



DAC's Quarterly Market and Strategy Outlook



C. Troy Shaver, Jr.
Chief Executive
Officer, Co-Chief
Investment Officer
& Portfolio Manager



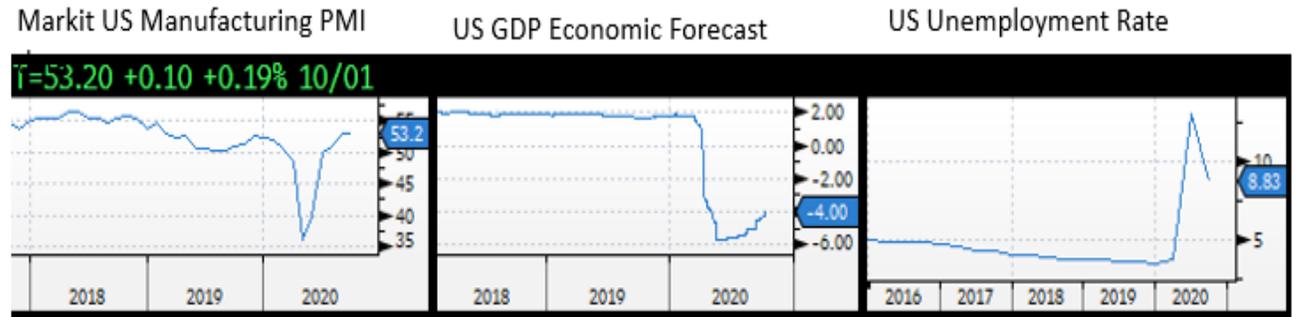
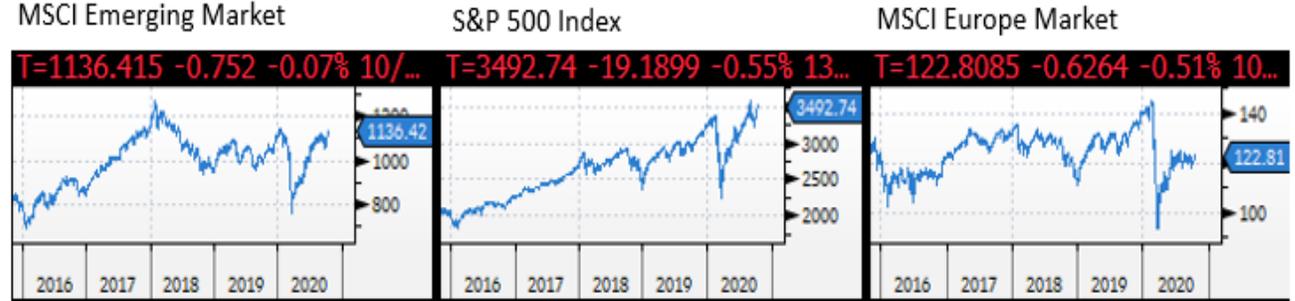
Ying "Susie" Wang,
CFA®, CIC®
Co-Chief Investment
Officer, Director of
Investment Strategies
& Portfolio Manager

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Market Recap

- Global equities rebounded for the second quarter in a row.
- U.S large stocks now positive for the year.
- Commodities and fixed income posted solid returns.
- Economic data showing clear signs of improvement after unprecedented central bank intervention worldwide.
- China Golden Week Holiday showed a “positive sign”
- U.S Consumer spending up 5% in Sept while Small business optimism index almost back to pre-COVID 19 level. New orders are up the most to the highest level since 1973.
- **As of 10/26/2020, COVID-19 Worldwide case reached 43.15 mil; 29.02mil of them are recovered.**



Source: Bloomberg, Dividend Assets Capital, LLC

DAC Macro Insight

- **Low credit stress.** It is hard to have a recession in a credit driven consumption economy without broad signs of stress in banking, shadow banking and financial markets.
- Earning season had a solid start. Over 10% of companies reported over 80% beat on earnings expectations by a wide margin.
- Although Aggregate earnings still show 14% YoY decline, magnitude of decline has softened.

