Sure Dividend International

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

February 2019 Edition

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- On Dividend Frequency & Policy -

Dividend frequency refers to how often a company pays dividends. In the United States, the most common dividend frequency is quarterly (4x/year). That is, most (but not all) United States dividend-paying stocks pay out four times a year. There are exceptions of course. A few stocks pay out annually (1x/year), while others pay out *monthly* (12x/year).

It's important to note that dividend frequency has nothing to do with the actual dividend yield of the company in question. A stock that pays monthly dividends may have a lower yield than a stock that pays only one dividend a year. It all depends on the size of the dividend and the stock price, not the timing of dividends.

With that said, there are two benefits to more frequent dividend payments. The first is management of your personal cash flows. If you are living on your dividend income, it's much easier to budget for a monthly dividend than an annual one. The second benefit is a slight boost to compounding. If you are reinvesting your dividends, more frequent payments mean more frequent reinvesting. It's less time the company 'holds your dividend,' and more time that your dividend can go to work compounding for you. This is a *very small* advantage, but every little bit helps. Given the choice – if everything were equal (and it never is) – I'd prefer a monthly dividend every time.

Dividend policies tend to differ around the world. United States and Canadian stocks tend to pay quarterly dividends. Anecdotally, I've noticed a higher number of monthly dividend payers in Canada than elsewhere on a proportional basis. Canadian and United States companies also tend to *try* to pay steady or rising dividends every year.

This contrasts with European companies. Many European companies pay semi-annual (2x/year) or annual (1x/year) dividends. Also, many European companies base their dividends on a *percentage of earnings*. Instead of focusing on steady or rising dividends, they are more likely to pay out '40% of earnings' – which causes fluctuations in the dividend amount each year. See the Daimler (DDAIF) sell analysis in this newsletter for more on this type of dividend policy.

For this month's Top 10, the dividend frequency of each of the top 10 is below:

- The Bank of Nova Scotia (BNS): Quarterly (4x/year)
- Canadian Imperial Bank of Commerce (CM): Quarterly (4x/year)
- Total (TOT): Quarterly (4x/year)
- Enbridge (ENB): Quarterly (4x/year)
- Fortis (FTS): Quarterly (4x/year)

- Siemens (SIEGY): Annually (1x/year)
- ABB (ABB): Annually (1x/year)
- Sanofi (SNY): Annually (1x/year)
- SAP (SAP): Annually (1x/year)
- Fresenius Medical Care (FMS): Annually (1x/year)

As you can see from the data above, the four Canadian companies in this month's Top 10 pay quarterly dividends while only one (TOT) of the six European companies in this month's Top 10 pay quarterly dividends. The remainder pay annual dividends.

Sell Recommendation: Daimler (DDAIF)

We first recommended Daimler (DDAIF) in the June 2018 edition of *The Sure Dividend International Newsletter*. Daimler AG is a leading manufacturer of luxury passenger automobiles that is responsible for the Mercedes-Benz brand of cars, the Daimler brand of trucks, as well as vans, buses, and other automobiles. Daimler's history dates from 1886 and has grown to more than 298,000 employees and a market capitalization of more than US$60 billion.

Since we first recommended Daimler, the stock has generated poor total returns of -20.2% versus -5.5% for the All-World Ex-US ETF (VEU). That in itself is not why we are issuing a pending sell recommendation on Daimler.

Worse than that, ***the company announced it is reducing its dividend payments***. There are only two reasons a company reduces its dividend payments:

1. Because it *cannot* afford to pay the dividend
2. Because it *does not want to* pay the dividend

In Daimler's case, it is clearly because the management team does not want to prioritize a steady dividend. The company's dividend payments for fiscal 2009 through fiscal 2018 are shown below (note that the company pays out the dividend in the next year; fiscal 2018's dividend will be paid in calendar year 2019 as an example):

- 2009: €0.00
- 2010: €1.85
- 2011: €2.20
- 2012: €2.20
- 2013: €2.25
- 2014: €2.45
- 2015: €3.25
- 2016: €3.25
- 2017: €3.65
- 2018: €3.25

In fiscal 2007 Daimler paid a €2.00 dividend. This was reduced in 2008 to €0.60 in fiscal 2008, and then to nothing in 2009. But since 2009 the company has paid steady or rising dividends every year through 2017. This streak was ended in 2018 when the company decided to pay a dividend ~11% lower than the previous year.

Daimler's policy is to pay out 'around 40%' of earnings as dividends. Based on its track record, we thought it likely the company aimed to pay steady or rising dividends when possible. In fiscal 2018, the company's payout ratio would have been a reasonable 53.8%. Instead, the company reduced its dividend. Interestingly, Daimler expects earnings before interest and taxes (EBIT) to *grow* slightly in fiscal 2019. We expect earnings-per-share to rise modestly as well. In other words, Daimler cut its dividend despite expecting growth in 2019 from 2018 numbers.

Overall, we are not happy with Daimler's decision to reduce its dividend payment (even if it is a small reduction as far as dividend reductions go). If Daimler is willing to give its dividend a haircut now, a complete elimination of the dividend is likely in a recession. As a result, **we are issuing a pending sell recommendation on Daimler**. We recommend selling Daimler when it trades around fair valuation (it appears undervalued today). We estimate this at a dividend yield of around 5% (not accounting for dividend withholding tax). We will issue our final sell recommendation of Daimler when it trades at a dividend yield of 5% or below; it is currently yielding 6.6% using the lower fiscal 2018 dividend amount.

The International Top 10 – February 2019

Name and Ticker	Country	Dividend Risk Score	Exp. Value Return	Dividend Yield[1]	Exp. Growth	ETR
Scotiabank (BNS)	Canada	C	3.5%	3.7%	8.0%	15.2%
CIBC (CM)	Canada	C	3.1%	4.0%	6.5%	13.6%
Total (TOT)	France	C	2.1%	3.7%	7.0%	12.8%
Siemens (SIEGY)	Germany	C	5.2%	3.0%	4.5%	12.7%
Enbridge (ENB)	Canada	C	0.6%	5.3%	7.2%	13.1%
ABB (ABB)	Switzerland	C	1.6%	2.7%	8.0%	12.3%
Sanofi (SNY)	France	C	5.1%	2.9%	4.0%	12.0%
SAP (SAP)	Germany	B	0.9%	0.9%	9.0%	10.8%
Fortis (FTS)	Canada	B	1.8%	3.3%	6.0%	11.1%
Fresenius Med. (FMS)	Germany	B	3.0%	1.1%	6.0%	10.1%

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 changes annually. '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.*

Disclosure: Nick McCullum is long BNS, ENB, and FTS.

There are seven new securities in this month's Top 10 compared to last month's edition. Imperial Oil (IMO), Canadian Natural Resources (CNQ), Vermilion Energy (VET), Aon (AON), Taiwan Semiconductor Mfg. (TSM), Chubb (CB), and Novartis (NVS) were replaced by Scotiabank (BNS), the Canadian Imperial Bank of Commerce (CM), Total (TOT), Enbridge (ENB), Sanofi (SNY), SAP (SAP), and Fortis (FTS).

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

Dividend Yield:	3.1%	**Expected Valuation Return:**	2.7%
Growth Rate:	6.6%	**Expected Total Return:**	12.4%

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 February 13th through February 15th, 2019.

[1] After accounting for any applicable withholding taxes.

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Analysis of Top 10 Securities

The 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 (TD). The company operates in three business units: Canadian Banking (49% of 2018's net income), International Banking (31%), and Global Banking and Markets (20%). Scotiabank is cross-listed on both the Toronto Stock Exchange and the New York Stock Exchange and has a $69 billion market cap.

Scotiabank reported fourth quarter and full year earnings on 11/27/18; results were roughly in line with expectations. Earnings-per-share rose 8% during the quarter and 5% for the year. Net interest income rose 10% as all segments performed well. International Banking earnings rose 18% and Canadian Banking earnings grew 7%. Separately, Scotiabank acquired Jarislowsky Fraser and MD Financial Management to bolster its wealth management business.

The bank's efficiency ratio was strong at 54.6% in Q4 and was much better for the full year at 52.3%. This is an improvement over 2017's 53.9%, helping to drive operating leverage. Return on equity was 13.8% for Q4 and 14.5% for the year, the latter of which was roughly flat. The bank's common equity tier 1 ratio was 11.1%, which is more than adequate. Gross impaired loans continue to fall as well, with that number coming in at 0.90% in Q4. The markets appeared to appreciate the bank's performance as shares rose by ~ 4% on the first trading day following the announcement.

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. 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 22% and adjusted net income growth of 16% while operating with a net interest margin of 4.52% (compared to 2.45% for the Canadian Banking unit).

Scotiabank does not provide earnings-per-share guidance, but we believe it is likely to deliver 2019 earnings-per-share of about C$7.45. This is equivalent to US$5.61 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. Our fair value estimate for the company is a price-to-earnings ratio of 12. If Scotiabank's price-to-earnings ratio expands to 12 over the next 5 years, this will add 3.5% to its annualized returns during this time period. Between dividend payments (3.7%), earnings growth (8%), and valuation expansion (3.5%), we believe that Scotiabank has the potential to deliver annualized returns of 15.2% moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	3.7%[1]
Headquarters City:	Toronto	**Dividend History:**	35 increases in last 40 years
Headquarters Country:	Canada	**10-Year Average P/E:**	11.5
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	10.1
Year Founded:	1832	**Market Capitalization:**	US$69.2 billion

[1] Canada imposes a 15% dividend withholding tax. However, the withholding tax is waived for U.S. investors who hold the stock in a qualified retirement account, such as a 401(k) or IRA. Excluding the withholding tax, the dividend yield would be 4.4%.

