ALPINE TOTAL DYNAMIC DIVIDEND FUND
Form N-CSR
January 07, 2011
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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 October 31, 2010

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.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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Item 1. **Reports to Stockholders.**

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Alpine View

October 31, 2010 (Unaudited)

Dear Investor:

Since the September, 2008 collapse of Lehman Brothers nearly imploded the global financial system in a far reaching credit crisis, investors have understood that the financial markets are in transition, but have been focused on two divergent prospects. Either the world would again descend into financial chaos, or financial normalization would be followed by sustained economic recovery leading to long term growth. Mutual fund flows over the past two years show that some investors have favored the security of U.S. Treasury notes, bonds and gold, while others emphasize the growth opportunities in emerging markets, commodities and industrial metals. Both sets of investors have enjoyed solid returns over both the fiscal year ended October 31, 2010 and since the equity market low point of March 9, 2009. However, recent data and even fund flows have supported the view favoring economic growth. Even though headline figures for U.S job growth and household formation have remained soft over the past 18 months, global economic data reinforced the trend of the last 6 years, showing a strong growth rate in emerging economies. While many people in developed countries seek a return to the prior economic order of the world, an increasing number of investors and corporations are embracing opportunities to participate in an ongoing reorganization of the global economy.

Crisis Remedies: Past, Present and Future

Opposing outlooks for economic growth have influenced prospective solutions to repairing the economic damage from the crisis, as well as how to safeguard against future failures. However, there has been universal agreement that the principal problems that must be fixed are excessive debt and inadequate stable income. Clearly, income and revenues failed to cover personal, corporate and sovereign debt service, let alone provide for repayment. Since both the solution and future protection can create different winners or losers, various views have been hotly debated, focusing on the nexus of financial, regulatory and monetary mechanisms for both capital markets and governments. As a result, the platform of national debates over the merits of near term austerity versus continued monetary and fiscal stimulus has taken on a political dimension. Budget pressures will continue to force countries to adjust their regulatory, monetary and fiscal structures to match the current prospects for their economy, in light of both aspirations and concerns for the future. Inevitably, many countries will feel compelled to reassess their collective world view regarding the respective roles of both the state and private enterprise in providing for the security, health, education and well being of its populace.

Crisis or near crisis events such as the great recession of 2008-2009 are often necessary to initiate such difficult debates. Financial imbalances or weaknesses have been revealed around the world by the credit crises. The dispassionate and free roaming nature of global capital flows highlights distinctions in economic strength and capacity of each country s markets. This past April, the U.S. was the initial beneficiary of the flight to quality and stability during the depth of the crisis, while Greece became the

first sovereign casualty, as its fiscal imbalance created by poor tax collection and imprudent spending could no longer be supported by excessive borrowing. This has spiraled through a fear of contagion within the banking sector and bond markets to other countries around Europe s core for different local reasons. In addition to financial instability, it has called into question the structure and efficacy of the European Union.

Even in the U.S., we are forced to confront potential imbalances in the entitlement programs which constitute 85% of the U.S. Government s annual budget, lest our own fiscal shortfalls and long term deficit impair this country s global standing. Unfortunately, the increased political polarization of our government over the past few decades has prevented our leaders from addressing these issues until now that the structural imbalances have become so critical! High unemployment has reduced incomes in combination with the negative wealth effect from declines in the stock and housing markets, so that tax revenues are lagging far behind government expenditures. As a result, our country s debt to Gross Domestic Product (GDP) has not been so out of kilter since the end of World War II! Back then, the day was saved by stimulus programs such as the G.I. Bill providing financing for education and housing, the Marshall Plan to rebuild Europe giving us huge export markets, while establishing the National Highway System created jobs and laid the foundation for a mobile and efficient economy. A renewed focus on domestic demand after the war, combined with technological innovation (television and transistors) to create new industries, enabled the U.S. to enjoy a sustained period of growth in incomes and output which helped to reduce deficits and spread middle class wealth during the 1950 s. Thus, we should be mindful of how our country has historically succeeded in similar circumstances, as we debate a future course for the U.S.

