Sure Dividend International

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

May 2018 Edition

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Opening Thoughts
- Industries That Tend Toward Oligopoly -

Some of the largest companies in the United States are insurers, banks, automotive manufacturers, and telecoms.

These are industries that either require high amounts of *trust* for consumers to use them (insurance, banks), or that require large capital outlays to compete (automotive manufacturers, telecoms). They are industries that tend toward oligopoly because of these competitive advantages.

You wouldn't want to purchase insurance from a small startup auto insurance company that was founded two years ago. Going with GEICO is the safer choice. Similarly, it can be scary to bank at an online only bank that was recently started. Chase (JPM) just *feels* safer, and that leads to greater market share.

Similarly, it's not cheap to start a new car company. Even Elon Musk has struggled to keep the doors open at Tesla (TSLA). There's a momentum involved that limits new entrants. High capital expenditure costs to get 'in the game' are also present for telecoms.

The characteristics of these industries mean the largest players have a significant advantage that helps them ward of new competitors – or prevents would-be competitors from entering the market at all. The incumbent firms are partially buffered from the creative destruction of market forces.

The automotive industry is dominated by just a handful of companies globally – many of them outside the United States. Both Toyota (TM) and Nissan (NSANY) are analyzed in this month's Top 10. It's no secret that the automotive industry is cyclical. The General Motors (GM) bankruptcy is testament to that. But the largest players in the industry do have advantages – as long as they are well managed.

Similarly, the U.S. telecom industry is dominated by 2 large players; AT&T (T) and Verizon (VZ). This month's Top 10 analyzes other excellent telecom investments overseas. Specifically, Nippon Telegraph and Telephone of Japan, and SK Telecom of South Korea. Telecommunications stocks are among the safest around thanks to their incredibly steady cash flows.

This month's Top 10 also analyzes the 2nd largest bank in Turkey, which we believe is undervalued at current prices as the market is not reflecting its quality. Another financial stock in this month's Top 10, Aegon (AEG), is one of the 10 largest global insurers and operates in more than 20 countries around the world.

What works in business in the United States works elsewhere. The rules of competitive markets don't change just because business is done across an ocean.

We expect high-quality businesses that have some sort of competitive advantage and a history of paying out rising dividends over time to generate solid results over the long run. That holds true in the United States, Japan, France, and throughout the world. Our goal with *The Sure Dividend International Newsletter* is to systematically find and identify these high-quality businesses and recommend them when they are trading at attractive valuations.

The International Top 10 – May 2018

Name	Ticker	Mkt. Cap	Country	Price[1]	P/E	Yield[2]	Payout	Growth
Canadian Imper.	CM	$40 billion	Canada	$91	10.4	3.8%	49%	5.5%
Ping An Insurance	PNGAY	$184 billion	China	$20	12.8	1.4%	38%	9.0%
Thomson Reuters	TRI	$28 billion	Canada	$39	15.6	3.0%	47%	4.0%
Aegon N.V.	AEG	$14 billion	Netherlands	$7	5.2	4.6%	24%	5.0%
Sanofi	SNY	$95 billion	France	$39	12.3	3.2%	56%	5.0%
Nippon T&T	NTTYY	$96 billion	Japan	$48	12.2	2.4%	34%	5.0%
SK Telecom	SKM	$15 billion	S. Korea	$23	11.9	3.5%	54%	5.0%
Nissan Motor Co.	NSANY	$44 billion	Japan	$21	6.0	3.8%	27%	6.0%
Toyota Motor	TM	$202 billion	Japan	$136	9.1	2.3%	24%	5.0%
Turkiye Garanti	TKGBY	$8 billion	Turkey	$2	6.1	3.5%	25%	3.0%

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' (P/E ratio) shows the company's earnings multiple as calculated in our written analysis. 'Yield' and 'Payout' ratio data are provided by our data provider for international securities or calculated manually from company data.*

As with our other newsletters, we expect the Top 10 to be reasonably stable. 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 5 new recommendations in this month's newsletter (PNGAY, TRI, SNY, NTTYY, and TKGBY).

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

Dividend Yield:	3.2%	**P/E Ratio:**	10.2
Growth Rate:	5.3%	**Payout Ratio:**	38%

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

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

Note: Data in this newsletter is primarily from May 16th through May 18th, 2018.

[1] Rounded to nearest U.S. dollar.
[2] After accounting for any applicable withholding taxes.

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.

In late February, CIBC reported (2/22/18) financial results for the first-quarter of fiscal 2018. Adjusted earnings-per-share of CAD$3.18 (US$2.48) increased by 10.0% over 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 a 2.3% increase to its quarterly dividend payment. While a 2.3% dividend increase 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 five 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.

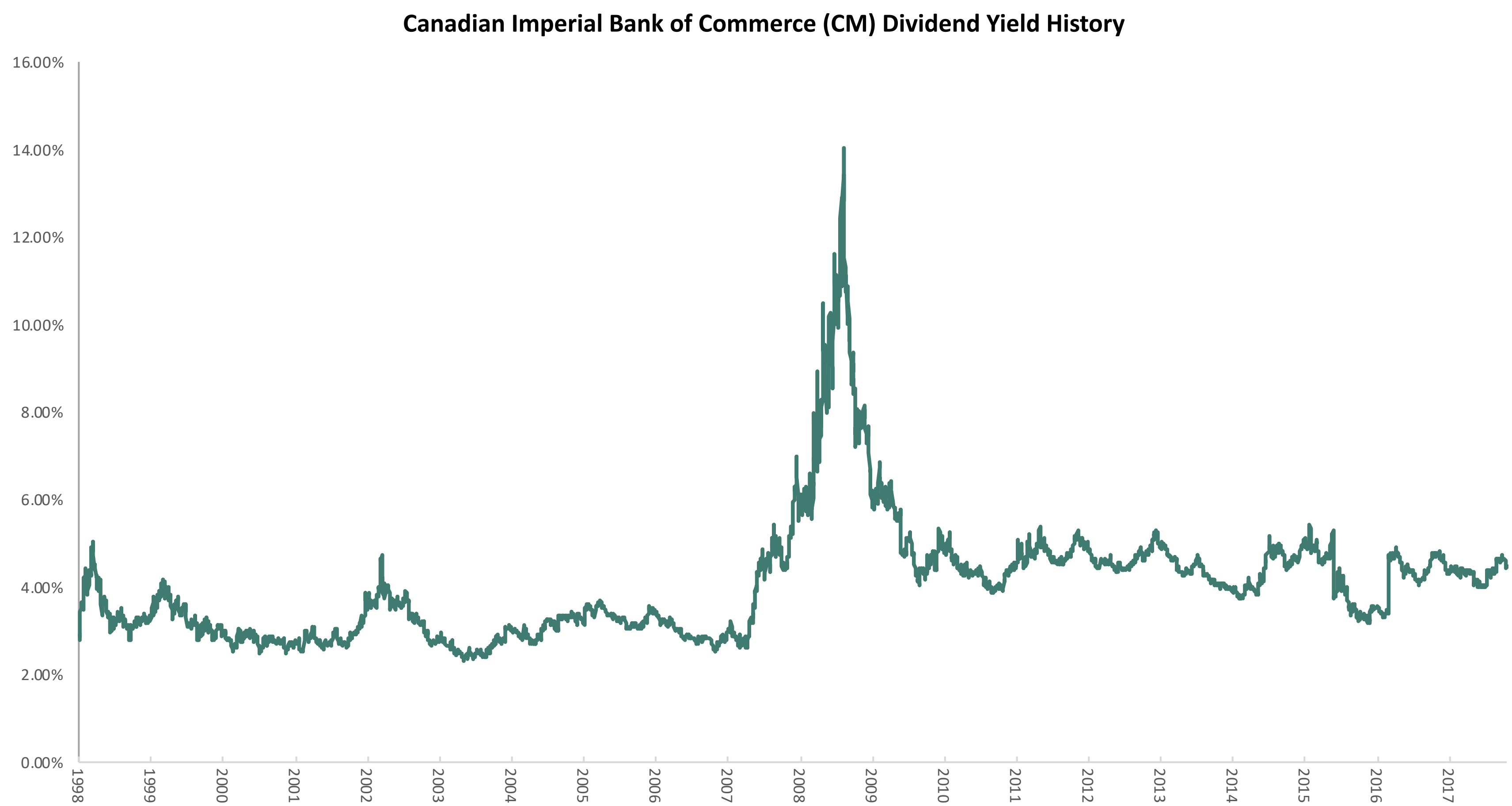
CIBC reported diluted earnings-per-share of CAD$11.24 (US$8.78) in fiscal 2017. The bank's NYSE-listed shares (CM) currently trade hands at about $91, which implies a price-to-earnings ratio of 10.4 – lower than most banks in either the United States or Canada. While CIBC tends to trade at a persistent discount to the other Canadian banks because of its weaker international exposure and slower historical growth, it also has a proportionately higher dividend yield. The company's 4.5% 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 15% dividend withholding tax reduces CIBC's net yield to 3.8%.

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. The bank is capable of delivering mid-single-digit earnings-per-share growth moving forward. Combining this growth estimate with CIBC's current yield (after withholding tax, outside of a retirement account) gives high single-digit expected total returns before any potential valuation changes – which should only boost returns given the bank's low earnings multiple.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.8[1]%
Headquarters City:	Toronto	**Last Year's Earnings-Per-Share**:	US$8.78
Headquarters Country:	Canada	**Current Stock Price:**	US$90.96
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	10.4
Year Founded:	1867	**Market Capitalization:**	US$40 billion

[1] Canada imposes a 15% dividend withholding tax. However, the withholding tax is waived for U.S. investors who hold the stock in a qualified retirement account, such as a 401(k) or IRA. Excluding the withholding tax, the dividend yield would be 4.5%.


