Sure Dividend International

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

January 2019 Edition

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- 2018 International Markets In Review -

2018 was a difficult year for equity markets around the world. International equities fared worse than the S&P 500 in almost every country during 2018.

The S&P 500 (as measured by the ETF SPY) generated total returns -4.6% in 2018. The stock market performance (as measured by a large US-based ETF) in 2018 of each of the next 10 largest countries by GDP is below:

1. China (MCHI): -19.8%
2. Japan (EWJ): -14.1%
3. Germany (EWG): -21.4%
4. United Kingdom (EWU): -14.3%
5. France (EWQ): -12.9%
6. India (INDA): -6.7%
7. Italy (EWI): -17.2%
8. Brazil (EWZ): -2.6%
9. Canada (EWC): -17.2%
10. South Korea (EWY): -20.4%

The Vanguard FTSE All-World Ex-U.S. ETF (VEU) generated total returns of -14.2% in 2018. Of the ten largest countries by GDP after the United States, *only Brazil outperformed the U.S.* Five of those ten *underperformed the United States by 10% or more*.

There's no one single thing that caused international securities to perform so poorly in 2018, but rather several contributing factors. First, the U.S. Dollar appreciated versus most international currencies in 2018. A strong dollar creates a headwind for international performance. Second, many commodities declined toward the end of 2018 (after rallying for much of the year), hitting commodity producing countries (like Canada) hardest. Finally, instability in the European Union and a trade war between the United States and China also contributed to worse international market performance.

While the U.S. had a 'good year' (the S&P 500 was still down) relative to much of the rest of the world, this is not a trend we believe is likely to persist over the long run.

A big reason for that is *value*. The All-World Ex-U.S. ETF (VEU) mentioned earlier has a price-to-earnings ratio of 12.6, versus 17.7 for the S&P 500 ETF (SPY). That's a *40% valuation premium* in the United States. The VEU (international) has a dividend yield of 3.2% versus 2.0% for SPY (U.S.).

It's debatable if U.S. businesses will be able to grow faster than other developed countries (possibly by a bit, in our view) and developing countries (highly unlikely). Simply, there's no good reason that U.S. securities should be trading at a valuation that is 40% higher than their international peers.

In the final analysis, we believe that international securities are underpriced in general. Many high-quality international dividend securities (like those analyzed in this newsletter) are trading at a discount to their domestic peers.

Note: Data for the Opening Thoughts is from ETF Replay.

The International Top 10 – January 2019

Name and Ticker	Country	Dividend Risk Score	Exp. Value Return	Dividend Yield[1]	Exp. Growth	ETR
Imperial Oil (IMO)	Canada	A	-0.8%	1.7%	13.0%	13.9%
Can. Nat. Res. (CNQ)	Canada	B	7.4%	3.1%	7.0%	17.5%
Vermillion Energy (VET)	Canada	B	3.1%	7.1%	2.0%	12.1%
Fresenius Med. (FMS)	Germany	B	5.2%	1.2%	6.0%	12.4%
Siemens (SIEGY)	Germany	C	4.9%	3.3%	4.5%	12.7%
ABB (ABB)	Switzerland	C	2.1%	2.7%	8.0%	12.8%
Aon (AON)	U.K.	A	-1.8%	1.1%	10.0%	9.3%
Taiwan Semicon. (TSM)	Taiwan	C	-2.8%	2.9%	9.0%	9.1%
Chubb (CB)	Switzerland	B	-1.7%	1.4%	8.0%	7.7%
Novartis (NVS)	Switzerland	C	1.4%	1.8%	3.0%[2]	6.2%

Notes: *Data for the table above is primarily from The Sure Analysis Research Database and analysis in this newsletter. 'Exp. Value Return' means expected returns from valuation. 'Exp. Growth' means expected annualized growth rate over the next 5 years. 'ETR' stands for expected total returns and is the sum of the preceding three columns. Data in the table above might be slightly different than individual company analysis pages due to writing the company reports throughout the week.*

There are five new securities in this month's Top 10 compared to last month's edition. Brookfield Asset Management (BAM), Fortis (FTS), Infosys (INFY), Total (TOT), and Sanofi (SNY) were replaced by Vermillion Energy (VET), Aon (AON), Taiwan Semiconductor (TSM), Chubb (CB), and Novartis (NVS).

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

Dividend Yield:	2.6%	**Expected Valuation Return:**	1.7%
Growth Rate:	7.1%	**Expected Total Return:**	11.4%

On average, the securities in the *Sure Dividend International Newsletter* have a mix of above-average dividend yields, about average growth prospects, strong safety scores, and are undervalued. In short, these tend to be securities that are shareholder friendly, conservative, and underappreciated.

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 January 16th through January 18th, 2019.

[1] After accounting for any applicable withholding taxes.
[2] 3.0% to 6.0% expected annual growth based on analysis, which would change total returns to 6.2% to 9.2%.

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Analysis of Top 10 Securities

Imperial Oil Ltd (IMO)

Overview & Current Events

Imperial Oil is an integrated oil and gas conglomerate based in Canada. The company operates three core segments: Upstream, Downstream, and Chemical. The Upstream segment includes the exploration and production of crude oil and its equivalent, and natural gas. The Downstream segment consists of the refining of crude oil into petroleum products. The Chemical segment manufactures and markets hydrocarbon-based chemical products. The company was founded in 1880 and is headquartered in Canada. Exxon Mobil Corp. owns ~70% of Imperial Oil's common equity.

In early November (11/2/18) Imperial Oil reported its financial results for the third-quarter of fiscal 2018. Earnings-per-share jumped 114% due to strong production volumes, supportive commodity prices, and share repurchases. The Upstream segment more than tripled its earnings for the quarter, mostly due to rising oil prices since the 2017 comparable period. Downstream segment earnings rose 72%, due to increased refining margins.

Growth, Competitive Advantages, and Total Returns

The primary growth catalyst for Imperial Oil is higher commodity prices, followed closely by higher margins in the refining segment as a secondary catalyst. Imperial Oil's earnings have improved since the oil downturn of 2014-2016, but oil prices have fallen significantly recently. According to the company's estimates, Canada has the third-highest level of oil reserves worldwide, behind only Venezuela and Saudi Arabia. Imperial Oil expects to grow its production by 15% from 2018 to 2020. Share repurchases will also help boost earnings growth. Imperial Oil reduced its share count by 5% in the last 12 months, and management intends to continue buying back stock going forward.

Imperial Oil's high-quality reserves are a major competitive advantage, as is the company's strong financial position. The company has a credit rating of AA+ from Standard & Poor's, which is higher than all of its peers in the Canadian energy industry. Moreover, the company has paid 100+ years of consecutive dividends and has increased its dividend (in Canadian dollars) for 24 consecutive years.

Based on projected 2018 earnings-per-share of US$1.90, Imperial Oil stock trades for a price-to-earnings ratio of 14.6. This is slightly above our fair value estimate of 14.0, a reasonable valuation for a large-cap oil stock with modest growth potential. Valuation changes could reduce shareholder returns by 0.8% per year over the next five years. But, earnings growth and dividends will fuel positive shareholder returns. Earnings are expected to grow by 13% per year over the medium term if oil prices reverse and return to reasonable levels. In addition, the stock has a dividend yield of 1.7%. Overall, we believe that Imperial Oil's total returns could reach 13.9% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	1.7%[1]
Headquarters City:	Calgary	**Dividend History**:	24 years of increases
Headquarters Country:	Canada	**10-Year Avg. P/E:**	18.6
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	14.6
Year Founded:	1880	**Market Capitalization:**	US$22.1 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 2.0%.

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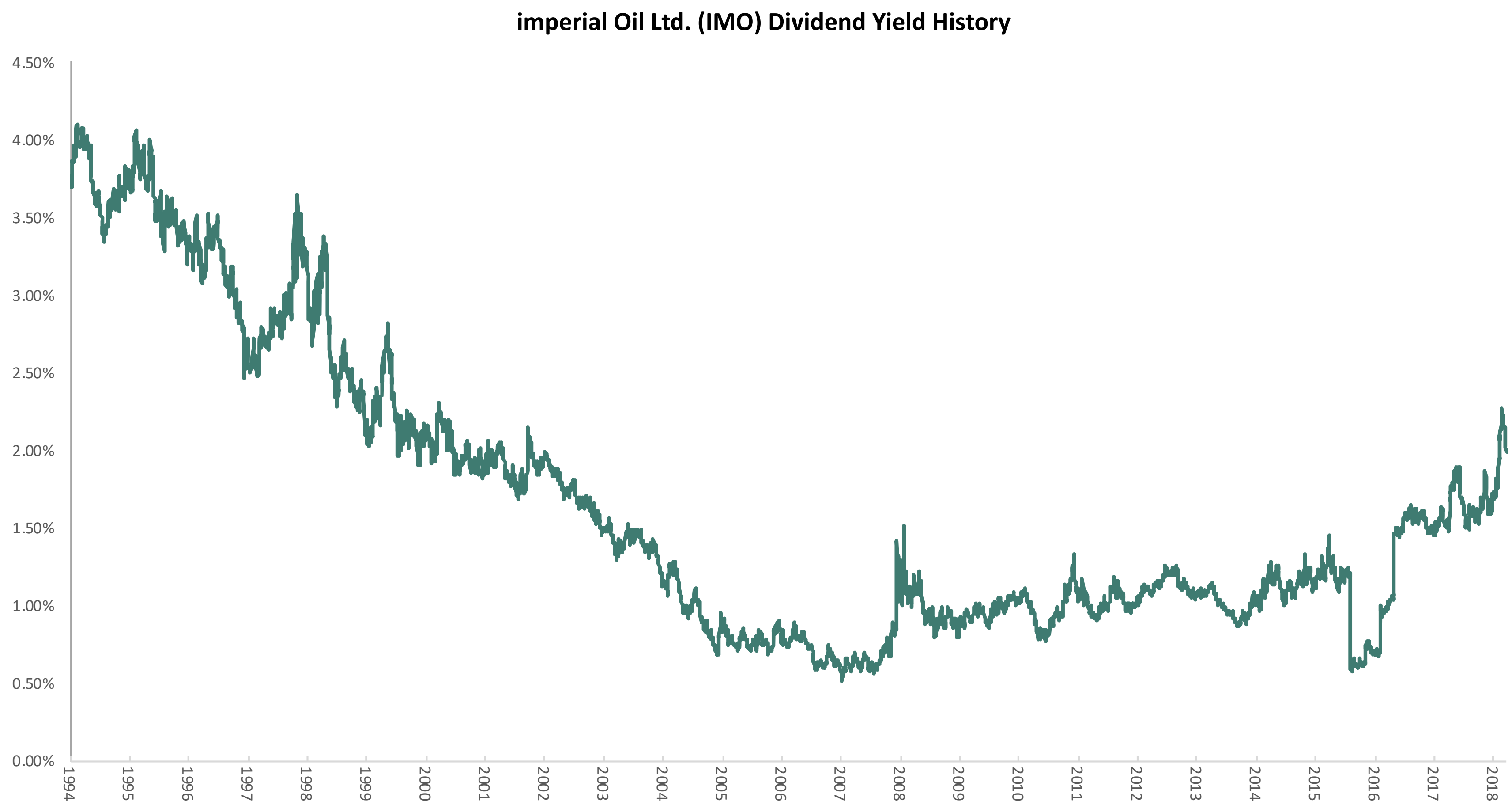

