THE ANCORA ADVISORY

An Investment Publication for Clients and Friends

Fourth Quarter 2016 *Vol. 6 No. 4*

Ancora Holdings Inc. is a client focused firm resulting from the recent merger between The Ancora Group, Inc. and Inverness Holdings, LLC. The combined firm's three business units Family Wealth, Institutional Strategies and Retirement Plan Services, operate with the highest level of integrity and honesty in all aspects of their operations. This is accomplished through a culture of entrepreneurial spirit that encourages teamwork, excellence, accessibility, humility and accountability. We invite you to learn more about Ancora Holdings Inc., our operating units and what our years of market experience can do for you by visiting our website at www.ancora.net.

LATEST ARTICLES

Hope for the Best, Plan for the Unexpected

John Micklitsch, CFA, CAIA

Chief Investment Officer

From the Cavaliers' stunning comeback in the NBA Finals, to the surprise BREXIT referendum in which Great Britain voted to leave the European Union, to the Presidential election which most pollsters got wrong, 2016 has been the year of the unexpected. While the Cavs victory was sweet indeed, not many people sweated the outcome in the context of their investment portfolios. The BREXIT vote and The Presidential election, on the other hand, were closely watched with trillions of dollars in global investment portfolios hanging in the balance. As the surprise BREXIT and Presidential votes unfolded, in both cases, markets sold off initially. The replumbing of trade agreements throughout Europe would be a long and arduous task for a region that could ill afford even the slightest economic set back, or so investors reasoned. For a few days, they voted with their feet before markets recovered and then some. Donald Trump's trade rhetoric on the campaign trail and lack of political experience were thought to send U.S. markets down by 7-10% in the event of an unexpected victory. When the Presidential unexpected did happen, the selloff was even more short-lived than BREXIT, lasting a matter of hours before recovering and advancing for the better part of the past few weeks. Whether the power of social media in the modern, connected society has rendered traditional geopolitical analysis obsolete, one thing appears more certain, we now live in a world where not only are the outcomes of events highly unpredictable, but the market's reaction to them is equally unpredictable. Against this backdrop, what is an investor to do? Our advice is to do what successful investors have always done, diversify, invest in quality and focus on the long term.

In terms of diversification, great wealth is often accumulated through concentration in a closely held asset (eg. family business or workplace company stock) but it is preserved through diversified investing. As an example, Bill Gates has diversified his fortune with only roughly $11 billion of his $83 billion net worth currently held in Microsoft stock. The rest is managed through a diversified investment entity called Cascade Investment LLC. With access to the best market and political intelligence, even Mr. Gates chooses not to have all of his eggs in one basket or asset class. Those of us with less of a margin of safety could learn from this approach.

In terms of quality, we refer to this as the sleep at night factor. Are the individual securities held and the funds owned in your portfolio of an enduring nature? This is the key and it frequently is measured by various ratios but sometimes comes down to the sniff test that we all must pass when evaluating the quality of what we own and the decisions we make in life. It is frequently the difference between suffering temporary vs. permanent losses within a portfolio and having the confidence to endure the former during times of market volatility.

Lastly, the notion of time in the market as opposed to timing the market is critical for successful long-term investing. This mentality is especially true when not only are the outcomes of major events unpredictable but the market's subsequent reaction is unpredictable too. Provided investments are diversified and of a quality nature, time is the great equalizer when investing. Those who can shift their thinking

Provided investments are diversified and of a quality nature, time is the great equalizer when investing. Those who can shift their thinking to a long-term focus are generally rewarded, while those who cannot are left with a far more emotional experience and typically lesser results.

In closing, 2016 has been the year of the unexpected outcome and subsequent equally surprising market reaction. The virtues of diversification, quality and maintaining a long-term focus have been reinforced by both the BREXIT vote and the Presidential election. We continue to believe that against this backdrop, positive investment results and happier outcomes will accrue to those who focus on all three while eliminating much of the rest of investing's noise.

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2016 Election Outcome: What it Means for Interest Rates and the Financial Markets

Jim Bernard, CFA

Managing Director, Fixed Income

Much has already been written about the potential impact of the 2016 Presidential election results. While opinions vary widely, there is some consensus on what may happen based on recent comments and election campaign promises. In this brief article, we will review some of these expected changes and their impact on various securities markets. Finally, we will offer our views of some of the changes expected and where we see some of the risk and reward opportunities.

One widely expected outcome, regardless of election results, is an extremely large infrastructure bill passing in the early days of the next Congress with significant bi-partisan support. Additionally, we expect some tax reform (lower rates with possibly some tax simplification) in both personal and corporate tax rates. Likely to also occur is a long-awaited tax holiday encouraging corporations to bring back funds held overseas to the United States at a lesser tax rate. Finally, increased military spending is likely to occur in the coming years.

