



Sure Dividend International

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

March 2018 Edition

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Opening Thoughts - The Importance of Stability -

All of this month's recommendations come from first world countries. While Sure Dividend International follows a bottom-up investing procedure rather than top-down, country of origin does matter. We perform qualitative analysis after our quantitative rankings to reduce risk further.

Note: Bottom-up analysis means making decisions at the individual stock level. Top-down analysis makes decisions based on other factors like the economy or country of origin.

The vast majority of the world's businesses that have realized decades of success come from well-established first-world nations. This is because businesses do not exist in a vacuum. Some degree of political and economic stability on a national level is required for businesses to thrive over the long run. It's far more difficult to build a business in a country where your assets might or might not be seized if a new political party dominates.

The requirements for being a Dividend Aristocrat in different parts of the world shows how dividend history is graded on a curve, depending on country of origin:

- US Dividend Aristocrats Index: 25+ years of rising dividends
- Global (including US) Dividend Aristocrats ETF (WDIV): 10+ years of rising dividends

The Global Dividend Aristocrats ETF has *significantly easier* entry requirements, due to the scarcity of stocks with 25+ years of rising dividends outside the United States (and Canada). The country weight breakdown of the Global Dividend Aristocrats ETF is telling as well (note that no country can account for 25% or more of the Index):

Fund Country Weights

As of 03/14/2018

United States	20.16%	South Africa	5.17%	Switzerland	2.71%	Mexico	1.17%	Norway	0.77%
Canada	19.65%	Spain	4.70%	Portugal	1.73%	Singapore	1.13%	Denmark	0.73%
United Kingdom	9.37%	Hong Kong	4.61%	Italy	1.72%	China	1.13%	Netherlands	0.71%
France	7.28%	Sweden	3.86%	Finland	1.68%	Belgium	0.79%		
Japan	6.12%	Germany	2.75%	Australia	1.30%	South Korea	0.78%		

Source: [Global Dividend Aristocrats ETF \(WDIV\)](#)

There is *very little* exposure to developing or emerging markets in the above ETF *because* it focuses on dividend history. Similarly, current and future Sure Dividend International Newsletter editions will skew more toward developed countries (excluding the US) to provide higher quality recommendations.

The International Top 10 – March 2018

Name	Ticker	Mkt. Cap	Country	Price ¹	P/E	Yield ²	Payout	Growth
Canadian Imper.	CM	\$40 billion	Canada	\$90	10.4	3.5%	47%	5.5%
Sampo Oyj	SAXPY	\$31 billion	Finland	\$28	11.3	4.1%	68%	5.0%
Fortis	FTS	\$14 billion	Canada	\$33	17.0	3.1%	64%	5.0%
Swiss Re	SSREY	\$32 billion	Switzerland	\$25	9.5 ³	3.4%	49% ⁴	7.0%
Canad. Nat. Rail.	CNI	\$55 billion	Canada	\$74	17.6	1.4%	43%	6.5%
Deutsche Tele.	DTEGY	\$77 billion	Germany	\$16	10.5	3.7%	51%	7.0%
BNP Paribas	BNPQY	\$95 billion	France	\$38	10.3	3.4%	50%	5.0%
Nissan Moto Co.	NSANY	\$42 billion	Japan	\$21	6.7	3.7%	22%	6.0%
ProSiebenSat.1	PBSFY	\$8 billion	Germany	\$8	13.2	5.3%	95%	4.0%
Enel SpA	ENLAY	\$61 billion	Italy	\$6	13.8	3.3%	60%	5.0%

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 or calculated manually from company data.

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 were four new recommendations in this month's newsletter (ENLAY, PBSFY, DTEGY, and SSREY). We expect a similar level of turnover 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:	3.5%	2.9%	1.8%
Growth Rate:	5.6%	5.3% ⁵	7.4% ⁶
Exp. Total Return:	9.1%	8.2%	9.2%

Note: We are only recommending stocks with U.S. American Depositary Receipts (ADRs) with reasonable liquidity 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.

¹ Rounded to nearest U.S. dollar.

² After accounting for any applicable withholding taxes.

³ Using 2016's earnings-per-share due to the significant (and uncommon) natural disasters that occurred in 2017.

⁴ Using 2016's earnings-per-share due to the significant (and uncommon) natural disasters that occurred in 2017.

⁵ Based on the Index's annualized net return since inception.

⁶ 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 – hereafter CIBC – is the fifth-largest financial institution in Canada behind the Royal Bank of Canada (RY), the Toronto-Dominion Bank (TD), the Bank of Nova Scotia (BNS), and the Bank of Montreal (BMO). The company trades on the New York Stock Exchange with a market capitalization of US\$40 billion.

Last month, CIBC reported (2/22/18) financial results for the first quarter of fiscal 2018. Adjusted EPS of CAD\$3.18 (US\$2.44) increased by 10.0% over the CAD\$2.89 (US\$2.22) reported in the prior year's period. CIBC reported an adjusted return on equity of 18.8% - the highest among the Big 5 Canadian banks in the quarter (the peer group had an average ROE of 15.9% ex-CIBC). CIBC also announced an increase to its quarterly dividend payment. The new dividend of CAD\$1.33 (US\$1.02) represents a 2.3% increase from the prior dividend of CAD\$1.30 (US\$1.00). While a 2.3% dividend may not seem like much, CIBC tends to increase its dividend twice per year and the bank has grown its dividend at a compound annual rate of 7.2% per year (in Canadian dollars) over the last 5 years.

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 acquisition of Chicago-based PrivateBancorp (PVTB) – which operates as The PrivateBank – gives the company a foothold in the important U.S. economy. We expect CIBC to continue its expansion into the United States through both organic growth and bolt-on acquisitions.

CIBC reported diluted EPS of CAD\$11.24 (US\$8.62) in fiscal 2017. The bank's NYSE-listed shares (CM) currently trade hands at about US\$90, which gives a P/E ratio of just 10.4 – lower than most U.S. banks. While CIBC tends to trade at a discount to the other Canadian banks because of its weaker international exposure and slower historical growth, it also has a proportionately higher dividend yield. CIBC's 4.6% dividend yield is particularly attractive given the tax treaty between Canada and the U.S., which waives withholding tax in retirement accounts. Outside of retirement accounts, a 25% dividend withholding tax reduces CIBC's net yield to 3.5%.

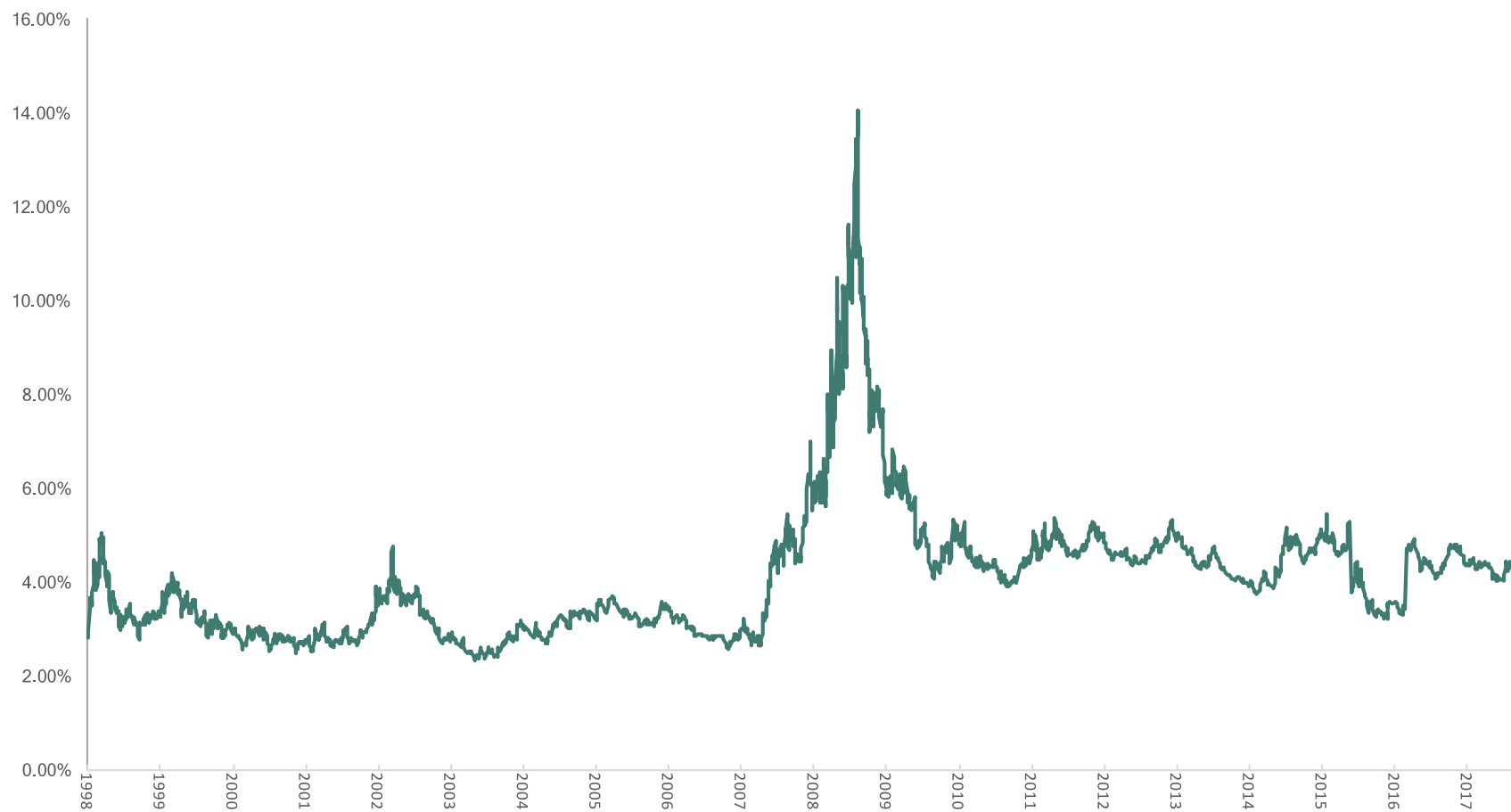
CIBC has compounded its adjusted EPS at 4% per year over the last decade and 7.5% per year over the last 5 years. The bank is capable of delivering 4%-7% earnings-per-share growth moving forward. Combining this growth estimate with CIBC's current yield (after withholding tax, outside of a retirement account) gives expected returns of 7.5% to 10.5% before any potential valuation changes.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	Dividend Yield:	3.5% ¹
Headquarters City:	Toronto	Last Year's EPS:	US\$8.62
Headquarters Country:	Canada	Current Stock Price:	US\$89.89
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	10.4
Year Founded:	1867	Market Capitalization:	US\$40 billion