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Canadian Natural Resources Ltd (CNQ)

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 CAD$0.19 to CAD$1.11, and exceeded analyst estimates (CAD$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 CAD$2.83 billion, which 69% higher compared to last year's quarter. The increase over last year was due to higher oil prices and increased liquids production volumes.

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 manageable 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 US$2.62. Using this estimate, the company is trading at a price-to-earnings ratio of 10.5. 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 7.4% during this time period. In addition to the 3.1% dividend yield and 7.0% expected annual earnings growth, total returns could reach 17.5% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.1%[1]
Headquarters City:	Calgary	**Dividend History:**	17 years of increases
Headquarters Country:	Canada	**10-Year Avg. P/E:**	17.4
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	10.5
Year Founded:	1973	**Market Capitalization:**	US$31.9 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 3.7%.

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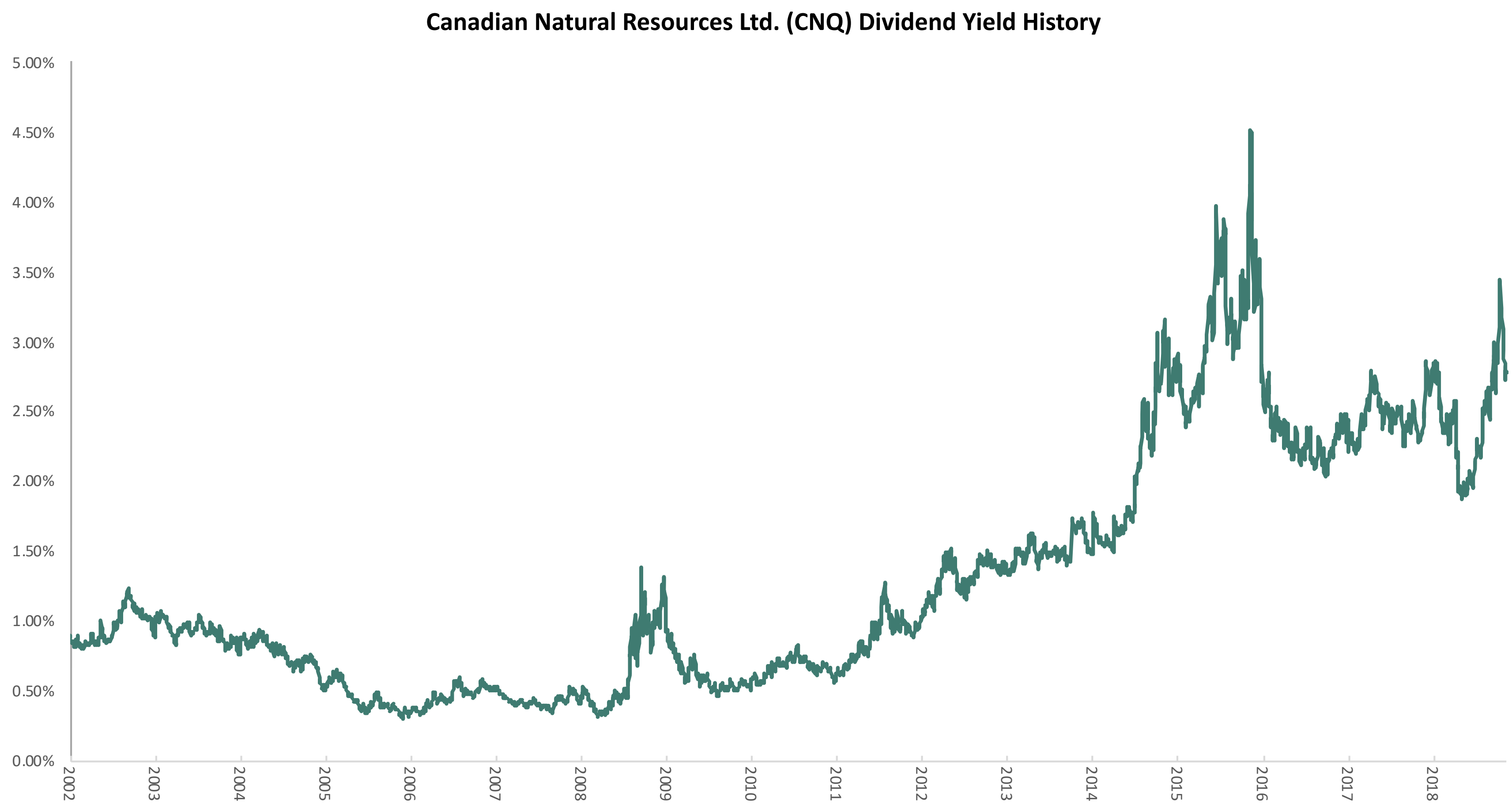

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Vermilion Energy Inc. (VET)

Overview & Current Events

Vermilion Energy is a Canadian energy company that was founded in 1994 and is headquartered in Calgary, Alberta. The company has operations in Canada, the United States, Australia, France, Ireland, Germany, and the Netherlands. Vermilion Energy primarily focuses on light oil and liquids-rich natural gas resource plays in Canada and the U.S., natural gas opportunities in the Netherlands and Germany, and oil drilling in France and Australia. One of the company's most significant international asset plays is its 20% interest in the Corrib gas field in Ireland. Vermilion Energy is unique among the companies recommended in this month's newsletter because it pays its dividend each month.

In late October, Vermilion Energy reported (10/25/18) financial results for the third-quarter of fiscal 2018. In the quarter, revenue increased by 29% over the same period a year ago. Unsurprisingly, revenue growth was partially attributable to higher commodity prices. A 19% year-over-year increase in production volumes also contributed to revenue growth, as did the CAD$1.4 billion acquisition of oil producer Spartan Energy Corporation that closed in May 2018. On the bottom line, fund flows from operations increased by 99% over last year's comparable period. Vermilion Energy also announced its capital budget for fiscal 2019 with the release of its third-quarter financial results. The company expects to spend CAD$530 million on capital expenditures in the twelve-month reporting period, which is up significantly from the CAD$315 million of forward-looking capital expenditures forecasted at this time last year as well as the CAD$510 million expected in fiscal 2018.

Growth, Competitive Advantages, and Total Returns

The aforementioned acquisition of Spartan Energy Corporation is a major catalyst for Vermilion Energy's future growth. This was the largest acquisition in Vermilion's history and gives it exposure to the high-quality oil and gas properties in the southeast of the Canadian province of Saskatchewan. With Spartan, Vermilion can produce 100,000+ barrels of oil equivalents (BOE) per day.

We expect Vermilion Energy to generate fund flows from operations (FFO) per share of approximately CAD$4.17 in fiscal 2018. Using this estimate, the company is currently trading at a price-to-FFO ratio of 6.0. Vermilion Energy has traded at an average price-to-FFO ratio of 10.8 over the last decade. With that said, we believe that some conservatism is warranted here, and are forecasting for the company to revert to a price-to-FFO ratio of around 7 over the next 5 years. If this occurs, the company's annualized returns will be increased by 3.1% during this time period. In addition, we expect Vermilion Energy to grow its per-share fund flows from operations at 2% to 3% per year over full economic cycles. Lastly – and most importantly – the largest component of Vermilion's total returns will be its famous monthly dividend payment, which yields 7.1% after accounting for the 15% withholding tax imposed by the Canadian government. Added all together, Vermilion Energy appears capable of delivering total returns of approximately 13% per year over the next 5 years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	7.1%[1]
Headquarters City:	Calgary	**Dividend History**:	Steady or rising since '03
Headquarters Country:	Canada	**10-Year Avg. P/FFO:**	10.8
Stock Exchange:	TSX **&** NYSE	**Price-to-FFO Ratio:**	6.0
Year Founded:	1994	**Market Capitalization:**	US$3.8 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 8.4%.