Canadian Imperial Bank of Commerce (CM) Dividend Yield History
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
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Ping An Insurance Co. of China Ltd (PNGAY)

Overview & Current Events

Ping An Insurance Company of China is a Chinese financial services holding company whose subsidiaries mainly deal with insurance, banking, and financial services. The company operates in five segments: Life and Health Insurance, Property & Casualty, Banking, Asset Management, and Fintech & Healthtech. The Life and Health Insurance segment is the largest by a wide margin, contributing 58% of the company's operating profit in the most recent quarter.

Ping An recently reported (4/26/18) its quarterly financial results. The company's large Life and Health Insurance segment delivered 12.7% operating profit growth. Elsewhere, insurance underwriting continued to be conservative and profitable, with Ping An Property & Casualty reporting a combined ratio of 95.9% in the quarter. Ping An showed strong performance on a company-wide basis. Basic earnings-per-share increased by 11.6%. The conglomerate also reported impressive user metrics. The number of retail customers surged by 25.4% while the number of internet users rose by 22.0%.

To reward its shareholders for the company's strong recent performance, Ping An announced a special dividend in the amount of RMB0.20 (approximately US$0.03) in cash per share. Because one American Depository Receipt is equal to 2 ordinary shares, this special dividend amounts to a one-time $0.06 payment per ADR to Ping An's United States investors. While this dividend only adds a paltry 0.3% to the company's yield on a one-time basis, we believe it demonstrates the insurer's willingness to act in the best interests of its shareholders.

Growth, Competitive Advantages, and Total Returns

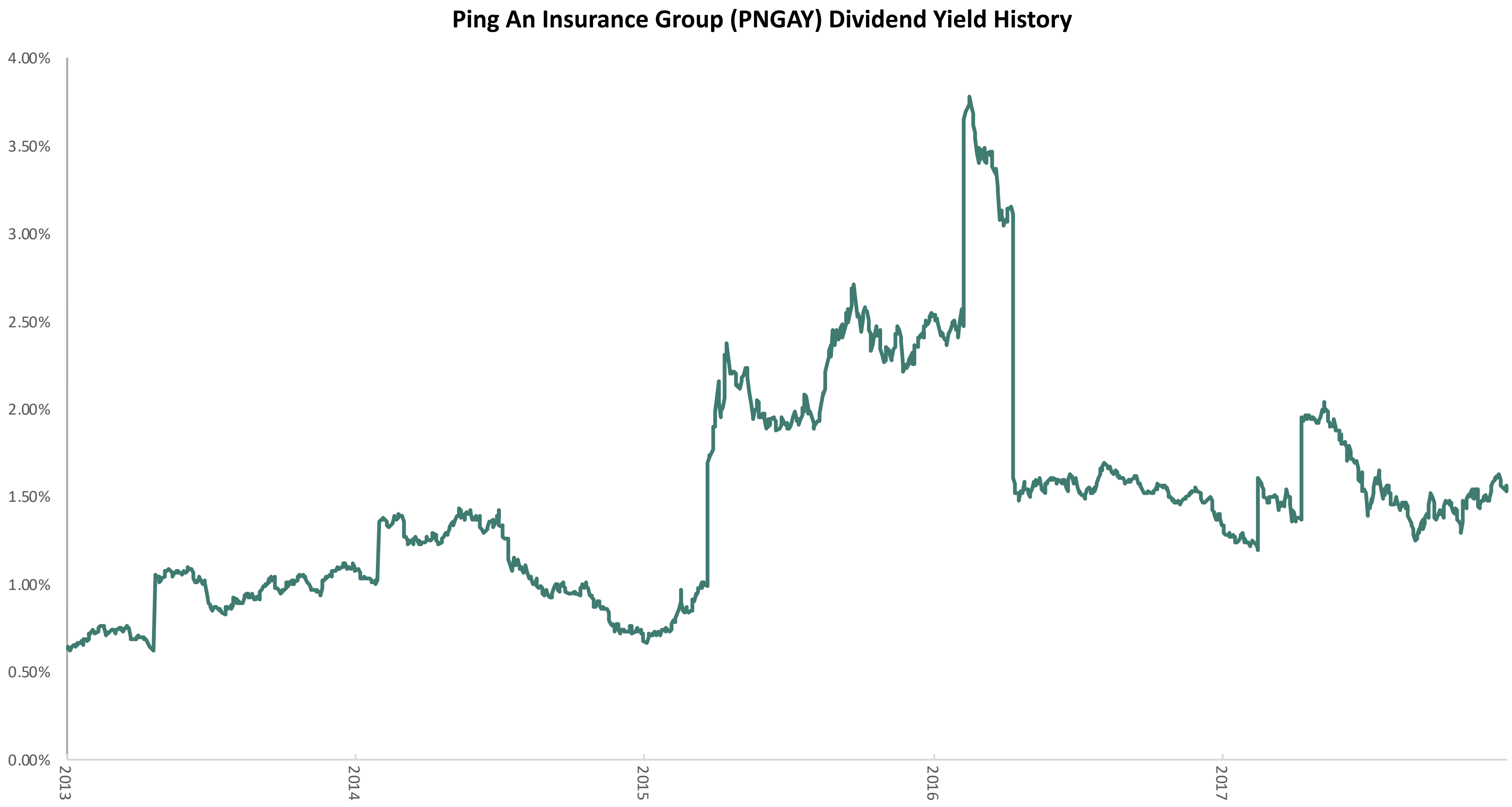
Ping An's future growth will likely come from its portfolio of technology innovations centered on fintech and healthtech. Notable among these is Ping An Good Doctor, which is a healthcare technology venture focused on providing online family doctor services via an in-house medical team and artificial intelligence assistant. Elsewhere, Ping An owns a subsidiary called Ping An Healthcare Technology, a business that provides smart cost control and social insurance-related services in over 200 cities across China. The company's recent earnings growth has been extremely impressive, with Ping An's bottom line compounding at 29% per year over the last four years. Looking ahead, we believe the company's growth will slow to the high single-digits over time.

In fiscal 2017, Ping An reported earnings-per-share of RMB4.99 (US$0.78). Given the 2-for-1 nature of Ping An's American Depository Receipts, this amounts to earnings-per-ADR of US$1.56. Using this earnings figure, Ping An is trading at a price-to-earnings ratio of 12.8. We believe that a low-teens earnings multiple is appropriate for most insurance companies and that the company is trading near fair value at current prices. Valuation expansion will not be a significant contributor to Ping An's future returns. Instead, the company's shareholders will profit from strong earnings growth and its 1.4% dividend yield (net of withholding taxes).

Key Statistics, Ratios, & Metrics

Reporting Currency:	Renminbi	**Dividend Yield:**	1.4[1]%
Headquarters City:	Shenzhen	**Last Year's Earnings-Per-Share**:	US$1.56
Headquarters Country:	China	**Current Stock Price:**	US$20.00
Stock Exchange:	Hong Kong & OTC	**Price-to-Earnings Ratio:**	12.8
Year Founded:	1988	**Market Capitalization:**	US$183.8 billion

[1] China imposes a 10% dividend withholding tax on Mainland Inc. companies. Excluding that tax, the dividend yield would be 1.6%.


Ping An Insurance Group (PNGAY) Dividend Yield History
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2013
2014
2015
2016
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Thomson Reuters Corp. (TRI)

Overview & Current Events

Thomson Reuters is a global financial information and data solutions provider for businesses and professionals in the fields of finance, accounting, tax, and media. The company operates in four business segments: Financial & Risk, Legal, Tax & Accounting, and Reuters News. Thomson Reuters was created in 2008 when the Thomson Corporation purchased the British company Reuters Group with roots back to 1799; and is majority owned by the Thomson family – the wealthiest in Canada by a wide margin. Thomson Reuters is listed on the Toronto and New York Stock Exchanges as TRI.

In early May, Thomson Reuters reported (5/11/18) financial results for the first-quarter of fiscal 2018. Performance was strong on a number of important metrics, with Chief Executive Officer Jim Smith calling it "*the best first-quarter performance in several years*." More specifically, Thomson Reuters reported revenue growth of 4%, adjusted EBITDA growth of 4%, and 12% growth in adjusted earnings-per-share. Performance was driven by strong showings in the Legal and Tax & Accounting segments, partially offset by negative revenue growth in the Reuters News unit.

Prior to that, Thomson Reuters announced (1/30/18) that it signed a definitive agreement to sell a majority 55% stake in the key Financial & Risk (F&R) business to a group of private equity funds managed by Blackstone. Thomson Reuters will receive approximately $17 billion in gross proceeds (subject to purchase price adjustments) and will retain a 45% interest in the new partnership. The transaction is expected to close in the second half of 2018. Thomson Reuters stated it plans to use the proceeds to invest in its core Legal and Tax & Accounting units, pay down debt, and repurchase shares. The transaction will be transformative for Thomson Reuters and investors should monitor its progress closely moving forward.

