

# ATHENA DIVIDEND INCOME EQUITY

SMA COMMENTARY | QUARTER 1, 2019



## KEY TAKEAWAYS

- ◆ The portfolio generated a 12.0% return in Q1, underperforming its S&P 1500 benchmark by 1.3%.
- ◆ The dividend yield remains a healthy 5.3% versus the benchmark yield of 1.9%.
- ◆ Quarterly results were driven by 13 of the 15 stocks held during the quarter generating positive returns and two stocks experienced losses exceeding 15%.
- ◆ There were three trades during the quarter: PacWest Bancorp for Owens Minor, AT&T for Pitney Bowes, and Covanta Holding for TiVo.

Positive Impacts	Negative Impacts
Four stocks generated positive returns exceeding 25% in Q1: Phillip Morris, Compass Minerals, Williams Companies and ONEOK.	Two the 15 securities held during the quarter generated negative returns exceeding 15%: B&G Foods and Owens & Minor.

## LONG-TERM PERSPECTIVE

The stock market roared back in Q1, with the S&P 1500 up a strong 13.6%. Q1 was one of the best first quarters in decades.

The Q4 market swoon combined with the Q1 sharp reversal presented a deep V market formation. These tend to occur when the market drops sharply for little or no fundamental reason and thus bounces back quickly. The late year 2018 drop came within a hair's breadth of turning into a Bear Market but stopped short of the widely recognized 20% requirement. Currently the S&P 500 is again flirting with its all-time high of 2929 set last September and valuations have become a bit elevated.

The Q4 markets were roiled by the Fed's clumsy December announcement of Fed Funds target increases, which led to an accelerating sell-off. The Fed backed off interest rate increases any time soon which provided a boost for market returns.

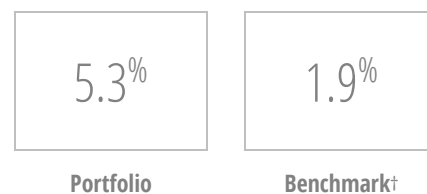
The economy continues to grow with a robust labor market and rising wages buoyed by low inflation and low interest rates. We believe the conditions supporting a long-term secular expansion remain intact.

The quarter witnessed a return to the long-running preference for low dividend yield stocks over high yield stocks. The MSCI ACWI index outperformed the MSCI ACWI High yield index by 2% during the quarter. This has been one of the longest periods in which low yield stocks have outperformed high yield stocks.

The portfolio delivers an attractive yield of 5.3%, nearly three times the S&P 500 yield of 1.9%, and a long-term return of 5.2%, outpacing inflation. The portfolio's valuation ratios remain attractive.

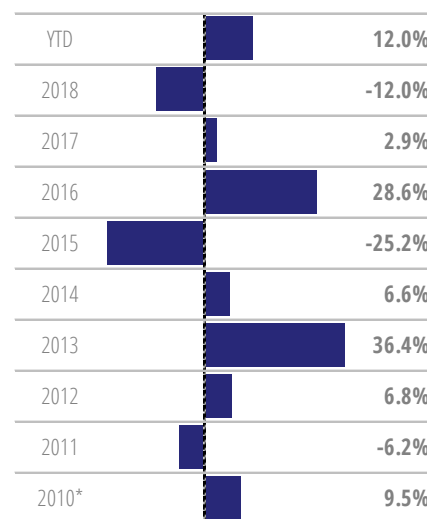
## DIVIDEND YIELD

Current Yield (As of 3/31/2019)



## PERFORMANCE<sup>A</sup>

Calendar Year Performance



△ 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 3/31/2019

	Q1 2019	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
<b>Dividend Income Equity (Net)</b>	<b>12.0</b>	<b>12.0</b>	<b>3.1</b>	<b>4.5</b>	<b>0.5</b>	<b>N/A</b>	<b>5.2</b>
<b>S&amp;P 1500 TR Index</b>	<b>13.6</b>	<b>13.3</b>	<b>8.8</b>	<b>13.3</b>	<b>10.6</b>	<b>N/A</b>	<b>13.6</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 March 31, 2019.

DIV-QC-201903

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.