Sure Dividend International

INVESTING IN NON-U.S. HIGH-QUALITY DIVIDEND SECURITIES

October 2018 Edition

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Table of Contents

Opening Thoughts
- Investing In Europe: Does The EU Matter? -

Six of this month's Top 10 are from Europe. There are real concerns about the future of the European Union. George Soros said the following about Europe:

"The European Union is mired in an existential crisis. For the past decade, everything that could go wrong has gone wrong. How did a political project that has underpinned Europe's postwar peace and prosperity arrive at this point?...

The EU faces three pressing problems: the refugee crisis; the austerity policy that has hindered Europe's economic development; and territorial disintegration, as exemplified by Brexit."

The political discussion of the problems mentioned above is well beyond the scope of this investment newsletter. With that said, they are real issues that are not to be taken lightly for the European Union.

Fear has impacted European stock market returns. Over the last year, the Vanguard Europe ETF (VGK) has generated total returns of -7.0%, versus 10.2% for the S&P 500 ETF (SPY). It appears that the idea that the European Union is *good* for the European stock market is driving negative returns. But is that really the case?

Research from investment firm Verdad Advisers shows that European Union membership *has not* been of much importance for actual stock market returns:

"The European Union was formally established when the Maastricht Treaty came into effect in November 1993. Our analysis draws on Fama/French market return data which begins in June 1994 and spans the 24 years through December 2017. We sorted 19 European counties into two portfolios. The first portfolio contains EU members, and the second portfolio contains non-EU countries in Europe. The portfolios were rebalanced monthly to account for changes in EU membership throughout the 24 years. Within each portfolio, returns were weighted according to the GDP of each country (as a proxy for market capitalization) in order to place more weight on larger markets."

The results of the above referenced study are below:

	Annualized Returns	**Standard Deviation**
EU Members	8.4%	18.8%
Non-EU Members	9.8%	18.7%
EU Members (using Euro)	8.1%	19.6%
EU Members (not using Euro)	9.4%	17.2%

The T-Statistics for this study are not high enough to show statistical significance. With that said, there's not good evidence *for* European Union membership and/or use of the Euro *improving* returns. If anything, the Euro and European Union membership are not good for European market returns.

In the final analysis, fear of a collapsing European Union is largely unfounded because evidence does not point toward the European Union being good for market returns to begin with. As always, we believe investors should focus on investing in high quality businesses trading at fair or better prices while largely ignoring macro fears (except when they create irrational buying opportunities).

The International Top 10 – October 2018

Name	Ticker	Mkt. Cap	Country	Price[1]	P/E	Yield[2]	Payout	Growth
Micro Focus Intl.	MFGP	$7.7 billion	U.K.	$18	11.1	5.0%[3]	56%	8.0%
Autoliv	ALV	$7.2 billion	Sweden	$82	10.5	2.1%	22%	8.0%
Brit-Am-Tob.	BTI	$96.2 billion	U.K.	$43	10.2	5.8%	59%	5.0%
Daimler AG	DDAIF	$65.2 billion	Germany	$61	6.1	5.5%	29%	6.0%
WPP	WPP	$17.0 billion	U.K.	$68	8.6	5.8%	50%	3.0%
Can. Nat. Res.	CNQ	$34.9 billion	Canada	$29	12.4	3.0%	37%	7.0%
Enbridge	ENB	$57.3 billion	Canada	$32	10.7[4]	5.4%	58%[5]	7.2%
Vodafone	VOD	$53.9 billion	U.K.	$20	13.3	8.9%	118%	7.0%
Bank of Nova Sco.	BNS	$71.3 billion	Canada	$54	10.2	4.2%	43%	8.0%
Brookfield Ren.	BEP	$9.0 billion	Bermuda	$29	12.1[6]	6.7%	81%[7]	6.0%

Notes: *The 'Growth' column shows expected growth over the next several years on a per share basis. We tend to be reasonably conservative in our growth estimates. 'P/E' (P/E ratio) shows the company's earnings multiple as calculated in our written analysis. 'Yield' and 'Payout' ratio data are provided by our data provider for international securities or calculated manually from company data.*

There are six new stocks in this month's Top 10. The stocks that have been carried forward from last month's newsletter are: Micro Focus International, British American Tobacco, Enbridge, and the Bank of Nova Scotia.

An equally weighted portfolio of the Top 10 has the following characteristics:

Dividend Yield:	5.2%	**P/E Ratio:**	10.5
Growth Rate:	6.5%	**Payout Ratio:**	52%

On average, the securities in *The Sure Dividend International Newsletter* have a mix of above-average dividend yields, mediocre growth prospects, low payout ratios, and low P/E ratios. In short, these tend to be securities that are shareholder friendly, conservative, and undervalued.

Note: We are only recommending securities with U.S. American Depositary Receipts (ADRs) and reasonable liquidity for easier purchasing. ADRs are publicly traded securities issued by a bank. The issuing bank holds shares of the underlying foreign security. Each ADR gives the holder rights to a specific portion of shares of the underlying foreign security held at the bank.

Note: Data in this newsletter is primarily from October 17th through October 19th, 2018.

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1 Rounded to nearest U.S. dollar.
2 After accounting for any applicable withholding taxes.
3 Based on dividends paid over the past year.
4 Using funds from operations.
5 Using funds from operations.
6 Using funds from operations.
7 Using funds from operations.

Return to Top 10 List

Analysis of Top 10 Securities

Micro Focus International plc (MFGP)

Overview & Current Events

Micro Focus International plc is a global enterprise software corporation that primarily services corporate customers within the Forbes Global 2000. The company's products include IT infrastructure and enterprise applications. Micro Focus International's operating segments include Security, IT Operations Management, Application Delivery Management, Information Management & Governance, and Application Modernization & Connectivity. Micro Focus is headquartered in the U.K., but U.S. investors can purchase the company through ADRs that trade on the NYSE under the ticker MFGP.

In mid-July, Micro Focus International reported (7/11/18) financial results for the six months ended April 30th, 2018. In the reporting period, the company saw revenue decline by 8.0%. Margin expansion helped earnings to perform better. More specifically, Micro Focus saw its adjusted EBITDA margin expand from 31.8% last year to 36.0% this year, a remarkable 420 basis point improvement year-on-year. On the bottom line, Micro Focus International generated 0.5% growth in adjusted earnings-per-share as the aforementioned margin expansion more than offset revenue declines.

Micro Focus also updated full-year financial guidance, now expecting full-year constant-currency revenue to decline by between 6% and 9%. Micro Focus expects revenue to stabilize by the year ending October 31st, 2020, while EBITDA margins will expand to the mid-40%'s (from 36% now).

Micro Focus International announced (7/2/18) the proposed sale of its SUSE business segment. The total cash consideration for the business unit is $2.535 billion. The SUSE business develops, markets, and supports an enterprise-grade Linux operating system and related open-source software infrastructure. The implied valuation for the business unit is quite attractive, as Micro Focus International is selling at 7.9x revenue and 26.7x adjusted operating profit (using metrics for the twelve months ending October 31, 2017). Micro Focus International plans to use to proceeds from the transaction to pay down debt, return capital to shareholders, and for general corporate purposes.

Growth, Competitive Advantages, and Total Returns

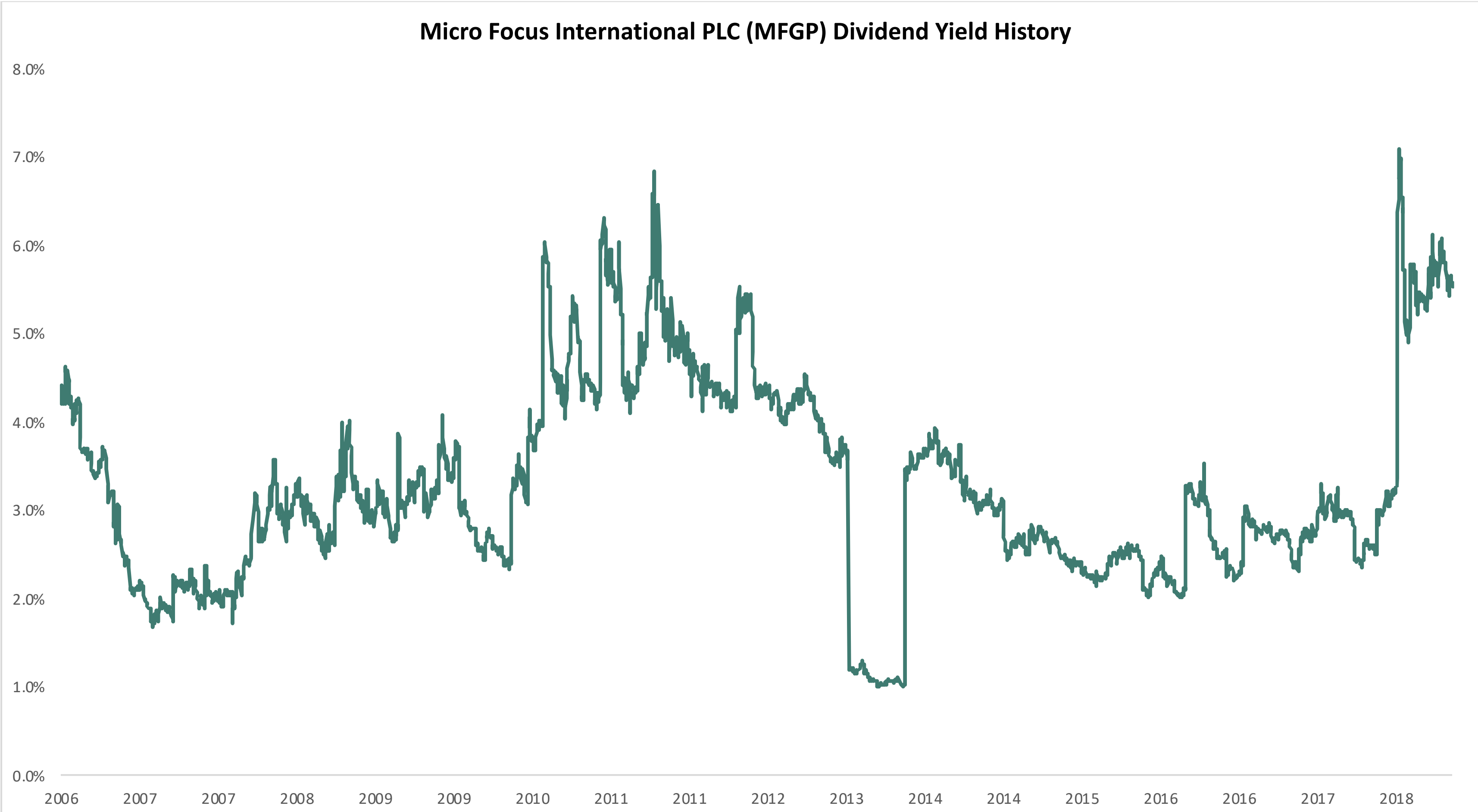
Micro Focus International has generated $0.87 of adjusted EPS through the first six months of the fiscal year. We believe that the company has an excellent chance of achieving full-year earnings-per-share of about $1.60. Using this estimate, the company is trading at a price-to-earnings ratio of just 11.1. Our fair value estimate for this stock is a price-to-earnings ratio of 18. We believe an expanding valuation multiple could add around 10% to this stock's total returns moving forward. Separately, Micro Focus International pays a 5% dividend (that is subject to no withholding tax), and the company should be able to grow its earnings by around 8% per year over full economic cycles. All said, Micro Focus International appears capable of delivering annualized total returns of 20%+ moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	USD	**Dividend Yield:**	5.0%[1]
Headquarters City:	Newbury	**This Year's Earnings-Per-Share**:	US$1.60
Headquarters Country:	United Kingdom	**Current Stock Price:**	US$17.69
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	11.1
Year Founded:	1976	**Market Capitalization:**	US$7.7 billion

[1] MFGP dividends are subject to no withholding tax.

