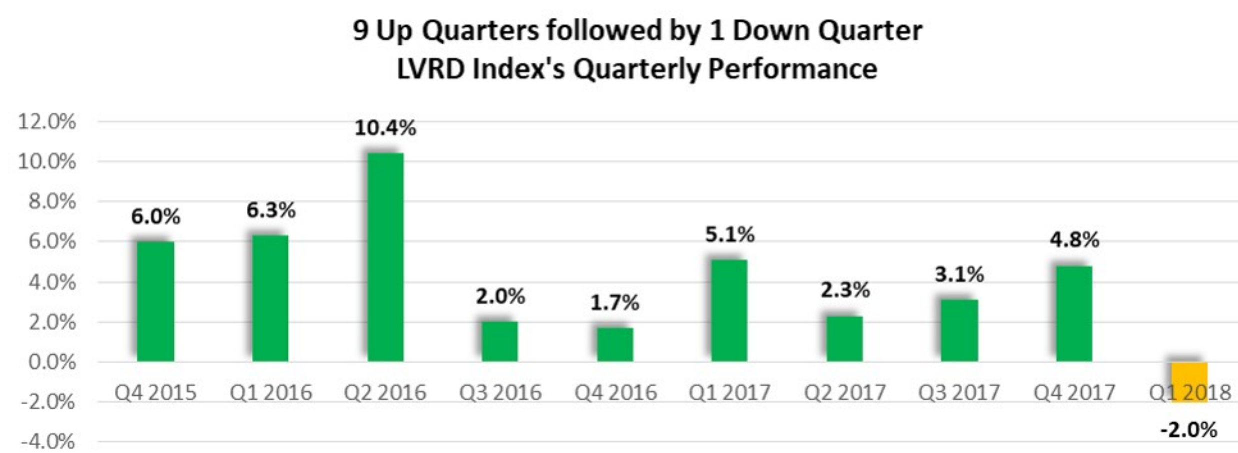
MORE RECORD HIGHS EARLY IN QUARTER, BUT DOWN QUARTER BREAKS NINE QUARTER WINNING STREAK!

April 9, 2018

The LVRD Index, along with the market, set numerous all-time highs in January! But rising investor fears of higher interest rates and possibility of a trade war offset great economic and corporate news, sending the market and the LVRD to their first quarterly declines in ten quarters. The 2% dip was small when compared to the LVRD rising over 40% the previous nine quarters.



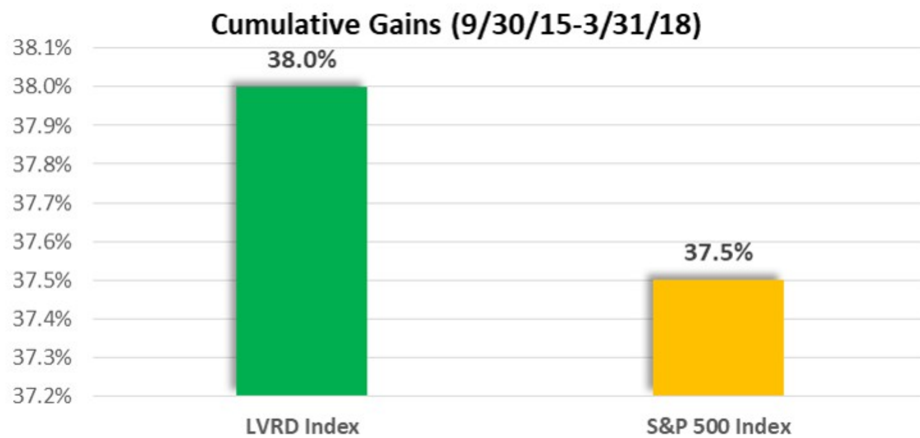
Many strategists belive the dramatic headlines are just a prelude to serious trade negotiations. If that becomes the case, investors' attention will once again be focused upon the positives of double-digit corporate earnings gains and rising/record dividends for 2018. The first down quarter in over two years represents a great buying opportunity. ***Interview with U.S. Equity and Quantitative Strategist, Bank of America Merrill Lynch***

"Barron's: Why are you still bullish? (Interview with Savita Subramanian, April 9, 2018)
Subramanian: We aren't done with this bull market. There is the potential for new highs probably sometime this year. Our S&P 500 target for the year is 3000. Upward earnings revisions are at all-time highs, and companies' earnings forecasts are above analysts' estimates.

Barron's: Where do you see the biggest risk in this market?
Subramanian: In so-called defensive, high-dividend-yield stocks. Low-volatility funds are hugely overweight utilities, telecom and real estate investment trusts. But looking at balance sheets, these are three of the most levered sectors in the S&P 500. Payout ratios are close to 100%, so there is no room to increase dividends and these companies have almost zero global diversification.

Many investors confuse high dividend yeild stocks with rising dividend stocks. LVRD focuses on stocks with rising-dividends, companies experiencing growth in sales and earnings. They have the ability to raise their dividends, which is key for long term investment over performance. As just one example, Apple is expected to hit record earnings and increse its dividend by almost 100%, from 1.5% to 3.0%, over the next several years. Over the past four years Apple has raised its dividend by 9% to 10% each spring, so the new trajectory for rising dividends is even higher.

The LVRD Index continues to meetmany of its long term goals. One of those goals is to capture 80% of the markets gains while avoiding 50% of the losses from a major bear market. Looking back at the performance over the positive nine quarters plus the current weak quarter (9/15-3/18), the LVRD Index has risen 38.0% versus 37.5% for the S&P 500 Index: participating in 101% of the markets move!



Since the markets peak on January 26th, the S&P 500 has declined 9.4% through April 6th. All six of the ETF's held within the LVRD have posted losses but all less than the markets decline. Falling the least, 3.9% is the Developed Countries Low Volatility ETF, which is logical as Europe and Japan are free from the worries over the trade war between the U.S. and China. This is one more advantage of the LVRD Index, international diversification.

With the LVRD's focus on rising dividends, as the market rebounds and once again starts making new highs, we expect the LVRD Index to again fully participate. The current and rare market pullback offers a good buying opportunity for a rising dividend strategy.