Strategy Asset Managers

WORLDWIDE DIVIDEND PLUS STRATEGY & OUTLOOK

STRATEGY

The Worldwide Dividend Plus strategy was up 4.4% for the 3rd quarter, lagging the Global Equity benchmark's return of 4.7%. For the 9 months, the strategy was up 11.5% in comparison with the Global Equity benchmark return of 15.5%. The results for this period achieved our absolute return objective of generating a real return after taxes and inflation.

As we mentioned in last quarter's commentary, the strategy has taken a breather as it outperformed the benchmark by almost 6% in calendar 2016. At the same time, we are not apologetic about the 11.5% total return and dividend return approaching 3.5% and a consistent targeted growth rate of 5% or better. In effect, we are creating a growing income annuity stream with the prospects of stock appreciation as well.

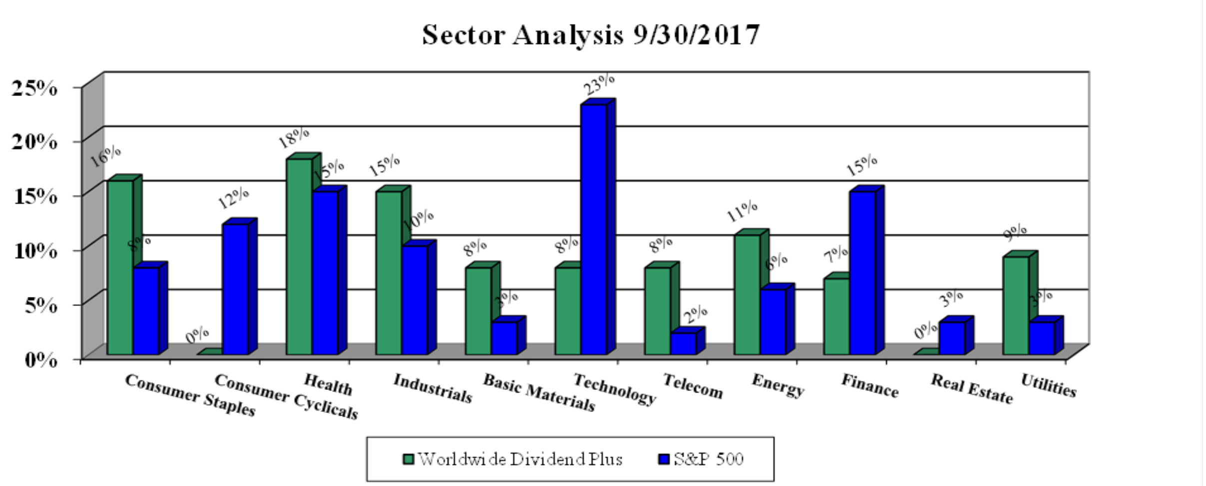
The largest contributors to performance in the quarter came from the Energy, Healthcare, and the Industrial sectors. The Telecom Services and Consumer Staples sectors had the greatest negative impact in the quarter, underperforming the market by more than 4% in the quarter.

This is the 2nd quarter in a row in which AbbVie (manufacturer of rheumatoid arthritis drug Humira) was the top performing stock. It is up 46% year to date.

The table below shows the top and bottom five performance contributors.

Top 5 Performers in the Quarter		Bottom 5 Performers in the Quarter	
AbbVie	23.6%	Century Link	-18.7%
Microchip Technology	16.8%	Altria	-13.9%
Royal Dutch Shell	15.8%	Kimberly Clark	-8.1%
Chevron Corp.	13.8%	GlaxoSmithKline	-4.7%
Lockheed Martin	12.4%	Johnson & Johnson	-1.1%

The sector chart shows the sector weightings as of September 30, 2017.



This Worldwide Dividend Plus Strategy & Outlook reflects the views of the Investment Advisor only through the date of this report. The Investment Advisor's views are subject to change at any time based on market and other conditions. Please refer to the disclosure at the end of this report. Past performance is no guarantee of future returns. Portfolio characteristics are subject to change, and shown for illustrative purposes only. Data shown is from a representative account. A complete list of securities held in the portfolio for the past year is available upon request.
September 30, 2017

WORLDWIDE DIVIDEND PLUS STRATEGY & OUTLOOK

OUTLOOK

Our "Goldilocks" outlook remains basically unchanged. Moderate economic growth (2-2.5%), low inflation (still less than 2%), low unemployment (4.2%) and relatively low interest rates should continue to support the stock market and corporate earnings. Overall market valuations remain on the expensive side of "average", but not significantly so.

Our concerns last quarter about upcoming US budget negotiations turned out to be premature as the Administration and Congress effectively "kicked the can down the road" by tying a contentious temporary increase in the US debt limit to a popular bill for Disaster relief. The next episode for the budget will begin in December. While Geopolitical risks and natural disasters (our thoughts and prayers go out to those affected) abound, the stock market remains focused on earnings and newly heightened hopes of tax cuts (as actual tax reform appears less likely) resulting in dampened volatility.

We discussed last quarter the extremely low level of stock market volatility and the 3rd quarter saw a continuation of that trend. Looking back at the number of daily +/- 1% moves in the S&P 500 index shows a yearly average of 49 days for the five years ended 2016. For the first nine months of 2017, the total has been 8 – a significant variation from the past. With expectations of earnings growth for the third quarter currently centered in the mid-single digits (down from double digits of the last two quarters) should tax cut mania fade we would expect a pick-up in volatility. Even with a return to normalized volatility, we remain constructive on the markets but with somewhat lowered total return expectations should tax cuts not materialize.