Sure Dividend International

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

November 2018 Edition

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Opening Thoughts
- What Makes A Great Investment? -

Long time Sure Dividend readers know we advocate investing in "great businesses at fair or better prices." This is not an idea we came up with. Rather, it is from Warren Buffett.

"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

The first part of the equation is finding a great business. So, what makes a business great? The key to a great business is a *durable competitive advantage*. In other words, something special, long-lasting, and difficult to replicate about the business that allows it to generate excess returns on capital.

"The key to investing is not assessing how much an industry is going to affect society, or how much it will grow, but rather determining the competitive advantage of any given company and, above all, the durability of that advantage."

- Warren Buffett

Common types of competitive advantages include a strong brand (Coca-Cola); economies of scale (Walmart); network effects (Facebook); geographic advantage / being first to an area (most utilities and railroads); and deep technical knowledge, research and development experience, and industry connections (Lockheed Martin).

In practice, it is very difficult to spot the *durability* of a competitive advantage, *especially for businesses without much history*. Companies with long histories of operational success provide clear evidence they have a durable competitive advantage. This is not to say that these businesses can't lose their advantage, but it's likely that a company with 50 years of strong results can survive and thrive in a wide variety of economic climates. That is less true for businesses that haven't been around as long.

"We make no attempt to pick the few winners that will emerge from an ocean of unproven enterprises. We're not smart enough to do that, and we know it. Instead, we try to apply Aesop's 2,600-year-old equation to opportunities in which we have reasonable confidence as to how many birds are in the bush and when they will emerge."

- Warren Buffett

While the durability of a competitive advantage is difficult to assess (though even attempting to assess it gets us farther than those who don't consider it at all), valuation is not as difficult – though it is not an exact science. Valuation is dictated by supply and demand. When a business is posting excellent results, demand for the stock increases, which leads to increases in stock prices. But when a company undergoes temporary trouble and its results falter, demand falls, and thus prices. In general, the best time to buy is when there's some sort of *temporary* issue at hand that is depressing prices.

"The best thing that happens to us is when a great company gets into temporary trouble…We want to buy them when they're on the operating table."

- Warren Buffett

The *Sure Dividend International Newsletter* attempts to find international dividend paying stocks trading at fair or better prices which are likely to generate strong total returns over the long run. Often, these will be businesses that are out of favor, resulting in a better price.

The International Top 10 – November 2018

Name	Ticker	Mkt. Cap	Country	Price[1]	P/E	Yield[2]	Payout	Growth
Micro Focus Intl.	MFGP	$7.2 billion	U.K.	$18	11.2	5.0%[3]	56%	8.0%
Lazard	LAZ	$4.9 billion	Bermuda	$37	8.9	4.7%	42%	6.0%
Brit-Am-Tob.	BTI	$80.7 billion	U.K.	$35	8.3	7.1%	59%	5.0%
WPP	WPP	$14.0 billion	U.K.	$56	7.1	7.1%	50%	3.0%
Enbridge	ENB	$59.1 billion	Canada	$32	10.6[4]	5.4%	57%	7.2%
Bank of Nova Sco.	BNS	$66.3 billion	Canada	$54	10.1	4.2%	42%	8.0%
Can. Nat. Res.	CNQ	$32.9 billion	Canada	$27	10.1	3.2%	32%	7.0%
Canon	CAJ	$30.6 billion	Japan	$28	13.8	3.9%	54%	5.0%
Total	TOT	$150 billion	France	$56	10.4	3.7%	38%	7.0%
Sanofi	SNY	$119 billion	France	$45	13.9	2.8%	39%	4.0%

Notes: *The 'Growth' column shows expected growth over the 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.*

There are four new stocks in this month's Top 10 as compared to last month's edition. The new recommendations are: Lazard (LAZ), Canon (CAJ), Total (TOT), and Sanofi (SNY). They replace Autoliv (ALV), Daimler AG (DDAIF), Vodafone (VOD), and Brookfield Renewable Partners (BEP).

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

Dividend Yield:	4.7%	**P/E Ratio:**	10.4
Growth Rate:	6.0%	**Payout Ratio:**	47%

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 November 14th through November 16th, 2018.

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

[2] After accounting for any applicable withholding taxes.

[3] Based on dividends paid over the past year.

[4] Using funds from operations.

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Analysis of Top 10 Securities

Micro Focus International plc (MFGP)

Overview & Current Events

Micro Focus International is a global enterprise software corporation. The company's products include IT infrastructure and enterprise applications. Micro Focus International's operating segments include Security, IT Operations Management, Application Delivery Management, Information Management & Governance, and Application Modernization & Connectivity. Micro Focus is based in the U.K.

In mid-July, Micro Focus International reported (7/11/18) financial results for the six months ended April 30th, 2018. In the reporting period, the company saw revenue decline by 8.0%. However, Micro Focus saw its adjusted EBITDA margin expand from 31.8% last year to 36.0% this year, a remarkable 420 basis point improvement year-on-year. Micro Focus International generated 0.5% growth in adjusted earnings-per-share as margin expansion more than offset revenue declines. Micro Focus expects revenue to decline 6%-9% this year, but should stabilize by the year ending October 31st, 2020, while EBITDA margins will expand to the mid-40%'s (from 36% now).

Micro Focus International announced (7/2/18) the proposed sale of its SUSE open-source software business. The total cash consideration for the business unit is US$2.535 billion. Micro Focus International plans to use proceeds from the transaction to pay down debt, return capital to shareholders, and for general corporate purposes. To that end, in November the company announced it will resume its share buyback program. The company intends to repurchase up to US$400 million of its own stock. Share buybacks will help boost future earnings growth.

Growth, Competitive Advantages, and Total Returns

Micro Focus International has a positive long-term growth outlook. It has an established presence across multiple technology platforms that are seeing rising demand, including artificial intelligence, IT management, security, and data analytics. Furthermore, in the most recent interim financial release, Micro Focus International noted that 70% of the company's revenue is now recurring, which provides it with the ability to invest recurring cash flows into growth opportunities.

Micro Focus International has generated US$0.87 of adjusted EPS through the first six months of the fiscal year. We expect the company will achieve full-year earnings-per-share of about US$1.60. Using this estimate, the company is trading at a price-to-earnings ratio of just 11.2, which is significantly below our fair value estimate of 18. This indicates the stock is deeply undervalued. An expanding valuation multiple could add around 10% to the annual shareholder returns moving forward. Separately, Micro Focus International has a 5% dividend yield, which is not subject to any withholding tax. Lastly, expected earnings growth of approximately 8% per year will add to shareholder returns. All said, Micro Focus International could generate annual returns of 23% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	USD	**Dividend Yield:**	5.0%[1]
Headquarters City:	Newbury	**This Year's Earnings-Per-Share:**	US$1.60
Headquarters Country:	United Kingdom	**Current Stock Price:**	US$17.96
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	11.2
Year Founded:	1976	**Market Capitalization:**	US$7.2 billion

Note: Due to spin-off in 2017 dividend yield history image is omitted.

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

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Lazard Ltd (LAZ)

Overview & Current Events

Lazard is a financial services company headquartered in Bermuda, with a history that stretches back to 1848 when the Lazard brothers founded a small dry goods business in New Orleans. Since that time, it has grown into one of the world's largest financial advisor and asset management companies with almost $250 billion under management. Today, Lazard operates in 27 countries in North America, Europe, Asia, Australia, Central America, and South America. The company generates annual revenue of approximately $2.8 billion, with a stock market capitalization of $4.9 billion.

Lazard shares have declined nearly 30% year-to-date. The recent third-quarter earnings report did not meet expectations, as operating revenue fell 3% for the quarter. Financial Advisory revenue was essentially flat, but Asset Management revenue declined 4%. Management fees and other revenue were $300 million for the third-quarter of 2018. This was 4% lower than the third-quarter of 2017, and 5% lower than the second-quarter of 2018, reflecting a continued unfavorable shift toward lower-margin products. However, assets under management grew 3% in the third-quarter, and the company grew adjusted earnings-per-share by 1% driven by share repurchases. It is a good sign that the company continues to grow earnings, even with the revenue slowdown.

Growth, Competitive Advantages, and Total Returns

The asset management industry is being disrupted by the onset of low-cost funds and robo-advisors. Asset management firms have engaged in something of a price war to retain clients. Pricing pressures in the Asset Management business are weighing on profitability, but Lazard's outlook is still bright. Lazard's earnings-per-share have exhibited tremendous growth since 2011. Going forward, we expect Lazard to generate 6% annual earnings growth, comprised of revenue growth, margin expansion, and share repurchases. Lazard is a shareholder-friendly company; it returns significant cash to shareholders through dividends and buybacks. Over the first nine months of 2018, Lazard paid $308 million in dividends, and returned another $307 million via share repurchases of its common stock.