Growth Prospects & Expected Total Returns

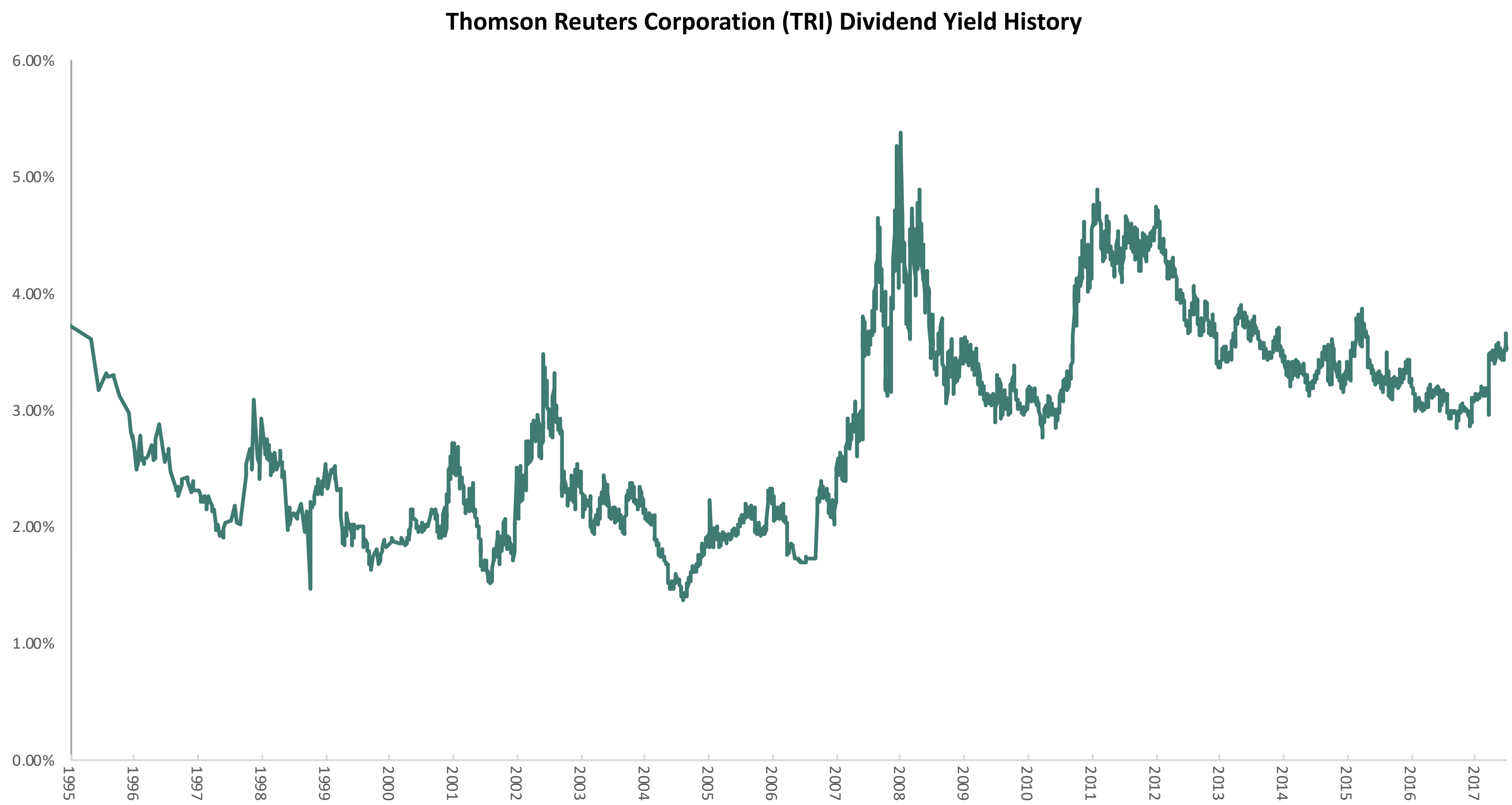
Thomson Reuters has compounded its earnings-per-share in the low single-digits (2.9%) over the last ten years. In the near-term, Thomson Reuters' growth will be highly dependent on the divestiture of its F&R business. We have trouble believing that the company will meaningfully improve its growth rates. We are expecting earnings-per-share growth of around 4% if the F&R sale goes as planned.

Thomson Reuters is a rare example of an international company that trades on an American stock exchange and reports financial results in U.S. dollars. In fiscal 2017, Thomson Reuters reported adjusted earnings-per-share of $2.51. The company is currently trading at $39, which implies a price-to-earnings ratio of 15.6. The company's average price-to-earnings ratio over the last 10 years has been 21.1. While we believe that a price-to-earnings ratio of 21.1 is a bit rich for a company like Thomson Reuters, it still appears undervalued today. Investors have a solid chance of achieving high double-digit returns through earnings growth (4%), dividends (3%), and valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	3.0[1]%
Headquarters City:	Toronto	**Last Year's Earnings-Per-Share**:	US$2.51
Headquarters Country:	Canada	**Current Stock Price:**	US$39.07
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	15.6
Year Founded:	1799	**Market Capitalization:**	US$28 billion

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


Thomson Reuters Corporation (TRI) Dividend Yield History
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5.00%
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Aegon N.V. (AEG)

Overview & Current Events

Aegon N.V. is a financial holding company that can trace its roots all the way back to 1844. Today, it is one of the 10 largest insurance companies in the world. It provides insurance, pensions, and asset management services in 20 countries around the world. It operates through the following segments: Americas; Europe; Asia; Asset management; and Holding and Other Activities. The U.S. segment includes the Transamerica insurance company, which Aegon acquired in 1999.

On 2/28/18, Aegon reported fourth-quarter and full-year 2017 financial results. For the fourth-quarter, Aegon's underlying earnings before tax decreased by 5% compared with the fourth-quarter of 2016. However, the decline was mostly driven by non-recurring expenses and weakening of the U.S. dollar. On a constant currency basis, earnings were stable thanks to cost cuts and higher fee revenue from favorable equity markets.

Growth, Competitive Advantages, and Total Returns

Aegon has a positive growth outlook moving forward, which will consist primarily of income from new policies written, and growth of assets under management. Aegon's asset management business grew earnings by 5% last quarter thanks to higher origination fees. If the markets continue to perform well the asset management segment should continue to see higher fund inflows and fee income. In addition, rising interest rates are a growth catalyst for Aegon. Insurance companies hold large amounts of cash from accumulated premium income, which they invest to earn additional income. Higher interest rates will help grow Aegon's investment income.

Tax reform is another growth catalyst for Aegon. The company expects the recently-enacted tax reform package to reduce its effective corporate tax rate in the U.S. to approximately 16% to 18%. This will elevate Aegon's return on capital invested, a key performance measure, by approximately 75 basis points in the U.S.

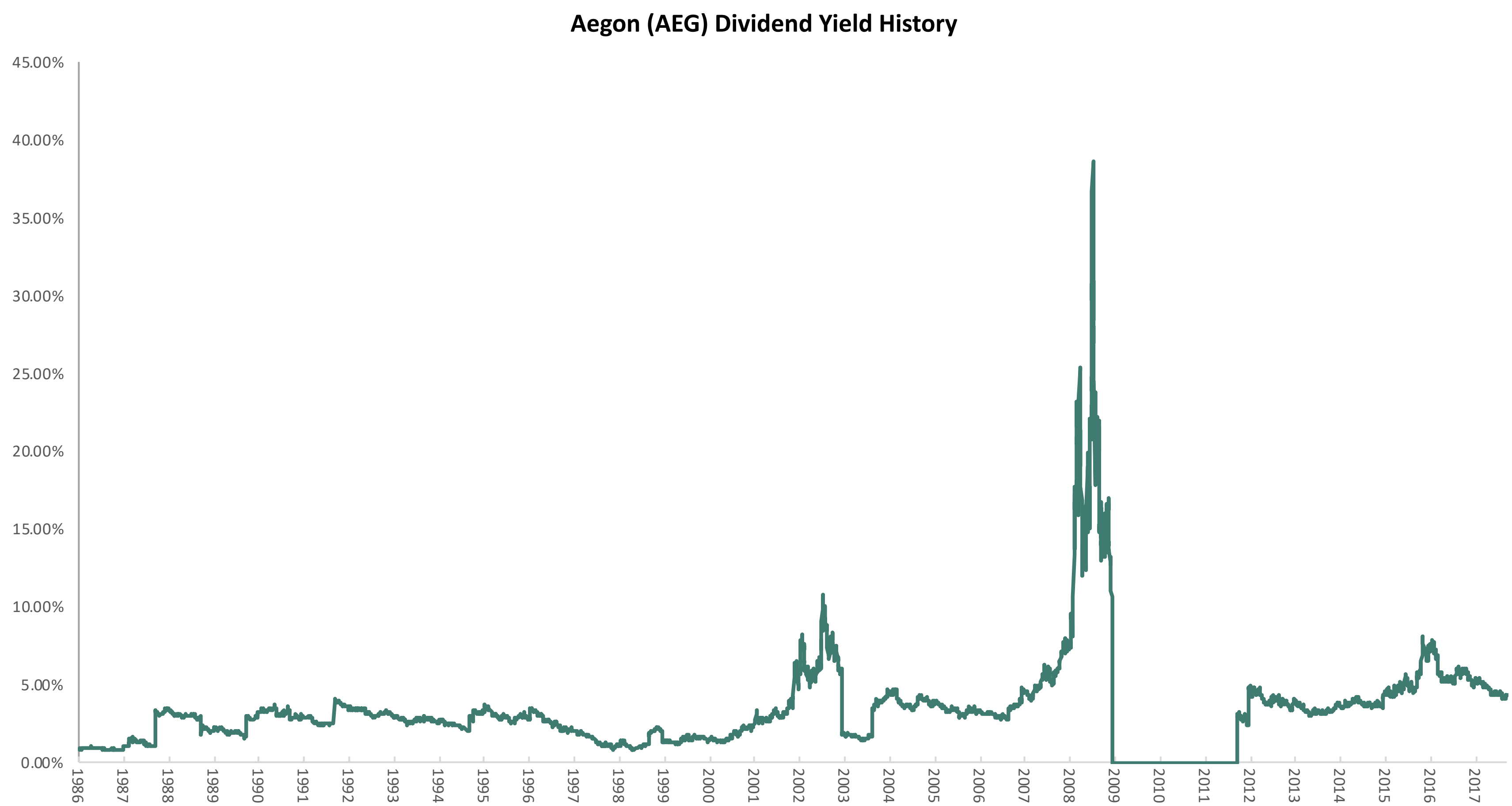
Aegon's main competitive advantage is its financial position and brand strength. The company holds a credit rating of A- from Standard & Poor's and A3 from Moody's. Such high credit ratings boost confidence among customers and investors.

