Sure Dividend International

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

February 2018 Edition

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Opening Thoughts
- Country Performance During Recent Decline -

The S&P 500 ETF (SPY) closed at $286.58 on January 26th. On February 8th SPY closed at $257.63. This 10.1% decline occurred over just 9 trading days.

The performance of the primary country ETF for each of the 10 largest countries by GDP from market close January 26th through February 8th is shown below:

1. United States (SPY): Down 10.1%
2. China (MCHI): Down 14.8%
3. Japan (EWJ): Down 9.6%
4. Germany (EWG): Down 10.4%
5. France (EWQ): Down 9.1%
6. United Kingdom (EWU): Down 9.5%
7. India (INDA): Down 9.9%
8. Brazil (EWZ): 10.6%
9. Italy (EWI): Down 8.6%
10. Canada (EWC): Down 9.6%

Clearly, country diversification is not a panacea for market declines. If the U.S. stock market corrects significantly, markets around the world are likely to follow suite.

However, investing in international companies can give you significantly more exposure to faster growing economies. It also broadens your investing scope so that more opportunities are available. Investing in international markets *does not* protect against bear markets and market declines.

Investing in great businesses at fair or better prices has historically lead to significant wealth accumulation over time. But the lion's share of gains goes to those who are able to *hold during market declines*.

It's no secret that you should buy low and sell high. How many people saw the recent price decline in equities and thought "Is it time to sell? Markets are declining!" This is the wrong way to think about market declines. Instead of seeing them as times when your stock prices are declining, think of market declines as times when stocks are going on sale.

You don't have to sell your personal holdings because other people are selling the same shares at low prices. You can hold, or better yet, you can take advantage of lower prices and buy more shares of great businesses when they go on sale.

Equity declines cannot be 'diversified away'. No matter what stocks you own, domestic or global, when markets broadly decline, so do the stocks within those markets. One of the key advantages of investing internationally is casting a wider net for opportunities when markets decline, not diversifying away market risk.

This newsletter features companies we believe are 'on sale,' are likely to pay rising dividends over time, and are also likely to generate above-average expected total returns going forward. These are investments that you should be happy to hold, regardless of what the market averages are doing.

The International Top 10 – February 2018

Name	Ticker	Mkt. Cap	Country	Price[1]	P/E	Yield	Payout	Growth
Canadian Imper.	CM	$40 billion	Canada	$92	10.2	4.5%	46%	5.5%
Sampo Oyj	SAXPY	$32 billion	Finland	$29	12.4	5.5%	68%	5.0%
Fortis	FTS	$14 billion	Canada	$33	16.3	4.1%	67%	5.0%
Aegon N.V.	AEG	$14 billion	Netherlands	$7	7.6	4.4%	33%	5.0%
ITV	ITVPY	$7 billion	England	$24	16.9	4.4%	74%	10.0%
Canad. Nat. Rail.	CNI	$57 billion	Canada	$76	18.1	2.4%	43%	6.5%
BNP Paribas	BNPQY	$100 billion	France	$40	11.7	4.0%	47%	5.0%
Nissan Motor	NSANY	$41 billion	Japan	$21	6.6	3.4%	22%	6.0%
Société Générale	SCGLY	$36 billion	France	$11	15.5	4.3%	67%	7.0%
Gazprom	OGZPY	$56 billion	Russia	$5	3.3	8.9%	29%	3.5%

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

This month's edition features companies from North America (3), Europe (6), and Asia (1). Note the slight change in how we report the 'Growth' column. The growth column now shows our expected growth in intrinsic value per share over the next 5 or so years.

As with our other two newsletters, we expect the top 10 to be reasonably stable over time. Still, this newsletter may have more turnover within the top 10 than either the Sure Dividend Newsletter or the Sure Retirement Newsletter. Securities that fall out of the top 10 are *holds*, not *sells*. Selling occurs rarely; you will be notified in the newsletter whenever a sell recommendation occurs. There was significant turnover this month, with only 3 stocks (AEG, ITV, OGZPY) remaining from the previous newsletter. We expect this turnover to decline in the coming months.

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

	Top 10	MSCI ACWI Ex-U.S. Index	S&P500
Dividend Yield:	4.6%	2.2%	1.8%
Growth Rate:	5.8%	5.3%[2]	7.4%[3]
Exp. Total Return:	10.4%	7.5%	9.2%

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

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[1] Rounded to nearest U.S. dollar.

[2] Based on the Index's annualized net return since inception.

[3] Based on the long-term annualized growth rate of the S&P 500. The S&P 500 is unlikely to grow anywhere near its historical rates over the next 5 years due to its high valuation.

Analysis of Top 10 Securities

Canadian Imperial Bank of Commerce (CM)

Overview & Current Events

The Canadian Imperial Bank of Commerce (CIBC) is Canada's fifth-largest financial institution. The company is cross-listed on both the Toronto Stock Exchange and the New York Stock Exchange, where it trades under the ticker CM and has a market capitalization of US$40 billion.

In November (11/30/17), CIBC reported financial results for fiscal 2017 (the fiscal year ends on October 31, a unique financial calendar that is common among all major Canadian financial institutions). In the quarter, adjusted diluted earnings-per-share (EPS) of CAD$2.81 (US$2.24) increased meaningfully from the CAD$2.60 (US$2.07) reported in last year's quarter, driven by robust performance across each of the company's strategic business units. Full-year results were also strong. Diluted earnings-per-share of CAD$11.24 (US$8.95) increased by 5% over 2016's figure, while the company's return on equity of 18.3% continued to be one of the highest among its peer group. CIBC also reported a dividend payout ratio of just 45.6% for the fiscal year, which gives the bank plenty of room to continue to grow its dividend if earnings stagnate temporarily.

Growth Prospects & Expected Total Returns

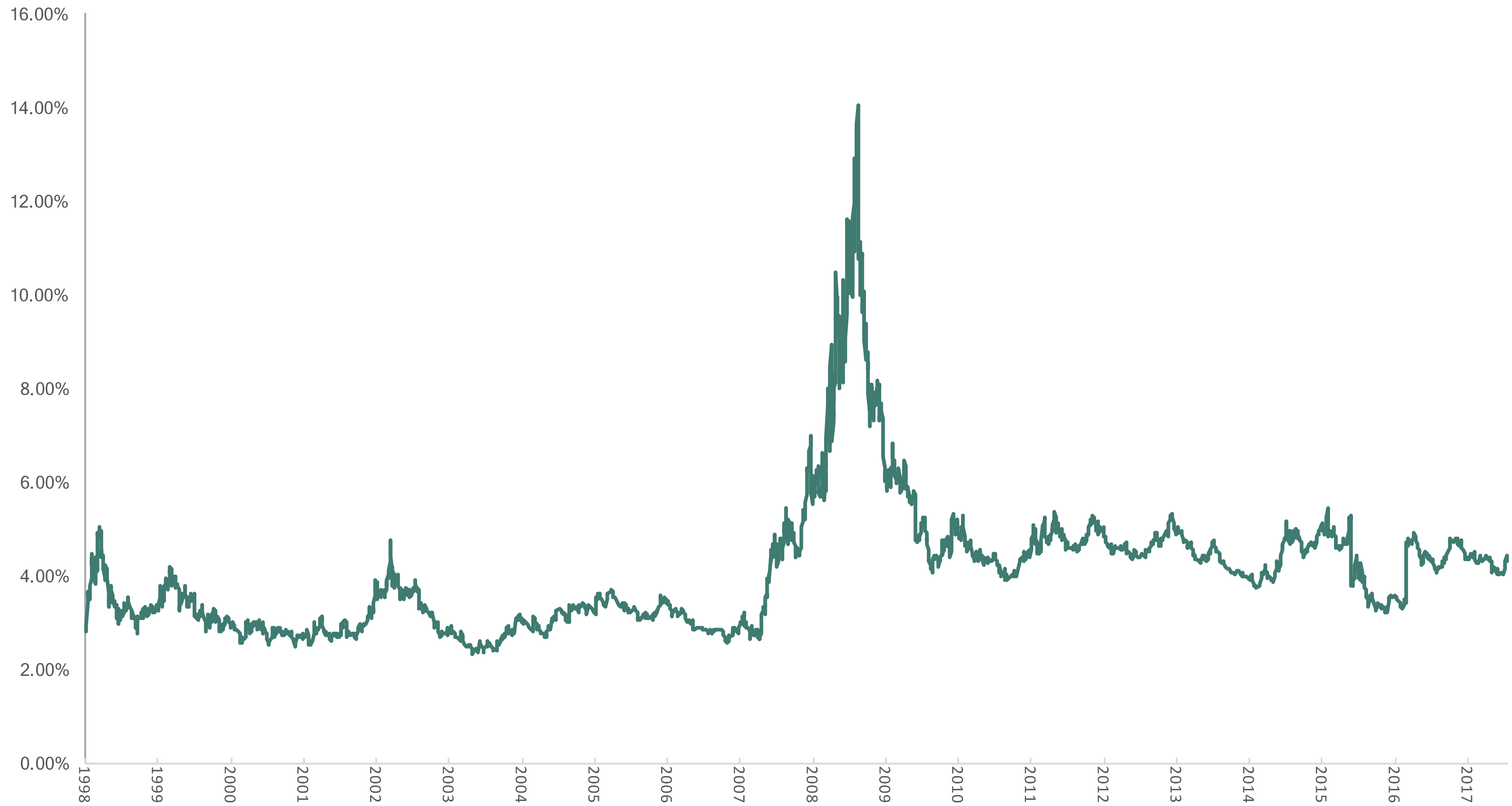
CIBC's future growth will be driven by its expansion into the United States banking market. While the financial institution was the slowest among the Canadian Big 5 to expand internationally, last year's US$5.0 billion purchase of Chicago-based PrivateBancorp (PVTB) – which operates as The PrivateBank – gives the company a foothold in this important economy. We expect CIBC to continue its expansion into the United States both through organic growth and bolt-on acquisitions.