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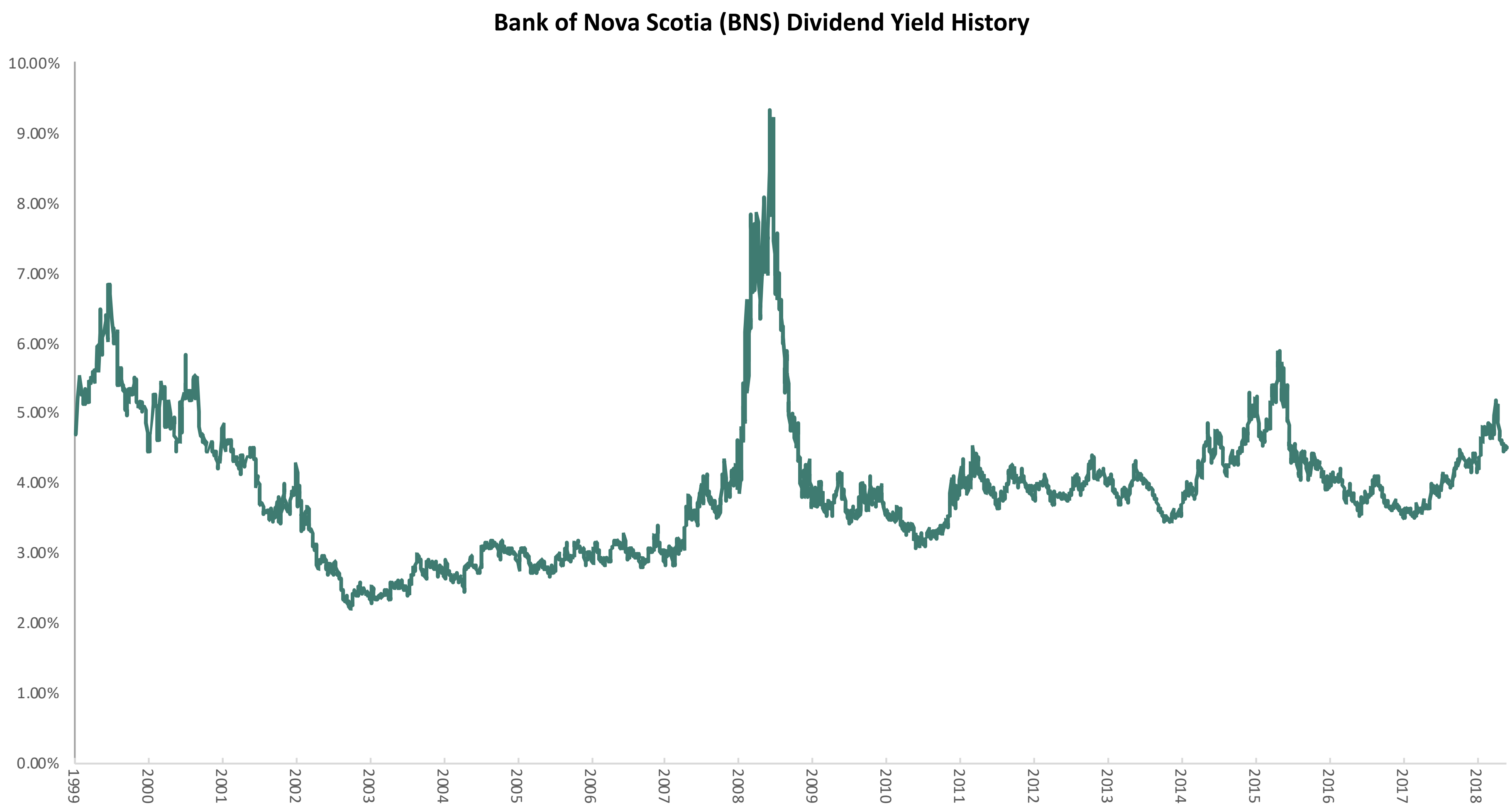

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Canadian Imperial Bank of Commerce (CM)

Overview & Current Events

The Canadian Imperial Bank of Commerce – hereafter CIBC – is the fifth-largest financial institution in Canada behind the Royal Bank of Canada (RY), The Toronto-Dominion Bank (TD), The Bank of Nova Scotia (BNS), and the Bank of Montreal (BMO). The company trades on the New York Stock Exchange with a market capitalization of US$38 billion.

In late November, CIBC reported (11/29/18) its fourth quarter (fiscal 2018) earnings results. The company reported revenues of C$4.45 billion for the quarter, which is equivalent to US$3.35 billion and represents a growth rate of 4.2% year-over-year. Revenues were driven by a number of factors, including net interest margin expansion in the bank's Personal and Small Business Banking division and strong double-digit volume growth for the bank's Commercial Banking activities. CIBC generated net profits of C$1.36 billion, an increase of 8% year-over-year. Earnings-per-share totaled C$3.00, which is equal to US$2.26 and represents an increase of 6.7% compared to the prior year's level. The bank grew its CET1 ratio (which measures a bank's capital against its assets) marginally to 11.4% during the fourth quarter. CIBC's CET1 ratio expanded by 80 basis points in fiscal 2018. Provisions for credit losses grew slightly during fiscal 2018, but remained at a relatively low level, totaling $840 million during the year. Overall, the markets seemed impressed by CIBC's performance in the quarter as shares rose by about 3% in the days following the earnings release.

Growth Prospects & Expected Total Returns

CIBC's future growth will be driven by its expansion into the United States banking market. While the financial institution was the slowest among the Canadian Big 5 to expand internationally, last year's US$5.0 billion acquisition of Chicago-based PrivateBancorp (PVTB) – which operates as The PrivateBank – gives the company a foothold in the important U.S. economy. We expect CIBC to continue its expansion into the United States through both organic growth and bolt-on acquisitions.

We expect CIBC to generate earnings-per-share of about US$9.48 in fiscal 2019. The bank's NYSE-listed shares (CM) currently trade hands at about $86, which implies a price-to-earnings ratio of 9.0 – lower than most banks in either the United States or Canada. Our fair value target for CIBC is a price-to-earnings ratio of 10.5. If the bank's price-to-earnings ratio were to expand to 10.5 over a 5-year holding period, this would bolster the company's annualized returns by 3.1% per year during this time period.

CIBC has compounded its adjusted earnings-per-share at 15.6% per year over the last decade and 9.1% per year over the last 5 years. We believe that this growth is unlikely to repeat itself and instead, the bank is capable of delivering mid-to-high-single-digit earnings-per-share growth moving forward. Combining this 6.5% growth estimate with CIBC's current yield of 4.0% (after withholding tax, outside of a retirement account) and factoring in the potential for valuation expansion (3.1%), we believe that CIBC is capable of delivering annualized returns of 13.6% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	4.0%[1]
Headquarters City:	Toronto	**Dividend History:**	Steady or rising since 1868
Headquarters Country:	Canada	**10-Year Average P/E:**	10.5
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	9.0
Year Founded:	1867	**Market Capitalization:**	US$37.9 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 4.7%.

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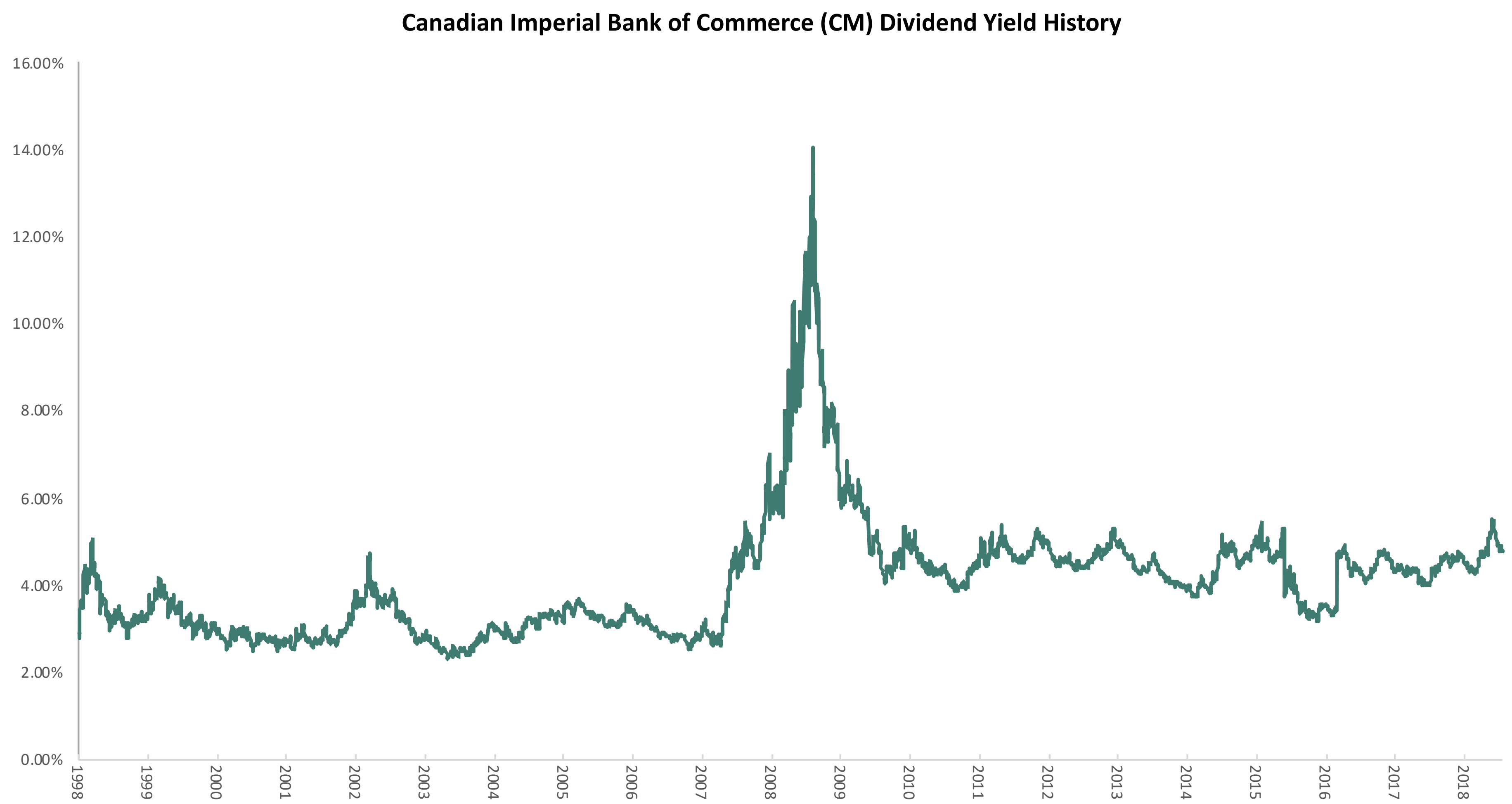

