Monthly Commentary 1st September 2016

August was by and large a flat month in the markets. Equity markets were slightly up, bond markets slightly down, oil stronger, and gold weaker.

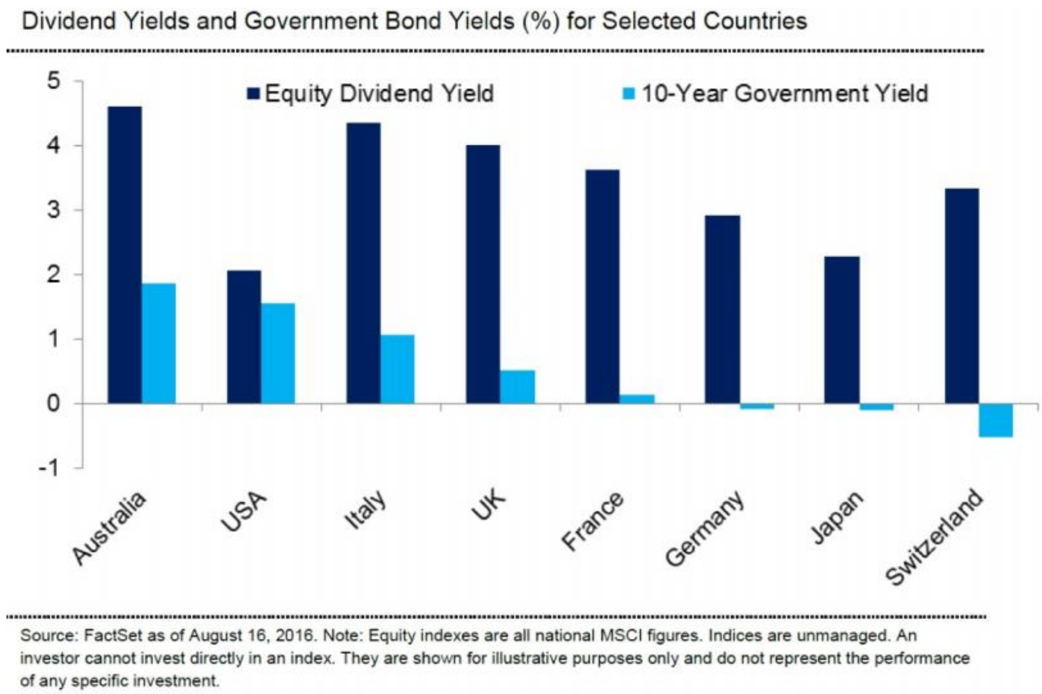
August was a quiet month with low trading volumes and not much market-moving news other than the usual "will she / won't she" as investors re fixated on Janet Yellen for any hints of any movements in short term US rates. Below are two unrelated topics that you might find of interest. The first is on dividend yields and the second on scaremongering.

On Dividends

In the cynical world we live in, observers of financial markets are often very sceptical of companies' financial statements, as many techniques are used to often hide the true picture. But while sales, costs and income figures may always be disputed, dividends are quite transparent as they are actually paid out.

Did you know that on average S&P 500 companies returning cash to shareholders offer investors a total yield of more than 5%? This includes dividends and share buybacks. When compared to the dearth of yield available from fixed income, one can see why long term investors opt for the high - yet inconsistent and not-guaranteed - total yield on offer from equities.

On the next page is a chart courtesy of Citi that shows the difference between dividend yields and benchmark government bond yields in various markets.



Other noteworthy odds and ends on dividends:

- Global dividends in Q2-2016 were $421.6 billion and on track to reach $1.16 trillion in 2016.
- All regions saw dividend growth except for Emerging Markets that saw a dramatic decrease of more than 25% from Q2-15.
- Technology companies had the highest rate of growth in dividends while financials maintain their lead as the highest absolute dividend payers globally.
- France is the highest dividend-paying country in mainland Europe, followed by Switzerland and Germany.
- Nestle tops the list of the biggest dividend payer globally in Q2, followed by Sanofi, HSBC, Daimler and Allianz. Walmart at 11th spot globally was the highest among US corporations, followed by Apple and Exxon Mobil at 14th and 15th respectively.

Elgin's Income Portfolios

With interest rates at all-time lows, the search for yield is ever-increasing and one needs to be very careful not to fall into traps that look too good to be true.

For those of you who are not aware of them, at Elgin we have developed income portfolios. They have the following attributes:

- Invested in listed and liquid securities including REITs (Real Estate Investment Trusts), High-Dividend ETF's and Equities, Listed Infrastructure Companies, Closed-End Funds and Investment Trusts that invest in equities and/or fixed income and/or preferred shares and/or senior loans.
- Focus is on quality of the securities and sustainability of the payout rather than those that offer the highest yields.
- Current yields are almost 4% annually.
- Prospect of capital gains to add to the total annual returns.
- Equity-like volatility – growth risk profile.
- For those with a 5yr+ investment horizon.
- Available for USD and GBP investors. EUR income portfolios to be introduced later this year.
- Available through Interactive Brokers accounts - and thus very cost-effective.
- Minimum entry level of USD/GBP 25K for IB portfolios.
- Minimum entry level of USD 500K or equivalent for other custodians.

If you are interested in finding out more information, please contact your Elgin advisor or send an email to income@elginadmin.com

On Sensational Predictions

With so much news being generated every second, one has to compete heavily in order to be noticed. The more shocking/outrageous the story, the more likely it will have its one minute of fame.

Almost every week we get a few emails from clients who have read somewhere that markets will collapse, and below in *italics* is the latest iteration (we have only included part of the email):

Economist Warns: "These 5 Charts Prove Stocks Will Crash"

Our elected officials just triggered an unstoppable economic crisis...

"A 50% stock market wipeout, a 40% real estate collapse, and a 300% rise in unemployment will strike...very soon"

That's why I've urged all of my subscribers to watch this controversial video, and I encourage you to do the same. So why should you heed my warning?

Well, I'm the lone economist who predicted the fall of the Soviet Union, the stock market crash of 2000 and 2008, as well as the real estate bubble that hit in 2006.

Because of my accurate predictions, I have been invited to shake the hands and counsel the likes of former presidents Ronald Reagan and Bill Clinton, and I've been a confidante to some of the most influential people in the world, people like the Rockefellers, the Clintons, Boris Yeltsin and Donald Trump, to name a few.
Now, I confess...

Many on Wall Street dismissed my bold claims at first.

But after seeing the evidence …

…And I know the public needs to hear the truth from a real economist, an authentic person who deeply cares for his country…

James Dale Davidson, Economist and Author

Mr. Davidson calls himself a "real economist". According to Wikipedia he does not have a formal degree in economics. Oh well, judge for yourself about the merits of such predictions before selling out.

The Elgin Analyst Team