CIBC's valuation and dividend yield combined with the overall strength of the Canadian financial services industry make the company one of the safest recommendations in this month's Sure Dividend International Newsletter. CIBC reported diluted earnings-per-share of CAD$11.24 (US$8.95) in fiscal 2017. CIBC's NYSE-listed shares (CM) currently trade hands at about US$92, which gives a price-to-earnings ratio of just 10.2 – lower than most large U.S. financial institutions. While CIBC tends to trade at a discount to the other major Canadian banks because of its weaker international exposure, this corresponds to a proportionately higher dividend yield. The company sports a 4.5% dividend yield, the highest among the Big 5 Canadian banks. CIBC's dividend looks even better given the tax treaty between Canada and the U.S., which waives dividend withholding tax in retirement accounts.

From a growth perspective, CIBC has compounded its adjusted earnings-per-share at 4% per year over the last decade and 7.5% per year over the last 5 years. We believe that CIBC is capable of delivering 4%-7% earnings-per-share growth moving forward, driven primarily by its expansion into the United States. Combining this earnings growth with the company's dividend yield gives expected total returns of 8.5%-11.5% before any potential tailwinds from valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	4.5%
Headquarters City:	Toronto	**Last Year's EPS:**	US$8.95
Headquarters Country:	Canada	**Current Stock Price:**	US$91.57
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	10.2
Year Founded:	1867	**Market Capitalization:**	US$40 billion


Canadian Imperial Bank of Commerce (CM) Dividend Yield History
16.00%
14.00%
12.00%
10.00%
8.00%
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Sampo Oyj (SAXPY)

Overview & Current Events

Sampo is the leading property and casualty insurance company in the Nordic region of the world. It is based in Finland, was founded in 1909, and has grown to reach a market cap above US$32 billion. It operates several businesses, including “If,” the leading property and casualty insurer in Finland, Sweden, Norway, Denmark and the Baltic countries. Other operating businesses include life insurer Topdanmark; Mandatum, a wealth management business based in Finland; and Sampo plc, which administers the insurance subsidiaries and is also a major shareholder of Nordea Bank.

On February 7th, the company released full-year operating results for 2017. . Earnings-per-share increased 21% in 2017, due to growth in the core insurance operations. Return on equity was 17.1%, up from 15% in the previous year. Additionally, revenue grew 11% year-over-year.

Growth, Competitive Advantage, and Total Returns

Sampo has multiple growth catalysts moving forward. First, as an insurance company, rising interest rates will help boost investment income. In addition, Sampo is very efficient. For example, the ‘If’ subsidiary had a combined ratio of 83.6% in the fourth quarter, its best-ever for the fourth quarter. The Topdanmark business had a combined ratio of 82.1%. A combined ratio is a measure of an insurance company’s profitability. A combined ratio below 100% indicates a company makes more money on its core insurance businesses, than its incurred losses and expenses. This indicates Sampo is a well-run business and represents its most important competitive advantage. In addition, the company is in good financial position. Sampo plc and ‘If’ have credit ratings of A- and A from Standard & Poor’s, respectively, which helps the company grow, through easy access to capital.

Sampo stock appears to be undervalued. The stock has a price-to-earnings ratio of 12.4. Meanwhile, the insurance industry, on average, has a price-to-earnings ratio of 14.2. Furthermore, in the past three years, Sampo has held an average price-to-earnings ratio of 14.0.

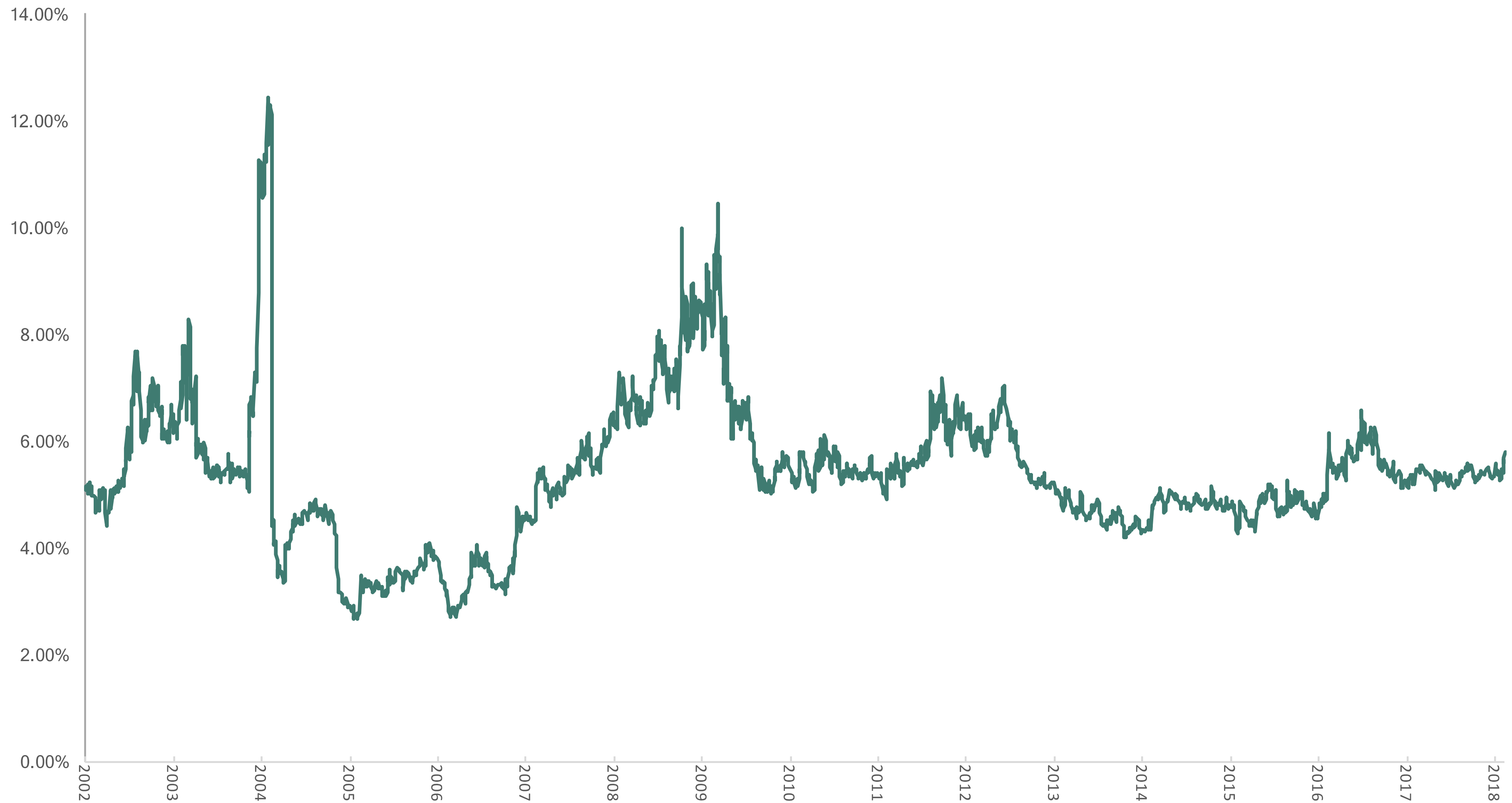
We expect Sampo’s future earnings growth to likely slow from 2017, but the fundamentals remain healthy enough for at least 5% annual earnings growth moving forward. Combined with the 5.5% dividend yield, it is not unreasonable to forecast total annual returns of 10%+ for Sampo stock in the years ahead, making it an attractive stock for value and income investors.

Dividends will make up a significant portion of shareholder returns. In Euros, Sampo has increased its dividend for 48 years in a row. For 2018, Sampo’s Board of Directors has proposed a dividend of 2.60, in Euros per share. In U.S. dollars, this would equate to a dividend of US$3.23 for 2018. Based on the recent share price, Sampo has a dividend yield of 5.5%. 2017 earnings-per-share totaled US$4.71, which indicates a dividend payout ratio of nearly 70%. This is a manageable payout ratio, that provides shareholders with a compelling dividend.[1]

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	5.5%
Headquarters City:	Helsinki	**TTM Earnings-Per-Share**:	US$4.71
Headquarters Country:	Finland	**Current Stock Price:**	US$29.19
Stock Exchange:	HEX & OTC	**Price-to-Earnings Ratio:**	12.1
Year Founded:	1909	**Market Capitalization:**	US$32.4 billion

[1] Finland imposes a 30% dividend withholding tax. After the dividend withholding tax, SAXPY yields 3.9%.



