Sure Dividend International

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

August 2018 Edition

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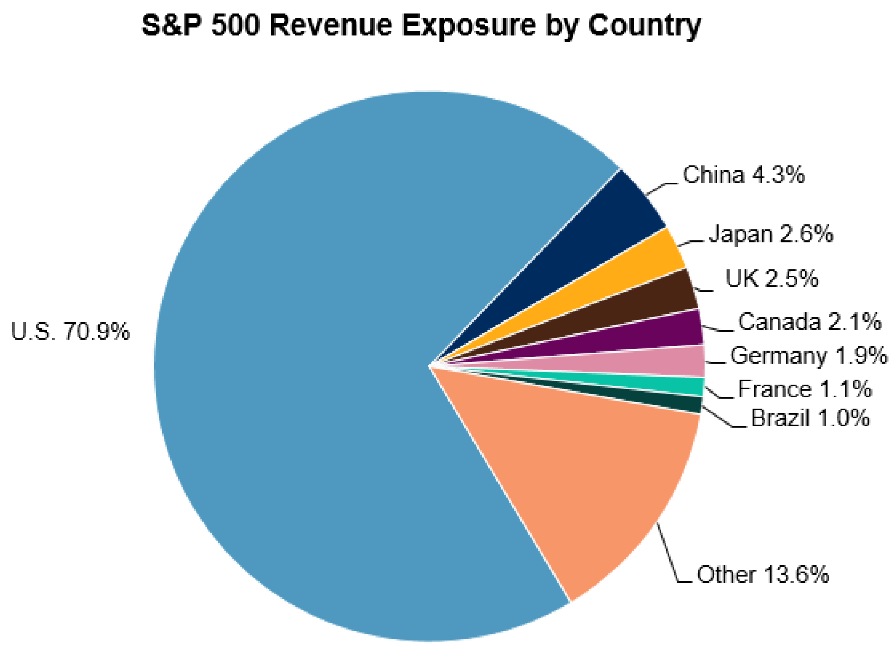
- Does International Exposure Still Matter? -

Does investing in the S&P 500 give you full exposure to international markets? With increased globalization and so many large companies expanding aggressively overseas, it may seem as though many of the large US corporations are not really US stocks at all anymore – but rather global businesses.

While many US stocks certainly have a global reach, it's a stretch to say that the S&P 500 as a whole is truly internationally diversified.



Source: How Global Is The S&P 500?

The S&P 500 is diversified internationally, but not nearly as much as many investors expect. For comparison, the United States makes up 24% of global GDP. Therefore, the S&P 500 is *heavily* weighted toward United States exposure from a global perspective.

Does international exposure still matter? The answer is a resounding "yes", if investors want to have their portfolio generally align with the realities of global business. The United States is still the largest country in the world based on GDP by a wide margin, but it has slowly lost ground versus the rest of the world as a percentage of total global GDP since its peak at the end of World War II.

There's no question that investors must have exposure to the United States – many of the world's strongest businesses are based in the United States – but there is certainly room for international exposure as well. There are many high-quality dividend-paying businesses to be found outside the United States, some of which are featured in this month's edition of The Sure Dividend International Newsletter. This month, we are featuring companies from Germany, Japan, China, The Netherlands, Switzerland, South Korea, and France.

The International Top 10 – August 2018

Name	Ticker	Mkt. Cap	Country	Price[1]	P/E	Yield[2]	Payout	Growth
Ping An Insurance	PNGAY	$159 billion	China	$17	12.1	2.5%	30%	9.0%
SK Telecom	SKM	$18 billion	South Korea	$26	14.2	3.1%	44%	5.0%
LyondellBasell	LYB	$43 billion	U.K.	$113	7.6	3.6%	27%	5.0%
Roche	RHHBY	$207 billion	Switzerland	$30	15.6	2.3%	36%	8.0%
Sanofi SA	SNY	$103 billion	France	$42	13.9	3.0%	42%	5.0%
Siemens AG	SIEGY	$102 billion	Germany	$63	14.1	2.7%	38%	5.0%
BASF SE	BASFY	$81 billion	Germany	$22	12.8	3.0%	38%	5.0%
Honda Motor Co.	HMC	$53 billion	Japan	$30	9.5	2.6%	25%	6.0%
Toyota Motor	TM	$180 billion	Japan	$123	9.4	2.7%	25%	6.0%
BMW	BMWYY	$61 billion	Germany	$31	15.5	2.7%	42%	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' (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. 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 are 6 new recommendations in this month's newsletter versus the prior month's newsletter: LyondellBasell (LYB), Roche (RHHBY), Sanofi (SNY), Siemens AG (SIEGY), BASF SE (BASFY), and Toyota (TM). They replace Nippon T&T (NTTYY), Aegon NV (AEG), BT Group (BT), Nissan Motor Co. (NSANY), LG Display (LPL), and Turkiye Garanti (TKGBY)

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

Dividend Yield:	2.8%	**P/E Ratio:**	12.4
Growth Rate:	5.9%	**Payout Ratio:**	35%

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

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

Note: Data in this newsletter is primarily from August 15th through August 17th, 2018.

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

[2] After accounting for any applicable withholding taxes.

Analysis of Top 10 Securities

Ping An Insurance Company of China (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 and 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.

In late April, Ping An reported (4/26/18) financial results for the three months ending March 31, 2018. The company's large Life and Health Insurance segment performed well, delivering 12.7% growth in operating profit. Elsewhere, insurance underwriting continued to be conservative and profitable, with Ping An Property & Casualty reporting a combined ratio of 95.9% in the quarter. All of this led to strong performance on a company-wide basis. Net profit increased by 11.5% and 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 has announced a special dividend that amounts to a one-time $0.06 payment per ADR to Ping An's United States investors. Remarkably, this special dividend was announced shortly after Ping An doubled (3/20/18) its normal quarterly dividend payment.

Looking ahead, Ping An is scheduled to report earnings on August 22nd.

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, a healthcare technology venture focused on providing online family doctor services. Elsewhere, Ping An owns a subsidiary called Ping An Healthcare Technology that provides smart cost control and social insurance services in 200+ cities in China. Ping An's bottom line has compounded at 29% per year over the last four years. Looking ahead, we believe that the company's growth will slow to the high-single digits over time.

In Ping An's recently-completed fiscal 2017, the insurer reported earnings-per-share of RMB4.99 – equivalent to US$0.72. Given the 2-for-1 nature of Ping An's American Depository Receipts, this amounts to earnings-per-ADR of US$1.44. Using this earnings figure, Ping An is trading at a price-to-earnings ratio of 12.1. We believe that a low-teens earnings multiple is appropriate and that the company is trading near fair value. Valuation expansion will not be a significant contributor to future returns. Instead, the company's shareholders will profit from strong earnings growth and its 2.5% dividend yield (net of withholding taxes) for expected total returns in the low double-digits.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Renminbi	**Dividend Yield:**	2.5[1]%
Headquarters City:	Shenzhen	**Last Year's Earnings-Per-Share**:	US$1.44
Headquarters Country:	China	**Current Stock Price:**	US$17.46
Stock Exchange:	Hong Kong & OTC	**Price-to-Earnings Ratio:**	12.1
Year Founded:	1988	**Market Capitalization:**	US$159.0 billion

[1] China imposes a 10% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 2.9%.


Ping An insurance Company of China (PNGAY) Dividend Yield History
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
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2017
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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 total market share. SK Telecom offers a variety of services, including wireless telecommunication and internet. Its products include mobile phones, wireless data, and information communication.

In late July, SK Telecom announced (7/27/18) second-quarter financial results. Revenue fell by 4.4% for the quarter, while operating income declined 18% year-over-year. That said, operating income increased 6.6% from the previous quarter, which is a positive signal for an eventual return to growth. The company is making significant investments that have weighed on profitability in the short-term, such as the acquisition of 100 megahertz of bandwidth at a June spectrum auction. This lays the groundwork for 5G rollout, a major growth catalyst for the future. And, SK Telecom recorded its lowest-ever churn rate of 1.2% last quarter.

Growth, Competitive Advantages, and Total Returns

Large-cap telecommunications companies are not typically known for rapid growth. Instead, they are viewed as steady dividend payers. While SK Telecom does have a strong dividend and consistent cash flow, it also has compelling growth catalysts. These include 5G rollout, and new technologies such as autonomous driving and the Internet of Things. SK Telecom made a large spectrum purchase last quarter to prepare for 5G rollout over the next year. Also, in early May SK Telecom announced (5/8/18) it will purchase a 55% stake in ADT Caps, South Korea's second-largest security services provider. Separately, the company signed (6/11/18) an agreement with DJI Innovations, a manufacturer of drones and aerial imaging technology, to co-develop drone-based video streaming.