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Total SA (TOT)

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 the stock trades with a market capitalization of US$143 billion. Total produces more than 2.5 million barrels of oil equivalents per day. As an integrated major, Total is engaged in all aspects of the oil and gas industry, including exploration and production, transportation and storage, refining, chemicals, and marketing.

In early February, Total reported (2/7/19) financial results for the fourth quarter of fiscal 2018. Total managed 6% earnings-per-share growth for the quarter, despite the fact that its average Brent crude oil price was roughly flat. Instead, the biggest contributor to Total's earnings growth was a 10% increase in production. This impressive output growth resulted from start-ups and ramp-ups of new projects, which more than offset the 4% natural decline of oil fields. Production for 2018 increased 8% from 2017 levels, reaching a record 2.8 million barrels per day. For the full year, Total grew earnings-per-share by 23%, to US$5.05 in 2018. Project ramp-ups are expected to continue this year, leading to expectations of 9% production growth for 2019.

Growth, Competitive Advantages, and Total Returns

As a major oil and gas producer, Total's primary growth catalyst is higher commodity prices. A supportive oil price is critical for Total's bottom line. The worst years for Total have occurred when oil and gas prices declined, such as 2014-2016 when Total's earnings-per-share declined by 55% due to falling commodity prices. Another huge catalyst for Total is its impressive production growth. Total's 8% production growth last year and guidance for 9% production growth in 2019 are far ahead of its major U.S. competitors, Exxon Mobil and Chevron. Recent project ramp-ups include the Egina field in Nigeria, Ichthys LNG in Australia, and the third liquefaction train of Yamal LNG in Russia.

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 a repeat recommendation in this newsletter because the stock remains undervalued. Total is expected to generate earnings-per-share of US$5.20 in 2019. Based on this, the stock has a price-to-earnings ratio of 10.7, which is below our fair value estimate of 11.9. Expansion of the valuation multiple could fuel 2.1% annual returns if mean reversion occurred over a 5-year holding period. In addition, Total has a current annual dividend payout of US$2.89 per share, resulting in an after-tax yield of 3.7%. The combination of valuation changes, dividends, and expected earnings growth of 7% per year result in total expected returns of 12.8% per year through 2024.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	3.7%[1]
Headquarters City:	Courbevoie	**Dividend History:**	Steady or increasing since 1982
Headquarters Country:	France	**10-Year Average P/E:**	12.2
Stock Exchange:	Euronext & NYSE	**Price-to-Earnings Ratio:**	10.7
Year Founded:	1924	**Market Capitalization:**	US$143 billion

[1] France imposes a 30% withholding tax. Excluding this withholding tax, the dividend yield would be 5.2%.

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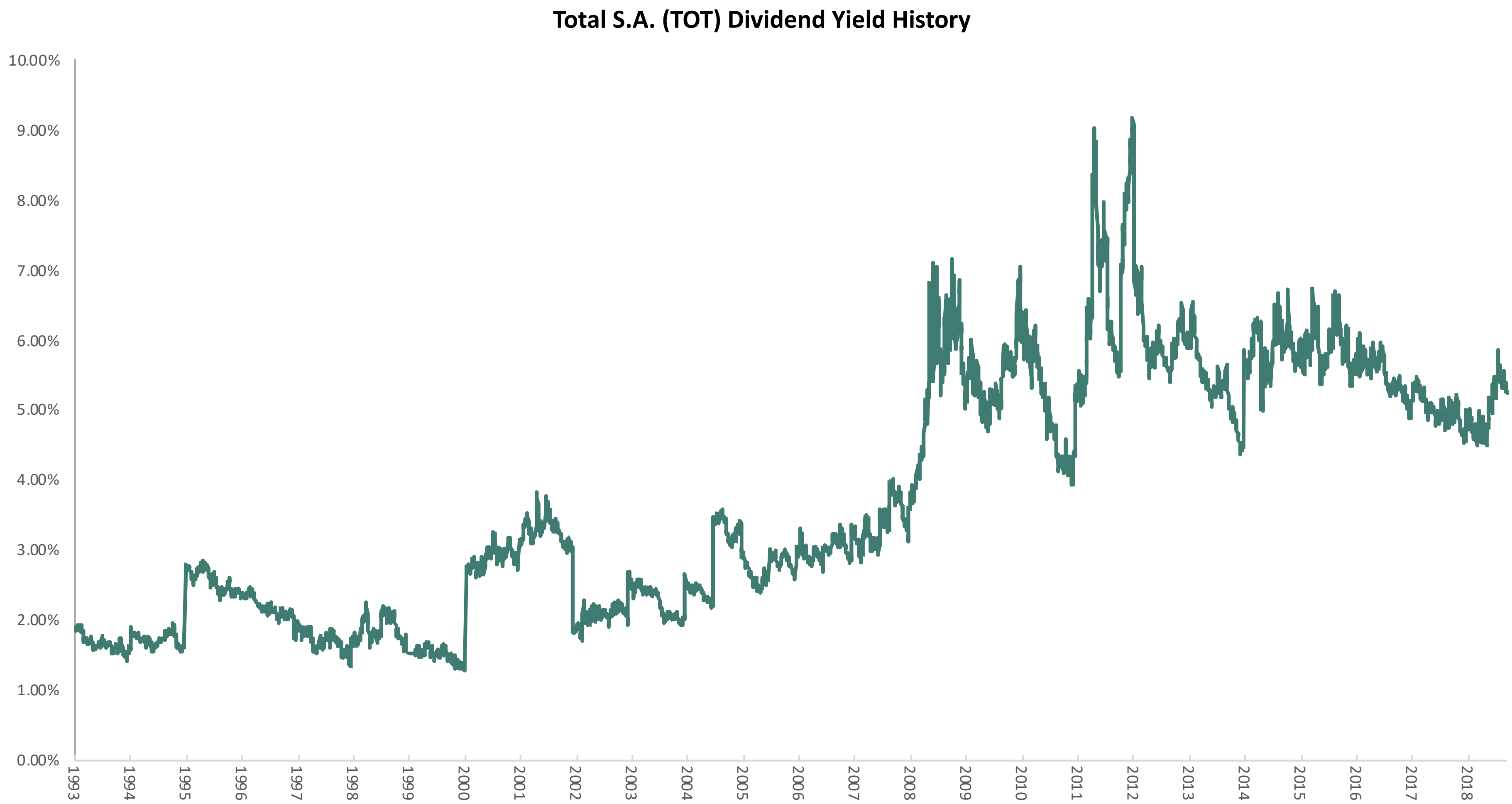

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Siemens AG (SIEGY)

Overview & Current Events

Siemens is a German industrial conglomerate that operates in the following business units: Energy, Healthcare, Industry, and Infrastructure & Cities. Siemens was founded in 1847 and today employs approximately 379,000 people worldwide while generating more than US$90 billion of annual revenue. American investors can purchase Siemens stock through American Depository Receipts (two ADRs equal one ordinary share) that trade over-the-counter under the ticker SIEGY with a current market capitalization of US$86 billion. Siemens is a consistent dividend growth stock – the company has compounded its Euro-denominated per-share dividend at 8% since 1987.

In late January, Siemens reported (1/30/19) financial results for the first quarter of fiscal 2019. Revenues increased by 1% over the same period a year ago, while order intake increased by 12%. Siemens' book-to-bill ratio rose to 1.25 in the most recent quarter, which means that its industrial backlog continued to grow. The company's total backlog stood at €137 billion at the end of the first quarter (equal to $156 billion), representing a new all-time high. On the bottom line, Siemens generated earnings-per-share of €1.26 in the first quarter, which is a decline of roughly 50% over last year's comparable period. With that said, this decline in earnings was due to a number of one-time charges in both reporting periods (restructuring charges in 2019 and one-time gains related to asset sales and tax changes in 2018). Excluding these charges, Siemens' bottom line would have been flat year-over-year. The markets seemed disappointed with Siemens' earnings release as the stock has declined by 8% since its financial results were made public.

Growth, Competitive Advantages, and Total Returns

Siemens' rising order backlog, the weakness of General Electric (its peer and competitor), and the fact that Siemens holds a solid position in growth markets such as smart manufacturing bodes well for the company. Siemens has launched a new share repurchase program that allows repurchases of up to €3 billion (US$3.5 billion) through 2021. Overall, we believe that Siemens is capable of delivering 4.5% annualized earnings-per-share growth over the next 5 years.