Return to Top 10 List



Note: Micro Focus' ADRs were only listed in 2017, so this dividend yield chart refers to the company's London Stock Exchange-listed shares which trade under the ticker MCRO.

Return to Top 10 List

Autoliv Inc. (ALV)

Overview & Current Events

Autoliv manufactures airbags, seatbelts, and steering wheels for automobile manufacturers around the world. It was founded in 1953, and currently generates annual revenue of approximately $9 billion. Europe is Autoliv's biggest market, with 33% of its annual sales, followed by the Americas at 30%, China at 17%, and Japan at 10%. The remaining 10% of sales are derived from the rest of Asia. The company has a large and diverse customer base of automotive manufacturers. Autoliv ADRs stock trade on the New York Stock Exchange, while the company is headquartered in Sweden.

In late July (7/27/18) Autoliv reported second-quarter financial results. Total revenue increased 11.5% for the quarter, while organic revenue increased 7.3% from the same quarter a year ago. The company reported sales growth across all product and geographic segments. Autoliv saw particularly strong growth in 'seatbelts,' as well as in the Asia and Americas geographic regions. However, cost inflation led to margin erosion of roughly 50 basis points for the quarter. Adjusted earnings-per-share from continuing operations increased 48% for the quarter. In addition, the company recently completed its spinoff of Veoneer, its former electronics unit.

Growth, Competitive Advantages, and Total Returns

Autoliv has positive growth catalysts, as automotive manufacturing remains near peak levels in the United States. One notable risk for Autoliv is the ongoing tariff war between the U.S. and other nations. Trade barriers could result in higher costs and lower sales for the automotive industry. Still, Autoliv is moving forward with its growth initiatives, like new product releases. The company expects to deliver more than $10 billion in sales and around 13% adjusted operating margin by 2020.

Autoliv's optimistic forecast is due largely to its competitive advantages. It has the top industry position with 38% market share in its core product categories. It also counts every major global automaker among its customers. Autoliv invests significant resources into innovation, to retain its competitive advantages. The company employs more than 5,000 people in research and development and has 19 crash test tracks and 12 technology centers. That said, Autoliv is not a recession-resistant business. The automotive industry is highly exposed to economic downturns. Consumers typically postpone buying cars during a recession.

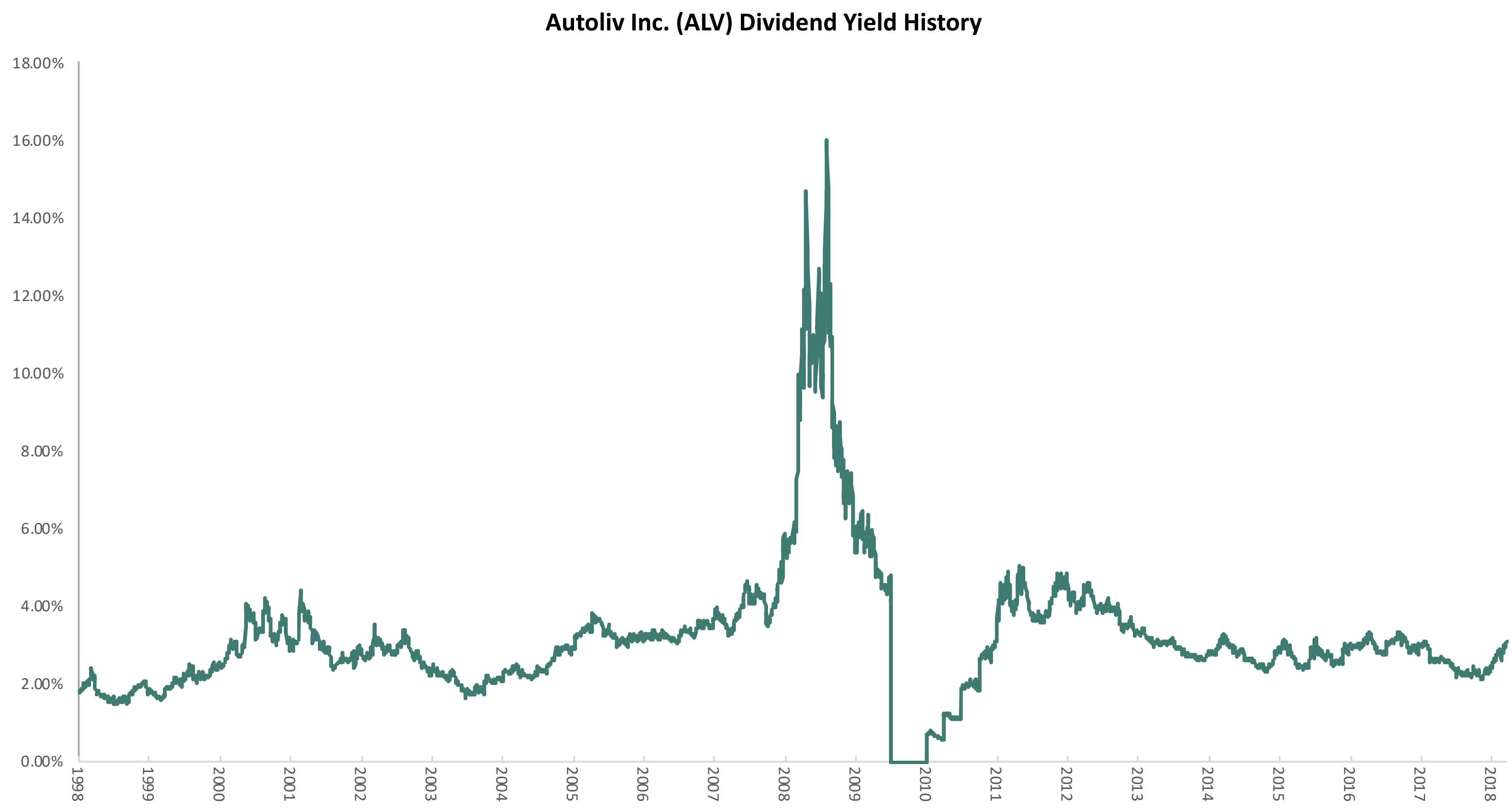
We expect Autoliv to generate earnings-per-share of $7.80 in 2018. Based on this, the stock trades for a price-to-earnings ratio of 10.5, which is below our fair value estimate of 16.5. With a fair value price of $130 per share, we view Autoliv shares as significantly undervalued. Expansion of the valuation multiple could add 9.5% to the annual returns of the stock. In addition, Autoliv has a current dividend yield of 2.1% after excluding dividend withholding taxes, and expected earnings growth of 8.0% per year through 2023. Autoliv is expected to generate annual returns of 19.6% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Krona	**Dividend Yield:**	2.1%[1]
Headquarters City:	Stockholm	**TTM Earnings-Per-Share**:	US$6.58
Headquarters Country:	Sweden	**Current Stock Price:**	US$81.73
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.5
Year Founded:	1953	**Market Capitalization:**	US $7.2 billion

[1] Dividends from stocks headquartered in Sweden are subject to a 30% withholding tax. Excluding the withholding tax, the dividend yield would be 3.0%.

Return to Top 10 List



Return to Top 10 List

British American Tobacco plc (BTI)

Overview & Current Events

British American Tobacco is one of the world's largest tobacco companies. It has a variety of cigarette brands, with five core global brands. These are Dunhill, Kent, Lucky Strike, Pall Mall, and Rothmans. It has a number of other brands outside its core portfolio, such as Benson & Hedges, Vogue, Viceroy, and more. Its major strategic initiative in recent years was the buyout of the remaining 48% stake in Reynolds American Tobacco that it did not already own, which took place in July 2017.

In late July (7/26/18) BTI reported financial results for the second-quarter and first half of fiscal 2018. The results were boosted significantly by the Reynolds American acquisition, which propelled BTI to 11% volume growth and 57% revenue growth for the 2018 first half. By geographic region, Asia-Pacific and the Middle East led the way with 5.6% revenue growth through the first six months. Excluding acquisition and other one-time items, tobacco volumes declined by 2.2%. Fortunately, price increases drove a 1.9% revenue increase, while margin expansion and share buybacks fueled 10% adjusted earnings growth in the first half.

Growth, Competitive Advantages, and Total Returns

The major risk for the tobacco industry is the declining smoking rate. BTI estimated that the overall cigarette industry experienced a 3%-4% volume decline over the first half of 2018. In response, BTI is investing in new products. BTI has a line of "reduced-risk" products, such as e-cigarettes, vapor, and heated tobacco products including its Vuse, glo, and Vype brands. BTI expects full-year sales of US$1.18 billion from new products like vaping pens and other tobacco heating devices in 2018. Consumer adoption has been slower than expected this year, but alternative products to traditional cigarettes still represent BTI's biggest growth catalyst.

Despite the challenges facing tobacco companies, we believe BTI still has positive growth potential as a result of its product innovation and competitive advantages. The company has invested over US$2.5 billion in new product development since 2012. Tobacco companies also enjoy high brand loyalty, which allows BTI to raise prices over time. And, BTI performs very well during recessions. BTI's earnings-per-share declined by just $0.02 during the Great Recession of 2007-2009.