Lazard's competitive advantages will help fuel its growth. Lazard has a very long operating history and has developed a top reputation in the industry over the course of its 170-year history. It has a particularly strong presence in mergers and acquisitions. Its brand image helps the company retain clients. It is among the top advisory firms in the world, and it sees inflows into its financial products on a steady basis, which produces strong fee income.

Based on expected 2018 earnings-per-share of $4.20, Lazard shares currently trade for a price-to-earnings ratio of just 8.9; a very low multiple. Our fair value estimate is a price-to-earnings ratio of 15, which indicates the stock is deeply undervalued. An expanding valuation multiple could add 11% to annual shareholder returns. In addition, Lazard has expected earnings growth of 6% and a 4.7% dividend yield. In all, we forecast total annual returns of nearly 22% for Lazard stock.

Key Statistics, Ratios, & Metrics

Reporting Currency:	USD	**Dividend Yield:**	4.7%[1]
Headquarters City:	Hamilton	**TTM Earnings-Per-Share**:	US$4.20
Headquarters Country:	Bermuda	**Current Stock Price:**	US$37.18
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	8.9
Year Founded:	1848	**Market Capitalization:**	US$4.9 billion

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

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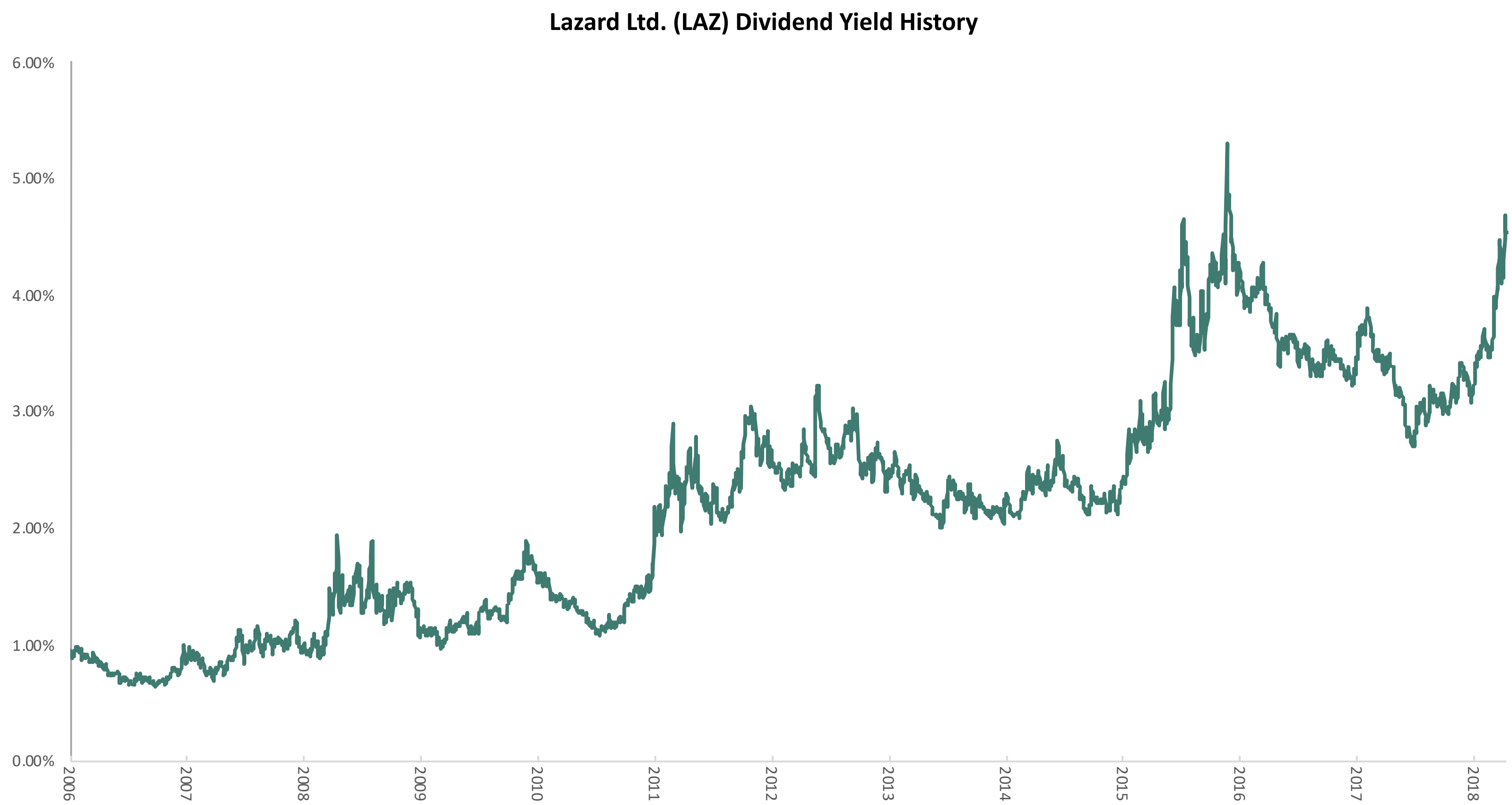

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British American Tobacco plc (BTI)

Overview & Current Events

British American Tobacco is one of the world's largest tobacco companies. It has a variety of cigarette brands, with five core global brands. These are Dunhill, Kent, Lucky Strike, Pall Mall, and Rothmans. It has several other brands outside its core portfolio, such as Benson & Hedges, Vogue, Viceroy, and more. Its major strategic initiative in recent years was the buyout of the remaining 48% stake in Reynolds American Tobacco that it did not already own, which took place in July of 2017.

British American Tobacco announced its third-quarter trading update on October 16th. Investors should note that the company does not report third-quarter results in the same way as U.S.-based companies, as quarterly disclosure requirements are not as strict. In the release, the company announced that it continues to expect "*good adjusted revenue growth on a constant currency representative basis.*" In addition, British American Tobacco stated that it does "*expect to once again exceed our high single figure constant currency adjusted diluted earnings per share growth target in 2018.*" Lastly, the company reiterated its focus on deleveraging, stating that a net-debt-to-adjusted-EBITDA ratio of 3x should be achieved by the end of 2019.

Growth, Competitive Advantages, and Total Returns

The major risk for the tobacco industry is the declining smoking rate. British American Tobacco estimated the overall cigarette industry experienced a 3% to 4% volume decline over the first half of 2018 while full-year industry volume is expected to decline by approximately 3.5%. In response, British American Tobacco is investing in new products. British American Tobacco has a line of "reduced-risk" products, such as e-cigarettes, vapor, and heated tobacco. Separately, the company has the capability of raising prices in its legacy products. In its third-quarter trading update, British American Tobacco stated, "*full year price mix is expected to exceed the 5.5% achieved in 2017*."

British American Tobacco performs very well during recessions. Its earnings-per-share declined by just $0.02 during the Great Recession of 2007-2009.

Dividends will represent a significant portion of British American Tobacco's returns, which should be expected for a tobacco stock. The company set 2018 dividends of 195.2 pence per share. This results in a payout of approximately US$2.49 per share, for a dividend yield of 7.1%. Separately, the company should benefit from an expanding valuation. Based on expected earnings-per-share of US$4.25 for 2018, the stock has a price-to-earnings ratio of 8.3, which is well below our fair value estimate of 15.0. If British American Tobacco's price-to-earnings ratio reverts to 15 over the next 5 years, this could boost its annualized returns by double-digits during this time period. Lastly, we forecast 5.0% annual earnings growth, driven by price increases and new products. Even when applying a conservative discount to these already-reasonable assumptions, British American Tobacco has strong expected returns in the high-teens at current prices.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Pounds	**Dividend Yield:**	7.1%[1]
Headquarters City:	London	**This Year's EPS:**	US$4.25
Headquarters Country:	United Kingdom	**Current Stock Price:**	US$35.18
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	8.3
Year Founded:	1902	**Market Capitalization:**	US$80.7 billion

