MARKET VOLATILITY COMMENTS

NOAH BLACKSTEIN, CFA OCTOBER 26, 2018

As of October 24th, the S&P 500 was down in 18 of the past 25 trading days and so far this has been the worst month for the NASDAQ since 2008. I believe that economic conditions are much better now, than in October 2008, and I don't think we are anywhere near a 2008 type of economic crisis. So what has happened to cause recent market declines? On October 3rd of this year, Jerome Powell, Chair of the Federal Reserve, gave a speech and said that not only was the Fed going to keep hiking rates for some time, he also said that they would go well above the neutral rate, and that has been re-iterated by several Fed Governors. I don't think the market was expecting that. The factors that would cause me to sell a stock in any situation remain the same today as when I began managing Dynamic Power American Fund: Something has changed with the underlying fundamentals or the long-term growth aspects of a company. Historically 90%+ of the returns of my Funds has been due to stock selection and I continue to focus on bottom-up stock selection and where the best opportunities for secular growth are. Many of the biggest YTD winners have been hit the hardest in October.

Global markets have been significantly detached from the U.S. markets in terms of how they have been hit. For example you can look at where the German or Chinese markets are trading today; to see that Global Markets have been under great pressure this year.

Interest rate increases are not the only reason for what's going on in the markets. Tariffs are coming up in more U.S. CEO conversations. In China, most investors attribute market weakness to the tariff war but significant changes to regulations since the spring have become extremely restrictive. These regulatory changes include approvals of new video games, after-school education regulations, and the pharmaceutical industry where the government wants to cut drug prices by 40+%. This has slammed the drug sector in China as the government threatened to import cheaper Indian generic drugs if they have to. There have been a whole host of other regulatory changes besides these. In the U.S. you have had the offset of tax cuts and regulatory easement, but you haven't had the offset in China.

Can these market declines provide an opportunity? From my perspective, for the companies where nothing has fundamentally changed this is an opportunity. If something has fundamentally changed with a company, then it is an opportunity to look elsewhere.

Going through an October 2018 – type of market is gut-wrenching. During my 25 year career I have seen many of these types of periods in the markets. They are never easy and never fun. But the lesson learned managing through some of the great bear markets of all time, is to continue to focus on my investment process. Great growth companies always lead us out and up.

Noah Blackstein, CFA

Vice President & Senior Portfolio Manager

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Annualized Returns

As at September 30, 2018	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception
Dynamic Power American Growth Fund - Sr. F*	**67.6%**	**22.2%**	**22.4%**	**18.1%**	**14.2%**	**11.0%**
Dynamic Power Global Growth Class - Sr. F	**12.0%**	**17.5%**	**16.3%**	**14.2%**	**13.5%**	**11.1%**
Dynamic Power Global Balanced Class - Sr. F	**7.7%**	**11.6%**	**11.5%**	**10.3%**	**N/A**	**8.9%**

Series F units are only available to investors who participate in eligible fee-based or wrap programs with their registered dealers.
Fund inception dates: Dynamic Power American Growth Fund F 02/02, Dynamic Power Global Growth Class F 02/02,, Dynamic Power Global Balanced Class F 07/08, *Dynamic Power American Growth Fund Sr. A 09/98 20 Year annualized return of 10.6%

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