THE DANA VIEWPOINT

March 13, 2015
Dow: 17,749

THE "FED"

No wonder FDR tried to get control of the Federal Reserve in the 1930's. Currently, the Fed is pretty much controlling the money supply, interest rates, the economy and the stock and bond markets. Through its bond buying programs, the Fed pumped trillions of dollars into the economy. Much, if not most, of the money ended up in the stock market. On March 9th of this year we celebrated the six year anniversary of the bull market that started on March 9, 2009. We have had only one correction of about 20% since then and most U.S. stock indexes are at or near all-time highs. The rest of the world has taken notice and is imitating our Fed by lowering interest rates and printing excessive amounts of their currencies. It's questionable whether all this Fed action turned the economy around. If it did, we didn't get much for our money, as this has been the slowest economic recovery since the Great Depression of the 1930's. The U.S. Gross Domestic Product has been growing at a rate slightly over 2%. Corporations borrowed at the low interest rates and that money ended up on their balance sheets or was used to pay dividends or buy back their own stock, thereby enhancing earnings and rewarding investors with higher stock prices. Japan's central bank has employed this style of Keynesian economic policy of big government, low interest rates and money printing. Japan has been in a recession or near to it for the last two decades. Now the European Union is starting their own QE program (buying corporate and government bonds) to stimulate their economies. It hasn't worked in Japan and it's arguable that it salvaged our economy. Good old fashioned creative entrepreneurism is what has turned our economy around.

Good news is bad news: Government data shows that the economy created 295,000 new private sector jobs in February and the unemployment rate dropped from 5.7% to 5.5%. That's 12 consecutive months that the market has created more than 200,000 new jobs. So the stock market promptly shed 300 points. Now with this positive economic data, investors felt the Fed would have to raise interest rates. Wrong. Federal Reserve Chairwoman Janet Yellen has 19 market indicators on her dashboard and they can't all be pointing up. The Fed does not put too much weight on the unemployment number as it does

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not include people who have given up looking for work. They rely more on the employee participation rate (% of the workforce actually employed). That number continues to hover between 62-63%, the lowest rate since the Carter administration. They also focus on wage growth. So far, wages are barely keeping up with inflation at around 2%. So, not to worry, the Fed meets again March 17th-18th and will probably do nothing other than come up with a new word to replace “patience”. The Fed did get an eyeful last week when the stock market dropped 300 points on speculation that a rise in interest rates was imminent.

Imagine what can happen when they actually raise rates. Not to worry, investor psychology will take hold like in the past. The market will drop and then recover as cooler heads prevail and investors realize a quarter point rise in short rates will not derail this economy; nor would a one point rise, but the Fed would not be that brazen. It would be fun to be a fly on the wall at the next Fed meeting as there are starting to be some disagreements as to the timing of the first rise in interest rates since 2006. Chicago’s Charles Evans is on record as wanting to hold rates until 2016. He also said he didn’t expect to “achieve 2% inflation until 2018”. We should hear some more interesting comments from Janet Yellen after the next Fed meeting.

Finally, after 15 years, the NASDAQ index of common stocks passed the 5000 mark. Unlike early 2000, this time stocks in this index have earnings. Back in late 1999 and early 2000 investors were buying stocks like tulip bulbs in Holland in the 17th Century. Not only were some stocks selling at 100 to 200 times trailing earnings, but one company offered stock that had no product but the promise to use funds from the offering to find a product. We are not seeing that type of speculation in this market, but some investors are always looking for the next hot idea. Investors would be cautioned to maintain a diversified portfolio as there will be some pitfalls along the way (e.g. oil stocks).

Random Thought for March 2015:

Antarctica is the only land on our planet that is not owned by any country. Ninety percent of the world’s ice covers Antarctica. This ice also represents seventy percent of all the fresh water in the world, but Antarctica is a desert averaging total yearly precipitation of about two inches. It is the driest place on the planet with an absolute humidity lower than the Gobi desert.

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★★★★ As of 2/28/2015 the Morningstar rating of Class N Shares; US OE Large-Blend; 1336 funds. Three year rating 4 stars; 1336 funds; Five and Ten year periods not yet rated.

Annualized Performance as of 12/31/2014			
	1 Year	3 Years	Since Inception
DLCEX	14.31%	19.89%	17.48%

The net expense ratio of Class N is 0.98%, while the gross expense ratio is 2.20%. The Adviser has contractually agreed to waive its management fee and/or reimburse certain operating expenses through February 28, 2017. Performance data quoted represents past performance; past performance does not guarantee future results; the investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month end may be obtained by calling 855-280-9648.

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Rankings are historical based on total return, with capital gains and dividends reinvested, and annual operating expenses deducted. Results shown reflect the waiver, without which the results would have been lower. The Fund was ranked 115 out of 1,602 and 517 out of 1,451 U.S. Large-Blend funds for the one-year and three-year period ending 02/28/2015.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of the funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within the scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The Fund has the following rating for the 3-,5-, and 10-year periods respectively: 4 stars, N/A and N/A out of 1336, N/A, and N/A US OE Large-Blend Funds.