

ATHENA DIVIDEND INCOME EQUITY

SMA COMMENTARY | QUARTER 4, 2019



KEY TAKEAWAYS

- ◆ The portfolio was up 4.2% return in Q4, underperforming its S&P 1500 benchmark return by 4.7%.
- ◆ The dividend yield remains a strong 5.4% versus the benchmark yield of 1.9%.
- ◆ Quarterly results were driven by four stocks generating significant negative returns.
- ◆ There were four trades during the quarter.

Positive Impacts	Negative Impacts
Twelve stocks generated positive returns in Q4, with Schlumberger producing the highest return.	Three of the negative return stocks during the quarter, Exelon, BBG and Covanta, were down by double digits.

LONG-TERM PERSPECTIVE

Stock markets reached all-time highs throughout the quarter, brushing aside trade war and recession fears.

Key takeaways include:

- The economy reaccelerated during the quarter, partially driven by the recent thaw in threatened trade wars with the expected signing of the USMCA and first round China trade deals.
- The labor market remains amazingly robust, with rising wages buoyed by low inflation and low interest rates. The resulting strong consumer spending provides an important floor under the economy.
- The market was a delightful combination of low volatility and a series of all-time highs.
- Valuations are elevated, the one area of concern in the market. To rectify this concern, earnings will have to grow faster than stock prices going forward.
- Technical indicators are positive and strengthened throughout the quarter.
- Our Behavioral Market Barometers are in the normal ranges for US Large Cap, Small Cap and International markets.

The quarter witnessed the continued long-running preference for low dividend yield stocks over high yield stocks. The ratio of low DY valuation to high DY valuation is as high as we have seen in recent decades. 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 5.4%, nearly three times the S&P 500 yield of 1.9%, and a long-term return of 4.5%, outpacing inflation. The portfolio's valuation ratios remain attractive.

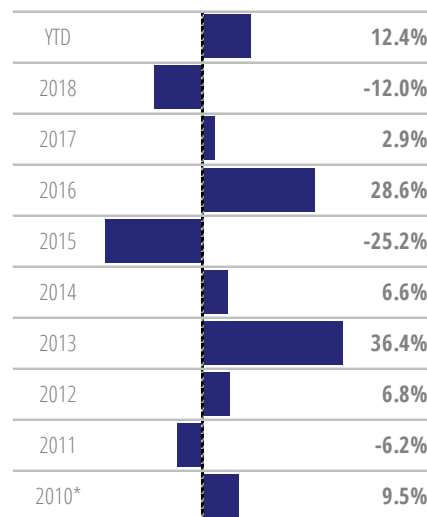
DIVIDEND YIELD

Current Yield (As of 12/31/2019)



PERFORMANCE^A

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 12/31/2019

	Q4 2019	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
Dividend Income Equity (Net)	4.2	12.4	12.4	0.3	-0.6	N/A	4.9
S&P 1500 TR Index	8.9	30.9	30.9	14.6	11.5	N/A	14.1

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.

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The opinions expressed in this commentary are as of December 31, 2019.

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.