

Global Dividends

Portfolio diversification can help ensure stable returns, even in uncertain times. That's why the Alpine Dynamic Dividend Fund invests across industries with stocks ranging from small to large capitalizations with the objective to achieve a high level of qualified dividend income and capital appreciation for total return. Fund manager Jill Evans seeks to meet these goals by employing a research-driven approach to identifying companies globally, with approximately 30-40% weighting in international securities.

Q: What is your investment philosophy?

A: We believe that dividends are an important part of total returns and investors should capture capital gains and dividends. Most investors look to benefit from the rise in stock prices and ignore dividends. Historical analysis shows that over the long term, dividends have accounted for approximately 40% of the total return in equities.

Q: How do you translate this philosophy into an investment strategy?

A: Our primary objective is to achieve a high level of current dividend income that qualifies for the reduced federal income tax rates created by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Next, we focus on total return for long-term capital growth. In a nutshell, our goal is to provide both a high level of qualified dividend income plus a positive total return.

Q: What differentiates you from your peers?

A: We began planning the strategy of the fund on May 28, 2003, literally on the day when the tax rates for dividends were lowered from ordinary income to a maximum rate of 15%. At that time there were very few products to take advantage of this significant tax break and we thought that investors will benefit if we can manage a fund that can generate dividend yields that are substantially higher than the yield from the S&P 500 index.

We do not just “chase dividends”. We look to invest in great companies that are returning cash to shareholders. This is true for the special dividends as well, where we look for companies that are returning a large amount of one-time cash to shareholders, but that we believe are strong companies with appreciation potential.

One of our most important characteristics is that we are about 30-40% international. We are invested in about 15 countries outside the U.S. Dividends overseas tend to be significantly higher than in the U.S. If a country has a tax treaty with the U.S, the dividends may qualify for the preferential tax rate.

Q: How do you handle the currency situation where a lot of European bank stocks are yielding high rate of dividend but have exposure to risky loans?

A: We own a handful of international banks. We've selected the ones that we think have the brightest business outlook. As fundamental investors we select international banks but we also believe in the long-term secular decline of the U.S. dollar.

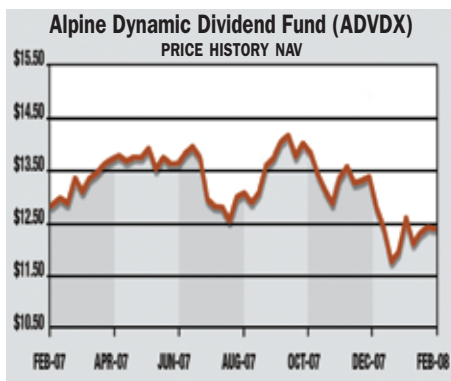
We were un-hedged until the very end of last year. When the Fed started cutting rates aggressively, we decided to hedge about 50% of our currency exposure. We purely hedged our exposure to the international currency trade and we didn't put on any futures or trades regarding betting on the dollar or



JILL EVANS joined the Alpine Woods team in May, 2003 after serving as the senior equity research analyst covering small and mid-cap basic industries at JP Morgan Securities. She was also the global coordinator of JP Morgan's passenger and freight transportation sectors.

Evans started at JP Morgan in 1988, first as an analyst then as a project manager in the internal consulting group, Management Services. She spent her last year in Management Services working with McKinsey & Co., consulting on a firm-wide cost reduction project. Evans received her bachelor's degree in Economics from the University of Pennsylvania.

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currency futures. We recently closed out these hedges as we believe the dollar may stabilize in the near term following the aggressive actions of both the U.S. Federal Reserve Bank and the U.S. government fiscal stimulus package to try to boost the U.S. economy.

Q: What benchmark returns correlate to your portfolio?

A: With our yields so significantly higher than anybody else's it's extremely difficult to find a peer group. We like to be multi-cap when we look for opportunities plus we invest globally. You are really buying our fund for the very high dividend income and the capital appreciation and we have not found any benchmark that tracks our strategy well.

Q: How do you achieve your investment objective?