¹ This dividend yield assumes a 15% withholding tax when held outside of a U.S. retirement account. If held within a U.S. retirement account, this withholding tax is waived, and the bank's net yield becomes 4.6%.

Canadian Imperial Bank of Commerce (CM) Dividend Yield History



Sampo Oyj (SAXPY)

Overview & Current Events

Sampo Oyj is the leading property and casualty insurance company in the Nordic region of the world. The company is based in Finland and was founded in 1909. Sampo Oyj has a market capitalization above US\$31 billion, making it a large-cap company. 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 Topdanmark, the sixth largest life insurance company in Denmark; 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. Last year was a very strong one for Sampo. 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. The fourth quarter was particularly strong for Sampo, with 11% year-over-year revenue growth.

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; the If subsidiary had a combined ratio of 83.6% in the fourth quarter, its best-ever combined ratio for the fourth quarter. The Topdanmark business had a combined ratio of 82.1%.

In addition, Sampo Oyj is in good financial shape. Sampo plc and If have credit ratings of A- and A from Standard & Poor's, respectively, which helps the company grow thanks to a lower cost of capital. Sampo appears to be undervalued. The stock has a P/E ratio of just 11.3. 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, which indicates Sampo is undervalued today.

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 dividends, 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.

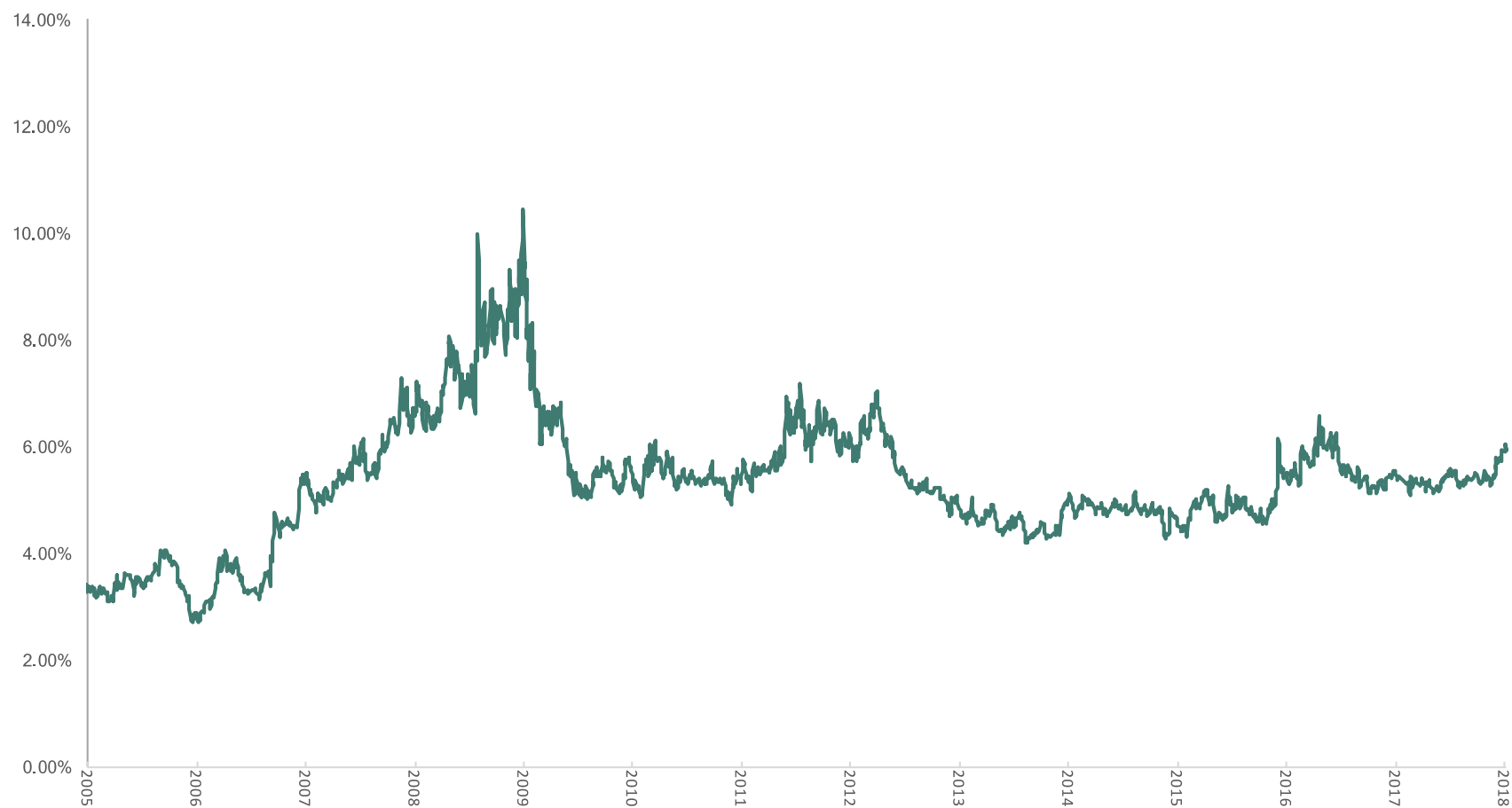
Dividends will make up a significant portion of shareholder returns. Sampo has increased its dividend for 48 years in a row. For 2018, Sampo's Board of Directors has proposed a dividend of €2.60. This would equate to a dividend of US\$3.22 for 2018. Based on the recent share price, Sampo has a dividend yield of 4.1%. Sampo distributes a very high level of its profits to shareholders. 2017 earnings-per-share totaled US\$4.71, which indicates a dividend payout ratio of nearly 70%. This is a manageable payout ratio, yet still provides shareholders with a compelling dividend yield.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	Dividend Yield:	4.1 ¹ %
Headquarters City:	Helsinki	TTM Earnings-Per-Share:	US\$4.71
Headquarters Country:	Finland	Current Stock Price:	US\$27.68
Stock Exchange:	HEX & OTC	Price-to-Earnings Ratio:	11.3
Year Founded:	1909	Market Capitalization:	US\$30.8 billion

¹ Finland imposes a 30% withholding tax on dividends paid to U.S. investors. Without the tax, the dividend yield would be 5.8%.

Sampo Oyj (SAMAS:FH) Dividend Yield History



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 3.1% (4.1% before the 25% withholding tax applied by the Canadian government) and has "6% annual average growth planned through 2022."

In February, Fortis reported (2/15/18) financial results for the fourth quarter of fiscal 2017. In the quarter, adjusted earnings-per-share of CAD\$0.62 (US\$0.48) decreased by 2% over the CAD\$0.63 (US\$0.48) reported in the prior year's quarter. Full-year financial results were more favorable. Adjusted earnings-per-share of CAD\$2.53 (US\$1.94) increased by 10% over the CAD\$2.31 (US\$1.77) 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 shares outstanding. Fortis' dividend continues to be well-covered by cash flows. The company paid CAD\$1.625 (US\$1.25) of dividends in fiscal 2017 and reported adjusted earnings-per-share of CAD\$2.53 (US\$1.94) for a payout ratio of 64%. Fortis also increased its dividend by 6.25% last quarter.