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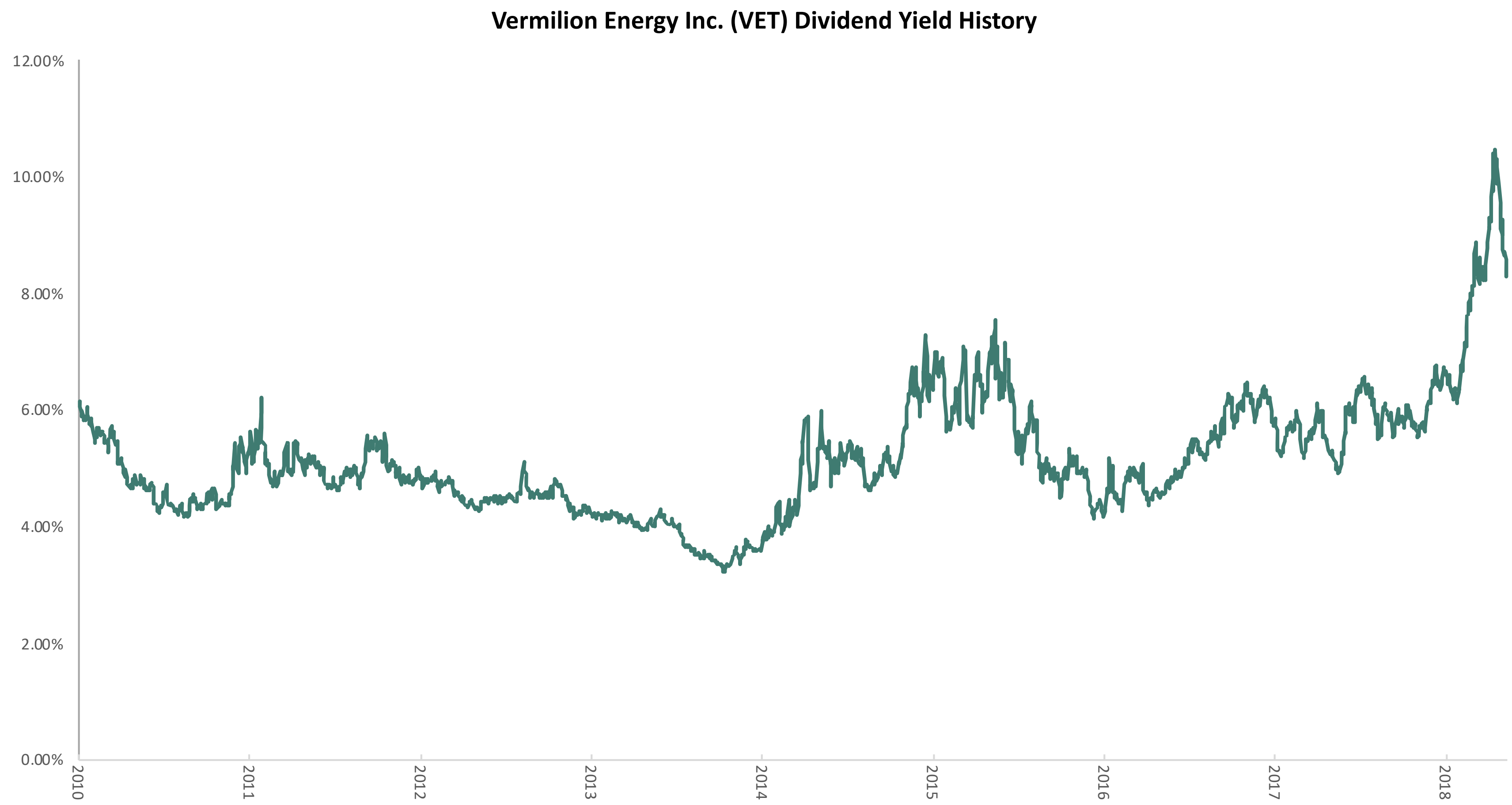

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Fresenius Medical Care AG & Co. KGaA (FMS)

Overview & Current Events

Fresenius Medical Care operates in the healthcare sector and is based in Germany. The company goes back to 1912, when Dr. Eduard Fresenius began the production of pharmaceuticals at the Hirsch Pharmacy. Today, the company primarily focuses on kidney-related diseases. Its products include dialysis machines, dialyzers and related disposables. Fresenius has a stock market capitalization of approximately US$21 billion.

In late October (10/30/18) Fresenius reported financial results for the third-quarter. In constant currency, Fresenius posted a 6% revenue decline, a 20% drop in operating income and a 17% decrease in net income. The revenue decline was primarily due to an unfavorable comparison period in the third-quarter of 2017. And, adjusted earnings-per-share in constant currency rose by 19% in the most recent quarter. However, Fresenius lowered its 2018 financial guidance after reporting third-quarter figures. The company now expects net income to grow 11%-12%, down from 13%-15% previously. At the same time, the company did reaffirm growth targets through 2020. Fresenius continues to expect ~10% annual revenue growth and high single-digit net income growth through 2020.

Growth, Competitive Advantages, and Total Returns

Fresenius should continue to generate growth over the long-term, because of its operational focus. According to the company, approximately 3.2 million people around the world undergo regular dialysis treatment. This figure is only expected to rise in the years ahead. Fresenius estimates the number of dialysis patients will grow to 4.9 million by 2025. This presents a fundamental tailwind for the company. In addition, Fresenius is seeking growth in new channels, specifically at-home care. Fresenius is currently working through regulatory approval of its $2 billion planned merger with NxStage Medical, which specializes in at-home dialysis equipment and related products. We believe annual earnings growth of 6% is achievable, thanks to the company’s strong industry position. Fresenius’ primary competitive advantage is the dominant position it has established in its core niche of kidney-related illness. Fresenius has over 3,700 dialysis centers, and decades of experience in dialysis.

We expect Fresenius will generate earnings-per-ADR of US$2.45 in fiscal 2018. Based on this, the stock has a price-to-earnings ratio of 14.0. Our fair value estimate is a price-to-earnings ratio of 18.0, equal to a fair value share price of US$44. As a result, the stock appears to be significantly undervalued, compared with the fair value estimate. An expanding stock valuation could boost annual shareholder returns by 5.2% per year, as will the company’s earnings growth and dividends. We expect Fresenius to generate 6.0% annual earnings growth. The stock also has a 1.2% dividend yield. While this is not an extremely high yield, the company is committed to paying a rising dividend. Fresenius has paid rising dividends in its home currency for 21 consecutive years. The combination of valuation changes, earnings growth, and dividends results in expected returns of 12.4% per year for Fresenius stock over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	1.2%[1]
Headquarters City:	Bad Homburg	**Dividend History**:	Increasing since 1997
Headquarters Country:	Germany	**10-Year Avg. P/E:**	19.5
Stock Exchange:	DAX & NYSE	**Price-to-Earnings Ratio:**	14.0
Year Founded:	1912	**Market Capitalization:**	US$20.8 billion

[1] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 1.6%.

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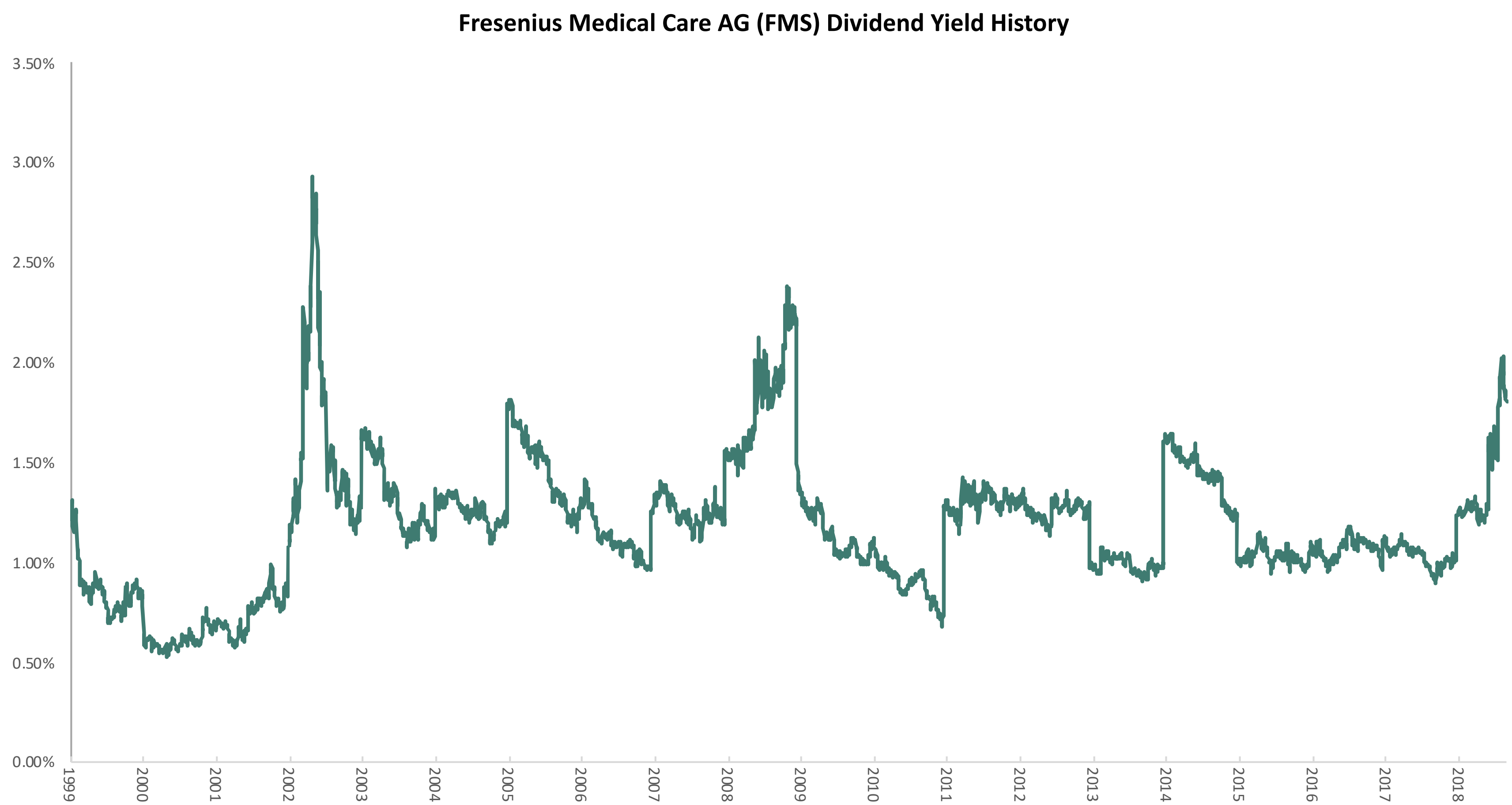

