PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2019

Global Markets Review

Global markets finished the year with strong performance. Almost all stock markets and asset classes enjoyed double digit returns for 2019. The MSCI World Index gained 28.4% with the Information Technology sector as the best performing sector, gaining 48.1% during the year. In North America, the S&P 500 was up 31.5%, while the S&P/TSX Composite was up 22.8%, both of which were also led by strong performance from the Information Technology sector. In Europe, the STOXX 600 returned 27.7% for the year, led by France and Switzerland, where the CAC 40 and SMI were up 30.5% and 30.2%, respectively. Germany's DAX Index gained 25.5% amid concerns over slowing economic growth, while Spanish and U.K. equities also finished the year with double digit gains as the IBEX 35 increased 16.5% and the FTSE 100 returned 17.2% for the year.

According to the latest forecast by the International Monetary Fund, the global economy is expected to grow 3.4% in 2020, a modest pickup from 2019's projected growth rate of 3.0%. Growth expectations were driven by a few topical issues. At the top of the list was progress on the U.S.- China trade war. During the month of December, expectation of a phase one trade deal between the U.S. and China partially alleviated long standing trade tensions between the two nations. As part of the trade deal, tariffs that were set to take effect on December 15th on about US$160 billion of consumer goods were averted; in exchange, China was expected to increase its purchases of American farm goods. The trade deal demonstrated compelling evidence of progress made by both sides and renewed market participants' confidence in global growth. Second, employment numbers and jobless claims are being closely monitored by investors for any signs of weakness. Employment and consumption continue to be robust and jobless claims remain at decade lows as service sectors across the globe kept labour markets buoyant and wage growth healthy. Lastly, Brexit-related fears subsided towards the end of 2019 after the U.K. held its third general election in four years in December, which resulted in Boris Johnson's Conservative party securing a parliamentary majority. We expect progress to be made on Brexit negotiations before the January 31st deadline and we anticipate 2020 to be a year of transition for the U.K.

Market performance and sentiment were also driven by central bank policies in 2019. In the U.S., the Federal Reserve (the "Fed") cut the policy rate three times during the year, reducing the target range by 75 basis points to the current range of 1.50% to 1.75%. Slowing growth in China and Europe, trade policy developments and geopolitical risks were cited as areas of concern, which drove the Fed's decision to cut interest rates. During the most recent policy meeting in December, Fed Chair Jerome Powell signaled that they would likely keep rates steady through 2020 amid a solid economy. We believe that the bar for Fed action is extremely high in a U.S. presidential election year.

In Europe, Christine Lagarde assumed office on November 1, succeeding former European Central Bank (the "ECB") President Mario Draghi. During 2019, the ECB cut the deposit rate by 10 basis points to minus 0.5%. The ECB has also resumed its quantitative easing program in November purchasing bonds at a rate of €20 billion a month for as long as necessary to hit its inflation goal of just below 2%. Inflation averaged 1.2% in 2019.

Looking forward, we expect positive investor sentiment to continue to drive strong equity performance in 2020. On the U.S.-China trade front, we expect the U.S. and China to discuss the potential of a phase two trade deal after the signing of the phase one deal in January. In terms of central bank policy, we expect 2020 to be a quieter year for monetary policy as the Fed and the ECB will be maintaining a dovish stance. Effects of the three consecutive rate cuts implemented by the Fed and one cut by the ECB should begin to flow through to the economy in 2020. Lastly, in terms of volatility, we anticipate the 2020 U.S. federal election to be accompanied by slightly higher volatility during the year. Geopolitical tension between the U.S. and the Middle East could also be a source of volatility that we will be paying close attention to.

Portfolio Review

Global Dividend Growth Split Corp. (the “Fund”) was up 23.7% during 2019. This compares to the MSCI World Index, which was up 28.4% over the same period.

The Fund’s market weight position in Energy and overweight position in Financials and Materials were the top contributing factors to its gains. Midstream companies including TC Energy (up 48.5%) and Enbridge (up 29.5%) demonstrated resilience in 2019 as their project backlogs accumulate. Within the Financials sector, our preference for insurers including Sun Life (up 35.9%) and Manulife (up 42.0%) over banks for the majority of 2019 proved to be an effective strategy to play in the Financials space against the backdrop of a declining interest rate environment. In Materials, the Fund benefitted from its exposure to industrial gas company Air Products & Chemicals, which was up 50.0% during the year. We see Air Products & Chemicals as a core holding in the portfolio since the company exhibits industry leading margins and growth.

Our underweight position in Information Technology and Consumer Staples offset some of the gains from the aforementioned sectors. Underweights in Apple and Microsoft served as deterrence to the Fund’s performance relative to the MSCI World Index as both stocks has stellar performance during the year (up 89.0% and 57.6%, respectively). We have a favourable outlook on both stocks as they offer attractive risk-reward with their growth oriented yet increasingly defensive characteristics. We remain cautious on Consumer Staples as the sector is trading at elevated valuation multiples. We believe rising competitive pressure and labour costs will start to pressure margins for companies within this sector.

In November, we made several changes to the portfolio as global equities experienced a synchronized rotation towards value and cyclical stocks. Post the implementation of a third policy rate cut by the Fed in October, the U.S 10-year treasury yield showed signs of bottoming out. Consequently, we pivoted the portfolio to gain more cyclical exposure through increasing the Fund’s allocation to Financials and Industrials. Heading into 2020, we think large banks including JPMorgan, Bank of America and BNP Paribas will be able to navigate the low interest environment better than their peers. We are also overweight Health Care. Given the regulatory scrutiny endured by the Health Care sector throughout 2019, the sector was trading at below historical multiples and we found the risk-reward to be attractive. Pharmaceutical companies Bristol-Myers and Sanofi were added as we believe the market priced in too high of a discount into both stocks as drug pricing risks wane. In conjunction with the cyclical shift, we have decreased the Fund’s exposure to other defensive sectors including Real Estate, Communication Services and Consumer Staples. We believe the portfolio is well positioned to benefit from the cyclical tailwind heading into 2020.

Laura Lau, SVP & Sr. PM

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Annual Compound Returns[1]	1-YR	Since Inception[2]
Global Dividend Growth Split Corp. - Class A	44.7%	12.4%
MSCI World Index	28.4%	9.0%
S&P/TSX Composite Index	22.8%	6.1%
Global Dividend Growth Split Corp. - Preferred	5.1%	5.1%
S&P/TSX Preferred Share Index	3.5%	(3.5%)
Global Dividend Growth Split Corp. - Unit	23.7%	8.8%

(1) Returns are for the periods ended December 31, 2019. The table shows the Fund's compound returns on a Class A share, Preferred share and unit for each period indicated, compared with the MSCI World Index ("MSCI Index"), the S&P/TSX Composite Index (''Composite Index'') and the S&P/TSX Preferred Share Index ("Preferred Share Index") (together the "Indices"). The MSCI Index captures large and mid cap representation across 23 developed Markets countries. The MSCI Index covers approximately 85% of the free float-adjusted market capitalization in each country. The Composite Index tracks the performance of a broad index of large-capitalization issuers listed on the Toronto Stock Exchange ("TSX"). The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund invests in a actively managed portfolio of large-capitalization global dividend companies. It is therefore not expected the Fund's performance will mirror that of the Indices which have a more diversified portfolios. Further, the Indices is calculated without the deduction of management fees, fund expenses and trading commissions whereas the performance of the Fund are 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 June 15, 2018.

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