastructure. Overall, the MSCI World Index was down 1.7%, with Energy being the best performing sector. In North America, the S&P 500 declined 4.3%, with Consumer Discretionary and Information Technology underperforming, while Energy was the best performing sector. The S&P/TSX Composite gained 1.5%, buoyed by the Materials sector on the back of gold rally. Conversely, Europe was one of the better performers among major equity markets, with the STOXX 600 up 5.9%. Spain, Italy, and Germany were the main contributors, gaining 14.0%, 11.8%, 11.3%, respectively, while Switzerland, the U.K., and France all finished the quarter in positive territory, up 10.0%, 6.1%, 5.8%, respectively.

As inflation continued to moderate, global central banks have slowed the pace of easing during the quarter. However, Trump's aggressive tariff policies are likely to raise uncertainty around inflation expectations and overshadow the trajectory of rate cuts. In the U.S., inflation came in at 2.8%, while the unemployment rate remained relatively low at 4.1% as of February. Meanwhile, manufacturing PMI entered March at 49, a sign of contraction, after being above 50 for only two consecutive months. In bond markets, the U.S. 10-year Treasury yield fell from 4.57% to 4.21% for the 3-month period, while the Canadian 10-year and most European 10-year yields largely mirrored U.S. Treasuries. The exception was Germany, where the country's 10-year yield spiked in early March after the new government proposed a sizeable infrastructure and defense spending plan that surprised the market. In equities, value outperformed growth for both large caps and small caps, as investors rotated out of sectors such as Information Technology and Consumer Discretionary and into defensive sectors such as Consumer Staples and Utilities. We have also seen bifurcation of performance among regions, where Europe outperformed the U.S.

The Federal Reserve (Fed) kept interest rates unchanged at 4.25-4.50% range in both January and March, while Fed Chair Jerome Powell highlighted elevated uncertainty due to President Trump's tariffs on imports, which are expected to lift inflation and slow economic growth. The Fed downgraded their projections for 2025 economic growth to 1.7% (down 0.4 percentage points from their previous projection), while inflation expectations rose to 2.8% (up 0.3 percentage points from their previous estimate). Powell also stressed the need for patience as tariffs could delay progress toward the 2% inflation target. By the end of March, the Fed Funds Futures have priced in three additional 25 bps rate cuts in 2025. Nevertheless, it would be challenging for the Fed to resume rate cuts until there is more visibility on tariffs and their impacts on inflation and unemployment.

The Bank of Canada (BoC) reduced its overnight policy rate to 2.75% after two 25bps cuts in in the first quarter. Governor Tiff Macklem warned that tariffs would reduce economic efficiency, hurt GDP growth, and increase costs for imported goods. He also emphasized that monetary policy could not fully offset the negative effects of a trade war but noted that past rate cuts had supported housing and consumption. Due to trade tensions and tariff threats, job growth in Canada stalled in February as businesses reduced hiring plans. Investment activities remained muted, particularly in the manufacturing sector. Rising import costs and excess supply pressures from reduced U.S. demand for Canadian goods continue to weigh on the already fragile economic fundamentals.

The European Central Bank (ECB) cut its benchmark interest rate by 25 bps at both the January and March meetings, bringing the rate to 2.65%. President Christine Lagarde indicated that monetary policy was becoming "meaningfully less restrictive" in March. This tone change means policymakers will become more cautious about further rate cuts. Recent credit data indicates that bank lending to corporates and households shows promising signs of acceleration. Unsurprisingly, the central bank raised the concern that escalation of a trade war would dampen European exports and drag down investments. Meanwhile in Germany, the new government proposed a momentous defense and infrastructure spending plan, which has been approved by both houses of parliament. This fiscal package allows defense spending above 1% of GDP to be exempted from the debt brake and offers greater borrowing flexibility at both federal and state levels. Additionally, the plan includes €500 billion infrastructure spending over 12 years. In response, the Germany's DAX index rallied, buoyed by aerospace and defense stocks.

The first quarter of 2025 started with a continuation of market complacency we observed in 2024. However, mega-cap tech names, especially AI stocks, sold off following the release of DeepSeek's lower-cost open-source AI model. This development disrupted the competitive landscape of the AI industry and shifted investor sentiment. Soon after, concerns over tariffs and escalating trade tensions dominated market headlines, further dampening sentiment. Unlike the tariff policies during Donald Trump's first term as president, the current measures are broader in scope and target a wider range of industries and countries. Allies such as Canada and Mexico, who were not targeted with broad-based tariffs during Trump's first term, were initially hit with 25% tariffs on all goods except certain Canadian Energy imports, which were to be taxed at 10%. Later, all goods that are USMCA-compliant were exempted from the tariffs. Beyond North America, the Trump administration also introduced 25% tariffs on global imports of certain products such as steel & aluminum and was evaluating adding them on copper, semiconductors, pharmaceuticals, and automobiles. As of March 31, President Trump has issued tariffs against Canada, Mexico, China and the European Union. While some of these tariffs have been delayed for a negotiating period, the outlook for global manufacturing activities and consumer confidence are deteriorating.