Note: Sampo's ADRs have insufficient dividend yield history to provide a meaningful chart, so this data comes from the company's stock listing on the Helsinki exchange.

Fortis Inc. (FTS)

Overview & Current Events

Fortis is Canada's largest investor-owned utility business with a market capitalization of US$13.9 billion. The company has operations in Canada, the United States, and the Caribbean. Fortis is cross-listed on both the Toronto Stock Exchange and the New York Stock Exchange, where it trades under the ticker FTS and benefits from one of the most appealing liquidity profiles in this month's newsletter. Fortis has increased its annual dividend for 44 consecutive years, trades with a current yield of 4.1% and has "6% annual average growth planned through 2022."

Fortis recently (2/15/18) reported financial results for the fourth quarter of fiscal 2017. In the quarter, adjusted earnings-per-share of CAD$0.62 (or approximately US$0.49) decreased by 2% over the CAD$0.63 (US$0.50) reported in the prior year's quarter. Full-year financial results were more favorable. Adjusted earnings-per-share of CAD$2.53 (US$2.02) increased by 10% over the CAD$2.31 (US$1.84) reported in fiscal 2016, primarily driven by the acquisition of the Aitken Creek and UNS Energy utility businesses and partially offset by an increase in the number of units outstanding. Fortis' dividend continues to be well-covered by cash flows. The company paid CAD$1.625 (US$1.30) of dividends in fiscal 2017 and reported adjusted earnings-per-share of CAD$2.53 (US$2.02) for a payout ratio of 64%. Fortis also increased its dividend by 6.25% in the quarter.

Growth, Competitive Advantage, and Total Returns

Fortis has historically driven growth by acquiring smaller regional utility providers and integrating them into the company's vast network of operating subsidiaries. It is difficult to overstate the importance of this acquisition-based growth; as an example, Fortis closed the US$11.3 billion acquisition of Michigan-based ITC Holdings Corporation in late 2016, which gave the company additional exposure to the attractive natural gas and renewable energy sectors. We believe that continued acquisition-based growth is likely for Fortis moving forward.

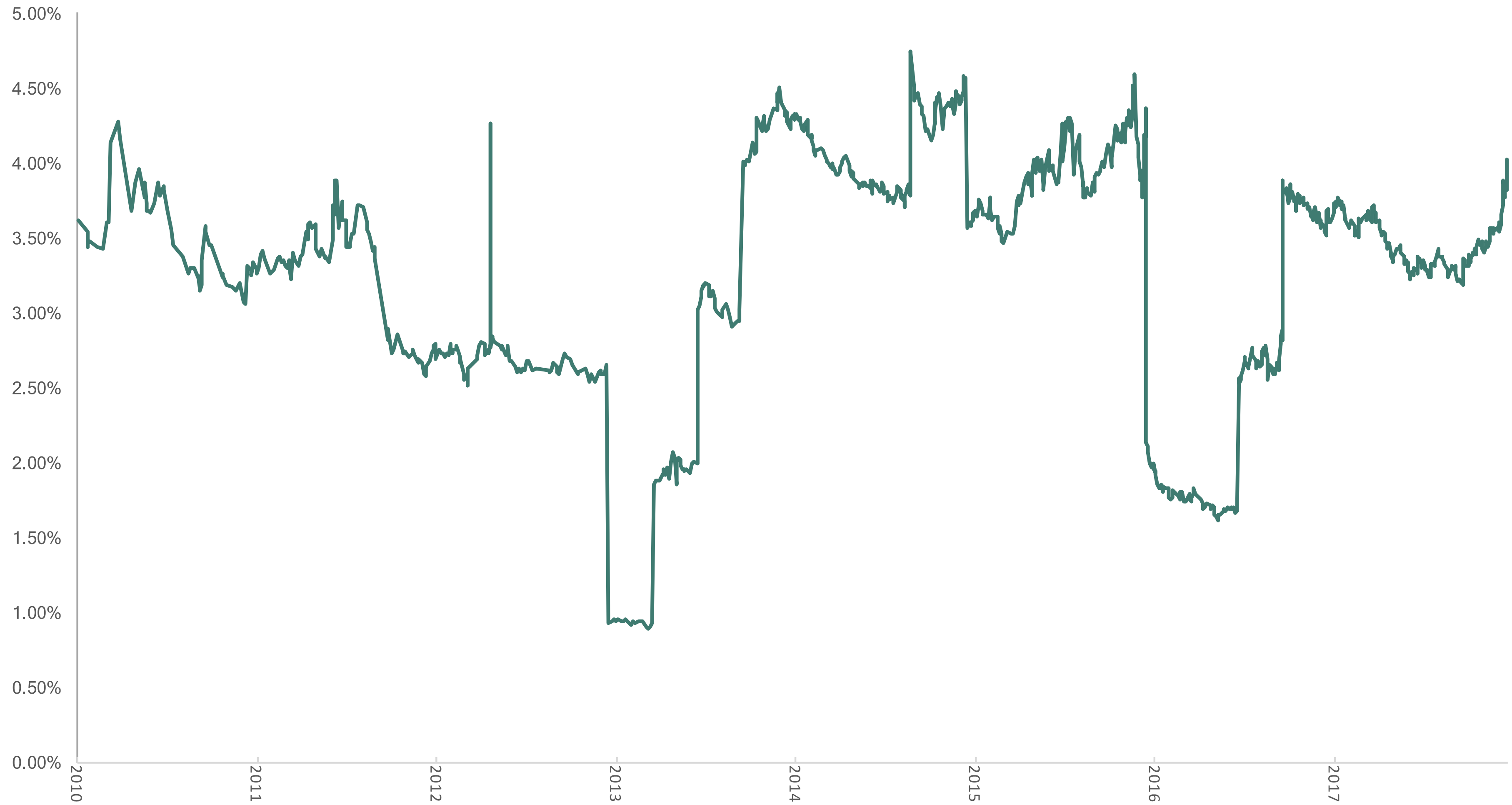
Fortis has grown its adjusted earnings-per-share by 13.1% per year over the past 3 years and 8.0% over the past 5 years. Looking ahead, we believe that the company's grow will be modestly lower because recent growth has been fueled by acquisitions. Still, 4%-6% growth is reasonable.

Fortis' recently-published fiscal 2017 earnings release delivered adjusted earnings-per-share of CAD$2.53 for the twelve-month period, which is equivalent to US$2.02. The company's NYSE-listed shares currently trade for about $33, which gives a price-to-earnings ratio of 16.3. For context, Fortis has traded at an average price-to-earnings ratio of about 19.6 over the last 10 years. The company appears to be undervalued. If Fortis' valuation reverts to 19x earnings over the next 4 years, this will add ~4% to the company's annualized returns. In sum, Fortis' ~4% yield[1], 4%-6% earnings growth, and valuation expansion give the company potential to deliver 12%+ total returns for today's investors.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	4.1%
Headquarters City:	St. John's	**TTM Earnings-Per-Share**:	US$2.02
Headquarters Country:	Canada	**Current Stock Price:**	US$33.53
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	16.3
Year Founded:	1885	**Market Capitalization:**	US$13.9 billion

[1] Canada imposes a 15% dividend withholding tax. That tax is waived for US investors using retirement accounts if the proper paperwork is in place.


Fortis (FTS) Dividend Yield History
5.00%
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AEGON N.V. (AEG)

Overview & Current Events

Aegon N.V. (hereafter Aegon) is a multinational life insurance, pension fund and asset management company headquartered in The Hague, Netherlands. The company's operations divided by profit contribution in its most recent quarter are: Life Insurance (44%), Pensions (26%), Individual Savings/Retirement Products (21%), Asset Management (7%), and Non-Life Insurance (2%).

Aegon reported mixed quarterly results (2/15/18) for the 4th quarter of 2017. Earnings more than doubled due to a one-time favorable tax gain. With that said, underlying earnings fell 5% versus the same quarter a year ago due primarily to a weakening U.S. dollar. We expected earnings-per-share of around $0.90 in fiscal 2017. The company performed about in line with our expectation, generating $0.88 in underlying earnings-per-share on the year.

Additionally, the company announced a 7.7% dividend increase for its final 2017 dividend versus its final 2016 dividend. This marks the 6th consecutive year of dividend growth for Aegon.