Once again, the U.S. stands at a crossroads which could influence the course of future economic activity. This time, European nations have initiated a diet of fiscal austerity, slashing annual budgets by up to 5%. Deficit reduction is viewed as an imperative. However, without off-setting economic stimulus the resultant drag on economic growth could prolong a period of low to negative growth for many of those countries constrained by the monetary and currency inflexibility of a unified Euro. While the U.S. has greater flexibility, the Federal Reserve has become the principal branch of our government currently capable of action to provide stimulus to offset the subpar economic recovery. Through its program of quantitative easing, the Federal Reserve is, in effect, inflating equity values in the stock market to substitute for the deflation of home values over the past four years or so. This appears similar with the Fed s approach during 2002 and 2003 where low interest rates helped to inflate home values to offset the negative wealth effect of a falling stock market during 2001 and 2002. This movable feast of monetary liquidity may also be fueling the rise of commodity markets just like they did in the spring of 1998. Unlike these prior periods which resulted in medium term bubbles, unwinding the Fed s stimulus will have to be more carefully communicated to the markets and executed. It is also safe to say that the central banks of the world probably have more control over the credit markets than

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they did in 2006 through 2008 as a result of the decimation of the derivative propelled structures which permitted the securitization machinery of Wall Street to disproportionately influence money supply and fund flows. Thus, we are not overly concerned about the emergence of 1970 s level of inflation on a broad basis.

Ultimately, It s About Jobs

The just agreed upon extension of Bush-era tax levels, plus other targeted deductions should have a beneficial impact over the next 12-24 months. However, the potential for sustained job growth as a result of productive capital deployment by either business initiatives or government stimulus is uncertain. Historically, one of the greatest economic triumphs of 20th century America has been our capacity to create productive employment. Job growth helped in the assimilation of immigrants, giving common purpose and aligning the melting pot of diverse cultures, experiences and talents that has helped this country to lead the rest of the world. Currently, non-farm payrolls stand at 130.54 million people, down from the peak of 137.95 million in December, 2007. Although slightly higher than the recent low of 129.59 million last December, current payrolls are virtually flat with the number employed (130.53 million) in December, 1999! During Alpine s fiscal year, the U. S. added an average of +49,000 new jobs per month, which compares poorly with the monthly averages sustained between September, 2003-September, 2007 (+160,000) and March, 1993-March, 2000 (+252,000) when the economy was strong. Meanwhile, our population has continued to grow between 0.9-1.0% per year as the census just reported 9.7% growth over the past decade. While slower than the long term historical rate, this suggests that the monthly job growth must be well over 100,000, just to keep the unemployment rate flat.

It is worth noting one startling trend in terms of overall unemployment. The data suggests that civilians unemployed for greater than 27 weeks (or roughly half a year) have historically stayed below 15% to 20% of all claimants during most recessions and only once exceeded 25% in the early 1980 s. Unfortunately, long term unemployment now accounts for almost 42% of all unemployed. This reflects not only the slow recovery from the most recent downturn, but perhaps a structural mismatch between the skill set of our work force and jobs which are available. It is notable that the gap between unemployed and underemployed (includes part-time or marginally employed but seeking work) has expanded from roughly 3% during 2000 to 2001, to 7 $^{1}/2$% today. This suggests that people who have lost jobs are not finding employment which matches their prior job history, so they settle for alternative situations. Updated adult education and retraining programs could adapt many of the underemployed if new skills sets can be linked to new jobs.

Over time, Alpine would hope a balanced program tilted toward greater stimulation in the early years to generate jobs with austerity targets focused on later years could provide confidence by benchmarking progress. Furthermore, public private partnerships and long term leasing (30 to 50 years) of highways, bridges, and

other infrastructure could accelerate a rebalancing of our nation s and states balance sheets, while adding jobs and enabling future efficiency. Emphasizing capital spending on education, scientific research with a focus on alternative energy sources and healthcare could help the U.S. maintain economic primacy.

Emerging Economies: Fast Forward to the Future

In contrast to the fiscal cash flow and structural deficit problems of the U.S., Europe and Japan, most emerging market countries have benefited from lower indebtedness, higher domestic savings and competitive costs of production. The Asian Contagion and Tequila Crisis of recent decades, followed by the decline of the internet bubble actually constrained these countries banks and financial markets from rewarding excessive risk. Unlike the developed countries which are still fighting a deflationary trend, fast growth has pressured the central banks of Brazil, India, Indonesia and, most recently, China to tighten monetary conditions in order to constrain inflationary pressures. This suggests that they are moving past the recovery phase of the business cycle into a middle period of stable job creation, capacity utilization and wealth creation. Hopefully, the U.S. is only 12-24 months behind the leader s pace, followed perhaps by Japan and the U.K., while the Euro region may be much further behind in recovery.

