Dynamic Global Dividend Fund

Q2 2023 Commentary

Market Overview

Last year, we likely had a recession. We had two quarters of negative GDP growth. For much of the year we had a recession in gross domestic income. If you look at the way the market bottomed in the second half, it's consistent with a recession having taken place last year and then ending. We saw a strong move with some breadth of the market off the bottom into the fourth quarter. Then there has been a move that's taken place year to date, which is concentrated in large cap stocks. Many investors see that, and they don’t understand what's happening. History shows that in the past, there have been bottoms, and the breadth has narrowed, and the market has moved up as it has here. About two thirds of the time over the last 50 years, the market then broadens and advances. But for whatever reason, most people think that the market narrowing is the sign of a top and bad things are going to happen. That’s scenario number two, which is, bad things are going to happen. You've heard a somewhat universal consensus that we're going to have a recession. But we are comparing in the first half of 2023 against negative GDP in the first half of 2022. If we expand to look at the world, Europe was slow last year, and China was slowing through the year. As we move through the balance of 2023, we're comparing against that weakness in China and in Europe that we saw, that kind of weakened over the course of the year.
Barring another COVID-19 lockdown or similar event, we don't have the normal precursor for recession this year.

Regarding the market, I think that to some extent, the reason why we have seen the leadership from the large cap tech stocks, is because they were very badly hurt in 2022. There was concern that there were some technology companies with unsupportable business models. They lost access to the funding from venture capital, as 2022 played out. As we look into 2023, we are now seeing the survivors who have been stress tested and were likely too cheap relative to where they should have been for their fundamentals, and there's been a catch up there. It is frustrating as an active manager to look at an environment where the index returns were concentrated in a smaller number of names. But that being said, the move appears to be completely rational, and it's not so much that they're up and other names are down like what was seen in the events in the tech bubble in 1999 and 2000. Now, much of the market had a strong run off the bottom, whether it be the low that took place in July or the low that took place in October, and they reached a level from which they stopped. But then technology fundamentals continued to come through, technology as a sector was oversold, and it's played catch up. Given how well represented these large cap tech stocks are within the averages, it brought up the averages with the average stock stalled. I don't think it's a bearish sign. It has happened before, and two thirds of the time the market broadened out based upon a look at the last 50 or 60 years.

Positioning

We position our portfolios according to where the opportunities are. We want to feed winners and starve losers, or to quote Mr. Buffett: We cut weeds and, and we water flowers.

As we saw the emerging strength of IT over the second half of last year, we took advantage of that opportunity to add there after the stress testing, and our Portfolio is overweight the sector. We have the benefit of that stress testing to know whose business models were resilient. Similarly, we believe there is always tremendous opportunity in Health Care, because it's the third best performing industry of all time, and it didn't get there by only preserving capital in bear markets. It can also market perform or outperform in bull markets. If we are too optimistic, investing in healthcare has the added benefit of having outperformed in every bear market. It is an area that we frequently have a significant weight in.

In terms of our overall positioning, as the credit markets improved over the last six months, we put cash to work. The Fund is very close to its fully invested positions (5-6% cash).

We are avoiding areas that rhyme with rate sensitivity, like real estate and utilities. We are disappointed with what has happened in banking, and that is a space that we had to pull away from. Broadly, our financial services sector would be down very significantly, if not for the fact that certain index sectors were restructured and Visa and MasterCard (among other payment processors), moved from IT to financials.

From the viewpoint of how our regional allocations have changed, we had an overweight in the United States last year. There was a bear market last year and the U.S. outperforms in all bear markets. We took advantage of moving capital into Europe as the market inflected off the bottom. Generally, international markets tend to outperform the U.S. off a bottom. We have reached somewhat of an inflection point where it looks like the U.S. might be outperforming again, so we are moving more money towards the United States. Once you get this inflection within a cycle, the best case for international markets is going to be performing in line with the U.S., before we get the next bear market. Don't be surprised to see higher U.S. country weights in our global funds.

The areas where we think there's tremendous opportunity are primarily in the industries that are resilient, or that are below their long term trends. We've talked quite a bit about aerospace. Having Boeing shut down because of what happened with the 737 max, created a lot of pent-up demand as the installed fleet of aircraft only got older. It's probably one of the oldest installed fleets that we have seen in recent memory. We believe aerospace is an industry with a fair amount of runway ahead of it.

Another cyclical space we like is medical devices. Many people did not get their hips and knees replaced. They also did not get arterial valves, stents etc. replaced, because of the lock downs. Now, people have gone to the doctor and been diagnosed, so it speaks well for the runway in medical devices because a case load built up.

Many investors are concerned about the concentration of the markets. We are not. We are seeing enough industries to invest in, that we can still be near fully invested while maintaining both sector and regional diversification in our portfolios. We are not having difficulty building a portfolio that's exposed to a dozen or more sub-industries, out of a possible 25 or 26.

Performance

For the second quarter of 2023, Dynamic Global Dividend Fund ("Fund") underperformed its benchmark. The series F units of the Fund returned 3.6% while the MSCI World Index (C$) returned 4.6%.

The primary reasons for the underperformance during the quarter were stock selection in the Information Technology (IT) and Communication Services sectors. The Fund's holdings in the IT sector earned the highest return of any sector the Fund was invested in, but the return was not as high as those of the index. Five of the top ten stock contributors to Index performance were IT sector companies. The Fund held four of the five, and three of those were among the Fund's top ten stock contributors. The biggest stock detractor from Fund performance was U.S. multinational semiconductor company, Analog Devices. None of the IT companies held by the index were notable detractors from its performance. Analog Devices was not held in Dynamic Global Dividend Fund at period end.

The Fund's Communication Services holdings detracted slightly from performance during the quarter, while those of the benchmark earned a positive return. T-Mobile and Alphabet were among the top ten stock detractors from performance.

Stock selection in the Health Care and Industrials sectors were key positives for relative performance. The Fund's Health Care holdings earned a collective return of more than 5%, while the benchmark's holdings were essentially flat. Three of the Fund's top ten stock contributors were Health Care stocks including Merck & Co. The three biggest detractors from benchmark performance were Health Care stocks, and the Fund did not own any of them. Two Industrials stocks were notable contributors to Fund performance, while there were no significantly positive holdings from the sector in the benchmark.

Annualized returns as of June 30, 2023	1 Year	3 Year	5 Year	10 Year	SI
Dynamic Global Dividend Fund Sr. F	**3.9%**	**2.5%**	**6.1%**	**11.4%**	**8.0%**

Dynamic Global Dividend Fund Series F inception date: March 2006

Advisor Use Only

Series A units are available for purchase to all investors, while Series F units are only available to investors who participate in eligible fee-based or wrap programs with their registered dealers. Differences in performance between these series are primarily due to differences in management fees and fixed administration fees. Performance results for Series F units may also appear higher than for Series A units as the management fee does not include the trailing commission.

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.