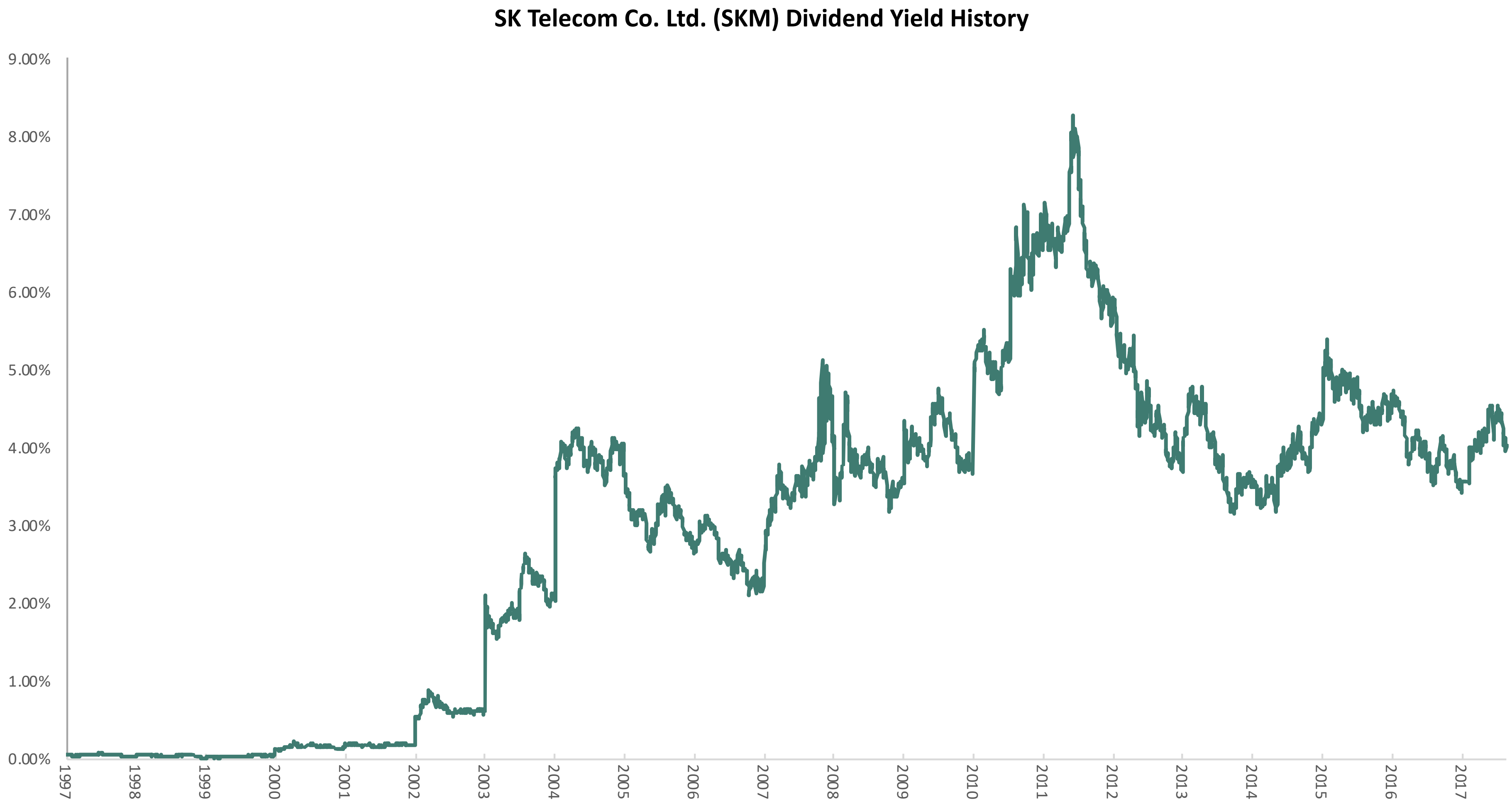
These growth catalysts are likely to materialize because of SK Telecom's industry-leading position. According to the company, SK Telecom has been rated the No. 1 mobile carrier in the National Customer Satisfaction Index (NCSI) for 21 years in a row. Another competitive advantage is SK Telecom's strong balance sheet. It has a credit rating of A- from Standard & Poor's and Fitch Ratings, which allows the company to access the capital markets at attractive rates to invest in growth.

SK Telecom currently has a dividend payment of KRW10,000 per ordinary share, which amounts to US$9.33 per ordinary share. On a per-ADR basis (one ordinary share equals 9 ADRs), SK Telecom's stock dividend totals US$1.04, for a dividend yield of approximately 3.1%. In terms of valuation, SK Telecom appears to be fairly valued. Based on trailing 12-month earnings-per-share of US$1.81, the stock has a price-to-earnings ratio of 14.2. We estimate a fair value price-to-earnings ratio of 15.0, which would add approximately 1.5% to annual shareholder returns. Combined with 5% annual earnings growth and the 3.1% dividend yield, total returns could reach ~10% annualized for SK Telecom stock over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Won	**Dividend Yield:**	3.1%[1]
Headquarters City:	Seoul	**TTM Earnings-Per-Share**:	US$1.81
Headquarters Country:	South Korea	**Current Stock Price:**	US$25.72
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	14.2
Year Founded:	1984	**Market Capitalization:**	US$18.2 billion

[1] South Korea imposes a 22% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.0%.


SK Telecom Co. Ltd. (SKM) Dividend Yield History
9.00%
8.00%
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LyondellBasell Industries NV (LYB)

Overview & Current Events

LyondellBasell Industries NV traces its roots back to 1955, when its predecessor company Hoechst initiated industrial-scale production of polyethylene in Frankfurt, Germany. Today, LyondellBasell is a chemical company which engages in the refinery and production of plastic resins and other chemicals. Its core business segments are Olefins and Polyolefins, Intermediates, Derivatives, Refining, and Technology. Its products help its customers improve food safety, protect water purity, and enhance safety and fuel efficiency of cars and trucks.

In early August, LyondellBasell reported (8/3/18) 2018 second-quarter financial results. Sales increased 22% from the same quarter a year ago, to $10.2 billion, as the company advanced on several growth projects and increased production. LyondellBasell generated record quarterly EBITDA from its Intermediates and Derivatives and Technology segments. The company saw 7% volume growth in Propylene Oxide and Derivatives, and also grew volume and margins for intermediate chemicals and oxyfuels for the quarter. Earnings-per-share increased 50%, thanks to sales growth and a significant contribution from tax reform.

Growth, Competitive Advantages, and Total Returns

Future earnings growth should be attainable both through organic growth and acquisitions. Projects underway and scheduled to be completed from 2019-2024 are expected to add at least US$600 million to the company's annual EBITDA. Also, earlier this year LyondellBasell acquired A. Schulman, Inc. for US$2.25 billion. The acquisition doubled the size of LyondellBasell's existing compounding business and gave it access to new high-growth markets such as consumer products, appliances, and agriculture. Separately, LyondellBasell is reportedly in talks to acquire a controlling stake in petrochemical company Braskem for over $5 billion. Earnings growth will also be fueled by share repurchases. In June 2018, LyondellBasell announced it had approved the repurchase of up to 10% of the company's shares, currently worth over $4 billion, by the end of 2019.

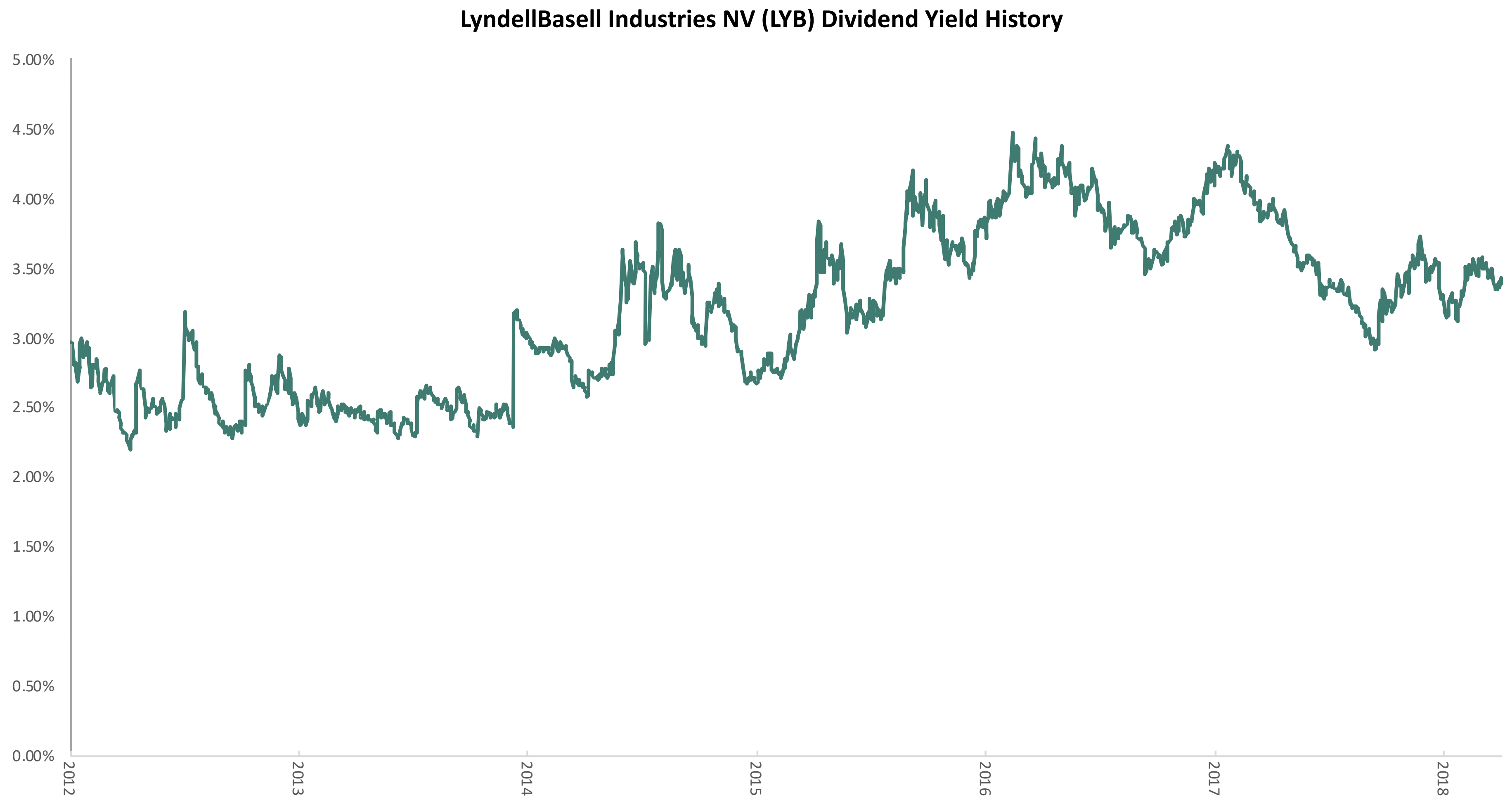
LyondellBasell's competitive advantages are its intellectual portfolio and financial resources. As of the end of 2017, LyondellBasell owned approximately 5,580 patents. This is crucial to retaining its competitive positioning in its core industries. The company also has a strong balance sheet, which allows it to raise capital to invest in future growth. LyondellBasell has an S&P credit rating of BBB+.