Growth Prospects, Valuation, & Catalyst

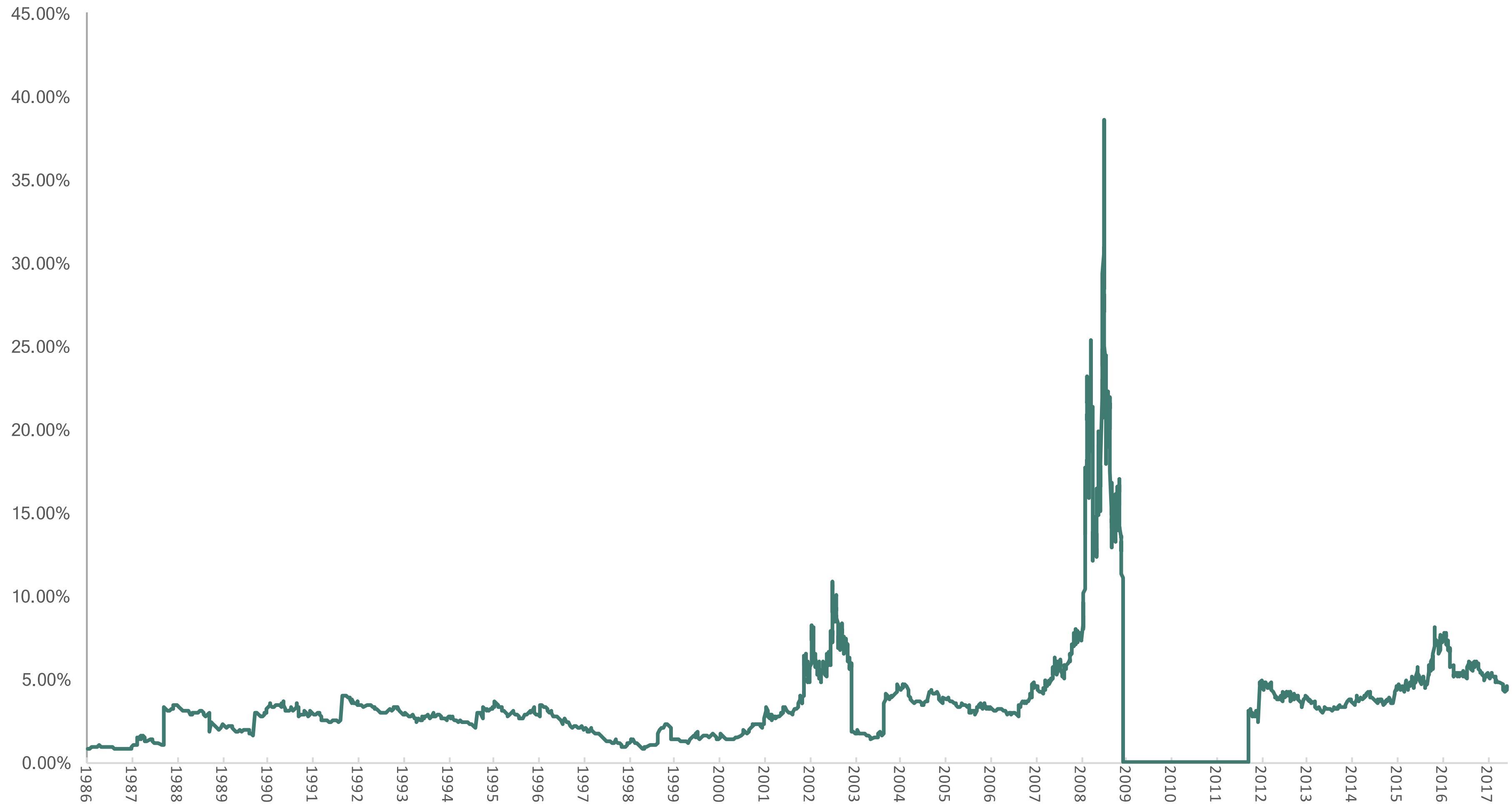
Aegon has several growth catalysts which should work to increase earnings-per-share and dividends going forward. Aegon has a target of ~$435 million of run rate savings by the end of 2018, which it is on pace to achieve. Also, Aegon has a very straightforward growth opportunity in the form of its undervalued shares. The company's shares are currently trading for an earnings yield of approximately 13%, which means that repurchasing its own stock for cancellation will generate tremendous value for its shareholders. Aegon is expected to reduce its share count by around 2% a year over the next several years. While this is beneficial, we would hope the company's management would take better advantage of its low current share price. Between cost reductions, organic growth, and share repurchases we expect Aegon to grow its business value on a per-share basis at around 5% a year.

Aegon is safer than its dividend history implies. The company eliminated its dividend (which peaked at $0.96/share in 2008) in 2009. Despite this cut, the company remained profitable throughout the Great Recession. Its earnings-per-share low was $0.52 in 2009. Aegon currently pays ~$0.34/share in dividends annually. Its dividend is well covered even by Great Recession earnings lows. The company's current payout ratio is a safe 38% of underlying earnings.

We expect Aegon to report earnings-per-share of about $0.90 in fiscal 2017. The security currently trades hands at $6.85 for a price-to-earnings (P/E) ratio of 7.6. Although insurance companies usually trade at discounts to the broader stock market, Aegon's valuation is particularly attractive. Investors stand to be handsomely rewarded if Aegon's valuation reverts to its 10-year average P/E ratio of 10.9. If the company reverts to its historical average P/E ratio in the next 5 years this will generate an extra 7 percentage points of total return, bringing total expected returns to over 16% a year. Returns will come from its current dividend yield (over 4%), earnings-per-share growth (expected at 5%), and valuation multiple expansion (expected at 7% per year over 5 years). Additionally, the Netherlands does not impose a dividend withholding tax as of 2018.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	4.4%
Headquarters City:	The Hague	**This Year's EPS Estimate**:	US$1.00
Headquarters Country:	Netherlands	**Current Stock Price:**	US$6.85
Stock Exchange: Euronext Ams. &	NYSE	**Price-to-Earnings Ratio:**	7.6
Year Founded:	1993	**Market Capitalization:**	US$14.5 billion


Aegon (AEG) Dividend Yield History
45.00%
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ITV plc (ITVPY)

Overview & Current Events

ITV is a British production and broadcasting company. The company creates and distributes content across multiple platforms. ITV has the leading position in its industry, thanks to its scale. ITV controls 47% of the UK television advertising market. The company operates in two segments: Broadcast & Online, ~70% of company EBITDA; and TV Studios, ~30% of company EBITDA.

Through the first 9 months of fiscal 2017, ITV saw studio revenue grow 9% while broadcast and online revenue declined 4%. The company also announced a 5% dividend increase in its mid-year report. Through the 1st half of fiscal 2017, adjusted earnings-per-share declined 9%. ITV's dividend is secure. The company has a target dividend policy of sufficient coverage and will likely maintain a payout ratio under 50% for fiscal 2017.

The company's decline in adjusted earnings-per-share through the first half of fiscal 2017 is due to unusually large gains booked in the prior year for *The Voice of China* (similar to the popular U.S. show *The Voice*), and greater investment. ITV's long-term growth trend is positive.

Growth, Competitive Advantage, and Total Returns

The real story at ITV is a slow transition away from advertising revenue from the company's broadcast stations and towards revenue from the studios segment. Television viewership and advertising revenue is slowly declining. At the same time, content consumption is growing quickly, thanks to streaming. ITV has a long track record of producing growth, even when the operating environment becomes challenging. Adjusted earnings-per-share have more than doubled since 2011 and have increased every year from 2009 through 2016. Studio segment revenue has grown at 17.9% a year since 2011.

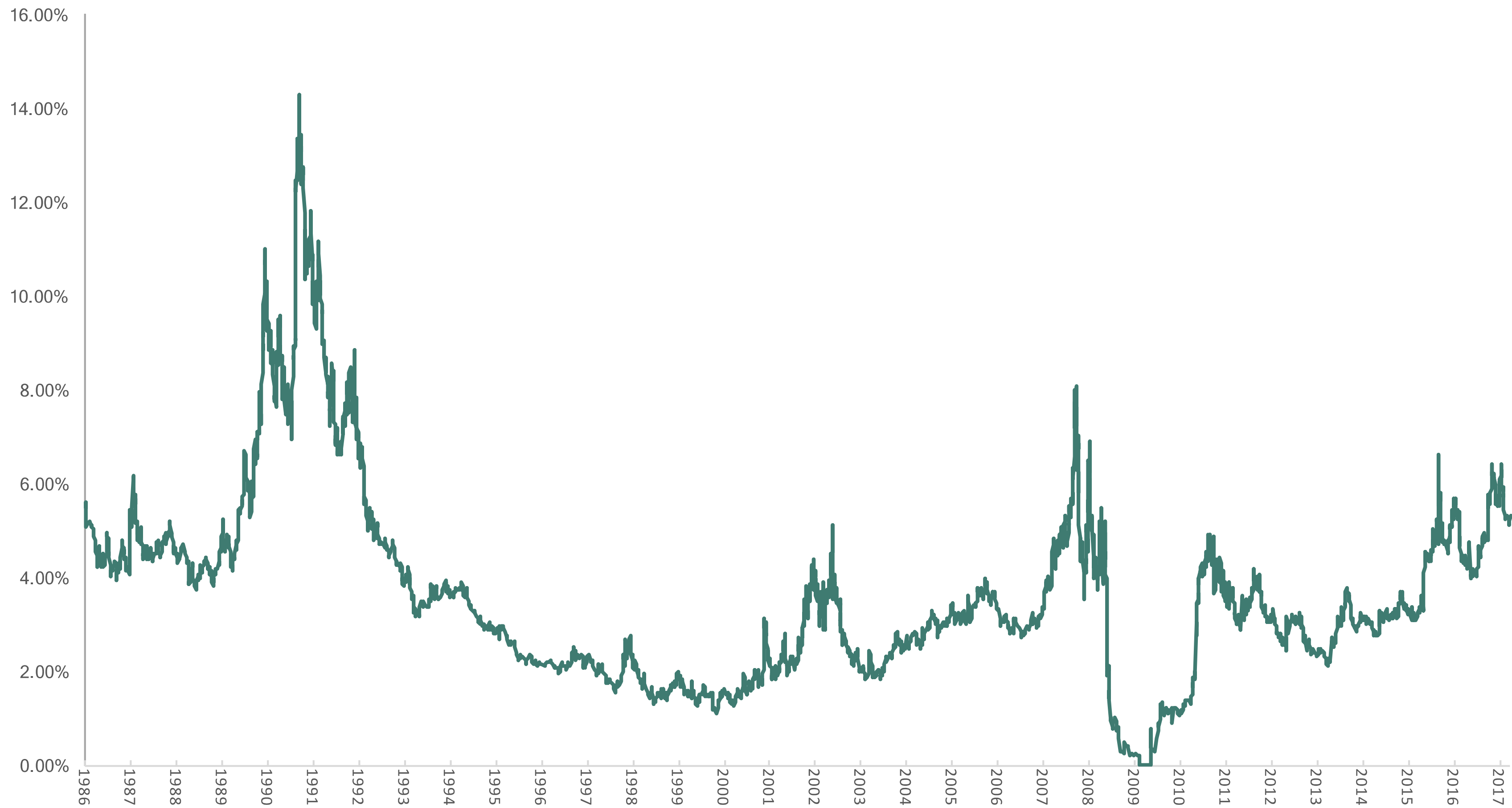
The company's competitive advantage comes from the synergies between its two segments and its large size. ITV invests more than $1.3 billion a year into content for its networks. Strong studio brands and growing distribution across a variety of devices and platforms will help provide further growth. Strong growth allowed ITV to return significant cash to shareholders. ITV has paid $2.53 billion of dividends to shareholders since re-instituting the dividend payout in 2011.