Economy Early-cycle phase of recovery	Confidence Both business and consumer confidence is resilient.	Credit Availability Debt Markets Remain Open
Regulatory Accommodative Regulatory Environment. Monetary, Fiscal policies.	Profit Margin Sequential improvement with modest EPS growth in 2021	Credit Quality Total loans and leases default rate near low
Equity Market Strong performance with ample liquidity. Remain constructive	Secular Trend 5G, AI, Digitalization, Med-tech, Cloud, Esports, Lifestyle, Low carbon economy	Preferred Strategy High Quality Dividend Growth Strategy focus on diversification and sustainable business model

2020 Dividend Insight part 1

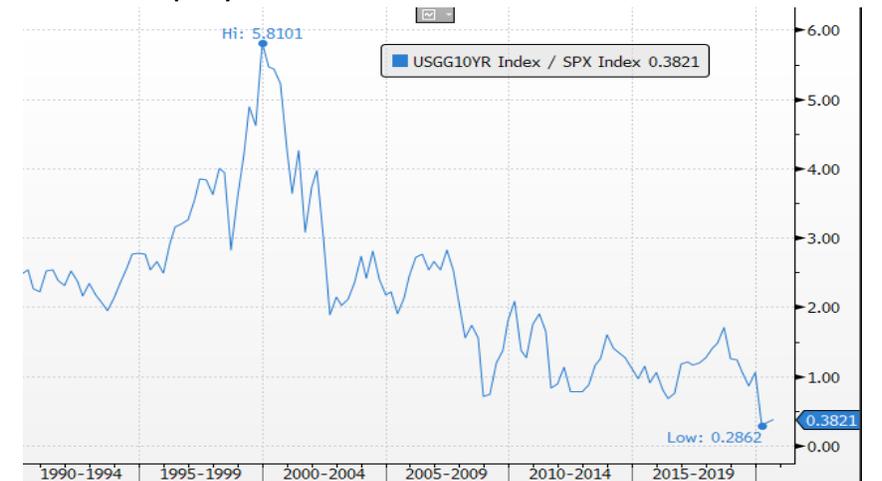
- **Environment:** Dividend Yield on the MSCI All-Country World Index closed at 2.06%, down from an 11-year high of 3.48% in March. Yields on global balanced portfolios are depressed.
- **Trend:** Q3 2020 U.S dividend payment decreased \$2.3Bn sequentially from Q2; avg Q3 dividend increase in the S&P500 was 4.17% down from 4.8% in Q2 and down from the 10% in Q319.
- Dividend elimination concentrate in Consumer Discretionary Sector.
- **Valuation:** Large U.S. stocks are as cheap relative to 10-year Treasury yields as they have ever been. Contrast to 2000 when stocks were at their most expensive relative to bonds.
- **Style:** High yield underperforming Dividend Growth by 42% cumulatively since 2015.
- Low rate environment (low risk-free rate) accelerating risk averse. Growth/Quality are preferred.

MSCI ALL-COUNTRY WORLD INDEX 2.06% vs. LT average 2.63%



Source: Bloomberg, Dividend Assets Capital, LLC

The Bond/Equity Yield Ratio



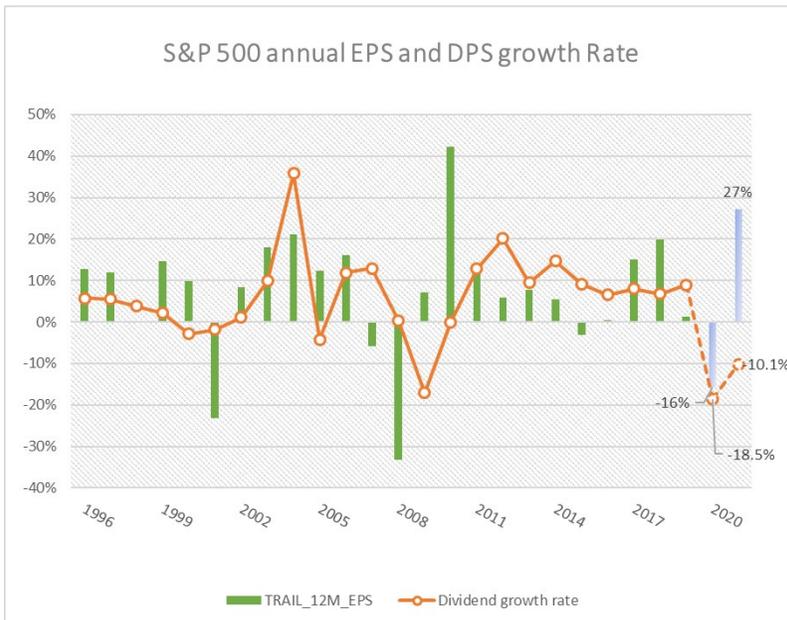
Source: Bloomberg, Dividend Assets Capital, LLC

