



Sure Dividend International

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

March 2019 Edition

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Opening Thoughts

- Sure Dividend International Rankings -

The exact method we use to determine the rankings and Top 10 for *The Sure Dividend International Newsletter* is shown in the new [Buying & Ranking Criteria page](#). In short, we filter for securities with solid Dividend Risk Scores and above-average expected total returns.

The combination of lower dividend risk and higher expected total returns aims to find high-quality dividend growth stocks suitable to buy and hold for the long run. For a security to have high expected total returns it needs to have a combination of a high yield, be significantly undervalued, and/or offer strong growth prospects. We typically see a combination of factors generating high returns in our recommendations.

One big difference between this *Sure Dividend International Newsletter* and past editions is that we have ‘opened up’ the rankings to focus on securities with the best combination of Dividend Risk Scores and expected total returns. Specifically, we’ve removed previous rules that constrained the newsletter to have no more than three securities from any one country in the Top 10, and no more than three securities from any one sector in the Top 10.

While these rules were meant to create a more diversified Top 10, they also were preventing us from showcasing the 10 best international securities in the *Sure Analysis Research Database* regardless of sector/country each month.

This change has allowed more Canadian companies to be in the Top 10 this month. In total, there are six Canadian companies in this month’s Top 10. There are two reasons for the prevalence of Canadian companies in this month’s Top 10.

First, Canada is second only to the U.S. as far as securities that focus on paying *rising dividends each year*. Many European securities pay out dividends based on a percentage of profits rather than aiming to provide stable or rising dividends annually. We prefer the stability that comes with being able to more-or-less expect your dividends each year. The Canadian banks, in particular, stand out for their amazing dividend histories. [See this month’s Closing Thoughts](#) for more on the Canadian Banks.

Second, we simply have more Canadian securities in the *Sure Analysis Research Database* versus other countries. More Canadian securities means more chances that a Canadian security will score well and rank in the Top 10. We have more Canadian securities in our database because our audience skews Canadian relative to other countries outside the United States. Around 9% of visitors to [suredividend.com](#) over the last month were Canadian. Germany had the second highest total (outside of the U.S. of course) at just under 3%, for comparison.

Over time, we expect to add more international securities outside of Canada to *The Sure Analysis Research Database*, which will in turn impact the rankings in *The Sure Dividend International Newsletter*. For now, though, high-quality Canadian dividend growth stocks make up six out of this month’s Top 10.

We strive for transparency in our ranking process and procedures; and we intend to notify our readers whenever a change occurs. The more our readers know and understand our system, the more confidence they can have in buying and holding our ranked securities for the long run.

The International Top 10 – March 2019

Name and Ticker	Country	Dividend Risk Score	Exp. Value Return	Dividend Yield ¹	Exp. Growth	ETR
Imperial Oil (IMO)	Canada	A	4.9%	1.7%	7.0%	13.6%
Can. Pac. Railway (CP)	Canada	A	2.4%	0.9%	8.5%	11.8%
Nat. Bk. of Can. (NTIOF)	Canada	B	0.8%	3.6%	6.0%	10.4%
Micro Focus Intl. (MFGP)	U.K.	C	7.0%	4.5%	8.0%	19.5%
Scotiabank (BNS)	Canada	C	4.1%	4.0%	8.0%	16.1%
ABB (ABB)	Switzerland	C	4.6%	2.7%	6.0%	13.3%
CIBC (CM)	Canada	C	3.4%	4.3%	5.5%	13.2%
Royal Bank of Can. (RY)	Canada	C	0.9%	3.4%	8.0%	12.3%
Total (TOT)	France	C	1.4%	3.8%	7.0%	12.2%
Siemens (SIEGY)	Germany	C	4.6%	2.9%	4.5%	12.0%

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 personally long the following from this month's Top 10: BNS.

There are five new securities in this month's Top 10 compared to last month's edition. Imperial Oil (IMO), Canadian Pacific Railway (CP), National Bank of Canada (NTIOF), Micro Focus Intl. (MFGP), and Royal Bank of Canada (RY) replaced Enbridge (ENB), Sanofi (SNY), SAP (SAP), Fortis (FTS), and Fresenius Medical Care (FMS).

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

Dividend Yield:	3.2%	Expected Valuation Return:	3.4%
Growth Rate:	6.8%	Expected Total Return:	13.4%

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 March 13th through March 15th, 2019.

¹ After accounting for any applicable withholding taxes.

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 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. Exxon Mobil owns approximately 70% of Imperial Oil.

In early February, Imperial Oil reported (2/1/19) its financial results for the fourth quarter of fiscal 2018. Downstream earnings grew to ~US\$860 million for the quarter, from US\$218 million in the same quarter a year ago. Strong growth came from improved refining margins, which resulted from the large discount of Western Canadian Select (WCS) to West Texas Intermediate crude. For the full year, Imperial Oil achieved record downstream earnings and the highest petroleum product sales in nearly 30 years. Earnings-per-share grew to US\$2.20 in 2018, from US\$0.86 per share in 2017.

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. Imperial Oil's earnings have improved now that oil prices have recovered from the 2014-2016 downturn. Continued growth is possible for Imperial Oil. According to the company, 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 as 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 S&P. And, the company has paid 100+ years of dividends and has increased its dividend (in Canadian dollars) for 24 consecutive years.