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

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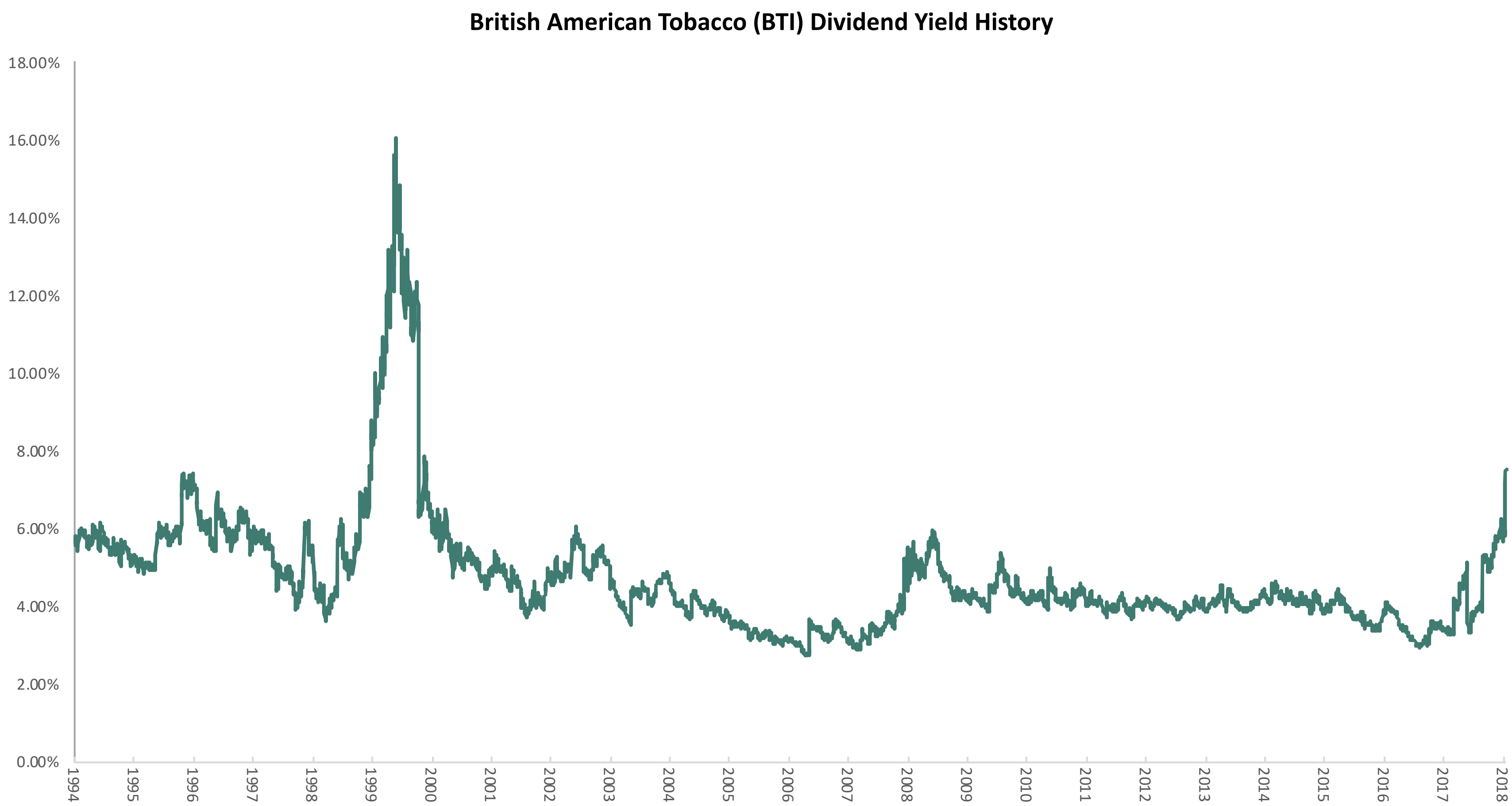

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WPP plc (WPP)

WPP is the world's largest advertising firm. This U.K. company traces its roots back to 1985 when its founder, Sir Martin Sorrell, purchased a small manufacturer of wire baskets and teapots. WPP later grew through a series of acquisitions, and now owns approximately 120 operating companies, including Ogilvy & Mather Worldwide, Young & Rubicam, Cordiant, and J. Walter Thompson Co. The company generates $20 billion in annual revenue and has a market capitalization of $17.0 billion. WPP is headquartered in London, United Kingdom, but American investors can initiate an ownership stake in this company through American Depository Receipts that trade on the New York Stock Exchange under the ticker WPP.

In late October, WPP reported (10/25/18) financial results for the third-quarter of fiscal 2018. In the quarter, total revenue fell by 0.8% as a 2.0% currency headwind more than offset a 1.2% gain on the top line. Comparable revenue increased by just 0.2%, which is a poor growth rate but still represents a sequential improvement over the first-half of fiscal 2018. North America was the weakest segment for WPP by far, producing comparable revenue growth of -5.3%. WPP continues to struggle with revenue generation as it deals with industry-wide headwinds for pricing and increased competition from the likes of Facebook and Google, both of which are disintermediating traditional ad agencies like WPP.

Importantly, WPP's third-quarter trading update also revealed that the company continues to diligently pay down debt. The company ended the third-quarter with $6.35 billion in debt against $7.55 billion at the same time last year. WPP continues to divest non-core businesses to raise cash and improve its long-term fundamentals, including its recent announcement (10/26/18) of the intention to sell the Kantar Group. WPP stated that it plans to retain a stake in Kantar, but the group is estimated to be worth somewhere in the range of $3.5 to $4.5 billion.

Growth, Competitive Advantages, and Total Returns

WPP should generate adjusted earnings-per-share of about $7.90 in fiscal 2018. Using this earnings estimate, the company is currently trading at a price-to-earnings ratio of just 7.1. For context, WPP traded at an average price-to-earnings ratio of around 15 over the last decade. Due to concerns surrounding the company's new CEO as well as the overall transitions occurring within the advertising industry, we believe that fair value for WPP lies somewhere around 13 times earnings. If WPP's price-to-earnings ratio expands to 13 over the next 5 years, this will boost the company's total returns by about 13% per year during this time period. In addition, WPP should be capable of delivering low single-digit growth in earnings-per-share over full economic cycles, and it currently pays a safe 7.1% dividend that is subject to no withholding tax from the U.K. government. Adding all of this together, we believe that WPP is capable of delivering total returns in the low 20%s for investors who are willing to invest in the stock today.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	7.1%[1]
Headquarters City:	London	**This Year's EPS**:	US$7.90
Headquarters Country:	United Kingdom	**Current Stock Price**	US$55.75
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	7.1
Year Founded:	1985	**Market Capitalization:**	US$14.0 billion

[1] WPP dividends are subject to no withholding tax.

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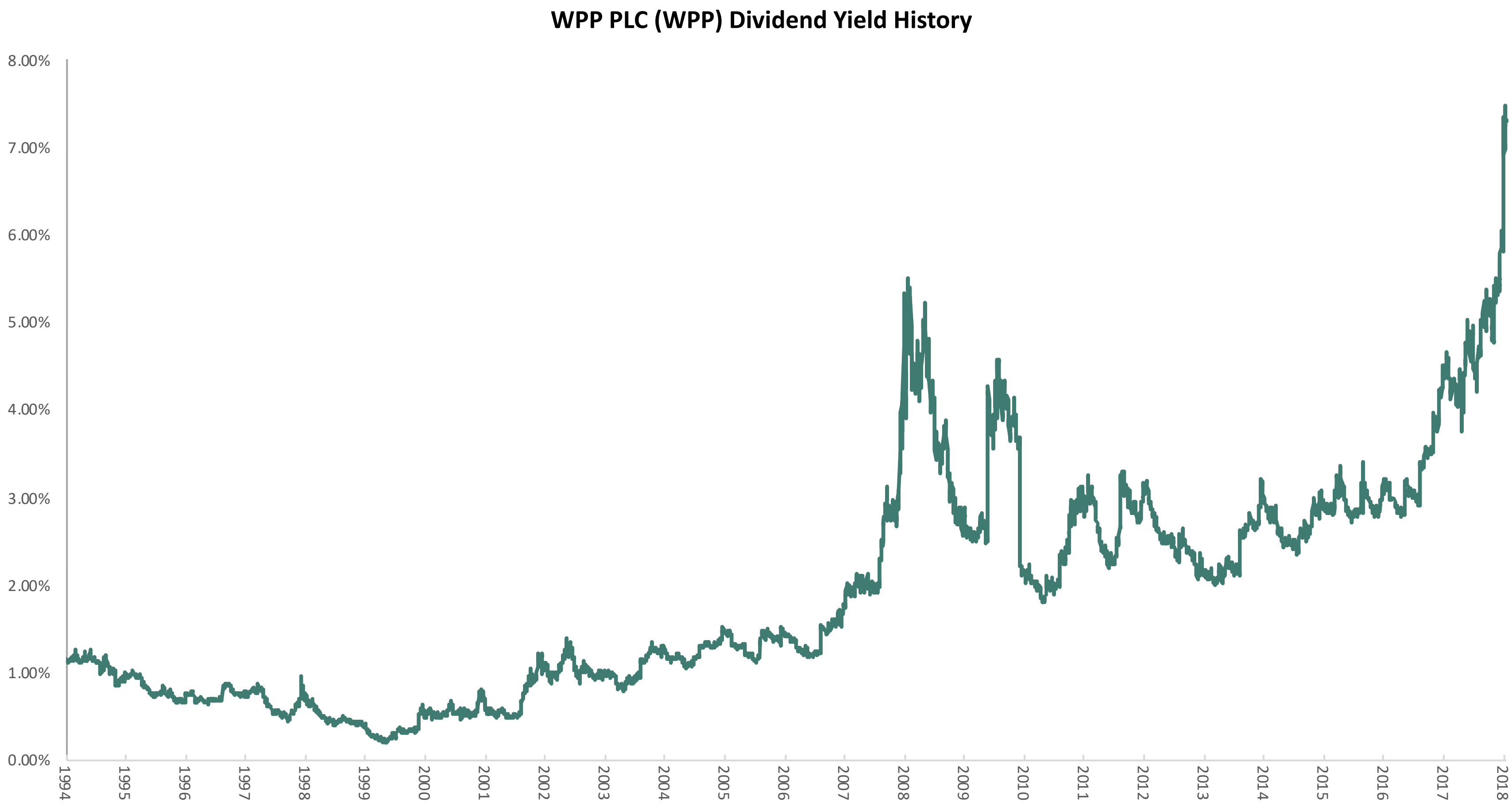

