

ALPINE TOTAL DYNAMIC DIVIDEND FUND

Form N-CSRS

July 09, 2010

**Table of Contents**

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21980

Alpine Total Dynamic Dividend Fund

(Exact name of registrant as specified in charter)

2500 Westchester Avenue, Suite 215, Purchase, NY 10577

(Address of principal executive offices) (Zip code)

Alpine Woods Capital Investors, LLC

2500 Westchester Avenue, Suite 215

Purchase, New York, 10577

(Name and address of agent for service)

Registrant's telephone number, including area code: (914) 251-0880

Date of fiscal year end: October 31

Date of reporting period: November 1, 2009 - April 30, 2010

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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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**Table of Contents**

**Item 1. Reports to Stockholders.**

**Table of Contents**

Table of Contents

TABLE OF CONTENTS

<u>Alpine View</u>	1
<u>Manager Commentary</u>	4
<u>Schedule of Portfolio Investments</u>	12
<u>Statement of Assets and Liabilities</u>	15
<u>Statement of Operations</u>	16
<u>Statements of Changes in Net Assets</u>	17
<u>Statement of Cash Flows</u>	18
<u>Financial Highlights</u>	19
<u>Notes to Financial Statements</u>	20
<u>Additional Information</u>	26

**Table of Contents**

**Alpine View**  
April 30, 2010 (Unaudited)

Dear Investor:

We concluded last fall's annual letter to shareholders by stating that "The U.S. and global economies will continue to transition in a positive fashion towards a multi year cycle of relatively directional positive returns", but that is not to say that 2010 will be an easy year. We expected market volatility and that is surely what we have experienced to date through the semi-annual period ending April 30, 2010 and into the May date of this letter writing. The market memory of the financial distress which precipitated the meltdown of Lehman Brothers in the Fall of 2008 and continued into early 2009 is still fresh in investors' memories, yet the hopes for economic recovery and strong financial market returns have been growing. The forces of greed and fear remain powerfully present in the market today as witnessed by significant sector rotation over the past six months and a return to high levels on the VIX Index of market volatility. Capital market improvement, solid corporate earnings and signs of economic strength have been offset by the Euro debt crisis, BP's Gulf oil spill, North Korean aggression, and China's moderation of prior stimulus. In Alpine's view, both exogenous events and economic fundamentals are continually incorporated into a natural progression towards a longer term trend, as the market alternates between dancing forward then taking a step backward before progressing further. We believe the markets will establish a stronger medium-term trend during 2011 in anticipation of improving economic prospects leading into 2012 and beyond, and long-term investors may once again replace traders as the dominant force in the market.

**The Euro and Investment Risk**

The current financial market instability brought about by the decline in the Euro versus the U.S. dollar, stems from the market's inability to assess the ultimate impact of the Greek government's eroded capacity to both service and stand behind its sovereign debt. The scope of the situation could be as minimal as Greece's 2% contribution to Euro-zone Gross Domestic Product (GDP), or as significant as spawning a contagion of credit concerns which could undermine the cohesion of the European Union (EU) and the durability of its currency, the Euro. At their extreme, such fears of high exposure among banks and governments to potentially risky corporate and sovereign debt, suggests that even the creditworthiness of the United States of America could eventually be impaired. Thus, the range of implications to all financial markets could extend from insignificant to catastrophic. However, the reality is likely more benign. While disruptive to markets in the short term, the fears of contagion have forced the European Union (EU) and the European Central Bank (ECB) to provide greater safeguards than is probably warranted. In effect, the EU's 750 billion Euro stabilization package is designed to provide adequate funding for not only Greece, but Portugal and Spain, for a period of approximately four years. This is designed as a temporary measure to enable these different countries to implement and execute austerity packages which would reduce their dependence upon debt financing of government activities. Unfortunately, for a few months market participants will likely remain unsure as to the future effectiveness of such plans or of the negative impact upon domestic or regional growth. Thus, pressure on the Euro may continue; initially to the

benefit of the U.S. dollar. Devaluation of the Euro should help exporters, particularly in Germany, where unit labor costs rose by less than 10% over the previous decade. By comparison, Southern Europe experienced 30% to 40% increases, with Greece now the least competitive country in that region. Over the next few years, the EU will likely add institutional flexibility in order to adjust for financial inequalities amongst members. Otherwise, the membership will be forced to change for the EU to remain meaningful.

As Alpine sees it, debt funded excesses which perhaps provided a boost to prior year's growth are being replaced by austerity measures in response to pressure from the financial markets, which remain focused on reducing risk. Governments, corporations and even individuals, are increasingly being required to live within their means, to fund debt obligations from cash flow and utilize resources productively to produce either collective, corporate or individual wealth. This emphasis on derisking has certainly entered into the equity markets where the mid-May sell-off was characterized by some observers as traders derisking exposure to stocks, taking risk off their portfolios in relation to currencies, or adjusting the amount of market risk that they were comfortable taking. This was a contrast to the strong March rally which preceded this contagion conundrum, where financially leveraged cyclical stocks outperformed as some traders sought to add beta or market risk to their portfolios.

