Sure Dividend International

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

August 2019 Edition

By Ben Reynolds, Nick McCullum, Bob Ciura, Josh Arnold, & Samuel Smith

Edited by Brad Beams

Published on August 18st, 2019

Table of Contents

Opening Thoughts
- Do International Markets Respond To U.S. Federal Funds Rate Changes? -

This month's opening thoughts asks the question, *"to what extent do recent federal funds rate changes impact international markets versus U.S. markets?"* We looked at the following federal funds rate decision changes:

2019

Date	Decrease	Level (%)
August 1	25	2.00-2.25

2018

Date	Increase	Level (%)
December 20	25	2.25-2.50
September 27	25	2.00-2.25
June 14	25	1.75-2.00
March 22	25	1.50-1.75

2017

Date	Increase	Level (%)
December 14	25	1.25-1.50
June 15	25	1.00-1.25
March 16	25	0.75-1.00

2016

Date	Increase	Level (%)
December 15	25	0.50-0.75

2015

Date	Increase	Level (%)
December 17	25	0.25-0.50

Source: The Federal Reserve

There were no federal funds rate changes from 2009 up to December 2015. The above 10 changes give us 10 fairly recent data points. The table below shows the five-day performance of the S&P 500 (SPY) versus our international benchmark (VEU) starting with market close the trading day before the date of the federal funds rate change.

Fed Funds Change Date	Change	S&P 500 (SPY)	International (VEU)
8/1/2019	-0.25%	-4.58%	-4.33%
12/20/2018	0.25%	-6.19%	-2.70%
9/27/2018	0.25%	0.64%	-0.55%
6/14/2018	0.25%	-0.08%	-1.58%
3/22/2018	0.25%	-1.97%	-1.33%
12/14/2017	0.25%	1.06%	0.63%
6/15/2017	0.25%	0.66%	0.12%
3/16/2017	0.25%	-0.48%	0.78%
12/15/2016	0.25%	0.43%	-0.45%
12/17/2015	0.25%	-2.48%	-1.62%

The direction of performance was the same in 7 out of 10 recent changes for the S&P 500 versus international stocks. While there are only 10 dates above, the performance correlation between SPY and VEU is high at 0.82. There's actually a higher correlation (0.72) for VEU to the fed funds rate change than for SPY to the fed funds rate change (0.47).

There does appear to be influence between the Federal Reserve's funds rate decisions and international market performance which makes sense when one considers how interconnected global markets are today. With that said, we would never base our investment decisions primarily on the federal funds rate; instead, the strength of the individual business and the price paid is of primary importance.

Sell Recommendations: Enel SpA (ENLAY) and ACEA SpA (ACE.MI)

Both Enel SpA and ACEA SpA are historical Sure Dividend International recommendations made prior to our switch to using exclusively Sure Analysis Research Database data for our rankings. As a result, they are not reflected in our Past Recommendations & Sells portion of this newsletter.

We first recommended ACEA in the inaugural January 2018 edition of *The Sure Dividend International Newsletter*. We first recommended Enel in the March 2018 edition. ACEA has generated total returns[1] of 15.1% in Euros and ~7% in USD since that time, and Enel has generated total returns of 22.8% since our first recommendation.

For comparison, the Vanguard All-World Ex-US ETF (VEU) has generated total returns of -12.2% since our ACEA recommendation, and -9.5% since our Enel recommendation. ACEA has outperformed our benchmark by ~19 percentage points, and Enel has outperformed our benchmark by 32.3 percentage points, respectively.

Our reasoning for selling ACEA is that the company is headquartered in a struggling country (Italy) and reduced its dividend during The Great Recession. As a utility, we don't expect rapid growth from ACEA, but it does not have the quality metrics we'd like to see to recommend holding it for the long run. This lack of quality metrics combined with the security's solid performance and fairly valued status makes us recommend selling ACEA stock now. The proceeds should be put into securities with a better risk/return profile.

We are also recommending investors sell Enel for similar reasons. Like ACEA, Enel has significant exposure to Italy, is a utility that isn't expected to grow rapidly, and has a sporadic dividend history which includes reductions during The Great Recession. In addition, Enel carries a relatively high debt burden. Enel also does not have the level of safety we'd like to see in a long-term holding. As a result, we recommend investors sell now and lock in their long-term gains.

These moves will reduce the risk profile in an investor's portfolio relative to dividend income. At the same time, they lock in long-term capital gains and relative outperformance versus VEU.

As a reminder, we will only recommend selling securities that have holding periods of longer than one year to qualify for long-term capital gains taxation. This avoids higher short-term tax rates.

The proceeds from both Enel and ACEA sells can be reinvested into high-quality international dividend growth prospects with more attractive risk/return profiles. The securities in this month's Top 10 make excellent candidates.

[1] Total return data is through market close 8/14/19. Return data in USD for ACEA SpA is approximate due to minor currency effects on dividends received during the holding period.

The International Top 10 – August 2019

Name and Ticker	Country	Div. Risk Score	Exp. Value Return	Dividend Yield[1]	Exp. Growth	ETR
Brookfield Asset Mgmt. (BAM)	Canada	A	5.2%	1.1%	12.0%	18.3%
Imperial Oil (IMO)	Canada	A	7.6%	2.1%	7.0%	16.7%
Pentair (PNR)	England	A	3.6%	2.0%	6.5%	12.1%
Inter Pipeline (IPPLF)	Canada	A	-0.2%	6.0%	5.1%	10.9%
Scotiabank (BNS)	Canada	B	3.8%	4.4%	6.0%	14.2%
Royal Bank of Canada (RY)	Canada	B	1.8%	3.6%	8.0%	13.4%
Fresenius Medical (FMS)	Germany	B	5.6%	1.6%	6.0%	13.2%
Bank of Montreal (BMO)	Canada	B	2.9%	3.8%	5.5%	12.2%
Toronto-Dominion Bank (TD)	Canada	B	0.9%	3.5%	7.0%	11.4%
National Bank of Can. (NTIOF)	Canada	B	1.3%	3.7%	6.0%	11.0%

Notes: *Data for the table above is primarily from The Sure Analysis Research Database and analysis in this newsletter. 'Exp. Value Return' means expected returns from valuation changes annually. 'Exp. Growth' means expected annualized growth rate over the next 5 years. 'ETR' stands for expected total returns and is the sum of the preceding three columns. Data in the table above might be slightly different than individual company analysis pages due to writing the company reports throughout the week.*

Disclosure: *Nick McCullum is personally long the following from this month's Top 10: BAM, BNS, RY, and TD. Samuel Smith is personally long BAM.*

There are five new securities in this month's Top 10 compared to last month's edition. Imperial Oil (IMO), Pentair (PNR), Inter Pipeline (IPPLF), Fresenius Medical (FMS), and Bank of Montreal have replaced Micro Focus International (MFGP), Imperial Brands (IMMBY), Total (TOT), Enbridge (ENB), and Canadian Imperial Bank of Commerce (CM).

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

Dividend Yield:	3.2%	**Expected Valuation Return:**	3.1%
Growth Rate:	6.9%	**Expected Total Return:**	13.1%

The securities in the *Sure Dividend International Newsletter* have a mix of above-average dividend yields, about average growth prospects, solid safety scores, and they are undervalued. In short, these tend to be securities that are shareholder friendly, conservative, and underappreciated.

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 August 14th through August 16th, 2019.

[1] After accounting for any applicable withholding taxes.

Analysis of Top 10 Securities

Brookfield Asset Mgmt. Inc. (BAM)

Overview & Current Events

Brookfield Asset Management (BAM) is a leading global alternative asset manager and one of the largest global investors in real assets – which includes real estate, renewable power, infrastructure, and private equity. The company is headquartered in Toronto, Canada and manages four publicly traded partnerships: Brookfield Property Partners (BPY), Brookfield Infrastructure Partners (BIP), Brookfield Renewable Partners (BEP), and Brookfield Business Partners (BBU). BAM trades with a market capitalization of US$49 billion and is cross-listed on the New York Stock Exchange and the Toronto Stock Exchange, where its common equity trades under the tickers 'BAM' and 'BAM.A', respectively. Despite operating as a Canadian company, BAM reports financial results in U.S. dollars.

In early August, Brookfield Asset Management reported (8/8/19) financial results for the second quarter of fiscal 2019. In the quarter, the company's funds from operations (FFO) per share of $1.09 increased by 41.6% over the same period a year ago while the same figure rose by 13.7% through the first six months of the fiscal year. Another important metric for the company is fee related earnings ("FRE") before performance fees, which totaled $263 million in the quarter – an increase of 33%.

Brookfield's strong financial results were accompanied by a number of operational milestones. The company announced that it has raised $40 billion of private fund capital over the last twelve months, including $27 billion in its latest round of flagship fundraising and $13 billion for its "*newer strategies and co-investments*." Separately, Brookfield announced that its annualized fees and target carried interest now stand at a run-rate of $3.4 billion – an increase of 33% year-on-year. Perhaps what's most impressive is Brookfield's projections for the coming five years. The company expects to grow its free cash flow from $2.55 billion in 2019 to $5.39 billion in 2023 – which is equivalent to a CAGR of more than 16%. Brookfield plans to allocate this capital in a shareholder-friendly manner, writing: *"Assuming we have not determined that there is a more beneficial use for this cash, our base case plan is that ±$50 billion will be available to be returned from time to time to shareholders over the next 10 years."* For context, this is more than Brookfield's current equity market capitalization.