LyondellBasell stock trades for a price-to-earnings ratio of 7.6; our fair value estimate is for a price-to-earnings ratio of 10. This means expansion of the stock valuation could add approximately 6.2% to LyondellBasell's annual returns. Next, we expect 5% annual earnings growth for the company. Lastly, LyondellBasell pays a quarterly dividend of US$1.00 per share. With a current annualized dividend of US$4.00 per share, the stock has a 3.6% current dividend yield. Putting it all together, and total returns are expected to reach 14%-15% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	3.6%[1]
Headquarters City:	London	**TTM Earnings-Per-Share**:	US$14.80
Headquarters Country:	United Kingdom	**Current Stock Price:**	US$112.74
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	7.6
Year Founded:	1955	**Market Capitalization:**	US $42.9 billion

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


LyndellBasell Industries NV (LYB) Dividend Yield History
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
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Roche Holding AG (RHHBY)

Overview & Current Events

Roche Holding AG was founded in 1896 by Fritz Hoffmann-La Roche. Today, it operates in the healthcare industry. It is engaged primarily in research, with two operating segments: Diagnostics and Pharmaceuticals. The Pharmaceutical segment refers to development of medicines in a variety of therapeutic areas, which include oncology, immunology, ophthalmology, infectious diseases and neuroscience. The Diagnostic segment works on diagnosis of diseases through an in-vitro diagnostics process.

In late July, the company reported (7/26/18) financial results for the first half of 2018. Sales increased 7% in constant exchange rates for the first six months. Sales growth was evenly split between Roche's two major businesses. Pharmaceutical division sales rose 7% for the quarter, driven by growth for Ocrevus, Perjeta, Alecensa and Tecentriq. Diagnostics segment sales increased 6%, due to higher demand for immunodiagnostic solutions. Earnings-per-share increased 19% over the first half of fiscal 2017 due to sales growth as well as the impact of U.S. tax reform.

Growth, Competitive Advantages, and Total Returns

Roche's biggest growth catalyst is its drug portfolio and pipeline. The company has a large number of highly-successful properties, as 8 of its top 10 pharmaceutical products each generate more than US$1 billion in annual sales. It also invests heavily in new research capabilities, which fuels its long-term growth. In 2017, Roche received four FDA breakthrough designations. The company began 2018 with 72 new potential medicines, 43 of which were in Phase III of development.

Roche's primary competitive advantage is its industry positioning and huge research and development platform. The company has a market capitalization over $200 billion. In fact, Roche is the world's largest biotech company, which lends it the financial resources to invest heavily in R&D. The company spent US$10.5 billion on R&D in 2017 alone.

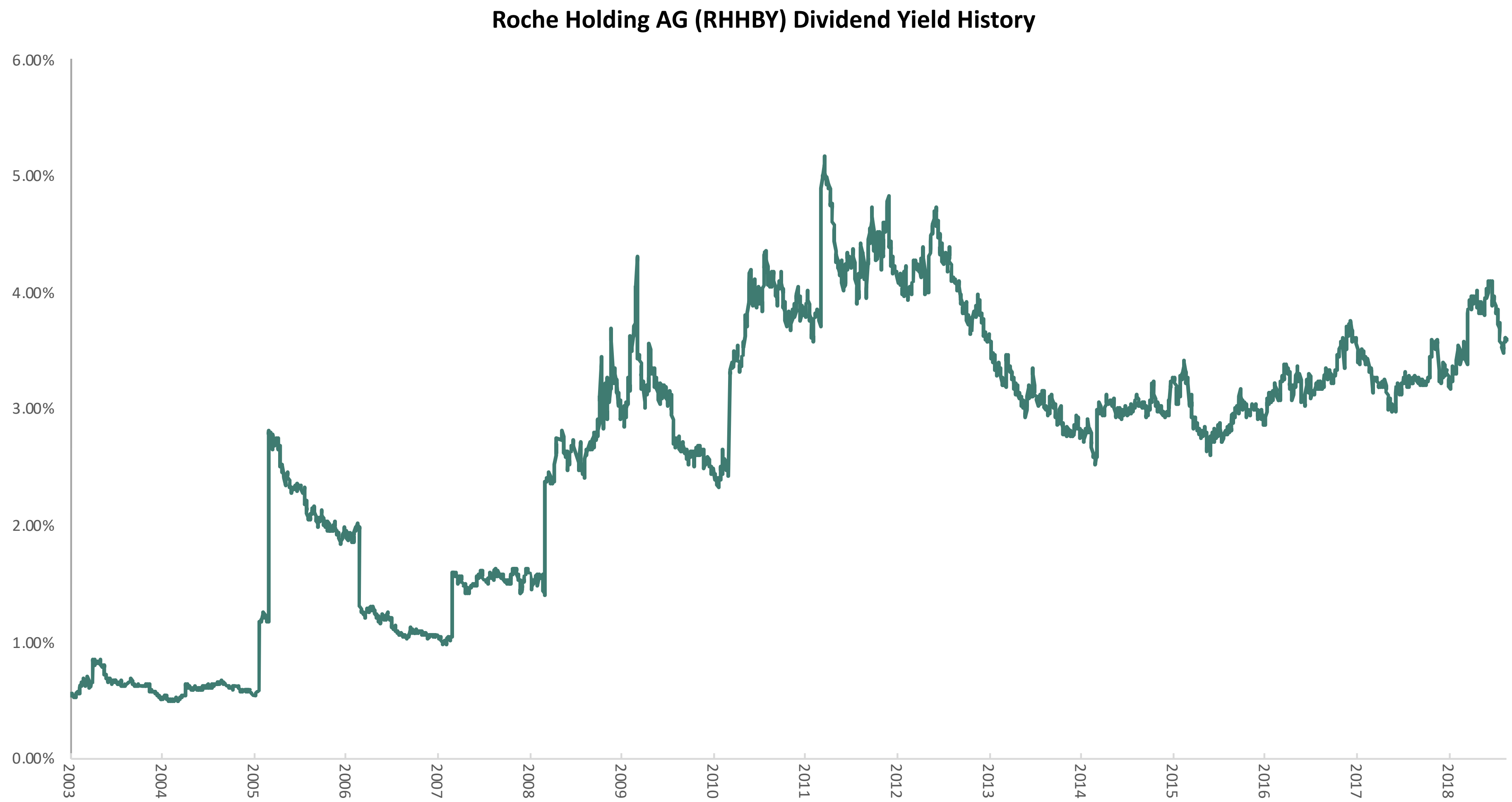
Roche stock appears to be undervalued. With a price-to-earnings ratio of 15.6, Roche stock arguably deserves a higher valuation, due to its industry-leading position and growth catalysts. Our fair value estimate is a price-to-earnings ratio of 18, which would result in 3% annual returns from valuation expansion. In addition, we expect 8% annual earnings growth over the next five years.

Dividends will also contribute to shareholder returns. Roche paid its annual dividend of US$1.08 in May, at prevailing exchange rates (eight ADRs represent one underlying equity share.) This works out to a dividend yield of 2.3%. Roche has a modest dividend yield, but it makes up for this with dividend growth. In its home currency, Roche has increased its dividend for 31 years in a row. The combination of 8% earnings growth, 3% returns from valuation changes and the 2.3% dividend yield result in expected annual returns of ~13%% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Swiss Franc	**Dividend Yield:**	2.3%[1]
Headquarters City:	Basel	**TTM Earnings-Per-Share**:	US$1.93
Headquarters Country:	Switzerland	**Current Stock Price:**	US$30.16
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	15.6
Year Founded:	1896	**Market Capitalization:**	US $206.5 billion

[1] Switzerland imposes a 35% withholding tax on dividends paid to U.S. investors. Without the tax, the dividend yield would be 3.6%


Roche Holding AG (RHHBY) Dividend Yield History
6.00%
5.00%
4.00%
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2003
2004
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Sanofi SA (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. Operations 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.

In late July, Sanofi announced (7/31/18) second-quarter financial results. Constant currency net sales increased 0.1% for the quarter, reversing a decline last quarter. Consumer healthcare led the way with a 4.1% sales increase. Emerging markets reported 5.2% sales growth, including double-digit growth in China. Core earnings-per-share increased 1.5%, benefitting from margin improvements and share repurchases. For the full year, Sanofi expects core earnings-per-share growth of 3%-5%.