Risk aversion is evidenced by the astonishing low yields which investors are accepting for low risk. U.S. Treasury Bills are yielding 0.159% for the shortest duration risk of three months. With a yield curve that only rises above 3% after six years, investors either expect significant deflation of assets for several years or are so risk averse as to forsake opportunities to grow their net worth. The danger of a financial meltdown which was almost palpable in October of 2008 is not apparent from measures such as so-called TED Spreads between Treasury notes and LIBOR (London Interbank Offering Rates are the cost at which banks do business with each other) which ended May at roughly 0.21% versus a peak of over 4.53% on October 10, 2008. Further evidence comes from the U.S. Federal Reserve's St Louis (Fed Branch) Financial Stress Index which peaked at 5.01% in that same week in 2008, yet ended May 2010 at 0.872%. Perhaps the current pattern of extreme caution could be expected

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after experiencing a hundred year flood as we did during the credit crisis of 2008. Thus, if important measures of financial risk are only flashing a yellow cautious and not a solid red for danger,, then market psychology may be excessively cautious, with potentially significant, albeit, diverging implications for both equity and income investors.

### **Alpine s Focus on Funding Corporate Investment**

The market s on again, off again reactions to a continuing stream of information and statistics reflect the powerful impact of short term trading strategies. While we must be responsive to short-term conditions, Alpine seeks to set its strategy based on larger fundamental trends and conditions. We believe that earnings growth can occur in a low or slow growth environment if market share gains are possible. In light of the recent downturn, many public companies, particularly in the real estate and banking sectors,

## **Table of Contents**

# **Alpine View**

April 30, 2010 (Unaudited)

sold new shares to investors over the past year in order to recapitalize balance sheets and position themselves to potentially expand market share. Selectively, Alpine funds have been active participants in many such offerings. Irrespective of economic conditions, companies with innovative products or processes or those which can achieve corporate transformation brought about by a change in product lines or business, may also experience increases in market share. Alpine has made these investment themes the primary focus of two different funds. However, for all of our funds, we endeavor to find such opportunities as well as emphasizing regions or sectors of growing demand. As a corollary, we are less inclined to invest in situations where growth in user demand is limited or declining. However, there are situations when such decline or such growth is more than priced in, and that creates both buying and selling opportunities, respectively. While this suggests that there will always be buying opportunities in different markets at different times, we nevertheless prefer to tilt the portfolios to the areas where we find longer term growth. Thus, Alpine's focus on emerging market opportunities, most notably in Brazil and China where it is appropriate for the mandates of specific Funds, or for other Funds by investing in U.S. based companies which are seeking growth opportunities in emerging market economies.

## **China Slowing and Brazil Growing**

Recently, China has embarked on a restrictive liquidity program bringing money supply growth down from a stimulus oriented peak of 35% after the Lehman Brothers bankruptcy, back to historic levels of 15% to 18%. The government has also sought to constrain price inflation in the property sector, both of which we believe may take 2% to 4% off GDP, bringing the medium term rate of growth from 11% down to a 7% to 8% range. We believe that the major impact of this attempt to reign in price inflation will be achieved this summer, and that, to a great degree, it is already being priced into the stock market. Typically, command control economies such as China are often too blunt in their approach and methodology and, hence, the desired impact may not be as envisioned. That said, domestic income inequality between workers, their bosses, and even the growing middle class has been contentious, so the political aspect of this exercise may be as important as the economic.

A side result of this projected slowdown in China has been a decline in commodity prices around the world, impacting not only the major suppliers of such materials in natural resources, but also restraining a global source of potential inflation. With regard to Brazil, domestic demand is now growing to the point where the effect of China's modest slowdown is not having a significant impact. There have even been a few economists who recently increased their growth prospects for Brazil from 6.5% to 7.5% GDP growth during the course of 2010, as the Central Bank may moderate ongoing plans to raise interest rates over the course of the year. It is worth noting that these interest rate increases are not tied to interest rates used for consumer mortgages. Rather they should have more impact on the commercial borrowing than on domestic demand. We also expect to see a growing level of fixed asset investment in both infrastructure and industry in Brazil, including new roads, railroads, ports, steel mills and deep sea oil rigs. Many U.S., European, Japanese and Chinese companies are investing in Brazil to build

industrial capacity from mines to factories, while others are focused on growing consumption patterns, notably including Unilever and Walmart. This is a classic pattern where countries which initially had a beneficial cost of production or abundant natural resources further enhanced productivity through modern industrialization and then created added value through downstream manufacturing or distribution.

## **Investing for Future Needs**

For the past eighty years, the U.S. has been at the head of the pack in our productivity gains, as witnessed by our economy's 22% share of global GDP. However, we must increase the current level of investment in our infrastructure and technical capacity, with particular focus on education if we are to maintain this level of superiority. Unfortunately, it looks as if during the next few years we will share some of the burden of austerity measures which now afflict Europe and the U.K. Our municipal and state government budgets were directly stabilized by the stimulus package of 2009, yet drastic cuts to the 2010 through 2011 local budgets will be telling, both in their political and economic impact over the next year. We already see an historic excess of qualified teachers relative to job openings as class sizes rise and curriculums shrink. Cuts in municipal and social services ranging from reduced waste pickup, more homeless on the streets and fewer services for the needy or house bound are already taking place. Fees, tolls and taxes will be increasing at the same time that public transit schedules are reduced. This makes the prospects for meaningful economic growth even less clear. Add to this the inevitable uncertainty over the impact of recent Federal government legislation bringing healthcare and financial reform, and the likely evolution of a revised tax regime starting next year. Thus, the ongoing political debate regarding finances and priorities will take on greater significance for the next few years.

Countering such concerns for now are the benefits of a strong dollar at the expense of the Euro, and cheaper commodities which should help to sustain low interest rates for our import oriented economy. Low interest rates around the world could very well continue into the foreseeable future. With a few years of cheap money and a degree of ingenuity, the U.S. may be able to maintain the current trajectory of recovery. Europe and Japan have fewer tools with which to engage growth, so more time may be needed to rebalance their accounts. Progress could provide



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investors with greater economic clarity of future economic potentials as we continue to unwind the debt burden of the past decade and restructure our industrial and economic priorities. With clarity comes confidence, which reinforces action, suggesting that the next two to three years may see a resurgence of long term investors in equity markets.