Siemens' competitive advantage lies in its technical expertise, robust customer relationships, and global operations. The company employs ~379,000 individuals, with only 31% of these employees based in its home country of Germany. Also, Siemens has expertise in urbanization management and the Internet of Things. The company estimates that approximately 70% of the global population will live in cities by 2050, while 50 billion devices will be connected to the Internet of Things by 2020.

We believe Siemens will generate EPS of approximately $4.60 in fiscal 2019. Using this estimate, the company is trading at a price-to-earnings ratio (P/E) of 11.6. Our fair value target for Siemens is a P/E ratio of 15. If Siemens' price-to-earnings ratio expands to 15 over the next 5 years, this will boost the company's annualized returns by approximately 5.2% per year during this time period. Separately, the company's future returns will also be boosted by dividend payments (3.0%) and earnings growth (4.5%). Overall, Siemens appears capable of delivering total returns of approximately 12.7% per year.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	3.0%[1]
Headquarters City:	Munich	**Dividend History:**	Steady or rising since '87
Headquarters Country:	Germany	**10-Year Average P/E:**	15.0
Stock Exchange:	DAX & NYSE	**Price-to-Earnings Ratio:**	11.6
Year Founded:	1847	**Market Capitalization:**	US$85.6 billion

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

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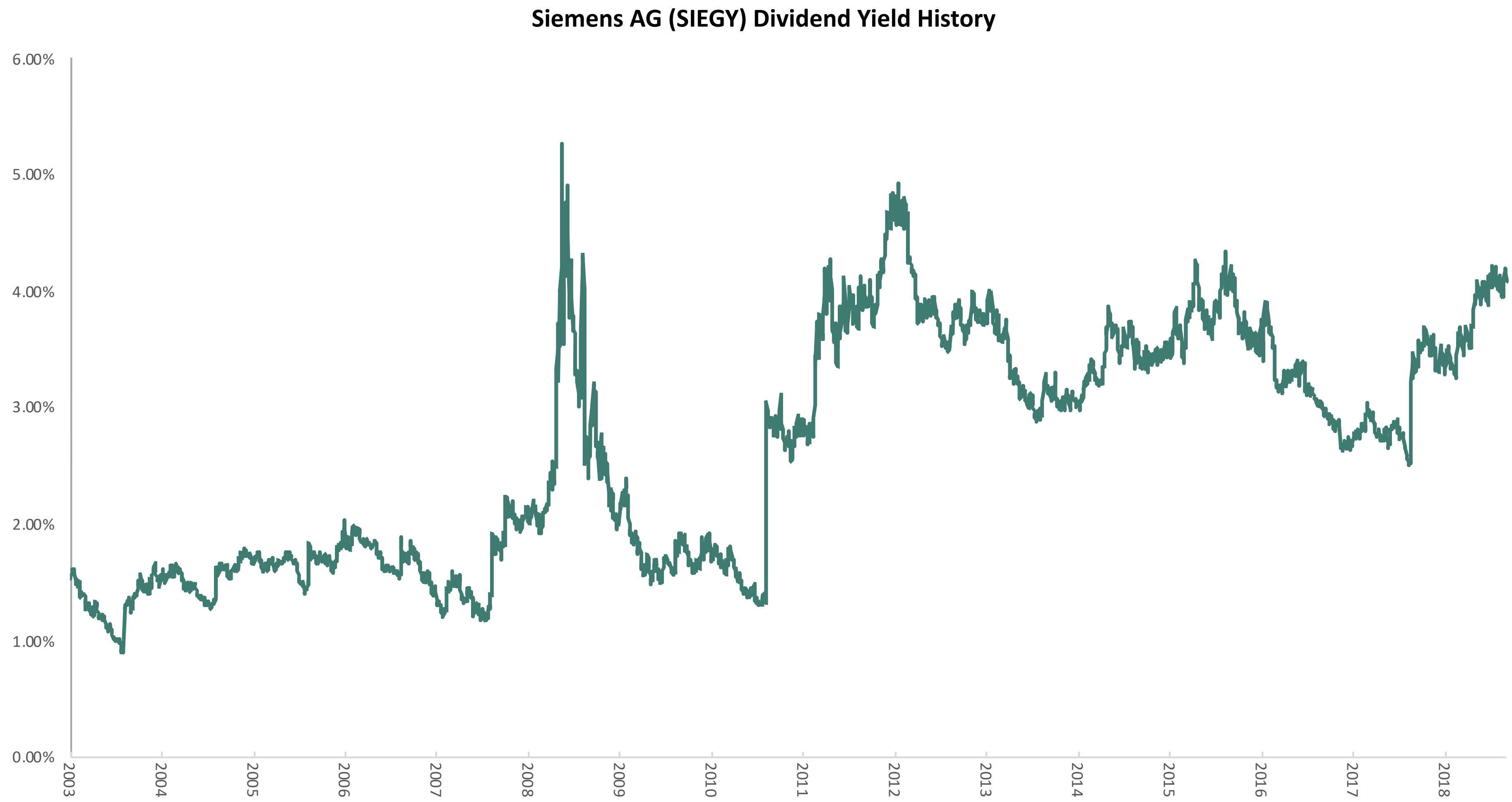

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Enbridge Inc. (ENB)

Overview & Current Events

Enbridge is an oil and gas transportation company headquartered in Canada. It transports over 25% of the crude oil produced in North America, and approximately 18% 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, and 438 billion cubic feet of net natural gas storage capacity. Enbridge also provides renewable power generation, with over 1,700 megawatts of net renewable generation and transmission capacity.

In mid-February, Enbridge reported (2/15/19) its fourth quarter and full year financial results. For the fourth quarter, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 2.8% to $1.84 on a per-share basis. DCF-per-share declined 1.9% to US$1.03 for the fourth quarter. For 2018, Enbridge grew distributable cash flow (DCF) per share by 20% to US$4.42. Growth was driven primarily by higher throughput volumes. Enbridge transported 2.7 million barrels per day of crude oil on its Mainline system across Canada and the U.S. during the fourth quarter, up from 2.6 million barrels per day in the year-ago quarter.

Growth, Competitive Advantages, and Total Returns

Investment in new projects will fuel Enbridge's future growth. Enbridge expects to spend up to US$17 billion in growth projects through 2020, including US$8 billion placed into service in 2018. The company also acquired Spectra Energy in 2016 for US$28 billion to significantly expand its footprint. Enbridge reiterated DCF per share guidance to US$3.35 for 2019 and US$3.77 for 2020, respectively.

Enbridge's primary competitive advantage is its strong business model. It has an extensive and diversified network of assets. Approximately 96% of its cash flow is derived from long-term, take-or-pay contracts. Furthermore, 93% of revenue is derived from customers with an investment-grade credit rating. 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. Maintaining a high credit rating helps lower the company's cost of capital, which leaves more cash flow available to reinvest in growth initiatives.

We expect Enbridge to generate DCF-per-share of US$3.35 for 2019. Based on this, the stock has a price-to-DCF ratio of 10.7. Our fair value estimate is a price-to-cash flow ratio of 11. Expansion of the valuation multiple could add 0.6% to Enbridge's annual shareholder returns. In addition, Enbridge currently offers an annual dividend payout of US$2.22, which equals an after-tax dividend yield of 5.3%. Enbridge is a strong dividend growth stock and expects to increase the dividend by 10% annually through 2020. Assuming 7.2% annual earnings growth, the 5.3% dividend yield, and a 0.6% annual boost from valuation changes, we expect total annual returns of 13.1% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	5.3%[1]
Headquarters City:	Calgary	**Dividend History:**	22 years of increases
Headquarters Country:	Canada	**10-Year Average P/DCF:**	12.3
Stock Exchange:	TSX & NYSE	**Price-to-DCF Ratio:**	10.7
Year Founded:	1949	**Market Capitalization:**	US$73 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 6.2%.