Growth, Competitive Advantages, and Total Returns

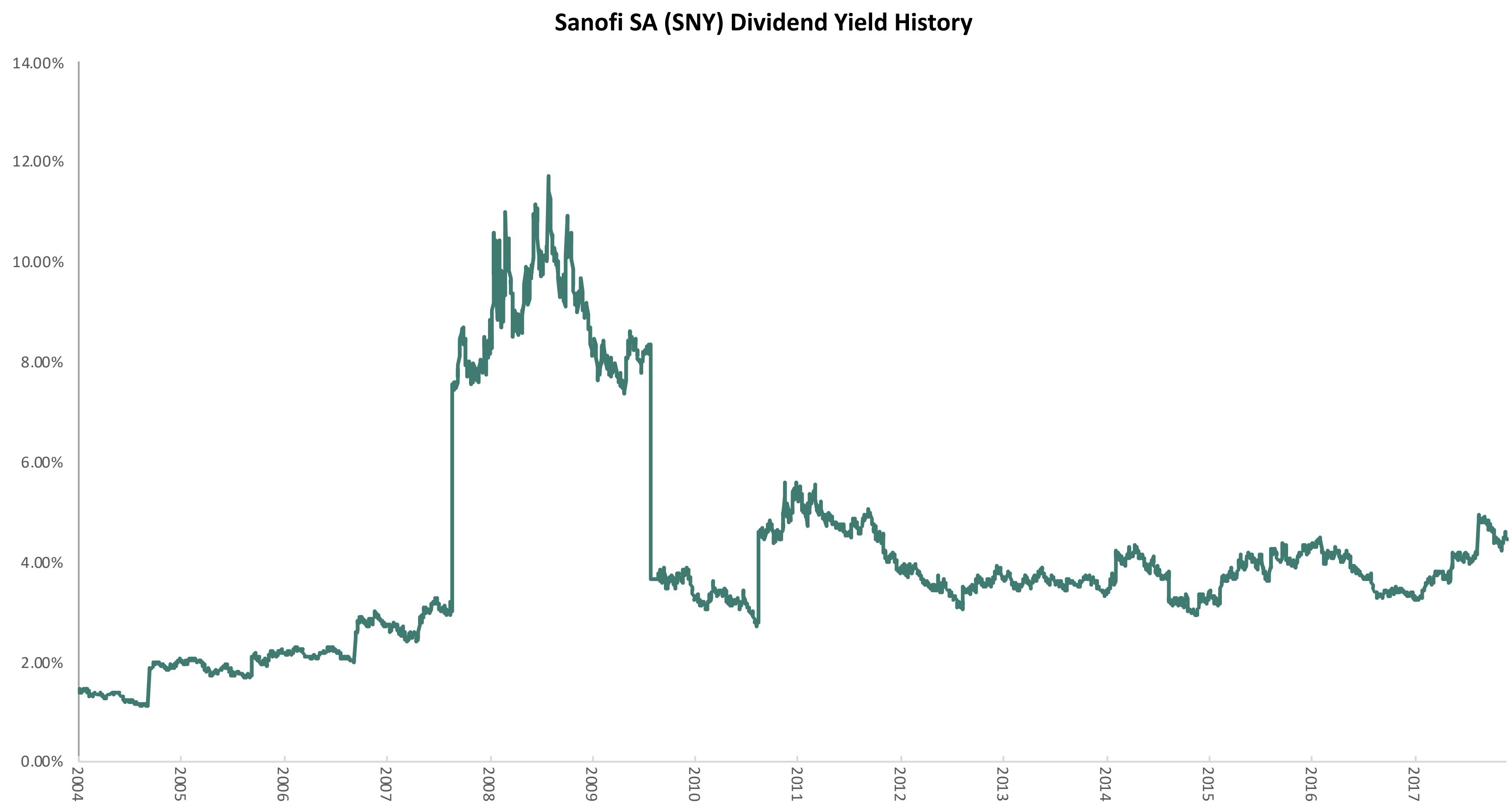
The first and most important growth catalyst for Sanofi is its pipeline, which is critical for a pharmaceutical company. Sanofi's research and development capabilities are its primary competitive advantage. Sanofi invested approximately US$6.5 billion in R&D in 2017. This spending has paid off, as Sanofi has had seven new molecular entities and vaccine approvals since 2015, with another 70 projects currently under development. To supplement its R&D, Sanofi has 79 manufacturing sites in 36 countries. Another growth catalyst for Sanofi is emerging markets, which represent over 30% of total 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 paid its 2018 annual dividend at a rate of US$1.79 per share (two ADS equal one ordinary share). This results in a dividend yield of 3.0%, and the company has increased its dividend for 24 consecutive years in its local currency. The combination of earnings growth and dividends could provide annual shareholder returns of 8% per year. In addition, the stock appears to be undervalued. The company reported adjusted earnings-per-share of US$6.04, which works out to US$3.02 after the ADS conversion. As a result, the stock trades for a price-to-earnings ratio of 13.9. Our estimate of fair value is a price-to-earnings ratio of 15. An expansion of the price-to-earnings ratio could add 1.8% to Sanofi's annual returns over the next five years. The combination of earnings growth, dividends, and valuation changes results in expected returns of approximately 10% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	3.0%[1]
Headquarters City:	Paris	**TTM Earnings-Per-Share**:	US$3.02
Headquarters Country:	France	**Current Stock Price:**	US$41.91
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	13.9
Year Founded:	1973	**Market Capitalization:**	US$103.3 billion

[1] France imposes a 30% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.3%


Sanofi SA (SNY) Dividend Yield History
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
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Siemens AG (SEIGY)

Overview & Current Events

Siemens AG is a German industrial conglomerate that operates in the following business units: Energy, Healthcare, Industry, and Infrastructure & Cities. Siemens was founded in 1847 and today employs more than 372,000 people worldwide while generating more than US$90 billion of annual revenue. American investors can purchase Siemens stock through American Depository Receipts that trade over-the-counter under the ticker SIEGY with a current market capitalization of US$102 billion.

In early August, Siemens reported (8/2/18) financial results for the third quarter of fiscal 2018. Excluding currency translations and divestitures, Siemens generated 21% order growth while revenue was even with the prior-year period. On a reported basis, orders grew 16% while revenue fell by 4%. On the bottom line, basic earnings-per-share fell by 18.6% due to a substantially higher income tax rate compared to the third quarter of 2017. The company also reaffirmed its guidance for the full year of fiscal 2018 (of which just one quarter remains for the German industrial conglomerate). Siemens continues to expect basic earnings-per-share in the range of €7.70 to €8.00, which is equivalent to a guidance band of US$8.75 to US$9.09 at prevailing exchange rates. The company also wrote, "*we confirm our expectation of modest growth in revenue, net of effects from currency translation and portfolio transactions, and continue to anticipate that orders will exceed revenue for a book-to-bill ratio above 1 for the full fiscal year*."

Growth, Competitive Advantages, and Total Returns

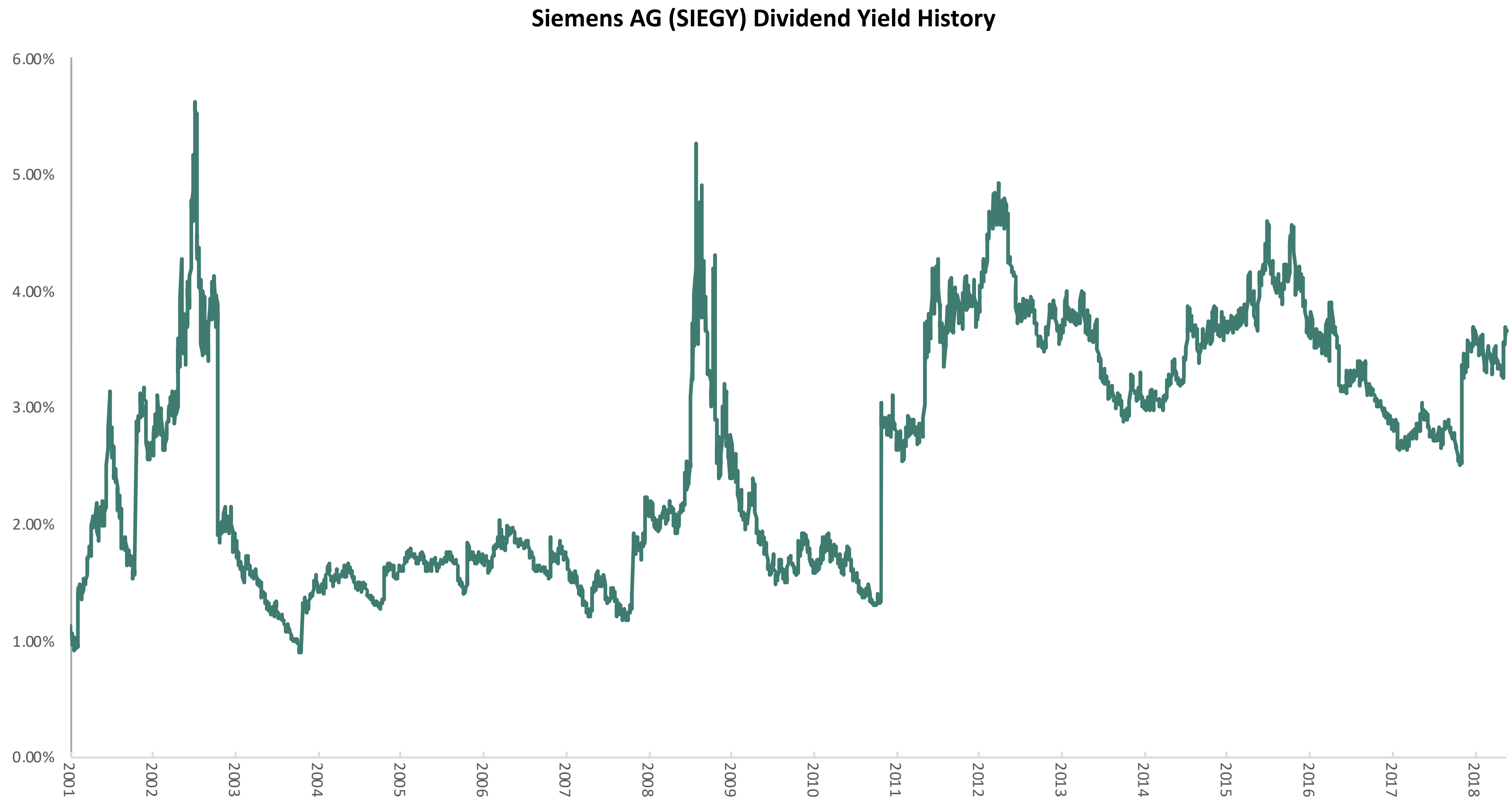
One core component of Siemens' business model and investment thesis is its robust industrial backlog. The company typically books more business than it is capable of completing at any given time, which causes it to operate with a *book-to-bill ratio* (new contracts divided by revenue) above 1.0. This has resulted in a large backlog of uncompleted business over time. More specifically, Siemens had a backlog of €132 billion – or approximately US$150 billion – at the end of the most recent reporting period. Siemens industrial backlog alone is sufficient to provide nearly *six quarters worth of revenue* without any new business bookings. Given this, we believe that the company is capable of maintaining its long-term earnings-per-share growth rate of approximately 5% per year.