A: The Fund utilizes three separate portfolio strategies - Dividend Capture, Value with a Catalyst, and Growth and Income strategy. Guided by the 61-day holding period that the tax regulations specify, we seek to turn over one part of the portfolio to increase the gains in the portfolio beyond four quarterly dividend payments. We focus another part of our research toward identifying financially strong companies that offer capital appreciation potential along with stable dividend. The third strategy aims to identify companies undergoing a business turnaround.

We employ a team-management approach to try to achieve a double-digit total return from tax advantaged dividend income and capital appreciation.

The Dividend Capture is where we are generating the majority of the dividend yield. Then we balance that with our value and our growth strategies. We look for stocks where there might be high dividend yields because the earnings and stock prices are depressed for some reason and we expect a turnaround or a catalyst to get those earnings and stock prices to recover.

Right now, with the way the market's been beaten down, you see a lot of high yielding stocks and therefore, we see a lot more value in the market than we did six to nine months ago but we don't like to buy a dividend for the sake of a dividend. We always prefer to invest in stable and sound businesses.

Our growth and income strategy is where we screen for stocks that might have lower dividend yields but we see very good earnings growth and capital appreciation potential. We usually like to screen at about 15% earnings growth outlook and a minimum of about a 1% dividend yield.

Q: What kind of selection criteria do you apply?

A: The first screen that we do is by yield and this eliminates many stocks because every stock in our portfolio either has a regular dividend or we believe the company will be initiating a special dividend in the near future. Then, within that universe, we are very traditional. We have meetings where we all share ideas and we try to do this at least once a week. We take a top-down industry and regional view of the world to see where the opportunities are.

We combine that with a bottom-up fundamental stock-picking analysis and decide what we want to buy, sell and what we want to hold on to. The most important factors in our bottom-up analysis are earnings growth and cash flow outlook. Then we combine the earnings and the cash flow outlook with valuation because you can love a sector or a stock but it can be overvalued. When we find companies where our top down view of the world or the industry matches with the bottom-up valuation work, we put them in the portfolio.

Q: Why is the company's ability to generate cash flow important to you?

A: Dividends are paid from cash which may or may not come from earnings. Some companies can have no cash and no retained earnings but they are actually returning capital when they pay a dividend and that wouldn't count as a qualified dividend. This kind of dividend is nothing but a return of capital and all it does is that it lowers your cost basis. So companies need cash and taxable retained earnings to pay dividends. Oftentimes you can have a company with high depreciation so the earnings may be lower but their cash flow is higher. We always look at the cash flow generating ability of a company on top of their earnings growth outlook because sometimes the free cash flow will look a lot better than the earnings growth. And, dividends are paid from cash.

Q: How do you go about portfolio construction?

A: We have a group of analysts and portfolio managers that screen their individual sectors and come up with the names that fill our outlet for earnings growth, dividend and valuation. Amongst all of our dividend and global funds we probably have about 200 stocks that we're investing and following globally. The core portfolio is of anywhere between 70 to 90 positions and the rest of them we rotate over time in our dividend capture strategy.

We have rarely ever had a holding more than 3% of the portfolio. We are diversified in our portfolio so our top ten holdings consist of approximately 20% of the portfolio. We usually keep our holding allocation below 2.5% at the most and the ones that are above 2.5% are generally the ones with a high dividend yield.

We do a number of special dividends where companies pay out either large one-time dividends or we take advantage of semi-annual dividends overseas.

Q: If you find a good company with good earnings growth but with virtually no dividend, would you still consider investing in it?

A: It depends. Our objective is income. If there's a great company that we love, we'll go low on the dividend screen.

For example, Monsanto, the corn producer, has about a 0.58% dividend yield but we won't go much lower than that unless we felt that there was a fantastic growth opportunity. We don't like to buy a stock just for a dividend and we don't buy stocks that don't have dividends so a Monsanto has a dividend but we would have it in there more for capital appreciation story.

You might have a company like Regal Entertainment, which has about a 5.8% dividend yield. It's the largest theater operator in the US. We have capital appreciation but again the stock yield is almost 6% so in that case Regal is in the portfolio first for the dividend income and second for the capital appreciation. In this way we are trying to balance the portfolio.