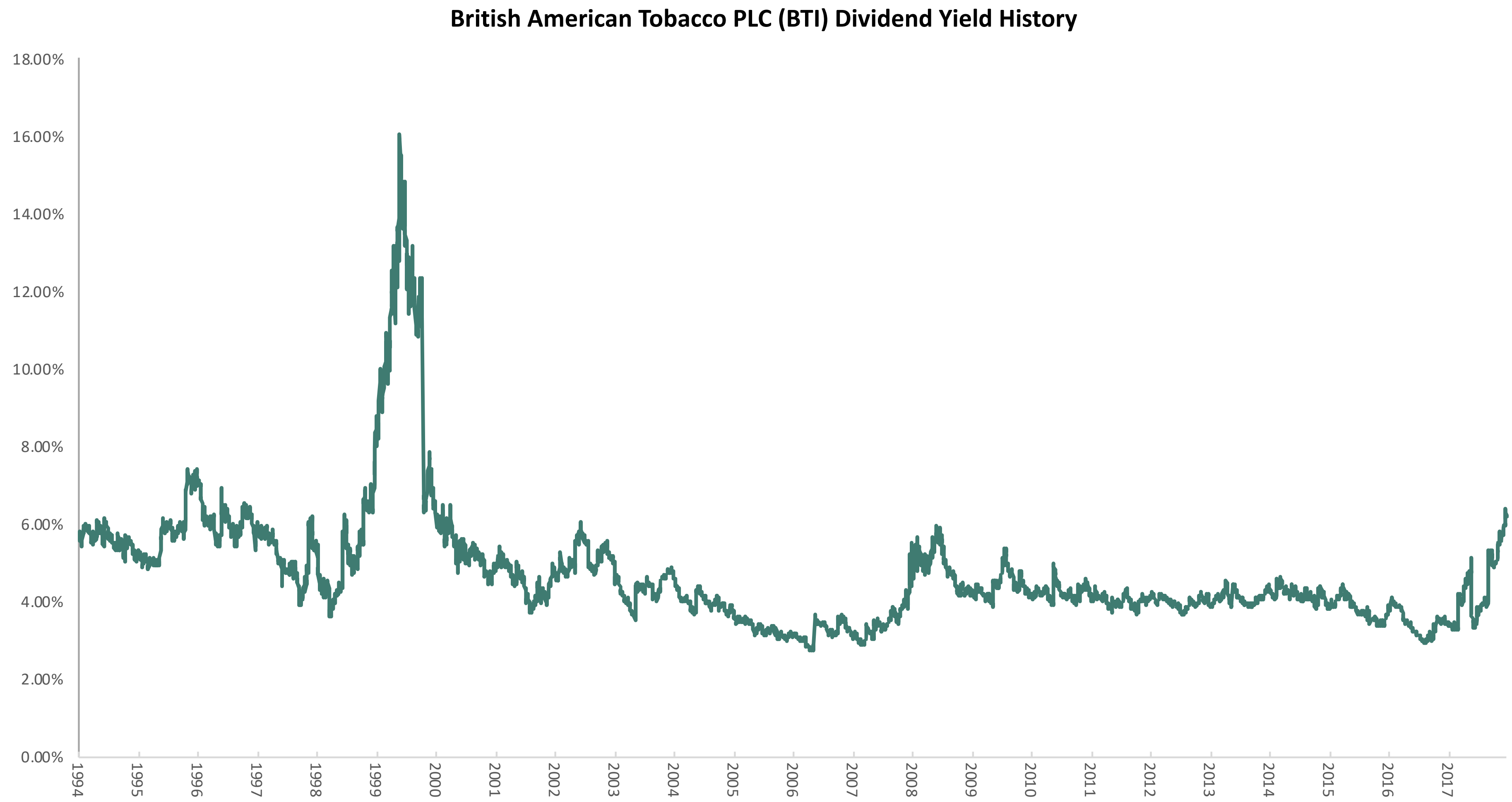
Dividends will represent a significant portion of BTI's total returns, which should be expected for a tobacco stock. BTI set 2018 dividends of 195.2 pence per share. This results in a payout of approximately US$2.53 per share, for a dividend yield of 5.8%. In addition, total returns will be boosted by valuation changes and earnings growth. Based on expected earnings-per-share of US$4.25 for 2018, BTI stock has a price-to-earnings ratio of 10.2, which is below our fair value estimate of 15.0. This means a rising valuation could add 8.0% to its annual returns. Lastly, we forecast 5.0% annual earnings growth over the next five years. BTI has expected total returns of 18.8% per year.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Pound	**Dividend Yield:**	5.8%[1]
Headquarters City:	London	**TTM Earnings-Per-Share**:	US$3.96
Headquarters Country:	United Kingdom	**Current Stock Price:**	US$43.32
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.2
Year Founded:	1902	**Market Capitalization:**	US $96.2 billion

[1] Dividends from stocks headquartered in the U.K. are not subject to any withholding taxes.

Return to Top 10 List



Return to Top 10 List

Daimler AG (DDAIF)

Overview & Current Events

Daimler AG is a leading automotive manufacturer. Its brands include Mercedes-Benz cars, the Daimler brand of trucks, as well as vans, buses, and other automobiles. The company also has an aerospace division and a financial services division. Daimler's history dates from 1886 and the company has grown to more than 290,000 employees and a market capitalization of US$65 billion. Daimler sold 3.3 million vehicles last year. The company's largest sales markets are China, the United States, Germany, and the United Kingdom.

In late July (7/26/18) Daimler reported second-quarter financial results. Revenue declined by 1% for the quarter, while earnings before interest and taxes (EBIT) declined by 30%, and earnings-per-share declined by 29%. One piece of good news was that unit sales increased; however, pricing weakness held back profitability. In addition, earnings-per-share were negatively impacted by unfavorable currency fluctuations, higher expenses, and a $680 million impairment within Daimler's German toll road business. For the full-year, Daimler expects slight growth in unit sales, revenue, and operating profit. This allowed Daimler to raise its dividend by 12% along with its second-quarter results.

Growth, Competitive Advantages, and Total Returns

Growth conditions have become slightly more challenging over the second half of 2018. Daimler's September sales of Mercedes-Benz declined 8.2% and are down 0.1% so far this year. Heightened trade tensions and tariffs threaten automotive sales in the near-term, but we still view Daimler's long-term prospects in a positive light. Daimler has two compelling growth catalysts moving forward: the emerging markets, and trucks. For example, unit sales increased 16% in China, and 70% in Brazil last quarter. Meanwhile, Daimler's truck business generated 21% growth in quarterly unit sales for the quarter. Looking ahead, truck sales and overall automotive sales in emerging markets should continue to propel Daimler forward for the foreseeable future.

Daimler enjoys durable competitive advantages, primarily its leadership position in the luxury vehicle segment. It retains its competitive position through significant investment in research and development. Daimler invested over US$10 billion in R&D last year, up 15% from the previous year. Daimler continues to invest aggressively in its future growth. The company reported a 10% increase in capital assets, a 7% increase in research and development expenses, and a 4% increase in its consolidated employee count at the end of the most recent quarter.

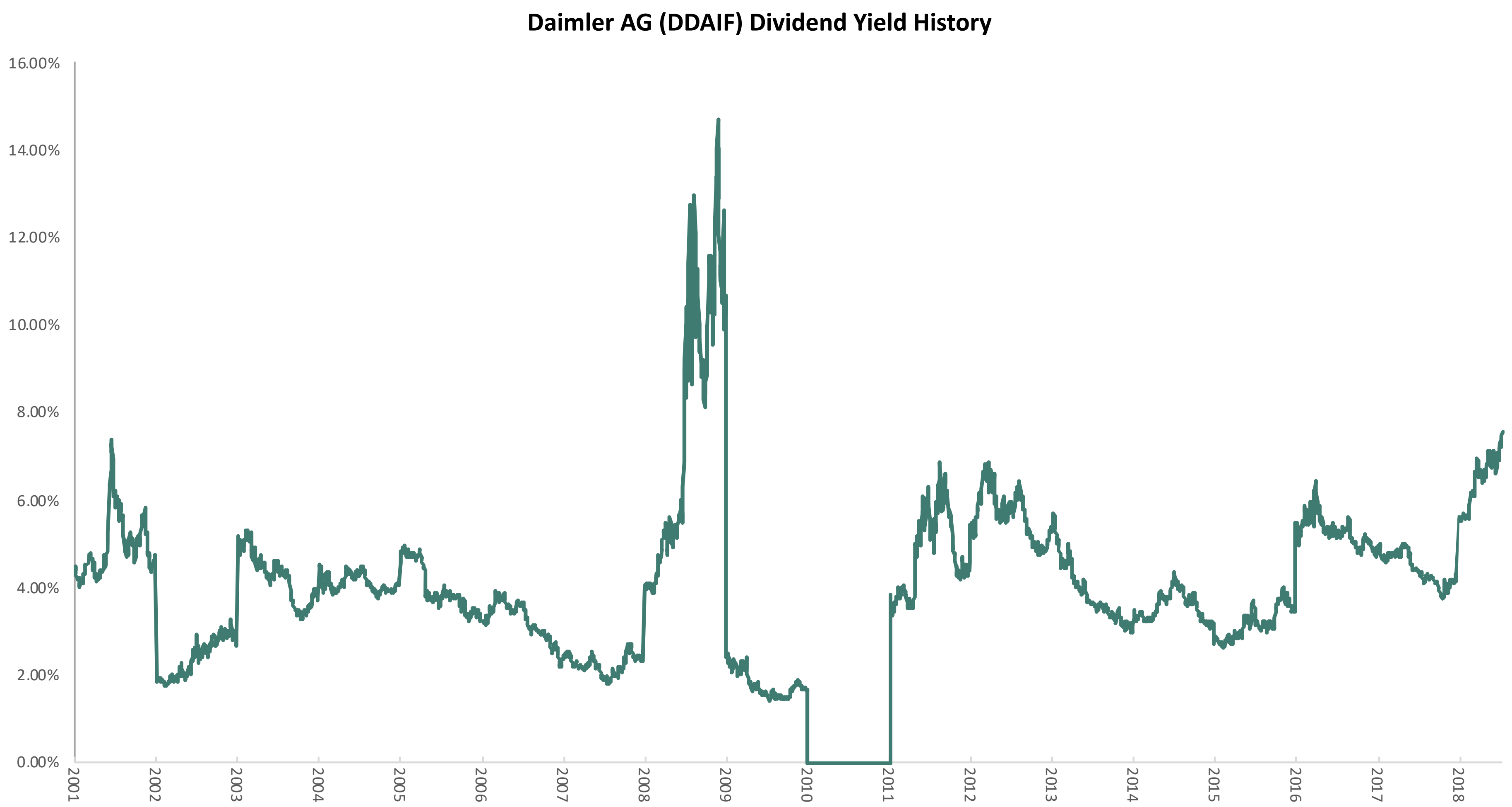
We expect Daimler will generate earnings-per-ADR of US$10.00 in fiscal 2018. The company's ADRs trade for around $61, which implies a price-to-earnings ratio of 6.1. Our fair value estimate is a price-to-earnings ratio of 8.5, meaning Daimler shares are significantly undervalued. The combination of 6.0% annual earnings growth, the 5.5% current dividend yield, and 6.9% returns from valuation changes, are expected to result in annual returns of 18.4% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	5.5%[1]
Headquarters City:	Stuttgart	**TTM Earnings-Per-Share**:	US$11.80
Headquarters Country:	Germany	**Current Stock Price:**	US$60.94
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	6.1
Year Founded:	1886	**Market Capitalization:**	US $65.2 billion

[1] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 7.4%.