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Enbridge Inc. (ENB)

Overview & Current Events

Enbridge, Inc. is an oil and gas transportation company headquartered in Canada. It transports over 25% of the crude oil produced in North America, and approximately 22% of the natural gas consumed in the United States. In all, it has an ownership stake in approximately 193,000 miles of natural gas and NGL pipelines across North America and the Gulf of Mexico. Its natural gas assets have 11.4 billion cubic feet per day of processing capacity, 307 thousand barrels per day of NGL production capacity, and 438 billion cubic feet of net natural gas storage capacity. Enbridge also has a renewable power generation business, with nearly 3,000 megawatts of net renewable generation capacity.

In early November, Enbridge reported (11/2/18) financial results for the third-quarter of fiscal 2018. In the quarter, the company's revenue increased by 22.9% over the same period a year. Adjusted earnings-per-share increased by 41.0% while distributable cash flow grew 18.8%. Enbridge stated that it is on track to achieve its financial guidance for 2018, with distributable cash flow per share expected to be "*in the upper half of the guidance range of $4.15 to $4.45 per share*." Lastly, Enbridge announced the suspension of its treasury Dividend Reinvestment Program (DRIP), which is a positive for continuing investors as it prevents dilution for existing shareholders. Overall, Enbridge's third-quarter earnings release was perceived positively by the markets and shares rose modestly.

Growth, Competitive Advantages, and Total Returns

Continued investment in growth initiatives will fuel Enbridge's future growth. Enbridge expects to place US$7 billion of new capital projects into service in 2018. The company also acquired Spectra Energy in 2016 for US$28 billion to significantly expand its footprint. Separately, Enbridge should divest US$7.5 billion of non-core assets from the beginning of 2018 through the first half of 2019, which will help its deleveraging efforts and contribute to the financing of growth projects.

Enbridge's primary competitive advantage is its strong business model. About 96% of its cash flow is derived from long-term, take-or-pay contracts. Furthermore, 93% of revenue is derived from investment-grade customers. Another competitive advantage is its strong financial position. The company has a credit rating of BBB+ and Baa3 from Standard & Poor's and Moody's, respectively, with stable outlooks from both ratings agencies.

We expect Enbridge to generate cash-flow-per-share of US$3.37 in 2018. Based on this, the stock has a price-to-cash flow ratio of 9.6. Our fair value estimate is a price-to-cash flow ratio of 11.0. Expansion of the valuation multiple could add 2.8% to Enbridge's annual shareholder returns.
In addition, Enbridge has a current dividend yield of 5.4% after withholding taxes. Assuming 7.2% annual earnings growth, the 5.4% dividend yield, and 2.8% returns from valuation changes, we expect total annual returns of 15.4% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	5.4%[1]
Headquarters City:	Calgary	**This Year's Cash Flow/Share**:	US$3.37
Headquarters Country:	Canada	**Current Stock Price:**	US$32.30
Stock Exchange:	NYSE	**Price-to-Cash Flow Ratio:**	10.6
Year Founded:	1949	**Market Capitalization:**	US$59.1 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 6.4%.

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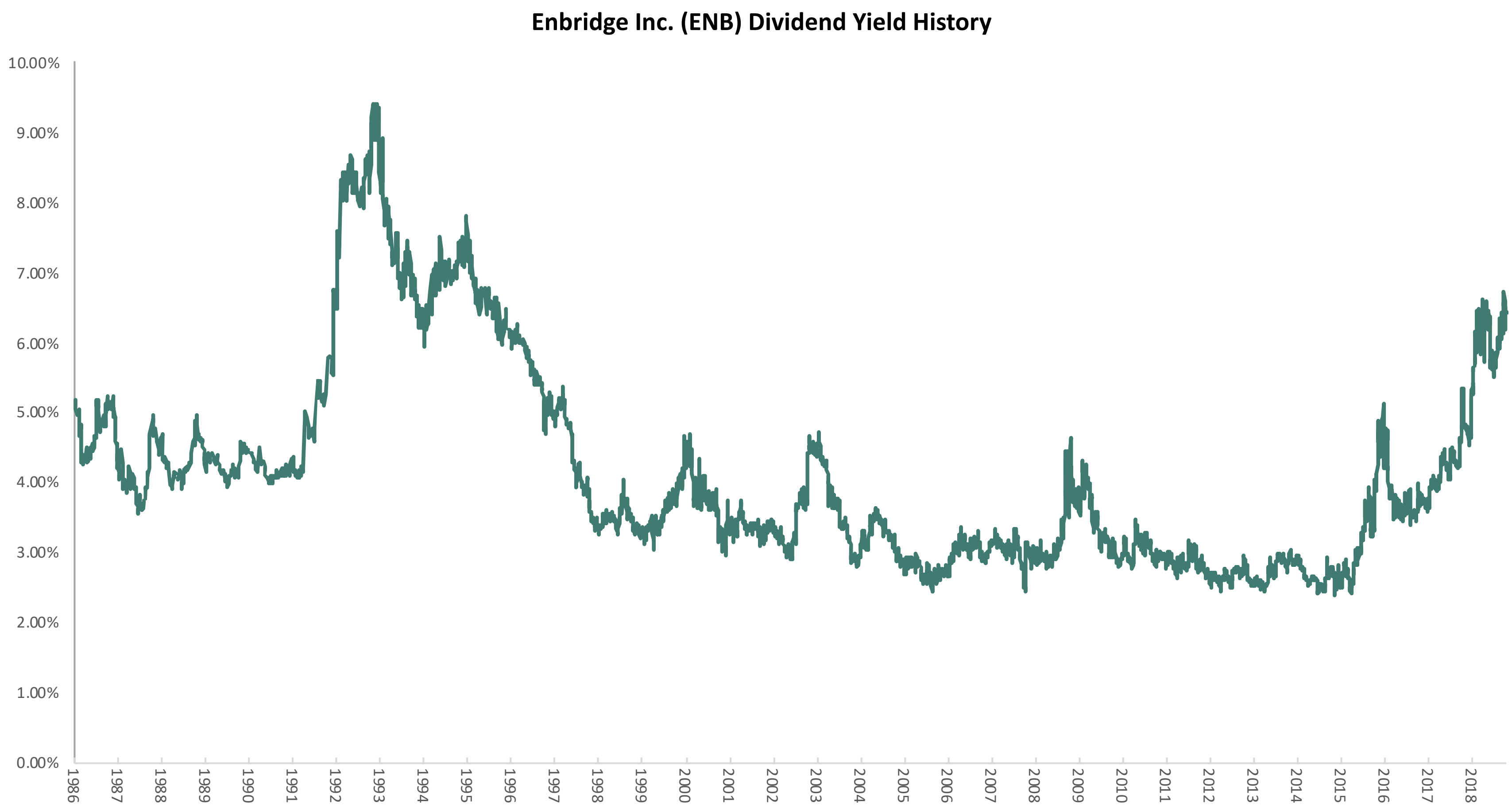

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Bank of Nova Scotia (BNS)

Overview & Current Events

The Bank of Nova Scotia - often referred to as Scotiabank - is Canada's third-largest financial institution behind the Royal Bank of Canada (RY) and the Toronto-Dominion Bank. The company operates in three business units: Canadian Banking (50% of last quarter's net income), International Banking (31%), and Global Banking and Markets (19%). The Bank of Nova Scotia is cross-listed on both the Toronto Stock Exchange and the New York Stock Exchange, and has a $66 billion market cap.