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Siemens AG (SIEGY)

Overview & Current Events

Siemens AG is a German industrial manufacturer, founded in 1847. The company generates US$90 billion of annual revenue. Siemens is a true conglomerate, with operations across multiple categories. The company's operating segments include Building Technologies, Energy, Drive Technology, Industrial Automation, Financing, Consumer Products, and more. The stock has a market capitalization of US$91 billion.

In October (10/19/18) Siemens reported its fourth-quarter and fiscal 2018 financial results. Fourth-quarter revenue of US$26.3 billion increased 1.8% from the same quarter last year. Orders totaled US$27.3 billion, in-line with the year-ago period. For the full fiscal year, revenue increased 2% while orders increased 8%. Earnings-per-share (EPS) increased 2% for the fiscal year, to US$9.06, or US$4.53 per ADR since one ADR represents 0.5 shares of Siemens. Such a strong order growth rate during the last year bodes well for Siemens' revenue in the upcoming fiscal year.

Growth, Competitive Advantages, and Total Returns

Between 2009 and 2018 Siemens grew its earnings-per-share by 10% annually. We expect Siemens to grow earnings by 4.5% per year over the next five years. Siemens' rising order backlog, the weakness of its peer, General Electric, and the fact that Siemens is holding a solid position in growth markets such as manufacturing will allow the company to grow its profits over the coming years. Siemens has launched a buyback totaling US$3.5 billion through 2021, which should have a positive impact on future EPS growth. We expect 4%-5% annual EPS growth for Siemens over the next five years, comprised of revenue growth, some margin expansion, and share repurchases.

One of Siemens' most important competitive advantages 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 total revenue) above 1.0. During fiscal 2018 this ratio stood at 1.1, or 110%. Siemens had a backlog of more than $150 billion at the end of fiscal 2018, which represents nearly six quarters of revenue. Siemens also has a healthy balance sheet with a manageable level of debt. The company has credit ratings of A+ from Standard & Poor's and A1 from Moody's. Because of this, the company would easily be able to withstand a minor recession.

Based on expected fiscal 2019 EPS of US$4.73, Siemens stock trades for a price-to-earnings ratio of 11.8. In the past 10 years, the stock held an average price-to-earnings ratio of 15.0, which is also our fair value estimate. If the valuation multiple expands to the fair value estimate, total returns would be increased by 4.9% per year over the next five years. Shareholder returns will also be boosted by 4.5% expected EPS growth, as well as the current dividend yield of 3.3%. Total returns are expected to reach 12.7% per year, over the next five years. With a high expected return, Siemens is an attractive investment for value and dividend growth investors.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	**Dividend Yield:**	3.3%[1]
Headquarters City:	Munich	**Dividend History**:	Increasing since 2002
Headquarters Country:	Germany	**10-Year Avg. P/E:**	15.0
Stock Exchange:	DAX & OTC	**Price-to-Earnings Ratio:**	11.8
Year Founded:	1847	**Market Capitalization:**	US$90.8 billion

[1] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 4.4%.

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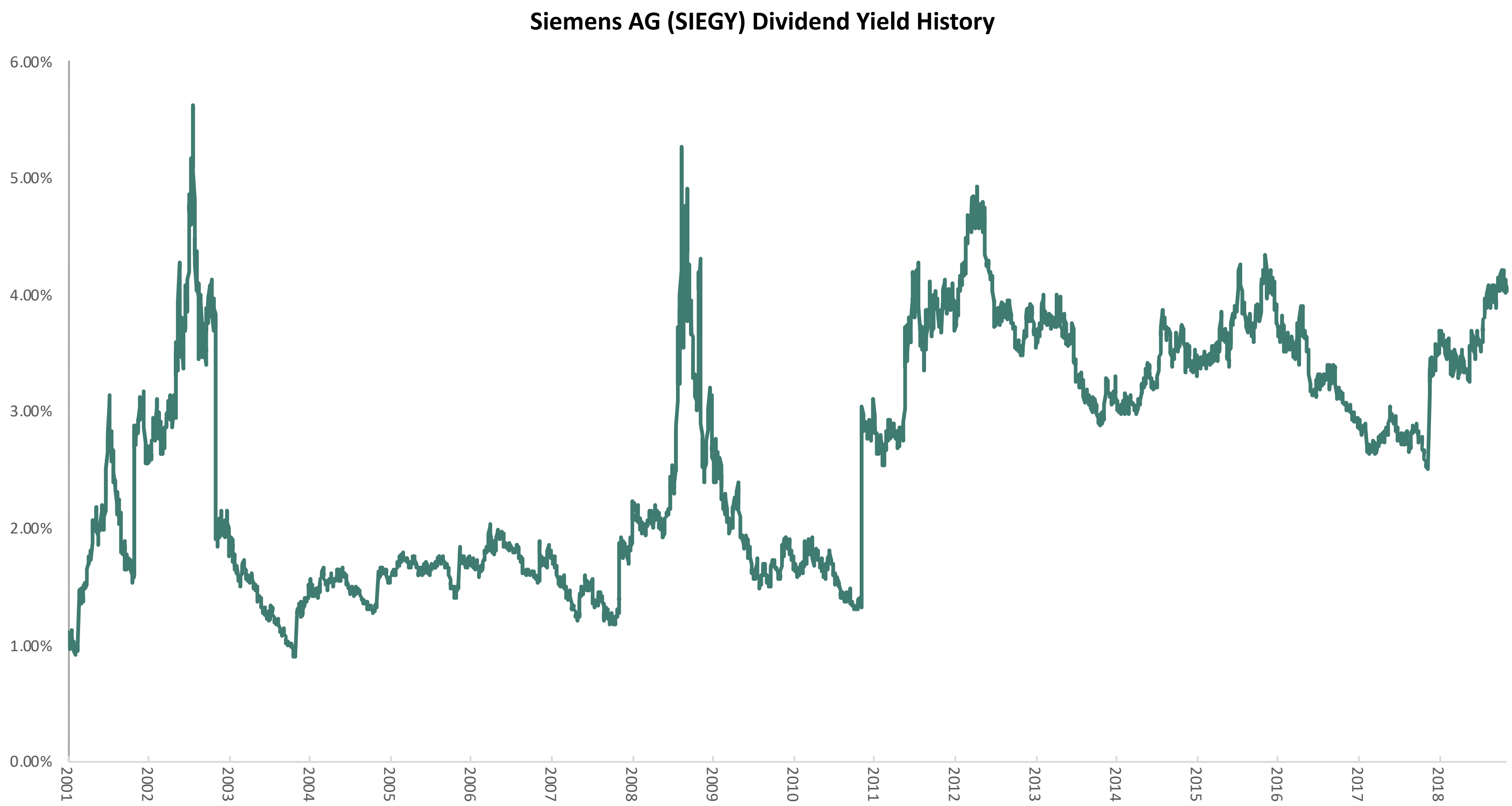

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ABB Ltd (ABB)

Overview & Current Events

ABB's history as a company goes back to 1883, but in 1891 Charles E. L. Brown and Walter Boveri establish Brown, Boveri & Cie in Baden, Switzerland. The company was initially known as Brown Boveri. Shortly afterward, Brown Boveri became the first company to transmit high-voltage power. ABB, in its current form, is the product of several mergers, but most importantly the 1988 merger of ASEA and BBC (formerly Brown Boveri), two of the largest companies in European electrical engineering. Today, ABB is a technology leader in its four key operating areas: Power Grids (soon to be divested), Electrification Products, Industrial Automation, and Robotics & Motion.

In late October (10/25/18) ABB reported third-quarter results. Orders and revenue grew by 9% and 3%, respectively. Orders increased 15% in Europe and 9% in America. Service orders, which comprise 18% of total orders, increased 8%. Earnings-per-share grew 6% for the quarter.

