WORLDWIDE DIVIDEND PLUS STRATEGY & OUTLOOK

STRATEGY ASSET MANAGERS

STRATEGY

Although the equity market was quite challenging in the fourth quarter of 2018, our Worldwide Dividend Plus equity strategy managed to once again outperform its benchmark during this period. Although for much of 2018 the market has been dominated by the growth sector (and in particular, Technology), the fourth quarter saw value outperform as global growth concerns began to negatively impact some of parts of the market that had been doing better earlier in 2018.

The Worldwide Dividend Plus strategy was down -10.2% in the quarter in comparison to our Global Equity Index which had a return of -13.3%, an outperformance of approximately 300 basis points. For the 12 months ended December 31, 2018, the strategy returned -5.9% versus the Global Equity Index of -6.2%.

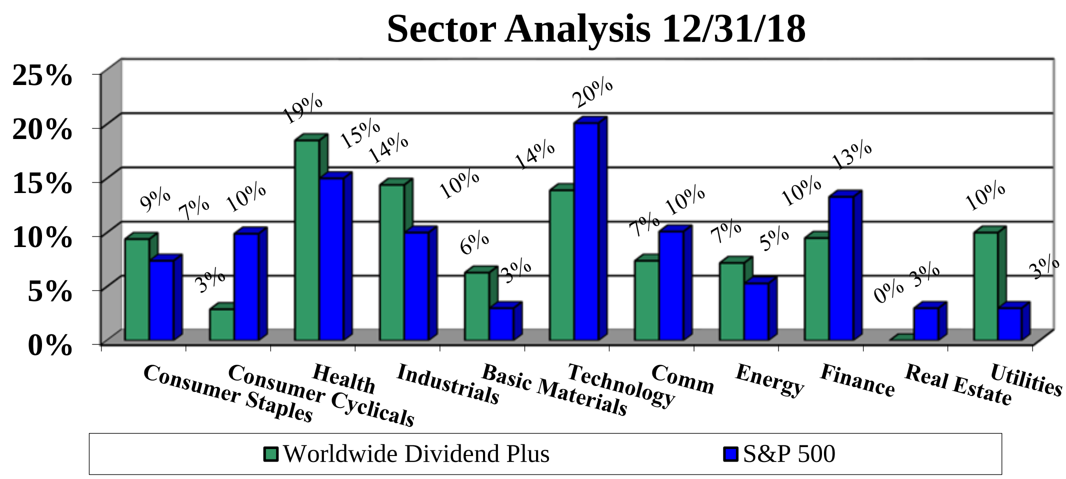
The strategy continues to be comprised of high quality dividend payers who, in our opinion, have defensible long term business models that can sustain those cash dividends. Furthermore, the dividend growth of the portfolio is now 9 percent - a figure that is likely to compound cash returns on this portfolio well in excess of reported inflation.

We purchased one new security in the fourth quarter- Medtronic PLC. (MDT) Medtronic is one of the largest manufacturers of medical devices in the world today and has a growing pipeline of new products on the horizon that we believe can accelerate growth in earnings and cash flows over the next several years. The management team is committed to growing both sales and operating margins as well as free cash flow. In addition, Medtronic recently increased its quarterly dividend rate by 12% and we expect further increases in dividends in subsequent years as the business continues to benefit from strong research and development and an aging demographic trend globally.

There were no sales during the quarter.

December 31, 2018

The sector chart shows the sector weightings as of December 31, 2018



Below we have listed the top and bottom five performing stocks in the strategy for the fourth quarter 2018.

Top 5 Performance Contributors		Bottom 5 Performance Contributors	
Duke Energy	9.0%	CenturyLink	-26.4%
Merck	8.5%	American Int'l Group	-25.3%
Verizon	6.5%	KeyCorp	-25.0%
Pfizer	-0.2%	Lockheed Martin	-23.8%
Arthur J. Gallagher	-0.5%	Carnival	-22.0%

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December 31, 2018

OUTLOOK

Remarkably, Fed Chairman Powell speaking after the Fed raised the fed funds rate by a quarter percent (to 2.5%) on December 19th stated "Where we are right now is the lower end of neutral." - a mere 2 ½ months and only one interest rate rise after his "a long way from neutral" comment. Concerns about China trade/tariffs, and visibly slowing China and European economic growth and possibly in the US as well, were apparently enough to change the Chairman's mind to a more flexible stance. In subsequent comments, he stated rates could be lowered and/or other tools could be used to stimulate growth if need be.

We bore you with these details because we believe the change in the Fed stance is an important change in conditions that may lead us back to the "Goldilocks" scenario as economic growth slows back towards 2% in the US in 2019 (current estimates center around 2.5%), unemployment remains stable (which at 3.9% is basically full employment) and the Fed's favorite inflation gauge remains around 2% (currently 1.9%). Quite frankly, we wondered at times what war the Fed was fighting (by consistently raising the funds rate by 2% over the last 2 years) as their mandate from Congress is full employment with stable low inflation (generally considered 2%). Of note, over the last month the change in the probability for fed funds in 2019 has gone from 39% for one 0.25% hike to a 24% chance that the Fed will lower once by 0.25%. Wow.

With the Fed going to the sidelines, the China trade negotiations have moved to the forefront of investor worries and the situation continues to hurt many international companies as well as investor sentiment. According to FactSet, earnings revisions for Q4 2018 during the course of the 4th quarter have lowered the earnings growth rate from +16.7% to 11.4%. In addition, the American Association of Individual Investors (AAII) Sentiment Survey (12/27/2018) showed bearish sentiment exceeding 50% for the first time since 2013.

With the approximately 20% drop in the S&P 500 index from its high during the quarter to the low, stock valuations have moved to the "cheaper side" of average at approximately 15x forward earnings. Additionally, the extreme bearish sentiment in the AAII survey has often preceded strong rallies as evidenced by the 2 year rally in the S&P 500 index from the Spring of 2013 until Spring 2015. We also believe that a return to a Goldilocks economic environment will provide a solid foundation for the stock market as earnings continue to grow, but will keep the Fed from murdering the economic expansion (to paraphrase former Fed Chairman Bernanke).

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Unfortunately, the China situation remains hard to handicap. Meetings continue between the two sides and pronounced slowing in Chinese economic activity may well force a faster settlement. News about the negotiations are certain to add volatility to the market, but without a settlement we believe the market can produce positive returns based on current valuations, a gentler Fed and earnings growth. A positive China trade result could significantly add to returns. Stay tuned.

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FOR MORE INFORMATION, PLEASE CONTACT STRATEGY ASSET MANAGERS AT:
50 Tice Boulevard, Suite 130, Woodcliff Lake, New Jersey 07677 | 201.822.3001 | www.strategyassetmanagers.com