As mentioned, Siemens reaffirmed its 2018 financial guidance for US$8.75 to US$9.09 of basic earnings-per-share. Given the 1-for-2 nature of Siemens' American Depository Receipts, the midpoint of this guidance band ($8.92) is equivalent to earnings-per-ADR of $4.46. Siemens' ADRs currently trade for about $63, which implies a price-to-earnings ratio of 14.1. For context, Siemens has traded at an average price-to-earnings ratio of 14.9 over the last decade. The company appears to be modestly undervalued at current prices. We believe that Siemens' shareholders can reasonably expect to achieve high single-digit total returns thanks to per-share business growth (5%), the company's above-average dividend yield (2.7%), and some modest valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	[1]2.7%
Headquarters City:	Munich	**This Year's Earnings-Per-Share**:	US$4.46
Headquarters Country:	Germany	**Current Stock Price:**	US$62.86
Stock Exchange:	FSE & OTC	**Price-to-Earnings Ratio:**	14.1
Year Founded:	1847	**Market Capitalization:**	US$102.0 billion

[1] Germany imposes a 26% withholding tax. Excluding the withholding tax, the dividend yield would be 3.7%.


Siemens AG (SIEGY) Dividend Yield History
6.00%
5.00%
4.00%
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1.00%
0.00%
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BASF SE ADR (BASFY)

Overview & Current Events

BASF SE is a chemicals manufacturer. It operates through four major segments. The Chemicals portfolio includes solvents, plasticizers and high-volume monomers, as well as raw materials for detergents, plastics, textile fibers, paints and coatings, plant protection and pharmaceuticals. The Performance Products segment includes vitamins and other food additives, and ingredients for pharmaceuticals and consumer products. The Functional Materials and Solutions segment includes products such as catalysts, battery materials, engineering plastics, polyurethane systems, and automotive and industrial coatings. The Agricultural Solutions segment manufactures crop protection products, while the Oil & Gas segment focuses on energy exploration and production.

In late July, BASF reported (7/27/18) second-quarter and 2018 first-half earnings. Sales increased 3% in the most recent quarter, and were up 1% in the first six months. The company benefited from higher sales volumes, as well as higher pricing, especially in the Functional Materials & Solutions, Chemicals, and Oil & Gas segments. Unfavorable currency exchange rates wiped 6% off BASF's first-half sales, meaning its organic sales growth rate was a much more impressive 7% in the first half. Adjusted earnings-per-share declined 1.3% over the first six months due to higher tax expense.

Growth, Competitive Advantages, and Total Returns

As an industrial manufacturer, BASF's growth is tied to the health of the global economy. BASF stated that global GDP grew 3% in the first half of 2018, and that industrial production increased at a similar rate. In addition, rising commodity prices will help boost BASF's bottom line. According to the company, Brent crude oil prices last quarter were about 35% higher than the same period the previous year. Acquisitions will also add to growth, such as the US$8.6 billion acquisition of multiple business units from Bayer. The businesses will complement BASF's crop protection, biotech and digital farming activities, and give the company entry into seeds, herbicides and seed treatments.

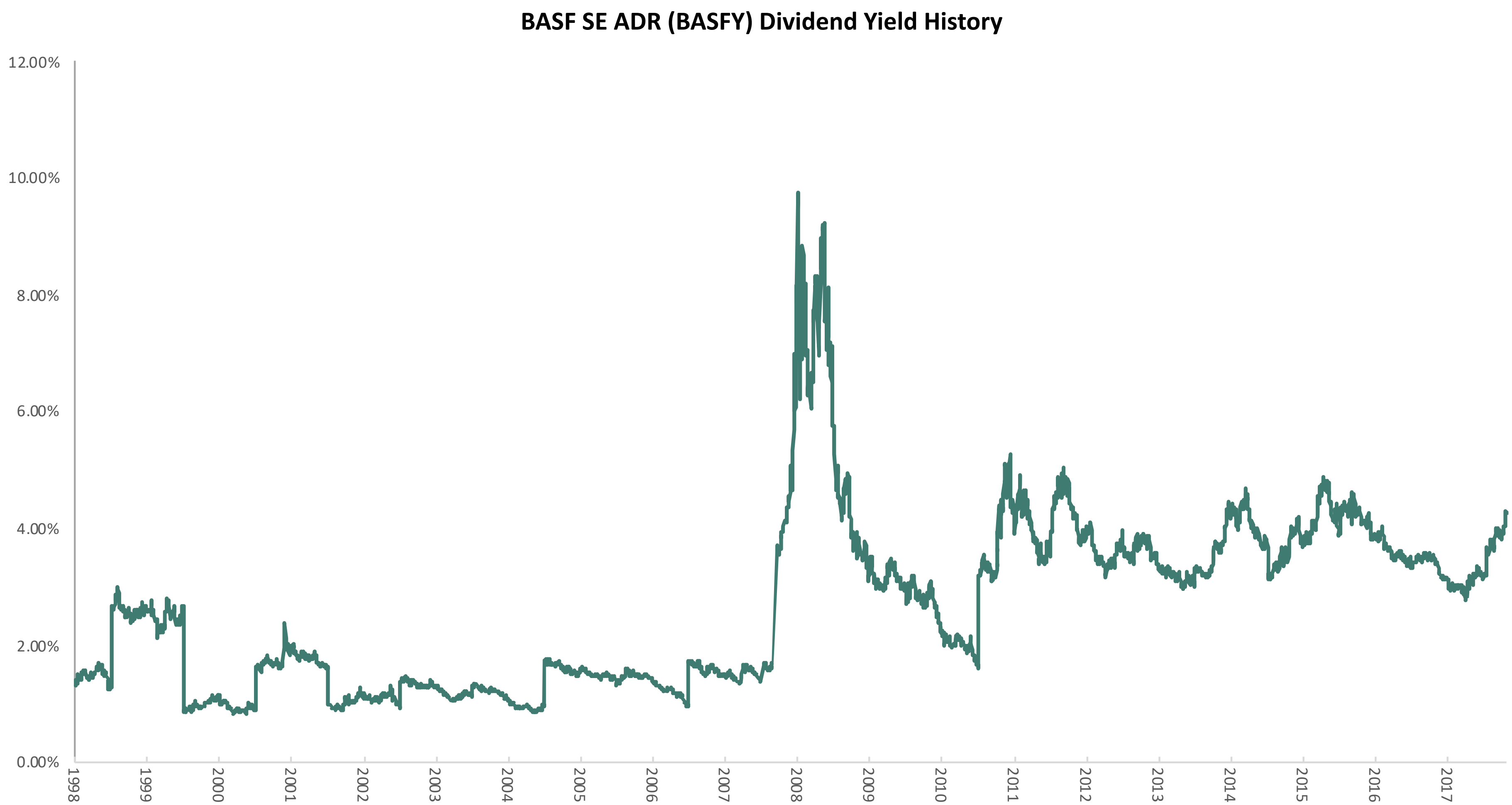
BASF has multiple competitive advantages, primarily its top industry position. The company has a market capitalization over US$80 billion, which gives it the financial flexibility to invest in growth. For example, last year BASF conducted 3,000 independent research projects.

BASF generated trailing 12-month adjusted earnings-per-share of €6.13, which amounts to US$6.96, or US$1.74 after the ADR conversion. This results in a price-to-earnings ratio of 12.6, which is a fairly low valuation for a highly-profitable and growing company. Our estimate of fair value is a price-to-earnings ratio of 15, meaning valuation changes could add 3.6% to BASF's annual returns. Dividends will also add to annual returns. BASF paid a 2018 dividend of €3.10 per share, which works out to US$3.52 per share. Since four ADRs are equal to one ordinary share, BASF's annual dividend of US$0.88 per share represents a current dividend yield of 3.0%. Adding in expected earnings growth of 5% per year, total expected returns could reach 11%-12% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	3.0%[1]
Headquarters City:	Ludwigshafen am Rhein	**TTM Earnings-Per-Share**:	US$1.74
Headquarters Country:	Germany	**Current Stock Price:**	US$22.19
Stock Exchange:	OTC	**Price-to-Earnings Ratio:**	12.8
Year Founded:	1865	**Market Capitalization:**	US $80.8 billion

[1] Germany imposes a 26% withholding tax. Excluding the withholding tax, the dividend yield would be 4.0%


BASF SE ADR (BASFY) Dividend Yield History
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
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1999
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Honda Motor Co. Ltd. (HMC)

Overview & Current Events

The Honda Motor Company is Japan's second-largest automobile manufacturer (behind Toyota) and the country's largest manufacturer of motorcycles. The company also produces power tools. Honda was founded in 1948 and has grown to a market capitalization of more than US$50 billion and a team of more than 212,000 employees. North America is responsible for approximately 50% of Honda's revenue, with Asia contributing ~25% and much of the remainder coming from Japan. American investors can purchase Honda through ADRs that trade on the NYSE under the ticker HMC.