In last month's newsletter, we mentioned that rumors indicated ABB was in talks to divest its Power Grids business. In mid-December, ABB published (12/17/18) a press release confirming these rumors. The company announced that it is selling its Power Grids business to Hitachi for an overall enterprise value of about $11 billion. ABB will initially retain a 19.9% equity stake in the business unit to ensure a smooth transition. Beyond that, the company has the option to exit at fair market value with a floor price equal to the current $11 billion enterprise value price. The transaction is expected to close by the first half of 2020. Importantly, ABB included the following sentence in the transaction's press release: "*ABB intends to return 100% of the estimated net cash proceeds of $7.6-7.8 billion from the 80.1% sale to shareholders in an expeditious and efficient manner through share buyback or similar mechanism.*"

Growth, Competitive Advantages, and Total Returns

ABB's growth is fueled by its competitive advantage. Its four (soon to be three) operating divisions are either #1 or #2 globally in their respective markets. ABB enjoys operational efficiencies and the ability to cut costs to drive earnings growth. For example, in 2017 the company completed its 1,000-day productivity program, which resulted in annualized cost savings of more than US$1.3 billion annually. More recently, a Wall Street Journal article revealed (1/9/19) that ABB is looking to save an additional $500 million in costs through restructuring at both corporate and regional offices.

With a price-to-earnings ratio of 14.4, ABB shares trade below our fair value estimate of 16. Expansion of the stock valuation could fuel 2.1% annual returns if mean reversion were to occur over the next 5 years. In addition, we expect ABB to grow earnings by 8% per year over the next five years. Lastly, ABB has an annual dividend payout of US$0.80 per share, which results in an after-tax dividend yield of 2.7%. The combination of valuation changes, earnings growth, and dividends results in 12.8% expected annual returns.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	2.7%[1]
Headquarters City:	Zurich	**Dividend History**:	9 years of increases[2]
Headquarters Country:	Switzerland	**10-Year Avg. P/E:**	18.9
Stock Exchange:	SIX & NYSE	**Price-to-Earnings Ratio:**	14.4
Year Founded:	1883	**Market Capitalization:**	US$41.5 billion

[1]Switzerland imposes a 35% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 4.2%.
[2]ABB's Investor Relations website states "*ABB's dividend policy is to pay a steadily rising, sustainable dividend over time.*"

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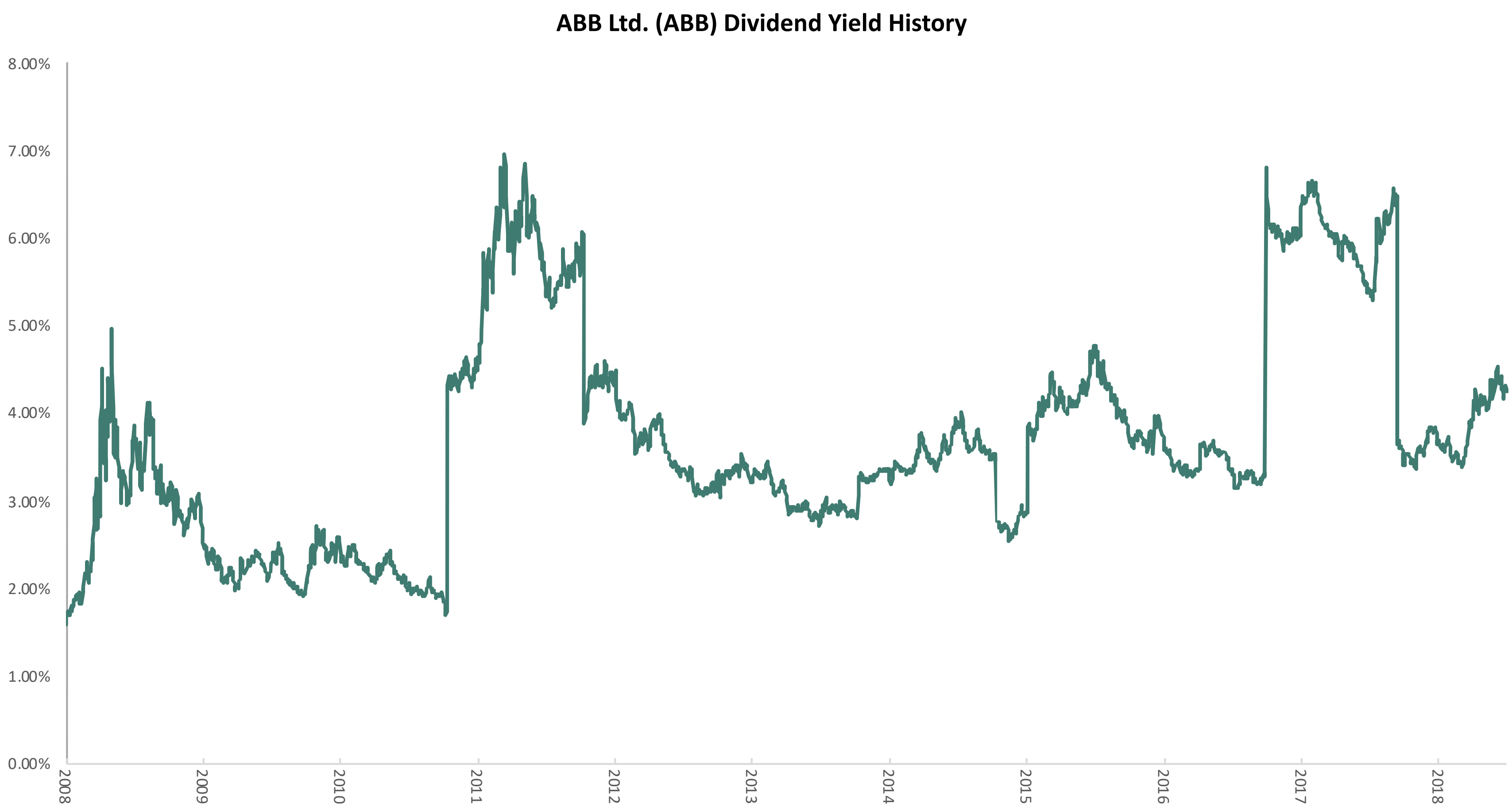

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Aon plc (AON)

Overview & Current Events

Aon is a professional services firm headquartered in London, England (U.K.). The company provides a variety of services including consulting, risk management, and health plan management. Aon has approximately 500 offices worldwide that serve about 120 countries through a workforce that numbers nearly 70,000. Domestic investors can initiate an ownership stake in Aon through American Depository Receipts that trade on the New York Stock Exchange, under the ticker AON.

Aon reported third-quarter earnings on 10/26/18 and results looked strong. Organic revenue growth was up 6% as four of its five major revenue lines were up at least 5%. Indeed, Retirement Solutions was the only segment that did not hit that level, as it rose only 2% during the quarter, while both insurance segments increased their respective top lines 8%. Aon's diversified revenue streams are certainly an attractive trait for shareholders and in the third-quarter, all its segments posted revenue gains. Operating margins rose as well, adding 190 basis points as productivity improvements and a much higher top line combined to meaningfully boost Aon's profitability. These factors, along with a lower tax rate, led to 34% earnings-per-share growth against the year-ago quarter. In addition, adjusted free cash flow was up 5% year-over-year.

Growth, Competitive Advantages, and Total Returns

Between 2008 and 2017, Aon compounded its adjusted earnings-per-share at a rate of 13.7% per year. Looking ahead, we believe the company's growth is likely to continue to be quite strong, albeit a bit slower than its historical pace. The company does have positive growth potential, particularly in new technological areas that are increasingly important to its commercial clients. For example, in the most recent quarter Aon launched a new silent cyber solution, driven by analytics and backed by a reinsurance solution, to help carriers respond to cyber risks and regulations. Innovations like these will help Aon better serve its clients, which is critical to its future growth. Overall, we are forecasting 10% annualized earnings growth over full economic cycles.

Aon's main competitive advantage is its employees. As a consulting firm, it is hugely important for Aon to recruit and retain top talent. This is how the company maintains its reputation as a leading consulting firm with best-in-class client services.

We expect Aon will generate earnings-per-share of $8.10 for 2018. Based on this, the stock has a price-to-earnings ratio of 18.6. While this is below the 10-year average price-to-earnings ratio, it is above our fair value estimate of 17. If the shares continue to retrace toward our fair value estimate, the multiple contraction would reduce annual returns by approximately -1.8% per year over the next five years. Fortunately, a declining valuation multiple would be offset by earnings growth, which we project at 10% per year. In addition, Aon has a dividend yield of 1.1%, and a highly secure dividend payout. The combination of valuation changes, earnings growth, and dividends leads to expected total returns of 9.3% per year.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	1.1%[1]
Headquarters City:	London	**Dividend History**:	Increasing since 2012
Headquarters Country:	England (U.K.)	**10-Year Avg. P/E:**	18.8
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	18.6
Year Founded:	1919	**Market Capitalization:**	US$36.1 billion

[1] There is no withholding tax for companies headquartered in the U.K.