With a price-to-earnings ratio of 5.2, Aegon stock is significantly undervalued. We believe fair value for Aegon stock is a price-to-earnings ratio of at least 6.0, as Aegon is a high-quality company with growth potential. Fair value for Aegon stock is a share price of approximately US$8.00 per share. An expansion of the price-to-earnings ratio to fair value could add 3% to annual returns over the next five years. In addition, Aegon currently pays annualized dividends of US$0.32 per share, which results in a 4.6% dividend yield, and the company has increased its dividend for six consecutive years. We expect the combination of mid-single-digit earnings growth, dividends, and an expanding valuation to yield total shareholder returns of 12%+ each year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	4.6%[1]
Headquarters City:	The Hague	**TTM Earnings-Per-Share**:	US$1.33
Headquarters Country:	Netherlands	**Current Stock Price:**	US$6.94
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	5.2
Year Founded:	1844	**Market Capitalization:**	US $14.1 billion

[1] The dividend withholding tax rate in the Netherlands was recently reduced to 0% from 15% (Source).


Aegon (AEG) Dividend Yield History
45.00%
40.00%
35.00%
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Sanofi (SNY)

Overview & Current Events

Sanofi is a global healthcare company based in France. The current organization was formed in 1973, but the original company dates back to the late 19th century. The company had total sales of approximately US$41 billion in 2017. Around 67% of total sales are generated outside the United States and are spread across five global business units: General Medicines, Diabetes & Cardiovascular, Specialty Care, Vaccines, and Consumer Healthcare.

Sanofi focuses on pharmaceuticals, which represent roughly 75% of sales. Therapeutic areas within the pharmaceutical business include rare diseases, Multiple Sclerosis, oncology, immunology, blood disorders, and cardiovascular diseases. The Consumer Healthcare segment includes over-the-counter brands such as Allegra, Maalox, Nature's Own, and more.

On 4/27/18, Sanofi announced first-quarter financial results. Constant currency net sales declined 0.4% for the quarter and earnings-per-share increased 1.4%. Specialty Care sales increased 16% due to strong immunology franchise sales. Sales of Consumer Healthcare products increased 2%, which helped offset a 6.4% decline in established pharmaceutical sales. Earnings growth also benefited from margin improvements and share repurchases.

Growth, Competitive Advantages, and Total Returns

Sanofi's future growth will be driven by its strong pipeline and through emerging markets. Sanofi's research and development capabilities are its primary competitive advantage. Sanofi invested approximately US$6.5 billion in R&D in 2017. This spending has paid off, as Sanofi has received approvals for seven new molecular entities and vaccine since 2015, with another 70 projects currently under development. To supplement its R&D, Sanofi has 79 manufacturing sites in 36 countries.

Emerging markets represent over 30% of Sanofi's revenue. Emerging market sales increased 8.3% in the first-quarter, driven by double-digit growth in China and Latin America. For 2018, Sanofi expects earnings-per-share growth of 2%-5%. Earnings growth will be boosted by the recently-approved US$1.8 billion share repurchase authorization. Overall, we expect long-term earnings growth of approximately 5% annually for Sanofi.

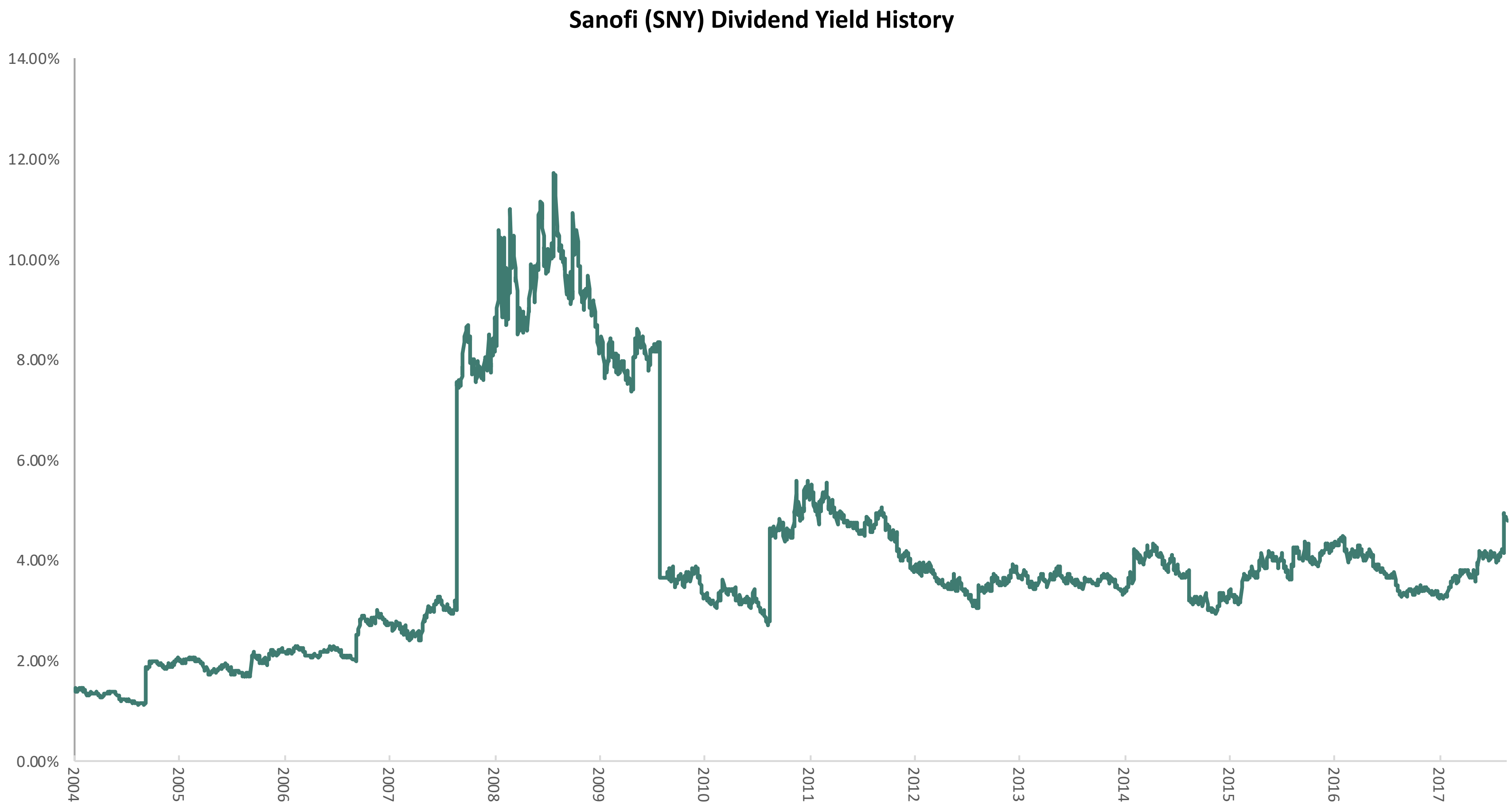
Sanofi has a current annual dividend payout of US$1.79 per share (one ADS is equal to 0.5 ordinary shares) for a dividend yield of 3.2%. The company has increased its dividend for 24 consecutive years in its home currency.

Earnings growth and dividends alone give expected total returns of 8% per year. In addition, the stock appears undervalued, with a price-to-earnings ratio of 12.3. We estimate fair value at a price-to-earnings ratio of 14-15. Valuation gains could add 3%-4% to Sanofi's annual returns over the next five years. As a result, total expected returns could reach 11%+ each year for Sanofi.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	3.2%[1]
Headquarters City:	Paris	**TTM Earnings-Per-Share**:	US$3.19
Headquarters Country:	France	**Current Stock Price:**	US$39.09
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	12.3
Year Founded:	1973	**Market Capitalization:**	US$95.3 billion

[1] France imposes a 30% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.6%.


Sanofi (SNY) Dividend Yield History
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
2004
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Nippon Telegraph & Telephone Corp. (NTTYY)

Overview & Current Events

Nippon Telegraph & Telephone is a holding company based in Japan. It is among the largest companies in the telecommunication services industry, with a market capitalization of nearly $100 billion. It has four main operating segments: Regional Communications, Long-Distance and International Communications, Mobile Communications, and Data Communications.

On 5/11/18, Nippon reported fourth-quarter and full-year financial results. Nippon performed very well in 2017, as revenue, operating income, and net income all reached company records. For fiscal 2017, operating revenue and operating income increased by 3.6% and 6.7%, respectively. Revenue increased in each segment with the exception of Regional Communications. Revenue growth was driven by customer additions. At the end of fiscal 2017, Nippon had 76.4 million mobile subscribers, an increase of 2% from the previous year. Video subscribers increased 1.9% for the year, to 4.6 million. For fiscal 2017, Nippon's adjusted earnings-per-share increased 10%, driven by revenue growth and share repurchases.