We expect adjusted earnings-per-share growth to slow somewhat over the rapid growth of the past five years. However, thanks to the company's leading industry position, high growth is still possible. We project 10% annual growth of adjusted earnings-per-share. This growth combined with the company's 4.4% dividend yield creates expected total returns in excess of 14% a year. In addition, ITV paid a special dividend in each of the previous five years. If the company pays a special dividend equal to its five-year average in fiscal 2017, that will add another 3.5% to annual returns. The United Kingdom *does not impose* a dividend withholding tax on US investors.

ITV is currently trading for a price-to-earnings ratio of 16.9. The company appears undervalued, given its growth prospects, competitive advantage, and generous dividend policy.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Pounds	**Dividend Yield:**	4.4%
Headquarters City:	London	**TTM Earnings-Per-Share**:	US$1.41
Headquarters Country:	England	**Current Stock Price:**	US$24.39
Stock Exchange:	LSE & OTC	**Price-to-Earnings Ratio:**	16.9
Year Founded:	1955	**Market Capitalization:**	US$6.8 billion



Note: ITV's ADRs have insufficient historical dividend yield data to provide a meaningful chart, so this data comes from the company's listing on the London Stock Exchange.

Canadian National Railway Co. (CNI)

Overview & Current Events

Canadian National Railway was founded in 1832, and has grown to reach a $57 billion market cap.

On January 23rd, the company reported strong full-year results. Revenue increased 8% for the full year, to $10.4 billion, while adjusted earnings-per-share rose 9%, to $3.98. The company benefitted from an improving Canadian economy. Revenue increased across most operating segments, including 25% growth for metals and minerals, 23% growth for coal, 9% growth for automotive, 6% growth for grain and fertilizers, and 2% growth for petroleum and chemicals. The only segment to post a decline last year was forest products, which was down 2%.

However, conditions tightened as 2017 drew to a close. Growth slowed down considerably in the fourth quarter. Fortunately, Canadian National Railway is poised to bounce back in 2018 and beyond.

Growth, Competitive Advantage, and Total Returns

Canadian National Railway missed earnings-per-share expectations for the fourth quarter, due primarily to harsh winter weather conditions. For the fourth quarter, adjusted earnings-per-share declined by 2%, due to a 9% increase in operating expenses. However, the long-term fundamentals of the railway industry remain healthy, which bodes well for Canadian National Railway. Economic growth remains positive throughout North America. Rising inflation is also positive for commodities, which make up a significant portion of Canadian National Railway's traffic volumes. For 2018, the company expects 5% to 8% earnings growth beyond 2017's figures.

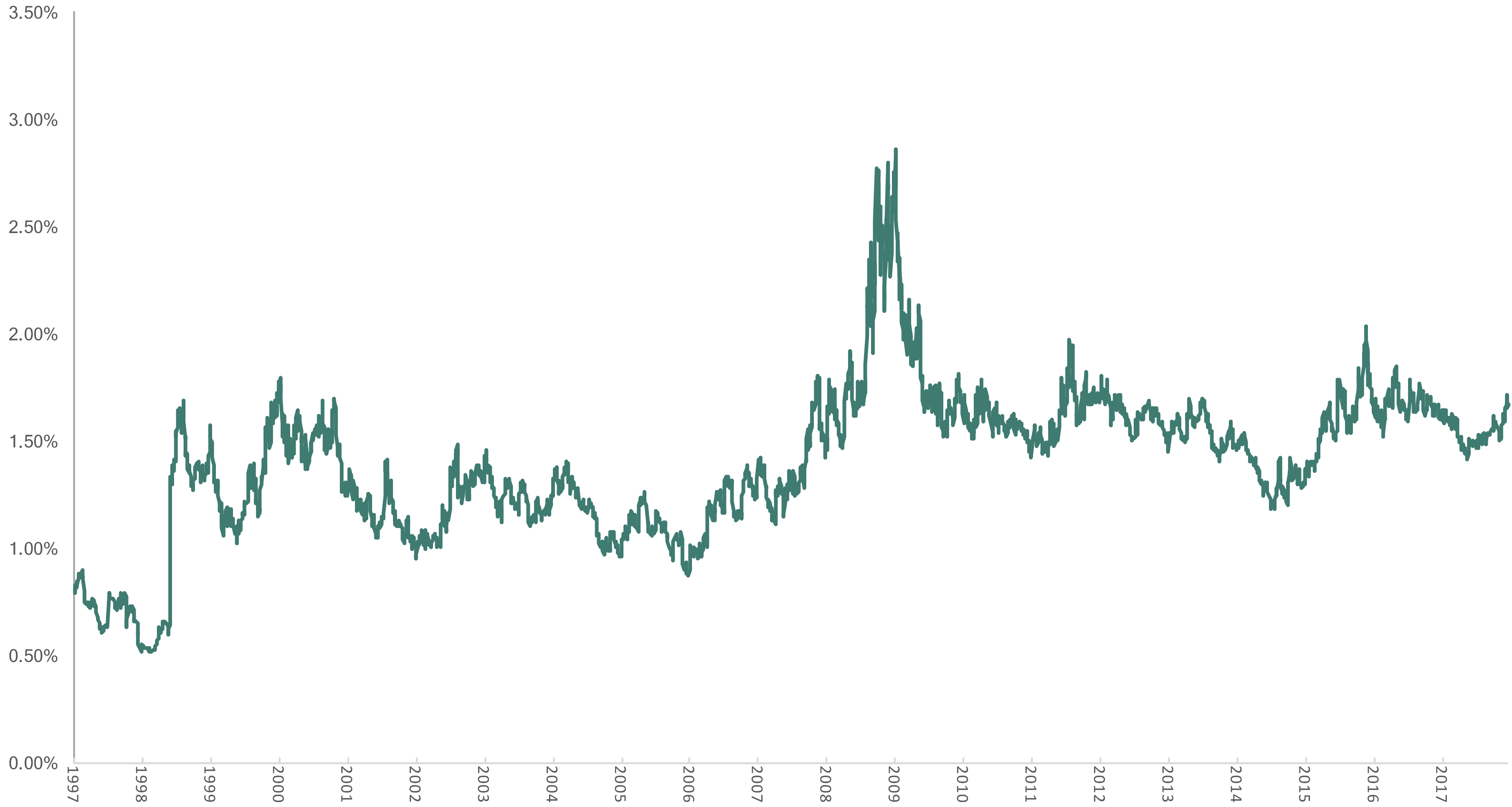
The reason for Canadian National Railway's continued growth, even in the face of various market challenges, is because it is Canada's leading railway. It has a diverse business model, with operations across virtually every market sector, and across North America. It has a network of more than 19,000 miles and connects ports on three coasts. It is a fully-integrated, logistics giant. It would be virtually impossible for a new competitor to enter the industry and take market share from Canadian National Railway, which provides it with a tremendous competitive advantage.

Canadian National Railway has a reasonable valuation currently. According to Value Line, the company is expected to generate earnings-per-share of $4.20 in 2018. Based on this, the stock has a forward price-to-earnings ratio of 18.1. Canadian National Railway stock is not in deep-value territory, but high-quality businesses rarely are. The company has a secure dividend and has room to raise the dividend. For example, the company recently increased its dividend by 10%. The new annual dividend payout of $1.82 provides a dividend yield of 2.4%.

