

# ATHENA DIVIDEND INCOME EQUITY

SMA COMMENTARY | QUARTER 4, 2018



## KEY TAKEAWAYS

- ◆ The portfolio generated a -14.2% return in Q4, virtually matching its S&P 1500 benchmark.
- ◆ Quarterly results were driven by three stocks generating positive returns, offset by three stocks experiencing losses of greater than 20%. The portfolio's composition did not change during the quarter.
- ◆ The dividend yield remains a healthy 5.4% versus the benchmark yield of 1.9%.

| Positive Impacts  | Negative Impacts   |
|---|--|
| Three stocks generated a positive return in Q4, Exelon, B&G Foods, and Verizon. High yield stocks outperformed during the quarter, with the MSCI AWCI High Yield index besting its ACWI counterpart for the first time in several quarters. | Seven of the 12 securities held during the quarter underperformed the benchmark. Tivo, Compass Minerals International, and Owens Minor, declined by more than 20%. |

## LONG-TERM PERSPECTIVE

The stock market stumbled in Q4, turning a 10.6% YTD gain on the S&P 500 at the beginning of the quarter into a 4.4% loss by year-end.

The Q4 markets were roiled by the Fed's clumsy December announcement of Fed Funds target increase, which led to an accelerating sell-off. Concerns of slower growth and talk of possible trade wars further unsettled the markets during the quarter.

The quarter witnessed a change from the long-running preference for growth stocks to a preference for value stocks. The so-called FANG stocks came back to earth, dropping 20% to 30% during the quarter. More broadly, the Russell 1000 Value index outperformed the Russell 1000 Growth index by 3%. The S&P 500 median forward P/E ratio returned to the normal range, wringing-out at least some of the more speculative valuations in the market. These events improve the outlook for stocks in general and for value stocks in particular.

The market rebounded going into year-end from the sharp drop in late December, but volatility is likely to continue into Q1 2019 due to the speed and magnitude of the Q4 decline. The economy continues to grow with a robust labor market, rising wages, and rising earnings and dividends, buoyed by low inflation and low interest rates. We believe the conditions supporting a long-term secular expansion remain intact.

The portfolio delivers an attractive yield of 5.4%, nearly three times the S&P 500 yield of 1.9%, and a long-term return of 4.1%, outpacing inflation. The portfolio's valuation ratios remain attractive.

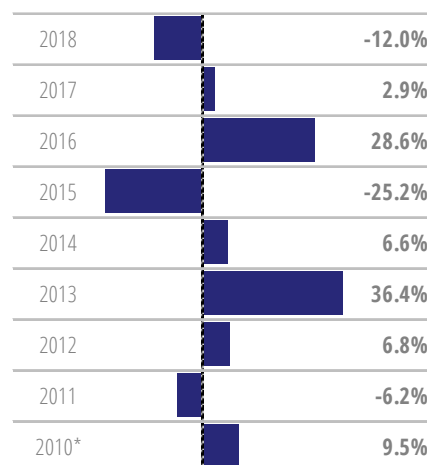
## DIVIDEND YIELD

Current Yield (As of 12/31/2018)



## PERFORMANCE<sup>Δ</sup>

Calendar Year Performance



Δ All performance figures are based on composite portfolio performance on a pre-tax basis with reinvestment of dividends and is net of all trading, custodial, and management fees.

† Portfolio benchmark is the S&P 1500 TR Index.

\* 2010 return is Oct 1 – Dec 31 and is not annualized.

## % ANNUALIZED TRAILING PERFORMANCE AS OF 12/31/2018

|                                     | Q4 2018      | YTD          | 1 YEAR       | 3 YEARS    | 5 YEARS     | 10 YEARS   | INCEPT      |
|-------------------------------------|--------------|--------------|--------------|------------|-------------|------------|-------------|
| <b>Dividend Income Equity (Net)</b> | <b>-14.2</b> | <b>-12.0</b> | <b>-12.0</b> | <b>5.4</b> | <b>-1.4</b> | <b>N/A</b> | <b>4.1</b>  |
| <b>S&amp;P 1500 TR Index</b>        | <b>-14.0</b> | <b>-5.0</b>  | <b>-5.0</b>  | <b>9.2</b> | <b>8.3</b>  | <b>N/A</b> | <b>12.3</b> |

*Investment returns presented assume reinvestment of dividends and capital gains and are net of actual management fees. Current performance may be higher or lower than what is shown. Benchmark performance is shown for comparison purposes only and it is not possible to invest directly in an index. Holdings shown and discussed in this analysis should not be deemed as a recommendation to buy or sell securities and the current portfolio holdings may be different than what is presented. There are risks involved in investing in any Athena Portfolio, including loss of principal.*

For complete portfolio performance, disclosures and risks, refer to [athenainvest.com](http://athenainvest.com).

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The opinions expressed in this commentary are as of December 31, 2018.

DIV-QC-201812

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**PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.**