Growth, Competitive Advantages, and Total Returns

For 2018, Nippon expects revenue and operating income growth of 0.4% and 2.9%, respectively. We expect a long-term earnings growth rate of 4%-6% for Nippon. Growth will be fueled by its research and development capabilities. Some of the initiatives currently in the R&D phase to support future growth include 5G, cloud computing, security, Big Data, and machine learning. The company has over 16,000 patents and files thousands of new patent applications each year. Nippon's R&D is possible because the company has a strong balance sheet, with a credit rating of AA- from Standard & Poor's. This high credit rating allows the company to readily access capital markets.

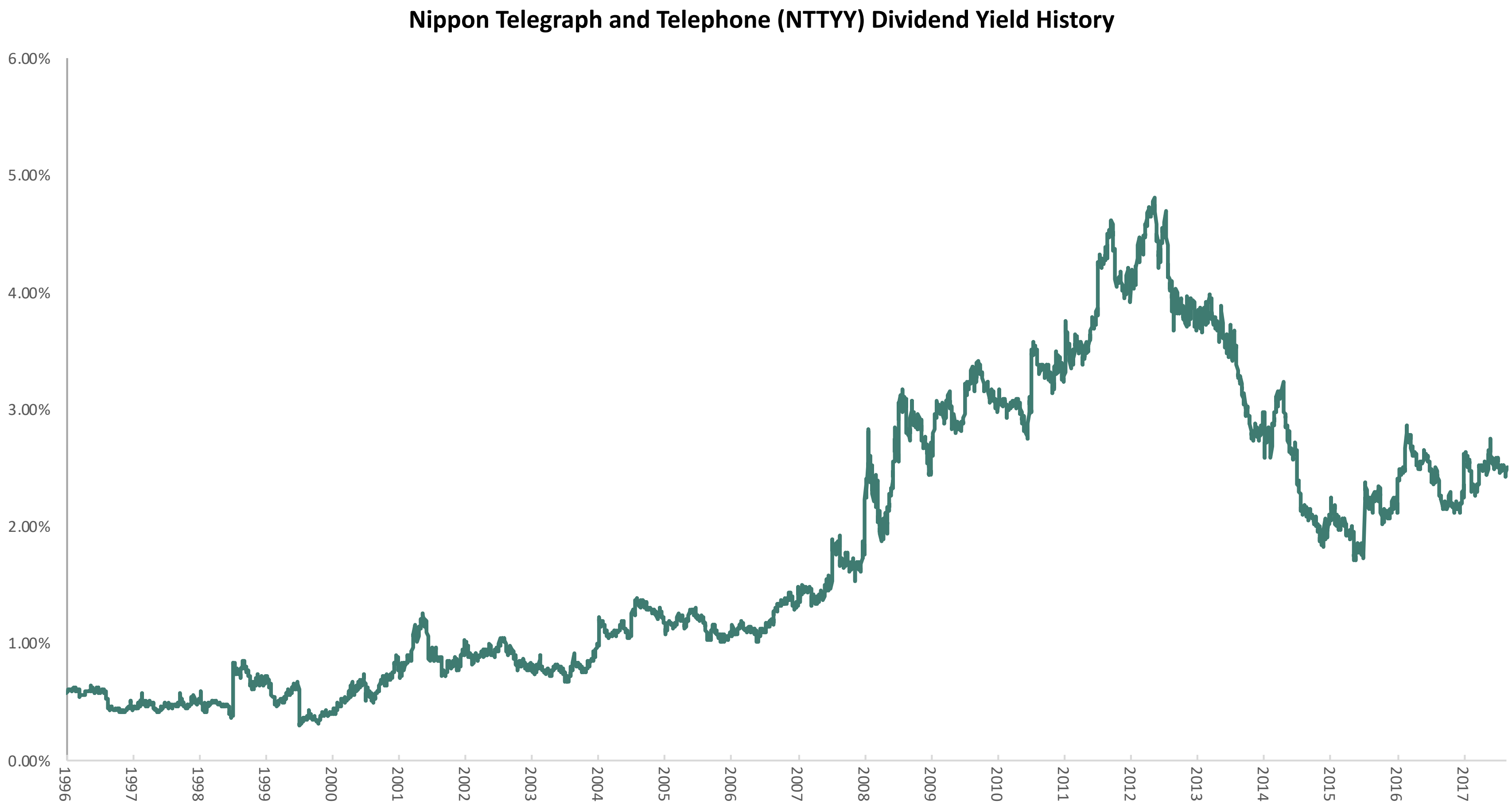
Cash returns to shareholders are a high priority for Nippon's management. Nippon expects to pay total annual dividends of US$1.35 per share (one ADS is equal to one ordinary share) in 2018, a 25% increase from 2017, then increase the dividend again by 13% next year. The company can afford such high dividend increases because it has a relatively low dividend payout ratio (below 40%). In addition, in February 2018 the company announced a share repurchase authorization of up to US$1.35 billion, which will help accelerate future earnings growth.

Future shareholder returns will be driven by earnings growth, dividends, and changes in the valuation multiple. Earnings growth and dividends are expected to contribute annual returns of approximately 7%-8%. In addition, we believe the stock is undervalued. With a current price-to-earnings ratio of 12.2, we estimate fair value to be a price-to-earnings ratio of 14-15. Expansion of the price-to-earnings ratio could add 3%-4% to Nippon's annual returns. As a result, we expect Nippon stock to deliver total annual returns of 10%+ moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	2.4%[1]
Headquarters City:	Tokyo	**TTM Earnings-Per-Share**:	US$3.89
Headquarters Country:	Japan	**Current Stock Price:**	US$47.65
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	12.2
Year Founded:	1952	**Market Capitalization:**	US$95.7 billion

[1] Japan imposes a 15% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 2.8%.


Nippon Telegraph and Telephone (NTTYY) Dividend Yield History
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
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SK Telecom Co. Ltd (SKM)

Overview & Current Events

SK Telecom is South Korea's largest telecommunications company. It has approximately 30 million mobile subscribers, giving it roughly 50% of the total market share. SK Telecom offers a variety of products and services, including mobile phones, wireless telecommunication, and internet services.

On 5/4/18, SK Telecom announced first-quarter financial results. Revenue and operating income declined by 0.3% and 12.4%, respectively, due to increasing adoption of the company's optional mobile phone plan, which has higher discounts. But there were many positive notes in SK Telecom's quarterly earnings. For example, mobile service cancellation fell to 1.3%, its lowest point ever since the rollout of LTE services. In addition, IPTV subscribers increased 10% year-over-year, and mobile IPTV subscribers increased 25.5%. Broadband sales rose by 3.8% from the same quarter a year ago.

Growth, Competitive Advantages, and Total Returns

SK Telecom has multiple growth catalysts for the future which include: 5G rollout, increased data usage, media, and the Internet of Things (IoT). With such a large subscriber base, SK Telecom has entrenched itself as a media giant with its subsidiary IPTV. And, new technologies like 5G and the IoT are major investments for the company. On 5/8/18, SK Telecom announced it will purchase a 55% stake in ADT Caps Co. Ltd for US$651 million. ADT Caps is South Korea's second-largest security services provider, with ~570,000 subscribers and ~30% market share. With SK Telecom's new technologies, ADT Caps is expected to help the company further expand in artificial intelligence, IoT, and Big Data. We expect long-term earnings growth in the mid-single-digits for SK Telecom.

SK Telecom has many competitive advantages, the first of which is scale. As the largest service provider in a developed economy, SK Telecom is highly profitable with pricing power. Its high cash flow allows the company to reinvest in building out its network to preserve its market share. SK Telecom also has a strong financial position. It has a credit rating of A- from Standard & Poor's and A3 from Moody's, which indicates a healthy balance sheet and ready access to the capital markets.