Where Greece was a shot across the bow of the European Union, we must make sure that it was not a canary in the coal mine singing to the rest of us. Companies and countries which can continue to fund their finances should see their shares and currencies perform well over the near term. Those that cannot, may well be devalued or neglected by investors. Inevitably, strong players can take advantage of opportunities better than those with financial constraints. This suggests that merger and acquisition (M&A) activity,

**Table of Contents**

**Alpine View**  
April 30, 2010 (Unaudited)

which has already resurfaced, may continue to grow in both volume and size over the next few years. The stock pickers at Alpine are looking forward to continued innovation and transformations which respond to the needs of today and tomorrow!

In closing, we expect that the balance of 2010 could continue to be somewhat volatile; however, we would expect to see some measure of improvement by the time we next report to you after the end of the October fiscal year.

Thank you for your interest and support,

Samuel A. Lieber

**Mutual fund investing involves risk. Principal loss is possible.**

*The letter and those that follow represent the opinion of Alpine Funds management and are subject to change, are not guaranteed, and should not be considered recommendations to buy or sell any security.*

**Past performance is not a guarantee of future results.**

*Please refer to the schedule of investments for fund holding information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. Current and future portfolio holdings are subject to risk.*

**VIX Index** - Chicago Board Options Exchange SPX Volatility Index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

**St. Louis Fed's Financial Stress Index (STLFSI)** is constructed using principal components analysis is a statistical method of extracting factors responsible for the comovement of a group of variables.

**Cash flow** measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

**Beta** measures the sensitivity of rates of return on a fund to general market movements.)

**The TED spread** is the difference between the interest rates on interbank loans and short-term U.S. government debt. The TED spread is an indicator of perceived credit risk in the general economy.

**Yield Curve** - is the relation between the Interest rate interest rate (or cost of borrowing) and the time to maturity of the debt for a given borrower in a given currency.

**These being Closed-end funds and do not continuously offer shares.**

## Table of Contents

# Manager Commentary

April 30, 2010 (Unaudited)

The Alpine Total Dynamic Dividend Fund (AOD) completed its first half fiscal 2010 ended April 30, 2010 by distributing high current dividend income that is not restricted to tax-qualified dividend distributions, while also focusing on long-term growth of capital. In addition, the fund has no limitations on the percentage of holdings that can be in either international or domestic U.S. companies. For the six month period ending April 30, 2010, AOD's market price appreciated by 14.75% and the Net Asset Value (NAV) grew 5.49% including dividend reinvestment. This compares to a 15.66% increase in the S&P 500 Index and a 7.53% decrease in the Euro STOXX 50 Index total return in U.S. dollar terms for the same time period.

### **AOD provided a high dividend yield in a very challenging dividend income environment**

We have continued to provide our investors with a high level of equity income despite many companies cutting or eliminating dividends following the global recession of 2008 and 2009. In the six months ended April 30, AOD paid a monthly dividend of \$0.12 per share. In addition, the Fund paid a small special dividend of \$0.0077 per share in December 2009. Therefore AOD paid out total dividends of \$0.7277 per share in the six months ended 4/30/10 and \$1.45 per share for the trailing twelve months ended April 30, 2010. The \$1.45 per share dividend represented a trailing twelve-month dividend yield of 16.3% on AOD's closing price on 4/30/10 of \$8.91, and a 22.6% yield on AOD's closing NAV of \$6.46. While the Fund's distributions exceeded its net investment income on 4/30/10, our annual peak dividend capture period occurred from early April through early June. At the end of June 2010, the Fund estimates that it will have generated net investment income in excess of its year-to-date-distributions. Since inception in January 2007, AOD has paid a total of \$6.55 per share in earned dividend income.

Following the global economic downturn and a threatened collapse of the world financial systems in 2008 and 2009, it is not surprising that a large number of dividends were cut as companies looked to conserve cash amidst declining earnings and tight capital markets. Internationally, there were even more severe dividend cuts than in the U.S. This has been particularly challenging for us since Europe has become one of our primary dividend markets. The U.S. is one of the lowest yielding countries in the group of G20 nations with a 1.8% current dividend yield versus for example 3.7% for Australia, 3.2% in Britain, and 3.2% in Italy for the 12 month period ending 4/30/10.

A major headwind for our dividend capture program has been the decline in dividends paid globally as well as the decline in liquidity available for our dividend trades. One of our risk management disciplines we use for dividend capture is that we generally will not enter a position unless there is sufficient liquidity to allow the fund to exit the holding relatively quickly in the event of company specific or market specific news flow during our targeted holding period. According to a study done by Goldman Sachs, total dividends paid by companies in the European Stoxx 600 Index have declined by 39% since their peak in early 2008 through June 2010 while liquidity in the European Index has declined by 63% from the peak in mid-2007 through June 2010. In the U.S., dividends paid by companies in the S&P 500 Index have declined 20% and liquidity decreased 42% from

the peak in early 2008 through June 2010 according to Goldman Sachs. These two factors have combined to produce a meaningful decline in the amount of dividend dollars available for our dividend capture universe.