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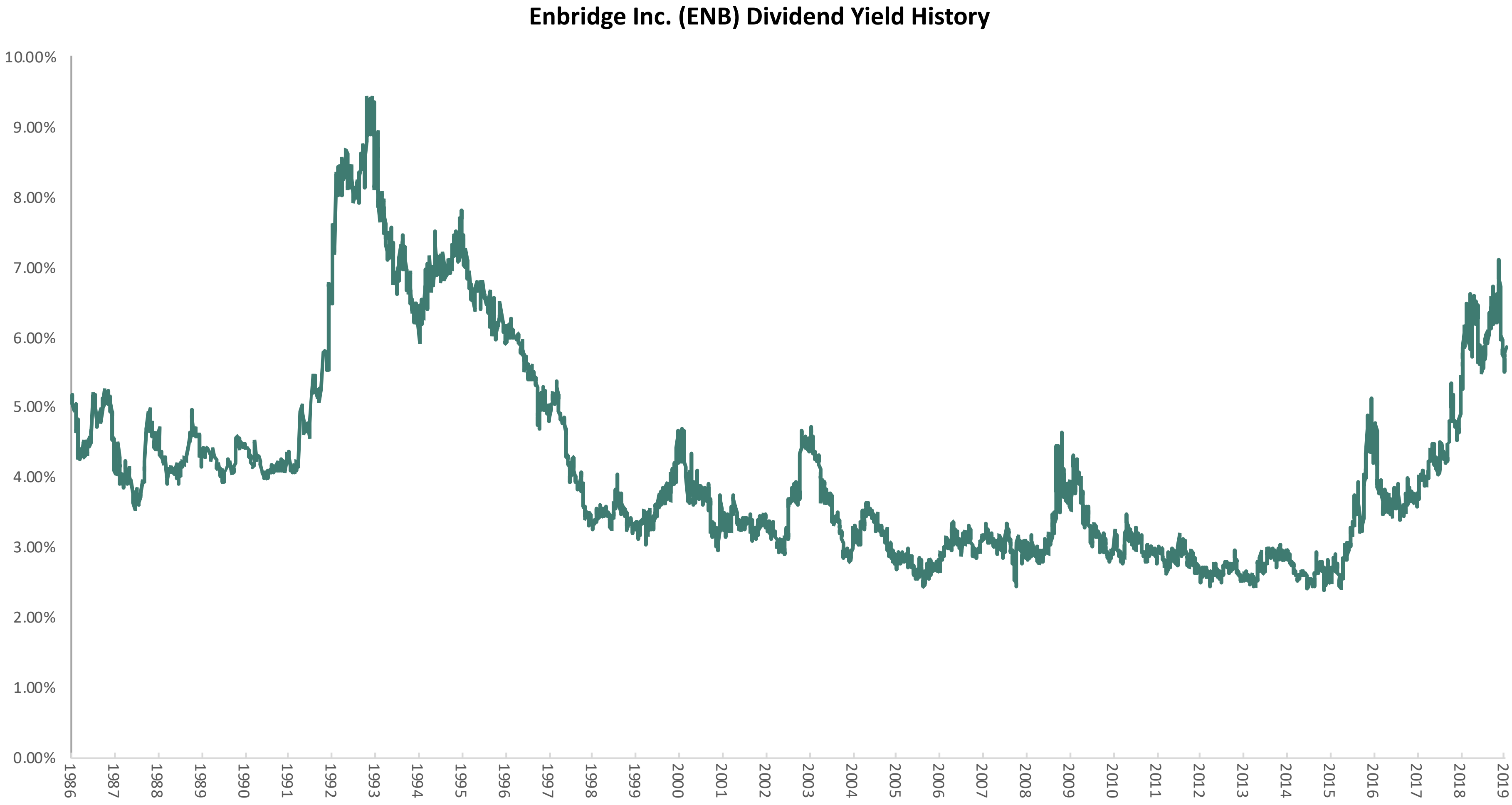

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ABB Ltd (ABB)

Overview & Current Events

ABB's history stretches back to 1883, but in 1891 Charles E. L. Brown and Walter Boveri establish Brown, Boveri & Cie in Baden, Switzerland. Shortly afterward, Brown Boveri became the first company to transmit high-voltage power. ABB, in its current form is the product of several mergers, most importantly the 1988 merger of ASEA and BBC (formerly known as 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. The company generates annual revenue above US$34 billion, and serves a range of customers across the utility, industrial, transport and infrastructure industries.

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 previous editions of the 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. More specifically, the company announced that it is selling its Power Grids business to Hitachi for an overall enterprise value of $11 billion. ABB will initially retain a 19.9% equity stake in the business 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 buybacks 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.

Using our 2018 earnings-per-share estimate of $1.33, ABB is currently trading at a price-to-earnings ratio of 14.8, below our fair value estimate of 16 times earnings. Valuation expansion could add 1.6% to 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 12.3% expected annual returns.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollars	**Dividend Yield:**	2.7%[1]
Headquarters City:	Zurich	**Dividend History:**	9 years of increases
Headquarters Country:	Switzerland	**10-Year Average P/E:**	18.9
Stock Exchange:	SIX & NYSE	**Price-to-Earnings Ratio:**	14.8
Year Founded:	1883	**Market Capitalization:**	US$42.8 billion

[1]Switzerland imposes a 35% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 4.1%.

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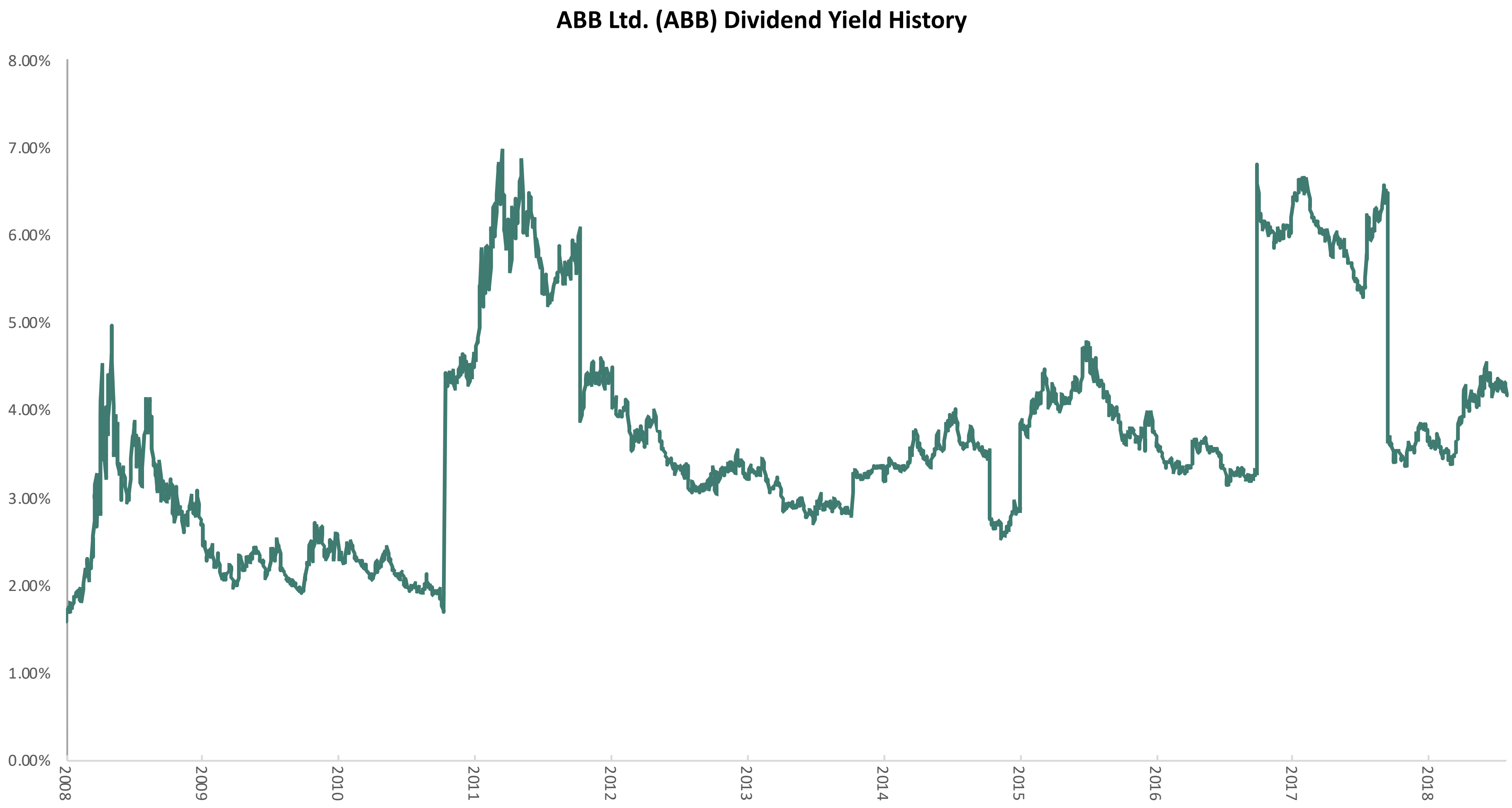

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Sanofi SA (SNY)

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$39 billion in 2018. 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.

In early February, Sanofi released (2/7/19) financial results for the fourth quarter and full year. Revenue increased 3.9% for the fourth quarter, and 2.5% for the year. The pharmaceutical segment grew 3% primarily due to a 37% increase in specialty care products. Within this group, rare disease (up 11% for the quarter and 8.3% for the year) and immunology (up 140% for the quarter and 287% for the year) performed very well. These gains were offset by a 10.5% decline in diabetes (10.5% declines for both the quarter and year) and 6% decline in generic drugs revenue for 2018. Higher sales volumes in digestive and nutrition helped the consumer healthcare division grow nearly 2% during the fourth quarter, while vaccines revenue increased 10%.

Growth, Competitive Advantages, and Total Returns

Sanofi's most important growth catalyst is its pharmaceutical pipeline, which is crucial for its future growth. Fortunately, the company has a massive global research and development platform, including 79 manufacturing sites in 36 countries. This is its strongest competitive advantage, and provides Sanofi with a well-stocked pipeline, including 70 projects currently under development. Sanofi has also used acquisitions to fund growth. In 2018, the company acquired Bioverativ for US$11.6 billion, and Ablynx for another US$4.8 billion. These deals gave Sanofi access to the markets for rare blood disorders, as well as new diabetes and skin cancer drugs. Emerging markets are another promising catalyst for Sanofi, as its sales in China and developing markets increased 9% last year. Overall, we expect long-term earnings growth of approximately 4% annually for Sanofi.

Sanofi has proposed a dividend of US$1.73 for 2019 (two ADRs equal one ordinary share). Based on this, the stock has a current after-tax dividend yield of 2.9%. Sanofi is a high-quality dividend growth company and should continue to raise the dividend modestly each year at a rate in line with earnings growth. Sanofi has increased its dividend for 25 consecutive years in its local currency. Aside from dividends, we expect 4% annual earnings growth, and positive returns from expansion of the P/E multiple. Using expected 2019 adjusted earnings-per-share of US$6.64, or US$3.32 after the 2:1 ADS conversion, the stock trades for a price-to-earnings ratio of 12.5. Our estimate of fair value is a price-to-earnings ratio of 16.0, which means expansion of the P/E multiple could add 5.1% to Sanofi's annual returns. After including earnings growth and dividends, the result is total expected annual returns of approximately 12.0% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	2.9%[1]
Headquarters City:	Paris	**Dividend History:**	Increasing for 25 years
Headquarters Country:	France	**10-Year Average P/E:**	18.1
Stock Exchange:	Euronext & NYSE	**Price-to-Earnings Ratio:**	12.5
Year Founded:	1973	**Market Capitalization:**	US$104 billion

[1] France imposes a 30% dividend withholding tax for U.S. investors. Excluding this tax, the dividend yield would be 4.2%.