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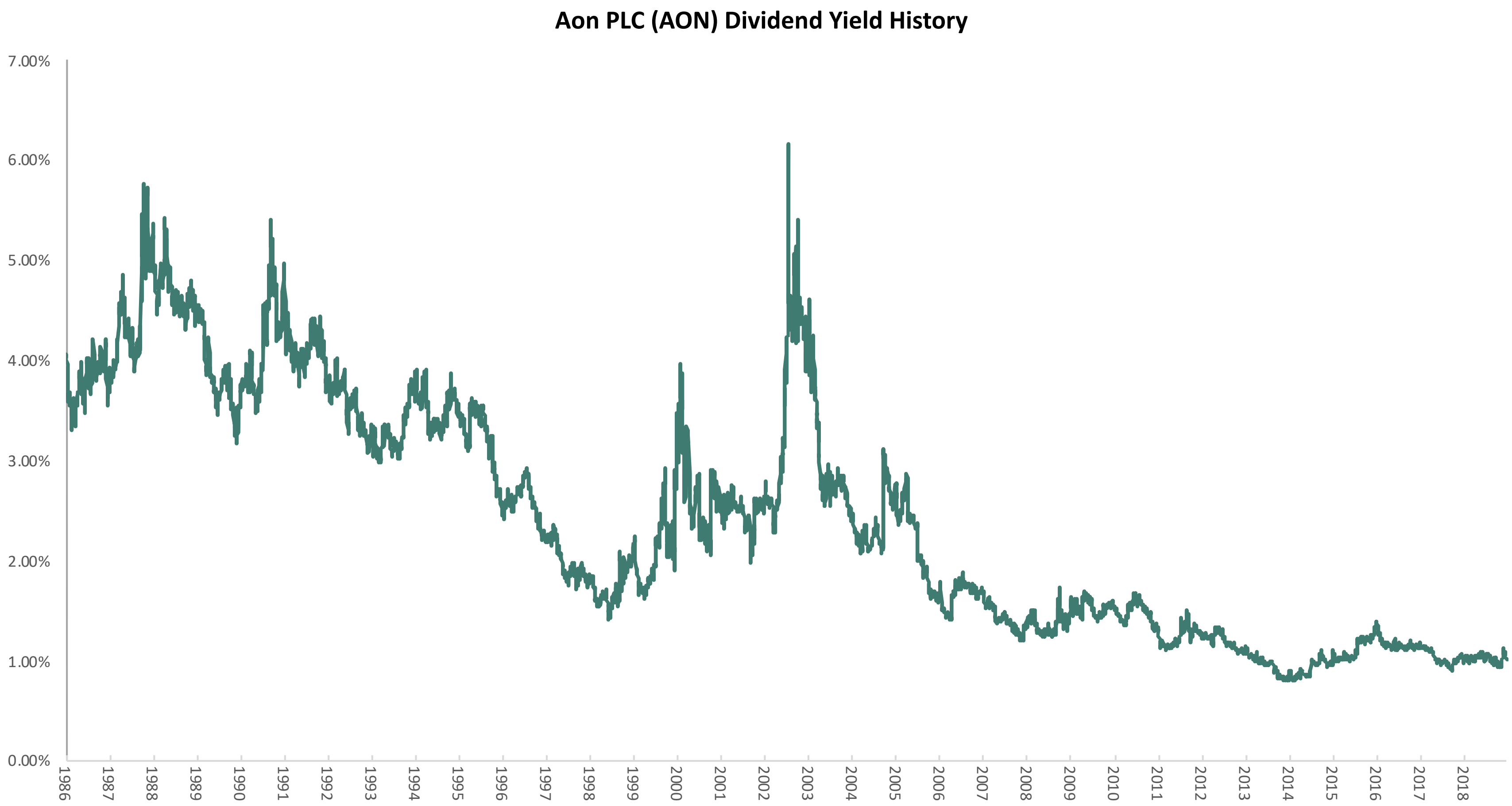

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Taiwan Semiconductor Manufacturing Co. Ltd (TSM)

Overview & Current Events

Taiwan Semiconductor is the world's largest dedicated foundry for semiconductor components. The company is headquartered in Hsinchu, Taiwan. U.S. investors can initiate a position in Taiwan Semiconductor through its ADR shares (TSM) which trade on the New York Stock Exchange. Taiwan Semiconductor is a large corporation with a $180 billion market cap and more than $11 billion in profits over the last 12 months.

Taiwan Semiconductor recently (1/17/19) announced its fourth-quarter fiscal 2018 results. Revenue grew 4.4% versus the same quarter a year ago, while earnings-per-share inched forward 0.7% in the company's home currency. The company's fourth-quarter results were almost exactly in line with management's previously announced expectations for the quarter.

Taiwan Semiconductor's management said that: "Moving into first quarter 2019, we anticipate our business will be dampened by the overall weakening of the macroeconomic outlook, mobile product seasonality, and high levels of inventory in the semiconductor supply chain." The company is expecting operating income to decline by ~29% in the first-quarter of 2019 versus the first-quarter of 2018. *This is a temporary decline, and not a permanent long-term reduction,* in our view.

Growth, Competitive Advantages, and Total Returns

Growth has been strong for Taiwan Semiconductor, coming in at 13.6% annually over the last decade. We expect growth to slow somewhat in the coming years – and to decline in fiscal 2019. Over the long run, we expect earnings-per-share growth of around 9% annually driven by increasing industry demand for Taiwan Semiconductor's products.

Taiwan Semiconductor generates high margins. The company had a net profit margin of 34.5% in its most recent quarter. High margins are a sign of a competitive advantage as the company has pricing power (with that said, low margins aren't evidence of a lack of a competitive advantage). And, the company is recession-resistant. It saw only small declines in earnings-per-share through The Great Recession.

Taiwan Semiconductor is currently trading for a price-to-earnings ratio of 16.1 using Trailing Twelve Month (TTM) earnings-per-share of $2.25. The company is still trading slightly above our fair value estimate of a price-to-earnings ratio of 14.0, but the valuation has come down significantly from this Summer. The company's generous 2.9% dividend yield makes up for anticipated valuation multiple declines. Combining expected valuation multiple mean reversion of -2.8%, the company's current 2.9% dividend yield, and 9% expected earnings-per-share growth gives Taiwan Semiconductor expected total returns just above 9% annually over the next 5 years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	New Taiwan Dollar	**Dividend Yield:**	2.9%[1]
Headquarters City:	Hsinchu	**Dividend History:**	Steady or rising since 2003[2]
Headquarters Country:	Taiwan	**10-Year Avg. P/E:**	14.0
Stock Exchange:	TWSE & NYSE	**Price-to-Earnings Ratio:**	16.1
Year Founded:	1987	**Market Capitalization:**	US$180 billion

[1] Taiwan imposes a 21% withholding tax. Excluding this withholding tax, the dividend yield would be 3.7%.

[2] The company's dividend has technically been slightly lower during some years based on fractions of a cent; Example, dividend of NT$2.995 declining to $2.994. We chose to count this as 'steady' dividends for practical purposes.

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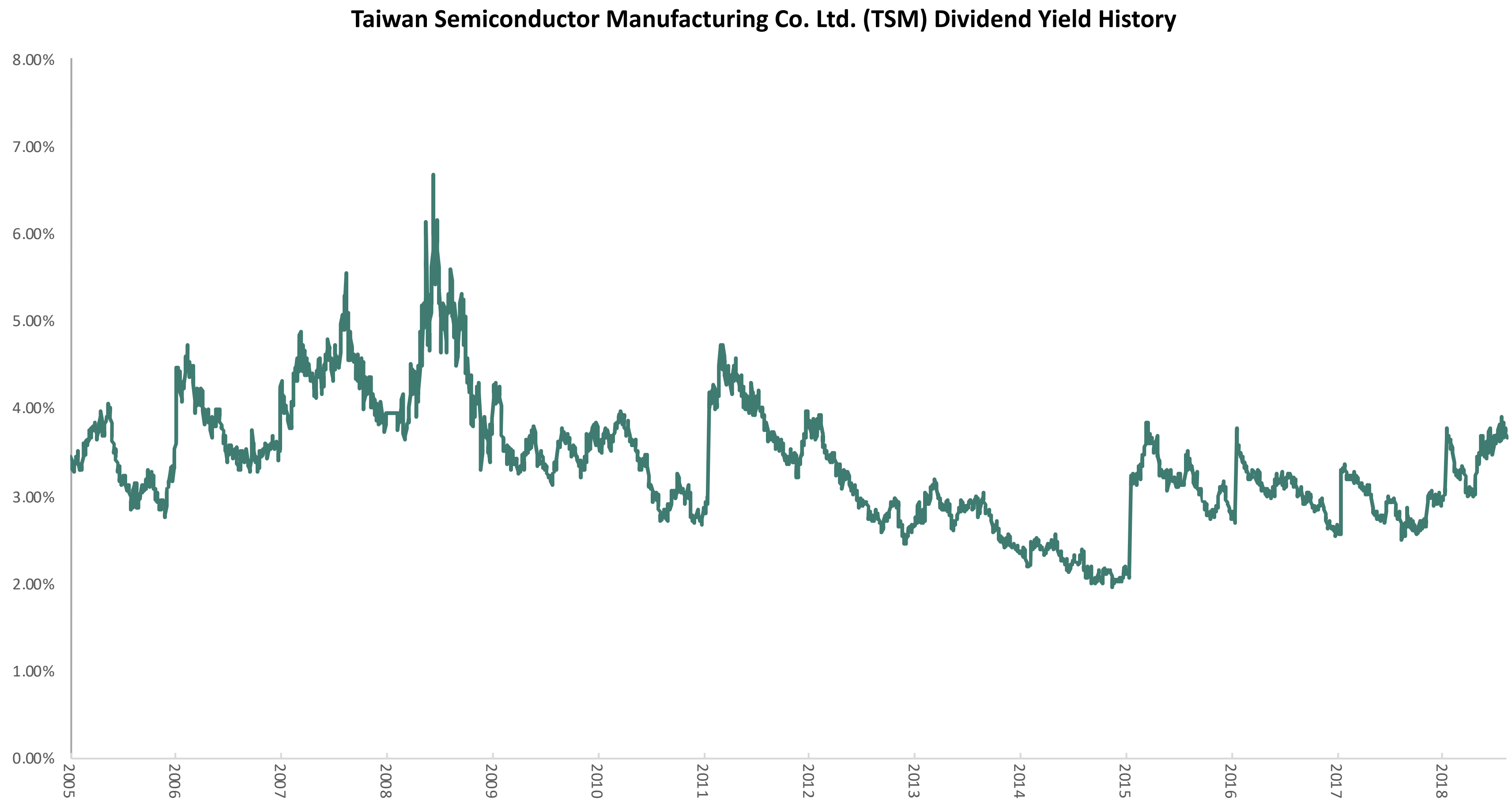

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Chubb Ltd (CB)

Overview & Current Events

Chubb Ltd is a global provider of insurance and reinsurance services headquartered in Zurich, Switzerland. The company has operations in 54 countries and territories. Chubb provides insurance services including property & casualty insurance, accident & health insurance, life insurance, and reinsurance. The current version of Chubb was created in 2016, when Ace Limited acquired the 'old' Chubb[1] and adopted its name. U.S. investors can initiate an ownership position in Chubb through shares listed on the New York Stock Exchange under the stock symbol CB.