Return to Top 10 List



Return to Top 10 List

WPP plc (WPP)

Overview & Current Events

WPP is the world's largest advertising firm. The company traces its roots back to 1985 when its founder, Sir Martin Sorrell, purchased a small manufacturer of wire baskets and teapots. WPP later grew through a series of acquisitions, and now owns approximately 120 operating companies, including Ogilvy & Mather Worldwide, Young & Rubicam, J. Walter Thompson Co., Grey, and VMLY&R. The company generates $20 billion in annual revenue and has a market capitalization of $17.0 billion. WPP is headquartered in London, United Kingdom, but American investors can initiate an ownership stake in this company through American Depository Receipts that trade on the New York Stock Exchange under the ticker WPP.

In early September, WPP reported (9/4/18) financial results for the first half of fiscal 2018. The company demonstrated some weakness through the first six months of the year. Total revenue fell 2.1% due to a 5% headwind from currency translation. Comparable revenue rose 2.9% in the first half, but profitability suffered. Operating margins fell 50 basis points to 13.3% while earnings-per-share fell 6.2%. WPP is focused on returning to growth after several weak quarters and it also announced the permanent replacement of its founder Martin Sorrell with new CEO Mark Read. Sorrell was removed after allegations of personal misconduct, which has weighed on the stock. Prior to his replacement, Sorrell had been the longest-serving Chief Executive Officer of any company within the FTSE 100 Index. It is difficult to overstate how strongly Sorrell's name (and his tarnished legacy) is associated with WPP. Separately, WPP is also busy cutting costs and divesting non-core assets, including AppNexus and Globant so far this year. WPP has also sold 13 other properties. Altogether, WPP is navigating through a period of material changes to its overall business. Given that the company produced comparable revenue growth for the first time in more than a year, we believe that the worst is behind for WPP.

Growth, Competitive Advantages, and Total Returns

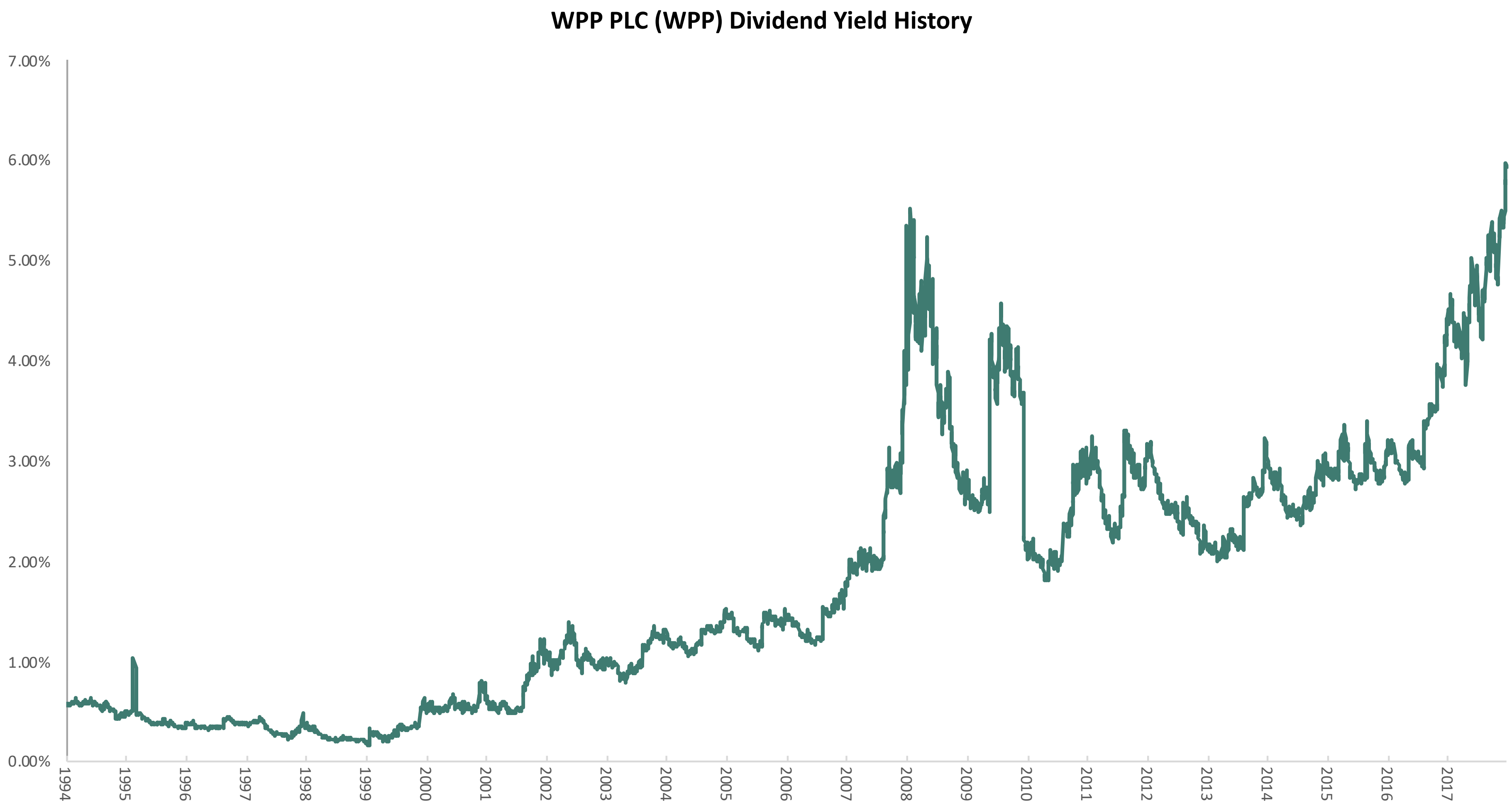
WPP should generate adjusted earnings-per-share of about $7.90 in fiscal 2018. Using this earnings estimate, the company is currently trading at a price-to-earnings ratio of just 8.6. For context, WPP has traded at an average price-to-earnings ratio of around 15 over the last decade. Due to concerns surrounding the company's new CEO as well as the overall transitions occurring within the advertising industry, we believe that fair value for WPP lies somewhere around 13 times earnings. If WPP's price-to-earnings ratio expands to 13 over the next 5 years, this will boost the company's total returns by about 9% per year during this time period. In addition, WPP should be capable of delivering low single-digit growth in earnings-per-share over full economic cycles, and it currently pays a safe 5.8% dividend that is subject to no withholding tax from the U.K. government. Adding all of this together, we believe that WPP is capable of delivering total returns of approximately 17% from its current depressed price point.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	5.8%[1]
Headquarters City:	London	**This Year's EPS**:	US$7.90
Headquarters Country:	United Kingdom	**Current Stock Price**	US$67.76
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	8.6
Year Founded:	1985	**Market Capitalization:**	US$17.0 billion

[1] WPP dividends are subject to no withholding tax.

Return to Top 10 List



Return to Top 10 List

Canadian Natural Resources Ltd (CNQ)

Overview & Current Events

Canadian Natural Resources is a diversified energy company that operates in the acquisition, exploration, development, production, marketing; and sale of crude oil, natural gas liquids (NGLs), and natural gas. The company is incorporated in Canada and is headquartered in Calgary, Alberta. It operates through the following segments: North America, North Sea, Offshore Africa, Oil Sands Mining and Upgrading, Midstream, Abandonments, and Head Office.

In early August (8/2/18) Canadian Natural Resources reported financial results for the second-quarter of fiscal 2018. In the quarter, net earnings increased by 68.4% (or 70.2% per diluted common share) while adjusted net earnings increased by 285% (or 259% per diluted common share). An alternate non-GAAP financial metric called funds from operations (FFO), increased by 47% last quarter. Canadian Natural Resources' strong financial performance was driven by a combination of higher oil prices, increased throughput at the company's refining and distribution operations, and disciplined cost-cutting measures. The company beat analyst expectations for both revenue and earnings.

Growth, Competitive Advantages, and Total Returns

As a major oil and gas producer, Canadian Natural Resources' primary growth catalyst is higher commodity prices. This was the main reason for the company's huge growth rate in the most recent quarter. Earnings-per-share are expected to more than double in 2018, due to the rise in commodity prices over the past year. The company expects 17% production growth this year, to take advantage of the strong commodity price environment. We expect Canadian Natural Resources to grow earnings-per-share at a 7% annual rate through 2023. The company maintains a lean balance sheet, which will help boost its future growth potential. Canadian Natural Resources expects to end 2018 with a debt-to-EBITDA ratio of 1.5x, which indicates a manageable level of debt.

The biggest competitive advantage for Canadian Natural Resources is its asset base. The company has very high-quality assets with low rates of decline. Canadian Natural Resources is the largest independent natural gas producer and heavy crude oil producer in Canada. Its assets include one of the largest undeveloped land bases in the natural gas-heavy fields of Northeast British Columbia and Northwest Alberta. The company also has world-class oil sands mining reserves, with 6.06 billion barrels proved plus probable recovery reserves, that have no projected declines for over 50 years.