Due to these challenging market conditions, the Board of Directors of AOD decided on June 24, 2010 to reduce the regular monthly dividend distributions paid to shareholders. The Fund will distribute a regular monthly payment of \$0.055 per share per month in July, August, and September 2010 versus the previous distribution rate of \$0.12 per share. Annualized, this new dividend rate of \$0.66 per share represents a current dividend yield of 12.31% on AOD's closing NAV of \$5.36 per share on June 24, 2010. With a goal of sustainability the Board will continue to reevaluate dividend payments on a quarterly basis. The Fund intends to continue generating dividend payouts consisting of net investment income. The Fund's management considered a number of factors before recommending to the Board that the Fund's current distribution be decreased, including current market outlook, equity liquidity, volatility, level of assets in the Fund, and the dividend yield of the Fund.

The reduced dividend payment reflects in large measure the adverse impact on the portfolio's net asset value and dividend earning power from the recent decline in the currency and asset values of our major international holdings. In 2010 to date, a decline in the Euro currency of 13.92% as of June 24, and weak equity markets impacted the portfolio's net asset value. The combination of uncertain European equity prospects and reduced asset values with lower dividend income in U.S. dollars was a principal factor leading to this decision to change the dividend amount and reduce the dividend.

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The Fund remains committed to providing a high level of dividend income and there is some encouraging news in that we have started to see companies raise their dividends in 2010 in the U.S. as the economic recovery has progressed. According to data from Standard and Poor's, the number of companies in the S&P 500 Index that raised their dividends in 2010 is 128 with only 2 companies cutting their dividend. This is in comparison to 2009 when a total of 157 companies raised dividends and 78 cut. The challenge for our Fund is that the dollar amount of dividend payments is still well below previous levels.

Historically, a portion of the Fund's dividends have been comprised of income benefiting from lower federal tax rates (called Qualified Dividend Income or QDI). AOD seeks to maintain its current high dividend level during these difficult market conditions by utilizing a more rapid rotation of holdings in its dividend capture program. This is reflected in the substantial increase in our portfolio turnover for the Fund from over 300% in fiscal 2008 to over 600% in fiscal 2009. The result of our reduced holding period in our dividend capture portfolio has been a decline in the percentage of QDI distributable by the Fund.

Another affect from the escalation of our portfolio turnover is an increase in our transaction expenses, but due to a substantial amount of tax loss carry-forwards, we do not expect any material

**Table of Contents**

## Manager Commentary

April 30, 2010 (Unaudited)

capital gains tax implications from our increased turnover. In addition, to gain efficiencies and reduce friction costs associated with the increased rotation in its international holdings, the Fund has utilized swap transactions. While the income from these swaps does not qualify for QDI, their use is limited to those transactions that are short term in nature and would not otherwise be eligible for QDI. While pursuit of QDI is not a Fund objective, AOD's fiscal 2009 dividend was classified as qualified dividend income at approximately 45%. We will not have an estimate of our QDI for fiscal 2010 until the end of the tax year. However at this time we would expect it to be significantly less than the amount in 2009. The QDI tax benefits are set to expire on December 31, 2010 unless Congress changes its position.

### **AOD produced a solid total return in first half 2010 despite declines in key international markets**

While we were encouraged by our total return performance in first half fiscal 2010, AOD's results lagged the broader U.S. indices, primarily due to its international exposure and specifically in our European equities. We have continued to find attractive growth opportunities and significantly larger dividend payouts overseas than we see in the U.S. and therefore we have a larger exposure to overseas markets in comparison to the S&P 500 Index and many of our equity income peers. As of April 30, 2010, AOD had invested 69.0% of net assets in international companies and 37.8% of its value in domestic U.S. based companies, with the remaining (6.8%) difference representing short term leverage. AOD has the flexibility to take on leverage of up to 33% of the Fund's value if management believes that there are extraordinary opportunities for either dividend capture or capital growth. As we were at the peak of our dividend capture program in Europe in April and May we took on a small percentage of leverage.

AOD is currently invested in equities based in 24 different countries. On April 30, 2010 we had 20% of the portfolio invested in emerging market countries including Brazil, South Korea, China, Russia and Taiwan. Following the U.S., our current top five countries are Brazil, Germany, France, UK, and Switzerland. The average dividend yield for the major indices in these five countries, for the 12 month period ending 4/30/10, is currently 2.98% versus the yield on the S&P 500 Index of 1.8%.

Unfortunately, the timing of the escalation of sovereign solvency concerns in Europe in April and May have occurred when we have our highest dividend capture opportunities in the region. We ended April 30 with 37.9% of net assets invested in Europe so the Fund had been particularly hard hit at the end of fiscal first half 2010 and into May 2010. The STOXX Europe 600 Index has declined by 20.24% from April 1, 2010 through May 25, 2010 in U.S. dollar terms. This is also reflected in the dramatic 21.4 percentage point difference in performance of the Dow Jones Industrial Average in the U.S. which increased 14.9% in first half fiscal 2010 and the 6.5% decline in the STOXX Euro 50 Index in U.S. dollar terms.

In other international markets, the Brazil stock market as represented by the Brazil IBRX Index also lagged the S&P 500 Index,

increasing 9.83% for six months ended 4/30/10 however global growth concerns and the unwinding of risk assets resulted in a decline in the Index of 15.5% in April and May in U.S. dollar terms. The Chinese stock market as represented by the Shanghai Index declined 4.1% in fiscal first half 2010 and 16.3% in April and May in U.S. dollar terms versus a 7.2% decline for the S&P 500 Index in April and May on these same concerns of a global slowdown. The U.S. markets outperformed as investors looked for relative safety in the U.S. dollar and the U.S. economy.

Also impacting our performance has been the continuation of outperformance of lower yielding stocks since the March 2009 market lows. Three of the four industries that outperformed the S&P 500 Index in first half fiscal 2010 were the lowest yielding industries (Consumer Discretionary, Materials, Financials) while the top four yielding industries were the worst performing sectors (Telecom, Energy, Consumer Staples and Health Care).