It is clear that we are witnessing a two-speed world, where slow recoveries in countries which are facing possible deflation sit in contrast with countries which are reshaping their export-oriented economies to meet the demands of large numbers of upwardly mobile people finally capable of sustaining domestic consumption. Rising local incomes, huge infrastructure expenditures, and growing concerns for the health, welfare and service requirements of expanding middle class consumer populations are creating new jobs to fulfill domestic demand. We do not try to predict the future, but understanding trends is important, and Alpine believes that consumption patterns are evolving rapidly in emerging countries. In 1990, the U.S., Europe and Japan accounted, respectively, for 27%, 34% and 14% of global GDP. By 2008, these geographic contributions were reduced to 24%, 30% and 8%, respectively. All 13% of the aggregate decline in GDP contribution from these countries has been taken up by emerging market output, from 21% in 1990, to 34% today. As a by-product of this trend, emerging market consumption as a share of global private purchases has grown from 17% in 1990 to 27% in 2008, and 29% today. The U.S. was 31% of global consumption in 1990, peaked at 38% in 2002, then slowed to 30% in 2008 and today. Alpine believes the divergence of global growth rates and consumption patterns will likely continue over this next decade.

While direct exposure to emerging countries should be beneficial, many companies in the developed economies are participating in global growth. U.S. companies as diverse as G.M., Procter & Gamble and Pepsi generated over one-third of their sales from emerging markets last year. Global brands are keen to participate as the impact of globalization and technological integration continues to evolve. Historically, such companies enjoyed enhanced productivity

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and lower cost goods, then the rebalancing of local labor demand, and now a shift in consumption patterns. The prospects of rising domestic wealth suggests investment patterns could shift as well. This has already been felt in the capital markets, but this may well accelerate. The market capitalization of emerging markets in the MSCI World Index in 1990 was 2% and grew to 12% by 2008. Even though the disparity between market capitalization and the shared proportion of both global consumption and GDP has improved, it may be significantly realigned over the next decade as a result of rising domestic investment patterns in addition to international investment flows and economic growth. Thus, capital market participation in the emerging countries will likely continue to grow. This will create investment opportunities for companies in both the developed and emerging markets.

Alas, capital market concerns are not behind the U.S. yet. Debt maturities and sovereign refinancings loom ahead. Nonetheless, the liquidity crisis seems to be in the past. Alpine will continue to focus on both growth and value opportunities for investment. Broad macro themes, be they domestic or global, will be studied; market inefficiencies or perceived mispricing will be analyzed; technological or scientific advancements and innovation of products, processes or methodologies will be understood; while corporate transformations which rework old business models to better function today will be examined. Such levels of research are all part of Alpine s focus. We will continue to explore varied opportunities for our Funds, and appreciate your interest in discovering and participating in the potential of these investments.

Before closing, I am delighted to introduce shareholders to our new shareholder service provider, administrator and custodian, State Street Corporation and our new transfer agent, Boston Financial Data Services (BFDS). State Street is listed on the New York Stock Exchange with a market capitalization of more than $23 billion. State Street and BFDS are widely regarded for their advanced technological systems, depth of experienced personnel and State Street s strong global custody network. Alpine believes that by consolidating both our open-end and closed-end funds multiple service providers with one entity, we will be able to ensure a high level of service while minimizing operating costs for the Funds shareholders. The conversion of all accounts and records took place in early December, so do not hesitate to contact info@alpinefunds.com with any questions, comments or concerns. As always, we appreciate your interest and support.

Sincerely,

Samuel A. Lieber

President

Mutual fund investing involves risk. Principal loss is possible. Please refer to the individual fund letters for risks specific to each fund.

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 investment advice.

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.

The ***MSCI World*** *is a stock market index of 1,500 world stocks. It is maintained by MSCI Inc., formerly Morgan Stanley Capital International, and is often used as a common benchmark for world or global stock funds.*

An investor cannot invest directly in an index.

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

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Fiscal year 2010 was very challenging for the Alpine Total Dynamic Dividend Fund (AOD) and its strategies. After renewed asset value growth and sustained dividend payout through the first five months of the fiscal year, the Fund encountered a sudden and difficult challenge between April 15th, and May 25th 2010. That challenge was the decline of 8.17% in the value of the Euro currency and the decline of 13.53% in Euro terms for the equity markets in Europe as represented by the Euro STOXX 600 Index, resulting in a decline in US Dollar terms of 21.70% during this period. With a substantial portion of our holdings in high-dividend paying European securities at that time, the Fund was adversely affected with a substantial fall in net asset value and, thus, reduction of dividend paying capacity.

Our response was to reduce the dividend to $0.055 per share per month, an approximate 12% payout on the net asset value prevailing in mid June, 2010. Further, we revised our operating policy to a greater emphasis on achieving capital appreciation in order to restore asset values. Thus, in the final quarter of our fiscal year from 7/30/10 through 10/31/10, we achieved a 7.08% growth in net asset value while sustaining the dividend payout of $0.055 per share per month.