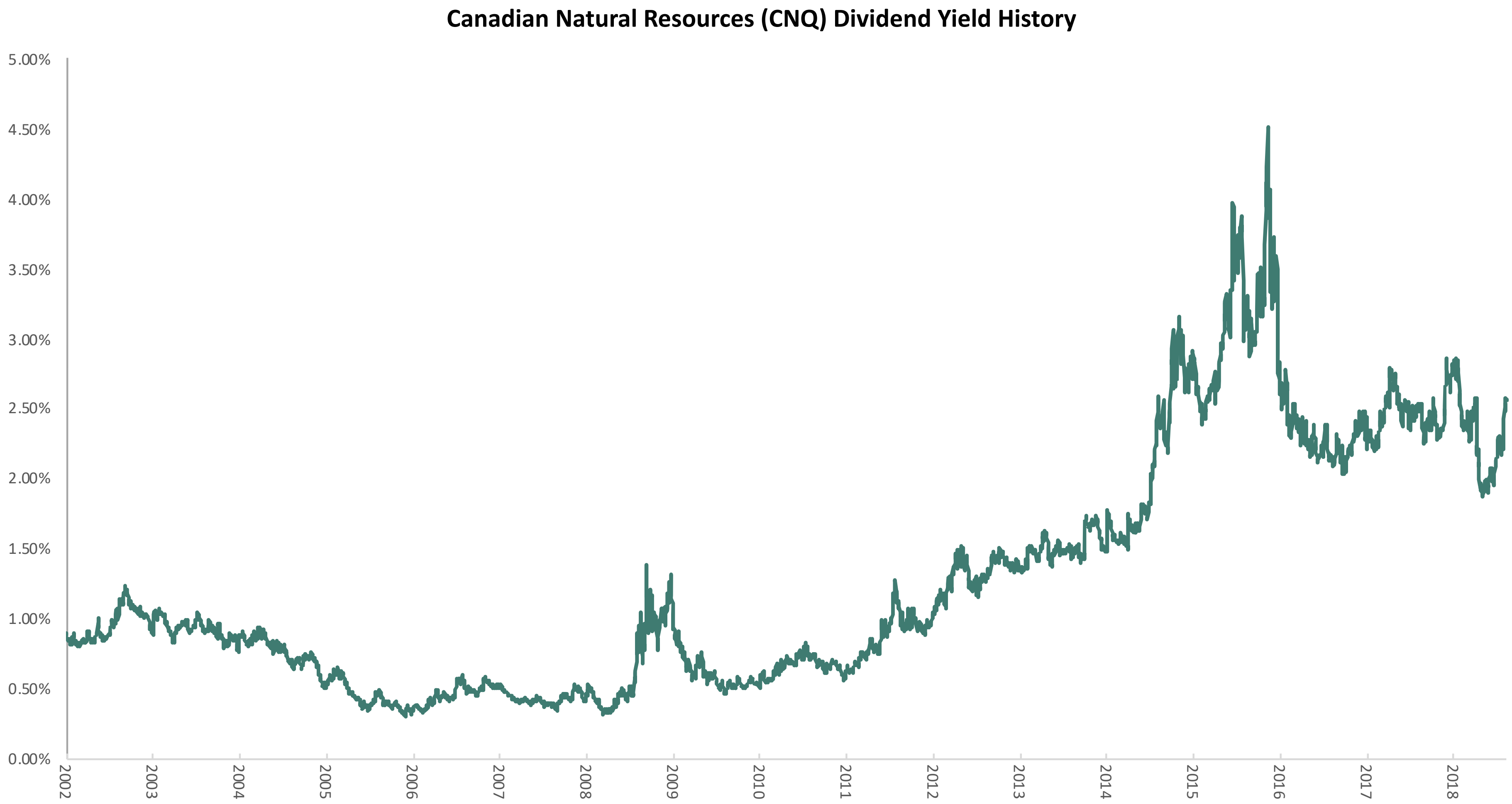
Based on projected 2018 earnings-per-share of US$2.30, Canadian Natural Resources stock trades for a price-to-earnings ratio of 12.4. This is well below our fair value estimate of 17.4, which is the 10-year historical average for the stock, excluding 2015 and 2016 when the company reported net losses. Valuation changes are expected to add 6.8% to the annual returns of the stock. In addition to the 3.0% dividend yield and 7.0% expected growth, annual returns could reach 16.8% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.0%[1]
Headquarters City:	Calgary	**This Year's EPS**:	US$2.30
Headquarters Country:	Canada	**Current Stock Price:**	US$28.63
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	12.4
Year Founded:	1973	**Market Capitalization:**	US $34.9 billion

[1]Canada imposes a 15% dividend withholding tax. However, the withholding tax is waived for U.S. investors who hold the stock in a qualified retirement account, such as a 401(k) or IRA. Excluding the withholding tax, the dividend yield would be 3.5%.

Return to Top 10 List



Return to Top 10 List

Enbridge Inc. (ENB)

Overview & Current Events

Enbridge is an oil and gas transportation company headquartered in Canada. It transports over 25% of the crude oil produced in North America, and approximately 22% of the natural gas consumed in the United States. In all, it has an ownership stake in approximately 193,000 miles of natural gas and natural gas liquids (NGL) pipelines across North America and the Gulf of Mexico. Its natural gas assets have 11.4 billion cubic feet per day of processing capacity, 307 thousand barrels per day of NGL production, and 438 billion cubic feet of net natural gas storage capacity. Enbridge also has a renewable power generation business, with nearly 3,000 megawatts of net renewable generation and power transmission capacity.

In early August (8/3/18) Enbridge announced its second-quarter earnings results. The company reported earnings-per-share of US$0.50, an increase of 58% from the same quarter a year ago. Adjusted EBITDA increased 23%, while distributable cash flow increased 70% for the quarter. Growth came primarily from the more than US$12 billion of new projects placed into service over the past year.

Growth, Competitive Advantages, and Total Returns

Continued investment in growth initiatives will fuel Enbridge's future growth. Enbridge expects to spend up to US$17 billion on growth projects through 2020, including US$7 billion expected to be placed into service in 2018. The company also acquired Spectra Energy in 2016 for US$28 billion to significantly expand its footprint. Enbridge will divest US$7.5 billion of non-core assets in 2018.

Enbridge's primary competitive advantage is its strong business model. Approximately 96% of its cash flow is derived from long-term, take-or-pay contracts. Furthermore, 93% of revenue is derived from customers with an investment-grade credit rating. Another competitive advantage is its strong financial position. The company has a credit rating of BBB+ and Baa3 from Standard & Poor's and Moody's, respectively, with stable outlooks from both ratings agencies. Maintaining a high credit rating helps lower the company's cost of capital, which leaves more cash flow to reinvest in growth initiatives.

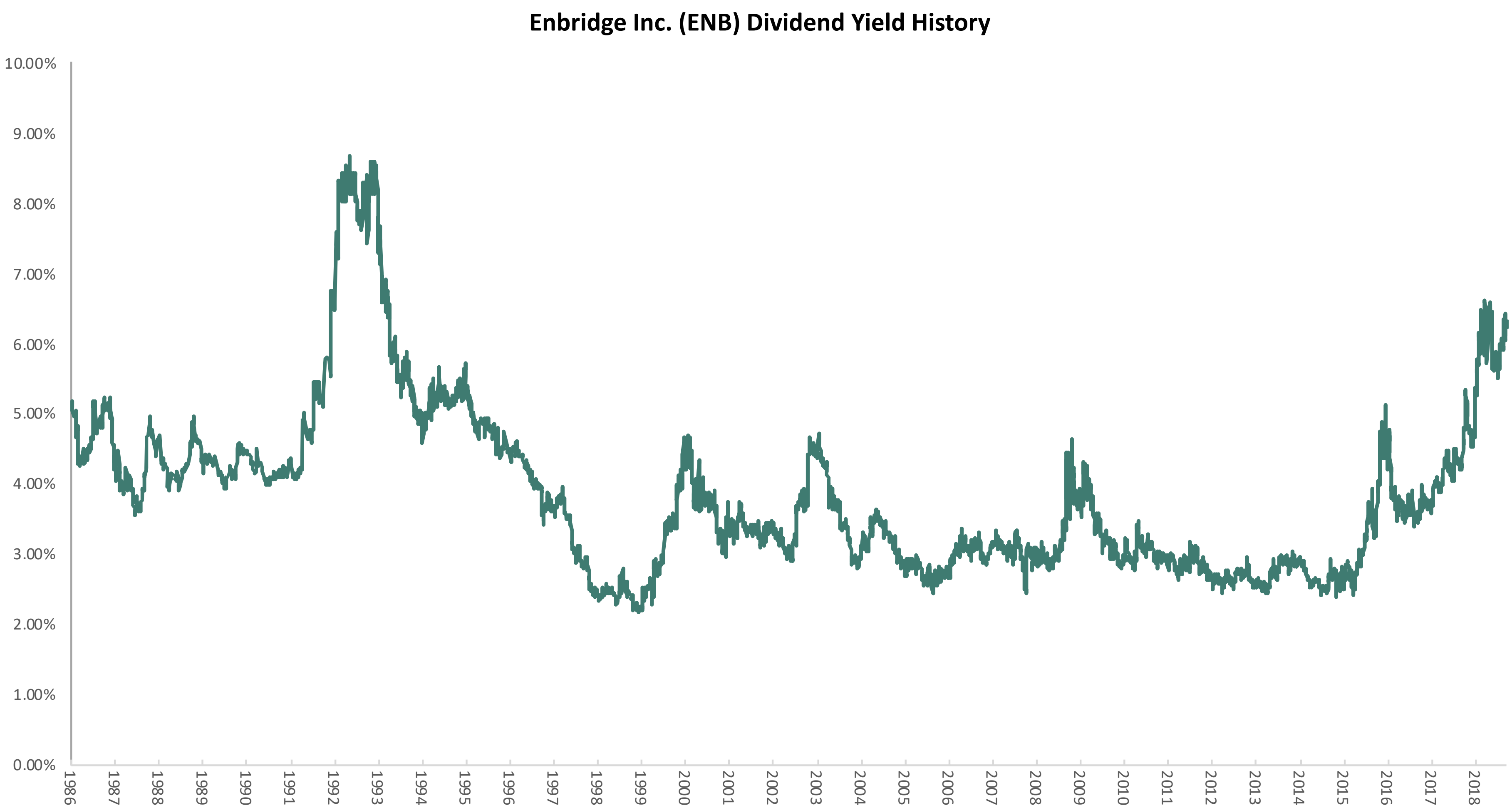
We expect Enbridge to generate cash flow per share of US$3.37 in 2018. Based on this, the stock has a price-to-cash-flow ratio of 9.6. Our fair value estimate is a price-to-cash-flow ratio of 11.0. Expansion of the valuation multiple could add 2.8% to Enbridge's annual shareholder returns.
In addition, Enbridge expects to pay total dividends of $2.68 per share in Canadian dollars in 2018. In U.S. dollars, this amounts to total dividends of US$2.06, which equals a current yield of 5.4%. Enbridge is a strong dividend growth stock. The company expects 10% annual dividend growth through 2020. Assuming 7.2% annual earnings growth, the 5.4% dividend yield, and 2.8% returns from valuation changes, we expect total annual returns of 15.4% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	5.4%[1]
Headquarters City:	Calgary	**TTM Cash Flow Per Share:**	US$3.03
Headquarters Country:	Canada	**Current Stock Price:**	US$32.41
Stock Exchange:	NYSE	**Price-to-FFO Ratio:**	10.7
Year Founded:	1949	**Market Capitalization:**	US$57.3 billion

[1] Canada imposes a 15% dividend withholding tax. However, the withholding tax is waived for U.S. investors who hold the stock in a qualified retirement account, such as a 401(k) or IRA. Excluding the withholding tax, the dividend yield would be 6.4%.