In late August, Scotiabank reported (8/28/18) financial results for the third-quarter of fiscal 2018 (the Canadian banks operate on an unusual fiscal calendar that ends with the conclusion of October). In the quarter, adjusted net income increased by 6.7% while adjusted diluted earnings-per-share rose by 4.8%. Scotiabank operated with a return on equity of 14.5%, which represented a 30 basis point decline over the 14.8% return on equity reported in the same period a year ago. Both of Scotiabank's largest segments – Canadian and International Banking – delivered strong results, reporting adjusted net income growth of 9% and 15%, respectively. Shares fell by as much as 6% in the weeks following the earnings release as the company's revenue growth slightly missed consensus analyst expectations.

Growth, Competitive Advantages, and Total Returns

Scotiabank has two catalysts that should drive its growth for the foreseeable future. The first is expansion into international markets. While the other Canadian banks have been pursuing growth by expanding into the competitive United States banking industry, Scotiabank has been entering markets within Latin America, where it can use its size and capital strength to acquire smaller players and consolidate the industry. Early results have been very promising. In the most recent quarter, the International Banking segment generated revenue growth of 9% and adjusted net income growth of 15% while operating with a net interest margin of 4.70% (compared to 2.46% for Canadian Banking).

Separately, Scotiabank has pursued domestic growth through acquisitions. The company recently acquired Jarislowsky Fraser (a wealth management firm focused on institutional and ultra-high net worth clients) and MD Financial (the country's largest financial planning firm focused on serving medical doctors). Both transactions are expected to close by the end of 2018. Because of these factors, we believe that the Bank of Nova Scotia is likely to deliver 8% EPS growth over full economic cycles.

Scotiabank does not provide earnings-per-share guidance, but we believe it is likely to deliver 2018 earnings-per-share of about CAD$7. This is equivalent to US$5.31 at current exchange rates. Using this earnings estimate, Scotiabank's NYSE-listed shares are trading at a price-to-earnings ratio of 10.1 today. The company's 10-year average earnings multiple is 11.9. If the company's price-to-earnings ratio expands to ~12 over the next 5 years, this will add ~3% to its annualized returns during this time period. Between dividend payments (4.2%), earnings growth (8%), and valuation expansion (~3%), we believe that Scotiabank has the potential to deliver annualized returns of ~15%.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	4.2%[1]
Headquarters City:	Toronto	**This Year's EPS Estimate**:	US$5.31
Headquarters Country:	Canada	**Current Stock Price:**	US$53.87
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.1
Year Founded:	1832	**Market Capitalization:**	US$66.3 billion

[1] Canada imposes a 15% withholding tax, although this is waived in retirement accounts. Excluding the withholding tax, the dividend yield would be 4.9%

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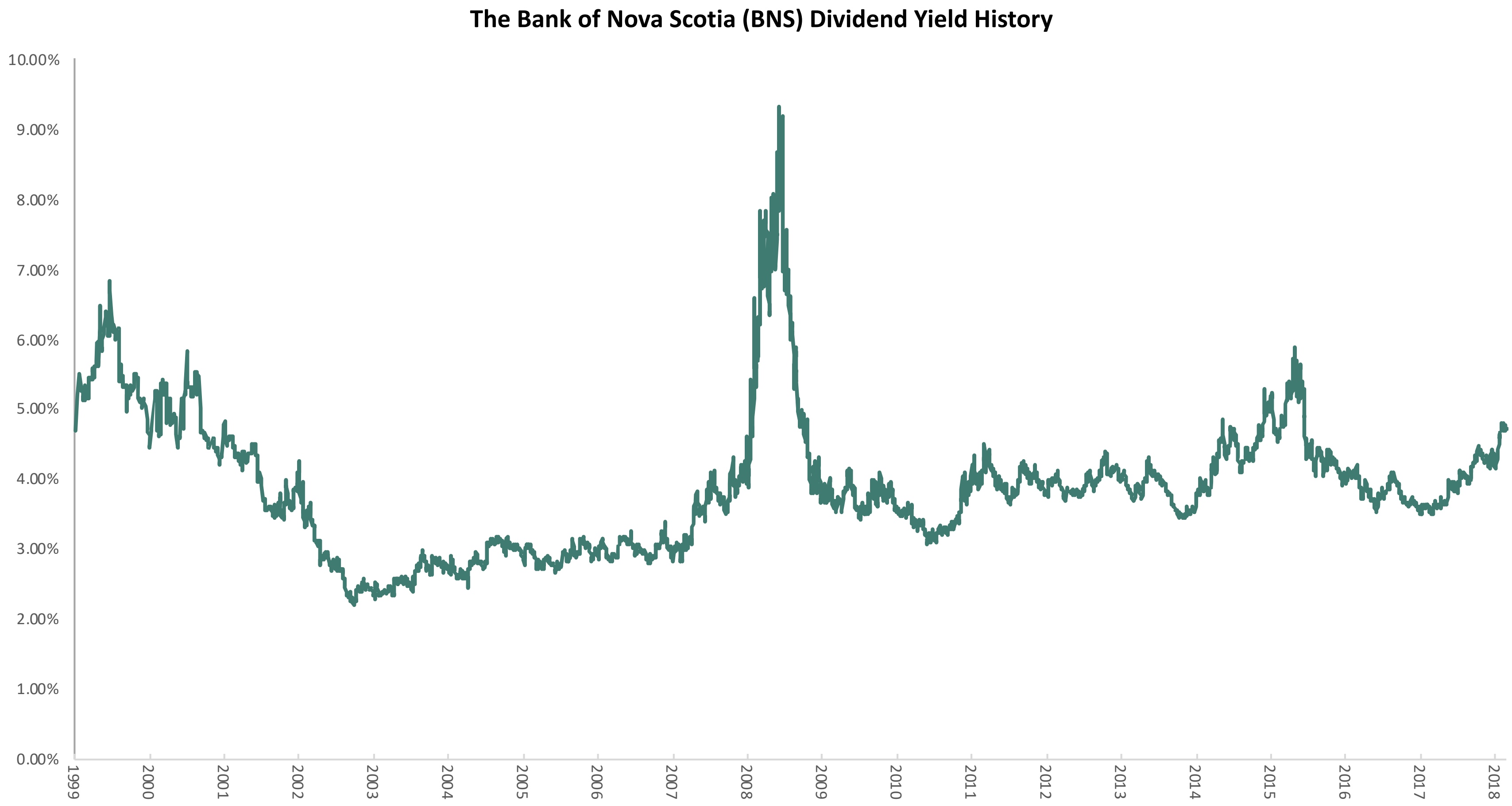

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Canadian Natural Resources Ltd (CNQ)

Overview & Current Events

Canadian Natural Resources is a diversified energy company that operates in the acquisition; exploration; development; production; marketing; and sale of crude oil, natural gas liquids (NGLs), and natural gas. The company is incorporated in Canada and is headquartered in Calgary, Alberta. It operates through the following segments: North America, North Sea, Offshore Africa, Oil Sands Mining and Upgrading, Midstream, Abandonments, and Head Office.

In early November, Canadian Natural Resources reported (11/1/18) financial results for the third-quarter of fiscal 2018. The company grew its adjusted earnings-per-share almost 6-fold over last year, from $0.19 to $1.11, and exceeded the analysts' estimates ($0.90) by a wide margin. Canadian Natural Resources prefers to measure its profitability using a non-GAAP financial metric called funds flow from operations. In the third-quarter, this metric increased to a record quarterly level of $2.83 billion, which was 5% higher sequentially and 69% higher compared to last year's quarter. The increase over last year resulted from higher oil prices and increased liquids production volumes. Overall, Canadian Natural Resources' third-quarter earnings release was positively received by the markets.

Growth, Competitive Advantages, and Total Returns

Canadian Natural Resources' primary growth catalyst is higher commodity prices. This was the main reason for the company's tremendous growth rate in the most recent quarter. Earnings-per-share are expected to more than double in 2018 due to the rise in commodity prices over the past year. The company expects 17% production growth this year. We expect Canadian Natural Resources to grow earnings-per-share at a 7% annual rate through 2023. The company maintains a lean balance sheet, which will help boost its future growth potential. Canadian Natural Resources expects to end 2018 with a debt-to-EBITDA ratio of 1.5x, which is a conservative level of debt for a company of this size.

