

DIVIDEND ASSETS CAPITAL, LLC

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

QUARTERLY COMMENTARY NEWSLETTER

Q2

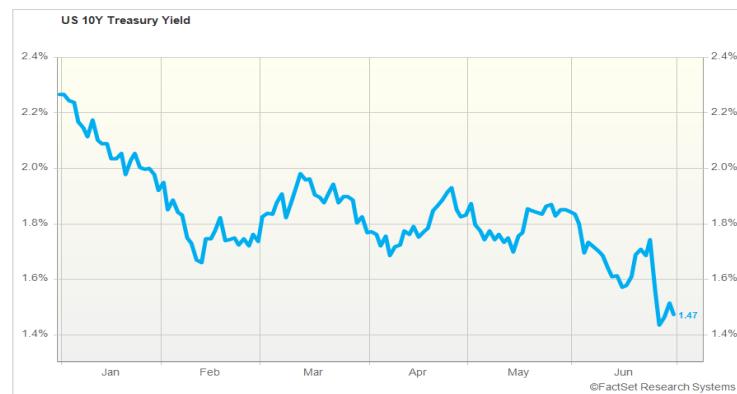
JULY 11, 2016

No matter what occurred during the quarter economically and in the financial news, Brexit stole the spotlight. The United Kingdom's vote for independence from the European Union was not well discounted into financial markets, hence the market's shock on the Friday after the vote tally. This event will take multiple years to play out, and the consequences, though widely reported and speculated upon, will take years to develop and become obvious. It is almost comical, though painful too, to see markets immediately attempt to discount unknown changes into stock prices.

No doubt, there will be far reaching global effects of Brexit. We think it has the potential to soften the commodity cycle, which for 2016 had been surprisingly bullish. Oil has had a nice recovery year-to-date, having set its lows in the first quarter. Gold, the barbarous relic, but ever-classic fear asset, has had a nice showing year-to-date. Any form of global slowdown will cool the strength in commodities, but we remain skeptical that the upward trend will abate.

The most likely and potentially long-term outcome of the Brexit vote and European Union's economic distress is the immigration to the U.S. of low rates seen in the rest of the world. In fact, as commodities have been rising year to date, long-term interest rates have been falling. Short-term this is good for the economy, business, and housing. If it persists long-term it should be positive for the pricing of dividend paying stocks. In fact, as yields stay lower, longer than everyone expected, yield-starved investors are beginning to wake up to the fact that there are quite attractive yields to be had for patient long term investors in equity markets.

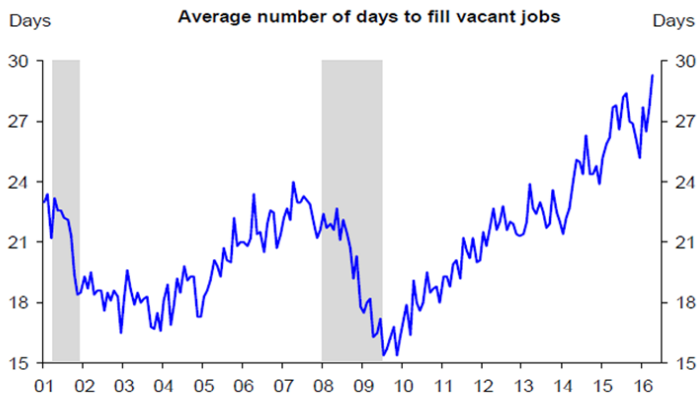
We have seen a very long period of outflows from equity markets and inflows into fixed income markets. As investors, we have found it quizzical that investors would accept sub-inflation returns in their pursuit of safety. Also knowing the Global Financial Crisis looms large in many people's minds, we can at least rationalize what we think those investors hope to accomplish. However, in a world with near zero, or sub-zero, real rates of return net of inflation this behavior has the potential to reverse these market flows. This could prove to be a huge boom to equity investors and intermediate equity returns. This would be particularly beneficial to stocks with attractive yields. We believe that our concentration on companies with a history of consistent dividend growth will find favor with investors who need current yield to fund current cash flow needs. This includes both individual and institutional investors.



Both the domestic and global economies have had issues from time to time with inflation/deflation, and now with nationalism as the

British vote to leave the European Common Market suggests. Overall, the U.S. economy continues to muddle along, neither too hot nor too cold, but rather tepid. The employment picture is stronger than many people perceive, with an unemployment rate that is far lower than most people perceive.

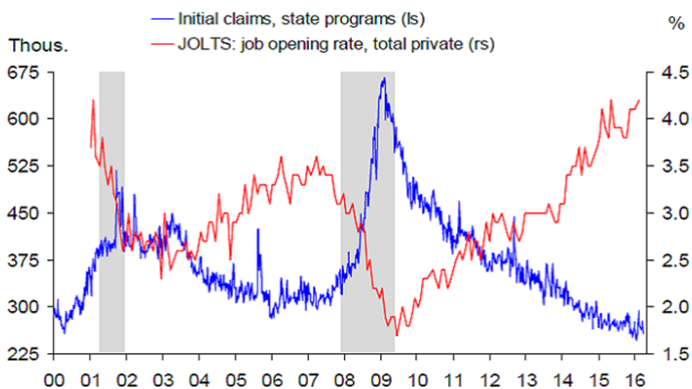
It currently takes 29 days to fill a vacant job, up from 23 days in 2006



Source: Dice Holdings, Haver Analytics, DB Global Markets Research

Deutsche Bank Research Torsten Slok, torsten.slok@db.com +1 212 250-2155 July 2016 29

US fundamentals solid



Source: DoL, BLS, Haver Analytics, DB Global Markets Research

Deutsche Bank Research Torsten Slok, torsten.slok@db.com +1 212 250-2155 July 2016 24

We remain interested in the outcome of the U.S. elections and possible subsequent market fallout coming this fall. We think that in an election year, and with the circus of news and events from overseas, that the Federal Reserve is likely not to raise short-term

rates this year. This leaves us anticipating some volatility over the summer, early fall and pre-election, but also a bit more bullish on the dividend paying and dividend growing stocks we hold.

On the business side, DAC is pleased to welcome Ethan W. Kindwall, Finance Associate, to the family. Ethan is a graduate of The Citadel having earned a bachelor's degree in Business Administration with a concentration in Accounting. He will be working closely with our Controller on client billing, payroll/benefits administration, accounts payable, IT, and facility management.

We thank you for your business and encourage you to call us with any questions or to discuss any updates to your investment objectives. Have a good summer.



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

Additional Source: FactSet
Copyright 2016 © Dividend Assets Capital, LLC

IMPORTANT DISCLOSURES

You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses before investing. There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend paying stocks. **The past performance of the strategy is not an indicator of future performance and investment results may vary.** Data is deemed reliable, but DAC does not guarantee reliability or accuracy. Information provided is as of the date of this report and is subject to change. DAC does not provide professional tax or accounting services. The Dividend Assets Capital, LLC's Investment Adviser Brochure, Form ADV Part 2, contains this and other information about the Firm, and should be read carefully before investing. You may obtain a current copy of Dividend Assets Capital's Form ADV Part 2 by visiting our website at www.DACapitalSC.com, emailing info@DACapitalSC.com, or by calling us toll free at (866) 348-4769.