In late July, Honda reported (7/31/18) financial results for the first quarter of fiscal 2019 (the company's financial calendar ends on March 31st). In the quarter, revenue increased by 8.4% while operating profit increased by 11.2% and net income increased by 17.8%. The company's strong performance was driven by its motorcycle and automobile segments. Motorcycle unit sales increased by 13.9% while automobile sales increased by 3.0%, primarily driven by strength in Indonesia, India, and Vietnam for motorcycles and the U.S. and Japan for automobiles. Honda does not expect this strong performance to continue. The company is guiding for full-year revenue growth of 0.6%, while operating profit, net income, and earnings-per-share are expected to decline by 14.8%, 41.9%, and 41.0%, respectively. While this outlook is poor, it is actually an improvement over the company's previous guidance. Importantly, the forecasted decline in profitability is due entirely to currency.

Previously, Honda's board announced (4/27/18) a decision to acquire 18 million of its outstanding shares (or approximately 1% of its share count) for up to 70 billion yen. The authorization runs until the end of 2018. This follows a recent 8% dividend hike and 24 million shares repurchased in 2017.

Growth, Competitive Advantages, and Total Returns

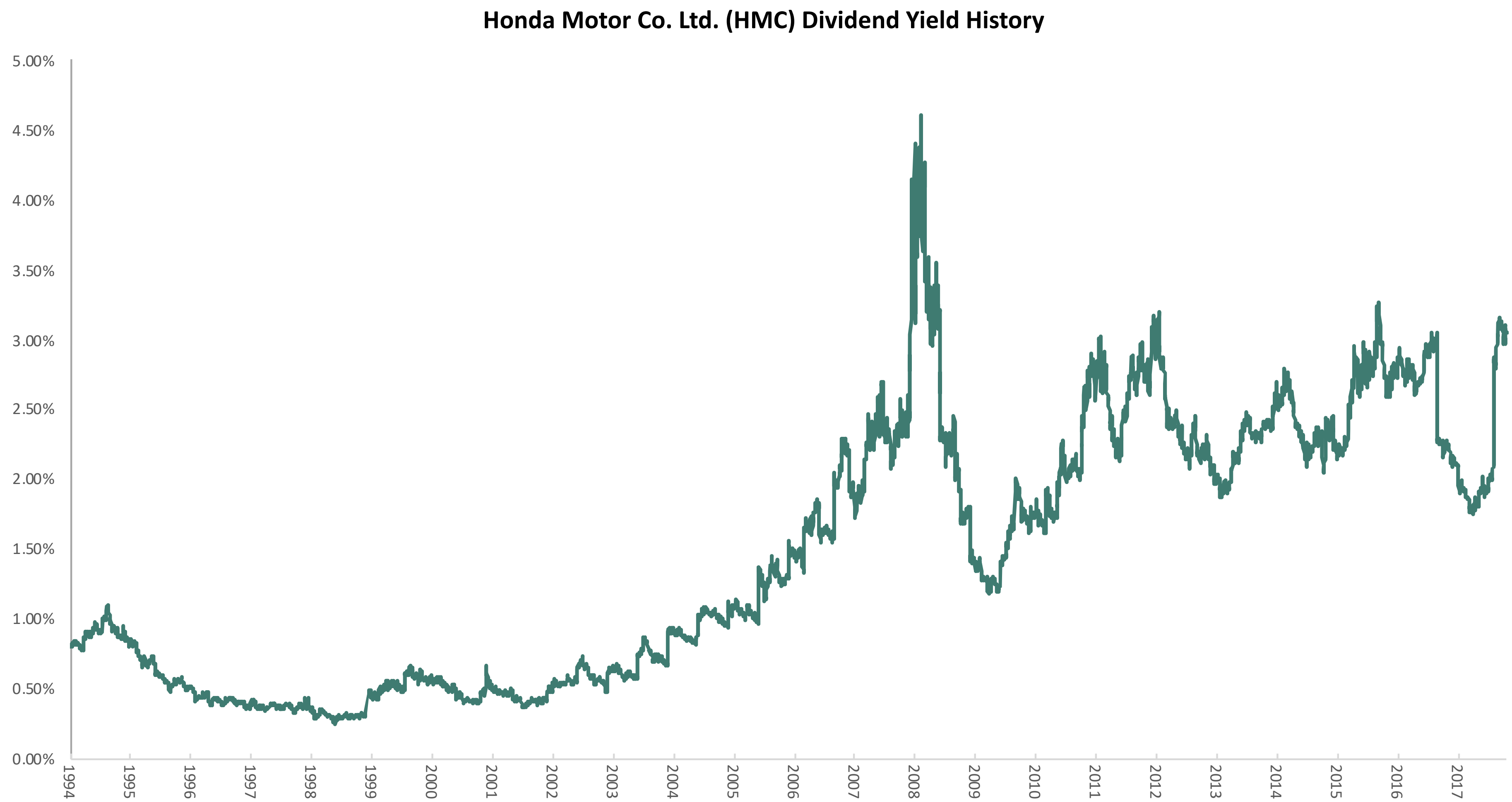
Honda's motorcycle business is currently its fastest-growing operating segment. The segment's sales are driven by sales growth in emerging markets like India, Vietnam, and Thailand. For automobiles, sales last quarter were strong in Japan and the United States, two very important countries for Honda.

Honda's recently-updated fiscal 2019 (which ends next March) financial guidance calls for earnings-per-share of 34.856 Yen, which is equivalent to US$3.14 at prevailing exchange rates. Honda's ADRs currently trade for just under $30, which implies a forward price-to-earnings ratio of 9.5. For context, Honda has traded at an average price-to-earnings ratio of about 12 over the last five years. While an earnings multiple of 12 may be somewhat rich for an automobile manufacturer given their poor historical recession performance, we still believe that Honda is relatively cheap today. In addition, long-term earnings-per-share growth of around 6% per year seems feasible for Honda. We believe that investors can expect high single-digit or low double-digit total returns due to earnings-per-share growth (6%), Honda's 2.6% dividend yield, and some modest valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	2.6[1]%
Headquarters City:	Tokyo	**This Year's Earnings-Per-Share**:	US$3.14
Headquarters Country:	Japan	**Current Stock Price:**	US$29.98
Stock Exchange:	TSE & OTC	**Price-to-Earnings Ratio:**	9.5
Year Founded:	1948	**Market Capitalization:**	US$52.6 billion

[1] Japan imposes a 15% withholding tax. Excluding the withholding tax, the dividend yield would be 3.0%.


Honda Motor Co. Ltd. (HMC) Dividend Yield History
5.00%
4.50%
4.00%
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3.00%
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Toyota Motor Corporation (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 ticker TM with a market capitalization of US$180 billion.

In early August, Toyota reported (8/3/18) financial results for the first quarter of fiscal 2019 (which ends on June 30th, 2018). In the quarter, consolidated vehicle sales increased by 0.9% over the prior year's period while net revenues increased by 4.5% and operating income increased by 18.9%. The strong growth in operating income was driven by meaningful margin expansion. More specifically, Toyota reported an operating margin of 9.3% in the quarter, noticeably better than the 8.1% operating margin in the same period a year ago. On the bottom line, Toyota generated 7.2% growth in net income, which grew slower than its operating profit due to a significant 32.8% increase in the company's provision for income taxes. Toyota also updated its financial guidance for fiscal 2019. The company now expects to generate consolidated vehicle sales of 8.9 million (down from previous guidance of 8.95 million and 8.964 million of total vehicles sold in 2018), net revenue growth of -1.3%, and net income growth of -15.0%. Importantly, this decline in profitability is entirely due to foreign exchange fluctuations. At constant exchange rates, Toyota's guidance implies 5.2% growth in operating income (and, presumably, a similar level of growth for net income and earnings-per-share).