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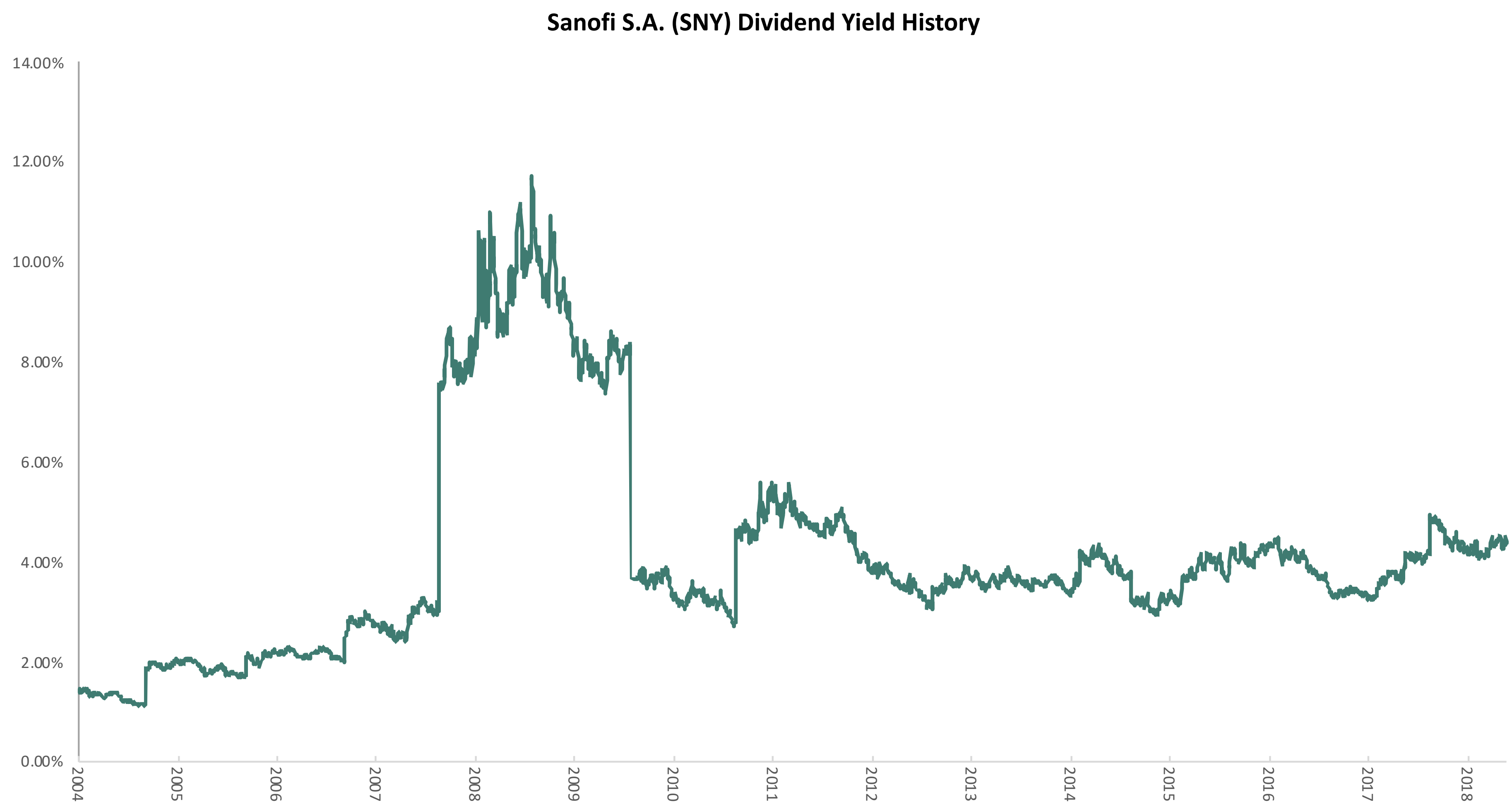

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SAP SE (SAP)

Overview & Current Events

SAP SE was founded in 1972. Today, it develops, sells, and maintains a variety of enterprise software products that are used by corporations, governments, and educational agencies. SAP delivers enterprise applications with software and software-related services. The company has more than 400,000 customers in over 180 countries. SAP generates annual revenue of US$28 billion, and the stock trades with a market capitalization of US$130 billion.

In late January, SAP reported (1/29/19) its fourth quarter and full year 2018 earnings results. Fourth quarter revenue of US$8.4 billion increased 13% year-over-year on a constant currency basis. Operating profit increased 22% during the fourth quarter. On a per-share basis, earnings-per-share of US$1.72 declined by 15% for the fourth quarter. 2018 was a strong year overall for the business. SAP reported 11% revenue growth in constant currency. Operating profit increased 10% for the year, while earnings-per-share increased 2% for fiscal 2018. SAP forecasts that total cloud and software revenues will rise by 8%-10% during 2019, while operating profits are forecasted to rise by 7%-12% for the upcoming fiscal year.

Growth, Competitive Advantages, and Total Returns

In the past decade, SAP grew its adjusted earnings-per-share at 12.4% per year. There is plenty of opportunity for continued growth. Areas of strategic focus include data analytics, the Internet of Things, machine learning, blockchain, and more. Demand for cloud services and solutions is only set to increase going forward. Last year, SAP acquired experience management software company Qualtrics International for $8 billion. We expect 9% annual earnings growth through 2024.

SAP's strongest competitive advantage is its recurring revenue business model. The company ended 2018 with roughly 65% of total revenue as recurring in nature. SAP expects this metric to rise to 70%-75% by 2020. SAP plans to grow its subscription revenues by 33%-39% during fiscal 2019. Recurring revenue allows the company to optimize customer retention rates and use the resulting cash flows to aggressively invest in compelling growth opportunities (such as its cloud business). SAP's strong balance sheet is another competitive advantage. The company has high credit ratings of A from Standard & Poor's and A2 from Moody's.

Our fair value target for SAP is a price-to-earnings ratio of 20. The stock currently trades for a price-to-earnings ratio of 19.1, indicating that the stock is slightly undervalued. A rising valuation multiple could add 0.9% to annual returns over the next five years. SAP also pays an annual dividend to shareholders. The company recently increased its target dividend payout ratio to at least 40% of after-tax annual profit. This change in policy gave way to a strong 12% dividend hike last year, to US$1.242 per share, which represents a current yield of 0.9%. Along with 9% expected annual earnings growth, the combination of valuation changes and dividends leads to total expected returns of 10.8% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	0.9%[1]
Headquarters City:	Walldorf	**Dividend History:**	Dividends paid since 1988
Headquarters Country:	Germany	**10-Year Average P/E:**	21.8
Stock Exchange:	DAX & NYSE	**Price-to-Earnings Ratio:**	19.1
Year Founded:	1972	**Market Capitalization:**	US$130 billion

[1] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 1.2%.

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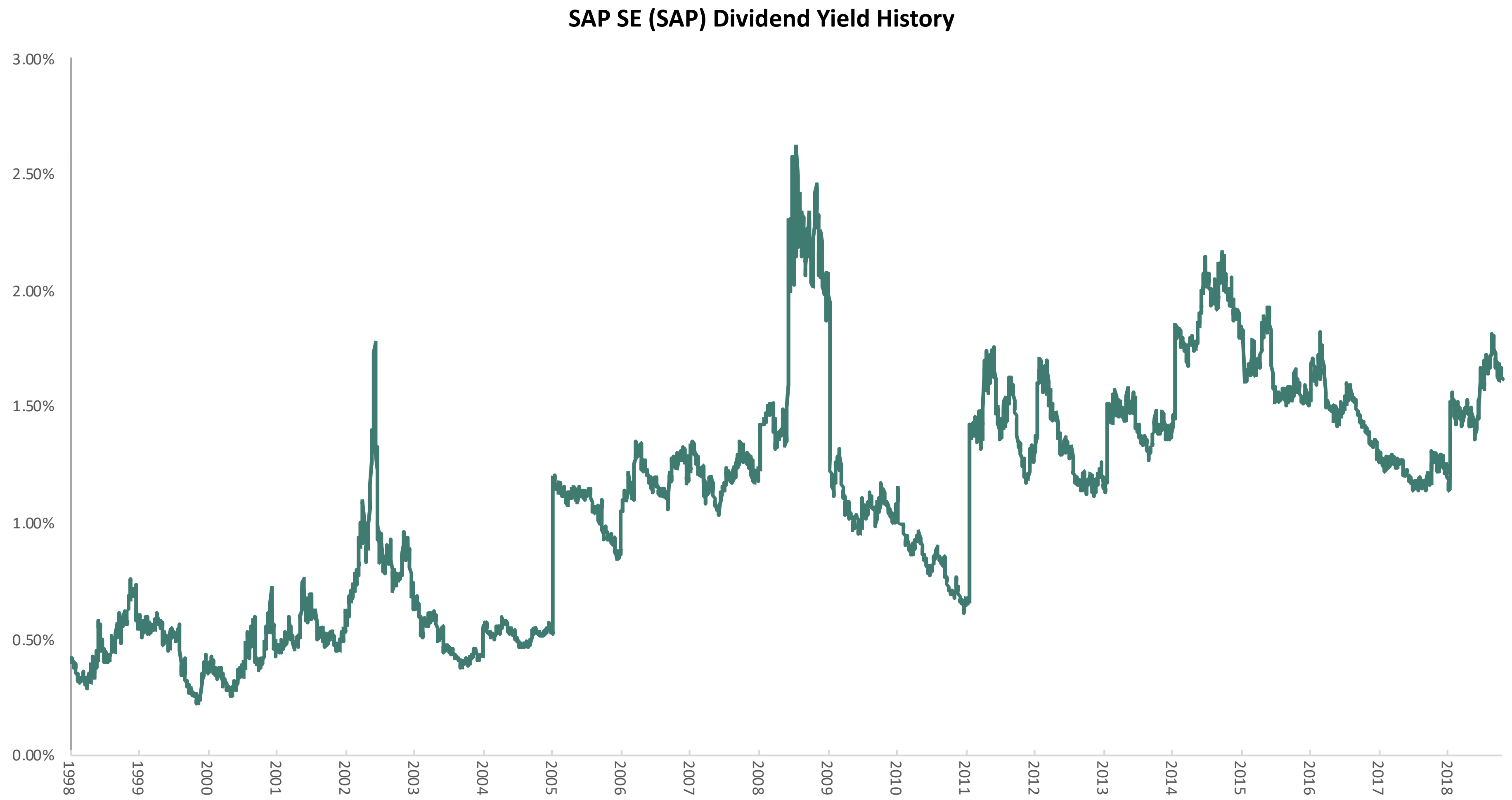