Q: What happens if you are in a situation where the expected growth in capital appreciation may turn out to be different than you anticipate and then it could also wipe out the gains that you have through the income?

A: To be a good investor, you have to be able to sell things. We don't fall in love with names and if the story changes, we just sell and move on to find better opportunities. We don't want to have significantly more than 100 - 120 stocks in the portfolio because then you start to dilute your performance.

In other words, the stock has to be serving a purpose in our portfolio. If we have it in there for growth and income, and it's not working, we take it out.

For example, one of the sectors that we like is bulk shipping. There are a lot of companies with high dividends and good growth because they are acquiring other shippers and they are benefiting from iron ore going from Brazil to China. China needs iron ore to build steel and the whole world is building infrastructure. You get most of your iron ore from Brazil and Australia and then a little bit from the U.S. and you need ships

to take that iron ore. We like the sector and we own a few of the names in that sector. A lot of their growth was based on acquisition of either other companies or new construction but then, all of a sudden, you have this credit crisis. The companies needed the financing to grow through acquisition and new builds and we had to step back as we decided we didn't want to be in some of the names that have bigger new building programs.

Q: What kinds of risks do you monitor and what do you do to mitigate them?

A: The biggest risk is that right now the markets are so dominated by hedge funds and black boxes and program trading that what we have just come through is a period where in volatile times the fundamentals are not being paid attention to and many great companies are being hit along side with the weaker, riskier companies. Last summer, when the first wave of problems started related to credit market, we sat back and we certainly identified the direct financial risk that we thought we had. We've never owned any company that was directly associated with sub-prime. We went down the credit chain and looked to sell or reduce our exposure to the companies in our portfolio that had a lot of acquisition or leverage in their strategy.

We are stock pickers and we try to assess the risk on a stock-by-stock basis. It's very challenging when the market sell-offs are broad and persistent. The risk for our investors is that they do need to understand that 30% to 40% of the portfolio is in international stocks. We feel that is the best opportunity for our investors for dividends and capital appreciation. Dividends in overseas markets are higher than in the U.S., which is actually one of the lowest yielding markets in the world.

In Europe, Australia and New Zealand dividend yields are significantly higher than what we get in the U.S. but these markets can be more volatile than the U.S. So I would just tell our investors again on a stock by stock basis we are trying to assess the risk of each country, of each holding, of each earnings and cash flow outlook. 

Alpine Dynamic Dividend Fund

Symbol	ADVDX
Website	www.alpinefunds.com
Address	Alpine Woods Capital Investors LLC 2500 Westchester Avenue Suite 215 Purchase, NY 10577
Tel. No.	888-785-5578
Inception	09/22/2003

PORTFOLIO

Total Net Assets*	\$1,300
Avg Mkt Cap (\$ Weighted)	\$42,700
Average Price/Earnings Ratio	17.55x
Average Price/Book Ratio	4.55x
Turnover Ratio	216%

INVESTMENT INFORMATION

New Investment	Open
Min Initial Investment	\$1,000
Min Subsequent Investment	\$0
Min Initial IRA Investment	\$1,000

RISK (AGAINST S&P 500 DAILY REINV INDEX - 3 YRS)

Alpha	0.09
Beta	1.17
R-Squared	0.78
Ann. Std Deviation	11.32
Sharpe Ratio	0.34

RETURNS VS. S&P 500 DAILY REINV INDEX

	ADVDX	Index
1 Year (Cum.)	-3.37%	-3.60%
3 Year (Ann.)	7.40%	5.37%

RETURNS VS. RUSSELL 3000 TR INDEX

	ADVDX	Index
1 Year (Cum.)	-3.37%	-4.52%
3 Year (Ann.)	7.40%	5.71%

FEES AND EXPENSES

Max Sales Charge - Front	0.00%
Max Sales Charge - Deferred	0.00%
Max Redemption Fee**	1.00%
Total Expense Ratio	1.15%

PORTFOLIO MANAGER

Jill Evans	2003
Kevin Shacknofsky	2004

*millions **2 months after purchase

Data through: 02/29/2008

Source: Company Documents; Lipper

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