Growth, Competitive Advantage & Total Returns

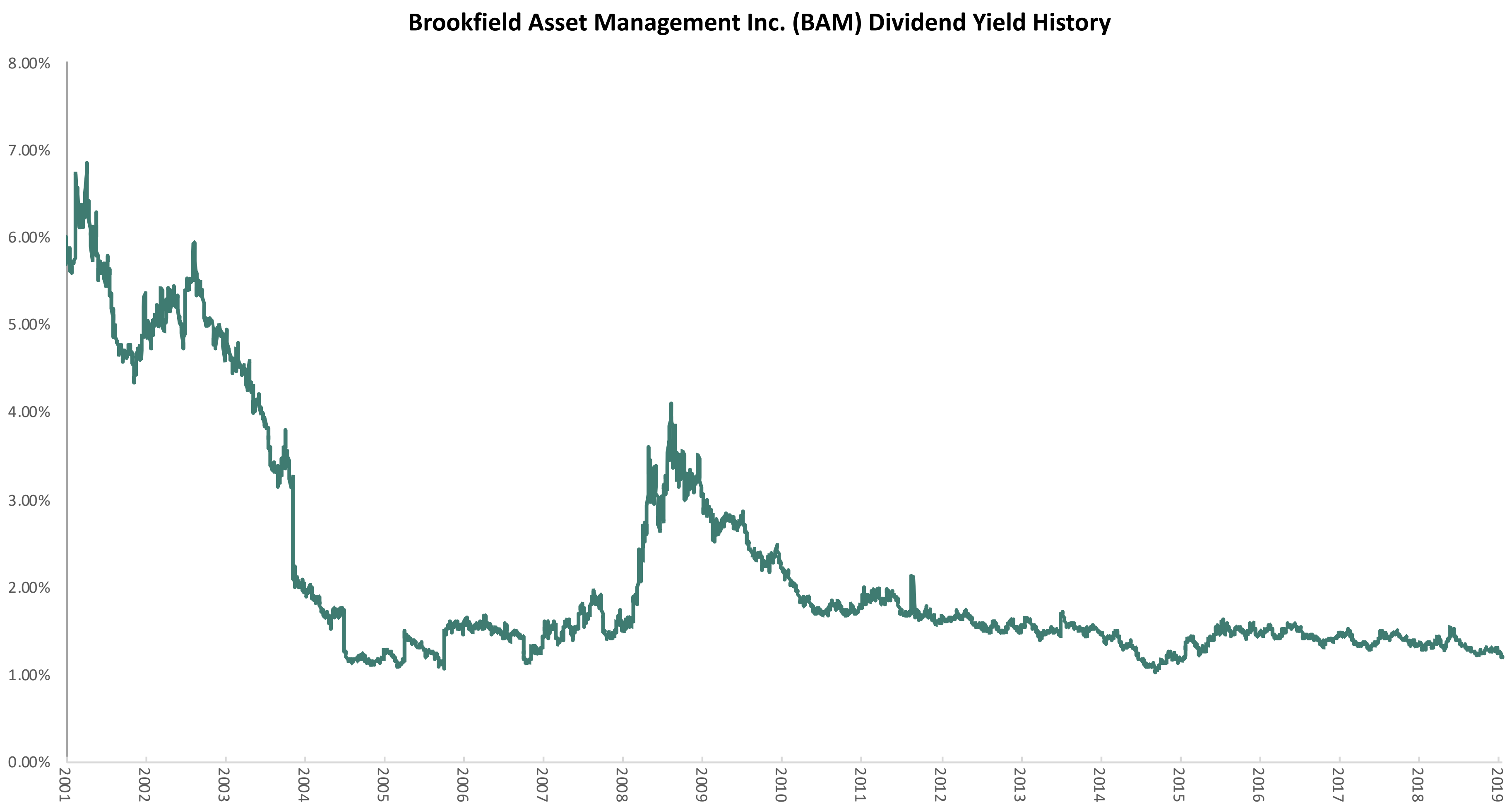
Brookfield Asset Management has traded at an average price-to-FFO multiple of 11 over the last decade, if you exclude two years (anomalies in 2012 and 2013). Looking ahead, our fair value estimate for the company is 12 times funds from operations. The company is trading at 9.3 times our 2019 FFO estimate today. If Brookfield Asset Management's price-to-FFO multiple expands to 12 over the next 5 years, this will boost its total returns by 5.2% per year during this time period. Overall, our estimate for the company's 5-year annualized total returns are 18.3%, comprised of its 1.1% dividend yield, 12% business growth, and 5.2% potential for valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	1.1%[1]
Headquarters City:	Toronto	**Dividend History:**	8 years of increases
Headquarters Country:	Canada	**10-Year Average P/FFO:**	11.0
Stock Exchange:	TSX & NYSE	**Price-to-FFO Ratio:**	9.3
Year Founded:	1899	**Market Capitalization:**	US$49 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 1.3%.

Return to Top 10 List



Return to Top 10 List

Imperial Oil Ltd (IMO)

Overview & Current Events

Imperial Oil is an integrated oil and gas conglomerate based in Canada. The company operates three core segments: Upstream, Downstream, and Chemical. The Upstream segment includes the exploration for and production of crude oil and natural gas. The Downstream segment consists of the refining of crude oil into petroleum products. The Chemical segment manufactures and markets hydrocarbon-based chemical products. Exxon Mobil owns approximately 70% of Imperial Oil.

In early August, Imperial Oil reported (8/2/19) its financial results for the second quarter of fiscal 2019. Net income came in at over C$1.21 billion thanks in large part to a C$662 million benefit from the Alberta corporate tax rate change. Additionally, production was at its second highest quarterly level in over a quarter century. This enabled the company to generate C$1 billion of cash from operations to bring the first half total to C$2 billion, the highest it has been since 2014. Management continued its shareholder-friendly focus by returning C$515 million of this to shareholders through dividends and share buybacks. The company also sanctioned its Aspen expansion project as part of its larger effort to extend its market access and lower its exposure to the heavy oil discount.

Growth, Competitive Advantages, and Total Returns

The primary growth catalyst for Imperial Oil is higher commodity prices, followed closely by higher margins in the refining segment. Now that oil prices have recovered from the 2014-2016 downturn, Imperial Oil's earnings have improved as well. Continued growth is possible for Imperial Oil. According to the company, Canada has the third-highest level of oil reserves worldwide, behind only Venezuela and Saudi Arabia. Imperial Oil expects to grow its production by 15% from 2018 to 2020. Share repurchases will also help boost earnings growth. Imperial Oil reduced its share count by 5% in the last 12 months, and management intends to continue buying back stock going forward. Imperial Oil's high-quality reserves are a major competitive advantage, as is the company's robust financial position, which earns a credit rating of AA+ from S&P. A strong balance sheet and high credit rating help the company raise capital at favorable terms with more cash flow left over for dividends. Imperial Oil has paid 100+ years of dividends and has increased its dividend for 24 years.

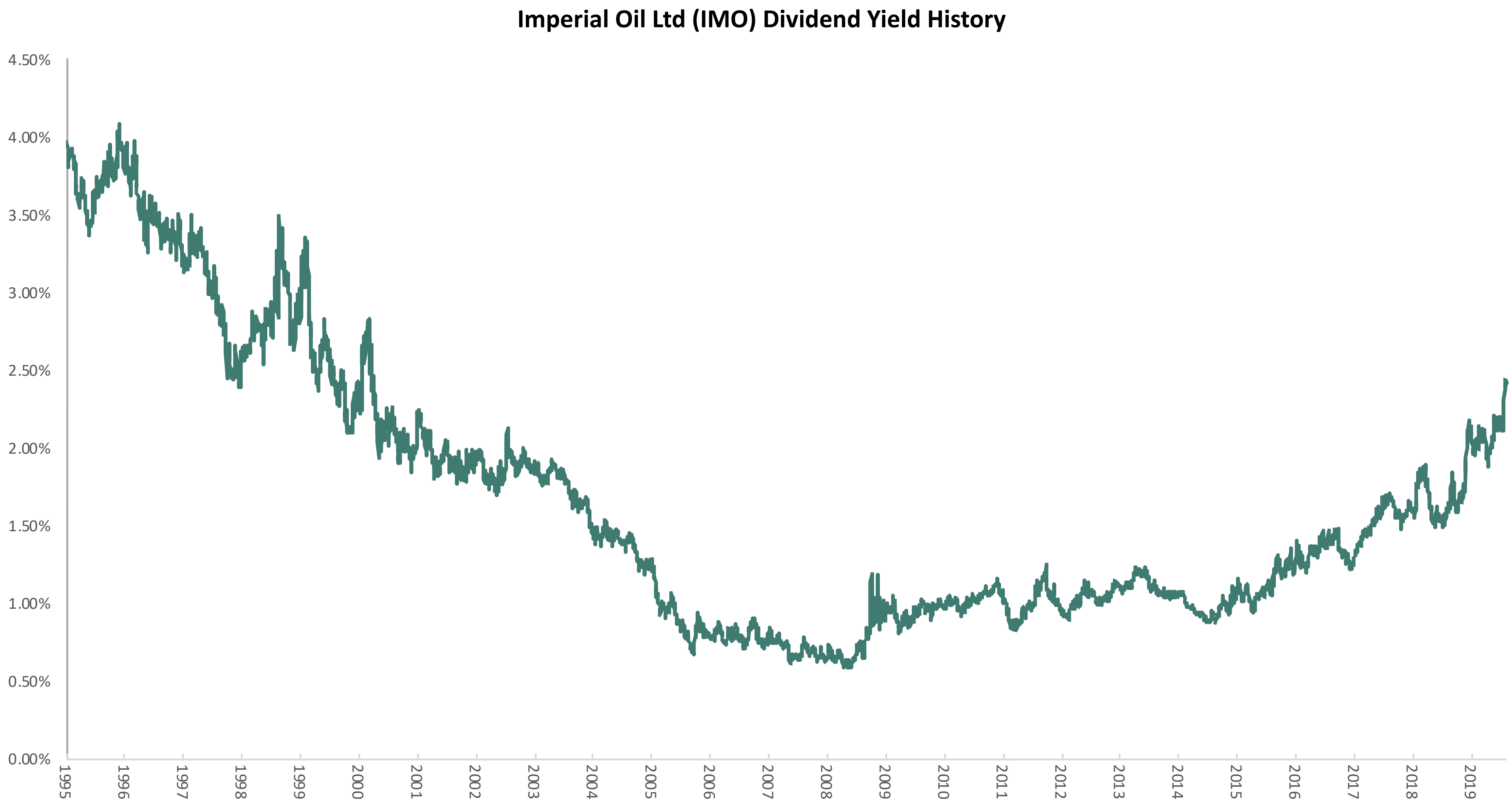
Based on projected 2019 earnings-per-share of US$2.50, Imperial Oil stock trades for a price-to-earnings ratio of 9.7. This is well below our fair value estimate of 14.0, a reasonable valuation for a large-cap oil stock with modest growth potential. Because of this, valuation changes are expected to boost shareholder returns by approximately 7.6% per year over the next five years. In addition to valuation changes, earnings growth and dividends will also fuel positive shareholder returns. Earnings are expected to grow by 7% per year over next five years, as the company capitalizes on the oil price rally and ramps up its growth projects. In addition, the stock has a dividend yield of 2.1%. Overall, we believe that Imperial Oil's total returns could reach 16.7% per year over the next five years.

Key Statistics, Ratios, & Metrics

Currency:	Canadian Dollar	**Dividend Yield:**	2.1%[1]
Headquarters City:	Calgary	**Dividend History:**	Increasing for 24 years
Headquarters Country:	Canada	**10-Year Average P/E:**	18.7
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	9.7
Year Founded:	1880	**Market Capitalization:**	US$18.6 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 2.5%

Return to Top 10 List



Return to Top 10 List

Pentair plc (PNR)

Overview & Current Events

Pentair, until recently, was an industrial conglomerate of sorts. However, it recently spun off its Technical Solutions segment and now is a pure play on water solutions. Pentair aims to give consumers and businesses access to clean, safe water; as well as reduce water consumption, recover used water, and reuse it. The company operates in three segments that cater to some form of water management: Aquatic Systems, Filtration Solutions, and Flow Technologies. It was founded in 1966 and trades with a $6.1 billion market capitalization and should produce $3 billion in revenue this year. Pentair employs 10,000 people in 130 locations in 34 countries, so it is a truly global enterprise. In addition, Pentair has a very impressive dividend growth streak of 42 years, qualifying it to be a member of the prestigious Dividend Aristocrats list. Pentair's global headquarters is in London, but the stock trades on the NYSE under ticker PNR.