For the full fiscal year ended 10/31/10, AOD s NAV (Net Asset Value) provided a total return of 4.52% while AOD s market price produced a negative 21.34% total return, including dividend reinvestment. This compares to a 16.52% increase in the S&P 500 Index and 9.80% increase in the STOXX Europe 600 Index in US dollar terms for the same period. The principal reason for the dramatic difference between the performance of the NAV and the stock price is that AOD went from trading at a 26.80% premium to its NAV on 10/30/09 to a discount of 4.6% at fiscal year end on 10/31/10. This was in reaction to the reduction in the dividend payment for AOD that was announced on June 24th, 2010 and which we will discuss in more detail below.

AOD provided a high dividend yield in a still challenging equity income environment

The Fund s primary objective continues to be to provide the Fund s investors with 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. We have strived to achieve the Fund s goals despite a difficult dividend investment environment and tremendous market volatility over the past several years. AOD s NAV had been severely impacted by the global financial crisis and recession in 2008 and 2009 and then again by the European debt crisis in April and May of 2010. From April 1, 2010 through the low on June 7, 2010 the Euro currency declined by over 12% and the S&P 500 Index recorded one of its worst May s on record with an 8% decline.

The timing of the crisis in Europe was particularly detrimental for AOD since that region has become one of our primary dividend markets, as European companies have traditionally paid out attractive annual dividends during the first half of the year. Also impacting our dividend capture program had been the decline in

dividends paid globally as a result of the Great Recession of 2008/09 as well as the decline in liquidity available for our dividend trades. One of our risk management disciplines for dividend capture is sufficient liquidity to allow the fund to exit the holding in case of negative market or company specific news flow during our targeted holding period.

As discussed in our semi-annual letter, this difficult investment environment and the decline in dividends paid globally contributed to the decision to reduce the dividend of the Fund to a level that was viewed to be more in line with market conditions and that would provide greater flexibility for the NAV to appreciate if market conditions improved. A number of factors were considered before making this decision, including uncertain equity prospects, particularly in the Fund s then, largest dividend region in Europe, equity liquidity, volatility, level of assets in the Fund, and the dividend yield of the Fund.

The regular monthly distribution for AOD was reduced to $0.055 per share versus the previous distribution rate of $0.12. Annualized, the new dividend rate of $0.66 per share represents a dividend yield of 11.72% on AOD s closing price of $5.63 per share on 10/29/10, and a dividend yield of 11.19% on AOD s closing NAV of $5.90 per share. During fiscal 2010, the Fund distributed total dividends of $1.188 per share, representing a trailing twelve-month dividend yield of 20.13% based on the NAV price at fiscal year end.

Since inception on January 26, 2007, AOD has paid a total of $7.01 per share in earned dividend income. Since the dividend reduction on 6/24/10, AOD s NAV has appreciated by 14.47% including dividend reinvestment through fiscal year end 10/30/10 versus 10.94% for the S&P 500 Index and 20.57% for the STOXX Europe 600 Index.

AOD s NAV posted a solid total return in fiscal 2010 despite the mid-year collapse of European markets

While we are encouraged by our total return performance since the dividend cut in late June, the Fund s results lagged the broader U.S. S&P 500 Index for the full fiscal year 2010 due to its international exposure and specifically in the Fund s European equities. We have continued to find attractive growth opportunities and significantly larger dividend payouts overseas than in the U.S The U.S. is one of the lowest yielding countries in the group of G20 nations with a 1.94% dividend yield for the S&P 500 Index versus for example 4.02% for Australia, 3.63% in France, 3.32% in Britain and 3.24% in Brazil for the 12 month period ending 10/31/10. In addition, we expect economic growth in many emerging markets to be substantially higher than the 2.6%-3.5% Gross Domestic Product (GDP) growth forecasted for the U.S. in 2011, while also receiving attractive dividends. Therefore, we have invested a significant portion of AOD s assets in overseas markets to help achieve the Fund s goal of high dividends and capital appreciation in comparison to the S&P 500 Index and most of the Fund s equity income peers.

As of 10/31/10, the Fund had invested 55.5% of net assets in companies based in 18 different countries and 40.3% of its value in

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domestic U.S. companies, with 4.2% in cash and equivalents. At fiscal year end the Fund had 18.1% of the portfolio invested in emerging market countries including Brazil, South Korea, Russia, and India. Following the United States, the Fund s current top five countries are Brazil, Sweden, the U.K. Switzerland, and Japan. The average dividend yield for the major indices in these five countries, for the 12 month period ending 10/31/10, is currently 2.72% versus the average dividend yield on the S&P 500 Index of 1.94%.