The strongest competitive advantage for Canadian Natural Resources is its asset base. The company has very high-quality assets with low rates of decline. Canadian Natural Resources is the largest independent natural gas and heavy crude oil producer in Canada. Its assets include one of the largest undeveloped land bases in the natural gas-heavy fields of Northeast British Columbia and Northwest Alberta. The company also has world class oil sands mining reserves, with 6.06 billion barrels of proved plus probable recovery reserves, that have no projected declines for over 50 years.

In light of strong recent financial performance, we have revised our 2018 earnings-per-share estimate upwards to $2.66. Using this estimate, the company is trading at a price-to-earnings ratio of 10.1. We believe that fair value for the company is approximately 15 times earnings. If the company's valuation expands to a price-to-earnings ratio of 15 over the next 5 years, this would boost annual returns by about 8.2% during this time period. In addition to the 3.2% dividend yield and 7.0% expected annual earnings growth, total returns could reach 18.4% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	3.2%[1]
Headquarters City:	Calgary	**This Year's EPS Estimate:**	US$2.66
Headquarters Country:	Canada	**Current Stock Price:**	US$26.91
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.1
Year Founded:	1973	**Market Capitalization:**	US $32.9 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 3.8%

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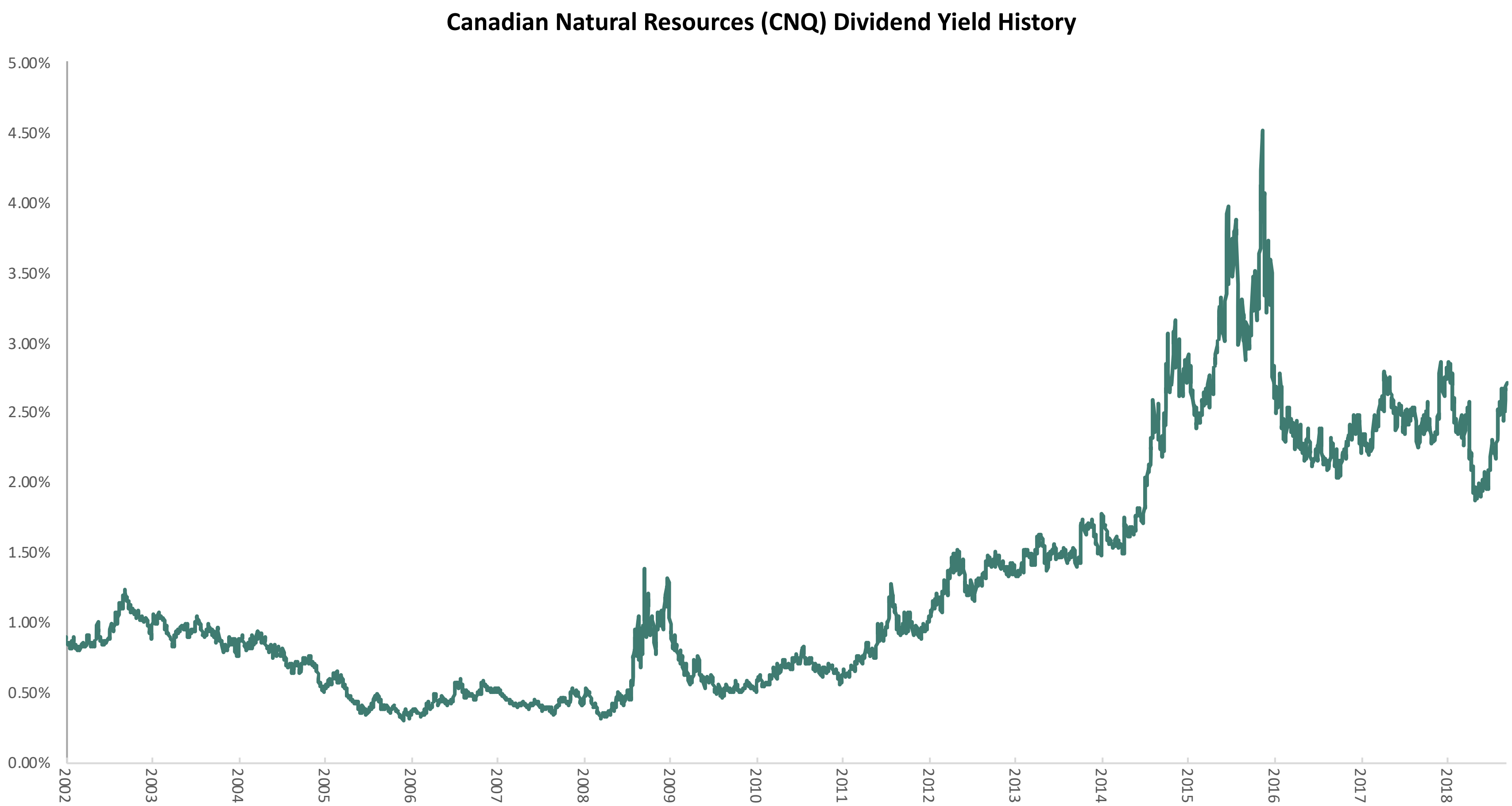

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Canon Inc. (CAJ)

Overview & Current Events

Canon manufactures electronics including copying machines, fax machines, lithography equipment, inkjet printers, laser printers, cameras, and more. It has five core business segments: Industry, Office, Professional, Personal, and Marketing. The company was founded in 1937 and is headquartered in Tokyo, Japan. The stock trades on both the Tokyo Stock Exchange, as well as ADRs that trade on the New York Stock Exchange. The stock has a market capitalization of $30.6 billion.

In late October (10/25/18) Canon reported its third-quarter results. Revenue of $8.2 billion declined 6.8% year-over-year. By product segment, Imaging System and Industry products posted declines of 15.6% and 8.8%, respectively. Medical System product sales declined 4% for the quarter, while Office product sales were the only segment to post a positive quarter at up 0.2%. Earnings-per-share in GAAP terms totaled $0.38 during the third quarter, down 27% year-over-year. The decline in Canon's profits was due to lower sales, and a margin headwind from negative operating leverage. For the full-year, Canon forecasts net sales to decline 2% for fiscal 2018. However, the good news is that Canon expects profits to rise in fiscal 2018 as a result of its strategic turnaround.

Growth, Competitive Advantages, and Total Returns

Canon is in a period of transition. Growth of certain product categories has slowed, but the company has aggressively invested in new product categories that have strong growth potential. Specifically, Canon's four growth engines are healthcare, commercial printing, network cameras, and industrial equipment. Canon's portfolio of new businesses collectively grew sales by 20% in 2017. As a result, new businesses represented 24% of Canon's sales in 2017, up from 14% in 2016. At the same time, Canon is focusing on increasing profitability in its mature businesses through automation and cost cuts. As a result, last year Canon achieved sales and profit growth for the first time in four years. Going forward, we expect 5% annual earnings growth through 2023.

Canon has durable competitive advantages, primarily its research and development platform. The company has greatly accelerated R&D investments in recent years. In 2017, Canon invested US$2.91 billion in R&D, an increase of 9.2% from the previous year. The company's strong financial position is an additional competitive advantage. Canon has long-term credit ratings of AA- from Standard & Poor's and Aa3 from Moody's. These are strong ratings that allow the company to raise capital on more favorable terms, which provides additional cash flow available for investment.

Based on expected 2018 earnings-per-share of US$2.06, Canon shares currently trade for a price-to-earnings ratio of 13.8. Our fair value estimate is a price-to-earnings ratio of 17, which indicates the stock is undervalued. An expanding valuation multiple could add 4.3% to annual shareholder returns. In addition, expected earnings growth of 5% and the 3.9% dividend yield boost shareholder returns. In all, we forecast total annual returns slightly above 13% for Canon stock over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Yen	**Dividend Yield:**	3.9%[1]
Headquarters City:	Tokyo	**This Year's Earnings-Per-Share**:	US$2.06
Headquarters Country:	Japan	**Current Stock Price:**	US$28.46
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	13.8
Year Founded:	1937	**Market Capitalization:**	US$30.6 billion

[1] Japan imposes a 15% withholding tax. Excluding this withholding tax, the dividend yield would be 4.6%.

