# Dynamic Global Dividend Fund

## 2022 Year End Commentary

For the calendar year 2022, Dynamic Global Dividend Fund ("Fund") underperformed its benchmark. The series F units of the Fund returned -17.2% while the MSCI World Index (C$) returned -11.8%.

Stock selection in the Financials and Materials sectors were the primary detractors from relative performance. Only one company from the two sectors – Sika AG (Materials) – was among the top ten stock detractors from Fund performance. On the other side, only one company from the sectors – Progressive Corp. (Financials) – was among the top ten stock contributors to performance. Progressive Corp. remained in the Portfolio at period end, while Sika AG was exited. For both the Fund and the benchmark, the collective stock holdings in both sectors posted negative returns. However, those of the benchmark outperformed those of the Fund.

Stock selection and an underweight position in the Communication Services sector was a key positive for relative performance. The sector was the worst performer for the benchmark; thus, the Fund's underweight exposure was a key positive for relative performance. The Fund's holdings in the sector posted a negative return, but it was far less negative than the return of the benchmark's Communication Services holdings. The Fund did not hold three of the four Communication Services stocks that were among the top ten stock detractors from benchmark performance.

Given the volatility in equity and fixed income markets, our Portfolio was defensively positioned through much of the year and as always, we continue to focus on quality companies. We define quality companies as those with superior balance sheets, above average profitability, and consistent profitability. While the S&P 500 isn't the benchmark for Dynamic Global Dividend Fund, we thought it was interesting to note that out of 17 different S&P 500 Factor Indices, the S&P 500 Quality Index, was the fourth worst performer for 2022. Quality outperforms most of the time and in the long-term, but it doesn't always outperform in the shorter-term.

Recently, recession risk has risen further. Central bankers intend to tighten financial conditions through interest rate increases and tapering/quantitative tightening. We expect that should lead to high quality securities outperforming low quality securities. Pent up demand exists in some capital goods, and certain financial institutions will benefit from higher interest rates. While consumers may face headwinds one would expect the leadership role in further economic expansion will be assumed by business investment as usually occurs when the economy passes through the mid-cycle. Defensive industries such as healthcare are attractive given their long-term performance and defensiveness, as volatility tends to rise from this point in the cycle.

Things like bear markets, such as the one that we may well be in, have stronger memories of the unpleasant than they do of the pleasant. When we step back and we look at the market mountain chart, and when we think about the long-term investing environment, bear markets are much shorter than bull markets.

Bear markets end. It is entirely possible that this process that we are in began in March of 2021 with the peak of speculation in cryptos, SPACs (A special purpose acquisition company), and meme stocks and moved onto blue-chip securities at the end of 2021. We need to be thinking about the future because when this down period is over, there's going to be new leadership within the market, and we want to own that new leadership. We are optimistic about the businesses that are well-positioned to be the new leadership.

They are generally industries that did not do well in the prior 10 years. Dynamic Founder, Ned Goodman, would say that when a cycle ends, its leadership is unlikely to lead in the next cycle. The leaders of the next cycle perhaps come from the industries that underperformed in the prior cycle.

We're optimistic about many industries. That includes insurance, pharmaceuticals, the defense industry, capital goods, it could include energy, and it could include certain parts of base metal mining.

What all these areas have in common is that they did not do well in the prior 10 years. They have been doing very well through this bear market and they are areas that we're underinvested in where we need these goods and services in our daily lives, and the demand is not disappearing. The market will just simply shift the capital away from the industries that everyone agrees have already done well, to the areas that people have forgotten about because that's just the normal course of things.

| Annualized returns as of December 31, 2022 | 1 Year | 3 Year | 5 Year | 10 Year | SI |
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| **Dynamic Global Dividend Fund Sr. F** | **-17.2%** | **2.6%** | **7.5%** | **12.4%** | **8.2%** |

Dynamic Global Dividend Fund Series F inception date: March 2006

Holdings information:

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**Strauss Group Ltd.:** Based in Petah Tikva, Israel, Strauss is a manufacturer of middle eastern salads and dips, coffee, water purification systems and sweet and salty snacks. Coffee is one of the fastest growing food categories. Strauss recently purchased full ownership of their coffee division which is growing strongly in Eastern Europe and South America. The water division is growing strongly in Israel and Asia. The dips and spread business continue to be the North American market leader and has been expanding in Europe, Australia, and New Zealand. The Israeli business is a leader in dairy, beverage and snack foods, and participates in the strong growth of local consumption driven by immigration. Founded in 1933, its current Chairperson is Ofra Strauss, the granddaughter of the founder.

**Northrop Grumman:** Based in Falls Church, Virginia, is a defense contractor focused on space, hypersonic, and cyber technology. These are the areas expected to grow the fastest in expanding defense budgets in the west. The replacement cycle for decades old ICBMs and long-range strategic bombers, provides long term visibility.

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns including changes in unit values and reinvestment of all distributions does not take into account sales, redemption or option changes or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Views expressed regarding a particular company, security, industry or market sector are the views of the writer and should not be considered an indication of trading intent of any investment funds managed by 1832 Asset Management L.P. These views should not be considered investment advice nor should they be considered a recommendation to buy or sell. These views are subject to change at any time based upon markets and other conditions, and we disclaim any responsibility to update such views.

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