2020 Dividend Insight part 2

What are we looking for?

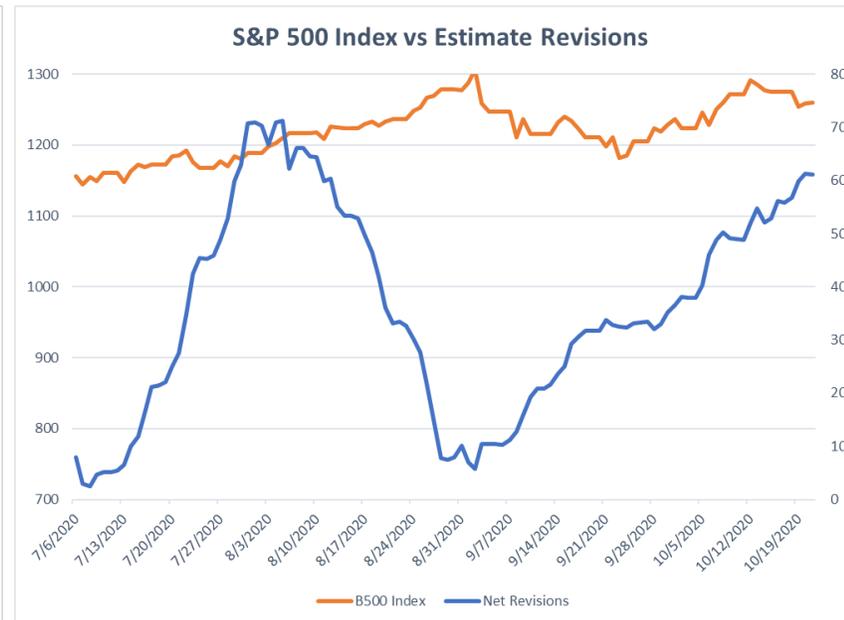
- Earnings, Earnings revision and Earning growth
- During the 2008/2009 Financial crisis, dividend and buyback activities bottomed in Q3 2009, 2 quarters after the market rally from the lows.
- For more details please check out our Informed Dividend Investor Quarters

Historical and projected Earnings and Dividends



Source: Bloomberg, Dividend Assets Capital, LLC

Earnings revision



Source: Bloomberg, Dividend Assets Capital, LLC

Earning growth Russell 3000 Index



Source: Bloomberg, Dividend Assets Capital, LLC

Max Drawdown

- > 20% drawdown happened 11 times in the past 40 years.
- Median drawdown 35.7%
- 1-year forward return 25.4% and 2-yr 42.8%.
- The bottom line: from our investment standpoint, the companies provide unique and essential products & services with strong balance sheets, and competitive advantages will drive long term earnings growth, and in return, sustainable dividend growth.