Pentair reported Q2 earnings on 7/23/19 and results beat expectations on the top and bottom lines. Total sales growth came in at 2.4% in Q2, rising year-over-year to $800 million. Aquatic Systems revenue fell 2% against the year-ago period to $271 million, Flow Technologies revenue was essentially flat at $243 million, while Filtration Solutions provided sizable growth at +8.9%, to $286 million. Excluding acquisitions, divestitures, and currency translation, organic sales rose 1% in Q2.

Gross margins declined slightly in Q2 vs. year-over-year, falling 34bps to 35.9% of revenue. This led to lower operating income, which declined by 103bps to 16.7% of revenue. On a dollar basis, segment income fell 6% year-over-year to $154 million, which was the product of higher sales, but lower margins. Free cash flow came to $343 million in Q2.

Pentair guided for $2.35 in earnings-per-share for the year, as well as flat to 1% sales growth.

Growth, Competitive Advantage & Total Returns

Pentair's management team believes 10% long-term earnings-per-share growth is possible annually, but we are more cautious. We see 6.5% in annual earnings-per-share expansion given that the company's historical growth rate is in the high single-digits. This growth will accrue from higher revenue, some measure of margin expansion, as well as share repurchases. The combination of low single-digit tailwinds for each should produce a combined 6% to 7% tailwind to earnings-per-share.

Pentair's competitive advantage is its entrenched position in niche water-related markets that don't have a lot of competitors. Pentair's leadership position in these small, but profitable, markets, as well as its lean and efficient operating structure, makes for a strong outlook.

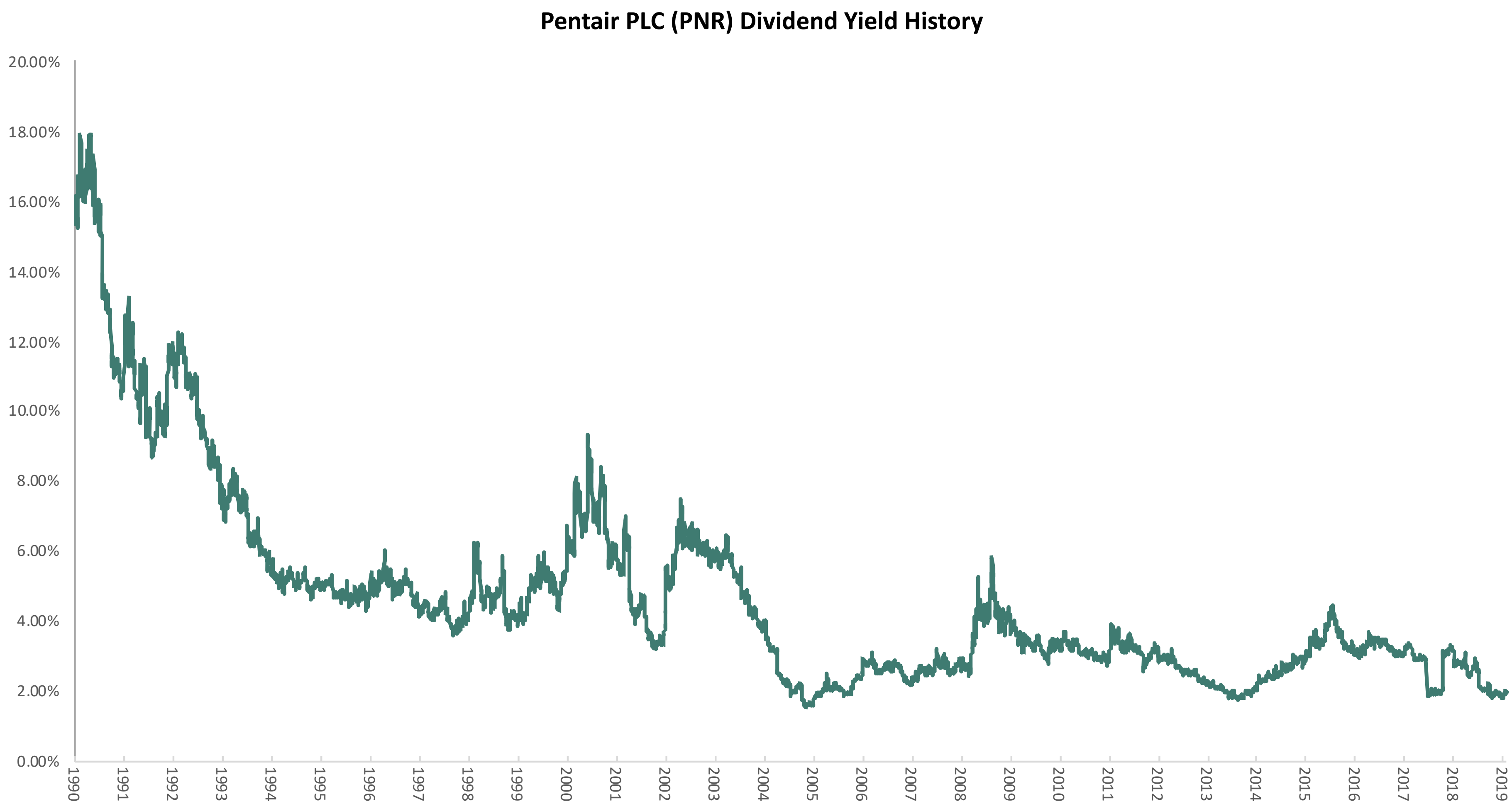
The recent weakness in the stock means that we expect to see very strong total annual returns from Pentair in the coming years. Indeed, we are forecasting robust 12.1% total annual returns, which will accrue from 6.5% earnings-per-share growth, the 2.0% dividend yield, as well as a 3.6% tailwind from a rising valuation. Pentair shares trade for just 15.1 times this year's earnings estimate, which compares very favorably to the company's historical average of 18.2 times earnings, and indeed our fair value estimate of 18 times earnings. Given this, we rate Pentair a buy.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	2.0%[1]
Headquarters City:	London	**Dividend History:**	Increasing for 42 years
Headquarters Country:	England	**10-Year Avg. P/E Ratio:**	18.2
Stock Exchange:	NYSE	**Price-To-Earnings Ratio:**	15.1
Year Founded:	1966	**Market Cap:** $6.1 billion	

[1] There is no withholding tax on dividends received from companies headquartered in the U.K.

Return to Top 10 List



Return to Top 10 List

Inter Pipeline Ltd (IPPLF)

Overview & Current Events

Inter Pipeline is an energy infrastructure company founded in 1997 with a $7.6 billion market cap whose assets transport, process, and store energy products; largely in Western Canada and at a much smaller scale in Europe. Inter Pipeline stock trades on the Toronto Stock Exchange with the ticker IPL and over-the-counter in the U.S. under the ticker IPPLF. The company estimates 2019 EBITDA for its four segments as follows: 54% Oil Sands Transportation, 24% Natural Gas Liquids (NGL) Processing, 12% Conventional Oil Pipelines, and 10% Bulk Liquid Storage.

Inter Pipeline reported its second-quarter results on August 8, 2019. The company generated revenue of $642 million, up 2% versus the same period a year ago. Funds from operations (FFO) fell 8% to $240 million and was down 13% to $0.59 on a per-share basis. Pipeline volumes fell 3%, natural gas liquids processing volumes increased 18%, and bulk liquid storage declined about 1% to 83% capacity. FFO for NGL processing fell 29% year-over-year and was the biggest drag on FFO. Growth capital expenditures roughly doubled to $364 million as the company continued its multi-year investment in the Heartland Petrochemical Complex, which is scheduled to complete by late 2021, for a total investment of $3.5 billion. In July, Inter Pipeline completed the Kirby North Connection project, which is underpinned by a long-term take-or-pay agreement with Canadian Natural Resources (CNQ). It invested $110 million in the project ahead of schedule and under budget.

Growth, Competitive Advantages, and Total Returns

From 2009 to 2018, Inter Pipeline increased its FFO/S by 9.1% per year. We estimate a ~14% decline in FFO/S for 2019 after the reported Q2 results. We also expect the FFO/S to stay roughly flat to 2021, until the Heartland project goes into service, which will add materially to cash flow. Inter Pipeline expects Heartland to generate on average $450 to $500 million in EBITDA per year.

Inter Pipeline remained stable during the last recession and energy price collapse thanks to its high-quality assets. The core of its asset base is concentrated in Western Canada, which keeps costs low and allowed it to earn a high EBITDA margin of 48% in 2018. Inter Pipeline also has a high credit rating of BBB+ from Standard & Poor's.