Throughout first half fiscal 2010, it remained challenging to balance our portfolio to continue to provide a high level of current income while also investing our assets for capital appreciation. We will continue to work hard to find attractive dividend opportunities within these challenging markets. AOD combines four research-driven investment strategies, Dividend Capture, Special Dividend, Growth and Income, and Value / Restructuring, in an effort to maximize the amount of our earned dividend income and to identify companies globally with the potential for dividend increases and capital appreciation.

### **Our Dividend Capture Strategy and Special Dividend Strategy Seeks to Enhance the Dividend Income Generated by the Fund**

We run a portion of our portfolio with a *dividend capture strategy* and *special dividend strategy*, where we invest in high dividend stocks or in special situations where large cash balances are being returned to shareholders as one-time special dividends. We then look to enhance our dividend return by rotating a portion of our high yielding holdings after receiving the dividend.

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One of our top 10 holdings at the end of first half 2010 was Millicom International Cellular (MICC) which announced an attractive special dividend payment associated with a return of excess cash on its balance sheet. Based in Luxembourg, MICC is an operator of wireless telephone systems in 13 emerging market countries in Latin America and Africa. MICC is experiencing strong growth by providing affordable prepaid cellular telephone services to more than 30 million current subscribers with a combined population under license of approximately 260 million people. In April 2010, MICC announced a special dividend payment of \$4.60 per share in addition to its \$1.40 annual dividend per share, representing a total dividend payment of 7.1% of its market value. However, Millicom provided a negative total return of 1.51% in first half fiscal 2010 which ended prior to receiving the special dividend in May although modest capital gains have since been achieved.

## Table of Contents

# Manager Commentary

April 30, 2010 (Unaudited)

## **Our *Growth and Income Strategy* Targets Capital Appreciation in Addition to Yield**

Our third strategy identifies core *growth and income* stocks that may have slightly lower but still attractive current dividend yields plus an outlook for strong and predictable earnings streams that should support additional future dividend increases. Several of our top ten holdings are industry leaders with strong growth in their categories and the potential for attractive and rising dividend payouts. These include Nestle, Microsoft, Teva Pharmaceuticals, and H&M.

A large growth and income holding in the Fund in first half 2010 was Nestle, based in Switzerland. Nestle is a global packaged food company, with products like chocolate, coffee and pet food, that is growing revenues by focusing on emerging markets and health and wellness. Nestle is improving margins through its cost reduction efforts and with many households considering Nestle's products as staples, we expect the company to provide more defensive earnings per share (EPS) growth, which Bloomberg estimates at about 10% annually over the next several years. Nestle has a history of raising its dividend by 15% annually as we saw in February 2010 with the stock currently offering an attractive 3.0% yield. Nestle produced a 4.77% total return for AOD in first half fiscal 2010.

We have also found attractive total return opportunities for AOD in first half 2010 in the technology sector with bellweather Microsoft Corporation. Microsoft (MSFT), based in Washington, is the world's largest software producer for a wide range of uses including operating systems, business applications, internet search, and entertainment. We see several positive drivers for MSFT in 2010 and 2011 including a strong desktop and server product upgrade cycle for its new Windows 7 operating system, a potentially significant corporate replacement cycle after several years of underinvestment, meaningful cost control efforts that should provide operating margin leverage, and accretion from its stock buyback program. Microsoft offers EPS growth estimates of 10-15% annually over the next several years according to Bloomberg plus a 2% current dividend yield. MSFT provided AOD with a 28.39% total return in the six months ended April 30.

A major growth and income holding in the Fund in the more defensive healthcare sector is Teva Pharmaceuticals (TEVA). Teva, based in Israel, is the largest generic drug manufacturer in the world in addition to its strong branded product portfolio. The generics business may benefit from the significant patent expirations in the pharmaceutical industry in 2011 and 2012 and their branded drugs for diseases like MS should continue to do well. Teva has one of the highest earnings growth rates in the pharmaceutical industry with a 14% long term growth and an estimated 30% growth in EPS in 2010 according to Bloomberg. The healthcare sector is considered more defensive as earnings growth is less tied to economic growth. Now the industry has the benefit of the uncertainty of healthcare reform behind it and the outlook for generics is strong. Teva has a current 1.3% dividend yield and has been growing its dividend by an annual rate of 25% over the past 5 years. TEVA provided a 16.72% total return for AOD in the six months ended April 30.

One of our largest growth and income holdings in the consumer discretionary sector is Hennes & Mauritz AB. H&M, based in Sweden, is one of the world's largest fast-fashion retailers with over 2,000 stores in 35 countries, with the most important markets being Germany, the Nordic region, and France. H&M's philosophy is achieving the right balance between fashion, quality and affordable pricing, with future growth being driven by expansion in the U.S., rest of Europe and Asia. H&M is forecasted to have 10-15% EPS growth from 2010-2012 as per Bloomberg with a current dividend yield of 3.8% that has been growing annually including through the 2008 and 2009 downturn. H&M provided a 14.08% total return for AOD in first half 2010.

## **Our *Value/Restructuring Strategy* looks for attractively valued or restructuring dividend payers**

Our fourth major strategy is what we call *value with a catalyst or restructuring strategy*, where our research points to under-valued or mis-priced companies with attractive dividend yields. We also look for turnaround situations or depressed earnings where we believe there is a catalyst for an earnings recovery or a restructuring or corporate action that is expected to add value. With many companies having responded to the global recession with significant corporate restructurings, it is not surprising to find several of our top 10 holdings at the end of first half fiscal 2010 in this strategy including Hyundai Motor, E.On, Statoil, Seadrill, and Vale.

