PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2020

Global Markets Review

Following a swift market sell-off in March, both North American and European equity markets continued to rebound during the third quarter. For the three-month period ended September 30, 2020, the MSCI World Index increased 8.0% led by the Consumer Discretionary sector, which rose 16.0%. Information Technology and Materials were the second-best performing sectors both increasing 11.9% during the quarter. In North America, the S&P 500 was up 8.9%, while the S&P/TSX Composite was up 4.7%. Consumer Discretionary was the top performing sector in the S&P 500 whereas Industrials was the best performing sector in the S&P/TSX Composite. In Europe, the STOXX 600 was up 0.7%, led by Germany and Switzerland, where the DAX gained 3.7% and the SMI gained 1.5%. France's CAC 40 and Italy's FTSE MIB were down 2.0% and 1.4%, respectively. Spain and U.K equities finished the period in negative territory as the IBEX returned -6.6% and the FTSE 100 returned -4.0%.

Global economies continued the path to recovery through the third quarter. Manufacturing production measured by PMI in the U.S. saw a sharp rebound from April's low of 36.1 to 53.2 in September, while the unemployment rate also saw sequential improvement after peaking in April. These signals provided a boost of confidence for equity investors, which in turn asymmetrically lifted the more cyclical part of the economy, including Consumer Discretionary, Materials, and Industrials. Performance of Information Technology stocks remained robust, as the work from home theme continues to be a secular tailwind for the sector. In late September, U.S. equity markets saw a decline after breaking above the previous all-time high in February, as risk appetite shifted away from growth stocks. Investors priced in chances of a second wave of COVID-19 as Europe saw a resurgence of COVID-19 cases. At the same time, uncertainty around the passage of new U.S. fiscal stimulus and the impact of the upcoming election were also reasons for the shift in risk sentiment.

Effective policies played an essential role in the recovery of global equities. The Federal Reserve (the "Fed") remained highly accommodative in the third quarter and has kept policy rates at 0%-0.25%. The latest dot plot suggests that the Federal Reserve expects rates to remain at the zero lower bound through to and including 2023. In August, Fed Chair Jerome Powell announced that the FOMC had adopted a flexible form of average inflation targeting as the key outcome of its monetary policy framework review. Under the new approach, the FOMC will respond only to "shortfalls" of employment from its maximum level rather than to all "deviations" above or below the maximum level and will seek to achieve inflation that averages 2% over time. This means that following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time.

In Canada, following three rate cuts in the first quarter, the Bank of Canada (the "BoC") has kept interest rates unchanged at 0.25% during the third quarter to combat the impact of COVID-19 on the economy. The Governing Council committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. The BoC is also continuing its quantitative easing program with asset purchases of Government of Canada bonds of at least $5 billion per week. Although activity levels are bouncing back as countries lift containment measures, the BoC expects a slow and choppy economic recovery.

During the third quarter, COVID-19 cases surged again in parts of the EU, most notably Spain and France, which led to the imposition of new containment measures during the quarter. In July, European governments approved a €750 billion stimulus named the Next Generation EU to assist member states recover from the COVID-19 pandemic. In the same month, the Bank of England left rates unchanged at 0.10% but raised the Asset Purchase Program by £100 billion to £745billion. In September, the European Central Bank (ECB) decided to keep the key ECB interest rates unchanged. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until the inflation outlook robustly converges to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics. The Governing Council will also continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,350 billion, the asset purchase programme (APP) at a monthly pace of €20 billion, as well as purchases under the additional €120 billion temporary envelope to help offset the economic impact of the pandemic. The ECB has committed to conducting asset purchases under the PEPP until at least the end of June 2021.

At the end of the third quarter, the number of confirmed COVID-19 infections worldwide exceeded 34 million, with over a million deaths- up from more than 10 million infections as of June this year. Confirmed cases rose dramatically in the United States, Latin America, India, and South Africa. Moreover, countries that had previously flattened the infection curve such as Australia, Japan, Spain, and France saw renewed upticks in cases. 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 is extremely hard to predict and it is predicated upon a confluence of factors including public health response, progress with vaccines 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 the next quarter, we believe the most closely watched catalyst to bring down near-term risks and a more prolonged equity rally is more clarity on the availability of vaccines. We anticipate heightened volatility levels heading into the upcoming 2020 U.S. federal election.

Portfolio Review:

Units (1 Class A share plus 1 Preferred share) of Global Dividend Growth Split Corp. (the “Fund”) were up 4.6% for the third quarter of 2020, outperforming the MSCI World High Dividend Yield Index, which was up 3.1% over the same period.

The Fund benefited from its overweight positions in Consumer Discretionary and Information Technology. Retail giants including Target and Lowe’s saw strong consumer demand for essential products and home-oriented products amid COVID-19. The pandemic fueled sales through their online digital channels, which the retailers have focused on building out during the past months. Digitization and strong secular growth in cloud and IoT also drove solid returns for the Information Technology sector. We own marquee companies including Apple, ASML and Microsoft, who have benefited from a surge in demand for their offerings due to the adaptation of work from home as the new norm.

Offsetting some of the gains from our Consumer Discretionary and Information Technology calls were our underweight positions in Consumer Staples and Utilities. While both sectors finished the quarter in positive territory, the pace of the recovery lagged the more cyclical segments of the economy. Within the Consumer Staples sector, we continue to favour global leaders in consumer health and home products, including Clorox and Kroger, who have seen a surge in household product demand during the pandemic. Utilities with renewable exposure have enjoyed superior share performance given the heightened focus on renewable energy and lowering greenhouse gas emissions globally.

Alongside the continued market rebound in the third quarter, we increased positions in Consumer Discretionary and added additional renewable exposure within the Utilities complex. We added Reckitt Benckiser, the maker of Lysol wipes and Orsted, the leading offshore wind producer. We have a favorable outlook for both sectors heading into the fourth quarter. The Consumer Discretionary sector should lead the cyclical rotation in the market should election risks abate. We also trimmed allocation to the Energy sector and diversified within the Financials sector. We added financial exchange exposure given our outlook of increased volatility around U.S elections. Financial exchanges tend to benefit from heighted volatility levels in the market.

Laura Lau, SVP & CIO

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Annual Compound Returns[1]	YTD	1-YR	Since Inception[2]
Global Dividend Growth Split Corp. - Class A	(13.6%)	(9.2%)	1.5%
MSCI World High Dividend Yield Index	(10.4%)	(4.1%)	1.8%
MSCI World Index	2.1%	11.0%	6.9%
Global Dividend Growth Split Corp. - Preferred	3.8%	5.1%	5.1%
S&P/TSX Preferred Share Index	(1.1%)	2.8%	(2.8%)
Global Dividend Growth Split Corp. - Unit	(5.7%)	(2.6%)	3.2%

(1) Returns are for the periods ended September 30, 2020. 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 MSCI World High Dividend Yield Index ("MSCI High Dividend 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 and covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI 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, of a broad index of preferred shares trading on the TSX that met the criteria relating to size, liquidity and issuer rating. The Fund invests in an actively managed portfolio. It is therefore not expected the Fund's performance will mirror those 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 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 June 15, 2018.

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