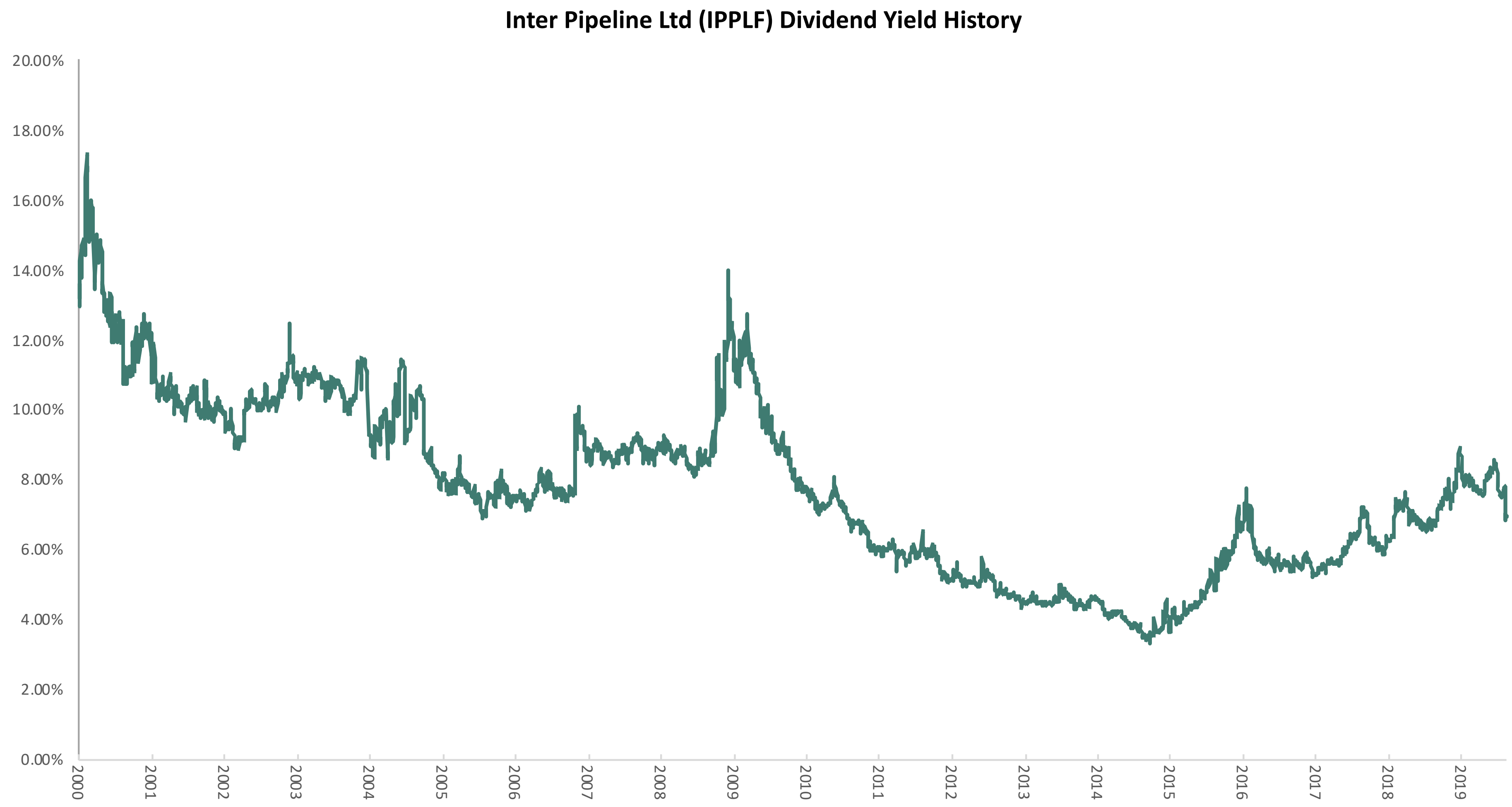
Inter Pipeline's average P/FFO since 2009 is ~12. We expect growth of 5.1% per year through 2024, and as such a fair value P/FFO of ~10 makes sense to reflect weaker expected growth than historical averages. Based on expected FFO-per-share of C$2.41, equating to US$1.81 per share, Inter Pipeline shares trade at a price-to-FFO ratio of 10.1. Contraction of the price-to-FFO ratio to our fair value estimate would decrease annual returns by 0.2% each year. Inter Pipeline also pays a monthly dividend of C$0.1425, or US$1.28 on an annual basis, for a current dividend yield of 6.0% after withholding tax. The combination of 5.1% annual FFO growth, 0.2% valuation multiple contraction, and the 6.0% dividend yield result in expected total returns of 10.9% per year over the next five years.

Key Statistics, Ratios, & Metrics

Currency:	Canadian Dollar	**Dividend Yield:**	6.0%[1]
Headquarters City:	Calgary	**Dividend History:**	Increasing since 2009
Headquarters Country:	Canada	**10-Year Average P/FFO:**	12
Stock Exchange:	TSX & NYSE	**Price-to-FFO Ratio:**	10.1
Year Founded:	1997	**Market Capitalization:**	US$7.6 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 7.0%

Return to Top 10 List



Return to Top 10 List

The 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 (TD). The company operates in three business units: Canadian Banking (49% of 2018's net income), International Banking (31%), and Global Banking and Markets (20%).

Scotiabank reported business improvement in fiscal Q2 results on 5/28/19. Revenue increased 10.6% to C$7.8 billion over Q2 2018 thanks to a 6.2% gain in interest income and a 16.2% boost in non-interest income. Earnings from the Personal and Commercial banking businesses were up 8% year-over-year while Global Banking and Markets rebounded strongly, seeing net income increase by 9% in the first half of the year. The bank's provisions for credit losses soared 63% to $873 million in Q2. Higher provisions are to be expected given that Scotiabank is growing its loan book both organically and via acquisitions, but it does reduce earnings in the short-term.

Adjusted earnings-per-share (EPS) were essentially flat, coming in at C$1.70 vs. C$1.71 in the year-ago period. The bank's capital position also remains quite strong with its common equity tier 1 capital ratio at 11.1%, and its shareholders' equity rose 11% from $57.2 billion a year ago to $63.6 billion today. Scotiabank also announced it will repurchase ~2% of its outstanding shares. In the first half of the fiscal year, Scotiabank reported diluted EPS of C$3.44, down 3.4% over the same period in the prior year. Therefore, we are revising our EPS estimate down to C$7.25 for 2019.

Growth, Competitive Advantages, and Total Returns

Scotiabank has a positive long-term growth outlook, driven by its expansion into new markets, specifically under-developed nations and emerging markets. Scotiabank has been entering markets within Latin America, where it can use its size and capital strength to acquire smaller players and consolidate the industry. These markets are appealing because net interest margins there are significantly higher. In the most recent quarter, the International Banking segment generated revenue growth of 22% and adjusted net income growth of 16% while operating with a net interest margin of 4.52% (compared to 2.45% for the Canadian Banking unit). We expect Scotiabank to grow EPS by 6% compounded annually over the next five years.

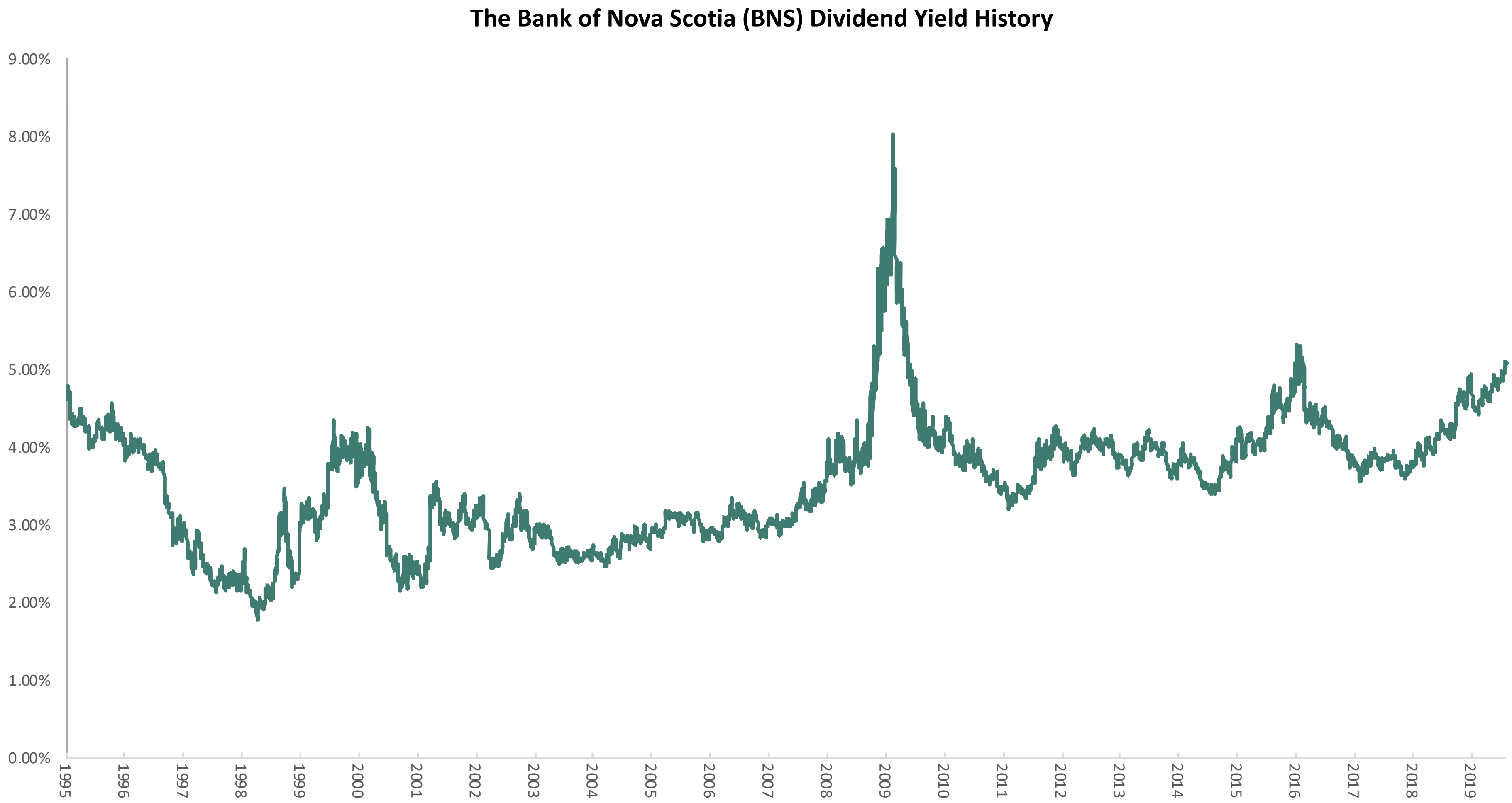
We expect 2019 earnings-per-share of about US$5.44, or C$7.25. Using this earnings estimate, Scotiabank's NYSE-listed shares are trading at a price-to-earnings ratio of 9.4 today. Our fair value estimate for the company is a price-to-earnings ratio of 11.3, a slightly downward revision from our previous target P/E, due to the company's slowing EPS growth in recent periods. If Scotiabank's price-to-earnings ratio expands to 11.3 over the next five years, this will add 3.8% to its annualized returns. Between dividend payments (4.4%), earnings growth (6%), and valuation expansion (3.8%), we believe that Scotiabank has the potential to deliver annualized returns of 14.2% through 2024.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	4.4%[1]
Headquarters City:	Toronto	**Dividend History**:	35 increases in last 40 years
Headquarters Country:	Canada	**10-Year Average P/E:**	11.5
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	9.4
Year Founded:	1832	**Market Capitalization:**	US$62 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 5.2%.

Return to Top 10 List



Return to Top 10 List

Royal Bank of Canada (RY)

Overview & Current Events

The Royal Bank of Canada – hereafter RBC – is the largest bank in Canada by market capitalization, and the country's second-largest bank by total assets, behind The Toronto-Dominion Bank (TD). The financial institution operates in five business units: Personal & Commercial Banking, Wealth Management, Insurance, Investor & Treasury Services, and Capital Markets.

RBC reported Q2 results on May 23. The bank saw a 6% increase in net income and diluted earnings-per-share growth of 7% against the year-ago period thanks to strong earnings growth in the segments of Capital Markets, Personal & Commercial Banking, and Wealth Management. The bank's return on equity was solid at 17.5%. Revenue was up 14% against the same period last year, but some of that growth was offset by higher expenses. Provisions for credit losses (PCL) moved materially higher, gaining 55% in Q2 due to higher PCL on impaired loans on a couple of accounts in its Canadian Banking commercial portfolio. However, we believe the bank's ongoing credit quality still remains strong. Non-interest expense rose 8% in Q2, meaning the bank gained some margin efficiency on lower operating expense growth versus revenue growth. Year-over-year, net interest margin was down from 1.68% to 1.64% in Q2, which is a low value compared to many other banks. Overall, RBC's quarterly financial performance was in-line with our long-term expectations. We have a C$9.00 earnings estimate for RBC in fiscal 2019.