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Fortis Inc. (FTS)

Overview & Current Events

Fortis is an electric and gas utility based in Canada. Fortis has $50 billion in assets, encompassing 10 affiliated electric and gas operations which collectively serve over 3 million customers in Canada, the United States, and the Caribbean. It is the largest investor-owned utility in Canada, trading with a market capitalization of approximately $15 billion. Fortis has both regulated and non-regulated business segments. The regulated businesses generate, transmit, and distribute electricity and natural gas. The non-regulated energy infrastructure business engages in hydroelectric generation. Fortis is also involved in alternative energy solutions such as thermal energy. Approximately 92% of Fortis' annual earnings are derived from its regulated operations.

In mid-February, Fortis reported (2/14/19) financial results for the fourth quarter and full year of fiscal 2018. The company's performance was quite strong. Revenue of $2.21 billion increased by 4.7% year-over-year while earnings-per-share improved significantly to $0.61 from $0.32 in the same period a year ago. In the full fiscal year Fortis saw revenue increase by 1.1% and adjusted earnings-per-share increase by 1.6%. Overall, Fortis appeared to essentially meet analyst expectations as the company's stock price remained steady following the announcement.

Growth, Competitive Advantages, and Total Returns

The advantage of operating regulated utility services is stable growth. As a utility, Fortis provides a necessary service, and is permitted to raise rates on occasion to grow revenue and earnings. recently it unveiled its five-year capital investment plan, which it reaffirmed in its fourth quarter earnings release. The company is forecasting its consolidated rate base to increase from $26.1 billion in 2018 to approximately $32.0 billion in 2021 and $35.5 billion in 2023, which would amount to a compound annual growth of 7.1% and 6.3% over the coming three-year and five-year periods, respectively.

Perhaps the most attractive aspect of investing in the utility sector is the built-in competitive advantages of the business model. Electricity and gas service have very high barriers to entry and are sort of a natural monopoly. Fortis' competitive advantages help secure its dividend. Fortis operated with a payout ratio of 69% in fiscal 2018, a reasonable payout ratio for a utility. Fortis is a high-quality dividend stock, with a long history of dividend growth. In its home currency, Fortis has increased its shareholder dividend each year for the past 45 years in a row.

Based on projected 2019 EPS of US$2.00, Fortis stock trades for a price-to-earnings ratio of 17.6. The stock trades below our fair value estimate of 19.2, which is equal to the 10-year average valuation. Valuation changes could boost shareholder returns by 1.8% per year if mean reversion occurred over the next five years. Expected earnings growth of 6.0% each year and the current dividend yield of 3.3% result in expected total returns of 11.1% annually, which is a high rate of return for a relatively low-risk stock.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollars	**Dividend Yield:**	3.3%[1]
Headquarters City:	St. John's	**Dividend History:**	45 years of growth
Headquarters Country:	Canada	**10-Year Average P/E:**	19.2
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	17.6
Year Founded:	1977	**Market Capitalization:**	US$15.1 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 3.9%.

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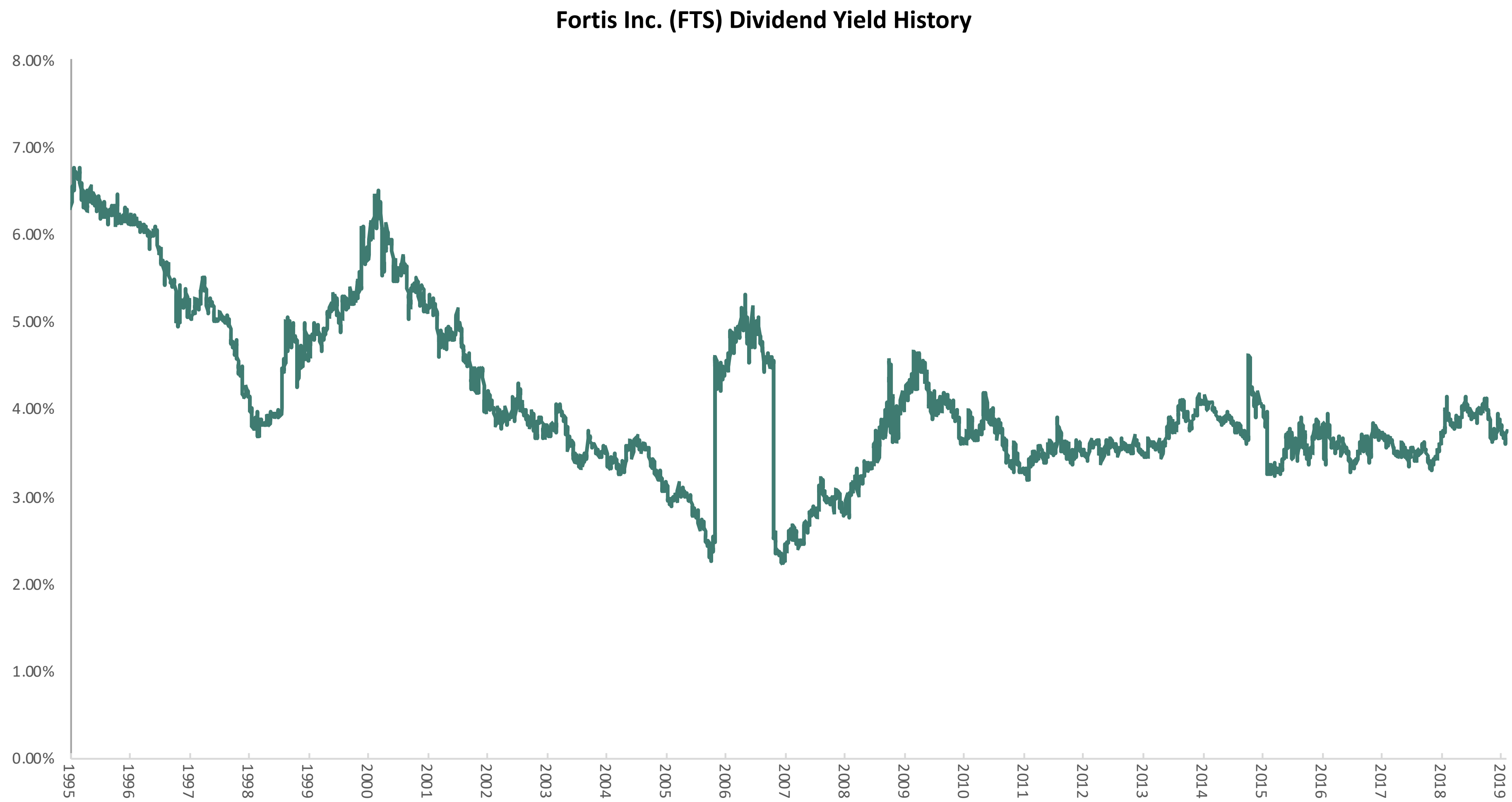

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Fresenius Medical Care AG & Co. KGaA (FMS)

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 trades with a market capitalization of approximately US$23 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 2017 third quarter. That said, 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 approximately 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 15.5. 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 3.0% 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 1.1% 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 10.1% per year for Fresenius stock over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euros	**Dividend Yield:**	1.1%[1]
Headquarters City:	Bad Homburg	**Dividend History:**	Increasing for 21 years
Headquarters Country:	Germany	**10-Year Average P/E:**	19.5
Stock Exchange:	DAX & NYSE	**Price-to-Earnings Ratio:**	15.5
Year Founded:	1912	**Market Capitalization:**	US$23 billion

[1] Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 1.5%.