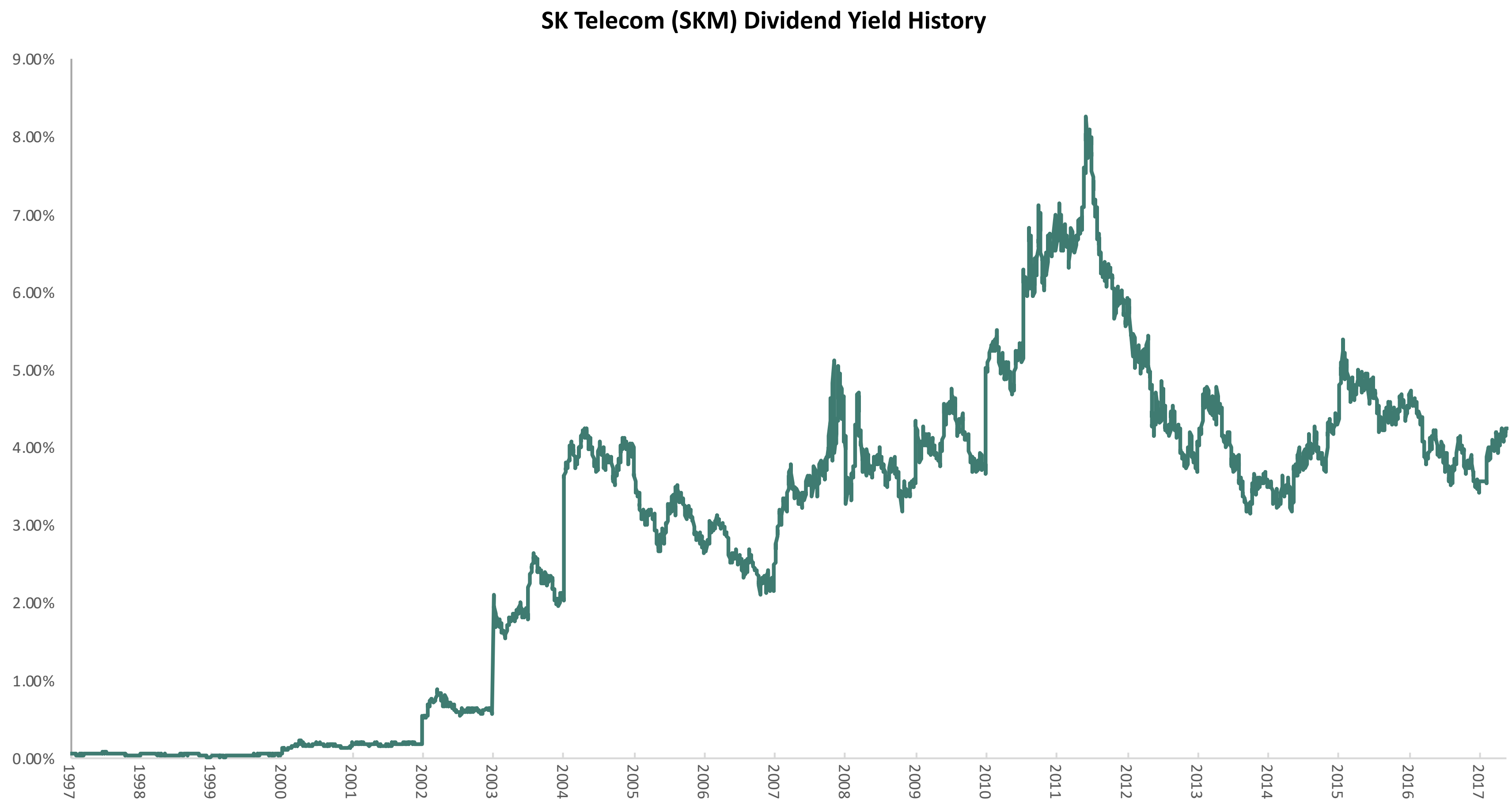
SK Telecom has attractive total return potential. In addition to earnings growth, the stock pays a dividend, and appears to be undervalued. The current price-to-earnings ratio of 11.9 has room for expansion. We estimate a fair value price of $26.05, which equals a price-to-earnings ratio of 13-14. Therefore, we expect rising valuation to add 2%-3% to SK Telecom's annual returns. Combined with earnings growth and dividends, total returns are likely to reach 10%+.

In 2017, SK Telecom paid dividends of US$9.33 per ordinary share. On a per-ADR basis (one ordinary share equals 9 ADRs), SK Telecom stock paid an annual dividend of US$1.04. The dividend is sustainable, as the company had a 54% dividend payout ratio in 2017, down from 58% in 2016. Distributing slightly more than half of earnings indicates the dividend is secure, with room for growth.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Won	**Dividend Yield:**	3.5%[1]
Headquarters City:	Seoul	**TTM Earnings-Per-Share**:	US$1.93
Headquarters Country:	South Korea	**Current Stock Price:**	US$23.01
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	11.9
Year Founded:	1984	**Market Capitalization:**	US$14.6 billion

[1] South Korea imposes a 22% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.5%.


SK Telecom (SKM) Dividend Yield History
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
1997
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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 products under the Nismo brand. Nissan has been a member of the Renault-Nissan-Mitsubishi Alliance since 1999 and is the world's largest electric vehicle manufacturer due to the widespread popularity of its flagship electric vehicle, the Nissan Leaf.

In mid-May, Nissan reported (5/14/18) financial results for the fourth-quarter and full-year of fiscal 2017. Retail volume rose by 4.8% in the twelve-month reporting period while the automotive manufacturer gained 0.2% points of market share. This was driven by exceptional performance in China, which saw unit sales increased by 12.2% over the prior year's period. Importantly, Nissan's strong operational performance translated to its financial results. The company's fiscal 2017 generated net revenue growth of 2.0% and net income growth of 12.6%. Nissan also hiked its dividend by 10.4% during the fiscal year and repurchased 2.2% of its outstanding stock.

Looking ahead, 2018 is expected to be a poor year for Nissan's bottom line. While net revenue is forecasted to grow 0.4% (driven by 2%+ unit sales growth and partially offset by pricing decreases), the company is expecting net income to fall by approximately 33%. This is primarily due to increased capital expenditures and research & development expenses. Importantly though, Nissan is expecting to increase its shareholder return (dividends and share repurchases) by 7.5% for fiscal 2018. Despite these short-term financial hiccups, we believe Nissan's long-term outlook remains bright.

Growth, Competitive Advantages, and Total Returns

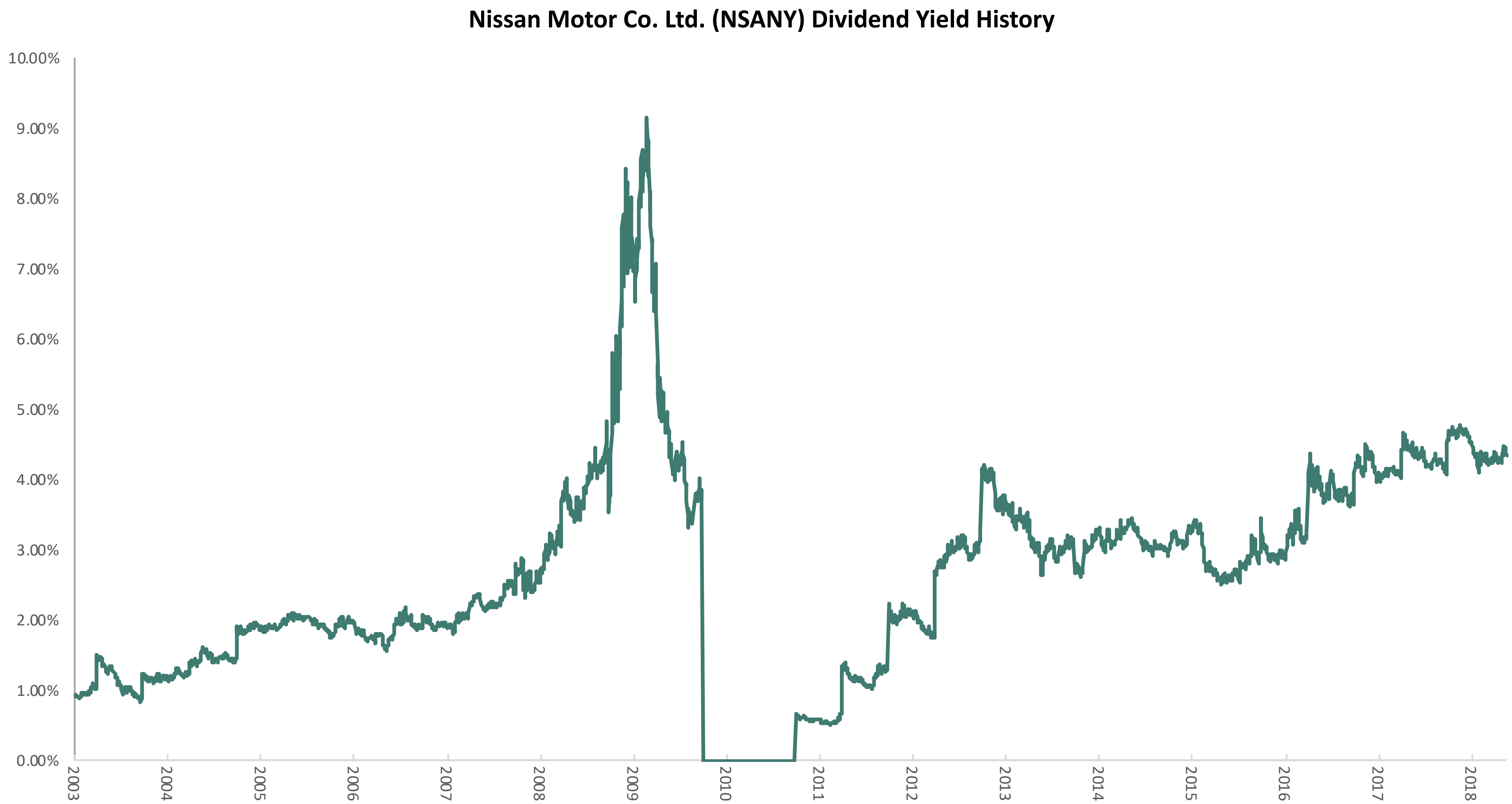
Nissan's near-term growth will be driven by the "Nissan M.O.V.E. to 2022" plan, where 'M.O.V.E.' stands for Mobility, Operational Excellence, Value to Customers, and Electrification. Under this plan, Nissan expects to grow its annual revenue at a rate of approximately 5% per year while seeing its operating margin expand to ~8% under "reasonable" economic conditions. For context, Nissan's operating margin was 4.8% in fiscal 2017. Nissan's track record (growth in unit sales each year since 2008) implies that there is a good chance it will deliver on its financial goals, although the company's recent performance has fallen short of these expectations.