The largest holding in our portfolio and an outstanding performer in first half 2010, with a 42.20% total return, was Hyundai Motor Company. Based in Seoul, Hyundai is the largest auto maker in Korea. It also owns 38% of KIA Motors, the second-largest auto maker in Korea, which combined have over 80% of the domestic Korean market and are the world's fifth-largest auto manufacturer. Hyundai has begun to reap the benefits of its global expansion strategy started in 2002, such as its movement toward greater penetration of its dealers into smaller China cities.

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Marketing efforts and quality improvements have helped Hyundai gain overall share, particularly from Toyota, in its key China, India and U.S. markets. Its new Genesis sedan received the 2009 North America Car of the Year award in the mid-luxury segment. Although auto subsidies from most countries have expired, demand is rebounding from the depressed levels of 2008/9 and we are seeing secular growth is occurring in Asia and other emerging markets. Hyundai currently trades at less than 10 times forward earnings according to Bloomberg which is a deep discount to its Japanese and European peers and its historical peak multiple of 17x in 2009, yet analysts forecast pre-tax profits to more than double from 2008 to 2012.

One of our top 10 holdings on 4/30/10 was a German utility with a large dividend payout in early May that unfortunately got hit with the recent European debt crisis. E.On Ag is one of the largest electric utilities in Europe with a 6.3% current dividend yield. It has transformed itself from a domestic German conglomerate to one of Europe's biggest energy utilities, with a portfolio of power and gas assets in the U.K., U.S., Western and Central Europe, the Nordic Region, and Russia. With a solid Pan-European platform already in place, its strategic focus has shifted from mergers and acquisitions to cost controls and margin increases through integration and



**Table of Contents**

**Manager Commentary**

April 30, 2010 (Unaudited)

improving operational performance as well from its growth investments. E.On had a 3.62% loss in the portfolio before receiving the annual dividend in early May as we have since sold our holding.

Two of our top 10 holdings on 4/30/10 were in the energy sector where we saw attractive value and dividend opportunities but their stocks were hit following the BP disaster in the Gulf of Mexico in April 2010. Based in Bermuda, Seadrill LTD is Europe's largest offshore driller. Its aggressive newbuild program and acquisition strategy has given it one of the world's youngest and most sophisticated fleets which includes 42 offshore drilling rigs, 14 floaters, 11 jack-ups and 17 tender rigs. During first half 2010, Seadrill listed its stock on the NYSE which we believe should open the company to a wider range of investors, improve liquidity, and also provide a vehicle for future stock-based acquisitions in the U.S. Seadrill currently offers a very attractive 11.9% dividend yield and the stock is trading at only 7.2 times 2010 forecasted earnings as concerns about a moratorium on deep-water drilling have impacted the entire oil services sector. However, Seadrill has 91% of its revenue contracted in 2010 and another 65% in 2011 and we believe its assets which are considered very high quality will continue to be in even higher demand long term following the tragedy in the Gulf of Mexico. Seadrill provided a 21.64% total return for AOD in first half 2010. Statoil ASA, based in Norway, is an integrated oil and gas company that operates drilling rigs in the North Sea, refineries in northern Europe, and retails gasoline in Scandinavia. We held Statoil in AOD ahead of its 4.6% annual dividend payment in May, 2010. The position produced a 6.54% loss in AOD before receiving the annual dividend and we have since sold our holding.

Vale SA, based in Brazil, is second largest metals and mining company in the world and the largest iron ore producer, with capacity of approximately 300 million tons per year. It is also one of the largest nickel producers in the world and it has exposure to copper, aluminum and other base metals. We believe Vale is well positioned to benefit from long term strong global demand for its commodities and particularly for iron ore in steel making in China, with earnings expected to rebound substantially from the recession lows in 2009. Vale provided a 14.44% total return for AOD in first half 2010. The stock was negatively impacted by the concerns of a slowdown in global growth in May so we booked our profits and have now exited our position.

**Outlook for Second Half 2010: Uncertainty and Volatility Likely to Remain. Soft Patch Watch**

We do believe that a global economic recovery is still solidly in place following the great recession of 2008 and first half 2009, but we may be starting to see some signs of hitting a soft patch or slowdown of growth in the U.S. and globally. This has contributed to the volatility and uncertainty in equity markets and resulted in one of the worst May's on record with an 8% decline in the S&P 500 Index. Decreases in unemployment claims in the U.S. have stalled, many leading economic indicators in the U.S., China and Europe have declined in April, credit spreads are widening, and several commodity prices have collapsed. We are also watching retail sales in the U.S. which have started to soften and monitoring how the end of housing tax credits in the U.S. in April will affect residential sales in the coming

months. We have additional lack of clarity in the U.S. with financial reform regulation, mid-term elections in November, and the potential expiration of the Bush tax cuts in December.

One of the key data points to watch in the U.S. is employment. Weekly jobless claims have stopped declining in recent weeks as companies appear reluctant to hire in these uncertain economic times. In addition, structural unemployment, as measured by the 46% of unemployed that are out of work for more than six months, is at the highest point in postwar history. On the plus side, the monthly household survey which captures more small business hiring appears to be improving more strongly than the payroll survey which captures big business, so underlying employment may be a bit stronger than reported. However, we are also looking for negative headwinds in employment in the second half of 2010 from state and local governments that are facing severe budget deficits. These budget holes will likely get balanced through large cuts in employment as we recently saw announced by the governor of NY State. There are 20 million people in the U.S. employed by state and local governments.

