# WORLDWIDE DIVIDEND PLUS STRATEGY & OUTLOOK

STRATEGY ASSET MANAGERS

## STRATEGY

The broader market had a remarkable comeback after an exceptionally weak fourth quarter 2018 and was fueled by a major pivot in Federal Reserve policy toward a more accommodative stance in response to data that suggested that economic growth was slowing. This change in policy, combined with good corporate earnings and an optimism by investors that a deal would ultimately be reached with China to resolve trade tensions, led to the sharp rise in equity prices in the first quarter. Unsurprisingly, while the Worldwide Dividend Plus strategy outperformed its benchmark in Q4 2018, the strategy underperformed in the first quarter of 2019 as money flowed into areas such as technology and cyclical areas of the market.

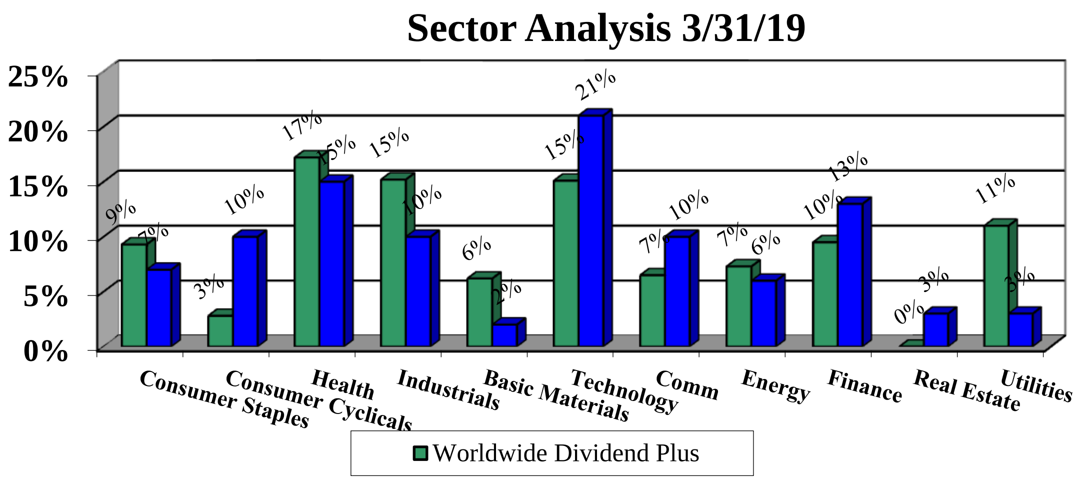
The Worldwide Dividend Plus strategy was up 9.4% during the first quarter and compared with the Global Equity Benchmark which had a return of 12.9%. The underperformance during the quarter was partly due to a rotation back to growth stocks after the sharp decline in the fourth quarter of last year. One of our holdings, CenturyLink (CTL), reduced its dividend totally unexpectedly. Because the dividend reduction appears to us to have been driven by a management decision to reduce debt and not due to weakness in the overall business, we have chosen to hold the stock as we do not see any risk to the dividend for the foreseeable future. Although the dividend cut was a notable disappointment, we note that the yield on the current share price now stands at over 8%.

The overall direction and philosophy of the Worldwide Dividend Plus strategy remains unchanged. We continue to hold high quality dividend payers who, in our opinion, have defensible franchises and can grow their dividends in a manner that will enable our investors to grow their real purchasing power over time- after taxes and after fees are considered. We continue to believe that this strategy will continue to be an important tool to preserve and build wealth over time.

During the first quarter, the only purchase was an add-on to an existing position: Medtronic (MDT). We added to the position in order to take advantage of a price opportunity we saw in the market. We continue to see the potential for Medtronic's strong research pipeline to result in accelerating growth and we find the valuation of the stock to be attractive. The only sale during the quarter was Abbvie (ABBV). Our concern over the product concentration at Abbvie increased and we believe that we have found better alternative investments in this area.

*Past performance is no guarantee of future returns. This Worldwide Dividend Plus Strategy & Outlook reflects the views of the Investment Advisor only through the date of this report, and should not be considered investment advice. The Investment Advisor's views are subject to change at any time without notice based on market and other conditions. Portfolio characteristics and holdings are subject to change, and shown for illustrative purposes only. A complete list of holdings for the past year is available upon request. Please refer to the disclosure at the end of this report.*
*March 31, 2019.*

The sector chart shows the sector weightings as of March 31, 2019




Below we have listed the top and bottom five performing stocks in the strategy for the first quarter of 2019.

| Top 5 Performance Contributors | | Bottom 5 Performance Detractors | |
|---|---|---|---|
| Cisco Systems | 25.6% | CenturyLink | -19.2% |
| Southern Co. | 19.1% | Abbvie | -14.3% |
| Eaton | 18.4% | Pfizer | -1.9% |
| Altria Group | 17.9% | DowDuPont | 0.4% |
| Waste Mgmt. | 17.4% | Medtronic | 0.7% |

## OUTLOOK

The beginning of 2019 is clearly off to a very strong start. We think it is fair to say that as we exit the first quarter, one can expect a more muted short term expectation for stocks. Nonetheless, we are still optimistic about the outlook for the US equity market for the balance of this year. The environment for equities for the last several years has been strong and characterized by moderate economic growth, low inflation rates, low interest rates and strong corporate earnings. While we continue to see many of these aforementioned factors still in place, we are also aware that a slowdown in non-US economies such as China and Europe have negatively impacted earnings growth rates in some areas of the market. But a slowdown in growth does NOT have to result in a tough environment for equities. Instead, lower growth rates combined with a continued low inflation rate will likely keep the Federal Reserve monetary policy accommodative and can actually be the catalyst to provide us with a rewarding year for common stocks.

For many years now the market has been climbing a wall of worry driven by fears about North Korea, Washington DC investigations, peaking profit margins and concerns about China to name just a few. The concern is that we are "long in the tooth" in this economic expansion and that it will be difficult for the bull run to continue. Yet we see most of the fundamental underpinnings that have created a favorable environment for equities (i.e. corporate earnings, low interest rates etc) have continued unabated. While fears have been stoked from time to time along the way, we find through our research that many of the companies that we invest in for client portfolios are doing well. Furthermore, our investments still represent compelling long term values. The market itself trades at a reasonable valuation on a long term basis and this also creates a potentially favorable backdrop for continued gains in equities for the balance of the year. However, with the S&P 500 Index up 13.6% in the first quarter, one would expect some consolidation of the recent gains in the months ahead. We remain optimistic on the prospects for healthy returns for the year.



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FOR MORE INFORMATION, PLEASE CONTACT STRATEGY ASSET MANAGERS AT:
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