Growth, Competitive Advantage, and Total Returns

RBC's future growth will come from continued expansion into the U.S. banking market. The company's largest penetration into this arena came with the 2015 purchase of Los Angeles-based City National Corporation, for which the bank paid US$5.0 billion. In fiscal 2018, 23% of RBC's revenue was generated from the U.S. We believe RBC is capable of growing its earnings-per-share at 8% per year over full economic cycles.

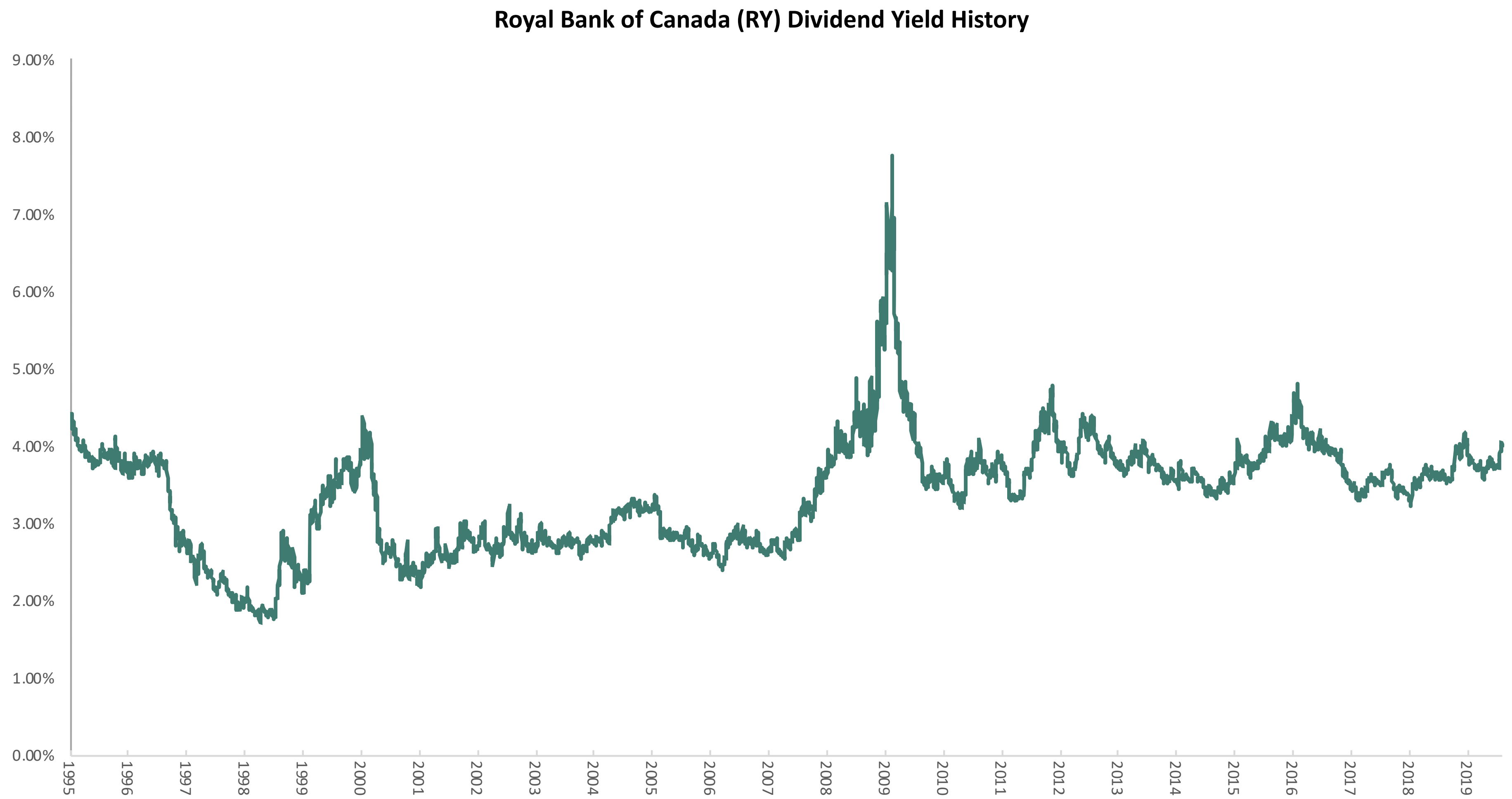
We expect RBC to generate earnings-per-share of around C$9.00 in fiscal 2019, which is equivalent to US$6.76. The company's NYSE-listed shares currently trade around $80, which implies a price-to-earnings ratio of 11.0. As the largest among the Canadian Banks, RBC has historically traded at a premium valuation relative to its peers. The company's 10-year average price-to-earnings ratio is 12.6 and our fair value target is an earnings multiple of 12. If RBC's price-to-earnings ratio expands to 12 over the next five years, this will boost its total returns by 1.8% per year. Combine this potential for valuation expansion with RBC's growth potential (8.0%) and dividend yield (3.6%) and RBC appears capable of delivering total returns of 13.4% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.6%[1]
Headquarters City:	Toronto	**Dividend History**:	8 years of increases[2]
Headquarters Country:	Canada	**10-Year Average P/E:**	12.6
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	11.0
Year Founded:	1864	**Market Capitalization:**	US$107 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 4.2%.
[2] Although RBC (RY) has only increased its dividend for eight *consecutive* years, the company has paid *steady or rising* dividends for decades.

Return to Top 10 List



[Return to Top 10 List](#)

Fresenius Medical Care AG & Co. KGaA (FMS)

Overview & Current Events

Fresenius Medical Care operates in the healthcare sector and is based in Germany. The company goes back to 1912, when Dr. Eduard Fresenius began the production of pharmaceuticals at the Hirsch Pharmacy. Today, the company primarily focuses on kidney-related diseases. Its products include dialysis machines, dialyzers and related disposables. Fresenius has a stock market capitalization of approximately US$20 billion.

Fresenius reported Q2 earnings on 7/30/19 and results missed expectations, sending shares lower. Revenue was up 3% year-over-year on a reported basis, but flat on a constant currency basis. Organic growth was 4% and adjusted for acquisitions and divestitures, as well as IFRS 16 (a new standard for lease accounting) implementation, revenue was up 8%. Health Care Services revenue rose by 2% (-2% at constant currency), while Health Care Products revenue rose 7% (+6% at constant currency).

Second quarter EBIT decreased by 63% as operating margin came in at 12% versus 33.3% in the year-ago period. However, on an adjusted basis, EBIT fell only 12% (-17% at constant currency) as the prior year's Q2 contained a divestiture gain on Care Coordination activities. Higher personnel expense and a reduction in patient attribution, as well as a decreased savings rate for ESCO[1]s all weighed on operating margins and profits. Earnings-per-share fell 9% (-14% at constant currency) in Q2.

Growth, Competitive Advantages, and Total Returns

Fresenius sShould continue to generate growth over the long-term because of its operational focus. According to the company, approximately 3.2 million people around the world undergo regular dialysis treatment, and Fresenius estimates the number of dialysis patients will grow to 4.9 million by 2025. In addition, Fresenius is seeking growth in new channels, specifically at-home care. Fresenius recently completed its $2 billion acquisition of NxStage Medical, which specializes in at-home dialysis equipment and related products. NxStage expects to generate revenue of approximately US$270 million to US$292 million in 2019, and up to US$371 million in 2020. We believe annual earnings growth of 6% is achievable for Fresenius, thanks to the company's strong industry position.

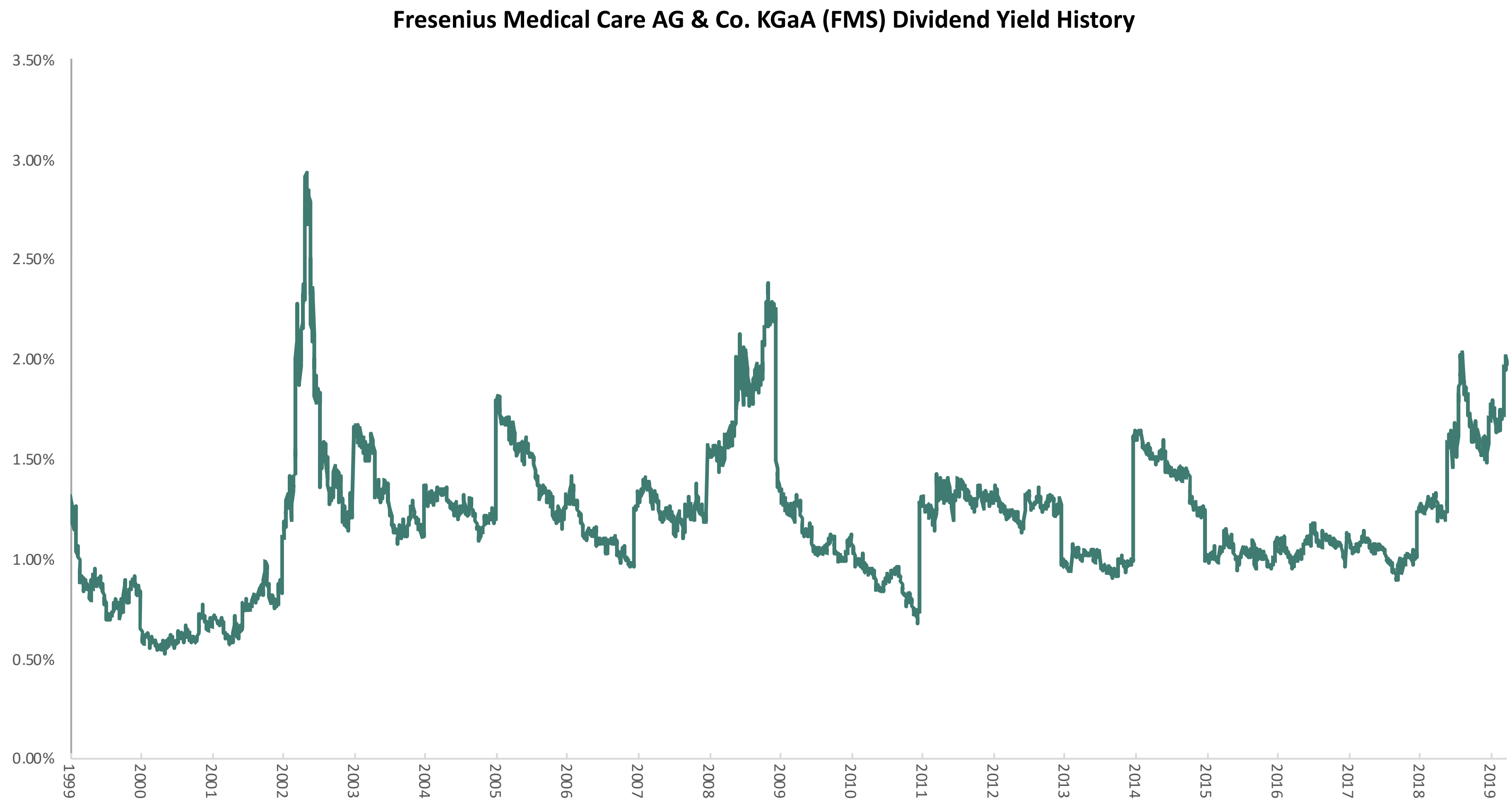
We expect Fresenius will generate earnings-per-ADR of US$2.66 for fiscal 2019. Based on this, the stock has a price-to-earnings ratio of 13.7. Our fair value estimate is a price-to-earnings ratio of 18.0, so the stock appears to be significantly undervalued. An expanding stock valuation could boost annual shareholder returns by 5.6% per year, as will the company's earnings growth and dividends. We expect Fresenius to generate 6.0% annual earnings growth, and the stock also has a 1.6% dividend yield. Fresenius has paid rising dividends in its home currency for 22 consecutive years. The combination of valuation changes, earnings growth, and dividends results in expected returns of 13.2% per year for Fresenius stock over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	1.6%[2]
Headquarters City:	Bad Homburg	**Dividend History**:	Increasing for 22 years
Headquarters Country:	Germany	**10-Year Average P/E:**	19.5
Stock Exchange:	DAX & NYSE	**Price-to-Earnings Ratio:**	13.7
Year Founded:	1912	**Market Capitalization:**	US$20 billion

[1] An end-stage renal disease (**E**SRD) **S**eamless **C**are **O**rg. is an ESCO, a Medicare model to improve outcomes and reduce costs.
[2] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 2.1%.