The global equity markets were hit in the first half of 2010 by the sovereign debt crisis in Europe and the slowing of the global growth engine of the Chinese economy. Unfortunately, the timing of these issues and subsequent market correction in April and May occurred when we had our highest dividend capture opportunities in the European region. We ended April 30th with about 23% of net assets invested in Europe, so the Fund was particularly hard hit at the end of fiscal first half 2010 by the Euro decline. During the same time, the U.S. markets outperformed as investors looked for relative safety in the U.S. dollar and the U.S. economy.

Given the continued uncertain outlook that still remains for the Euro region, we have diversified the Fund s exposure away from companies with Euro denominated currencies. On 10/31/10, approximately 27.2% of the Fund s assets were invested in Europe, but only 6.4% in Euro denominated currencies, with the rest being in Sweden, Switzerland, Norway, Russia, Denmark and the UK. We did hedge a portion of our currency exposure in Europe as a result of the crisis and we continue to diversify the portfolio globally with investments in Asia, South America, and Australia. Our dividend capture strategy tends to be seasonally focused in Europe in the spring. Our recently lowered dividend payment does provide more flexibility and we will assess increasing our investment in that region at that time based on market conditions.

The global equity markets have reversed their declines since their mid-year lows, with international markets outperforming the U.S. This is a reflection of the stabilizing of the crisis in European debt as the European Central Bank (ECB) stepped in and provided funding for the troubled EU nations, Chinese GDP growth reaccelerating, and the Fed in the U.S. announcing its willingness for additional quantitative easing to support U.S. economic growth. AOD s NAV has returned to a period of outperformance relative to the S&P 500 Index since its 52-week low on July 1, 2010 through fiscal year end, with an 18.90% total return for AOD s NAV versus 15.90% for the S&P 500 Index.

To offset the challenged market conditions, the Fund utilized a more rapid rotation of holdings in its dividend capture program. This is reflected in the substantial increase in the Fund s portfolio turnover for the Fund from over 300% in fiscal 2008 to 487% in fiscal 2010. We do not expect any material capital gains tax implications from our increased turnover due to a substantial amount of tax loss carry-forwards. The escalation of our portfolio turnover naturally increased our aggregate transaction expenses. We have also utilized leveraged total return equity swap transactions in the Fund to gain efficiencies and reduce transactional costs associated with the increased rotation

in its international holdings. The implied leverage in the swaps increased volatility in the trade; however, we mitigated the risk by having generally short holding periods in the swap transaction. The total return swaps are not included in our turnover ratio.

The investment process for AOD has not changed and the Fund intends to continue generating dividend payouts consisting of net investment income. However the dividend cut allows for a more balanced approach for high dividend income plus capital appreciation within AOD s four sub strategies: Dividend Capture, Special Dividend, Growth and Income, and Value with a Catalyst.

Portfolio Construction Illustrated by Top Ten Holdings

Throughout fiscal 2010, it remained challenging to balance the Fund s portfolio in an attempt to continue to provide a high level of current income while also investing the Fund s assets for capital appreciation. We will continue to scan the globe searching for attractive dividend investment opportunities for the Fund s investors within these volatile markets. And we will continue to execute on the Fund s goals with our four research-driven investment strategies in an effort to maximize the amount of the Fund s earned dividend income and to identify companies globally with the potential for dividend increases and capital appreciation. While the currency hedges had a negative impact on total return, the losses on these hedges were offset by currency gains in equity positions in these currencies held by the Fund. The following sections focus on these strategies using out top ten holdings as examples. The top ten holdings in AOD constituted 22.28% of assets as of 10/31/10.

The Fund s *Dividend Capture Strategy* and *Special Dividend Strategy* Seeks to Enhance the Dividend Income Generated by the Fund

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

As mentioned earlier, our dividend capture strategy was negatively impacted during fiscal 2010 by the European debt crisis in April and May 2010 which resulted in a sharp decline in our dividend capture trades in the region during that time. In addition, continuing depressed levels of dividends and liquidity has also made our dividend capture strategy more challenging in fiscal 2010. However, we are encouraged to see companies beginning to raise dividends globally as the economy has improved, credit markets are open, and balance sheets are strong. In addition, the number of special dividends that we participated in fiscal 2010 rebounded from the depressed levels experienced in 2008 and 2009 as companies distributed some of their record cash levels ahead of potential dividend tax hikes in the U.S. in 2011. AOD participated in a total of

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40 special dividends in fiscal 2010 versus about 60 in fiscal 2007, 30 in fiscal 2008 and 16 in fiscal 2009.

The Fund s *Growth and Income Strategy* targets capital appreciation in addition to yield

The Fund s 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/or predictable earnings streams that should support additional future dividend increases. We believe several of the Fund s top ten holdings are industry leaders with strong growth in their categories and the potential for attractive and rising dividend payouts. These include Nestle, IBM, Abbott Laboratories, PDG Realty, and Multiplus.