Growth, Competitive Advantage, and Total Returns

Fortis has historically grown by acquiring smaller utilities and integrating them into its network of operating subsidiaries. It is difficult to overstate the importance of these acquisitions; for example, Fortis closed the US\$11.3 billion acquisition of Michigan-based ITC Holdings Corporation in late 2016. Fortis's market capitalization is *only* ~\$14 billion. Continued acquisition-based growth is likely. Fortis has grown its adjusted earnings-per-share by 13.1% over the past 3 years and 8.0% over the past 5 years. Looking ahead, we believe that company's growth will be modestly lower because recent growth has been fueled by acquisitions. Still, 4%-6% growth is possible.

Fortis's recently-published fiscal 2017 earnings release delivered adjusted earnings-per-share of CAD\$2.53 for the twelve-month period, which is equivalent to approximately US\$1.94. The company's NYSE-listed shares currently trade for about US\$33, which gives a P/E ratio of 17.0. For context, Fortis traded at an average P/E ratio of about 19.6 over the last 10 years. The company appears to be undervalued. If Fortis's valuation reverts to 19x earnings over the next 4 years, this will add ~3% to the company's annualized returns. In sum, Fortis's 3.1% yield, 4%-6% earnings growth, and valuation expansion give the company the potential to deliver double-digit returns.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	Dividend Yield:	3.1% ¹
Headquarters City:	St. John's	Last Year's EPS:	US\$1.94
Headquarters Country:	Canada	Current Stock Price:	US\$32.91
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	17.0
Year Founded:	1885	Market Capitalization:	US\$13.9 billion

¹ This includes a 25% withholding tax from the Canadian government, which is waived in a U.S. retirement account. Fortis' yield rises to 4.1% when held in a U.S. retirement account.

Fortis Inc. (FTS.TO) Dividend Yield History



Note: This chart uses data from Fortis's listing on the Toronto Stock Exchange (TSX) as it has more historical data available than the New York Stock Exchange (NYSE) equivalent.

Swiss Re Ltd (SSREY)

Overview & Current Events

Swiss Re AG is a Swedish insurance company, with a specific focus on reinsurance. Its primary lines of business are property and casualty reinsurance, life and health reinsurance, corporate solutions, and Admin Re. The company has a very long operating history, having been founded in 1863. It is among the largest insurers in Europe, with a market capitalization of nearly US\$32 billion.

On February 23rd, Swiss Re issued fourth-quarter and 2017 operating results. Last year was extremely difficult for Swiss Re, and the entire property and casualty insurance industry more broadly, due to natural disasters. It was one of the costliest years for the reinsurance industry in history. Earnings-per-share fell 90% in 2017, to US\$1.03. The dramatic decline in profitability was due to approximately US\$4.7 billion of combined estimated claims from large natural catastrophes, including Hurricanes Harvey, Irma, and Maria, as well as earthquakes in Mexico, and wildfires in California.

Growth, Competitive Advantage, and Total Returns

While 2017 was a very challenging year for Swiss Re, the company expects results to improve in 2018. Normal weather conditions will cause an immediate rebound for earnings, and Swiss Re's non-reinsurance businesses continue to grow. For example, Life & Health segment profit increased 35% in 2017, driven by higher premiums written and return on investment. Another attractive growth prospect is rising interest rates. Insurers generate significant income from investing accumulated premium income not yet paid out in claims, called "float." Rising rates will boost these investment returns.

One of Swiss Re's major competitive advantages is its strong financial position. Swiss Re has credit ratings of AA- from Standard & Poor's, and Aa3 from Moody's, which provide the company with greater financial flexibility than competitors in worse financial condition. The company also has a well-established brand, which deepens its connection with its customers.

Swiss Re stock does not appear to be undervalued, but viewing the company solely through the lens of its 2017 performance could be misleading. Earnings declined by 90% last year. If Swiss Re were to return to its 2016 level of profitability, the stock has a modest price-to-earnings ratio of 9.5.

In addition, the stock is appealing as a dividend investment. Company management has proposed a dividend of CHF5.00 per share for 2018. In U.S. dollars, this is approximately US\$5.26 per share. Four ADRs represent one share of Swiss Re, meaning buyers of the ADR will receive a dividend of roughly US\$1.315 per share for 2018. This represents a dividend yield of approximately 3.4%.

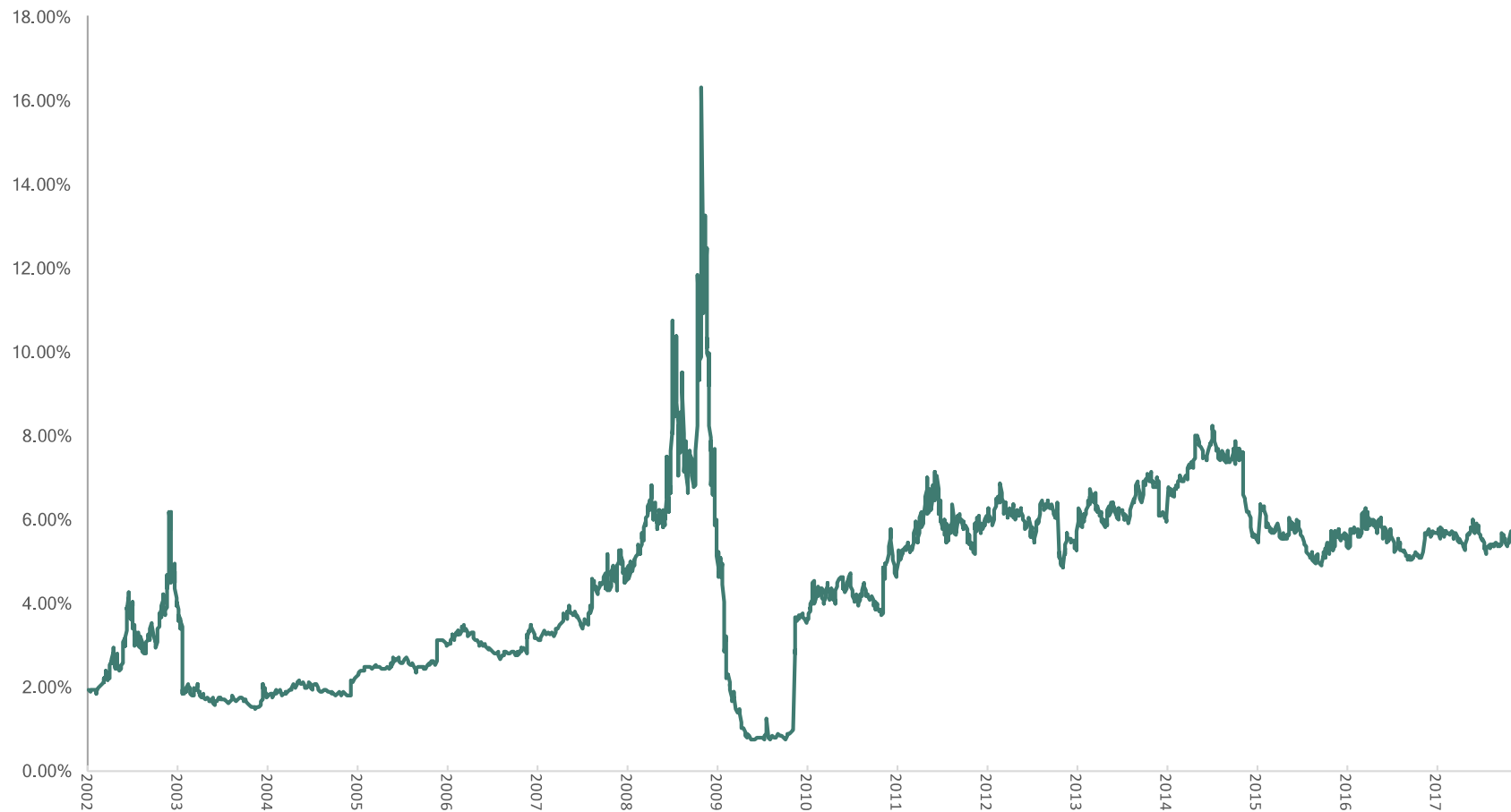
We expect earnings growth of 6% to 8% annually moving forward, comprised of higher premiums written and investment income, along with share repurchases. Combined with the 3.4% dividend yield, total annual returns could reach 9% to 12% going forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Swiss Francs	Dividend Yield:	3.4 ¹ %
Headquarters City:	Zurich	TTM Earnings-Per-Share:	US\$0.26
Headquarters Country:	Switzerland	Current Stock Price:	US\$25.35
Stock Exchange:	SIX & OTC	Price-to-Earnings Ratio:	9.5 ² (using 2018 estimates)
Year Founded:	1863	Market Capitalization:	US\$31.8 billion

¹ Switzerland imposes a 35% withholding tax on dividends paid to U.S. investors. Without the tax, the dividend yield would be 5.2%

² Using 2017's earnings, which declined by 90% due to natural disasters, the P/E was 97.5 but 2018's EPS gives a P/E ratio of 9.5.