The various spending and tax cuts discussed above will likely lead to a significantly higher national deficit, hopefully offset by stronger economic activity and therefore additional tax revenue – in other words, a classic supply side economic bet. Some forecasters have indicated likely national debt levels approaching $20 trillion in the next 3-4 years. By way of comparison, our current public debt level is around $14 trillion and it was about $7 trillion when President Obama took office in early 2009. The political hope is that additional economic activity and therefore additional tax revenue, will flow into the U.S. Treasury before the deficit gets too high, and this additional revenue will actually begin to reduce our debt in coming years.

Post-election, interest rates have already increased significantly. Currently the bellwether 30 year U.S. Treasury note yields 3.09% compared to 2.60% prior to the election. Even short-term rates as measured by the 2 year U.S. Treasury note rose from a yield of 0.80% before the election to 1.10% currently. We expect inflation to also increase from its current reading of approximately 1.5% to a level closer to 2.5% to 3.0% or higher in coming years. Given our inflation expectations, we would expect interest rates to move higher from current levels over the next few years. However, this is highly contingent upon real GDP moving from its current level of close to 1.5% (YOY) to something close to 3.0% (YOY), or even higher.

While we are optimistic and hopeful that economic activity will pick up over the next few years, we certainly see some significant risk in making this large "supply-side" bet. Our initial concern is that we are cyclically in the late stages of this admittedly weak economic recovery. This recovery is already approaching its ninth year and signs of weakening in autos and other consumer spending trends are beginning to occur. It has been rare that any economic cycle has extended much beyond 10 years without at least a minor economic setback/recession.

The impact of these potentially higher rates is very straightforward as it pertains to bonds; higher rates mean lower bond prices. How much lower depends primarily on the duration of the bond. Less predictable is the impact on the stock market and equity prices. Typically, higher rates are associated with lower price/earnings ratios (competition for investable dollars between stocks and bonds), but if a lower tax rate for corporations and a more robust economy translate into better after tax earnings, stock prices could continue to increase even in the face of lower price/earnings ratios. Already in the post-election market environment, shares of bank stocks, energy names, infrastructure related issues, etc. have performed relatively well versus other stocks. Commodity prices are also likely to move higher based on stronger economic growth and higher levels of inflation. Impact on the U.S. dollar and other currencies is more difficult to predict as there are many conflicting aspects of currency pricing.

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Portfolio Manager Q&A: Cash as an Asset Class

Most investors hold some level of cash in their portfolios. To better understand what role cash plays in a diversified portfolio, we sat down with ***Tom Kennedy, Director & Family Wealth Portfolio Manager*** at Ancora Inverness to discuss cash as an asset class.

Q. Tom, first of all what is cash?

A. For investment management purposes, cash is generally comprised of money market funds linked to an investment or brokerage account. Cash is considered an investable asset class along the lines of stocks, bonds and alternatives.

Q. What are the benefits of cash?

The long-term data about cash value to investors suggests that cash is an important part of a well-diversified portfolio. This is mainly due to the negative correlations with stocks and the reduced volatility in portfolios with cash holdings. Cash is also a liquidity tool, an opportunistic resource and a "parking lot" for short-term trading.

An important benefit that has been forgotten in the post 2007 interest rate environment is the yield earned on cash assets. While today yields are near zero, the long-term average return on cash assets is approximately 3%.

Q. Why do accounts hold cash?

A. Cash accounts are an important piece of the trade settlement process as well as a depository account for dividends and bond interest. Along with client deposits, these all contribute to higher cash balances.

Strategically, cash holdings also represent an opportunity to wait for market values to return to more favorable levels when current prices may not be sustainable. If an account doesn't hold cash or some other resilient asset, the portfolio will not have an effective way to take advantage of meaningful drops in the market.

Q. What are some of the arguments against holding cash?

The main argument against holding cash is the opportunity cost of holding cash over the long term as markets tend to rise over time. This argument, however, should be weighed against the risk tolerance, goals and objectives of each client which includes each client's time horizon and liquidity needs.

Thank you, Tom.

Sources: Ancora Holdings Inc., Charles Schwab, American Association of Individual Investors, NYU Stern Business School, Mauldin Economics, Factset.

Is a Donor Advised Fund Right for You?

Howard Essner

General Counsel, Managing Director, Family Wealth Advisor

Charitable giving is a major focus for many of our clients. We work closely with clients to ensure that charitable contributions are made in the most tax efficient manner possible. Tax strategies include using appreciated securities to make gifts and using IRA dollars for direct contributions when the donor is older than age 70 ½ and is subject to required minimum distributions. In this article, we will address another strategy that has worked well for many of our clients: using a Donor Advised Fund as a vehicle to fund future charitable contributions.