The Fund s largest holding by weight at fiscal year end was Nestle SA (NESN VX), based in Switzerland. Nestle is a global packaged food company that has grown revenues by focusing on emerging markets and health and wellness products. Their broad ranges of products including chocolates, coffees and pet food are often considered staples and were able to experience solid demand throughout the economic downturn. In addition, Nestle is improving margins through its cost reduction efforts which are supporting earnings and dividend growth. Nestle raised its annual dividend by almost 15% in 2010 and offered an attractive 2.9% yield as of 12/16/10. The holding produced a 17.59% total return for AOD in fiscal 2010.

We have found attractive growth and income opportunities in the technology sector in fiscal 2010 with one of the Fund s top 10 holdings by weight being the bellwether International Business Machines (IBM). Based in Armonk, NY, IBM is one of the world s largest providers of enterprise solutions, offering a broad range of IT hardware, business and IT services, and software solutions. We believe IBM can be a steady double-digit earnings grower as it enhances its services and software offerings to add more revenue opportunities. In addition, it has benefitted from its emerging markets growth, large cost cutting efforts, and share repurchases. IBM raised its dividend by 18% in 2010 and offered a 1.8% dividend yield as of 12/17/10. IBM provided a 21.74% total return for AOD in fiscal 2010.

We look to diversify the Fund s portfolio and sectors and identified what we thought was an attractive growth and income opportunity in the healthcare sector, being Abbott Laboratories (ABT), which was in our top 10 holdings by weight. We believe that ABT s five year growth outlook is attractive based on the strength of its new cholesterol products as well as its Humira arthritis and Xience drug stent franchises. However, the stock declined toward the end of the fiscal year on concerns about potential approval of a competitor to its Humira drug several years from now, which we think is an overreaction. We anticipate 10% sustainable EPS growth over the next several years supported by limited generic risk relative to its peer group, smart acquisitions including recently the largest pharmaceutical company in India, and solid earnings visibility. In addition, ABT raised its dividend by 10% in 2010 and offered a 3.8%

dividend yield as of 12/16/10. ABT provided a 5.76% total return for the Fund in fiscal 2010.

Two of the Fund s top 10 holdings in AOD by weight were in companies that operate in Brazil where we see very attractive growth and income opportunities. PDG Realty (PDGR3 BZ) based in Rio De Janeiro is one of the largest real estate developers in Brazil. It is seeing strong demand for its residential and commercial projects as the Brazilian economy is experiencing a strong expansion. The company recently signed an agreement with the Marriot hotel chain for the construction of up to 50 hotels. PDG has a solid track record of acquisitions, a sizeable land bank and a management team driven by Return on Equity (ROE) and stock performance. It is forecasted to possibly deliver over 20% compound annual earnings per share growth in the next several years in addition to its 1.1% dividend yield as of 12/16/10 that is positioned to grow with earnings. PDG provided a 48.53% total return for AOD in fiscal 2010.

Multiplus SA (MPLU3 BA), based in Sao Paulo, is a loyalty marketing company and is the sole provider to the largest Brazilian airline TAM. Its major partnerships are in credit cards, airlines, and retail, which are all experiencing strong growth in Brazil on the strength of their emerging middle class. Multiplus is a cash flow company, with the average time between the sale of a point and the cost of reward being 24 months, with over 25% of all points expiring without being redeemed. It is debt-free and management has stated its commitment to returning excess cash to shareholders and we anticipate a one-time cash dividend in 2011 that could yield more than 10%. Multiplus provided a 99.38% total return for AOD in fiscal 2010.

The Fund s *Value/Restructuring Strategy* looks for attractively valued or restructuring dividend payers

The Fund s 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, in our opinion, 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 and are still trading at discounted valuations, it is not surprising to find several of the Fund s top 10 holdings in this strategy including Hyundai Motor, Seadrill, Atlas Copco, Occidental Petroleum, and Mitsubishi Corp.

The Fund s top value holding and a top 10 holding by weight was also an outstanding performer in fiscal 2010, with a 76.58% total return, being Hyundai Motor Company (005380 KS). Based in Seoul, Hyundai is the largest auto maker in Korea. It also owns 38% of KIA Motors, which combined have over 80% of the domestic Korean market and are the world s fifth-largest auto manufacturer. Hyundai has reaped the benefits of its global expansion strategy started in 2002 and quality improvements have helped it gain overall share, particularly from Toyota, in its key China, India and U.S. markets. Auto demand is rebounding from the depressed levels of 2008/9 and

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secular growth is occurring in Asia and other emerging markets. Hyundai currently trades at less than 9 times forward earnings as of 12/16/10, which is a deep discount to its Japanese and European peers and its historical peak.