Nissan reported earnings-per-share of approximately 190.97 yen in fiscal 2017, which is equivalent to US$1.72 at prevailing exchange rates. Each of Nissan's American Depository Receipts (ADRs) are equivalent to 2 ordinary shares, which implies 2017 earnings-per-ADR of US$3.44. The company's current stock price of approximately $21 implies a price-to-earnings ratio of just 6.0. Nissan's average price-to-earnings ratio since 2010 is around 9, giving us a fair value estimate of ~$30 per ADR. The company's stock looks significantly undervalued. We believe that double-digit total returns are possible from valuation expansion, dividends (~4%), and earnings-per-share growth (~6%).

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	3.8[1]%
Headquarters City:	Yokohama	**TTM Earnings-Per-Share**:	US$3.44
Headquarters Country:	Japan	**Current Stock Price:**	US$20.68
Stock Exchange:	TSE & OTC	**Price-to-Earnings Ratio:**	6.0
Year Founded:	1933	**Market Capitalization:**	US$43.6 billion

[1] Japan imposes a 15% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 4.5%.


Nissan Motor Co. Ltd. (NSANY) Dividend Yield History
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
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Toyota Motor Corp. (TM)

Overview & Current Events

Toyota Motor Corporation is a multinational automotive conglomerate and Japan's largest manufacturer of automobiles. The company was founded in 1933 and has grown to be a leader in the automotive industry, manufacturing well-known vehicles such as the Camry, Corolla, Highlander, Sienna, Yaris, Prius, and RAV4. United States investors can invest in Toyota through American Depository Receipts (ADRs) listed on the New York Stock Exchange, where they trade under the ticket TM with a market capitalization of US$202 billion.

Toyota recently reported (5/9/18) financial results for the fourth-quarter and full-year of fiscal 2018. The full-year's results were very strong. Net revenues increased by 6.5% while operating income increased by 20.3% and net income attributable to common shareholders increased by 36.2%. On a per-share basis, results were even better. Diluted earnings-per-share increased by 39.0% for the twelve-month reporting period. To share these strong results with the company's shareholders, Toyota responded by increasing its dividend by 4.8% and announcing a new buyback program that will see it buy back up to 300 billion yen (approximately US$2.7 billion) of common stock.

Toyota's guidance for next year shows the impact of environmental and technological transformation. Toyota is forecasting a 1.3% decline in net revenues and a 6.5% decline in pretax income. Diluted earnings-per-share are anticipated to decline 13.1%. These declines are not likely to persist indefinitely but should be treated as an unusual event and not a long-term headwind.

Growth Prospects & Expected Total Returns.

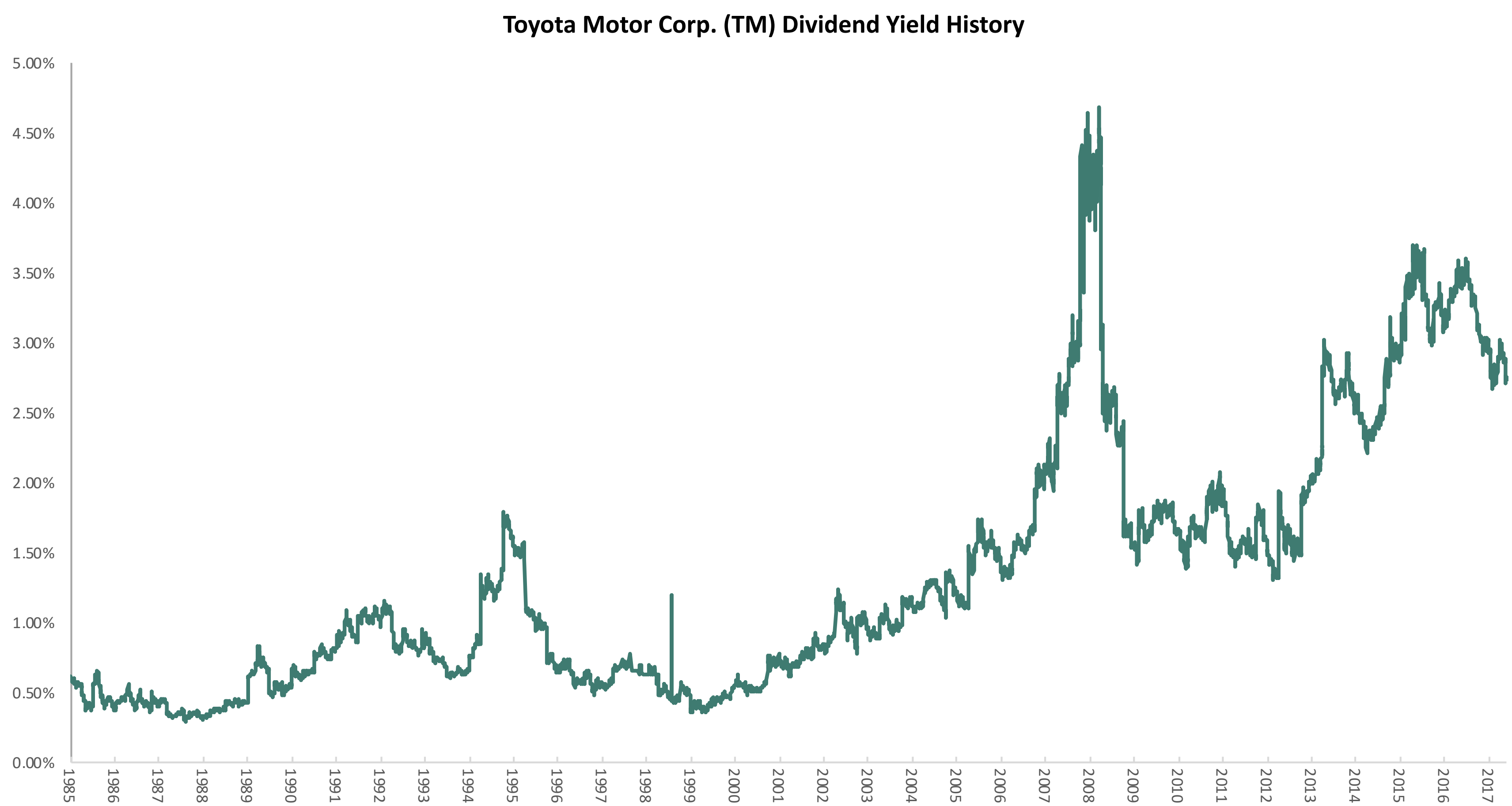
Like other automotive manufacturers, Toyota is investing aggressively in new technologies like electric vehicles, hydrogen vehicles, autonomous vehicles, and other technological advancements. While the company was an early mover in the hybrid vehicle market thanks to the introduction of the Toyota Prius in 1997, it has yet to introduce a fully electric vehicle (outside of the all-electric Prius) that has gained widespread consumer popularity. We believe that Toyota's reputation (Toyota and Lexus – also owned by Toyota Motor Corporation – ranked #1 and #2 in Consumer Reports' 2017 Car Brand Reliability Survey) will allow it to capture meaningful market share once it introduces a fully electric vehicle to the masses. Toyota seems capable of delivering mid-single-digit (4%-6%) annualized earnings-per-share growth over full economic cycles.

Toyota's recently-released fiscal 2018 financial results delivered earnings-per-share of about US$7.50 per ordinary share. Since one ADR is equivalent to two ordinary shares, this amounts to earnings-per-ADR of approximately US$15. Shares currently trade for approximately $136, which implies a price-to-earnings ratio of 9.1. For context, the company's average P/E ratio over the last 5 years is 10.5. We believe that Toyota is trading under fair value today. Investors should achieve high single-digit returns due to a combination of earnings growth (4%-6%), dividends, and valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	2.3[1]%
Headquarters City:	Toyota City	**Last Year's Earnings-Per-Share**:	US$15.00
Headquarters Country:	Japan	**Current Stock Price:**	US$136.11
Stock Exchange:	TSE & NYSE	**Price-to-Earnings Ratio:**	9.1
Year Founded:	1933	**Market Capitalization:**	US$202 billion

[1] Japan imposes a 15% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 2.7%.


Toyota Motor Corp. (TM) Dividend Yield History
5.00%
4.50%
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Turkiye Garanti Bankasi A.S. (TKGBY)

Overview & Current Events

Turkiye Garanti Bankasi is Turkey's second-largest bank, with assets of $94 billion, more than 15 million customers, and over 940 branches. It provides a wide range of financial services, including commercial, retail, private, and investment banking, as well as pension and life insurance, brokerage, and asset management services.

On 4/26/18, Garanti reported strong first-quarter results. Net income rose 31% from the same quarter a year ago. The bank reported a return on equity of 18.3% for the quarter. Higher earnings were primarily the result of loan growth. Consumer and business loans rose 15% and 19%, respectively. In addition, fees increased 34% year-over-year, due to strong growth in payment systems revenue.

Growth, Competitive Advantages, and Total Returns

Garanti's growth will be fueled by continued economic growth in Turkey, which is an emerging economy. In 2017, Turkey's gross domestic product rose by 7.4%, compared with 3.2% growth in 2016. The Organization for Economic Cooperation and Development (OECD) expects Turkey's economy to expand by 5.3% in 2018 and 5.1% in 2019. Such high economic growth rates should continue to result in higher loan activity for local businesses. In 2018, Garanti expects 10% asset growth due to 14%-15% growth in loans.

Rising interest rates are an additional growth catalyst for Garanti. The financial sector stands to benefit from higher interest rates, which is a likely consequence of the rapid growth in government spending in Turkey. The acceleration in GDP growth has spurred inflation, which the Turkey central bank is likely to address through monetary tightening. Higher interest rates would serve as a tailwind for banks, which can earn higher investment income from rising interest rates.