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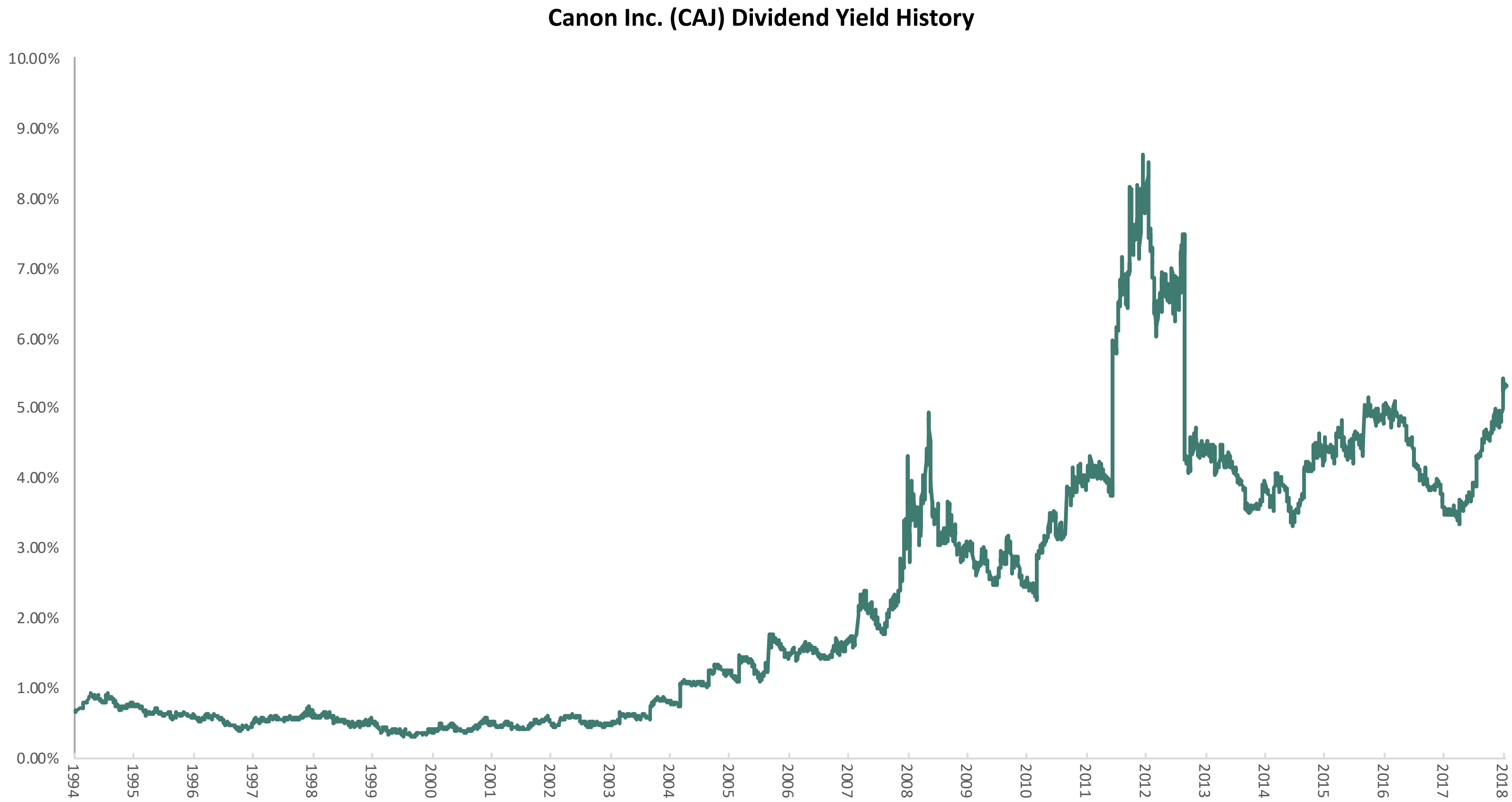

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Total SA (TOT)

Overview & Current Events

Total is an integrated oil and gas company based in France. It was founded in 1924, and today it has a presence in over 130 countries around the world. The company generates annual profits in excess of US$10 billion and has a market capitalization of US$150 billion. Total produces more than 2.5 million barrels of oil equivalents per day. As an integrated major, Total is engaged in exploration & production, transportation & storage, refining, chemicals, and marketing.

In late October (10/26/18) Total released its financial results for the third-quarter of fiscal 2018. Revenue of US$54.7 billion increased 27% from the same quarter last year. The biggest contributor to Total's growth last quarter was higher commodity prices. Total's average realized Brent crude price increased 44% from the same quarter last year, to US$72 per barrel. In addition, total production grew by 8.6%. Adjusted earnings-per-share increased 42%. It was the highest quarterly profit for the oil major in the last six years. In addition, management raised its guidance for production growth to 8% in 2018, up from previous guidance of at least 7%.

Growth, Competitive Advantages, and Total Returns

The two main growth catalysts for Total are rising commodity prices and production growth. The worst years for Total have occurred when oil and gas prices declined. From 2014-2016 Total's earnings-per-share declined by 55% due to falling commodity prices. Now that oil and gas prices have rebounded from their 2014-2016 lows, the company's profits have benefited tremendously.

In addition, Total grew total production by 5% in 2017, and production growth is likely to increase by an even bigger amount in 2018. Recent project start-ups include Kaombo in Angola, Ichthys LNG in Australia, and the second train of Yamal LNG in Russia. Share repurchases will also boost earnings growth. Total expects to repurchase US$1.5 billion of its own stock in 2018. The company also has an attractive dividend yield of 5.3%, or 3.7% after withholding tax.

Total has numerous competitive advantages, primarily its size and global presence. Total is the fourth-largest integrated oil and gas company in the world, with annual revenue of US$171 billion. It is only behind Exxon Mobil, Chevron, and Royal Dutch Shell in terms of revenue and market capitalization. With its immense financial resources, Total spent more than US$14 billion on organic investments last year to find and develop new projects that are critical to the company's growth.

Total is expected to generate earnings-per-share of $US5.40 in 2018. Based on this, the stock has a price-to-earnings ratio of 10.4, below our fair value estimate of 11.9, which represents the 10-year average valuation. Expansion of the valuation multiple could fuel 2.7% annual returns. In addition, Total's 3.7% after-tax dividend yield and projected earnings growth of 7% per year result in total expected returns of 13.4% per year.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	3.7%[1]
Headquarters City:	Courbevoie	**This Year's Earnings-Per-Share:**	US$5.40
Headquarters Country:	France	**Current Stock Price:**	US$56.08
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	10.4
Year Founded:	1924	**Market Capitalization:**	US$150 billion

[1] France imposes a 30% withholding tax. Excluding this withholding tax, the dividend yield would be 5.3%

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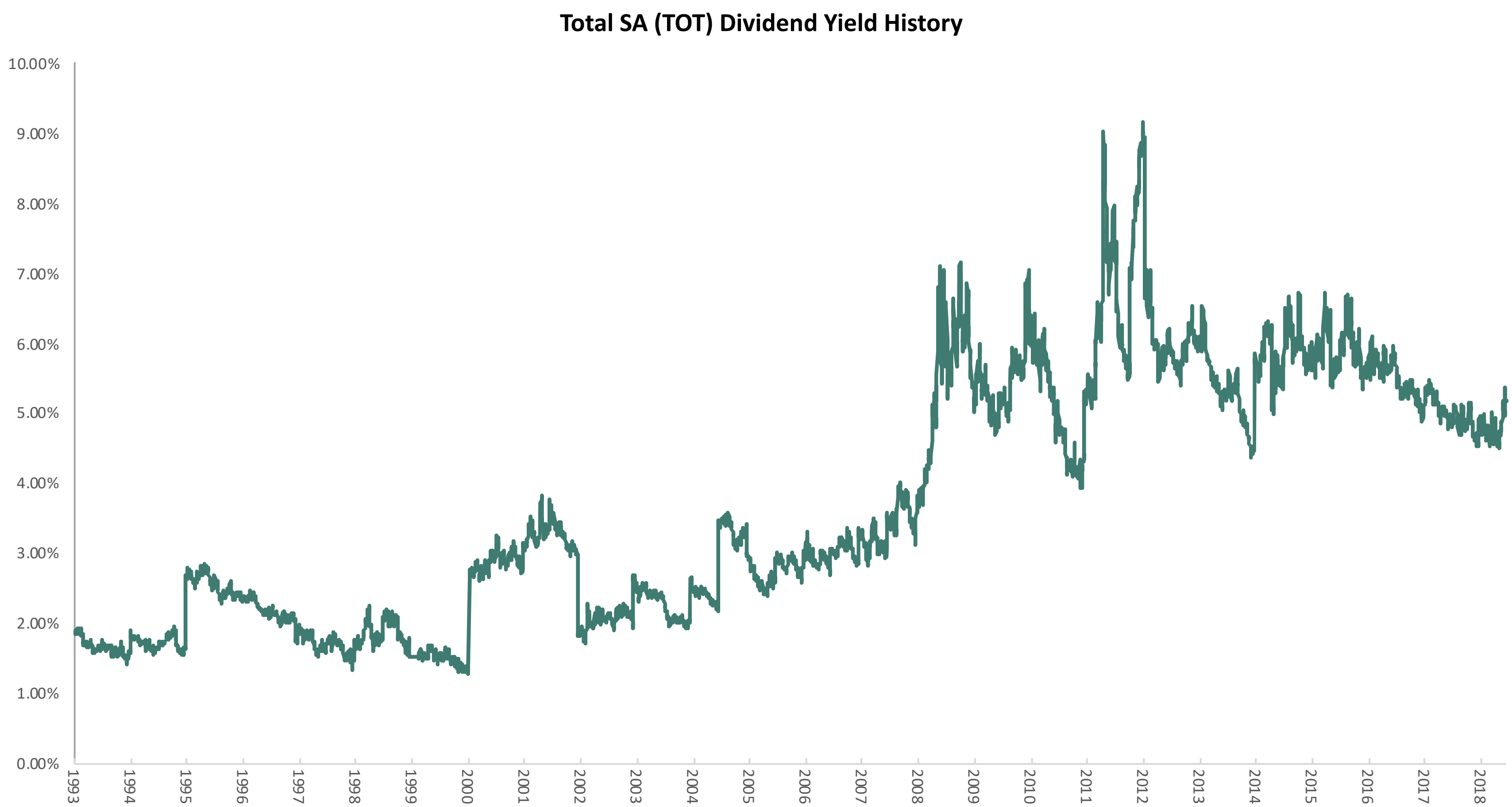