Another top performing stock in fiscal 2010 and one of the Fund s largest holdings by weight was Seadrill, with a total return of 53.42% for the period. Seadrill Ltd. (SDRL NO), based in Bermuda and traded in Norway, is Europe s largest offshore driller. Its aggressive newbuild program and acquisition strategy has given it one of the world s youngest fleets. Seadrill is a leader in the high-growth and technologically advanced deepwater and ultra-deepwater rig markets which have experienced strong demand in regions like Brazil, West Africa, and the Gulf of Mexico as oil is getting harder to find and exploration is moving further out to sea. The company reinstated its quarterly dividend in November 2009, providing a very attractive dividend yield of 8.0% as of 12/16/10 and yet the stock is trading at less than 10 times forward earnings.

In addition to Seadrill in the energy sector, the Fund also owned Occidental Petroleum (OXY) as a top value holding at fiscal year end and a top holding by weight. We believe crude oil fundamentals are compelling over the next several years as growing demand from emerging economies and limited new supply should offset weakness in the developed world economies. OXY is one of the most well positioned of the U.S. large cap oil companies, we believe, based on its large exposure to oil versus gas, its 3.2 billion barrels of proven reserves, and it ability to grow production at about a 5% annual rate when other companies are experiencing declining production. It also has substantial free cash flow to fund growth opportunities, including its recent discovery in California which should warrant a multiple expansion relative to its peers. OXY raised its dividend by 15% in 2010 and offered a 1.7% dividend yield as of 12/16/10. The holding provided a 2.52% negative total return for the Fund for the fiscal year but the stock has had strong appreciation in the beginning of fiscal 2011.

One of the Fund s top holding by weight and top performing stocks in fiscal 2010 with a 66.79% total return was Atlas Copco AB (ATCOA SS). Based in Sweden, Atlas Copco is a global industrial conglomerate that manufactures air compressors and generators, construction and mining equipment, and industrial power tools to various industries including mining, auto, construction, manufacturing and utilities. The company has benefitted from strong growth in global industrial production as its products are sold and rented under different brands through a worldwide service network in 150 countries. In addition, a high percentage of revenues has been derived from aftermarket business which offers strong cash flows and greater earnings resilience than many of its peers. The stock offers a 1.8% dividend yield as of 12/16/10 which we believe should rise in 2011 with earnings growth.

Also in the industrial sector, a top holding by weight on 10/31/10 was Mitsubishi Corp. (8058 JP), which is a diversified conglomerate based in Tokyo. Their metals and energy divisions represent 70% of operating income with the remaining businesses being industrial

finance, chemicals, and machinery. The machinery unit has operations in Asia relating to Mitsubishi Motor and Isuzu but growth in production rights of iron ore and coal are the focal point for growth. Its key coking coal, iron ore, copper and energy operations should produce strong results in 2011 based on tight supply-demand fundamentals while the non-resource divisions appeared to have bottomed and offer additional upside. We believe Mitsubishi s valuation looks attractive based on expectations of a strong turnaround in profit growth yet the stock is trading at only 10 times forward earnings and 1 times book value as of 12/16/10 plus a 2.6% dividend yield. The stock provided a 20.92% total return in fiscal 2010.

Outlook for 2011: We remain positive on global growth and dividends, but volatility will remain

We believe that a global economic recovery is still solidly in place heading into 2011 following the Great Recession of 2008/09 and the economic rebound experienced in 2010. We remain particularly optimistic about tapping opportunities to invest in growth in emerging markets like Brazil and China where strong employment and wage growth is helping to propel millions of people each year from a subsistence existence to an emerging consumer of everything from durable goods to discretionary items to healthcare. Brazil has also benefitted from large infrastructure spending in its energy sector in addition to stimulus provided by hosting the soccer World Cup games in 2014 and the summer Olympics in 2016. The International Monetary Fund (IMF) forecasts China will grow far faster than the rest of the world for the next five years, with approximately 10% compound annual GDP growth on average through 2014 compared to 6% for all emerging nations like Brazil and 2.5% for the developed markets.

As we look into 2011, we would also expect continued volatility in equity markets as many countries in Europe face austerity measures to curb sovereign debt concerns and as the U.S. economy is struggling with sluggish economic growth and stubbornly high unemployment. However, companies in the U.S. and around the world are expected to produce continued attractive corporate profit growth in 2011 based on solid demand trends, margin expansion, and productivity initiatives. In addition, corporate balance sheet quality is at all time highs and companies are sitting on record amounts of cash which should support capital growth initiatives, mergers and acquisitions, and the return of cash to shareholders via share buybacks and dividend increases.

