NCM US Dividend Plus Class Update

2018 Year End Review

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Looking back at 2018:

- 2018 was a difficult year for investors with most asset classes and the vast majority of global market indices generating negative returns
- Although the pain felt by investors was widespread, there were differing degrees of weakness among the various regions around the world with the S&P 500 down 6.2%, the TSX down 11.6% and the Shanghai Composite Index down 24.6%
- The market weakness was caused by several factors including concerns related to rising interest rates, slowing economic growth and a growing chorus of commentators calling for a recession. A strong U.S. dollar and the ongoing trade war rhetoric between the United States and China only added fuel to the fire
- In this type of market environment it is the defensive sectors that typically outperform and 2018 was no different with Utilities & Healthcare generating the best performance among the S&P 500 sectors

Outlook for 2019:

- Looking ahead to 2019, we entered the year with a cautiously optimistic view. The U.S. economy continues to grow, inflation remains within a comfortable range, and corporate earnings continue to grow albeit at a more moderate pace than last year. Importantly the Federal Reserve has signaled a more dovish tone towards its stance on interest rates, which has alleviated fears that the U.S. central bank will keep hiking rates at every meeting in 2019. In fact, the market is currently expecting no interest rate increases for 2019
- Although the market declines in the fourth quarter of 2018 were painful, the valuation for the S&P 500 was reset to a level that is below the long term averages. Furthermore, the volatility that took place towards the end of 2018 created a number of attractive investment opportunities and our U.S. Fund was very active during this period to take advantage of this. After making these changes we believe our U.S. Fund is favourably positioned for the new year
- In summary we are beginning the year in a very different place than we did in 2018 with current valuations of the S&P 500 below the long-term averages and a Fed rate hike cycle that is at or near its end. This creates a favourable backdrop for U.S. equities and it is why we began the year with a constructive outlook

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