Aberdeen's Kohl: Dividends Offer Some Certainty Amid Tariff Uncertainty

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Chuck Jaffe, in this episode of The NAVigator podcast interviews Andrew Kohl, a Portfolio Manager with Aberdeen Investments, part of the team running the firm's Total Dynamic Dividend and Global Dynamic Dividend funds. Andrew says dividend-paying stocks are not immune from tariff concerns, and while investors often pick them for the income and don't want to make too many changes, it's important to watch how the underlying business will be impacted by current conditions. Kohl says his portfolios have tilted toward international investments this year, noting that foreign markets have outperformed the U.S. since "Liberation Day." He also discusses two of his favorite dividend stocks, offers a guess as to why one of the funds has seen its discount narrow while the other has not, and more.

The podcast can be found on AICA's website by clicking here: https://aicalliance.org/alliance-content/pod-cast/

CHUCK JAFFE: Andrew Kohl, a portfolio manager for Aberdeen's Dynamic Dividend funds is here, and we're talking about dividend investing around the world in a time of tariff uncertainty, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization representing the full spectrum of the closed-end fund business from users and investors to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today we're pointed in the direction of dividend investing with Andrew Kohl, who's one of the managers for Aberdeen's Global Dynamic Dividend Fund, that's ticker AGD, and Aberdeen's Total Dynamic Dividend Fund, that's AOD. You can learn more about the funds, especially if you remember their ticker symbols, at AbrdnAGD.com, AbrdnAOD.com, and you can learn more about the firm at AberdeenInvestments.com. And if you want to learn more generally about closed-end funds, interval funds, and business-development companies, go to AICAlliance.org, the website for the Active Investment Company Alliance. Andrew Kohl, welcome to The NAVigator.

ANDREW KOHL: Hey, thanks for having me, Chuck.

CHUCK JAFFE: When I talk with people about growth or value they always have to define it, and you'd like to think dividend investing, well, you understand what it is, but we do need to understand what it is when we're talking to someone who says, "I'm a dividend investor." So give us the overview, not just of why people want dividend stocks, which I think is fairly obvious, but why they want to pursue the strategy you're pursuing in the funds on dividend stocks.

ANDREW KOHL: Great question. So just in terms of growth and value, our fund offers some of each, so we don't pick one or the other, so that's one thing to mention right off the bat. In terms of why a dividend fund and why ours, we think in challenging markets like we're in today, a stable dividend is a great place to build your portfolio, and we target companies, not just that are paying dividends, but strong companies that have the potential to grow their dividends over time, and we think that those types of companies can outperform in sideways and down markets so we're pretty excited right now for the opportunity ahead of us.

CHUCK JAFFE: People go to dividend stocks hoping for consistency, and what you're getting in the market right now is uncertainty, so how do we put together the consistency that we want given the uncertainty that's out there?

ANDREW KOHL: Dividend stocks are no different than every other stock, it all depends on the business you're in, and if you are an industrial company or a consumer discretionary company that's exposed to potentially high tariffs, whether or not you pay a dividend, your business is still going to be impacted. So for us, the key is to find the right stocks, that just happened to be dividend payers, so we're looking obviously for strong business models, great balance sheets, and trying to figure out who's exposed to tariffs, who's not, whose business model is resilient and whose isn't.

CHUCK JAFFE: What is that doing for your weightings around the world in terms of, because you can be a go-anywhere fund, how much is the math changing, and are certain international destinations looking a little or a lot more attractive or is it all going to depend on how the news shakes out?

ANDREW KOHL: First of all I'd say we haven't done a ton of changes, because every day it seems like decisions coming out of the White House might be different than the prior day, so you don't want to bet the farm on any particular country or sector, but overall we are a bit overweight in Europe compared to the US relative to our benchmark. It's interesting to point out that since Liberation Day, European markets have actually outperformed US markets, so we're taking the brunt of the impact here in the US and overseas markets have actually done a bit better, especially if you take into account foreign exchange where the dollar has weakened quite a bit.

CHUCK JAFFE: And in there you did not mention emerging markets, which have been the star in terms of foreign markets this year, but there's maybe fewer dividend stocks and there's maybe more uncertainty, especially given more geopolitical things on top of tariffs like tensions in India and trade wars with China, et cetera. So where do emerging markets fit in?

ANDREW KOHL: We do have a small allocation to emerging markets in Asia, they're not a huge piece of our benchmark so it's never going to be a huge bet we make in our funds, but we certainly do have some names in emerging markets. Take a look at those and actually they're due some pretty nice dividends in some countries, so definitely a fertile ground for us as well.