The U.S. Federal Reserve initiating additional quantitative easing and the potential for the extension of tax benefits in 2011 should also help to increase CEO confidence and support U.S. economic growth, even as consumer confidence is still impacted by depressed housing and employment markets. The consensus S&P 500 earnings are forecasted to grow 13% in 2011 on U.S. GDP growth estimated at 3.0% in 2011 according to Credit Suisse research. Based on this earnings outlook, equity valuations still appear attractive relative to historical averages and particularly relative to bonds, which should support capital flows into equities.

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Over the long term, we continue to remain optimistic that dividend stocks will attract increasing amounts of capital as investors around the world search for income. With many companies sitting on record amounts of cash and corporate profits at all time highs, we are hopeful that dividend increases will occur in 2011 and beyond. In addition, 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, particularly if interest rates rise and bond valuations suffer.

In summary, we see both opportunities and risks in 2011. The Fund s approach during these uncertain times is to remain broadly diversified within the dividend-paying universe while actively scanning the globe for undervalued opportunities and high quality cash flow generators. We are confident that we should be able to continue to distribute attractive dividend payouts by capitalizing on our research driven approach to identifying value opportunities as well as through active management of the portfolio.

Thank you for your support of the Alpine Total Dynamic Dividend Fund. We look forward to more prosperous years in 2011 and beyond.

Sincerely,

Jill K. Evans and Kevin Shacknofsky

Co-Portfolio Managers

Past performance is not a guarantee of future results.

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.

Equity Securities Risk *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 (such as poorer than expected earnings or certain management decisions) or to the industry in which the company is engaged (such as a reduction in the demand for products or services in a particular industry).*

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.

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 a variety of factors including those related to the company (such as poorer than expected earnings or certain management decisions) or to the industry in which the company is engaged (such as a reduction in the demand for products or services in a particular industry) or due to other factors such as a rise in interest rates, for example.

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.

Neither the Fund nor any of its representatives may give tax advice. Investors should consult their tax advisor for information concerning their particular situation.

Diversification does not assure a profit or protect against loss in a declining market.

Investing in small and mid cap stocks involves additional risks such as limited liquidity and greater volatility as compared to large cap stocks.

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

Earnings Growth *is a measure of a company s net income over a specific period, generally one year, is a key indicator for measuring a company s success, and the driving force behind stock price appreciation.*

Dividend Yield: *The yield a company pays out to its shareholders in the form of dividends. It is calculated by taking the amount of dividends paid per share over a specific period of time and dividing by the stock s price.*

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The S&P 500 Index *is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.*

Lipper Averages *are compiled by Lipper, Inc., an independent mutual fund research and rating service. Each Lipper average represents a universe of funds with similar investment objectives.*

Lipper rankings *are based on total return and do not include the effect of a sales charge. Rankings are only for the classes listed. Rankings of other classes will vary.*

The S&P 500 Financial Select Sector Index (IXM) *is a modified cap-weighted index that is intended to track the movements of companies that are components of the S&P 500 and are involved in the development or production of financial products. This index serves as the benchmark for the Financial Select Sector SPDR Fund XLF.*

The STOXX Europe 600 (Price) Index *is a broad based capitalization-weighted index of European stocks designed to provide a broad yet liquid representation of companies in the European region. The equities use free float shares in the index calculation. The index was developed with a base value of 100 as of December 31, 1991. This index uses float shares.*

ROE *The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation s profitability by revealing how much profit a company generates with the money shareholders have invested.*

Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder s equity does not include preferred shares.

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

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	Ending Value as of 10/31/10	Six Month	One Year	Since Inception[2][3][4]
Alpine Total Dynamic Dividend Fund ǀ NAV	$5.90	(0.77%)	4.52%	(12.27%)
Alpine Total Dynamic Dividend Fund ǀ Market Price	$5.63	(31.45%)	(21.34%)	(14.45%)
S&P 500 Index		0.74%	16.52%	(2.67%)
STOXX 600			9.80%	(12.13%)

[1] Performance information calculated after consideration of dividend reinvestment. All returns for periods of less than one year are not annualized.
[2] Commenced operations on January 26, 2007.
[3] Annualized.
[4] 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 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.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalisation companies across 18 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

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TOP TEN HOLDINGS*

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Seadrill, Ltd.	2.8%	Norway
Atlas Copco AB, A Shares	2.2%	Sweden
Occidental Petroleum Corp.	2.1%	United States
International Business Machines Corp.	2.1%	United States
Abbott Laboratories	2.0%	United States
Mitsubishi Corp.	2.0%	Japan
PDG Realty SA Empreendimentose Participacoes	1.8%	Brazil
Multiplus SA	1.8%	