**Dual Fronts of Global Growth Concerns: Europe and China**

The two largest negatives for the global equity markets in recent weeks have been the sovereign debt crisis in Europe and the slowing of the global growth engine of the Chinese economy. The Euro has fallen from \$1.51 per U.S. dollar on 11/25/09 to \$1.20 on 6/4/10, a decline of 21%. This is a reflection of the tempered outlook for growth in the region as fiscal budgets throughout Europe are being reduced and austerity

## Edgar Filing: ALPINE TOTAL DYNAMIC DIVIDEND FUND - Form N-CSRS

measures implemented in order to pay down bloated debt loads. Governments in Europe are reacting to the Greek crisis as a window of opportunity to pursue reforms, like raising retirement ages, that would be more politically difficult in the absence of a euro area crisis. This has led to a broad European effort to impose tighter fiscal restraints which JPMorgan estimates could take away about 1.2% of euro area economic growth in 2011 and 2012 and could push the region into recession.

In addition to Europe, fears about the outlook for Chinese growth have also impacted equity markets. We believe China is even more important than Europe for the equity markets in second half fiscal 2010 and 2011. It accounts for about a third of global economic growth. China has been orchestrating a slowdown in their economy in 2010 following the acute stimulus measures that were enacted in 2008 and 2009 to offset the great global recession but which resulted in a surge in housing prices and commodity inflation concerns. In particular, China has been tightening its bank lending in order to bring down its overheating property market. Sales of residential property in Beijing were down 80% from the Dec. 2009 high through the end of May 2010 and down over 50% from just April. This has contributed to a 25.3% fall in the Shanghai stock market from its high on 8/4/09 through its low on 5/21/10.

We believe that the Chinese cooling process is healthy for both China and the developed world as unsustainable credit- and infrastructure-driven spending is curtailed to reduce the risk of inflation. Longer term, the International Monetary Fund continues to forecast China will grow far faster than the rest of the world for the

**Table of Contents**

## Manager Commentary

April 30, 2010 (Unaudited)

next five years, with approximately 10% compound annual Gross Domestic Product ( GDP ) growth on average through 2014 compared to 6% for all emerging nations and 2.5% for the developed markets.

**Positives for the equities include valuations, still solid GDP growth and capital spending outlooks**

On the positive side, currently equity valuations appear attractive on still solid economic growth outlooks and particularly on strong margin and productivity results in the U.S and emerging market. U.S. corporate profits were up over 30% year over year in first quarter 2010 and S&P 500 earnings are forecasted to grow 22% in 2010 and 15% in 2011 according to Bloomberg. J.P.Morgan economists forecast GDP growth in the U.S. to see a solid 3.5% increase in 2010 and 3.1% in 2011 and emerging markets at 6.9% GDP growth in 2010 and 5.8% in 2011.

In addition, while the recent volatility in weekly jobless claims has caused some concern, leading employment indicators such as the average work week and temporary employment levels have been consistently improving and personal income growth exhibited its largest monthly increase in April since late 2008. This should provide some support for consumer spending as the flow of fiscal stimulus fades later in 2010. Lastly, a recent survey complete by ISI research shows a 30% increase in the amount of capital spending that CFOs anticipate spending in 2010 which should also support jobs and economic expansion.

Looking ahead, we see both catalysts and risks in second half 2010. We do remain optimistic that dividend stocks will continue to attract capital as investors around the world search for income. As global demographics point to an aging population in the industrialized world, these millions of savers are facing zero to low interest rates for quarters or potentially years to come. For example, the U.S. in the 1930 s and Japan in the past 20 years have shown that when interest rates go close to zero they can stay there for extended periods of time until structural economic issues are resolved. We see dividend income as an attractive investment opportunity for this increasingly large population of retirees and we expect capital to flow to high dividend paying stocks over the long term.

Within the dividend-paying universe we are actively scanning the globe for undervalued opportunities and high quality cash flow generators. We are hopeful that we should be able to continue to distribute attractive dividend payouts to our shareholders by capitalizing on our research driven approach to identifying value opportunities as well as through our active management of the portfolio.

Thank you for your support of The Alpine Total Dynamic Dividend Fund.

Sincerely,

Jill K. Evans and Kevin Shacknofsky

Co-Portfolio Managers

**Mutual fund investing involves risk. Principal loss is possible.**

**Past performance is not a guarantee of future results.**

**Funds that concentrate their investments in a specific sector, such as real estate, tend to experience more volatility and be exposed to greater risk than more diversified funds. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.**

**The letter represents the opinions of Alpine Funds management and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security.**

## Edgar Filing: ALPINE TOTAL DYNAMIC DIVIDEND FUND - Form N-CSRS

**Please refer to the schedule of portfolio investments for fund holding information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. Current and future portfolio holdings are subject to risk.**

*Stocks are subject to fluctuation. The stock or other security of a company may not perform as well as expected, and may decrease in value, because of factors related to the company or to the industry in which the company is engaged.*

*The information provided is not intended to be a forecast of future events a guarantee of future results or investment advice. Views expressed may vary from those of the firm as a whole.*

*All index performance reflects no deduction for direct fees, expenses or taxes. Please note that an investor cannot invest directly in an index.*

*Favorable tax treatment of Fund distributions may be adversely affected, changed or repealed by future changes in tax laws. Alpine may not be able to anticipate the level of dividends that companies will pay in any given timeframe.*

*The Fund may include equity-linked securities and various other derivative instruments, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may magnify gains or increase losses in the Fund's portfolio.*

**This is provided to you for informational purposes only, and should not be considered tax advice. Please consult your tax advisor for further assistance.**

**The recent growth in the stock market has helped to produce short-term returns for some asset classes that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.**

