DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

QUARTERLY COMMENTARY **Q1**

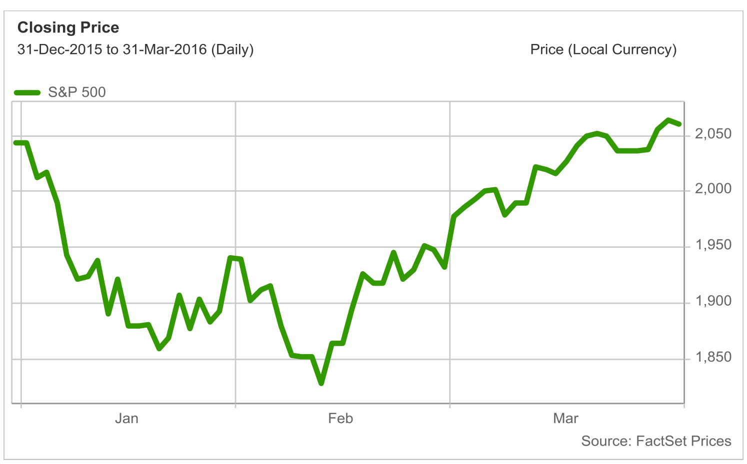
NEWSLETTER **APRIL 10, 2016**

OH, WHAT A QUARTER!

Among tradable long term market anomalies that many long-time portfolio managers try to take advantage of is the *January Effect*, where the losers of the previous year rebound in the opening weeks of the new year. This year seemed to harken a reverse January Effect with steep declines of magnitude making it feel like the markets were trying to compress all the distress of 2015 into one month.

The seasonal data is very clear that January is generally a good month, though it seemed to be forgotten this year with a price change in the S&P 500 of -5.0% for the month. There is the old market saw of "so goes January, so goes the year" and this year we are hoping it just isn't so.

Despite a weak opening of the year, the quarter ended well. We note that if you were not paying attention in January, or had the great fortune to be traveling the world and ignoring markets, you would have been pleased with the S&P 500's performance for the quarter with a total return of 1.4%.



Investors have certainly had plenty to worry about with the election and antics by the slate of candidates stirring little to no confidence in the future. This worry has been especially true for individual sectors such as healthcare. The accelerated terrorism and extremism also has investors aghast. The bombings in Paris and Brussels may have taken the majority of the headlines, but the domestic events also seem to have left a bit of a chill.

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Please join DAC for an **Investor Conference Call**
on ***Tuesday, April 26 at 11:00AM ET***.
CEO/CIO Troy Shaver and team will discuss recent market conditions and share thoughts on Q2 and beyond followed by a monitored Q&A.
Dial in: 1-866-906-9330 / Participant Code: 7041617#

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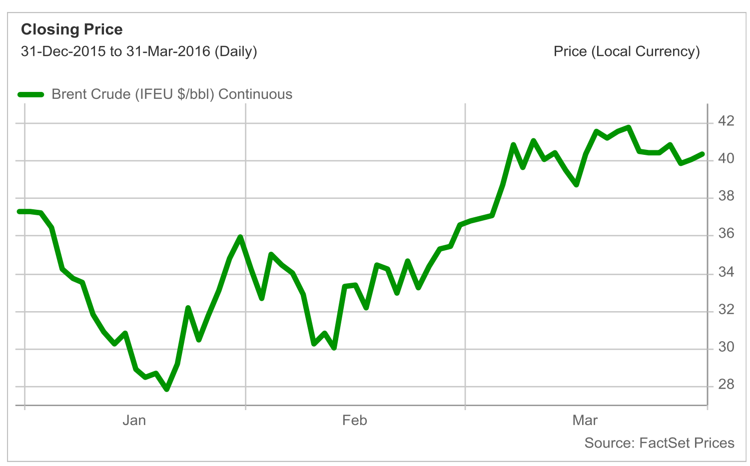
To top off those worries, Central Banks around the world keep the foot to the petal of monetary easing and stimulus without apparent effect. Negative rates in Europe have not stimulated those economies as would have been expected. The fact the Fed has declared a more dovish stance, though good for the markets short term, leaves us at least a bit quizzical over long term growth prospects in the U.S.

Bright spots in the quarter seem a bit skipped-over in market news flow. The retrenchment of the rising dollar versus other currencies removes a major headwind for U.S. companies. Moreover, we note that oil prices actually rose over the quarter, a seemingly ignored piece of good news. Brent rose from $37.28 to $40.33 over the quarter, and though not much of a price change, it was at least a hopeful sign of stabilization.



We have to express our views on oil prices and the effects of the radical price change. The rapid price decline has been very hard on the entire energy complex, and it has been a destabilizing event for the markets. This

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has been especially hard on investors in the sector. However, the effects of low energy prices will eventually act as an economic stimulus. This has been a windfall for not just the consumer, but also for all companies that have energy as a significant input. This also is likely to stimulate demand and consumption of energy, thus restarting the cycle. We are ever reminded that the cure for low energy prices is in fact low energy prices.

Companies seem to have taken advantage of all the market malaise to reset lower earnings expectations. In fact, there have been more downward revisions from analysts since Q1 of 2009. This may well set an easier threshold for beating expectations going forward, which would be a positive thing for future market performance. With muted expectations seemingly priced into the markets and with few real alternatives to the yield, or rather lack thereof, in fixed income markets, we believe that equities, and especially companies with growing dividend yields, will remain the place to be for long term patient investors.

Additional Source: FactSet

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