Return to Top 10 List



Return to Top 10 List

Bank of Montreal (BMO)

Overview & Current Events

Bank of Montreal was formed in 1817, becoming Canada's first bank. The past two centuries have seen the Bank of Montreal grow into a global powerhouse of financial services and today, it has about 1,500 branches. Bank of Montreal produces more than C$23 billion in revenue each year and trades with a market capitalization of C$64 billion. At a high level, it generates about 60% of its earnings from Canada and about 30% from the U.S. The bank is cross-listed in both New York and Toronto, where it trades under the identical BMO ticker on each exchange.

Bank of Montreal posted fiscal Q2 earnings on 5/29/19. Compared to the same quarter in the prior year, net revenue was up a healthy 8% to C$6.21 billion thanks to growth in its personal and commercial banking segments in the U.S. Adjusted net income was up 4% to C$1.5 billion, while on a per-share basis, it climbed 5% to C$2.30.

The results in the first half of the fiscal year look better with net revenue growth of 7% to C$11.2 billion and adjusted net income growth of 6% to C$3.1 billion, which, on a per-share basis, translated to C$4.62 for 7% growth. The bank's provision for credit losses climbed 4% year-over-year to C$313 million despite loans rising 12.5% to C$415 billion, a testament to BMO's focus on prudent lending.

The bank's capital position remains quite strong with its common equity tier 1 ratio at 11.3%. As BMO continues to generate more earnings than it distributes to shareholders, we expect its capital position to remain solid with the ability to weather economic downturns. As proof of BMO's confidence in the future of the company, BMO increased its quarterly dividend by 7.3% to C$1.03.

Growth, Competitive Advantage & Total Returns

Bank of Montreal's earnings-per-share performance has actually been very stable in the past decade, a period in which most banks have struggled. Since 2009, the bank has produced higher earnings-per-share every year, equating to growth of 11.4%. Its five-year earnings-per-share growth was more normalized at 7.1%. We forecast 5.5% annual growth over the next 5 years, slower than its long-term average given the likelihood of an economic slowdown.

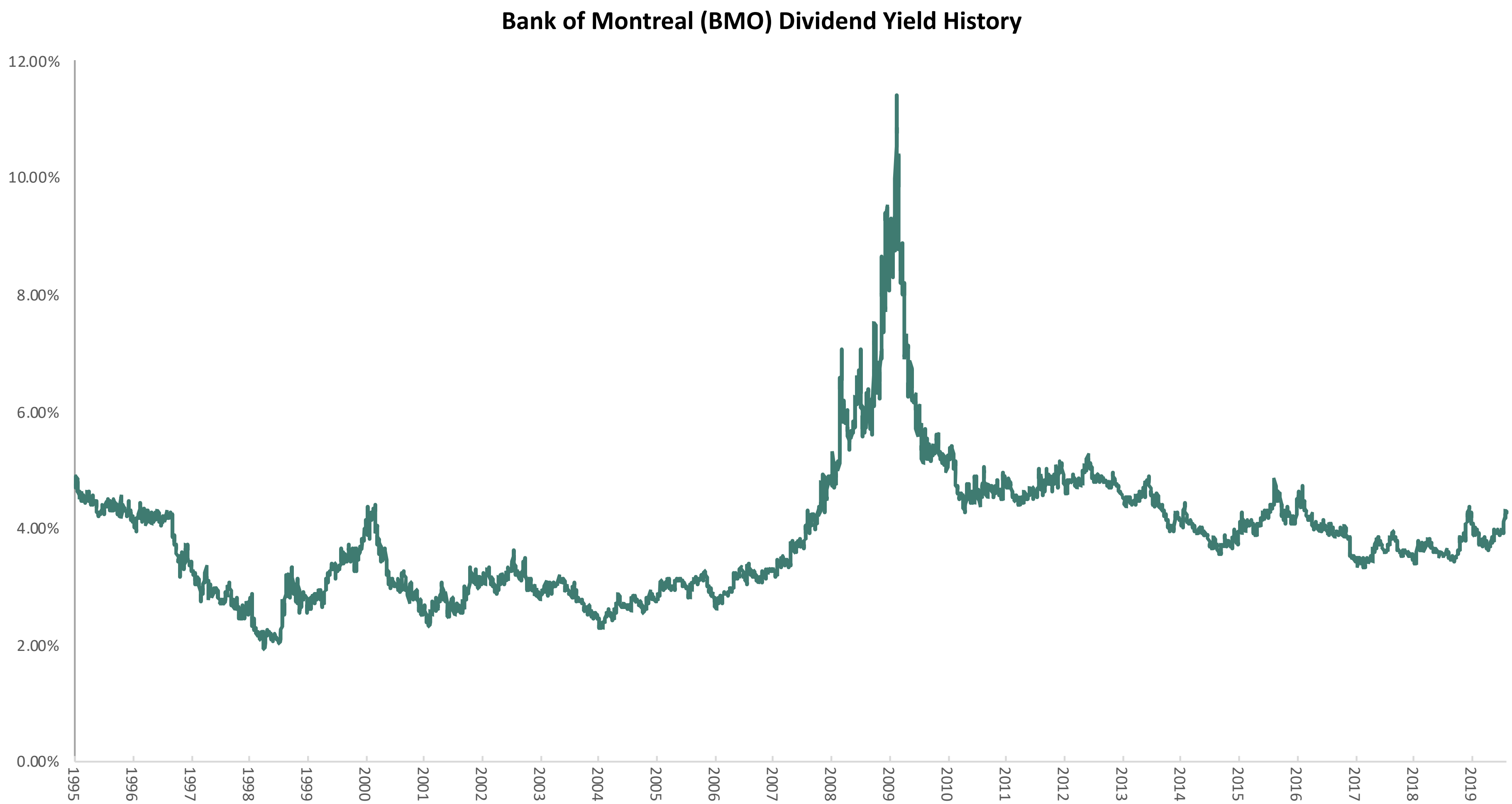
We expect the Bank of Montreal to generate earnings-per-share of C$9.43 in fiscal 2019, which is equivalent to US$7.08 at current exchange rates. Using this estimate, the company's NYSE-listed shares are currently trading at a price-to-earnings ratio of 9.8. Our fair value estimate for the Bank of Montreal is a price-to-earnings ratio of 11.3, equal to its average price-to-earnings ratio between 2011 and 2018. If BMO's price-to-earnings ratio reverts to its long-term average over 5 years, the bank's total returns would rise by 2.9% annually. We expect BMO to generate annual total returns of 12.2%, comprised of earnings growth (5.5%), dividends (3.8%), and modest valuation expansion (2.9%).

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.8%[1]
Headquarters City:	Toronto	**Dividend History:**	8 years of increases
Headquarters Country:	Canada	**10-Year Average P/E:**	11.3
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	9.8
Year Founded:	1817	**Market Capitalization:**	US$45 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 4.5%.

Return to Top 10 List



Return to Top 10 List

The Toronto-Dominion Bank (TD)

Overview & Current Events

The Toronto-Dominion Bank began its life as the Bank of Toronto in 1855. Since then, the institution has grown into a global financial services provider with over 85,000 employees and more than C$1.3 trillion in assets. Toronto-Dominion produces around C$39 billion in revenue each year and the company trades with a US$101 billion market capitalization. Toronto-Dominion reports results in Canadian dollars.

Toronto-Dominion reported Q2 earnings on 5/23/19 and results were better than expected, with earnings coming in at a Q2 record. Revenue was up 2.3% to C$10.2 billion thanks to particular strength in the core Canadian Retail segment, which saw its revenue rise 8% during the quarter. That strength came from higher volumes, better margins, and higher assets under management. Canadian Retail's adjusted net income rose 2% year-over-year.

Adjusted earnings came in 6.7% higher on a dollar basis but rose 8% on an adjusted earnings-per-share basis thanks to a lower share count, rising from C$1.62 to C$1.75. We reiterate our estimate of C$6.34 in adjusted earnings-per-share for this year after a solid Q2 report.

The bank also said it plans to buy back another 20 million shares, which represents just over 1% of the current float. The dividend was also declared at the same C$0.74 payout, good for a gross yield of 4.1%. Toronto-Dominion's capital position remains strong as its common equity tier 1 ratio is 12%.

Growth, Competitive Advantage & Total Returns

We see Toronto-Dominion producing 7% annual earnings growth in the coming years. Growth should accrue in part from steady loan growth. Toronto-Dominion continues to gather cheap deposits and lend them prudently, which should drive more strong performance moving forward.

In addition, we see some margin expansion as revenue rises while expenses stay flat or decline. Finally, the bank should see a low single-digit tailwind from a lower share count as it continues to buy back a small amount of its own stock, including its most recent repurchase announcement.

Of course, Toronto-Dominion is susceptible to recessions in both the U.S. and Canada and would likely see growth halted or reversed if one occurred. To its credit, *Toronto-Dominion's earnings-per-share did not decline during the financial crisis*. While earnings were essentially flat for three years, they did not decline, which is quite a feat for a bank. For this reason, we view Toronto-Dominion as defensive relative to its peers, many of which suffered severe declines in earnings during the last recession.