Return to Top 10 List



[Return to Top 10 List]

Vodafone Group plc (VOD)

Overview & Current Events

The roots of Vodafone began operations in 1982 as an early provider of cell phone service in the U.K. Today the company is one of the world's largest mobile communications providers, serving more than 400 billion customers in 26 countries. Vodafone generates $63 billion in annual revenue and trades with a $53.9 billion market capitalization. The company is headquartered in London, United Kingdom, but U.S. investors can initiate a stake in this international telecommunications provider through American Depository Receipts that trade on the New York Stock Exchange under the ticker VOD.

In late July, Vodafone reported first-quarter earnings. Results were largely in line with expectations. Revenue grew 0.3% on an organic basis, although forex headwinds and an accounting change resulted in the reported top line falling almost 5%. On a geographic basis, Vodafone saw the Europe segment's revenue decline by 4.0%, while the Africa, Middle East, & Asia Pacific (AMAP) segment saw revenues decline by 7.9%. More specifically, relative strength in Germany helped to offset weakness in the smaller Italy, U.K. and Spain regions. Vodafone also announced in its earnings press release that it had received approval from India's Department of Telecoms for the merger of Vodafone India and Idea Cellular. The transaction was recently closed successfully. Lastly, Vodafone reaffirmed guidance for 1% to 5% earnings growth for this year after the Q1 report.

Looking ahead, Vodafone's next quarterly earnings release is scheduled for November 13th. We will be reading the release closely and reporting any material developments.

Growth, Competitive Advantages, and Total Returns

Income investors should note that Vodafone has historically paid an irregular annual dividend payment. While this is likely to continue to occur moving forward, the company's dividend appears safe for the time being. The dividend is not covered by earnings-per-share, but due to the significant non-cash nature of many of Vodafone's expenses, we believe that measuring its dividend safety by free cash flow (FCF) is more prudent. In fiscal year 2018, Vodafone produced over $6 billion of FCF against dividend payments of about $4.5 billion. We expect management to continue raising its dividend (on a multi-year basis) at a slow rate moving forward.

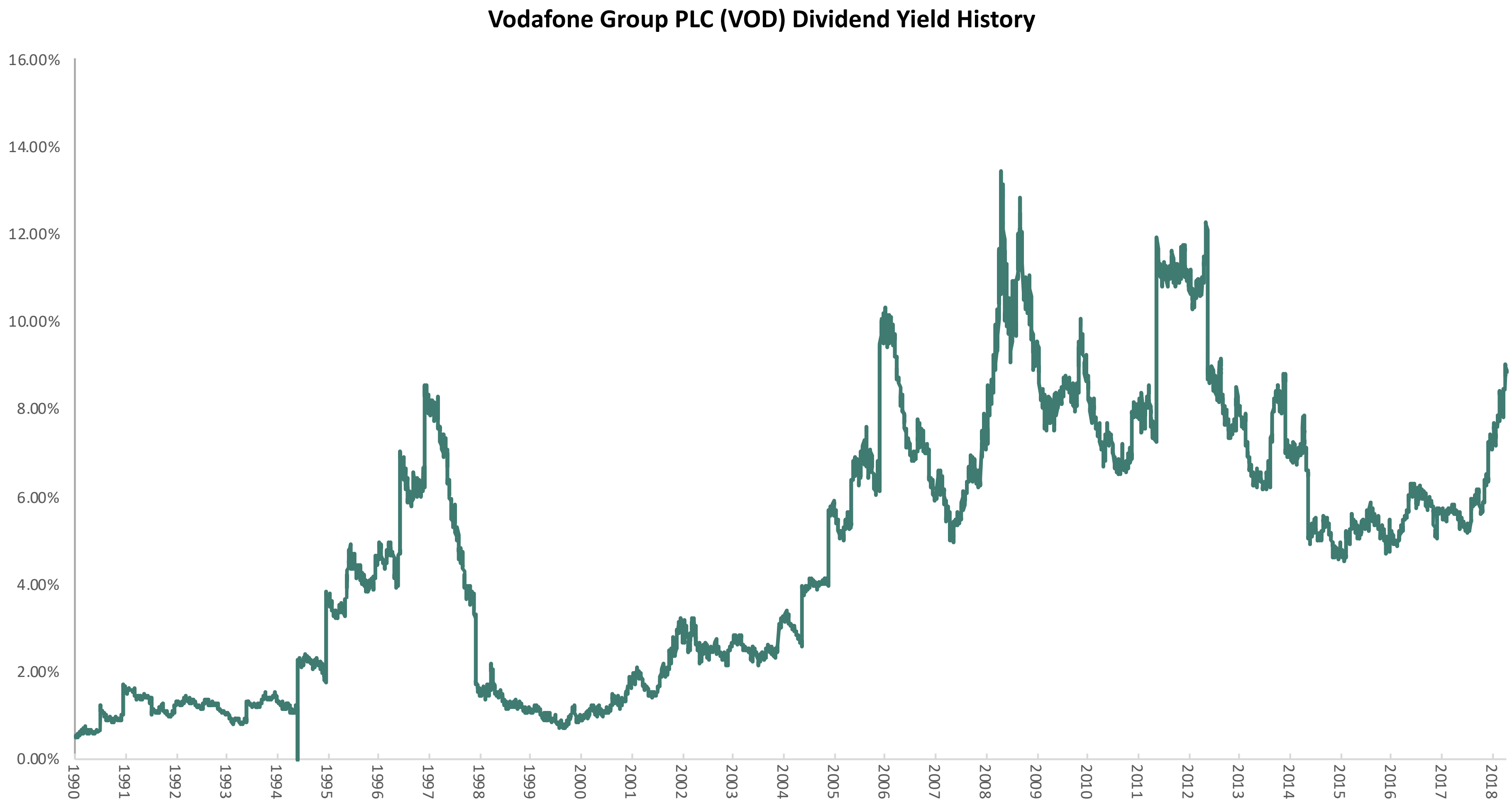
We believe that Vodafone will generate adjusted earnings-per-share of about $1.50 in fiscal 2019. Using this estimate, the company is trading at a price-to-earnings ratio of 13.3. Vodafone has also traded at an average price-to-earnings ratio of 13.3 over the last decade. Valuation changes are not likely to be a meaningful contributor to this stock's total returns. Instead, Vodafone's returns will come from its high dividend yield (8.9%) and growth in its per-share intrinsic value (which we estimate at about 7% per year moving forward). All said, we believe that Vodafone shareholders can reasonably expect to achieve mid-double-digit total returns moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	8.9%[1]
Headquarters City:	London	**This Year's EPS**:	US$1.50
Headquarters Country:	United Kingdom	**Current Stock Price**	US$20.17
Stock Exchange:	NASDAQ	**Price-to-Earnings Ratio:**	13.3
Year Founded:	1982	**Market Capitalization:**	US$53.9 billion

[1] VOD dividends are subject to no withholding tax.

Return to Top 10 List



Return to Top 10 List

Bank of Nova Scotia (BNS)

Overview & Current Events

The Bank of Nova Scotia - often referred to as Scotiabank - is Canada's third-largest financial institution behind the Royal Bank of Canada (RY) and the Toronto-Dominion Bank. The company operates through three business units: Canadian Banking (50% of last quarter's net income), International Banking (31%), and Global Banking and Markets (19%). The Bank of Nova Scotia is cross-listed on both the Toronto Stock Exchange and the New York Stock Exchange, where it trades with a market capitalization of US$71 billion.

In late August, Scotiabank reported (8/28/18) financial results for the third-quarter of fiscal 2018 (the Canadian banks operate on an unusual fiscal calendar that ends with the conclusion of October). In the quarter, adjusted net income increased by 6.7% while adjusted diluted earnings-per-share rose by 4.8%. Scotiabank operated with a return on equity of 14.5%, which represented a 30 basis point decline over the 14.8% return on equity reported in the same period a year ago. Both of Scotiabank's largest segments – Canadian and International Banking – delivered strong results, reporting adjusted net income growth of 9% and 15%, respectively. Shares fell by as much as 6% in the weeks following the earnings release as the company's revenue growth slightly missed consensus analyst expectations.

Growth, Competitive Advantages, and Total Returns

Scotiabank has two catalysts that should drive its future growth. The first is expansion into international markets. While the other Canadian banks have been pursuing growth by expanding into the U.S., Scotiabank has been entering markets within Latin America, where it can use its size and capital strength to consolidate the industry. Early results have been very promising. In the most recent quarter, the International Banking segment generated revenue growth of 9%, adjusted earnings growth of 15% and a net interest margin of 4.70% (compared to 2.46% for Canadian Banking).

Separately, Scotiabank has pursued domestic (Canadian) growth through acquisitions. The company recently acquired Jarislowsky Fraser (a wealth management firm focused on institutional and ultra-high net worth clients) and MD Financial (the country's largest financial planning firm focused on serving medical doctors). Both transactions are expected to close by the end of 2018.