Swiss Re (SREN:SW) Dividend Yield History

Note: Swiss Re's ADRs have insufficient dividend yield history to provide a meaningful chart, so this data comes from the company's stock listing on the Swiss Exchange (SIX) in Zurich, Switzerland.

Canadian National Railway (CNI)

Overview & Current Events

Canadian National Railway is the largest railway in Canada. The company has a long operating history that goes back to 1832, when it was founded as the Champlain and St. Lawrence Railroad. Railroads are a time-tested business, with steady growth and durable competitive advantages over time.

Earlier this year, Canadian National Railway reported (1/23/18) fourth-quarter and full-year earnings results. Revenue increased 8% for the full year, while adjusted earnings-per-share rose 9%, to US\$3.98. 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. Revenue growth was mainly due to higher traffic volumes, freight rate increases, and higher fuel surcharge rates. Business conditions were challenging in the quarter, as adjusted EPS declined 2% due to a 9% increase in operating expenses. Canadian National Railway is poised to bounce back in 2018 and beyond.

Growth, Competitive Advantages, and Total Returns

Canadian National Railway missed earnings-per-share expectations for the fourth quarter due primarily to harsh winter weather conditions. The good news is that the long-term fundamentals of the railway industry remain healthy. 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 over 2017.

Canadian National is Canada's leading railway. It is remarkably diversified with operations across virtually every market sector in North America. Canadian National's network has more than 19,000 miles of railway tracks and connects ports on three coasts. Because of this, it would be virtually impossible for a new competitor to enter the industry and take market share from this railway giant.

Canadian National Railway has a reasonable valuation. The stock has a price-to-earnings ratio of approximately 17.6, using 2018 earnings-per-share estimates of US\$4.20. Canadian National Railway stock appears to be undervalued, as it is meaningfully cheaper than the S&P 500 Index. In addition to slight undervaluation, the stock has a secure dividend, with potential to raise the dividend going forward. For example, the company recently increased its dividend by 10%. The new annual dividend payout of US\$1.82 provides a dividend yield of 1.4% after a 25% withholding tax.

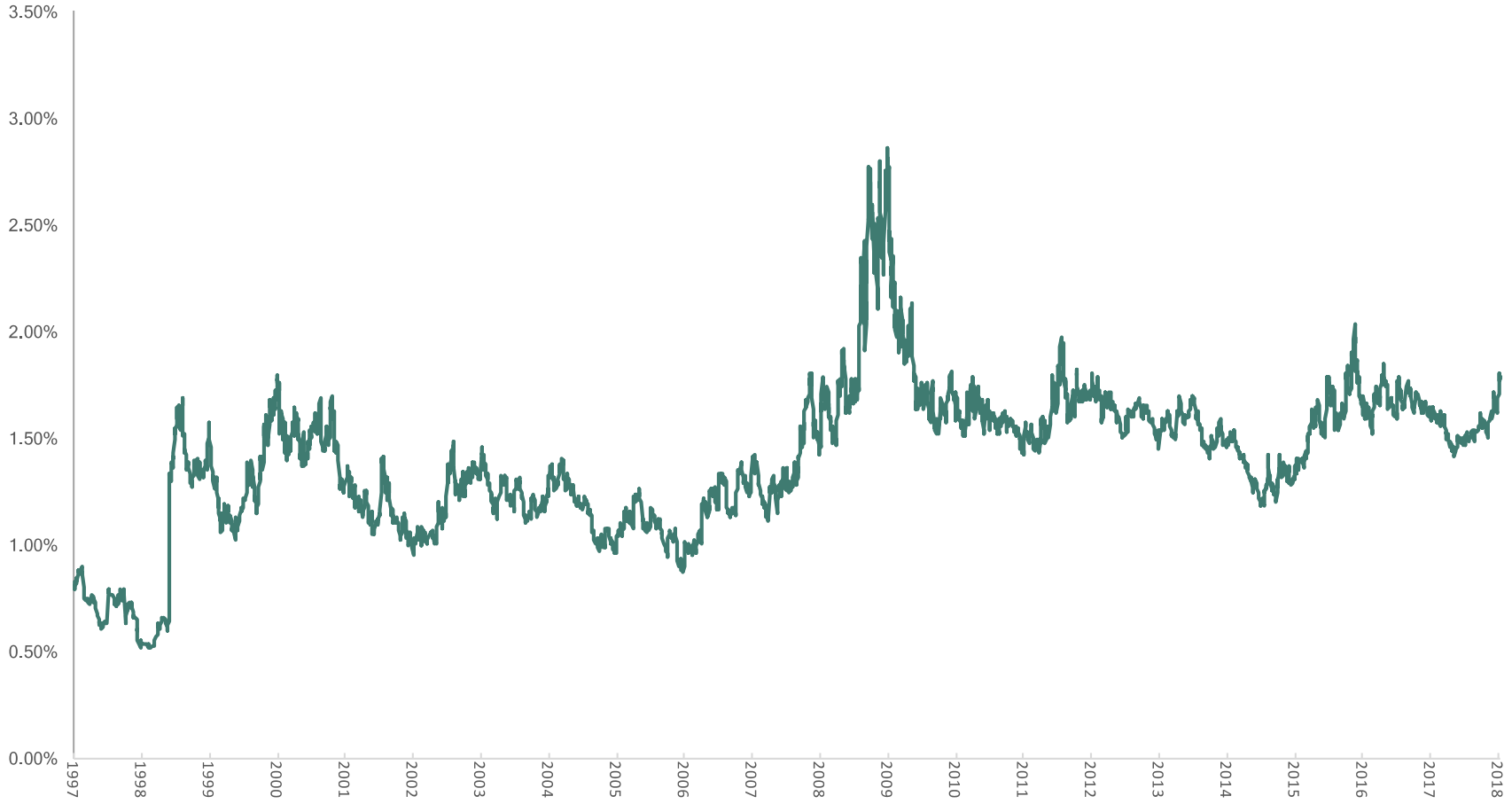
We believe the company can maintain a long-term earnings growth rate of 5% to 8%, which is not unrealistic for an industry-leader like Canadian National Railway. In this scenario, the stock could generate 10%+ annual returns, once the 1.4% dividend yield and potential expansion of the price-to-earnings ratio are taken into account.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	Dividend Yield:	1.4 ¹ %
Headquarters City:	Montreal	TTM Earnings-Per-Share:	US\$3.98
Headquarters Country:	Canada	Current Stock Price:	US\$73.85
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	17.6 (using 2018 estimates)
Year Founded:	1832	Market Capitalization:	US\$55.4 billion

¹ Canada imposes a 25% 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 1.9%.

Canadian National Railway (CNI) Dividend Yield History



Deutsche Telekom AG (DTEGY)

Overview & Current Events

Deutsche Telekom AG operates in the telecommunications industry, and also provides information technology services. It operates through the following segments: Germany, United States, Europe, and Systems Solutions. The Germany segment provides fixed-network and mobile activities, as well as wholesale telecommunications services. The U.S. segment includes T-Mobile. The Europe segment encompasses all fixed-network and mobile operations outside Germany. Lastly, the Systems Solutions segment operates information & communication technology systems. Deutsche Telekom has over 160 million mobile customers, 29 million fixed-network lines, and more than 18 million broadband lines.

On February 22nd, the company released strong 2017 financial results. Revenue increased 2.5% for the year, while organic revenue (which excludes currency fluctuations) rose 3.6% in 2017. Growth was broad-based across operating segments. Revenue increased 0.7% in Germany, while U.S. revenue increased 8.1%, due to the rapid growth of T-Mobile, which added 5.7 million new customers last year. Free cash flow increased 11% for the year, which is a very strong growth rate.

Growth, Competitive Advantage, and Total Returns

Deutsche Telekom provides what most telecom investors are looking for—stability, strong cash flow, and a high dividend payout. The particularly attractive aspect of this company is that it has much higher growth than most other telecoms. Thanks to cost cuts, adjusted earnings-per-share increased 44% last year, to EUR1.27. We expect continued earnings growth in the high-single digits moving forward (about 6% to 8% per year).

Deutsche Telekom is one of the largest telecom providers in Europe, and dominates several high-quality markets, such as Germany. And, the company's high cash flow allows for significant network investments, to expand its dominant position even further. Last year, Deutsche Telekom invested a record 12.1 billion Euros (US\$14.9 billion), including spectrum investments, to build out its network. Deutsche Telekom has a satisfactory credit rating of BBB+ from Standard & Poor's, which allows the company to raise capital at attractive rates, to continue investing in growth.

