# November 2016 Investment Letter

## Equity Performance

A mixed quarterly earnings season coupled with headline noise surrounding the U.S. Presidential campaigns sent the market down in October. The Financial and Utility sectors led the market, while the Healthcare, Energy and Consumer Discretionary sectors lagged.

The NovaPoint Dividend Growth Equity Strategy was -3.16% in October and has returned +11.32% year-to-date versus the S&P 500 Total Return Index at -1.82% in October and +5.87% YTD and the Russell 1000 Total Return Index at -1.95% in October and +5.82% YTD.

| *Period ending October 31, 2016* | 1-month | 3-months | 6-months | 1-Year | 2016 YTD |
|---|---|---|---|---|---|
| Dividend Growth Strategy | -3.16% | -2.99% | 3.25% | 9.81% | **11.32%** |
| S&P 500 Total Return | -1.82% | -1.67% | 4.06% | 4.51% | **5.87%** |
| Russell 1000 Total Return | -1.95% | -1.74% | 4.02% | 4.26% | **5.82%** |

*Returns are shown net of expenses and management fees.*
*Please see disclaimer for information about performance calculations.*
*NovaPoint Capital has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS).*

The top performing stocks in the Strategy in October were US Bancorp (+4.4%), Microsoft (+4.0%) and Chevron (+1.8%). All three companies benefitted from good quarterly earnings reports and outlooks.

The lagging stocks in the Strategy for the month were Pentair (-14.2%), PPG Industries (-9.9%) and Genuine Parts (-9.8%). All three companies struggled in quarterly earnings outlooks. Pentair and PPG highlighted sluggish industrial spending in some markets and Genuine Parts struggled on sales growth.

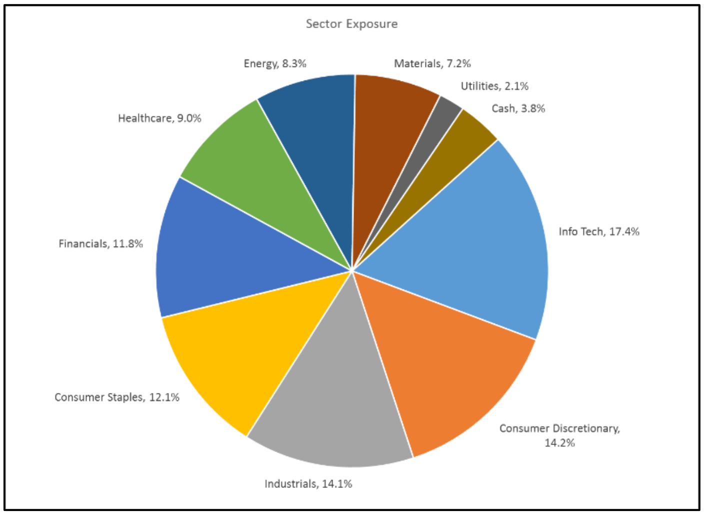
## Dividend Increases

AFLAC, AT&T, Texas Instruments and VF Corp all announced dividend increases in September. The average length of consecutive dividend increases for companies in the Strategy is 31 years.

| Company | New Quarterly Dividend per Share | Percentage Increased | Consecutive Years Increased | Current Yield |
|---|---|---|---|---|
| AFLAC | $0.43 | +4.9% | 34 | 2.5% |
| AT&T | $0.49 | +2.1% | 33 | 5.3% |
| Texas Instruments | $0.50 | +31.6% | 13 | 2.8% |
| VF Corp | $0.42 | +13.5% | 44 | 3.1% |

## Sector Exposure

The Strategy is constructed bottom-up with a goal of being represented across all economic sectors.




## Fixed Income

We are prepared for some eventual level of interest rate increases. For individual client accounts with bond holdings, we remain in the 4 to 6 year duration range to balance between current yield and price stability in an eventual rising rate environment.

## Options

Some portfolios include an option over-write strategy. We had six option positions expire worthless in October generating profit from the captured option premium. We rolled forward one in-the-money position at an increased strike price.

## Outlook

We still deem most of the initial reaction and speculation on what might happen post the U.S. election results to be noise, but there are some themes to monitor.

We think the deficit should continue to grow at the outset of the new administration, especially if the government pushes infrastructure projects. This deficit spending along with the slow but steady economic growth we were already seeing should lead to higher interest rates. The FOMC meets on December 13/14th for its first post-election meeting. We likely see an increase in the Fed Funds target rate at that time.

Longer term changes that may or may not come to fruition are lower corporate tax rates, a foreign cash repatriation window, changes in various government regulations and potentially changes in trade policy.

We think improving earnings growth, which is a combination of economic and fundamental factors, is the more tangible factor to focus on to achieve returns.

Our positioning for an eventual increase in interest rates is rooted in stocks with a track record of consistent dividend increases. This should provide both a rising income stream and above average capital appreciation. The current average dividend growth rate for stocks in our Strategy is 8.0%.

November 10, 2016

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