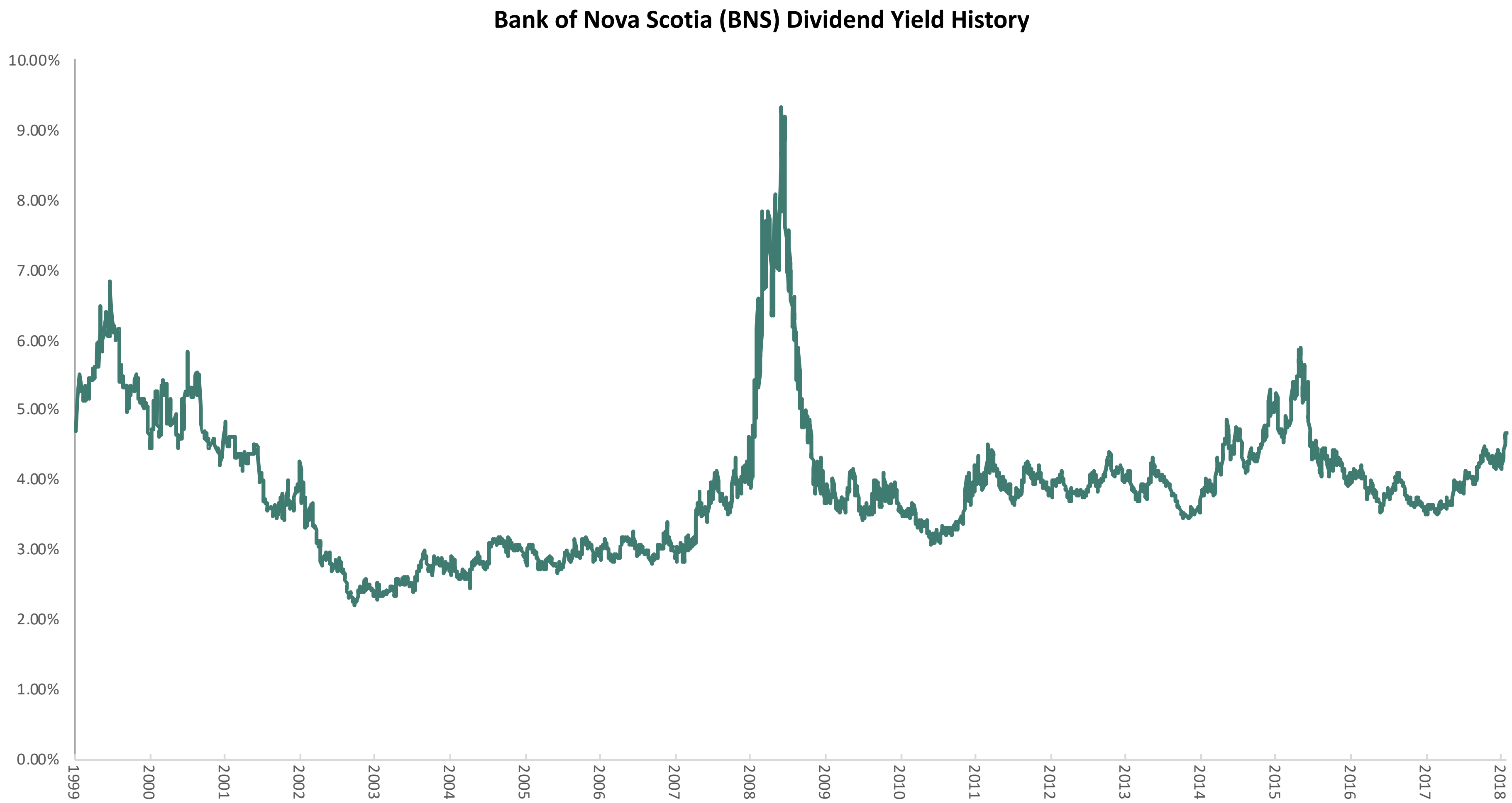
Scotiabank does not provide earnings-per-share guidance, but we believe that it is likely to deliver 2018 earnings-per-share of about CAD$7. This is equivalent to US$5.34 at current exchange rates. Using this earnings estimate, Scotiabank's NYSE-listed shares are trading at a price-to-earnings ratio of 10.2 today. The company's 10-year average earnings multiple is 11.9. If the company's price-to-earnings ratio expands to ~12 over the next 5 years, this will add ~3% to its annualized returns during this time period. Between dividend payments (4.2%), earnings growth (8%), and valuation expansion (~3%), we believe that Scotiabank has the potential to deliver annualized returns of ~15%.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	4.2%[1]
Headquarters City:	Toronto	**This Year's EPS Estimate**:	US$5.34
Headquarters Country:	Canada	**Current Stock Price:**	US$54.54
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.2
Year Founded:	1832	**Market Capitalization:**	US$67.0 billion

[1] Canada imposes a 15% withholding tax, although this is waived in retirement accounts. Excluding the withholding tax, the dividend yield would be 4.8%.

Return to Top 10 List



[Return to Top 10 List]

Brookfield Renewable Partners LP (BEP)

Overview & Current Events

Brookfield Renewable Partners operates one of the world's largest portfolios of publicly-traded renewable power assets. Its portfolio consists of over 16,300 megawatts of capacity and 843 generating facilities in North America, South America, Europe, and Asia. Brookfield Renewable Partners is one of four publicly-traded listed partnerships that is operated by Brookfield Asset Management (BAM). Brookfield Renewable Partners trades with a market capitalization of US$9.0 billion and is cross-listed on the New York Stock Exchange and the Toronto Stock Exchange, where it trades under the tickers 'BEP' and 'BEP.UN', respectively.

Brookfield Renewable Partners is structured as a publicly traded partnership that does not earn active business income. Interest, dividends, and returns of capital are earned and then allocated to unitholders based on the business unit where the funds are sourced. This can create unique tax implications for BEP investors. More information on the tax implication of BEP's distributions can be found here.

In early August, Brookfield Renewable Partners reported (8/3/18) financial results for the second-quarter of fiscal 2018. In the quarter, the company's actual generation increased by 12.9% while its long-term average generation capabilities (which represents how much electricity would be generated if all of the company's assets produced electricity at their long-term average levels) increased by 26.8%. On the bottom line, normalized funds from operations per unit increased by 15.8% while Brookfield reported a net loss per unit of $0.01, comparing very negatively to last year's earnings-per-share of $0.13. While the partnership's earnings-per-share look disappointing on the surface, we recommend that investors pay closer attention to its much-better FFO numbers (more on FFO in this report's growth section). The markets reacted positively to Brookfield Energy Partners' earnings release and shares continue to trade about 4% higher than their pre-earnings announcement levels.

Growth, Competitive Advantages, and Total Returns

Brookfield benefits from various competitive advantages, which include a global operating presence, a long and successful track record of owning and operating real assets, and a skilled management team.

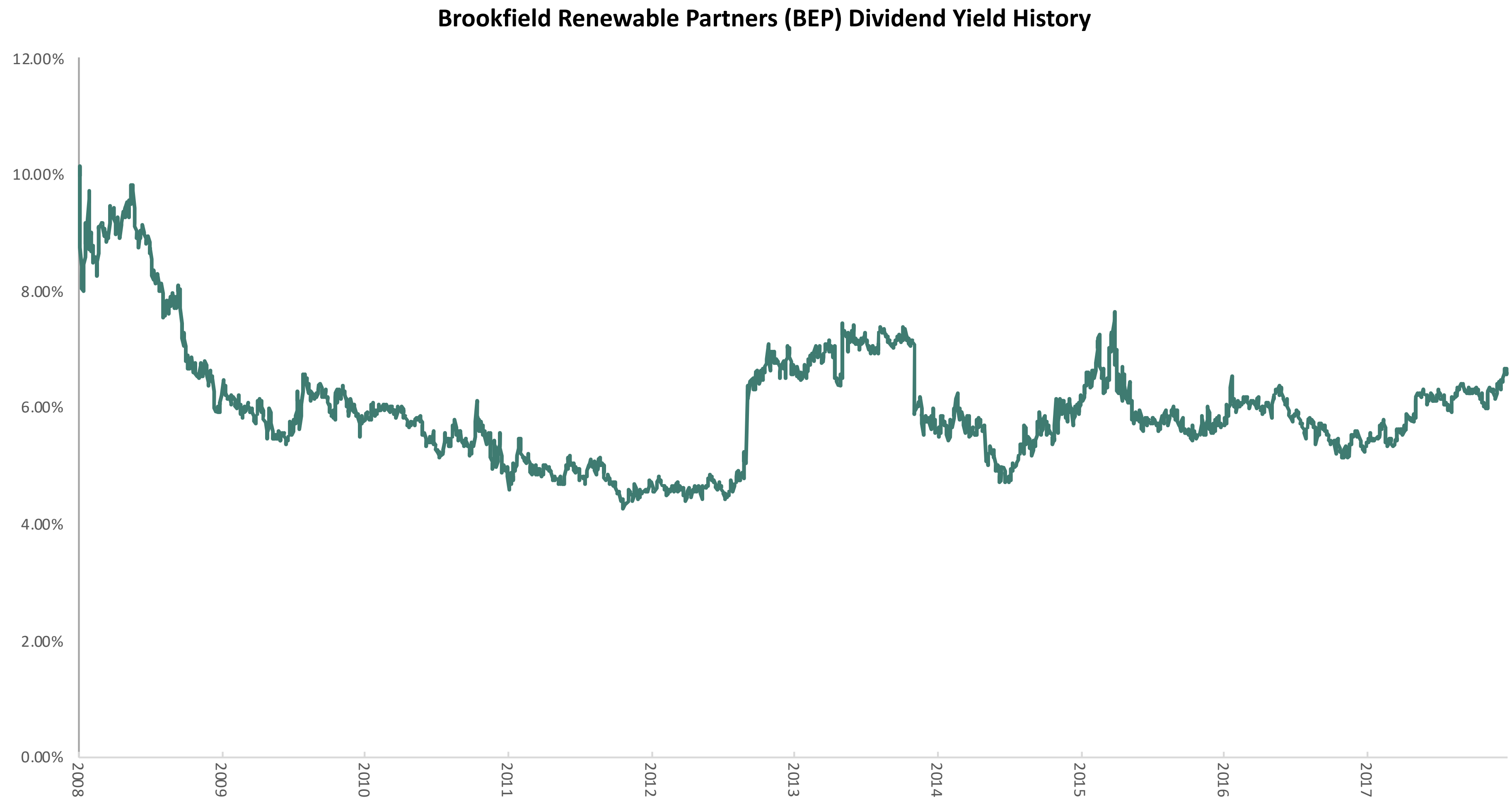
We believe that the best way to measure Brookfield Renewable Partners' valuation is by using the non-GAAP financial metric funds from operations (FFO), which excludes its significant non-cash depreciation expenses. Brookfield Renewable Partners has traded at an average price-to-FFO of 17.0 over the last decade. We believe that the company is likely to generate FFO per share of $2.40 in fiscal 2018, which implies a current price-to-FFO ratio of 12.1. Our fair value target is a price-to-FFO ratio of 14. If the partnership's valuation expands to this level during the next 5 years, this will add 3% to the company's annualized returns during this time period. In addition, Brookfield Renewable Partners has a 6.7% yield and should be able to grow at around 6% per year moving forward. Altogether, the partnership seems capable of delivering total returns about 16% per year from its current price.