Deutsche Telekom management proposed a 2018 annual dividend payout of EUR0.65 per share, which translates to US\$0.80 based on prevailing exchange rates (one ADR equals one ordinary share). Based on the recent share price, this results in a dividend yield of 3.7%. This is a fairly low yield for a telecom stock. For context, U.S.-based telecom AT&T yields above 5%. However, Deutsche Telekom makes up for it with high dividend growth. For example, in 2017 the dividend was increased by 8.3%.

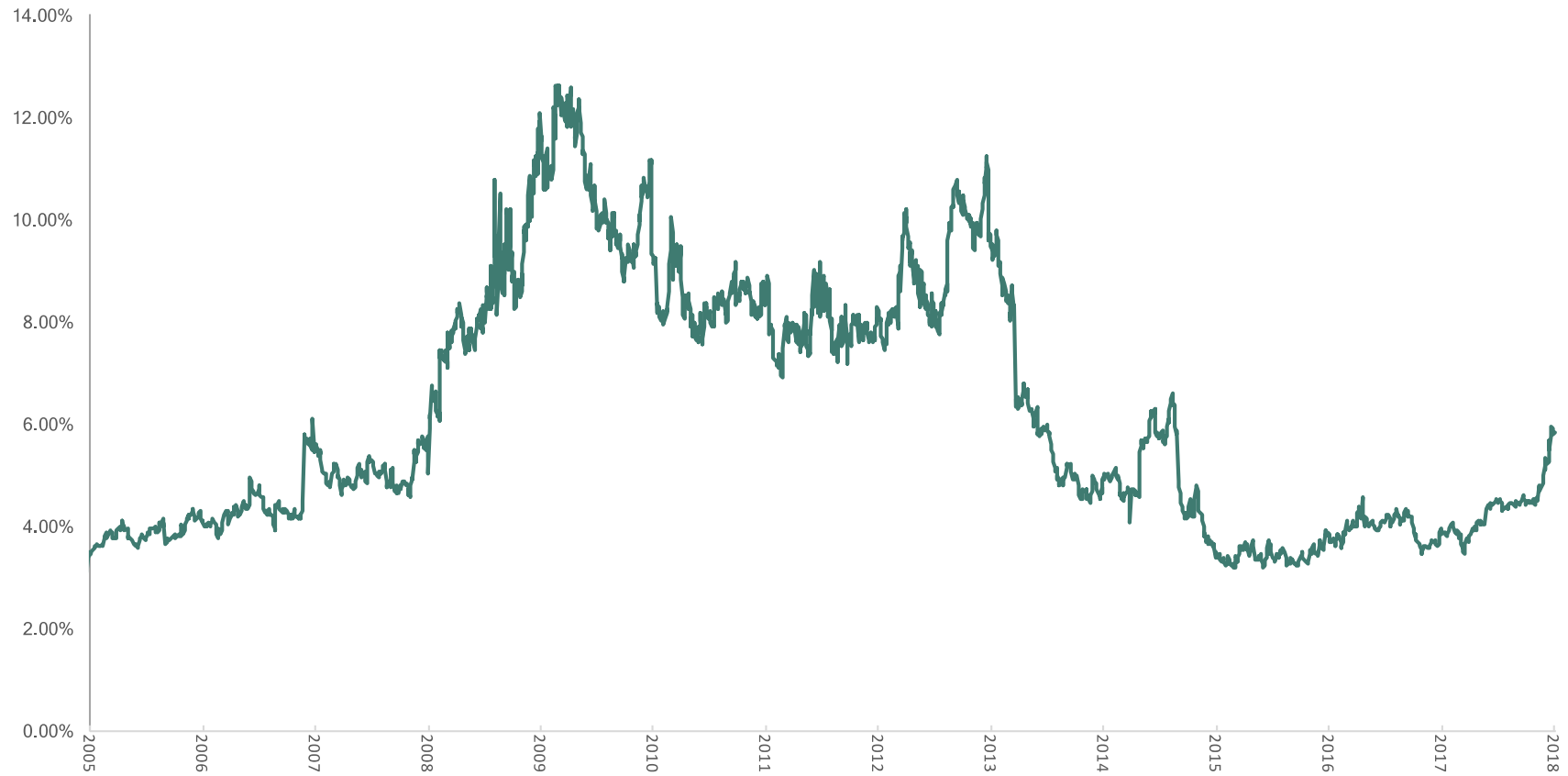
Deutsche Telekom stock trades for a modest price-to-earnings ratio of 10.5, which has room for expansion given the company's strong earnings growth. Through expansion of the price-to-earnings ratio, earnings growth, and dividends, we project 10% to 12% annual returns moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	Dividend Yield:	3.7% ¹
Headquarters City:	Bonn	TTM Earnings-Per-Share:	US\$1.56
Headquarters Country:	Germany	Current Stock Price:	US\$16.42
Stock Exchange:	OTC	Price-to-Earnings Ratio:	10.5
Year Founded:	1995	Market Capitalization:	US\$77.1 billion

¹ Germany imposes a 25% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.9%.

Deutsche Telekom AG (DTAG) Dividend Yield History



BNP Paribas SA (BNPQY)

Overview & Current Events

BNP Paribas is a large financial institution, based in France. It is one of the largest banks in Europe with a market capitalization of US\$95.4 billion. The bank was founded all the way back in 1822, at the start of the industrial expansion in Europe. Today, BNP offers a full suite of financial products and services, including retail banking, commercial banking, insurance, and asset management.

Last year was a strong one for BNP Paribas. Operating revenue increased 1.5% in 2017, while margins expanded, as operating expense rose just 0.5% for the year. Earnings-per-share were EUR6.05 (US\$7.44) for 2017. Outstanding loans and deposits increased by 5.9% and 8.6%, respectively. The asset management business also performed well, with 4% growth in assets under management (AUM) in 2017. Lastly, insurance revenue increased 5.6% for the year.

BNP has sufficient capital reserves should another recession occur. The bank ended 2017 with a Common Equity Tier One Ratio, a measure of a bank's capital position and liquidity, of 11.8%. The ratio expanded by 30 basis points from the previous year and is well above the regulatory requirement of 4.5%. Such strong growth allowed BNP Paribas to increase its dividend by 12% in 2017.

Growth, Competitive Advantage, and Total Returns

BNP has compelling growth potential moving forward. First, the global economy continues to grow, including in Europe, which is critical for a financial services firm. Banks are highly exposed to global financial crises, but also enjoy strong growth when the global economy is expanding.

Higher interest rates will also help grow profitability in the years ahead. Many highly indebted companies will suffer from higher interest rates, but banks are among the biggest winners from rising rates. The reason is that bank margins expand when interest rates increase, which results in higher investment income. Earnings growth of 4% to 6% annually is a reasonable expectation for BNP.

BNP's strongest competitive advantage is its size and financial strength. With a market capitalization of nearly US\$96 billion, it can keep costs low thanks to economies of scale. In addition, BNP has a strong balance sheet, with 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.

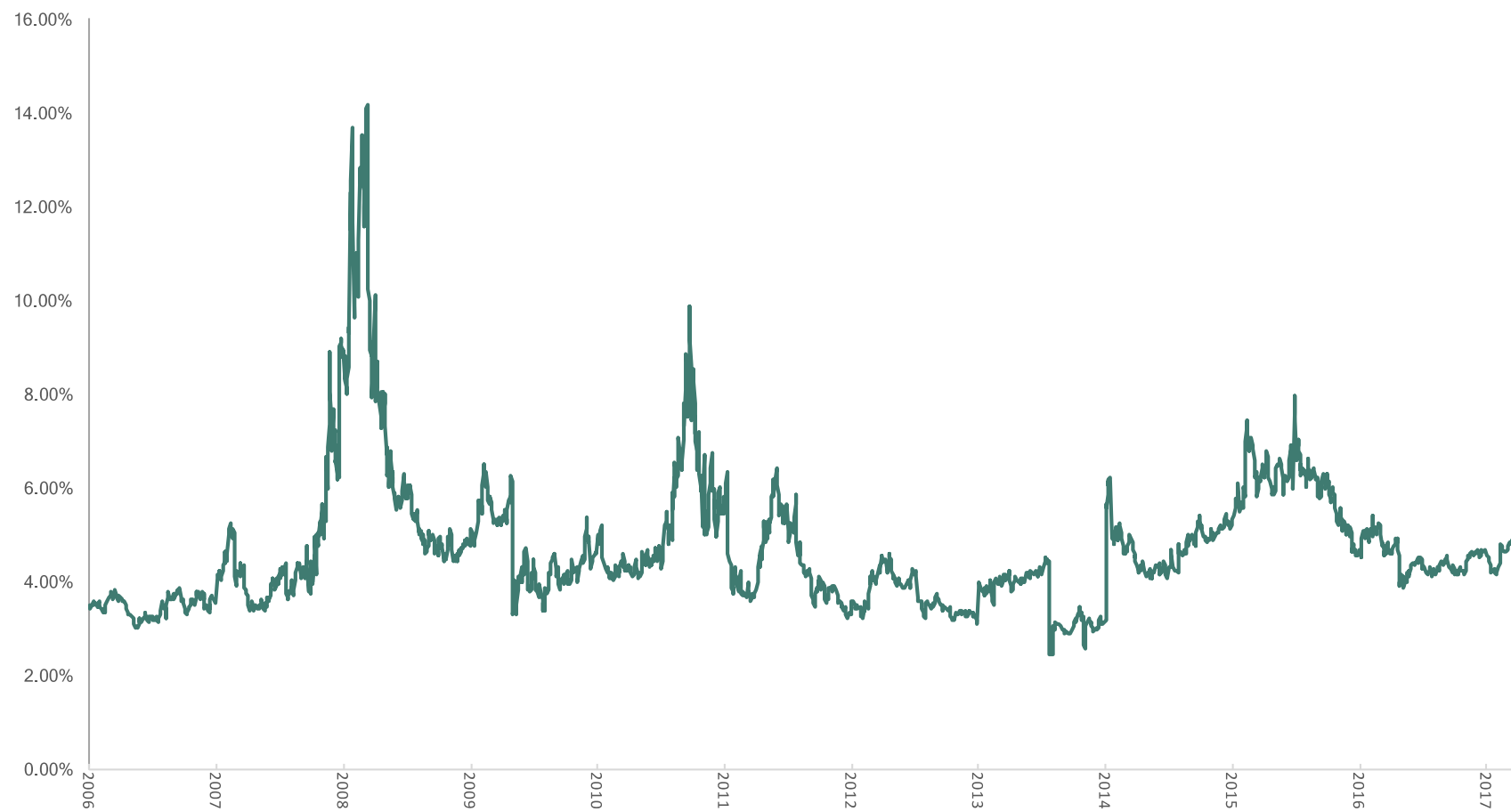
As previously discussed, earnings were EUR6.05 per share in 2017, equaling US\$7.44. Since two ADRs equals one ordinary share, earnings-per-ADR were US\$3.72 for 2017. BNP has a price-to-earnings ratio of 10.3, which is a modest valuation that leaves room for future expansion.