CHUCK JAFFE: One of the interesting things as somebody who's looking at closed-end funds has been watching how closed-end funds and discounts change and react with all the headlines that we have faced. I will disclose here that I am a shareholder in AOD, Aberdeen Total Dynamic Dividend, that fund is substantially similar. Aberdeen Global Dynamic Dividend, AGD, the top holdings are virtually the same. And I'm curious, and you may not be able to answer because fund managers never have a great answer on discounts, but Aberdeen Global Dynamic Dividend, I noticed when we were preparing for this interview, that the discount there has narrowed significantly in this time of struggle and strife and concern, but AOD, the fund that I own, the discount there has stayed at about 9-9.5%. Is there a reason why one is closing and the other isn't? Can you think of anything when the two funds are substantially so similar?

ANDREW KOHL: Yeah, it's a bit of a head scratcher, and I appreciate you setting the table by saying fund managers don't usually have good answers. All I really could point to is that AOD has a market cap close to a billion dollars, AGD $300 and change, I think, so it's a smaller fund, it's easier for that discount to narrow if there's some buying interest in that one versus the other one which is three times the size.

CHUCK JAFFE: Okay, yeah. As a shareholder I want the discount as wide as possible when I'm buying, and then I want to see it get narrowed, so I had to look and go, "Wait, what's wrong with the one I got?" Like I said, yeah, no fund manager has a good answer for that one, so let's turn to something that you can answer. You've talked about where you're investing, the opportunities you see, et cetera. Give us an idea, what is a name or two that really stands out to you as the kind of bedrock dividend company that you own, that investors should be looking to a fund like yours to own.

ANDREW KOHL: One that comes to mind is American Tower, which is as the name makes it sound, it's a tower REIT, a telecom tower REIT in the US, ticker AMT. They do long-term leases to the wireless carriers like Verizon, T-Mobile, and AT&T. They're also international, so roughly half their revenues are in the US, 40% overseas, and another 10% is data centers from a business they acquired a few years ago. What's great about American Tower, it's a pure play on growth of mobile data growing over time, and we've seen over the last couple decades data has grown at a 50% compound annual growth rate, and although it's not expected to continue at such a high level, it is still expected to grow close to 20% in the coming years, so these guys benefit from increased use of mobile data by leasing out space on their towers. It's got a 3.1% dividend yield at the moment, it's growing its dividend roughly 5% per annum. Right now it's benefiting overseas from the weakening of the US dollar.

CHUCK JAFFE: So that's American Tower, AMT. One more example would be great.

ANDREW KOHL: One more? I'll give you one outside the US, although I'm not sure if your listeners can invest there, but BAE Systems, it's a large UK-based defense contractor with an extremely well diversified mix of businesses, both from a geographic standpoint and in terms of the spaces they participate in. So the US is a little less than half of their revenue, UK and Europe, 40%, Middle East and Australia rounding it out. Defense spending is very topical and very top of mind in Europe in particular right now with governments in Europe looking to dramatically increase their defense budgets. A company like BAE, extremely well positioned to benefit from that. Not over just one or two years, but for the next five, 10 plus years as Europe really looks to reduce its dependence on US for its own defense.

CHUCK JAFFE: As we talk about this in the context of dividend investing, the classic dividend investor who's putting together their own portfolio of dividend stocks is saying, "Let me go get great dividends, and as long as the dividends are basically being paid out and are consistent and maybe rising a little bit, I'm good with it." But out of curiosity, in this environment, what makes you sell? What makes you at any point go, "Yeah, maybe it's time to move"? Is it about the stock itself or is it about faster horses and bigger payouts?

ANDREW KOHL: For us, we're always bottom-up stock investors, so it's stock by stock. On the upside, has the stock done really well and gotten to our target ranges? In which case we'll think about selling it. Or occasionally bad things happen too and the stock goes down and we'll reevaluate if the investment thesis we had when we initially bought it still makes sense or not. Oftentimes it does, but sometimes the story has changed and we don't want to be stubborn, we want to make smart sell decisions and move onto better opportunities if they're presented to us.

CHUCK JAFFE: Andrew, unfortunately we've come to the point where we have to move onto other things, but we appreciate the time you've given us. Thanks so much for joining me on The NAVigator.

ANDREW KOHL: You're very welcome. Thanks for having me, Chuck.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and yes, I'm Chuck Jaffe and I'd love it if you'd check out my show on your favorite podcast app or by going directly to MoneyLifeShow.com. To learn more about closed-end funds, interval funds, and business-development companies go to AICAlliance.org, that's the website for the Active Investment Company Alliance. Thanks to my guest Andrew Kohl, portfolio manager for Aberdeen Investments, where he's part of the team running Aberdeen's Global Dynamic Dividend Fund, that's ticker AGD, and Aberdeen Total Dynamic Dividend, that's AOD. Learn more about the funds at AbrdnAGD.com, AbrdnAOD.com, and generally at AberdeenInvestments.com. The NAVigator podcast is new every Friday, make sure not to miss an episode by subscribing or following along on your favorite podcast app. We'll be back next week with more closed-end fund fun, until then, happy investing, everybody.

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