Growth, Competitive Advantages, and Total Returns

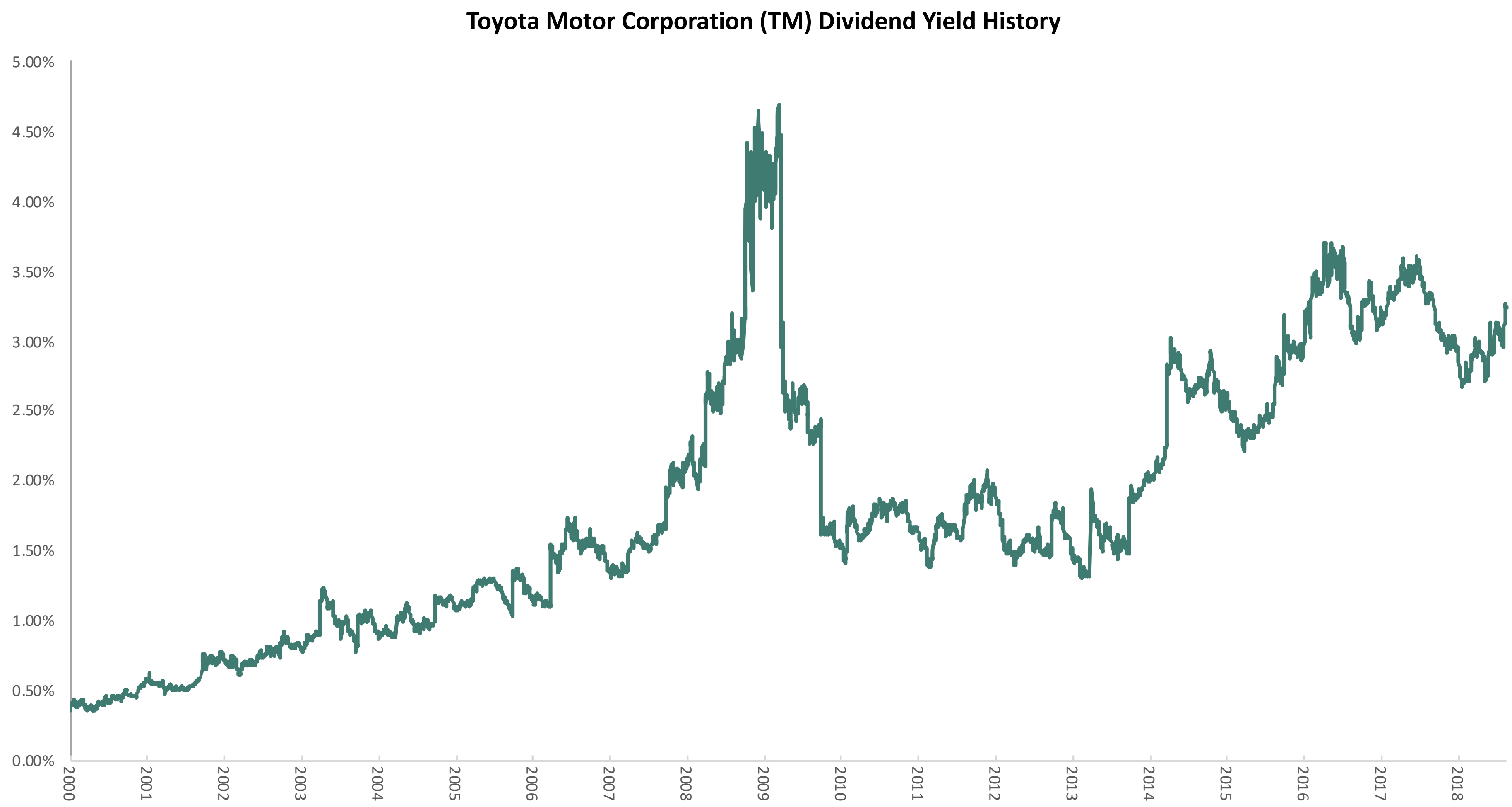
While Toyota was an early mover in the hybrid vehicle market thanks to the introduction of the *Toyota Prius* in 1997, the company has yet to introduce a fully electric vehicle (outside of the all-electric *Prius*) that has gained widespread consumer popularity. We believe Toyota's reputation gives it the capability to capture meaningful market share once it introduces a fully electric vehicle to the masses.

After the release of its first quarter earnings release, Toyota now expects to generate earnings-per-share of approximately 726.68 Yen in fiscal 2019, which is equivalent to US$6.55 at prevailing exchange rates. Given the 2-for-1 nature of Toyota's ADRs, this implies earnings-per-ADR of around $13.10 for the twelve-month reporting period. Toyota's ADRs currently trade on the New York Stock Exchange for around $123, which implies a price-to-earnings ratio of 9.4. Toyota has traded at an average price-to-earnings ratio of 10.1 over the last decade. The company appears undervalued today. Moreover, we believe that it is capable of delivering 6% growth in long-term earnings-per-share. Toyota shareholders can expect total returns in the high single-digits or low double-digits thanks to business growth (6%), dividend payments (2.7% after accounting for withholding tax), and some modest valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	2.7[1]%
Headquarters City:	Toyota City	**This Year's Earnings-Per-Share**:	US$13.10
Headquarters Country:	Japan	**Current Stock Price:**	US$123.27
Stock Exchange:	TSE & NYSE	**Price-to-Earnings Ratio:**	9.4
Year Founded:	1933	**Market Capitalization:**	US$180 billion

[1] Japan imposes a 15% withholding tax. Excluding the withholding tax, the dividend yield would be 3.2%.



Toyota Motor Corporation (TM) Dividend Yield History
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
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Bayerische Motoren Werke AG (BMWYY)

Overview & Current Events

Bayerische Motoren Werke AG – more commonly known as BMW – is a German automotive manufacturer. The company produces the *BMW, Mini*, and *Rolls-Royce* brands of vehicles. In the most recent quarter, the company's unit sales breakdown by geography was as follows: Americas, 18%; Europe, 45%; Mainland China, 24%; and Rest of World, 13%. U.S. investors are best off investing in the company's American Depository Receipts which trade over-the-counter as BMWYY.

In early August, BMW announced (8/2/18) financial results for the first six months of fiscal 2018. In the first half of the year, deliveries increased by 1.8% to 1,242,507 units while group revenue declined by 4.0%. Adjusting for foreign exchange fluctuations, BMW's revenue was at a similar level as the prior year, declining by just 0.3%. Earnings before interest and taxes (EBIT) declined by 4.8% year-on-year, driven by significant upfront expenses incurred for research and development activities. On the bottom line, BMW's net income declined by 2.4% over the same period a year ago while earnings-per-share declined by 2.8%, shrinking more rapidly than company-wide net income due to a slightly higher share count. The company's research and development expense was noticeably higher through the first six months of 2018, increasing by 13.6% over the same period a year ago. The company noted that full-year research and development expenses are expected to reach 7% of total revenues, up from 6.2% in fiscal 2017. The markets seemed pleased with BMW's performance in the quarter as shares rose by 1% on the first trading day following the earnings release.

Growth, Competitive Advantages, and Total Returns

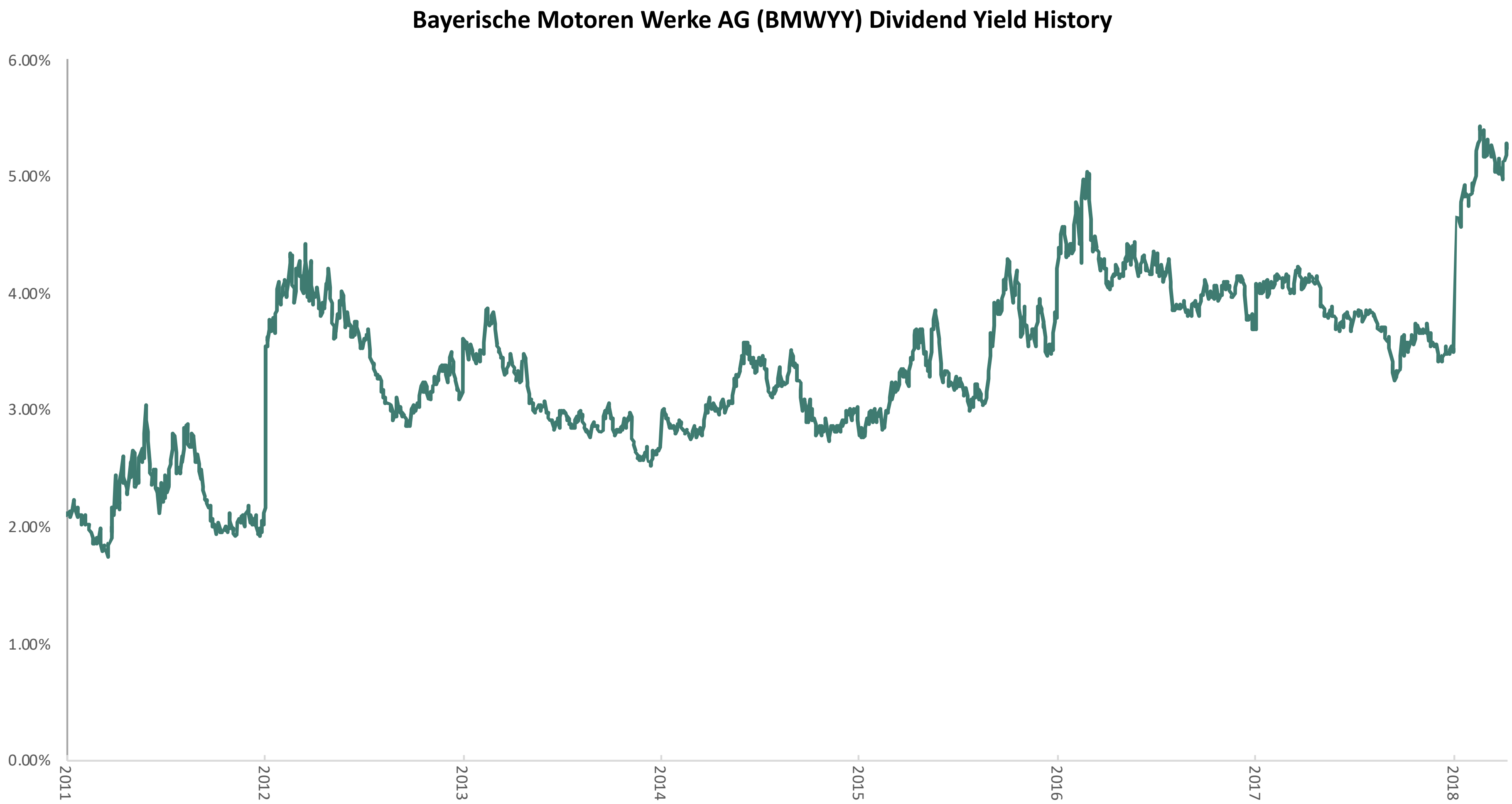
BMW's focus on innovation should propel the company moving forward. In February, the company signed a letter of intent with the Chinese manufacturing firm Great Wall to establish a joint venture for the local production of an all-electric *Mini*. In a world where electric vehicles are gaining market share and likely to replace their gasoline counterparts, we view this as a promising development. More recently, BMW and Brilliance Automotive Group agreed to expand their joint venture to export the all-electric BMW iX3 to markets outside of China. BMW has also been investing in autonomous driving. On April 11th, BMW opened its Campus for Autonomous Driving outside Munich, a 23,000 square meter facility where 1,800 employees will develop autonomous driving technologies.