Dividends will also boost BNP's returns. The company has declared dividends of EUR3.02 per share for 2018, equaling US\$3.71. Adjusting for ADRs, the stock has an annualized payout of approximately US\$1.855 per share. This represents a dividend yield of 3.4%. Including potential valuation expansion, earnings growth, and dividends, we expect annual total returns of 10% moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	Dividend Yield:	3.4% ¹
Headquarters City:	Paris	TTM Earnings-Per-Share:	US\$3.72
Headquarters Country:	France	Current Stock Price:	US\$38.35
Stock Exchange:	Euronext Paris & OTC	Price-to-Earnings Ratio:	10.3
Year Founded:	1822	Market Capitalization:	US\$95.4 billion

¹ France imposes a 30% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.8%.

BNP Paribas SA (BNPQY) Dividend Yield History

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 products under the Nismo brand. Nissan has been a member of the Renault-Nissan-Mitsubishi Alliance since 1999. Nissan is the world's largest electric vehicle company due to the popularity of its flagship electric vehicle, the Nissan Leaf.

In February, 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 (US\$80.7 billion), 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 3.2% year-on-year, operating profits declined 27.6% and net income increased 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. Nissan'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 and we also expect the deliverance of modest growth moving forward.

Growth, Competitive Advantage, and Total Returns

Nissan's near-term growth 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, Nissan expects to grow its annual revenue from 12.8 trillion yen (US\$120 billion) to 16.5 trillion yen (US\$160 billion) – a compound annual growth rate of about 5% per year – while seeing its operating margin expand to ~8% under "reasonable economic conditions." Nissan's track record (growth in unit sales each year since 2008) implies that it should deliver on these financial goals.

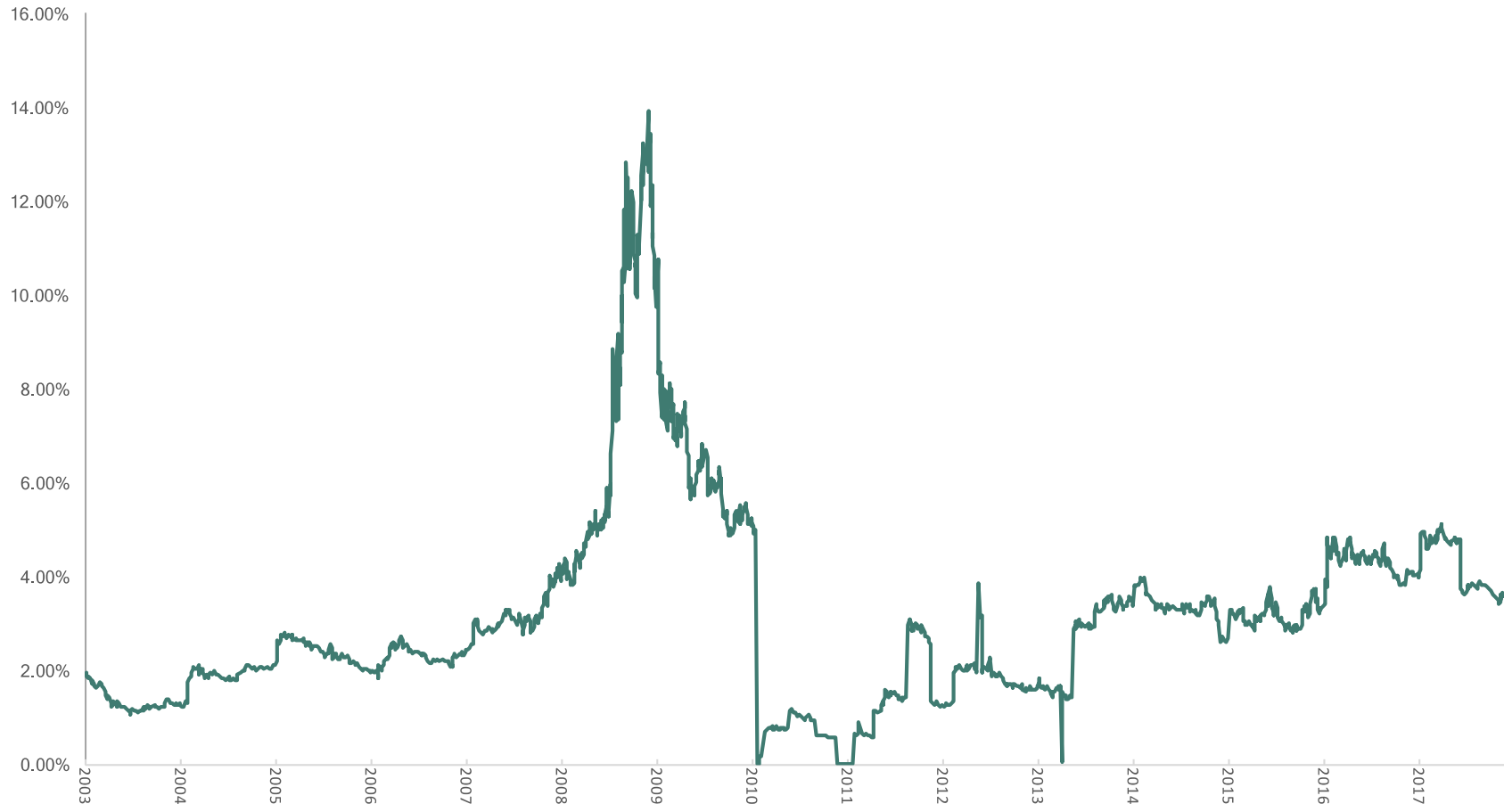
Nissan expects to report net income attributable to common shareholders of 705 billion yen (US\$6.6 billion) in fiscal 2017 (which ends on March 31, 2018). Using this figure, the company's forward earnings-per-share are 167.86 yen (US\$1.58) for the coming fiscal year. Each of Nissan's ADRs are equivalent to 2 ordinary shares, so the company's current stock price of about \$21 combined with its 2018 earnings-per-share estimate of US\$3.16 (twice the EPS estimate for the ordinary shares) give a price-to-earnings ratio of 6.7. Nissan's average price-to-earnings ratio since 2010 is around 9.3. The company's stock looks significantly undervalued currently. Double-digit total returns are possible from valuation multiple expansions (6%), dividends (4%), and earnings-per-share growth (6%). Investors should note that there is an elevated risk for a dividend cut and poor performance during recessions thanks to the cyclicity of the automotive industry.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	Dividend Yield:	3.7% ¹
Headquarters City:	Yokohama	This Year's EPS Estimate:	US\$3.16
Headquarters Country:	Japan	Current Stock Price:	US\$21.22
Stock Exchange:	TSE & OTC	Price-to-Earnings Ratio:	6.7
Year Founded:	1933	Market Capitalization:	US\$42 billion

¹ Including a 15% withholding tax from the Japanese government.