The company can maintain a long-term earnings growth rate of 5% to 8%, which is not unrealistic for an industry-leader like Canadian National Railway. In this scenario, the stock would generate 7.4% to 10.4% annualized returns, once the 2.4% dividend yield is taken into account. Canada imposes a 15% dividend withholding tax, but this tax is waived for US investors using retirement accounts if the necessary paperwork is filed.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	2.4%
Headquarters City:	Montreal	**TTM Earnings-Per-Share**:	US$3.98
Headquarters Country:	Canada	**Current Stock Price:**	US$76.18
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	18.1
Year Founded:	1832	**Market Capitalization:**	US$57.2 billion


Canadian National Railway (CNI) Dividend Yield History
3.50%
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BNP Paribas SA (BNPQY)

Overview & Current Events

BNP Paribas is a large financial institution, based in France. Today, it ranks among Europe's largest banks. However, it has humble beginnings, which trace all the way back to 1822, during the dawn of 19th century industrial growth of Europe. BNP offers a wide range of financial services, including retail banking, commercial banking, insurance, and wealth and asset management.

BNP performed well in 2017. Operating revenue increased 1.5% in 2017. Margins increased, as operating expenses rose just 0.5% for the year. Outstanding loans and deposits increased by 5.9% and 8.6%, respectively, in 2017. Elsewhere, BNP's asset management business grew assets under management (AUM) by 4% for the year, while insurance revenue increased 5.6% in 2017.

BNP ended 2017 with a Common Equity Tier One Ratio, a measure of a bank's capital position and liquidity, of 11.8%, up 30 basis points from the previous year. This is far above the regulatory requirement of 4.5%. BNP generated profits of approximately $9.8 billion last year, up 4.4% from 2016. Growth helped the company raise dividends by 12% in 2017.

Growth, Competitive Advantage, and Total Returns

BNP has an attractive growth trajectory moving forward, as it stands to benefit from multiple catalysts. The first catalyst is economic growth. While banks are among the hardest-hit stocks during economic recessions, they are also more highly exposed to economic growth. Global economic growth remains positive, including in Europe, which bodes well for BNP's growth of assets and loans.

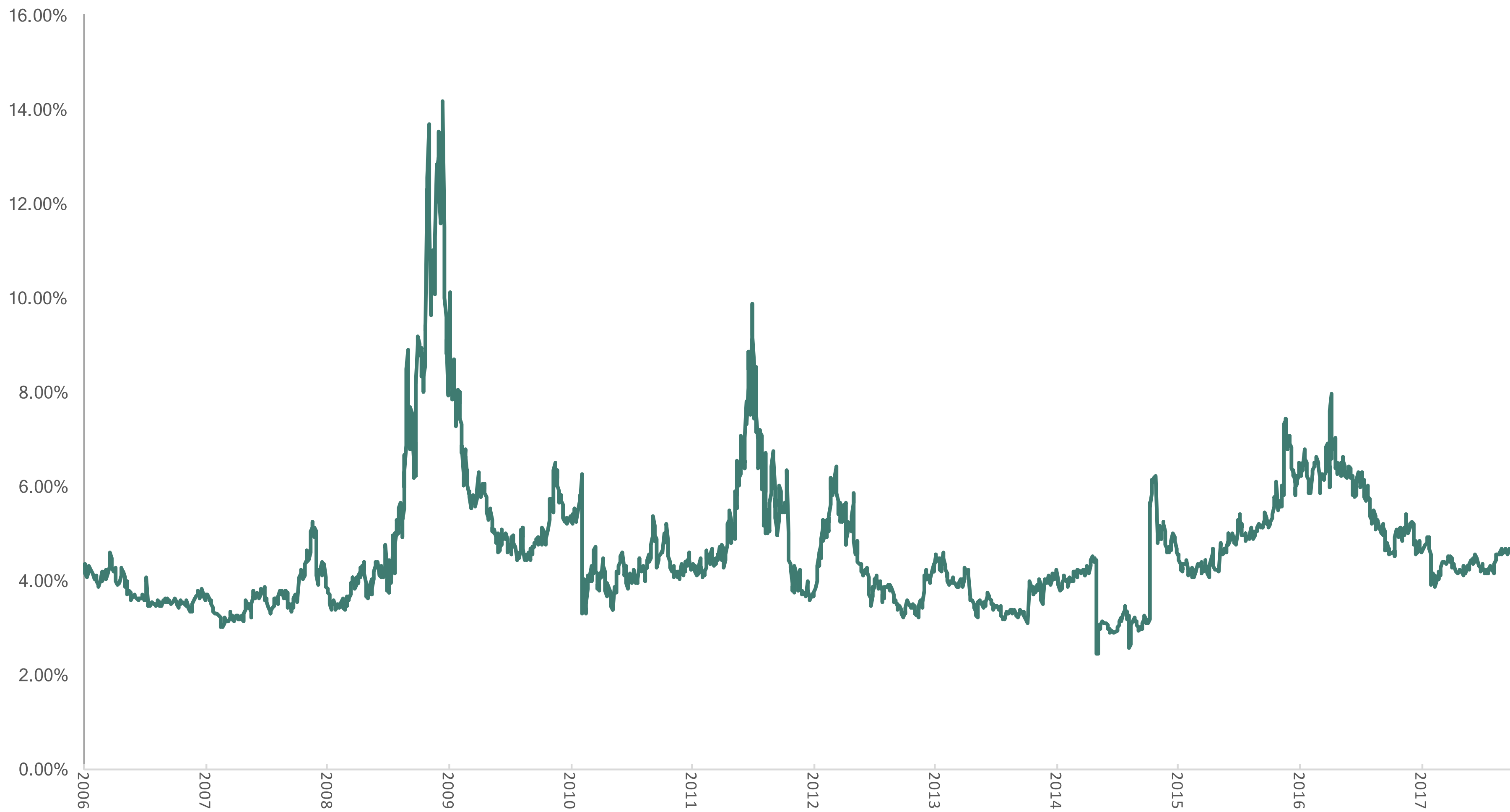
Secondly, BNP will benefit from rising interest rates. Higher rates help lift profitability for banks, as it causes net investment income to grow. Interest earned on loans typically rises at a faster rate than interest paid on deposits, which is why higher interest rates will cause net investment income to grow.

BNP's competitive advantages are its size and financial strength. With a market capitalization of almost US$100 billion, the company can utilize its scale to keep costs low, which in turn it can pass on to its clients in the form of better service and more attractive products. In addition, BNP has a strong balance sheet. The company has a credit rating of A and A+ from Standard & Poor's and Fitch, respectively, and has earned 'stable' outlooks from all three major credit rating agencies.

BNP trades for a price-to-earnings ratio of just 11.7, which is a modest valuation and leaves room for expansion. For example, price-to-earnings ratio expansion to 15 would yield a 28% shareholder return. In addition, BNP stock will generate earnings growth. The company recently initiated a growth plan called the "2020 Transformation Plan" which calls for an improved customer experience, digital transformation, and increased efficiency. This is expected to result in slightly accelerated earnings growth from recent years. If BNP can generate 4% to 6% earnings growth, along with its 4% forward dividend yield and an expansion of the price-to-earnings ratio, it is not unreasonable to gain total expected returns of at least 10% each year. France imposes a 15% dividend withholding tax on US investors. The 4.0% yield for BNP Paribas is *after* this withholding tax.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	4.0%
Headquarters City:	Paris	**TTM Earnings-Per-Share**:	US$3.40
Headquarters Country:	France	**Current Stock Price:**	US$40.28
Stock Exchange:	Euronext Paris & OTC	**Price-to-Earnings Ratio:**	11.7
Year Founded:	1822	**Market Capitalization:**	US$99.6 billion


BNP Paribas (BNPQY) Dividend Yield History
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
2006
2007
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Nissan Motor Co. Ltd (NSANY)

Overview & Current Events

The Nissan Motor Company is a multinational Japanese automobile manufacturer headquartered in Yokohama, Japan. The company manufactures and distributes cars under the Nissan, Infiniti, and Datsun brands while also manufacturing performance tuning products under the Nismo brand. Nissan has been a member of the Renault-Nissan-Mitsubishi Alliance since 1999. Nissan is also the world's largest electric vehicle manufacturer (depending on which metric you use) due to the widespread popularity of its flagship electric vehicle, the Nissan Leaf.

This month, Nissan reported (2/8/18) financial results for the third quarter of fiscal 2017 (Nissan has an unusual financial calendar which includes a fiscal year-end of March 31). The company reported net revenues of 8,528.0 billion yen (approximately US$80 billion), an operating profit of 364.2 billion yen (US$3.4 billion), and net income attributable to Nissan shareholders of 578.1 billion yen (US$5.4 billion). On a comparative basis, Nissan's revenues increased by 3.2% year-on-year while operating profits declined by 27.6% and net income increased by 39.6%. Operating profit was adversely impacted by special items related to vehicle inspection issues in Japan, as well as slowing sales growth, negative pricing trends, and inventory management adjustments in the U.S. market. The company's strong bottom line performance shows that the reduction in operating profit was more than offset by increased net non-operating income in addition to the favorable impact of U.S. tax reform. All said, Nissan's quarter delivered continued top-line growth.