Looking forward to the rest of 2025, in our view, the tariff fears will continue to weigh on the global economic outlook, as these policies complicate central banks' monetary decisions, overshadow corporate earnings, and erode consumer confidence. Equity valuations are at risk of contraction, but this also means some stocks could present attractive investment opportunities, as they trade at even more compelling valuations while their fundamental business strengths remain intact. From a portfolio construction perspective, the prevailing market uncertainty underscores the importance of maintaining a well-diversified portfolio that spans multiple sectors and geographies. In this climate, we favour a more defensive portfolio and prefer companies that are less exposed to tariffs and demonstrate resilience during economic turbulence.

Portfolio Review

Units (1 Class A share plus 1 Preferred share) of Global Dividend Growth Split Corp. (the "Fund") were up 3.1% in Q1 2025, outperforming the MSCI World Total Return Index, which was down 1.7%. The MSCI World High Dividend Yield Total Return Index (the "Benchmark") was up 6.6% over the same period.

The Fund benefited substantially from our stock selection in Materials and Real Estate, while top contributors to the Fund included Agnico Eagle Mines, Welltower, and T-Mobile US. Our only pick in the Materials sector benefited from a rally in gold prices amid escalated trade policy certainties, with risk-off sentiment favouring gold miners. Canadian gold miners also experienced margin expansion on the back of a weakening Canadian dollar relative to the U.S. dollar. In Real Estate, our sole holding in the sector benefited from strong Q4 results, supported by improved occupancy rates and resilient senior housing fundamentals. Energy was also overweight and contributed to the outperformance relative to the benchmark. The midstream players in the Fund saw strong performance on the back of easing inflationary pressure and lower rates. Our Communication Services stocks also significantly outperformed the Benchmark, despite being an underweight position, with both of our picks releasing robust Q4 results. T-Mobile US rallied on better-than-expected service revenue growth, EBITDA expansion, and free cash flow generation.

Partially offsetting these gains was the Fund's overweight position in Financials, which delivered positive returns but lagged the benchmark. Consumer Finance, in particular, was weak due to tariff fears and subdued consumer confidence. Consumer Staples, Industrials, Utilities, and Healthcare all finished the quarter with positive returns. Consumer Discretionary detracted from performance with negative returns, even though our stock picks in the sector performed relatively well. Resilient performance of a discount retailer was offset by home improvement retail and hotel & resort booking. Information Technology was also a detractor to fund and lagged Benchmark performance. However, the sector made positive relative contribution to Fund's return because it was significantly underweight compared to the benchmark. Mega-cap tech names tied to AI underperformed following the release of DeepSeek by a Chinese AI developer, which raised questions on capital investments in AI infrastructure.

During the quarter, we added weight to Communication Services and Utilities while reducing Information Technology and Energy. We made these changes to reflect our view that the portfolio would benefit from a more defensive positioning amid rising tariff fears and risk-off market sentiment, while also taking profits in Information Technology after strong performance in 2024. Our outlook remains cautious heading into Q2 and continues to favour defensives over cyclicals and value over growth.

Annual Compound Returns[1]	YTD	1-YR	3-YR	5-YR	Since Inception[2]
Global Dividend Growth Split Corp. - Class A	4.8%	26.0%	15.4%	25.7%	12.9%
MSCI World High Dividend Yield Total ReturnIndex	6.6%	9.0%	6.1%	12.1%	7.3%
MSCI World Total Return Index	(1.7%)	7.5%	8.1%	16.7%	10.4%
Global Dividend Growth Split Corp. - Unit	3.1%	15.4%	9.9%	14.3%	8.8%
Global Dividend Growth Split Corp. - Preferred	1.3%	5.1%	5.1%	5.1%	5.1%
S&P/TSX Preferred Share Total Return Index	2.6%	16.7%	4.4%	12.7%	4.3%

(1) Returns are for the periods ended March 31, 2025 and are unaudited. The table shows the Fund's compound returns on a Class A share, Preferred share and unit (which consists of one Class A share and one Preferred share) for each period indicated, compared with the MSCI World Total Return Index ("MSCI Index"), the MSCI World High Dividend Yield Total Return Index ("High Dividend Index") and the S&P/ TSX Preferred Share Total Return Index ("Preferred Share Index") (together the "Indices"). The MSCI Index captures large and mid-cap representation across 23 developed markets countries and covers approximately 85% of the free float-adjusted market capitalization in each country. The High Dividend Index targets companies from the MSCI Index (excluding Real Estate Investment Trusts) with high dividend income and quality characteristics and includes companies that have higher than average dividend yields that are expected to be both sustainable and persistent. The Preferred Share Index tracks the performance, on a market weight basis and a total return basis, of a broad index of preferred shares trading on the Toronto Stock Exchange ("TSX") that met the criteria relating to size, liquidity and issuer rating. The Fund is actively managed; therefore, its performance is not expected to mirror that of the Indices, which have more diversified portfolios and include a substantially larger number of companies. The Indices' performance is calculated without the deduction of management fees, fund expenses and trading commissions whereas the performance of the Fund is calculated after deducting such fees and expenses. Additionally, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares. The performance information shown is based on net asset value per Class A share and per unit, or the redemption price per Preferred share, and assumes that cash distributions made by the Fund during the periods shown were reinvested at net asset value per Class A share and per unit, or the redemption price per Preferred share in additional Class A shares, units and Preferred shares of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future.

(2) Inception date June 15, 2018.

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