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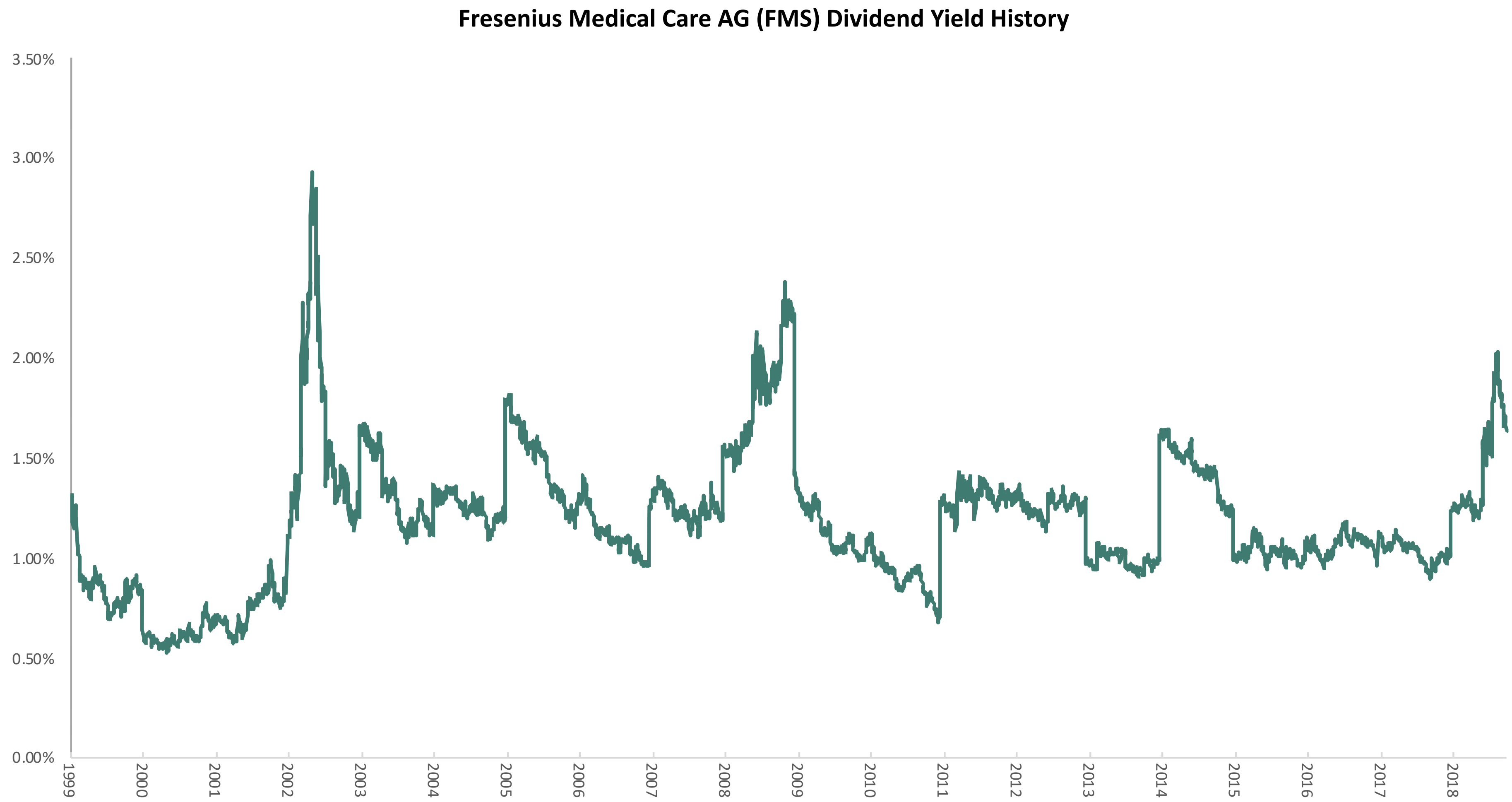

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Closing Thoughts
- Rising Dividends & Competitive Advantages -

Why are some companies able to pay rising dividend income for more than 50 consecutive years, while others are not profitable enough to even pay a dividend at all?

A company's competitive advantage (or lack thereof) goes a long way in determining dividend growth. Management's willingness to pay rising dividends is the other piece of the puzzle, but that *willingness* only comes into play if a company is *able* to pay rising dividends in the first place.

A competitive advantage is something about a business that gives the business an advantage over competitors – and is not easily replicated by competitors. Take Total (TOT) from this month's newsletter, for example. Any would-be entrepreneur cannot just start a company that competes with Total. Total has massive size and resources coupled with established connections and relationships with other important players in the energy industry. Only other large energy 'super majors' can really compete with Total on a level playing field.

The reason that its rare to find stocks with long histories of rising dividends is because of the 'destructive' forces of change. The world is constantly changing. It was great to be known for quality in the fax machine industry 30 years ago. Not so today. We believe the more basic a service a company provides - the less it is affected by technology - the more durable the competitive advantage is likely to be. Look at the banking industry as an example. Yes, technology has changed banking to a degree – we can access our accounts online which allows banks to have fewer employees – as an example. But technology does not change the core of what banking is. And that's why *conservatively run banks* – like many of the large Canadian banks – can pay steady or rising dividends year after year and decade after decade. There's just not much change in their industry. At the same time, the largest banks are 'too big to fail' and have advantages over smaller banks.

A long history of steady and rising dividends is evidence of a strong and durable competitive advantage. It does not mean that the advantage in question will last indefinitely, but a long dividend history is a good place to begin looking for high-quality dividend growth stocks. We use dividend history in our rankings by using it as a factor in our Dividend Risk scores (we prefer a longer dividend history, all other things being equal).

As discussed in the Opening Thoughts of this newsletter, not all companies have the same dividend policy. Some choose to let their dividend fluctuate with earnings and hold their payout ratio constant. This creates a 'lumpier' dividend history – but that does not mean there's no competitive advantage. It's important not to *overuse* dividend history when looking for competitive advantages. It's a sign of a competitive advantage, but certainly not the only signal.

Thanks,
Ben Reynolds

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

Past Recommendations & Sells

The Sure Dividend International Newsletter runs entirely on data from *The Sure Analysis Research Database* as of the October 2018 edition and onwards. Due to this change, we are tracking recommendations from October 2018 and forward. 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.

Sell Rules

Sell Rule #1, Dividend & Risk Sell Rules: International stocks often don't increase their dividend payments in regular intervals. Especially in Europe, dividends are paid out more often as a percentage of total profit. This makes selling due to a dividend reduction ill-advised. We will recommend selling when a security materially changes its dividend *policy* for the worse (lower payout), or when we deem that there is excessive risk in the security relating to future dividend payments.

Sell Rule #2, Total Return & Valuation Based Sell Rules: Any past recommendation with expected total returns below the expected total returns of ex-U.S. developed markets of 5.1% over the next 5 to 10 years should be sold[1]. **Past recommendations at or below this sell threshold are bolded and in green in the table below**. We will only recommend up to two valuation-based sells a month so that the reinvestment of sale proceeds is not concentrated in a short time frame. Additionally, we will review past recommendations prior to October 2018 for valuation, dividend risk, and expected total returns and periodically make sell recommendations. Not all of our *Sure Dividend International Newsletter* recommendations prior to October 2018 are in *The Sure Analysis Research Database*, so some sell recommendations must be made at our discretion.

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*.

Current Holds

Name	Ticker	1st Recommended	Exp. TR[2]	Total Return
Micro Focus International	MFGP	Oct-18	19.0%	23.9%
Enbridge	ENB	Oct-18	14.1%	15.3%
The Bank of Nova Scotia	BNS	Oct-18	16.2%	5.5%
Brookfield Renewable Partners	BEP	Oct-18	14.9%	2.2%
Autoliv	ALV	Oct-18	10.2%	-2.7%
Canadian Natural Resources	CNQ	Oct-18	15.8%	-2.8%
Vodafone	VOD	Oct-18	18.9%	-4.9%
British American Tobacco	BTI	Oct-18	19.5%	-13.9%
WPP	WPP	Oct-18	20.7%	-20.1%

[1] Long-term total return estimate for ex-U.S. developed markets is from AQR's Capital Market Assumptions.
[2] Expected total return over the next 5 years.

Canon	CAJ	Nov-18	7.2%	2.2%
Total	TOT	Nov-18	14.5%	0.5%
Lazard	LAZ	Nov-18	22.2%	-1.6%
Sanofi	SNY	Nov-18	13.5%	-5.9%
Fresenius Medical Care	FMS	Dec-18	10.6%	15.1%
Infosys	INFY	Dec-18	7.8%	12.5%
Brookfield Asset Management	BAM	Dec-18	11.4%	7.8%
ABB	ABB	Dec-18	13.9%	3.4%
Imperial Oil	IMO	Dec-18	14.7%	3.1%
Fortis	FTS	Dec-18	11.1%	2.8%
Siemens	SIEGY	Dec-18	14.4%	-1.6%
Aon	AON	Jan-19	9.3%	11.8%
Taiwan Semiconductor Mfg.	TSM	Jan-19	7.6%	5.1%
Vermilion Energy	VET	Jan-19	14.3%	2.0%
Novartis	NVS	Jan-19	9.4%	1.3%
Chubb	CB	Jan-19	8.9%	0.8%
Canadian Imperial Bank	CM	Feb-19	11.6%	N/A
SAP	SAP	Feb-19	14.7%	N/A

Average recommendation performance (including sells and pending sells): 2.3%
Comparable performance of the Vanguard All-World Ex-US ETF (VEU): 4.0%

Note: Performance should be measured over an *absolute minimum* period of 3 years. The 4 months of return data above is all but meaningless.

Pending Sells

Daimler (DDAIF): We first recommended Daimler in the June 2018 *Sure Dividend International Newsletter*. We recommended it in the October 2018 edition as well (after the switch to *Sure Analysis Research Database* data and rankings). Since the June and October recommendations, Daimler has generated total returns of -20.5% and -2.0%, respectively. We issued a pending sell recommendation on Daimler in the February 2019 newsletter because it reduced its dividend. We recommend selling when it trades for a dividend yield of 5.0% or below, which we believe is a reasonable estimate of fair value.

Sold Positions

None at this time.

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.