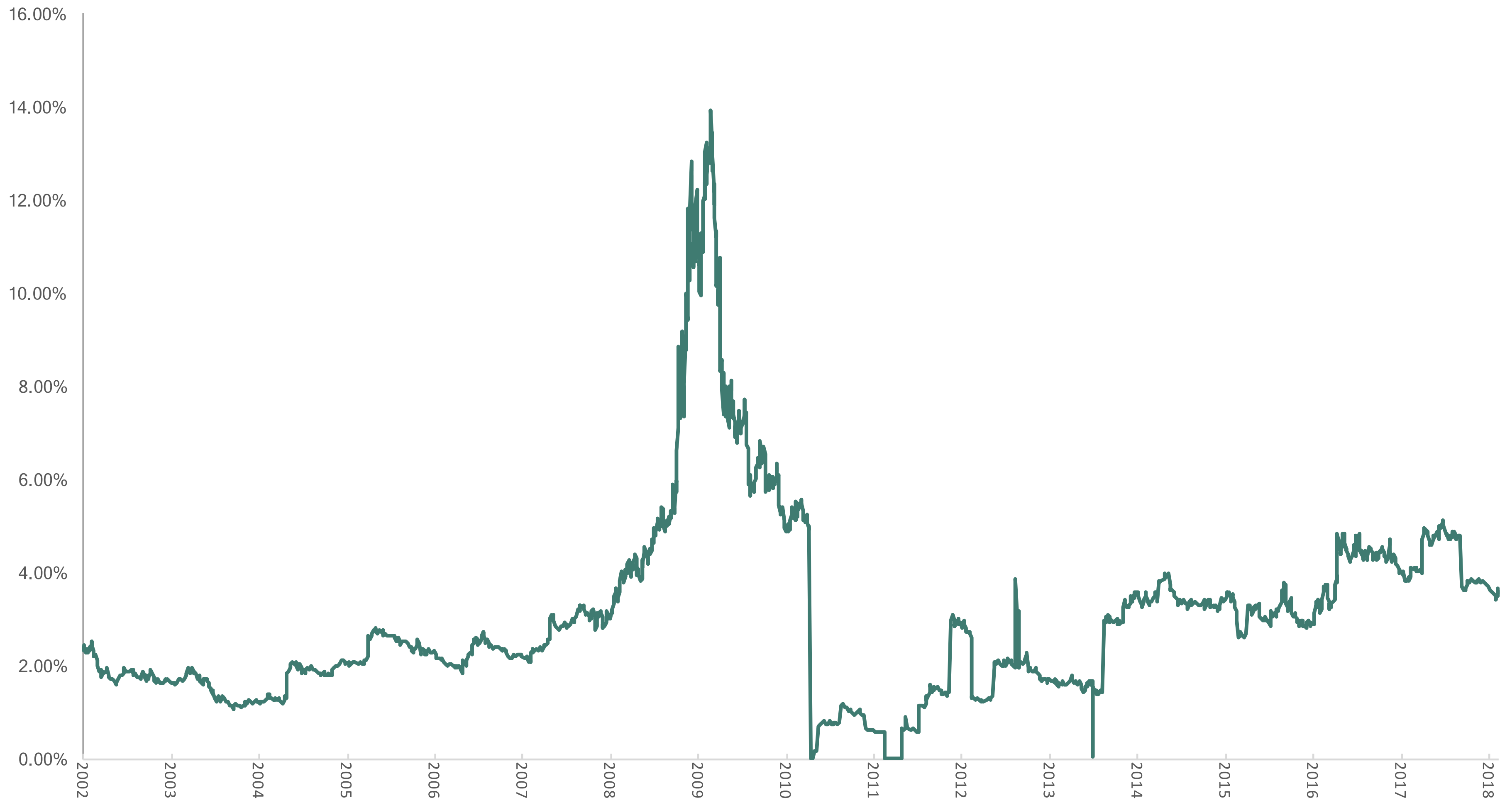
Growth Prospects, Valuation, & Catalyst

Nissan's growth over the next several years will be driven by the "Nissan M.O.V.E. to 2022" plan, which stands for Mobility, Operational Excellence, Value to Customers, and Electrification. Under this plan, which was released last April, Nissan expects to grow its annual revenue from 12.8 trillion yen (US$120 billion) to 16.5 trillion yen (US$155 billion - a compound annual growth rate (CAGR) of approximately 5% per year) while seeing its operating margin expand to ~8% under "reasonable economic conditions." Nissan's management team is optimistic about the future. Its track record (with growth in unit sales each year since 2008) implies that it is well-positioned to deliver on these goals.

Nissan is expecting to report net income attributable to common shareholders of 705 billion yen (US$6.6 billion) in fiscal 2017 (which ends on March 31, 2018). The company has an earnings-per-share estimate of 167.86 yen (US$1.58) for full fiscal 2017. Each of Nissan's ADRs are equivalent to 2 ordinary shares on the Tokyo Stock Exchange, so the company's current stock price of US$21.19 combined with its 2017 earnings-per-ADR estimate of $3.16 (twice the EPS estimate for the Tokyo shares) give a price-to-earnings ratio of 6.6. Nissan's average P/E ratio since 2010 is around 9.3. The company's stock looks significantly undervalued currently. Annualized total returns of 15% are possible from valuation multiple expansion (6%), dividends (3%), and earnings-per-share growth (6%). Investors should note there is elevated risk of a dividend cut and poor performance during recessions for Nissan. Nissan's 3.4% dividend yield already factors in Japan's 15% dividend withholding tax.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	3.4%
Headquarters City:	Yokohama	**This Year's EPS Estimate**:	US$1.58
Headquarters Country:	Japan	**Current Stock Price:**	US$21.19
Stock Exchange:	TSE & OTC	**Price-to-Earnings Ratio:**	6.6
Year Founded:	1933	**Market Capitalization:**	US$40.6 billion


Nissan (NSANY) Dividend Yield History
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
2002
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2018

Société Générale (SCGLY)

Overview & Current Events

Société Générale is a multinational banking and financial services company with headquarters in Paris, France. The company trades with a market capitalization of US$36 billion and was founded in 1864, making it one of France's oldest financial institutions. Société Générale trades as an American Depository Receipt (ADR) on the American markets over-the-counter (OTC) under the ticker SCGLY. The company's ADRs are equivalent to ordinary shares at a ratio of 5:1.

Earlier this month, Société Générale reported (2/8/18) financial results for the fourth quarter and full year of fiscal 2017. Revenues of €6.2 billion (or approximately US$7.7 billion) increased by 0.8% over the prior year's period while underlying net income of €877 million (US$1.1 billion) declined by 24.1% over the same period a year ago. Net income was marred by expenses related to the adaptation of an acquired network of retail banks in France, a tax rectification proposal related to French tax authorities, and a fine imposed related to *Image Chèque*, the bank's interbank check fee system.

Fortunately, Société Générale's full-year performance was far better. Although revenues of €25.1 billion (or approximately US$31.3 billion) increased by just 0.5% over 2016's comparable figure, underlying net income of €4.5 billion (or approximately US$5.6 billion) increased by 8.4% over the prior year's period. All said, 8% earnings growth is an excellent figure for this financial institution and gives the company an appealing total return profile when combined with its 4%+ dividend yield.

Growth Prospects, Valuation, & Catalyst

Société Générale's future growth will come from its new Strategic and Financial Plan announced (11/27/17) last November. After executing more than 45 divestitures since 2014, the bank is now much more focused and is targeting revenue growth exceeding 3% per annum through 2020. Moreover, the company's €1.1 billion cost savings program (which amounts to approximately US$1.4 billion) means the bank's annual increase in operating expenses is expected to be just 1.2% per year through 2020. Société Générale is also aiming to divest additional non-core businesses amounting to approximately 5% of the group's current risk-weighted assets. All of these factors contribute to an earnings-per-share target of €6.50 for fiscal 2020 (up significantly from the €2.98 reported in fiscal 2017, although this was a down year for the bank from a financial perspective). Over the long-term, we believe that 6%-8% earnings growth is feasible for this financial institution.

Société Générale reported adjusted earnings-per-share of €2.98 in fiscal 2017, which is equivalent to US$3.71 at current exchange rates. The company's OTC ADRs trade at a 5:1 ratio with its ordinary shares on the Euronext Paris exchange. This means that Société Générale's 2017 adjusted earnings-per-share are equivalent to US$0.74 on a per-ADR basis. The company's ADRs currently trade at a price of US$11.53 on the OTC markets, which implies a price-to-earnings ratio of 15.5. We do not expect valuation expansion to have a positive effect on Société Générale's future total returns; still, 6%-8% earnings growth combined with the bank's 4.3% yield gives 10%+ total return potential before valuation changes. France imposes a 15% dividend withholding tax on US investors.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	4.3%
Headquarters City:	Paris	**This Year's EPS**:	US$0.74
Headquarters Country:	France	**Current Stock Price:**	US$11.53
Stock Exchange:	Euronext Paris & OTC	**Price-to-Earnings Ratio:**	15.5
Year Founded:	1864	**Market Capitalization:**	US$36 billion

Société Générale (SCGLY) Dividend Yield History
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2002
2003
2004
2005
2006
2007
2008
2009
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Public Joint-Stock Company Gazprom (OGZPY)

Overview & Current Events

Public Joint-Stock Company Gazprom (hereafter Gazprom) is the largest joint-stock company in Russia and is approximately 50% owned by the Russian Federation and other companies controlled by the Russian government. The company was founded in 1989 when the Soviet Ministry of Gas Industry was converted to a corporation. Gazprom is focused on extracting, producing, transporting, and selling natural gas. A maximum of 35% of Gazprom's shares outstanding are issued as American Depository Receipts (ADRs). One ADR represents two ordinary shares. In America, these ADRs trade on the OTC markets as OGZPY and have an average daily trading volume in excess of US$1 million.