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Sanofi (SNY)

Overview & Current Events

Sanofi is a global healthcare company based in France, with a company history that goes back to the late 19th century. Sanofi had total sales of approximately US$41 billion in 2017. It operates in five core segments: General Medicines, Diabetes & Cardiovascular, Specialty Care, Vaccines, and Consumer Healthcare. The pharmaceuticals segment is the largest, representing ~75% of sales. Within pharmaceuticals, the company seeks to manufacture therapies to treat rare diseases, Multiple Sclerosis, oncology, immunology, blood disorders, and cardiovascular diseases. Sanofi also has a large consumer franchise with many popular over-the-counter brands, including Allegra, Maalox, and Nature's Own.

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

Growth, Competitive Advantages, and Total Returns

Sanofi's most important growth catalyst is its pharmaceutical pipeline, which is crucial for its future growth. The company has a massive global research and development platform which is its biggest competitive advantage. Sanofi invested approximately US$6.5 billion in R&D in 2017. The result of this investment is that Sanofi has a well-stocked pipeline. The company has 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. 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 4% annually.

Sanofi paid its 2018 annual dividend at a rate of US$1.79 per share (two ADS equal one ordinary share). Assuming the company holds its dividend payout steady next year, the stock would offer a dividend yield of 2.8%. There is potential for a dividend increase next year, since Sanofi has increased its dividend for 24 consecutive years in its local currency. Aside from dividends, we expect 4% annual earnings growth, and the stock appears to be undervalued. Using adjusted earnings-per-share of US$6.04, or US$3.02 after the ADS conversion, the stock trades for a price-to-earnings ratio of 13.9. Our estimate of fair value is a price-to-earnings ratio of 18.3, which could add 5.6% to Sanofi's annual returns. This results in expected annual returns of approximately 12.4% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	2.8%[1]
Headquarters City:	Paris	**This Year's Earnings-Per-Share**:	US$3.26
Headquarters Country:	France	**Current Stock Price:**	US$45.27
Stock Exchange:	Euronext & NYSE	**Price-to-Earnings Ratio:**	13.9
Year Founded:	1973	**Market Capitalization:**	US$113 billion

[1] France imposes a 30% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.0%.

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Closing Thoughts
- International Diversification[1] -

The United States' stock market has greatly outperformed international markets over the last decade. Through the end of Q3 2018, the U.S. stock market has generated total returns of 12.0% annually, versus 5.0% for Europe and 6.2% for the Asia Pacific region. Does this mean the United States stock market is, and always will be, "the best"?

A longer-term view reveals that the American stock market has periods of outperformance and periods of underperformance relative to international stocks.

Source: Global equities: Balancing home bias and diversification by Vanguard, page 11.

Relative outperformance by country shifts over time. One stock market is not always the best.

Valuation is also important to consider for future equity returns. The price-to-earnings (P/E) ratios of several large developed nations are below:

- United States: 19.3
- France: 15.5
- United Kingdom: 15.2
- Germany: 13.6
- Japan: 12.9
- South Korea: 9.5

Source: Star Capital

If country-wide valuation is any indication, investors are likely to find more bargains *outside* of the United States than within it.

Thanks,
Ben Reynolds

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

[1] This month's closing thoughts were inspired by "The Case for International Diversification" by Verdad

List of Past Recommendations & Performance

Performance is calculated using the closing price on the first trading day *after* the newsletter publishes. Returns include dividends. We have significantly changed the ranking procedures since the initial *Sure Dividend International Newsletter*.

Starting with the October 2018 edition, the newsletter now runs fully on data and recommendations from our *Sure Analysis Research Database*. Due to this change, we are tracking recommendations from October 2018 and onward on this page. For recommendations prior to this date, please see the September 2018 *Sure Dividend International Newsletter*'s performance page. We will still track all historical recommendations for sells as they occur.

Name & Ticker	**Newsletter Date**	**Total Returns[1]**
Micro Focus International (MFGP)	October 2018	7.7%
Brookfield Renewable Partners (BEP)	October 2018	-5.4%
Autoliv (ALV)	October 2018	5.6%
British American Tobacco (BTI)	October 2018	-20.8%
Daimler AG (DDAIF)	October 2018	-0.6%
WPP (WPP)	October 2018	-19.4%
Canadian Natural Resources (CNQ)	October 2018	-5.4%
Bank of Nova Scotia (BNS)	October 2018	-0.5%
Enbridge (ENB)	October 2018	2.2%
Vodafone (VOD)	October 2018	-0.1%
Lazard (LAZ)	November 2018	N/A
Canon (CAJ)	November 2018	N/A
Total (TOT)	November 2018	N/A
Sanofi (SNY)	November 2018	N/A
Average	-4.9%	
All-World Ex-U.S. Average (VEU)	-0.3%	

Performance should be measured over 3 years *at a minimum*. We have 1 month of performance data using our *Sure Analysis Research Database* recommendations. Performance is tracked against the All-World Ex-U.S. ETF (VEU).

[1] Data through midday 11/16/18.

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**
Bermuda	0%
United Kingdom	0%
Singapore	0%
China (Mainland)	10%
Lebanon	10%
Russia	15%
Turkey	15%
Japan	15%
France	15%[1]
Canada	15%[2]
Netherlands	15%
South Korea	22%
Germany	26%[3]
Italy	26%
Finland	30%
Sweden	30%
Switzerland	35%

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

[1] Additional forms must be filed to get this tax rate (see here for more).
[2] 0% if the proper paperwork is filed and the investment is in a U.S. retirement account.
[3] 26% rounded. The actual dividend withholding tax rate is 26.375%.

How To Buy International Securities

There are 2 primary ways to invest in international securities:

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

We recommend ADRs because it can be time consuming and unwieldly to open brokerage accounts in multiple countries. There is also a convenient available alternative: open a global trading account with your current broker or a different one that offers this service. Among brokers who offer international trading are Interactive Brokers, Fidelity, E*Trade, and Charles Schwab. A global trading account also provides for purchasing international securities directly (not with ADRs).

There are 3 levels of ADRs:
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.

Our recommendation for investing in international securities is simple. If a level II or III ADR is available, that is the best way because it is safest. Level I ADRs are riskier because they tend to be relatively illiquid (lower trading volumes) and they don't have to report to the SEC.

Investing in Level II and III ADRs is similar to investing in other publicly traded securities on large exchanges. In general, you can tell the level of ADR by its ticker. A level II or III ADR will have a 'normal' 1 to 4 letter ticker. A level I ADR will have a longer ticker, usually 5 letters.

If only a level I ADR is available, we may still recommend it depending on its volume. Our rule of thumb is if average daily volume is ~$1 million or more we may recommend the ADR. If the level I ADR is thinly traded, or if no ADR exists, an investor could still invest directly in the security via that security's home exchange. As a general rule, never trade more than 5% of a security's daily volume. Since other Sure Dividend readers may also be making similar trades, we would prefer to use 1% of volume as a 'safe' level. Depending on your account size, smaller volumes may also generally be safer.

If volume is not sufficient, we will not recommend buying OTC (Level I) shares. When purchasing OTC shares, be sure to use limit orders as market orders could potentially be filled at unsatisfactory prices.

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

Selling Guide

Buying securities is only part of the battle. Knowing *when to sell* and *how long to hold* is also 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 of an emphasis on increasing dividends every year. Additionally, valuations and business results fluctuate more widely with many international securities, making a qualitative approach more suitable.