**G20** *The Group of Twenty Finance Ministers and Central Bank Governors (G-20, Group of Twenty) is a group of finance ministers and central bank governors from 20 economies: 19 countries plus the European single currency. Their heads of government or heads of state have also periodically conferred at summits since their initial meeting in 2008. Collectively, the G-20*

**Table of Contents**

**Manager Commentary**

April 30, 2010 (Unaudited)

*economies comprise 85%[3] of global gross national product, 80% of world trade (including EU intra-trade) and two-thirds of the world population.[2]*

**Swap Transactions** *a simultaneous exchange of assets (the swap) by counterparties for other different assets of comparable value.*

**Peak multiples** *the highest level that a respective multiple has reached within the specified time period.*

**Forward earnings** *A company's forecasted, or estimated, earnings made by analysts or by the company itself.*

**The Board of Trustees approved the following changes to Fund's Investment Policies.**

*The Board adopted the following nonfundamental investment policy regarding futures contracts, which replaces the former policy on page B-5 of the Fund's SAI and limits the Fund's open futures options positions to 10% (formerly 5%) of the Fund's total assets:*

*The Fund may not purchase financial futures contracts and related options except for bona fide hedging purposes, but may enter into such contracts for non-hedging purposes provided that aggregate initial margin deposits plus premiums paid by that Fund for open futures options positions, less the amount by which any such positions are in-the-money, may not exceed 10% of the Fund's total assets.*

*The Board approved that the Fund may invest up to 35% (previously, 25%) of its total assets in investments in countries that are considered emerging markets. The Fund will rely upon the MSCI Emerging Markets Index in its determination of which countries are considered emerging markets.*

**Table of Contents****Manager Commentary**

April 30, 2010 (Unaudited)

**PERFORMANCE<sup>(1)</sup> As of April 30, 2010**

	<b>Ending Value as of 4/30/10</b>	<b>One Month</b>	<b>Three Month</b>	<b>Six Month</b>	<b>One Year</b>	<b>Since Inception<sup>(2)(3)(4)</sup></b>
Alpine Total Dynamic Dividend Fund   NAV	\$6.46	(3.37%)	4.37%	5.49%	25.28%	(13.79%)
Alpine Total Dynamic Dividend Fund   Market Price	\$8.91	(0.15%)	9.41%	14.75%	62.52%	(6.22%)
S&P 500		1.58%	11.04%	15.66%	38.84%	(3.29%)

<sup>(1)</sup> Performance information calculated after consideration of dividend reinvestment. All returns for periods of less than one year are not annualized.

<sup>(2)</sup> Commenced operations on January 26, 2007.

<sup>(3)</sup> Annualized.

<sup>(4)</sup> IPO price of \$20 used in calculating performance information.

To the extent that the Fund's historical performance resulted from gains derived from participation in initial public offerings (IPOs), there is no guarantee that these results can be replicated in future periods or that the Fund will be able to participate to the same degree in IPO offerings in the future.

Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns and principle value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Call 1(800)617.7616 or visit [www.alpinecef.com](http://www.alpinecef.com) for current month end performance.

The Standard & Poor's 500 Index (S&P 500) is an unmanaged index containing common stocks of 500 industrial, transportation, utility and financial companies, regarded as generally representative of the U.S. stock market. The index return reflects the reinvestment of income dividends and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing.

**PORTFOLIO DISTRIBUTIONS\*****TOP TEN HOLDINGS\***

Hyundai Motor Co.	2.6%	South Korea
Microsoft Corp.	2.5%	United States

## Edgar Filing: ALPINE TOTAL DYNAMIC DIVIDEND FUND - Form N-CSRS

Nestle SA	2.4%	Switzerland
Teva Pharmaceutical Industries, Ltd. - ADR	2.2%	Israel
Stateoil Hydro ASA	2.1%	Norway
Seadrill, Ltd.	2.1%	Bermuda
E.ON AG	2.1%	Germany
Vale SA - ADR	2.1%	Brazil
Hennes & Mauritz AB	2.1%	Sweden
Millicom International Cellular SA	2.0%	Luxembourg
<b>Top 10 Holdings</b>	<b>22.2%</b>	

### TOP FIVE COUNTRIES\*

United States	37.8%
Brazil	16.1%
Germany	6.5%
France	5.8%
United Kingdom	4.5%

\* As a percentage of net assets

Portfolio holdings and distributions are subject to change and are not recommendations to buy and sell any security.

**Table of Contents**

**Manager Commentary**

April 30, 2010 (Unaudited)

**REGIONAL ALLOCATION\*** *As of April 30, 2010*

*\* As a percentage of net assets, excluding any short-term investments.*

**NAV, MARKET PRICE, AND TOTAL RETURN** *Six Months Ended April 30, 2010*

*<sup>(1)</sup>Total return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total return on market price reflects a \$20.00 opening IPO price per share for the period ending April 30, 2010. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested.*



**Table of Contents****Schedule of Portfolio Investments**

April 30, 2010 (Unaudited)

<b>Description</b>	<b>Shares</b>	<b>Value (Note 1)</b>
COMMON STOCKS (105.0%)		
<b>Australia (3.6%)</b>		
BHP Billiton, Ltd. - ADR	195,400	\$14,223,166
GrainCorp, Ltd.	1,328,200	7,066,290
Macquarie Group, Ltd.	345,800	15,768,484
Myer Holdings, Ltd.	4,607,889	13,692,814
		50,750,754
<b>Belgium (1.9%)</b>		
Anheuser - Busch InBev NV	558,900	27,113,117
<b>Bermuda (3.2%)</b>		