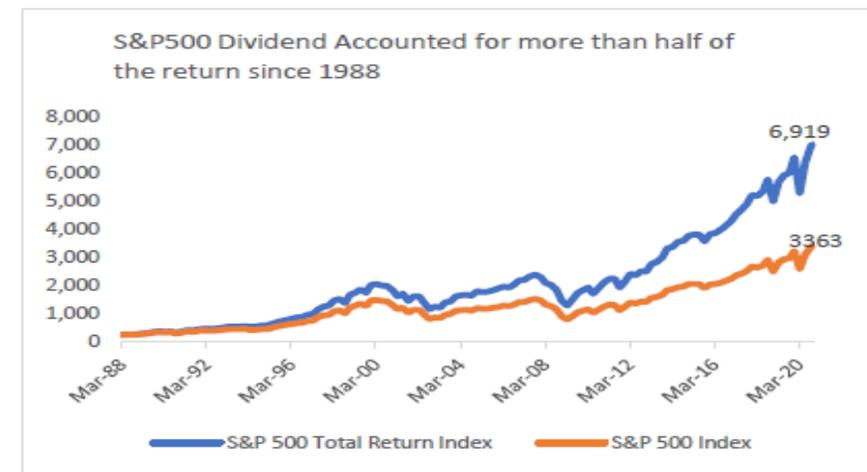
Dates with max drawdown > 20%

Index Ticker	SPX Index
Calc Interval	3Y
Lookback	40Y

Max Drawdown		1 Year Forward		2 Years Forward	
Trough Date	Drawdown %	Date	Total Return	Date	Total Return
8/12/1982	-20.2%	8/12/1983	66.1%	8/13/1984	77.4%
10/19/1987	-32.9%	10/19/1988	27.9%	10/19/1989	66.0%
4/4/2001	-27.0%	4/4/2002	3.5%	4/4/2003	-17.8%
9/21/2001	-35.7%	9/23/2002	-12.4%	9/22/2003	9.5%
7/19/2002	-42.8%	7/21/2003	17.6%	7/19/2004	34.5%
10/9/2002	-47.4%	10/9/2003	36.1%	10/11/2004	49.9%
7/15/2008	-21.1%	7/15/2009	-21.1%	7/15/2010	-5.4%
10/10/2008	-41.2%	10/12/2009	22.9%	10/11/2010	35.7%
11/20/2008	-50.7%	11/20/2009	48.8%	11/22/2010	66.6%
3/9/2009	-55.2%	3/9/2010	72.3%	3/9/2011	103.4%
3/23/2020	-33.8%	3/23/2021	?	3/23/2022	?