Garanti's competitive advantages are mostly the result of a strong brand and industry position. As the second-largest bank in Turkey, Garanti has access to capital resources that smaller competitor banks cannot match. In addition, Garanti has a high reputation for customer service, which helps retain customers and attract new customers.

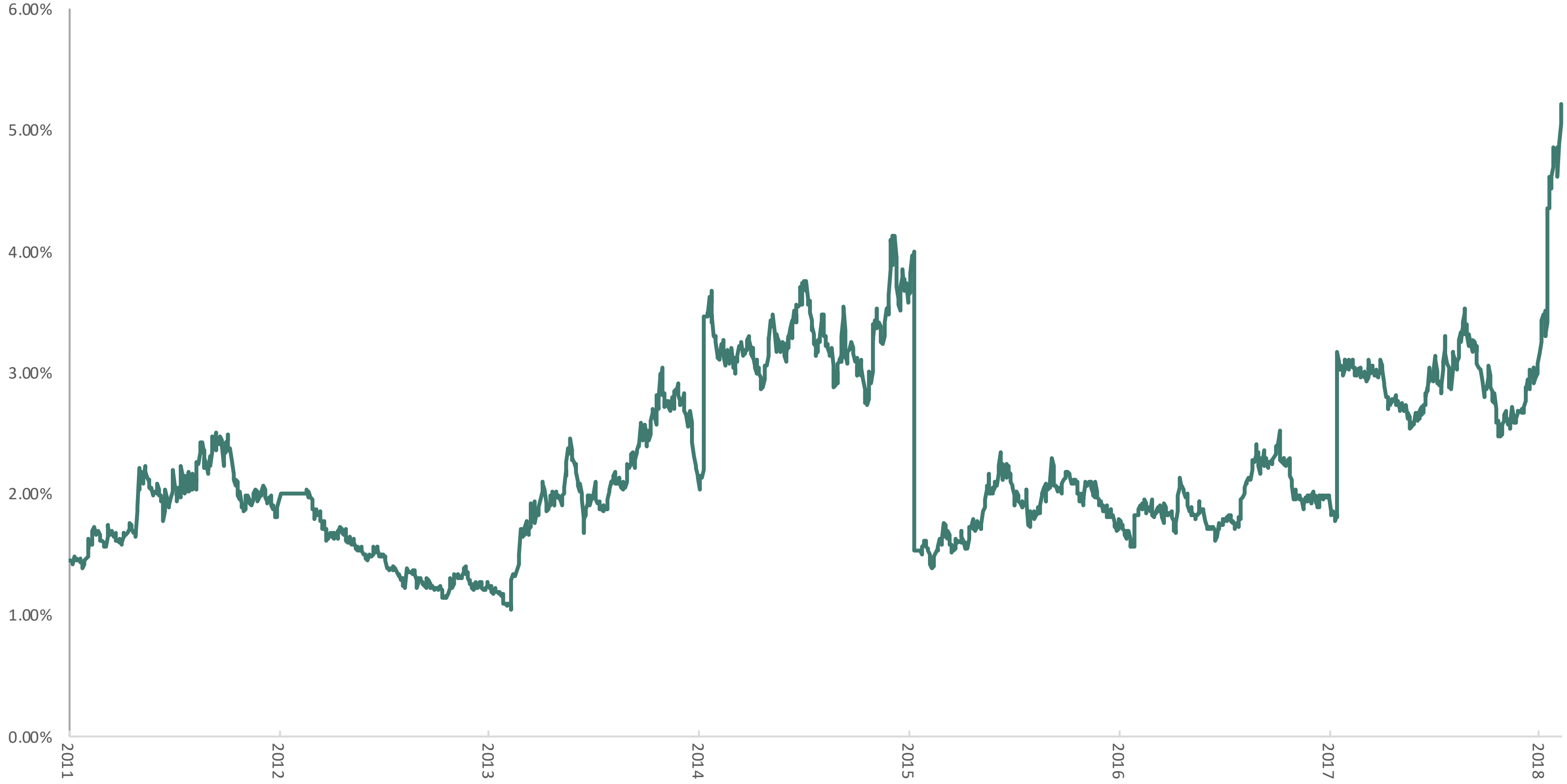
Over the next five years, we expect low single-digit earnings growth for Garanti, in the 2%-3% range. In addition, the company paid dividends of approximately US$0.08 per share (one ADS is equal to one ordinary share). Based on the current share price, this represents a dividend yield of 3.5%, after including withholding taxes. The dividend appears secure, as Garanti had a payout ratio of approximately 25% in 2017. The combination of earnings growth and dividends is expected to generate annual returns of 6%-7%. We also view the stock as undervalued, with a fair value price-to-earnings ratio of 7-8. Expansion of the price-to-earnings ratio could add 3%-4% to Garanti's annual returns. As a result, the combination of earnings growth, dividends, and an expanding valuation, could generate total shareholder returns of 9%-11% per year.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Lira	**Dividend Yield:**	3.5%[1]
Headquarters City:	Istanbul	**TTM Earnings-Per-Share**:	US$0.32
Headquarters Country:	Turkey	**Current Stock Price:**	US$2.00
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	6.1
Year Founded:	1946	**Market Capitalization:**	US$8.3 billion

[1] Turkey imposes a 15% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.1%.

Garanti Bank (TKGBY) Dividend Yield History



Closing Thoughts
- Safe Stock Selection Around the World -

Current and past *Sure Dividend International Newsletter* recommendations have come primarily from the following countries/regions (with a few exceptions):

- Japan
- Canada
- South Korea
- Developed Europe (UK, France, Germany, The Netherlands, etc.)

Investing in international companies may paint an exotic picture in the mind; investing in a hitherto unknown Papua, New Guinea-based mining company or a fast-growing micro-cap Nigerian multilevel marketing company.

While seemingly exciting, this is not in any way what we advocate in *The Sure Dividend International Newsletter*. Give me excitement in other parts of my life, but a 'boring' march of ever higher dividends with my investments.

What you will notice about the countries that are responsible for the vast majority of our recommendations is that they are all highly developed first-world countries.

That's not a coincidence. A society ruled by law, fair business ethics, and a reasonably stable currency are integral in fostering the type of high-quality dividend growth stocks we look for. The longer a society has been 'developed,' the better.

While we don't exclude any country in our search for high-quality dividend growth stocks around the world, it is clear that the vast majority of these businesses are based in developed markets today. While that's true today, the list of countries that make up the developed world is growing.

Indeed, this month's newsletter includes a Chinese insurer – Ping An Insurance Co. of China Ltd (PNGAY) – that is a high-quality dividend growth stock with a large market cap of over $180 billion. For comparison, that would put it in the Top 10 largest *financial sector companies in the United States*, if it were based here.

Over time, we expect the number of countries with several high-quality dividend growth stocks in them to expand. This is due to the power of international commerce. As economies open to each other, the flow of goods and ideas tends to build up less advanced nations. As a bonus, high-quality businesses headquartered in faster growing economies have a 'built in' tailwind boosting their returns.

The specific countries that qualify as first world may change over the next 10 or 20 years. We remain indifferent to where high-quality businesses are located.

The next newsletter publishes on Sunday, June 17th, 2018

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	-1.9%
ITV (ITVPY)	January 2018	-2.7%
Dixons Carphone (DC:LN)	January 2018	12.6%
Royal Mail (RMG:LN)	January 2018	19.0%
Acea SpA (ACE:IM)	January 2018	-16.8%
Groupe Renault (RNO:FP)	January 2018	-0.3%
Gazprom (OGZPY)	January 2018	-11.8%
Inchcape (INCH:LN)	January 2018	1.2%
Blom Bank (BLOM:LB)	January 2018	0.2%
Yanlord Land (Z25:SP)	January 2018	-10.7%
Canadian Imperial Bank (CM)	February 2018	-0.5%
Canadian National (CNI)	February 2018	8.7%
Sampo Oyj (SAXPY)	February 2018	-7.7%
Fortis (FTS)	February 2018	-2.8%
BNP Paribas (BNPQY)	February 2018	-10.1%
Nissan (NSANY)	February 2018	-2.4%
Société Générale (SCGLY)	February 2018	-15.3%
Deutsche Telekom (DTEGY)	March 2018	-3.5%
Swiss Re Ltd (SSREY)	March 2018	-0.4%
Enel SpA (ENLAY)	March 2018	-3.5%
ProSiebenSat.1 Media (PBSFY)	March 2018	3.1%
Toyota Motor Corp. (TM)	April 2018	5.5%
SK Telecom (SKM)	April 2018	-1.8%
Tokio Marine (TKOMY)	April 2018	8.4%
Ping An Insurance (PNGAY)	May 2018	N/A
Thomson Reuters (TRI)	May 2018	N/A
Sanofi (SNY)	May 2018	N/A
Nippon T&T (NTTYY)	May 2018	N/A
Turkiye Garanti (TKGBY)	May 2018	N/A
Average		**-1.4%**
S&P 500 Average		**-1.3%**

Performance over periods of 3 years or less is virtually meaningless. With 4 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:

(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%
China (Mainland)	10%
Lebanon	10%
Russia	15%
Turkey	15%
Japan	15%
France	15%[2]
Canada	15%[3]
South Korea	22%
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). We recommend this way.
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, an investor could still invest 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 should you choose to buy but not with ADRs. 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 and in the Top 10 chart.

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.