Chubb reported (10/23/18) financial results for the third-quarter of fiscal 2018 in late October. In the quarter, the company's most widely-cited profitability metric (core operating income excluding catastrophic losses) increased by 2.9% versus the same quarter a year ago. Chubb's book value per share grew 0.4% versus the second-quarter of 2018. Importantly, Chubb's combined ratio in the quarter was 90.9%, showing very profitable underwriting activity.

Growth, Competitive Advantages, and Total Returns

Chubb will benefit from new policies, price increases, and rising investment income for growth. Net premiums written increased 4.6% over the first nine months of 2018. Rising interest rates will also help boost its net investment income. Chubb had an investment portfolio of $101.2 billion at the end of the third-quarter, invested primarily in investment-grade fixed income securities. Rising interest rates will boost fixed income yields and will naturally help Chubb's earnings growth. Lastly, the company's US$1.5 billion share repurchase authorization on November 15th will boost earnings. The authorization will be completed through 2019 and represents approximately 2.5% of the company's current market capitalization. We expect Chubb to grow by 8% per year over the next five years.

Chubb's main competitive advantage is its position atop the industry. Chubb is the world's largest publicly traded property and casualty insurance company, and the largest commercial insurer in the United States. It has a dominant position across its product categories, which helps it to retain customers. It is also in strong financial position. Chubb is rated AA from Standard & Poor's, AA from Fitch, and Aa3 from Moody's, the three major U.S. credit ratings agencies.

Using book value instead of earnings makes sense for valuing many insurance companies, including Chubb. Chubb currently has a price-to-book ratio of 1.16 using expected 2018 book value of $115/share. Our fair value P/B ratio for Chubb is 1.06, implying a valuation headwind of -1.7% annually over the next 5 years. Chubb currently has a dividend yield (after withholding tax) of 1.4%. The company provides regular dividend increases to shareholders, including a 3% increase in 2018. Overall, the combination of valuation changes (-1.7%), growth (8%), and dividends (1.4%) results in expected total returns of 7.7% per year through 2024.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	1.4%[2]
Headquarters City:	Zurich	**Dividend History**:	Increasing since 1993
Headquarters Country:	Switzerland	**10-Year Avg. P/E:**	10.0
Stock Exchange:	NYSE	**Price-to-Earnings Ratio:**	12.7
Year Founded:	1985	**Market Capitalization:**	US$61.2 billion

[1] The 'old Chubb' was a Dividend Aristocrat and past *Sure Dividend Newsletter* recommendation.
[2] Switzerland imposes a 35% withholding tax. Excluding this withholding tax, the dividend yield would be 2.2%.

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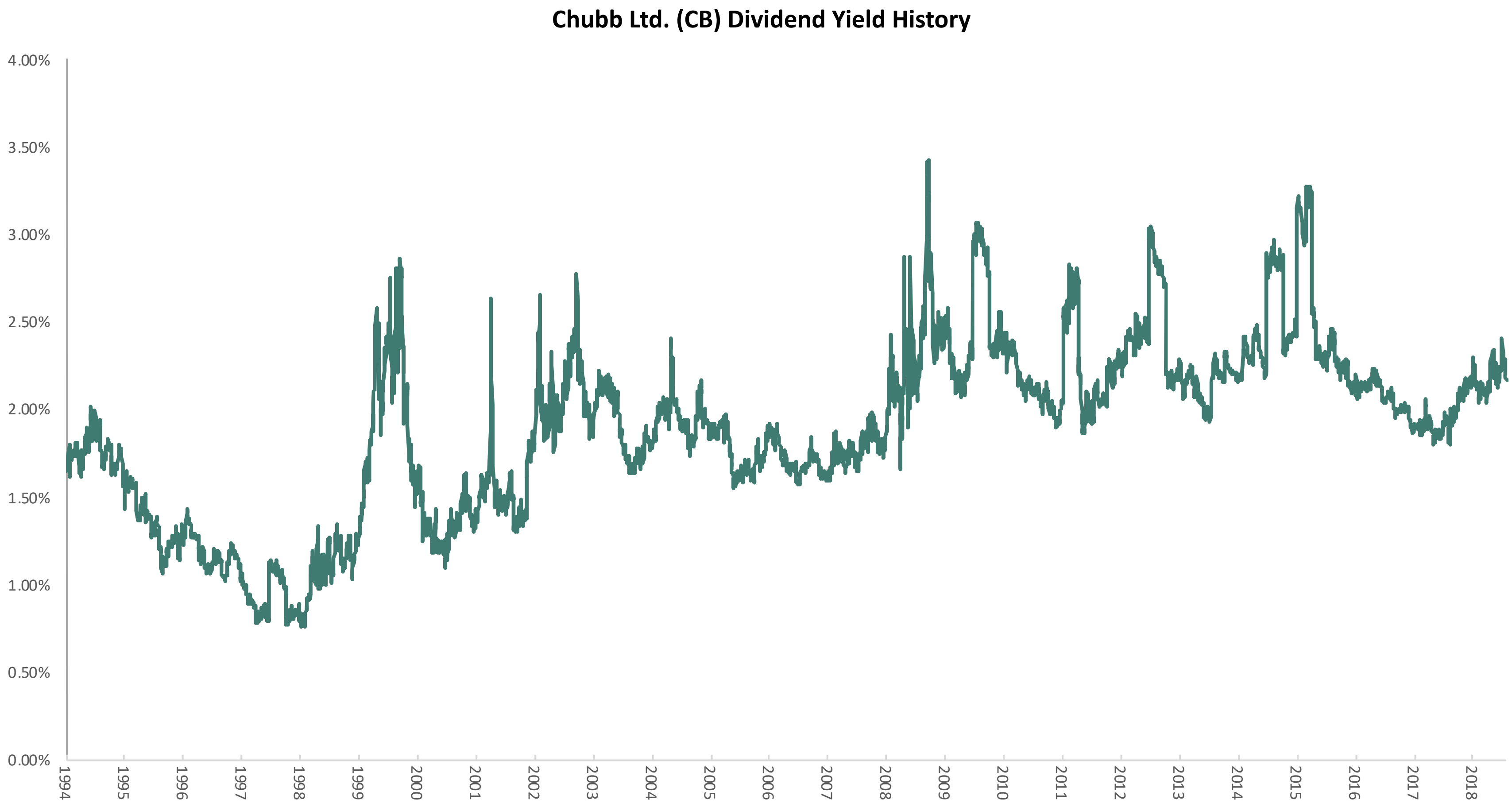

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Novartis AG (NVS)

Overview & Current Events

Novartis AG is a Swiss multinational pharmaceutical firm. The company's Pharmaceutical division offers medicines in the areas of oncology, cardiology, dermatology, respiratory, and several other categories. Norvartis' Sandoz division develops and markets generic drugs. The Alcon division, which Novartis announced on June 29th that it would be spinning off into its own separate company, provides products related to eye care. Novartis has a $207 billion market cap.

Novartis reported third-quarter earnings on October 18th. The company earned $1.32 per share, beating estimates by $0.02 and increasing 2.3% from the third-quarter 2017. Revenue grew 3% to $12.78 billion, $210 million below analysts' estimates.

Novartis' Innovative Medicines had revenue growth of more than 6%. Sales for Cosentyx, which treats plaque psoriasis, were up 35%. This follows 43% growth last quarter and 35% growth in the first-quarter. Entresto, used to treat chronic heart failure, saw sales grow 112%. Entresto has seen sales double year-over-year for the past three quarters. Tafinlar + Mekinist, which treats melanoma, saw revenues increase 33% year-over-year. Sales for the company's eye care division, Alcon, improved almost 3%. Novartis' generic drug division Sandoz experienced a 5.2% decline in sales. Even with this decline in generic sales, Novartis now sees mid-single-digit sales growth compared to its prior forecast of low single-digits. This is due to the strength of its Innovative Medicines. Novartis has several drugs coming to market this year, including treatments for multiple sclerosis and breast cancer.

Growth, Competitive Advantages, and Total Returns

One compelling arena of growth for Novartis is generic drugs, which operate under the Sandoz division. Novartis' Adalimumab, the company's biosimilar for Humira, was given a favorable recommendation from regulators in Europe. Humira is the bestselling pharmaceutical in the world, so Adalimumab could boost earnings in the future as AbbVie (ABBV) loses patent protections in Europe starting this October.