Key Statistics, Ratios, & Metrics

Reporting Currency:	USD	**Dividend Yield:**	6.7%[1]
Headquarters City:	Hamilton	**This Year's EPS**:	US$2.40
Headquarters Country:	Bermuda	**Current Stock Price**	US$29.13
Stock Exchange:	NYSE	**Price-to-FFO Ratio:**	12.1
Year Founded:	2011	**Market Capitalization:**	US$9.0 billion

[1] WPP dividends are subject to no withholding tax.

Return to Top 10 List



Return to Top 10 List

Closing Thoughts
- Why Invest In More Than One Country? -

Investors living in the United States have had it quite good over the long run. The United States has been one of (if not the) strongest and most stable economies over the last several decades. But as investors who experienced the 'tech bubble' can attest, even the United States' stock market can experience serious drawdowns.

The tech bubble *pales in comparison* to the extreme bubble experienced by Japan from 1970 through 1989. Japanese large cap stocks compounded *at 22.4% per year* over the 20-year timeframe above. Japanese small cap stocks compounded at an even more impressive 29.7% over the same time period. Buying large-cap Japanese stocks would've produced returns greater than Warren Buffett's lifetime average returns of ~19%. Think about that for a second… The *average* Japanese large-cap stock was producing Buffett-esque returns.

As it turns out, the average Japanese CEO was not as good at allocating capital as Warren Buffett. From 1990 through 2015 Japanese large cap stocks generated total returns of -0.4% per year, while Japanese small caps generated total returns of 1.6% per year. Japanese investors have experienced more than 20 years of tepid returns.

Source for returns: The Greatest Bubble of All Time?

Returns vary by country. Japanese investors who invested globally instead of going 'all in' on Japanese stocks have likely faired *far better* than Japanese investors who invested solely in their home country since 1990. Extremely high valuation levels are largely to blame for the poor performance of Japanese stocks. Paying attention to a country's valuation level is extremely important for long-term returns.

When people say, 'buy and hold does not work,' they tend to point to periods of going 'all in' when a market is *clearly* massively overvalued. And in those cases, buy and hold truly fails – but the problem is not with the holding. It is with buying extremely overvalued securities by investing in a country's extremely overvalued stock markets.

Investors willing to invest outside of their home country can significantly reduce the chance of investing heavily in significantly overvalued markets. As this month's opening thoughts showed, European markets are far from overvalued currently. United States markets, on the other hand, are *at best* around fair value, and likely overvalued currently (but not '1989 Japan' overvalued).

In the final analysis, investors who look globally when necessary, **invest in individual securities that appear to be trading at fair or better prices, and practice reasonable diversification** greatly reduce the chance of experiencing a lost decade (or decades), as many Japanese investors have experienced. As Warren Buffett says, "*Price is what you pay, value is what you get*."

Thanks,
Ben Reynolds

The next newsletter publishes on Sunday, November 18th, 2018

List of Past Recommendations & Performance

Performance is calculated using the closing price on the first trading day *after* the newsletter publishes. Returns include dividends. We have significantly changed the ranking procedures since the initial *Sure Dividend International Newsletter*.

Starting with the October 2018 edition, the newsletter now runs entirely off of our *Sure Analysis Research Database* data and recommendations. Due to this change, we are tracking recommendations from October 2018 and onward on this page. For recommendations prior to this date, please see the September 2018 *Sure Dividend International Newsletter*'s performance page. We will still track all historical recommendations for sells as they occur.

Name & Ticker	**Newsletter Date**	**Total Returns**
Micro Focus International (MFGP)	October 2018	N/A
Brookfield Renewable Partners (BEP)	October 2018	N/A
Autoliv (ALV)	October 2018	N/A
British American Tobacco (BTI)	October 2018	N/A
Daimler AG (DDAIF)	October 2018	N/A
WPP (WPP)	October 2018	N/A
Canadian Natural Resources (CNQ)	October 2018	N/A
Bank of Nova Scotia (BNS)	October 2018	N/A
Enbridge (ENB)	October 2018	N/A
Vodafone (VOD)	October 2018	N/A
Average	N/A	
All-World Ex-U.S. Average (VEU)	N/A	

Performance should be measured over 3 years *at a minimum*. We will have 1 month of performance data using our *Sure Analysis Research Database* recommendations starting next month. Performance will be tracked against the All-World Ex-U.S. ETF (VEU).

Tax Guide

Most foreign countries don't require you to file a tax return if you hold/held securities from their country. Instead, dividends are withheld 'at the source.'

You will receive a 1099 statement at year end from your broker. Box 6 will show how much foreign tax was withheld. In most cases you can get a foreign tax credit.

A tax credit is different from a deduction. Deductions reduce your taxable income, while credits are a dollar-for-dollar reduction in your taxes owed. You have the option of taking a credit or deduction. Credits are generally preferable.

The maximum foreign tax credit is equal to the lower of:

1. The tax you would've owed if the security was in the U.S.
2. The total amount of foreign tax paid

Additionally, the tax credit cannot be more than:

(Income from foreign sources / Total taxable income) x Total U.S. taxes owed.

IRS form 1116 is used in these calculations, unless foreign dividend taxes are less than $300 (or $600 filing jointly). In the $300 and below case, you can enter the taxes paid directly onto your tax return as a tax credit.

If your foreign taxes due are higher than the amount of your would-be U.S. taxes, you can carry over the extra tax credit for up to 10 years. Note that the credit is against taxes *paid*. If you aren't paying taxes, you don't get the credit.

Retirement accounts do not accrue U.S. taxes, so you will not get a foreign tax credit if you use your retirement account to invest in international securities. The exception here is that some countries have tax treaties with the U.S. that waive foreign dividend taxes for U.S. retirement accounts.

In addition to dividend taxes, foreign countries *may* impose capital gains taxes as well. Fewer countries tax capital gains than dividends, but some do. Of course, the U.S. does tax capital gains, so you will have to pay the U.S. government any normal capital gains taxes owed.

The table below details the tax rates for all parent countries of current and prior *Sure Dividend International* recommendations.

Country	**Dividend Withholding Tax Rate**
Bermuda	0%
United Kingdom	0%
Singapore	0%
China (Mainland)	10%
Lebanon	10%
Russia	15%
Turkey	15%
Japan	15%
France	15%[1]
Canada	15%[2]
Netherlands	15%[3]
South Korea	22%
Germany	26%[4]
Italy	26%
Finland	30%
Sweden	30%
Switzerland	35%

Taxation matters are subject to the individual. While we do our best to present the most accurate and up-to-date tax information, we recommend investors speak to a qualified tax expert to maximize tax reductions.

[1] Additional forms must be filed to get this tax rate (see here for more).
[2] 0% if the proper paperwork is filed and the investment is in a U.S. retirement account.
[3] The dividend withholding tax rate in the Netherlands will be reduced to 0% from 15% by 2020, pending legislation (Source).
[4] 26% rounded. The actual dividend withholding tax rate is 26.375%.

How To Buy International Securities

There are 2 primary ways to invest in international securities:

1. Through American Depository Receipts (ADRs).
2. Directly from a foreign stock exchange

We recommend ADRs because it can be time consuming and unwieldly to open brokerage accounts in multiple countries. There is also a convenient available alternative: open a global trading account with your current broker or a different one that offers this service. Among brokers who offer international trading are Interactive Brokers, Fidelity, E*Trade, and Charles Schwab. A global trading account also provides for purchasing international securities directly (not with ADRs).

There are 3 levels of ADRs:
Level I: Exempt from full SEC reporting, usually trade over-the-counter (OTC)
Level II: Report to SEC, can be listed on a major stock exchange
Level III: Same as level II, and the company can use public offerings to raise capital in the U.S.

Our recommendation for investing in international securities is simple. If a level II or III ADR is available, that is the best way because it is safest. Level I ADRs are riskier because they tend to be relatively illiquid (lower trading volumes) and they don't have to report to the SEC.

Investing in Level II and III ADRs is similar to investing in other publicly traded securities on large exchanges. In general, you can tell the level of ADR by its ticker. A level II or III ADR will have a 'normal' 1 to 4 letter ticker. A level I ADR will have a longer ticker, usually 5 letters.

If only a level I ADR is available, we may still recommend it depending on its volume. Our rule of thumb is if average daily volume is ~$1 million or more we may recommend the ADR. If the level I ADR is thinly traded, or if no ADR exists, an investor could still invest directly in the security via that security's home exchange. As a general rule, never trade more than 5% of a security's daily volume. Since other Sure Dividend readers may also be making similar trades, we would prefer to use 1% of volume as a 'safe' level. Depending on your account size, smaller volumes may also generally be safer.

If volume is not sufficient, we will not recommend buying OTC (Level I) shares. When purchasing OTC shares, be sure to use limit orders as market orders could potentially be filled at unsatisfactory prices.

Please email us at support@suredividend.com with any questions you have on the actual process required to purchase international securities. As a newsletter provider, we can't provide specific personal investment advice, only general information.

Selling Guide

Buying securities is only part of the battle. Knowing *when to sell* and *how long to hold* is also critical to investing success. Sure Dividend focuses on investing for long periods of time. Our favorite investments are those we don't have to sell.

With that said, there are 2 primary situations where it makes sense to sell:

Situation 1: If a security is significantly overvalued and total returns are likely to be mediocre going forward due to the excessive valuation.

Situation 2: If the company has lost its competitive advantage and is unlikely to generate adequate total returns for investors going forward.

We will periodically review all past recommendations to determine their status. As long-term investors, we prefer to err on the side of holding rather than selling. Sell recommendations will be covered in detail in the Opening Thoughts section of the newsletter.

Sell decisions are determined qualitatively, not quantitatively. We have chosen a qualitative approach as international securities tend to put less of an emphasis on increasing dividends every year. Additionally, valuations and business results fluctuate more widely with many international securities, making a qualitative approach more suitable.