In November, Gazprom reported (11/29/17) financial results for the third quarter of fiscal 2017. Total net sales of 1,432 billion rubles (or about US$24.8 billion) increased by 14% over the prior year's period, while adjusted EBITDA of 356 billion rubles (US$6.3 billion) increased by 18% and net profit of 200 billion rubles (US$3.5 billion) increased by 96%. The company trimmed its capital expenditures by 3% to 336 billion rubles (US$5.9 billion) in the quarter. On the bottom line, Gazprom's diluted earnings-per-share of 9.07 rubles (US$0.16) nearly doubled the 4.60 rubles (US$0.08) reported in the prior year's quarter. Gazprom's business should continue to perform well as 2017 was a strong year for natural gas exports to Europe; a trend that is expected to continue.

More recently, the Gazprom Board of Directors approved (12/20/17) the company's investment program and financial plan for 2018. The overall amount of investments is scheduled for 1,278.8 billion rubles (US$22.6 billion), with 798.4 billion rubles (US$14.1 billion) earmarked for capital investments, 41.0 billion rubles (US$725 million) for the acquisition of new long-term assets, and 439.4 billion rubles (US$7.8 billion) for long-term financial investments.

Growth Prospects, Valuation, & Catalyst

Gazprom reported earnings-per-share of 41.29 rubles in fiscal 2016, which is equivalent to US$0.73 at prevailing exchange rates. Because of the 2:1 conversion rate between ADRs and ordinary shares, this implies earnings-per-ADR of US$1.46. The ADRs currently trade for US$4.77, which implies a price-to-earnings ratio of just 3.3. Fundamentally, this stock is astoundingly cheap; with that said, it has been a bargain for a very, very long time. Geopolitical risk is the likely reason why the markets refuse to assign a higher valuation to Gazprom. It would require a significant change in sentiment for Gazprom's valuation to meaningfully expand, which will only occur if stability in Russia improves.

Still, investors can realize attractive returns from Gazprom's dividend yield alone. The company's policy is to allocate 17.5% to 35% of net profits to dividends provided that certain financial reserves are fully established. Although this payout ratio is low compared to many domestic stocks, it still results in a very satisfactory dividend yield when combined with the company's low valuation multiple. Gazprom has also communicated the intent to steadily increase its dividend in the years to come. Russia imposes a 15% dividend withholding tax on US investors.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Rubles	**Dividend Yield:**	8.9%
Headquarters City:	Moscow	**Last Year's Earnings-Per-Share**:	US$1.46
Headquarters Country:	Russia	**Current Stock Price:**	US$4.77
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	3.3
Year Founded:	1989	**Market Capitalization:**	US$56 billion

Public Joint-Stock Company Gazprom (OGZPY) Dividend Yield History
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2002
2003
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Closing Thoughts
–GDP Growth Rates & Investing–

Gross domestic product (GDP) measures the total amount of economic value produced in a country. There's no real 'perfect' measure of true economic value produced, but GDP is a good proxy.

The faster a country's GDP is growing, the better. Faster GDP growth means a better economy and stronger tailwinds for businesses inside the country. The expected real (adjusted for inflation) GDP growth rates over the next 5 years for the world's 10 largest economies are below:

1. United States: 1.9%
2. China: 6.2%
3. Japan: 0.6%
4. Germany: 1.4%
5. France: 1.9%
6. United Kingdom: 1.6%
7. India: 7.9%
8. Brazil: 1.9%
9. Italy: 0.9%
10. Canada: 1.8%

Now here's the interesting part – GDP growth is only modestly correlated with stock market returns. That's because there are other important factors to consider. First, GDP is roughly equivalent to revenue, not earnings. Margins matter a great deal. Second, GDP says nothing about valuation. High GDP growth rates can be 'baked in' to stock market prices already. Third, the heads of large corporations know what markets are growing fastest and tend to compete in those markets even though they are based in a different country.

So, do GDP growth rates matter? In a broad macro-economic sense, yes. When investing in individual stocks, no. That's because the characteristics of the individual business and its valuation are what dictates returns, not the macro-economic environment. We find there is relatively little to gain from looking at country wide GDP growth rates.

Instead, we focus on analyzing individual businesses and stocks, not countries. It makes sense to expand the search for great businesses to international markets because there are more opportunities to be found, not necessarily because of GDP growth disparities. To drive home this point, ask yourself what company you expect to grow its revenues faster – an established Indian utility or Amazon (AMZN)? It's the business that matters most, not the country in which the business is located when analyzing growth prospects.

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this newsletter should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in securities. Past performance is not a guarantee of future performance.

List of Past Recommendations & Performance

The performance and initial recommendation date of every Sure Dividend International Recommendation is below.

Performance is calculated using the closing price on the first trading day *after* the newsletter publishes. If the newsletter were published on Sunday, the close price from the following Monday is used as the buy price. Returns include dividends. Keep in mind the S&P 500 (SPY) is down 3.3% and global markets reacted similarly since the publishing of the January 2018 Sure Dividend International Newsletter.

Name & Ticker	Newsletter Date	Total Returns
Aegon (AEG)	January 2018	-2.0%
ITV (ITVPY)	January 2018	4.2%
Dixons Carphone (DC:LN)	January 2018	-0.9%
Royal Mail (RMG:LN)	January 2018	17.9%
Acea S.p.A. (ACE:IM)	January 2018	-6.5%
Groupe Renault (RNO:FP)	January 2018	-0.1%
Gazprom (OGZPY)	January 2018	-9.3%
Inchcape (INCH:LN)	January 2018	-6.4%
Blom Bank (BLOM:LB)	January 2018	-2.5%
Yanlord Land (Z25:SP)	January 2018	-12.0%
Canadian Imperial Bank (CM)	February 2018	N/A
Canadian National Railway (CNI)	February 2018	N/A
Sampo Oyj (SAXPY)	February 2018	N/A
Fortis (FTS)	February 2018	N/A
BNP Paribas (BNPQY)	February 2018	N/A
Nissan (NSANY)	February 2018	N/A
Société Générale (SCGLY)	February 2018	N/A
Average		**-1.8%**
S&P 500 Average		**-3.3%**

Performance over periods of 3 years or less is virtually meaningless. With 1 month of return data, the return data here is nothing more than noise. Over years, this performance page and list of past recommendations will grow in relevancy.

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**
Netherlands	0%[1]
United Kingdom	0%
Singapore	0%
Lebanon	10%
Russia	15%
Japan	15%
France	15%[2]
Canada	25%[3]
Italy	26%
Finland	30%

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] The dividend withholding tax rate in the Netherlands was recently reduced to 0% from 15% (Source).
[2] Additional forms must be filed to get this tax rate (see here for more).
[3] 0% if proper paperwork is filed and investment is in a U.S. retirement account.

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

ADRs come in 3 levels

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.

Level I ADRs are the riskiest as they don't have to report to the SEC and they tend to be relatively illiquid with low trading volumes. Level II and III ADRs are similar to investing in other publicly traded securities on large exchanges. In general, you can tell the level of ADR by the 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.

Our recommendation for investing in international securities is simple. If a level II or III ADR is available, it is the best way to invest in an international security.

If only a level I ADR is available, we *may* recommend it depending on its volume. Our rule of thumb is if average daily volume ~$1 million or more we will recommend the ADR. Depending on your account size, smaller volumes may be safe for you. As a general rule, never trade more than 5% of daily volume. Since other Sure Dividend readers will likely be making similar trades, we would prefer to use 1% of volume as a 'safe' level for liquidity. **When purchasing OTC shares, be sure to use limit orders as market orders could potentially be filled at unsatisfactory prices**. This corresponds generally to the top 200 or so most actively traded OTC securities. If volume is not sufficient, we will not recommend buying OTC shares.

If the level I ADR is thinly traded, or if no ADR exists, we recommend investing directly in the security via the security's home exchange. This can be done in two ways:

1. Opening a brokerage in the country of the security you want to buy
2. Enabling a global account with your current brokerage

It will quickly become unwieldly and time consuming to open brokerage accounts in multiple countries. Instead, we recommend enabling a global trading account with your current broker or switching to one that offers this service. Interactive Brokers, Fidelity, E*Trade, and Charles Schwab, among others, offer international trading.

The best ticker to invest in each of our top 10 recommendations is included next to the name of the security on each respective analysis page. If the security is not available as an ADR, the exchange it trades most actively on will be included at the bottom of the company's analysis page.

Please email me 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 & Past Recommendations

Buying securities is only part of the battle. Knowing *when to sell* and *how long to hold* is critical to investing success. Sure Dividend focuses on investing for long periods of time. Our favorite investments are those that 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 emphasis on increasing dividends every year. Additionally, valuations and business results fluctuate more widely with many international securities, making a qualitative approach more suitable.