BMW generated €3.2 billion of net profit in 2017, which is equivalent to €5.32 on a per-share basis. This is equivalent to US$6.04, or US$2.01 after adjusting for the 3-for-1 nature of BMW's American Depository Receipts. The ADRs are currently trading for just under $31, which implies a price-to-earnings ratio of around 15. BMW's valuation is far higher than many of its peers in the global automotive manufacturing industry. Still, the company's consistent profitability, steadily rising dividends (which are more than 10x higher on a per-share basis than a decade ago) and focus on innovation should lead investors to achieve returns in the high single-digits over the long run.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	2.7[1]%
Headquarters City:	Munich	**Last Year's Earnings-Per-Share**:	US$2.01
Headquarters Country:	Germany	**Current Stock Price:**	US$31.16
Stock Exchange:	FSE & OTC	**Price-to-Earnings Ratio:**	15.5
Year Founded:	1918	**Market Capitalization:**	US$60.5 billion

[1] Germany imposes a 26% withholding tax. Excluding the withholding tax, the dividend yield would be 3.6%.


Bayerische Motoren Werke AG (BMWYY) Dividend Yield History
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
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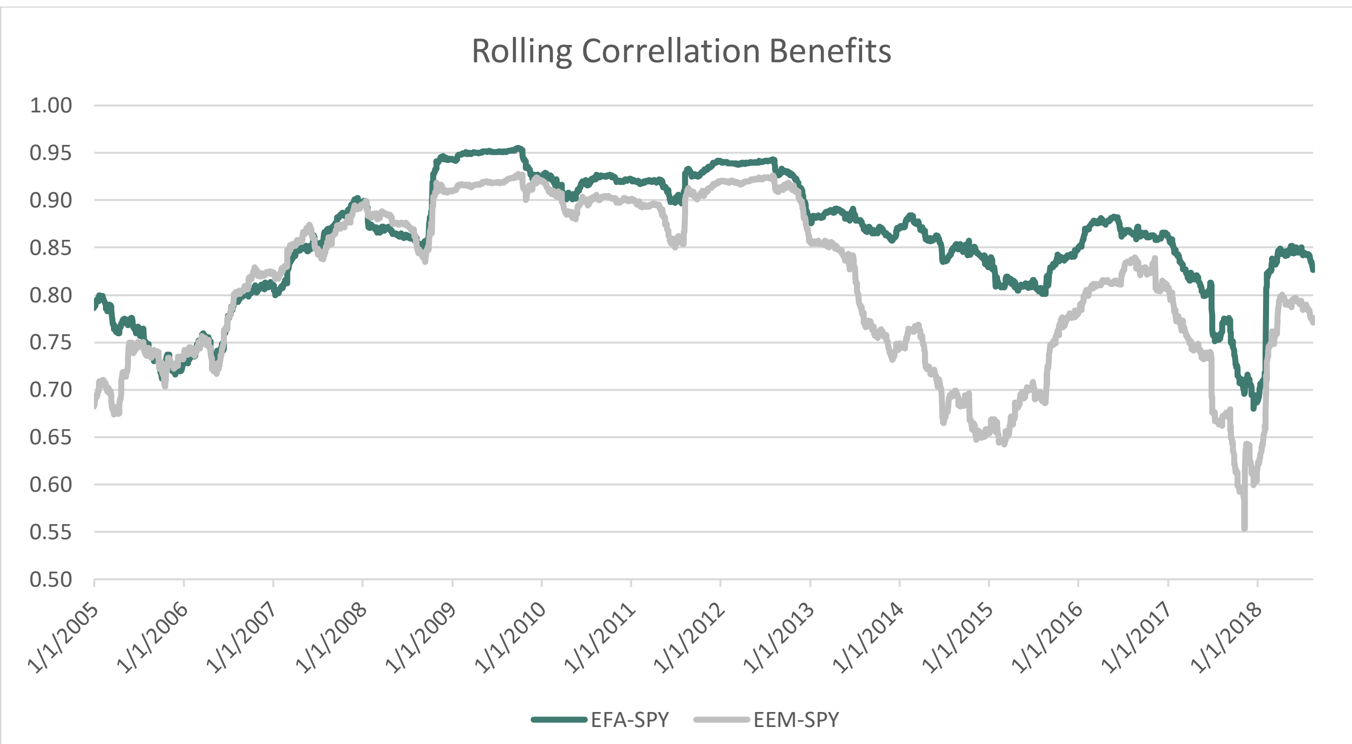
Closing Thoughts
- Recessions & Correlation -

One of the reasons to invest in international stocks is because of diversification benefits. It's true that international stocks provide some diversification benefits versus investing only in United States stocks. Diversification can be measured by correlation. A correlation of 1.00 means two securities move in lock step with each other. A correlation of 0 means there is no linear relationship, while a correlation of -1.00 means they move in perfect opposition to each other. The maximum diversification benefit is achieved from two securities with perfect negative correlations. Securities with a correlation of 1.00 to each other offer no diversification benefits.

Correlations *change over time*. We want diversification benefits primarily *during recessions*. This means asset prices that go up (or at least do not decline in value) when the sky is falling. Unfortunately, both developed and emerging market international stocks tend to see their correlation to the S&P 500 *significantly increase* during recessions, exactly when we do not want them to. The image below shows the 1 year rolling correlation between the S&P 500 (SPY) and a popular emerging market ETF (EEM) and a popular international developed market ETF (EFA).



Source: Yahoo! Finance for data, calculations by Sure Dividend

The image above shows that investing in international stocks provided very little diversification benefits when it mattered – from 2008 through March of 2009. During bull markets, correlations decline. During bear markets, they converge to near 1 as global stocks move down together. This does not mean international stocks should be avoided – far from it – but it does show that if you invest internationally because you are looking for diversification during recessions, that strategy has historically not worked well.

The next newsletter publishes on Sunday, September 16th, 2018

List of Past Recommendations & Performance

Performance is calculated using the closing price on the first trading day *after* the newsletter publishes[1]. 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	-4.4%
ITV (ITVPY)	January 2018	-6.6%
Dixons Carphone (DC:LN)	January 2018	-16.5%
Royal Mail (RMG:LN)	January 2018	4.3%
Acea SpA (ACE:IM)	January 2018	-15.3%
Groupe Renault (RNO:FP)	January 2018	-15.8%
Gazprom (OGZPY)	January 2018	-8.1%
Inchcape (INCH:LN)	January 2018	-6.3%
Blom Bank (BLOM:LB)	January 2018	-15.5%
Yanlord Land (Z25:SP)	January 2018	-11.5%
Canadian Imperial Bank (CM)	February 2018	1.8%
Canadian National (CNI)	February 2018	15.4%
Sampo Oyj (SAXPY)	February 2018	-9.1%
Fortis (FTS)	February 2018	-0.3%
BNP Paribas (BNPQY)	February 2018	-23.5%
Nissan Motor Co. (NSANY)	February 2018	-9.4%
Société Générale (SCGLY)	February 2018	-21.1%
Deutsche Telekom (DTEGY)	March 2018	1.9%
Swiss Re Ltd (SSREY)	March 2018	-7.4%
Enel SpA (ENLAY)	March 2018	-13.8%
ProSiebenSat.1 Media (PBSFY)	March 2018	-19.4%
Toyota Motor Corp. (TM)	April 2018	-4.1%
SK Telecom (SKM)	April 2018	11.5%
Tokio Marine (TKOMY)	April 2018	4.3%
Ping An Insurance (PNGAY)	May 2018	-11.9%
Thomson Reuters (TRI)	May 2018	10.9%
Sanofi (SNY)	May 2018	7.0%
Nippon T&T (NTTYY)	May 2018	-1.1%
Turkiye Garanti (TKGBY)	May 2018	-50.8%
BT Group (BT)	June 2018	9.6%
Daimler (DDAIF)	June 2018	-12.1%
Honda Motor Co. (HMC)	June 2018	-5.9%
BMW (BMWYY)	July 2018	0.3%
LG Display (LPL)	July 2018	13.8%
Siemens (SIEGY)	August 2018	N/A
LyondellBassell (LYB)	August 2018	N/A
Roche Holdings (RHHBY)	August 2018	N/A
BASF (BASFY)	August 2018	N/A
Average		**-6.2%**
All World Ex US Average (VEU)		**-6.2%**

Performance over periods of 3 years or less is virtually meaningless. With ~7 months of return data, the return data here is nothing more than noise. It will grow in relevance over time.

[1] Prior to March 2018, this is the day after the 1st Sunday of the month. From March 2018 onward, it is the day after the 3rd Sunday of the month. Performance for DC:LN, RMG:LN, INCH:LN, ACE:IM, RNO:FP, and Z25:SP are in home currency. All other performance numbers are in USD.

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

Selling Guide

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

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

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

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

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

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