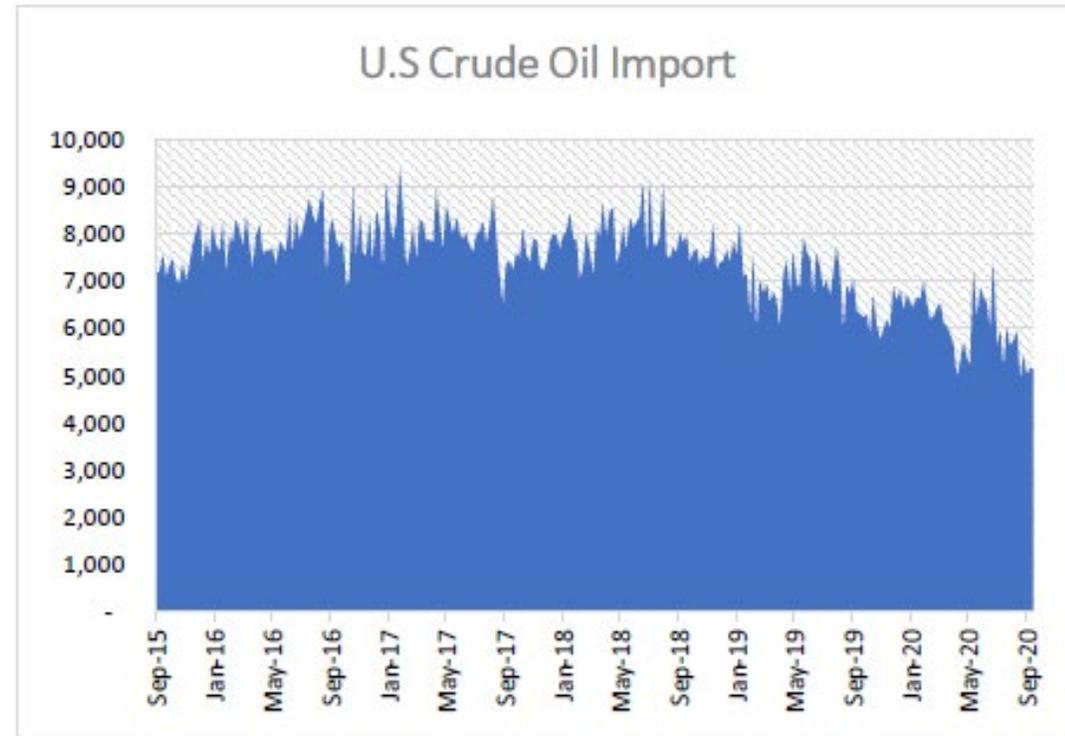
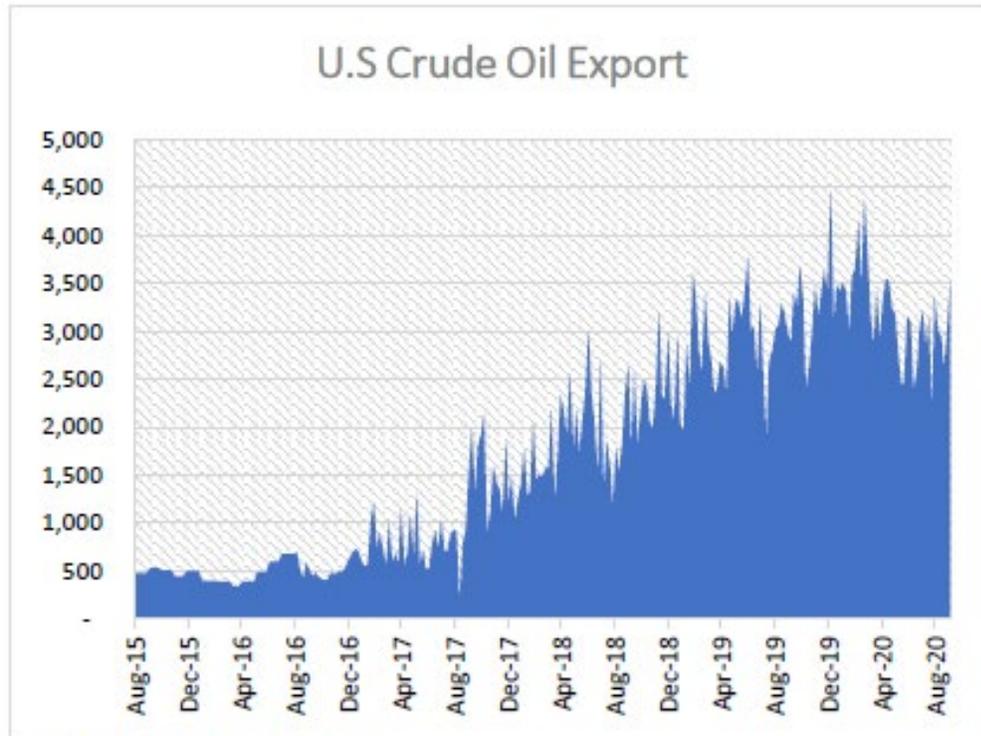
Median	-35.7%	25.4%	42.8%
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Max Drawdown measures the largest drop from a peak to a bottom in a subperiod over a specified time frame. It analyzes the magnitude of the worst loss an investor could have incurred by investing in that security.



Source: Bloomberg, Dividend Assets Capital, LLC

Energy Insight



Source: DAC, EIA, Bloomberg

Please check out our Energy Investor Recap published monthly

2020 Election Year Insight

- Performance trends in the S&P 500 have generally correlated to the winning party in a U.S. Presidential Election. Market has correctly predicted the winning party 20/23 times.
- Since 1950, post-election relief rallies have occurred regardless of which political party affiliation was elected.
- Drug price reform, trade with China and potential regulation of large technology companies are bipartisan issues and unlikely to be significantly different.

STOCK PERFORMANCE AHEAD OF THE ELECTION COULD SIGNAL THE OUTCOME

S&P 500 Index Performance During Election Years (1950-2019)

● Incumbent Party Wins ● Incumbent Party Loses



Source: LPL Research, FactSet 06/30/20

Thank You

