

# Dividend Assets Capital



DIVIDEND ASSETS CAPITAL - INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

## Climbing a Wall of Worry

June 30, 2019

The second quarter of 2019 started with a strong April, followed by a weak May and ended with the best June since 1997. Overall, the market ended up 3.79% for the quarter. In contrast, the Chinese market, as measured by the Shanghai Composite, was down 3.62%. The export market in China was down \$20 billion for the first four months of the year and is cause for concern in the Chinese economy.

On the energy front, both the West Texas Intermediate Index (WTI) and Brent were down 2.78% and 2.69%, respectively, for the quarter. U.S. Natural Gas declined 13.30% and is solidly down for the year. Our oil & gas rig count continues to decline but efficiency gains through technology have helped to increase production. In the latter part of May, oil production increased to 12.4 million barrels per day, a new U.S. record.

Our exports of energy continue to increase, with oil in excess of 3 million barrels per day and natural gas at approximately 14 billion cubic feet per day through pipelines and LNG shipments. As a result, companies are expanding export dock space at an accelerating pace.

Not a day goes by without a recession headline. The yield curve is inverting (no, it is not). An inversion occurs when the 2-year Treasury yield is higher than the 10-year Treasury. This usually presages a recession but not necessarily. A more reliable indicator going back to 1970 is an oil spike doubling, or nearly so, over a 12-month time span. The following illustrates this correlation.

March 1974: Oil + 525% (over 12 months)  
November 1979: +209%  
August 1987: +104% (contributed to the crash in October)  
October 1990: +87%  
February 2000: +153%  
June 2008: +93%

As summed up by Data Trek, “double means trouble” and has an 83% hit rate with no false positive readings. A year ago, WTI was in the mid \$60s and today in the mid \$50s. Currently, no recession in sight!

Has the economy slowed? Probably, but employment is still at record levels and inflation is subdued. These are the two most widely watched indicators by the Federal Reserve Board. Raising interest rates last December was clearly a mistake. Globally, Central Banks have become more accommodating during the second quarter. The trade rift between the U.S. and China is taking a toll on the global economy.

The market averages over the last ten years have been rewarding. In our opinion, the next ten years will focus on rising income as more people retire. Rising dividends will be a very critical factor in total return. We believe that good companies pay dividends and great companies raise dividends. In our opinion, you should stay with quality companies that raise their dividends and keep ahead of inflation and your income needs.

Troy Shaver and Susie Wang, Co-CIOs, will host our next client conference call on Friday, September 6<sup>th</sup> at 10:00 AM to discuss the markets. More details will be provided.

(continued on other side)

## Company News

Fifteen years ago, DAC was founded by partners Thomas W.L. Cameron, C. Troy Shaver, Jr., Jere E. Estes, CFA®, and Jane T. Cogswell. At that time, the firm had six employees and \$76 million in assets under management (AUM). As of June 30, 2019, we have thirteen employees and our firmwide AUM is \$749 million. We thank you for your continued support and being part of the DAC family.

DAC welcomed a new summer intern! Megan Reilly joined the firm as a Junior Research Associate. She is a student enrolled at Wofford College located in Spartanburg, South Carolina. Megan just completed her sophomore year and is a double major in Accounting and Math. She is local to the area, she carries a 3.6 GPA and she is on the Wofford College Tennis team.

### Did you know?

Did you know you can schedule a meeting with your Portfolio Manager on our website anytime? You don't have to leave a voicemail after hours or wait until we are open for business. Go to [www.DACapitalSC.com](http://www.DACapitalSC.com), navigate to the "Contact" column and then select "Schedule a Meeting." Once you complete the required fields and select submit, an email will be sent to our team and we will promptly follow up with you.

Also, did you know you can tell a friend about DAC on our website? Go to [www.DACapitalSC.com](http://www.DACapitalSC.com), navigate to the "Contact" column and then select "Tell A Friend." Once you complete the required fields and select submit, an email will be sent to the recipient.

Lastly, please be aware of phishing attacks. Phishing attacks attempt to gain personal and confidential information through email. Phishing scams can also employ phone calls, text messages, and social media tools to trick victims into providing sensitive information. These attacks are growing in number every day and we want you to be aware. Please be mindful when responding through email, text messages and social media accounts.

---

This material is for informational purposes only and should not be considered investment advice. 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. 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.

The opinions expressed are those of Dividend Assets Capital. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Forward looking statements cannot be guaranteed.

S&P 500 refers to the Standard and Poor's 500 Index which is a capitalization weighted index of 500 stocks. Individuals cannot invest directly in the S&P 500 Index.

NASDAQ refers to the Nasdaq Composite Index which is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. Individuals cannot invest directly in the Nasdaq Composite Index.

Dow Jones refers to the Dow Jones Industrial Average Index (DJIA) which consists of 30 U.S. blue-chip stocks from all of the major sectors except utilities and transportation. Individuals cannot invest directly in the Dow Jones Industrial Average Index.

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](http://www.DACapitalSC.com), emailing [info@DACapitalSC.com](mailto:info@DACapitalSC.com), or by calling us toll free at (866) 348-4769.



**DIVIDEND ASSETS CAPITAL, LLC**

INVESTMENT ADVISORS

58 RIVERWALK BOULEVARD  
RIDGELAND, SC 29936-8126