Nissan Motor Co. Ltd (NSANY) Dividend Yield History



ProSiebenSat.1 Media SE (PBSFY)

Overview & Current Events

ProSiebenSat.1 Media SE is a diversified holding company based in Germany. Its core businesses are television advertising and broadcasting. It operates through the following segments: Broadcasting German-speaking, Digital & Adjacent, and Content Production and Global Sales. The Broadcasting German-speaking segment is its largest business, which generates distribution revenue from its television stations. The Digital and Adjacent segment offers digital entertainment, which comprises online video and online games, digital commerce, as well as music, live entertainment, events, ticketing and artist management. Lastly, the Content Production and Global Sales segment refers to its international program production and distribution business.

The company generated solid growth in 2017, including a 7.3% expansion in operating revenue. Earnings-per-share increased 1% for the year as the company spent more aggressively on growth investments. Adjusted earnings increased 3%, which should be a reasonable floor for future growth expectations. ProSiebenSat.1 Media saw modest growth in entertainment revenue, with stronger growth in content production and global sales. Revenue increased 1% in the Broadcasting German-speaking segment but rose 5% in Digital Entertainment and 30% in Digital Ventures and Commerce.

Growth, Competitive Advantage, and Total Returns

To accelerate growth, the company is restructuring its business model away from traditional TV advertising, which now represents less than 50% of total revenue. One of the most compelling growth catalysts for ProSiebenSat.1 Media is internet video, which is a growing market for advertising revenue. Separately, the company has built a large e-commerce business of digital platforms, to fulfill its goal of advancing into new forms of media consumption. The company expects to grow revenue by 1 billion Euros (US\$1.23 billion), or in the mid-single digit percentage range, from 2017-2022.

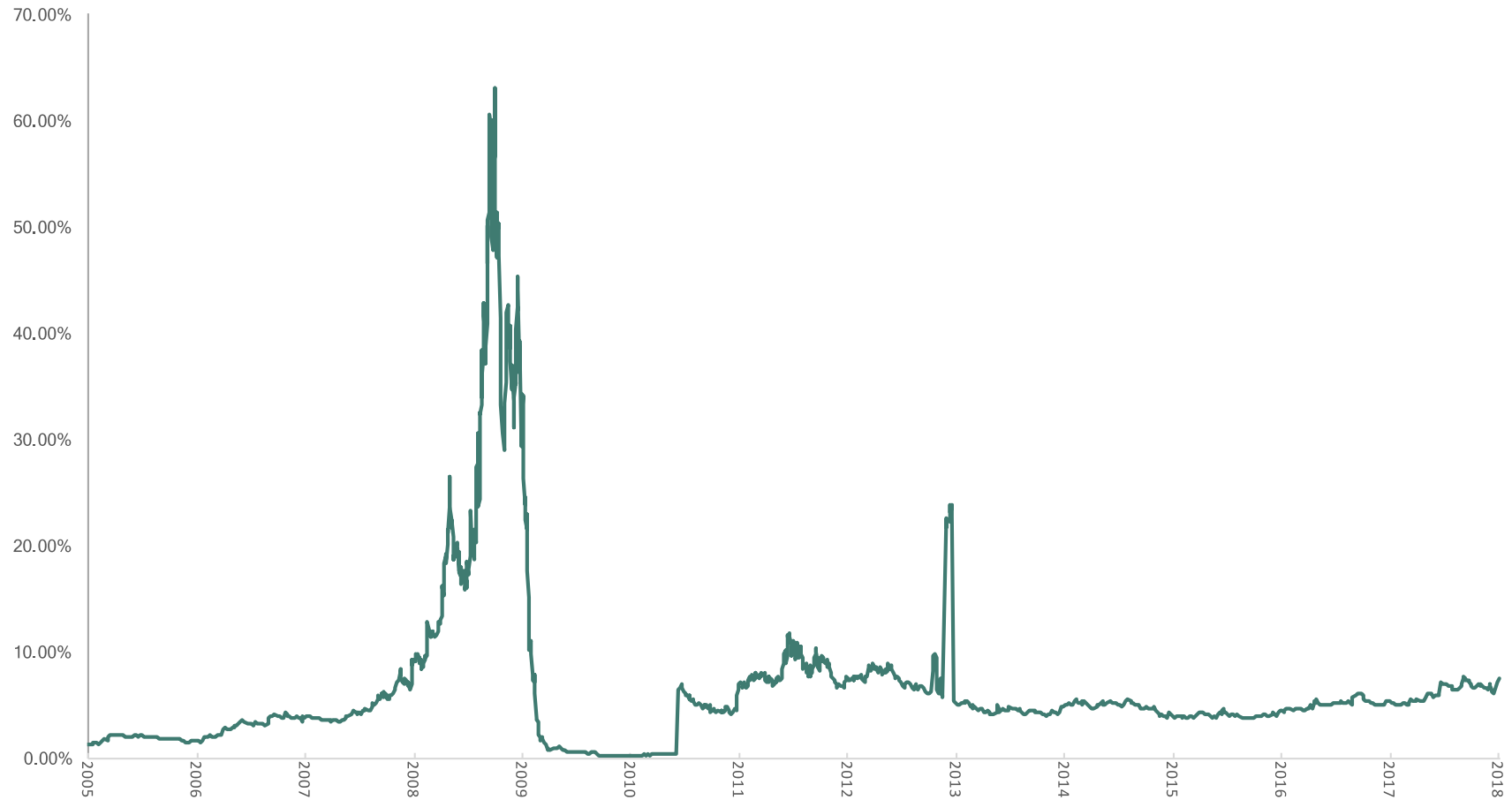
ProSiebenSat.1 Media has multiple competitive advantages, the most prominent is its top position in the German market. ProSiebenSat.1 Media is #1 in the German audience and TV advertising markets.

ProSiebenSat.1 Media stock appears undervalued, with a price-to-earnings ratio of 13.2. A higher valuation could add to total returns. In addition, total returns will also be fueled by earnings growth and dividends. ProSiebenSat.1 Media is a growing business. We believe mid-single digit earnings growth is a reasonable expectation each year. ProSiebenSat.1 Media has a shareholder-friendly dividend policy, which is to distribute 80% to 90% of underlying net income from continuing operations. Company management has recommended a new annual dividend payout of EUR1.93 per share (US\$2.37), which represents a dividend yield of approximately 5.3% (four ADRs is equal to one ordinary share). Therefore, if earnings grow 3% to 5% annually, dividends and an expanding valuation could bring total annual returns to 10%+.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	Dividend Yield:	5.3% ¹
Headquarters City:	Unterföhring	TTM Earnings-Per-Share:	US\$0.625
Headquarters Country:	Germany	Current Stock Price:	US\$8.42
Stock Exchange:	OTC	Price-to-Earnings Ratio:	13.2
Year Founded:	2000	Market Capitalization:	US\$7.6 billion

¹ Germany imposes a 25% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 7.0%.

ProSiebenSat.1 Media (PSM:GR) Dividend Yield History

Note: ProSiebenSat.1 Media's ADRs have insufficient dividend yield data to provide a meaningful chart, so this chart uses the company's listing on the Deutsche Börse Xetra exchange.

Enel SpA (ENLAY)

Overview & Current Events

Enel SpA is an Italian utility business. The company is the #1 global private network operator, the #1 renewable operator, and has more than 6 million end users serviced through 44 million digital meters. Italy is the largest geographic contributor to Enel's EBITDA, followed by the South America segment and the Iberia segment. In fiscal 2017, Enel generated a remarkable 249.9 Terawatt-hours (TWh) of electricity, distributed 445.2 TWh on its networks, and sold 284.8 TWh to customers in total.

In February, Enel reported (2/14/18) preliminary financial results for the fiscal year ended December 31st, 2017. Revenues increased by 5.8% from 2016's fiscal year, while EBITDA increased by 2.6% from the same period a year ago. Enel noted in its performance release that these reasonably strong results came despite reduced water and wind resource availability during the year. These operational challenges were offset by growth in renewables, efficient cost management, and particularly strong performances in Enel's retail business in Italy and its power distribution in South America. Looking ahead, Enel is expected to report its finalized results for the year 2017 on March 22nd, 2018. This release will have more information about the company's performance in the just-completed fiscal year.

Growth, Competitive Advantage, and Total Returns

Enel's largest competitive advantage is its entrenched position in the regulated utility industry. The company's largest segment is its Networks unit, which generates 100% regulated EBITDA. This segment's stability allows Enel to fund growth in other segments like Retail and Renewables.

The company's growth will come from a few broad trends, including decarbonization (Enel estimates that 40% of power will come from renewables by 2040), and the inevitable increase in demand for electricity. Enel believes that global electricity demand will increase by 60% by the year 2040.