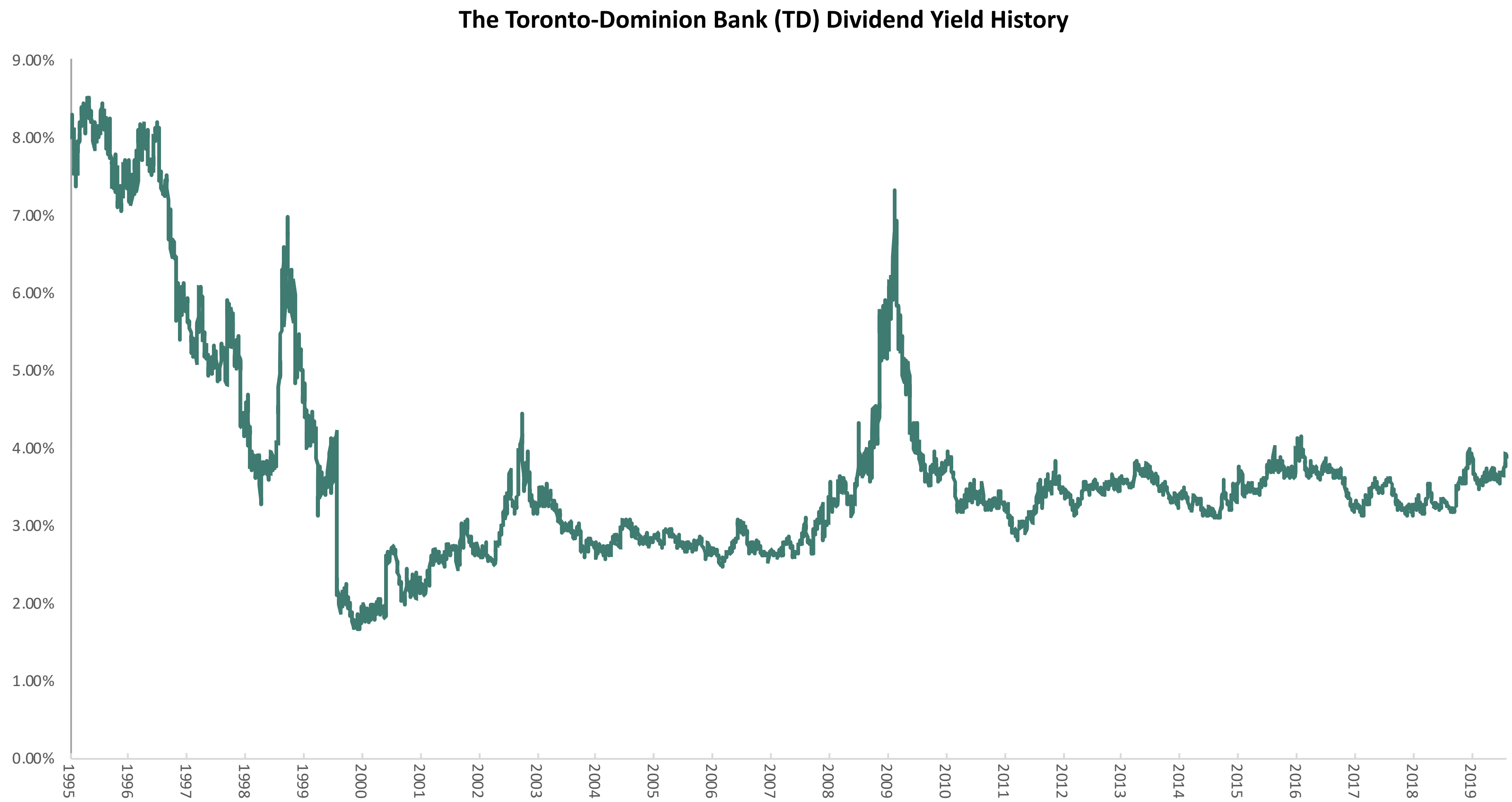
At 11.5 times this year's earnings estimates, the stock appears fairly valued when compared to our fair value estimate of 12 times earnings. If the bank's valuation reverts to our fair value estimate over a 5-year holding period, this would boost its total returns by 0.9% during this time period. Overall, TD has a solid total return expectation of 11.4% comprised of its 3.5% dividend yield, 7% earnings growth, and 0.9% valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.5%[1]
Headquarters City:	Toronto	**Dividend History**:	8 years of increases
Headquarters Country:	Canada	**10-Year Average P/E:**	12.7
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	11.5
Year Founded:	1855	**Market Capitalization:**	US$101 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 4.1%.

Return to Top 10 List



Return to Top 10 List

National Bank of Canada (NTIOF)

Overview & Current Events

National Bank of Canada is the sixth-largest bank in Canada, behind The Big 5 Canadian Banks. National Bank's historical roots go as far back as 1859. The company is headquartered in Montreal, Quebec, Canada and trades with a market capitalization of US$16 billion.

National Bank reported its fiscal second-quarter results on 5/30/19. For fiscal Q2, National Bank reported revenues of US$1.77 billion, an increase of 1%. Diluted earnings-per-share rose 4.9% to C$1.51 year-over-year, helped partly by a reduction in the share count. Growth occurred in all segments except for a slowdown that occurred in the Financial Markets segment, which was largely due to lower revenue. Net income in the Personal and Commercial segment rose 9% to US$234 million, Wealth Management rose 5% to US$118 million, U.S. Specialty Finance and International rose 14% to US$72 million, but Financial Markets revenue fell 16% to US$160 million. Earnings-per-share rose 5% year-over-year in Q2 to C$1.51. The bank also increased its quarterly dividend by 5% and announced a normal course issuer bid for ~1.8% of its outstanding common shares, which is the Canadian equivalent of a share repurchase plan.

In the first half of the fiscal year, revenue was flat while diluted earnings-per-share rose 3.8% to C$3.01. The bank's common equity tier 1 ratio was 11.5% at the end of Q2. We maintain our estimate of C$6.30 in earnings-per-share for fiscal 2019 after Q2 earnings that were largely in line with our expectations.

Growth, Competitive Advantages, and Total Returns

National Bank of Canada's growth prospects are not as robust as its larger peers within the Canadian banking industry. The main reason for this is its lack of exposure to international markets. In the most recent fiscal year, National Bank generated just 9.2% of its net income from its U.S. Specialty Finance and International Segments combined. With a 58% revenue exposure to Quebec, the bank's growth rate is tied closely to the economic health of that particular province. Quebec is the second-most populous province in Canada and contributes about 20% of Canada's GDP. It is a stable economy, but its GDP growth is estimated to slow to 1.9% in 2019.

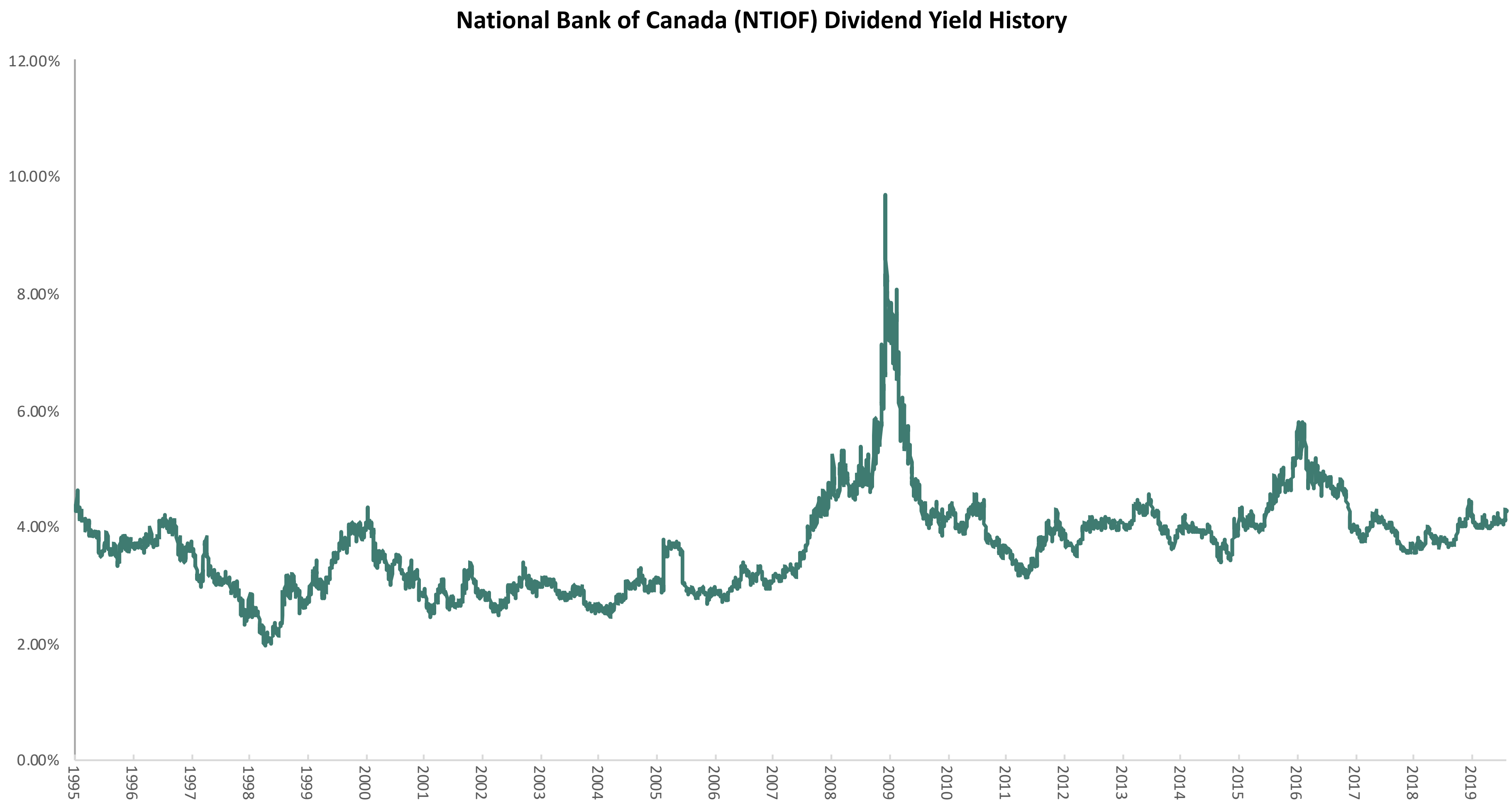
We expect National Bank of Canada to generate earnings-per-share of ~US$4.75 at prevailing exchange rates. The company's U.S.-listed shares currently trade at $45.63 per share, for a price-to-earnings ratio of 9.6. National Bank's 10-year average price-to-earnings ratio is 10.3, which is our fair value target for the stock. If the stock's valuation multiple expands to its 10-year average over the next five years, this will boost its total returns by a modest 1.3% per year during this time period. The bank also appears capable of delivering earnings growth of 6% per year, and it trades with a current net dividend yield of 3.7% for U.S. investors. Overall, National Bank is expected to generate total returns of about 11% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.7%[1]
Headquarters City:	Montreal	**Dividend History**:	Steady or rising since 1993
Headquarters Country:	Canada	**10-Year Average P/E:**	10.3
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	9.6
Year Founded:	1859	**Market Capitalization:**	US$16 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 4.3%.