We expect Novartis to generate earnings-per-share of ~$5.27 in fiscal 2018. Using this estimate, the company is trading at a P/E of 16.8. We believe that a fair value P/E for Novartis is ~18. If the company's valuation were to expand to a price-to-earnings ratio of 18 over 5 years, the company's returns would increase by 1.4% annually. We expect Novartis to generate long-run earnings-per-share growth of 3% to 6% per year (3.1% is the 10-year average) and the company currently pays a dividend that yields 1.8% after accounting for the hefty 35% Swiss withholding tax. Adding it all together, we believe Novartis could generate total returns of around 6% to 9% annually over the next 5 years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	1.8%[1]
Headquarters City:	Basel	**Dividend History**:	21 years of increases
Headquarters Country:	Switzerland	**10-Year Avg. P/E:**	19.5
Stock Exchange:	SIX & NYSE	**Price-to-Earnings Ratio:**	16.8
Year Founded:	1758[2]	**Market Capitalization:**	US$226 billion

[1]Switzerland imposes a 35% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 1.8%.
[2] Using the histories of past merger partners that combined to form today's Novartis.

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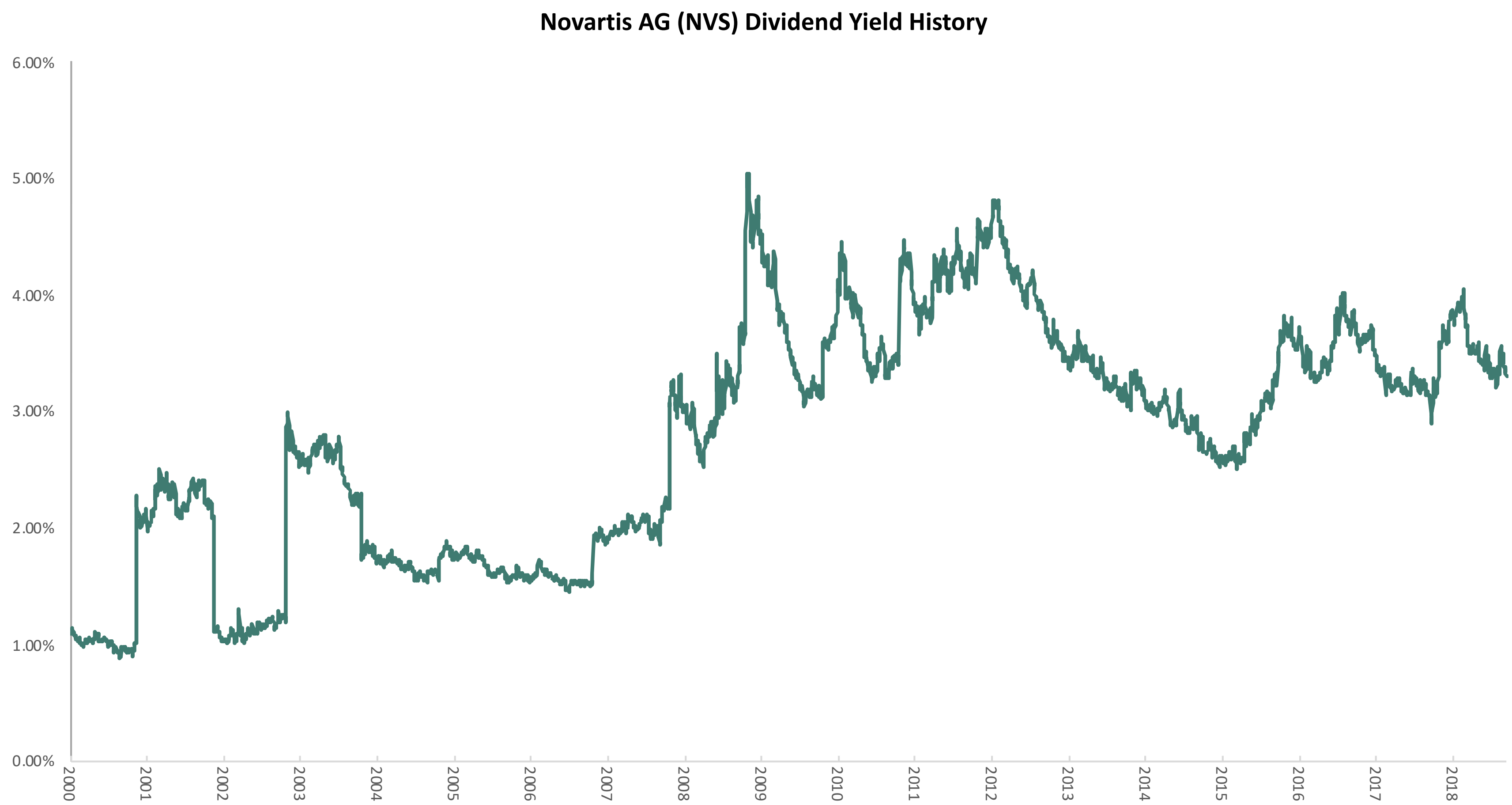

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Closing Thoughts

- A Closer Look At The German Stock Market -

The German economy is the largest in Europe based on GDP and the fourth largest globally (behind only the United States, China, and Japan).

There are two securities in this month's Top 10 based in Germany: Fresenius Medical (FMS) and Siemens (SIEGY). With the size of Germany's economy and the prevalence of German stocks recommended in *Sure Dividend International*, this month's Closing Thoughts takes a closer look at the German stock market

Basics & Dividend Withholding Tax

The most widely quoted German index is the DAX 30. It consists of 30 blue-chip stocks (including well-known companies like Adidas, Bayer, and Volkswagen) that are publicly traded on the Frankfurt stock exchange. The DAX 30 is the 'German version' of the popular U.S. Dow Jones Industrial Average.

For U.S. investors, dividend withholding tax rates are important information. Germany imposes a 26.375% dividend withholding tax on U.S. investors.

Recession Performance

The German stock market (using data from the ETF EWG) did not perform well during The Great Recession; no country we've come across did. With that said, the recession hit Germany's stock market a bit harder than the S&P 500. The German stock market declined ~60% from its peak during the worst of The Great Recession. Moreover, *it took approximately 5 years* for the German market to recover (using total returns). This is significantly longer than the 3.5 years it took the U.S. S&P 500 to recover.

Growth & Valuation

Germany's GDP grew just 1.5% in 2018, the weakest growth in 5 years. The European Commission expects GDP growth of 1.8% and 1.7% for Germany in 2019 and 2020, respectively. It is important to keep in mind that the growth of a particular *business* does not necessarily track GPD growth, but GDP does reflect general growth conditions in the country.

What stands out about the German stock market right now is its low price-to-earnings ratio. The iShares MSCI Germany ETF (EWG) currently has a price-to-earnings ratio of only 11.7, coupled with a dividend yield of 2.95%. The German market is clearly 'cheap' relative to the United States' market currently.

Final Thoughts

The German economy is exhibiting tepid growth. With that said, Germany is one of the strongest and most stable countries economically in Europe. The combination of stability and value make Germany a prime country to look for high-quality dividend growth stocks trading at fair or better prices. Successful investing is rarely about investing in what is 'hot,' but rather investing in what is out of favor – at bargain prices.

Thanks,
Ben Reynolds

The next newsletter publishes on Sunday, February 17th, 2019

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	1st Recommended	Total Return
Autoliv	ALV	Oct-18	-1.3%
Brookfield Renewable Partners	BEP	Oct-18	-1.5%
Bank of Nova Scotia	BNS	Oct-18	4.1%
British American Tobacco	BTI	Oct-18	-22.4%
Canadian Natural Resources	CNQ	Oct-18	-3.0%
Daimler	DDAIF	Oct-18	-0.4%
Enbridge	ENB	Oct-18	13.6%
Micro Focus International	MFGP	Oct-18	11.4%
Vodafone	VOD	Oct-18	1.6%
WPP	WPP	Oct-18	-16.0%
Canon	CAJ	Nov-18	-0.8%
Lazard	LAZ	Nov-18	4.5%
Sanofi	SNY	Nov-18	-7.6%
Total	TOT	Nov-18	-2.7%
ABB	ABB	Dec-18	2.1%
Brookfield Asset Management	BAM	Dec-18	4.6%
Fresenius Medical Care	FMS	Dec-18	4.6%
Fortis	FTS	Dec-18	0.5%
Imperial Oil	IMO	Dec-18	7.0%
Infosys	INFY	Dec-18	10.9%
Siemens	SIEGY	Dec-18	1.8%
Aon	AON	Jan-19	N/A
Chubb	CB	Jan-19	N/A
Novartis	NVS	Jan-19	N/A
Taiwan Semiconductor	TSM	Jan-19	N/A
Vermilion Energy	VET	Jan-19	N/A

Average	0.5%
All-World Ex-U.S. Average (VEU)	2.4%

Performance should be measured over 3 years *at a minimum*. We have just 3 months of performance data using our *Sure Analysis Research Database* recommendations.

Performance is tracked against the All-World Ex-U.S. ETF (VEU).

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 can't use a 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 list below details the tax rates for all parent countries of current and prior *Sure Dividend International* recommendations.

Country	**Dividend Withholding Tax Rate**
India	0%
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%
Taiwan	21%
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 that investors speak to a qualified tax expert to maximize their 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 two 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 allows purchasing international securities directly (not with ADRs).

There are three levels of ADRs:
Level I: Exempt from full SEC reporting, and they usually trade over-the-counter (OTC)
Level II: Report to the SEC, but 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 fully 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 two 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 its 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.