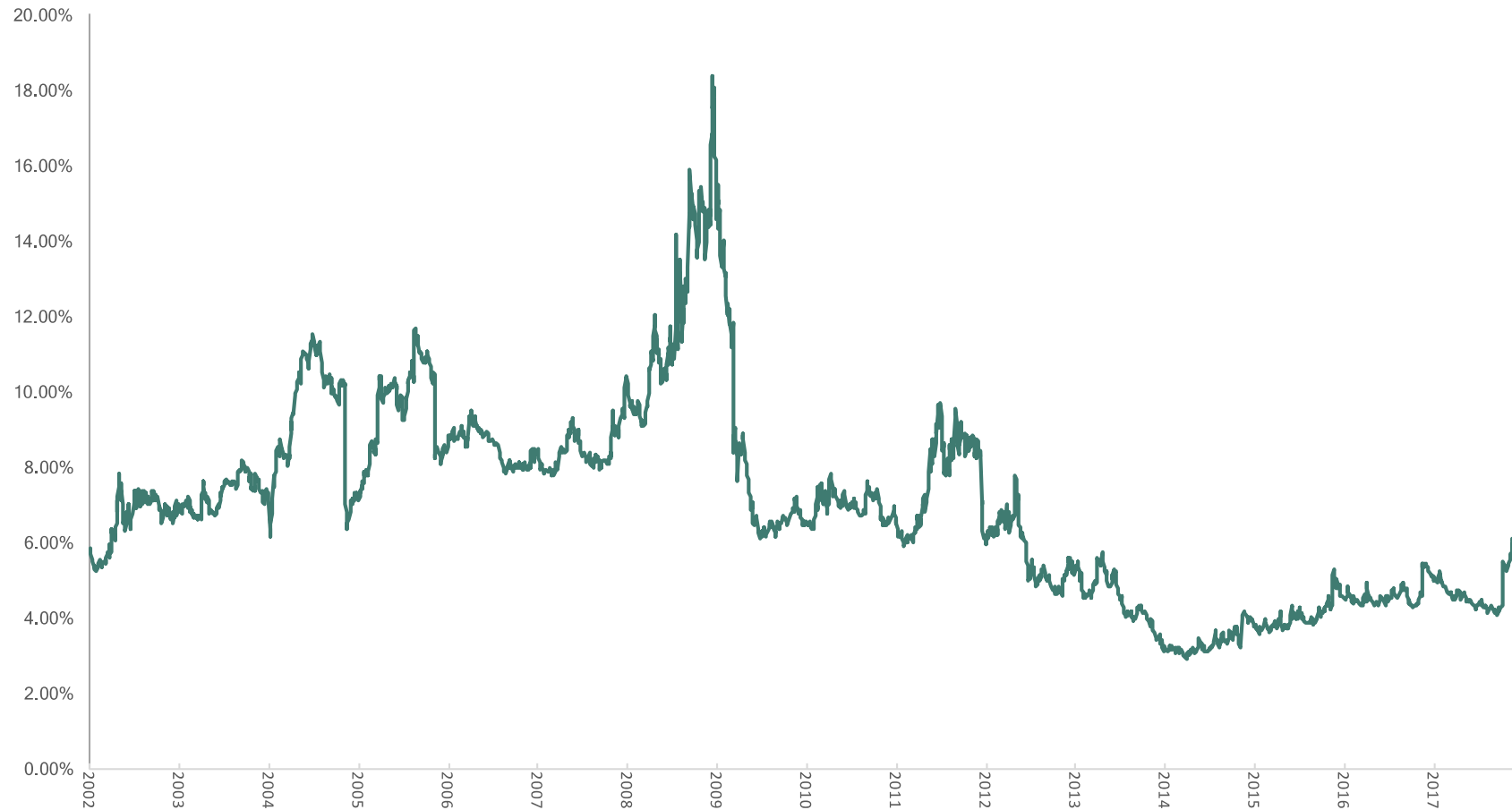
Enel is expected to report earnings-per-share of about €0.35 in fiscal 2017. This is equivalent to US\$0.43 at prevailing exchange rates. Enel's ADRs trade over-the-counter in the United States under the ticker ENLAY, with one ADR being equivalent to one ordinary share. This implies an earnings-per-ADR of US\$0.43, and the ADRs currently trade just under \$6 for a price-to-earnings ratio of 13.8.

A fair value for Enel is likely somewhere around 15 times earnings. Valuation expansion is not likely to be a significant component of Enel's total return profile. Instead, Enel's returns will be driven by earnings growth and the company's current dividend yield. Enel has grown its earnings-per-share by 10% per year and its dividends-per-share by 20% per year over the last three years. We believe that future growth of 4%-6% is likely. From a yield perspective, the company declared €0.21 of per-share dividends in fiscal 2017, equivalent to US\$0.26 – or a current yield of 4.4% pre-tax. Italy withholds 26% of dividends paid to international investors, which reduces Enel's effective yield to 3.3%. Still, the company has near-double-digit return potential even after this withholding tax is accounted for.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	Dividend Yield:	3.3% ¹
Headquarters City:	Rome	Last Year's EPS:	US\$0.43
Headquarters Country:	Italy	Current Stock Price:	US\$5.97
Stock Exchange:	Borsa Italiana & OTC	Price-to-Earnings Ratio:	13.8
Year Founded:	1808	Market Capitalization:	US\$61 billion

¹ After accounting for the 26% withholding tax imposed by the Italian government on U.S. investors.

Enel SpA (ENEL:IM) Dividend Yield History

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

Closing Thoughts

–Total Returns for International Stocks –

Rational investors seek to maximize *real after-tax total returns*, subject to individual constraints like risk tolerance and income needs.

Real after-tax total returns take into account:

1. Dividends
2. Capital gains
3. Inflation
4. All taxes paid

Real after-tax total returns show true investing returns. What good is it to pretend you are compounding at 9% a year, when it's really 6% after taxes? Similarly, returns before inflation don't show actual growth. Taxes and inflation (unfortunately) matter.

Stocks can generate total returns in only 3 ways:

1. Dividends
2. Growth in intrinsic value on a per share basis
3. Increase in the valuation multiple

A company's management is in control of its own destiny when it comes to dividends and growth. Valuation multiple changes are based on perception. Buying below historical average valuation multiples is a good rule of thumb to protect against buying overvalued securities.

When you invest internationally, you expose yourself to international taxes like dividend withholding taxes, as well as currency fluctuations. The former can increase your tax burden, and the latter adds a 5th dimension to real after-tax total returns.

If a Japanese company's business grows 10% in its home country, but the U.S. dollar also appreciates 10% versus the Yen, then your total returns would be 0% because the company is just as valuable in U.S. dollar terms after its growth as it was before.

By far the greatest impact on *long-term* returns is business growth on a per share basis, combined with dividends. Currencies fluctuate; predicting their direction is a zero-sum game. Investing in great dividend-paying businesses *is most certainly not* a zero-sum game.

The significant benefit for those who invest internationally is gaining access to far more great businesses – many of which trade at better prices than U.S. domiciled stocks (which are, on average, significantly overvalued relative to international markets).

The next newsletter publishes on Sunday, April 15th, 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.

Name & Ticker	Newsletter Date	Total Returns
Aegon (AEG)	January 2018	-1.3%
ITV (ITVPY)	January 2018	-11.1%
Dixons Carphone (DC:LN)	January 2018	-8.3%
Royal Mail (RMG:LN)	January 2018	20.1%
Acea SpA (ACE:IM)	January 2018	-11.8%
Groupe Renault (RNO:FP)	January 2018	3.2%
Gazprom (OGZPY)	January 2018	-10.1%
Inchcape (INCH:LN)	January 2018	-8.3%
Blom Bank (BLOM:LB)	January 2018	-7.4%
Yanlord Land (Z25:SP)	January 2018	-3.7%
Canadian Imperial Bank (CM)	February 2018	-1.5%
Canadian National Railway (CNI)	February 2018	-1.9%
Sampo Oyj (SAXPY)	February 2018	-5.1%
Fortis (FTS)	February 2018	-1.5%
BNP Paribas (BNPQY)	February 2018	-4.7%
Nissan (NSANY)	February 2018	0.0%
Société Générale (SCGLY)	February 2018	-3.5%
Deutsche Telekom (DTEGY)	March 2018	N/A
Swiss Re Ltd (SSREY)	March 2018	N/A
Enel SpA (ENLAY)	March 2018	N/A
ProSiebenSat.1 Media (PBSFY)	March 2018	N/A
Average		-3.3%
S&P 500 Average		-1.3%

Performance over periods of 3 years or less is virtually meaningless. With 2 months of return data, the return data here is nothing more than noise. Over the 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:

$(\text{Income from foreign sources} / \text{Total taxable income}) \times \text{Total U.S. taxes owed}$.

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
Germany	26% ⁴
Italy	26%
Finland	30%
Switzerland	35%

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

¹ 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.

⁴ 26% rounded. The actual dividend withholding tax rate is 26.375%.

How To Buy International Securities

There are 2 primary ways to invest in international securities:

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

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. 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.

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 unwieldy 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

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.