Return to Top 10 List



Return to Top 10 List

Closing Thoughts
- Is It Worth It To Hold International Stocks For The Long Run? -

Buying and holding securities for long periods of time is difficult, regardless of where the security's primary operations are. Quarterly reporting combined with constant financial media coverage and continuous stock price coverage means investors must filter out a great deal of information that simply isn't relevant to the long-term investor.

Holding international securities comes with additional challenges. International securities will have periods of underperformance and periods of outperformance. No one complains about outperformance, but when a strategy underperforms its benchmark for any period of time, it gets more difficult to hold. The idea that you are being 'left out' of the big rally and seemingly everyone else is making tremendous gains can bring psychological pain.

Also, many international securities – especially those headquartered in Europe – pay dividends biannually instead of quarterly. This means lumpier cash flows for investors which can be inconvenient for those who pay the bills with their dividend income

Additionally, some international securities – again commonly in Europe – pay their dividends based on a stable percentage of earnings. They may pay out 40% of profits year-after-year, but profits fluctuate which means dividend payments fluctuate more than what is typical in the U.S. That's because U.S. securities typically focus on paying out a particular (and hopefully rising) dividend amount year-after-year and let their payout ratio fluctuate to accommodate the dividend. The final disturbance caused by investing internationally for dividend investors is potential dividend withholding taxes which reduce the amount of dividends received.

Finally, currency fluctuations can have a material impact on results. This adds another layer of variability to investing in international stocks.

With all of this said, one may wonder if investing in international securities is really worth it. While differing dividend policies, sequences of return, and currency fluctuations can be a nuisance, they don't come close to outweighing the benefits of long-term investing.

Whether in the U.S. or internationally, owning stock in real businesses gives you fractional ownership of an entity that can compound wealth handsomely over the long run. This is as true in Canada, Japan, and France as it is in the United States. Indeed, many of the factors discussed in these Closing Thoughts fall away for the long-term investor. Specifically, over the long run dividend frequency (quarterly vs. biannually) and sequence of returns aren't particularly important. The only real additional burden for long-term investors investing internationally is additional dividend withholding taxes. While a nuisance, in most cases the investment prospects of the business far outweigh the additional tax burden (if any).

Thanks,

Ben Reynolds
Sure Dividend

The next newsletter publishes on Sunday, September 15th, 2019

Return to Top 10 List

Buying & Ranking Criteria

The method we use to come up with the Top 10 buys for *The Sure Dividend International Newsletter* is as follows:

Note: Ranking data is from Wednesday's Sure Analysis data update.

1. Filter our *Sure Analysis Research Database* universe of securities for:
   - 10%+ Expected total returns
   - A & B Dividend Risk Scores
   - International securities only (no U.S. securities)
2. Sort by expected total return (highest first). If there are not 10 securities matching the above, include C Dividend Risk Score securities.
3. Veto any securities from Top 10 as necessary after qualitative analysis, including a comparison of dividends to cash flows for non-financial securities.
4. The Top 10 is the 10 highest expected total return securities from steps 1 through 3.
5. "A" Dividend Risk Score securities rank ahead of "B" Dividend Risk Score securities which in turn rank ahead of "C" securities within the Top 10.

To receive an "A" Dividend Risk Score, a security must be in the top 20% for dividend safety. To receive a "B" Dividend Risk Score, a security must be in the top 40% for dividend safety. The formula for the Dividend Risk Score is below:

Dividend Risk Score (Raw) = Payout Ratio x 100 – # Years of Steady or Rising Dividends + 50 if deemed risky during a recession

We view securities with A and B Dividend Risk Scores as generally having secure dividends that are very unlikely to be reduced in the near future. Securities with C Dividend Risk Scores also appear generally safe, but don't have quite as high of a margin of safety as A or B ranked Dividend Risk Score securities.

Our formula for expected total return is calculated as the sum of 5-year expected returns from growth on a per share basis, 5-year expected returns from valuation multiple changes, and the current dividend yield.

The combination of expected total returns and low dividend risk creates a screen to find high-quality dividend growth securities outside of the U.S. with strong return potential.

Note that our expected total returns are based on the idea that the global economy will continue forward 'as is' for the foreseeable future, and not enter a recession.

Recessions do happen, of course, and we seek to recommend securities likely to pay steady or rising dividends even during recessions. Recession safety does factor into our Dividend Risk Scores, and in turn, our rankings for *The Sure Dividend Newsletter*.

Return to Top 10 List

Past Recommendations & Sells

The Sure Dividend International Newsletter runs entirely on data from *The Sure Analysis Research Database* as of the October 2018 edition and onwards. Due to this change, we are tracking recommendations from October 2018 and forward. 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.

Sell Rules

Sell Rule #1, Dividend & Risk Sell Rules: International securities often don't increase their dividend payments in regular intervals. Especially in Europe, dividends are paid out more often as a percentage of total profit. This makes selling due to a dividend reduction ill-advised. We will recommend selling when a security materially changes its dividend *policy* for the worse (lower payout), or when we deem that there is excessive risk in the security relating to future dividend payments.

Sell Rule #2, Total Return & Valuation Based Sell Rules: Any past recommendation with expected total returns below the expected total returns of Ex-U.S. developed markets of 5.1% over the next 5 to 10 years should be sold[1]. **Past recommendations at or below this sell threshold are in red in the table below**. We will only recommend up to two valuation-based sells a month so that the reinvestment of sale proceeds is not concentrated in a short time frame. Only securities held for longer than 1 year are to be sold due to low expected total returns.

Additionally, we will review past recommendations prior to October 2018 for valuation, dividend risk, and expected total returns and periodically make sell recommendations. Not all of our *Sure Dividend International Newsletter* recommendations prior to October 2018 are in *The Sure Analysis Research Database*, so some sell recommendations must be made at our discretion.

Performance is calculated using the closing price on the first trading day *after* the newsletter publishes. Returns include dividends.

Current Top 10 & Past Hold Recommendations

Name	Ticker	1st Rec. Date	DR Score	Exp. TR[2]	Total Return[3]
Brookfield Renewable Partners	BEP	Oct-18	F	9.4%	30.3%
Enbridge	ENB	Oct-18	C	15.0%	10.7%
Bank of Nova Scotia	BNS	Oct-18	B	18.9%	-1.8%
Micro Focus International	MFGP	Oct-18	C	27.3%	-5.6%
British American Tobacco	BTI	Oct-18	C	14.4%	-10.3%
WPP	WPP	Oct-18	F	14.3%	-11.9%
Canadian Natural Resources	CNQ	Oct-18	C	15.6%	-15.3%
Autoliv	ALV	Oct-18	D	13.2%	-17.3%

[1] Long-term total return estimate for Ex-U.S. developed markets is from AQR's Capital Market Assumptions.
[2] Expected Total Return over the next 5 years.
[3] Total return data through mid-morning 8/16/19

Return to Top 10 List

Sanofi	SNY	Nov-18	C	12.7%	-1.9%
Canon	CAJ	Nov-18	F	6.7%	-6.5%
Lazard	LAZ	Nov-18	D	21.9%	-8.1%
Total	TOT	Nov-18	C	18.2%	-11.8%
Brookfield Asset Mgmt.	BAM	Dec-18	A	18.6%	27.5%
Fortis	FTS	Dec-18	B	7.7%	20.8%
Infosys	INFY	Dec-18	C	5.0%	17.0%
ABB	ABB	Dec-18	C	10.0%	0.6%
Fresenius Medical Care	FMS	Dec-18	B	13.2%	-0.2%
Imperial Oil	IMO	Dec-18	A	11.9%	-5.6%
Siemens	SIEGY	Dec-18	C	17.0%	-12.2%
Aon	AON	Jan-19	A	7.1%	25.0%
Chubb	CB	Jan-19	A	3.7%	19.9%
Novartis	NVS	Jan-19	B	5.7%	19.6%
Taiwan Semiconductor	TSM	Jan-19	C	6.1%	18.0%
Vermilion Energy	VET	Jan-19	D	22.6%	-35.6%
SAP	SAP	Feb-19	B	9.4%	13.2%
Canadian Imperial Bank	CM	Feb-19	C	13.4%	-10.8%
Canadian Pacific Railway	CP	Mar-19	A	9.1%	14.9%
National Bank of Canada	NTIOF	Mar-19	B	11.9%	-1.2%
Royal Bank of Canada	RY	Mar-19	B	13.3%	-1.7%
The Toronto-Dominion Bank	TD	May-19	B	12.3%	-1.1%
Great-West Lifeco	GWLIF	May-19	C	15.5%	-14.2%
Imperial Brands	IMBBY	Jun-19	C	22.2%	4.1%
Inter Pipeline	IPPLF	Aug-19	A	17.7%	N/A
Bank of Montreal	BMO	Aug-19	B	12.9%	N/A
Pentair	PNR	Aug-19	A	12.0%	N/A

Average recommendation performance (including sells and pending sells): 0.9%
Comparable performance of the Vanguard All-World Ex-US ETF (VEU): 2.0%

Note: Performance should be measured over an *absolute minimum* period of 3 years. The 10 months of return data above is all but meaningless.

Return to Top 10 List

Pending Sells

Daimler (DDAIF): We first recommended Daimler in the June 2018 *Sure Dividend International Newsletter*. We recommended it in the October 2018 edition as well (after the switch to *Sure Analysis Research Database* data and rankings). Since the June and October recommendations, Daimler has generated total returns of -31.9% and -16.1%, respectively. We issued a pending sell recommendation on Daimler in the February 2019 newsletter because it reduced its dividend. We recommend selling when it trades for a dividend yield of 5.0% (currently at 8.0%) or below, which we believe is a reasonable estimate of fair value.

Vodafone (VOD): We first recommended Vodafone in the October 2018 *Sure Dividend International Newsletter*. Since that time, Vodafone has generated total returns of -1.5%. We issued a pending sell recommendation on Vodafone in the May 2019 edition of *The Sure Dividend International Newsletter*. We recommend selling the security when it becomes a long-term holding (1+ year holding period) instead of a short-term holding (less than 1 year); this will occur in the October or November 2019 edition.

Sold Positions

None at this time.

Return to Top 10 List

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 can't use a 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.

Return to Top 10 List

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

Country	**Dividend Withholding Tax Rate**
India	0%
Bermuda	0%
United Kingdom (U.K.)	0%
Singapore	0%
China (Mainland)	10%
Lebanon	10%
Russia	15%
Turkey	15%
Japan	15%
France	15%[1]
Canada	15%[2]
Netherlands	15%
Taiwan	21%
South Korea	22%
Germany	26%[3]
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 that investors speak to a qualified tax expert to maximize their 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] 26% rounded. The actual dividend withholding tax rate is 26.375%.

Return to Top 10 List

How To Buy International Securities

There are two 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 allows purchasing international securities directly (not with ADRs).

There are three levels of ADRs:
Level I: Exempt from full SEC reporting, and they usually trade over-the-counter (OTC)
Level II: Report to the SEC, but 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 fully 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.

Return to Top 10 List