What is a Donor Advised Fund?

A Donor Advised Fund is a charitable account that the donor can use as a flexible and efficient way to manage charitable giving. A Donor Advised Fund is established by making an irrevocable donation to a public charity that sponsors and administers Donor Advised Funds as separate accounts. At any time, the donor can make a recommendation to the sponsoring organization to have funds from the Donor Advised Fund distributed to another qualified charity of the donor's choice. Additional contributions can be made to the Donor Advised Fund at any time. The contribution to the Donor Advisor Fund is considered a qualified gift to a charity, so the contribution to the Donor Advised Fund provides the donor with a full and immediate charitable tax deduction to the maximum degree allowed by the IRS. In many ways, a Donor Advised Fund is like a private foundation, but without the administrative burdens and public disclosure requirements associated with foundations.

Why Use a Donor Advised Fund?

A Donor Advised Fund is a great way to maximize the tax savings from charitable contributions. On the one hand the contribution to the Donor Advised Fund is immediately deductible (subject to IRS limits). On the other hand, the assets in the Fund can be used to fundgrants to other charities in the future. Thus, a Donor Advised Fund maximizes tax savings by having the charitable deduction utilized in a high tax year even while using the ultimate charitable grant from the Fund may come in a future lower tax year, when the tax savings from a direct gift to a charity would be lower. For example, we have helped clients who have sold businesses and are facing large tax liabilities establish and fund the Donor Advised Fund in the year of the sale. The gift reduces the tax cost of the sale, while providing a vehicle to make future grants in years when the clients' tax rate is lower. Likewise, clients who are approaching retirement will often fund a Donor a Donor Advised Fund in their final working years, knowing that the ultimate charitable grants will be made during retirement when tax rates might be lower.

There are other reasons to consider a Donor Advised Fund. When such a Fund is established, it is often possible to name other family members (such as children and even grown grandchildren) as advisors to the Fund. The Donor Advised Fund then becomes a wonderful vehicle to use for family charitable giving and for the education of younger generations about the benefits of philanthropic activity. It is also possible to have the Donor Advised Fund continue after the death of the original donor(s), giving children the opportunity to continue the philanthropic legacy of their parents.

Many of the charitable organizations that sponsor Donor Advised Funds (see below) maintain staff dedicated to educating and assisting donors to help with evaluating charities, establish programmatic giving plans, and meeting philanthropic goals. Also, a Donor Advised Fund can be used to make gifts with complete anonymity or full recognition, as determined by the donor.

Is there any Downside to using a Donor Advised Fund?

It is important to know that the gift to fund a Donor Advised Fund is irrevocable and that the assets contributed technically belong to the sponsoring organization. The recommendation to make charitable gifts from the fund is just that, a recommendation, and in theory could be denied by the sponsoring charity. However, we are not aware of any sponsoring organization who has denied a request by a donor to make a grant to a U.S.-based charity that is recognized by the IRS as a charitable contribution under IRC Section 501(c)(3).
Almost all sponsoring organizations charge a fee to administer a Donor Advised Fund, either in the form of a flat or asset-based fee, and either directly or through a commingled investment fund.

How to Establish a Donor Advised Fund

Many public charities sponsor Donor Advised Funds, including community foundations, religious-based charities, the charitable arms of major financial institutions, and independent charities specializing in administration of Donor Advised Funds. The process to start a Donor Advised Fund involves completing the account opening paperwork, which names current advisors, sets a name of the Fund, and establishes how the fund will be administered after the death of the donor. The account is then funded with a contribution (using appreciated securities if possible), and the donor is provided with instructions on how to make grants. The sponsoring organization also provides the required documentation to substantiate the charitable gift.

We are happy to work with clients who are interested in exploring whether a Donor Advised Fund could be beneficial. In many cases, it is also possible for a client to have our portfolio management team manage the investment of the Donor Advised Fund through arrangements we have with several sponsoring organizations.

To learn more about Donor Advised Funds please contact your Ancora-Inverness Advisor .

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About Ancora Holdings Inc.: Ancora Holdings, Inc. is a Cleveland, Ohio based holding company which wholly owns three separate and distinct SEC Registered Investment Advisers, Ancora Advisors, Inc., Ancora Inverness, Inc. and Safeguard Securities, Inc., which oversee assets under management in excess of $4 billion in aggregate. Ancora Advisors, LLC is an institutionally focused investment manager with dedicated equity and fixed income strategies as well as acting as the investment manager to both mutual funds and alternative investments. Ancora Inverness, LLC is a leading, regional investment and wealth advisor managing assets on behalf families and high net-worth individuals. Safeguard Securities is a dual registrant SEC Registered Investment Adviser and FINRA member broker dealer focusing on open architecture Retirement Plan Services. For more information please visit www.ancora.net.