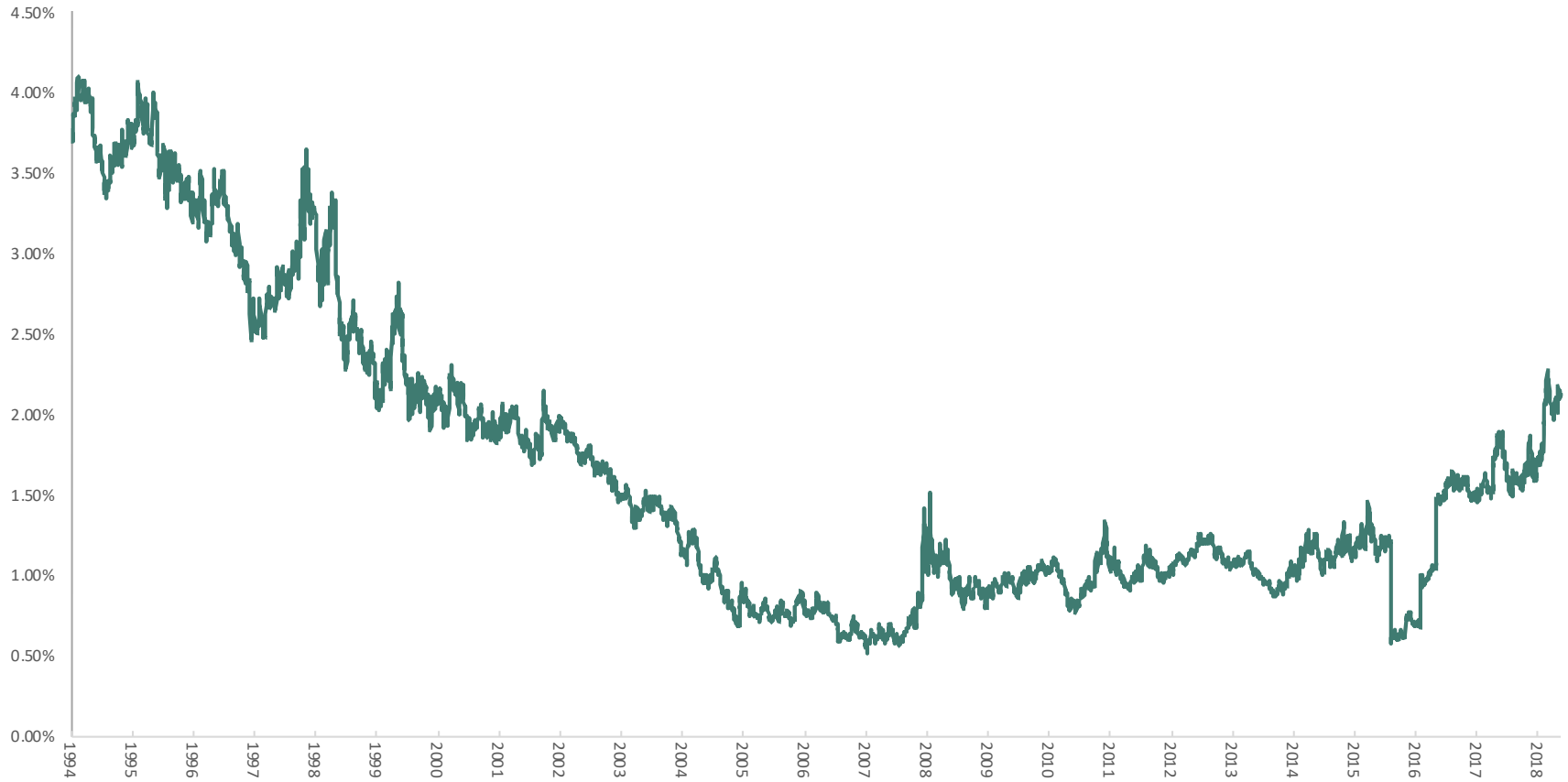
Based on projected 2019 earnings-per-share of US\$2.50, Imperial Oil stock trades for a price-to-earnings ratio of 11.0. This is slightly below our fair value estimate of 14.0, a reasonable valuation for a large-cap oil stock with growth potential. Because of this, valuation changes are expected to boost shareholder returns by approximately 4.9% per year over the next five years. In addition to valuation changes, earnings growth and dividends will also fuel positive shareholder returns. Earnings are expected to grow by 7% per year over next five years, as the company capitalizes on the oil price rally and ramps up its growth projects. In addition, the stock has a dividend yield of 1.7%. Overall, we believe that Imperial Oil's total returns could reach 13.6% 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:	Increasing for 24 years
Headquarters Country:	Canada	10-Year Average P/E:	18.7
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	11.0
Year Founded:	1880	Market Capitalization:	US\$21.2 billion

¹Canada 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%.

Imperial Oil (IMO) Dividend Yield History



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Canadian Pacific Railway Ltd (CP)

Overview & Current Events

Canadian Pacific Railway is a railroad company that operates ~14,000 miles of railways in Canada and the U.S. It is one of two class 1 railroads in Canada (Canadian National Railway being the other). The company was founded in 1881, is headquartered in Calgary, Alberta, Canada and currently trades at a market capitalization of \$29 billion.

Canadian Pacific reported its fourth quarter and full year earnings results on January 23rd. The company generated revenues of C\$2.0 billion, which is equivalent to US\$1.5 billion. Canadian Pacific's revenues rose by 17% year-over-year, on the back of a strong volume growth rate of 9%. Other factors that positively impacted Canadian Pacific's revenue growth include improved pricing, which contributed 4% to Canadian Pacific's top line, as well as beneficial forex movements and fuel expenses that were passed on to customers. Canadian Pacific has not only grown its revenues substantially, the company was able to increase its margins on top of that. Canadian Pacific's operating ratio (expenses relative to revenues) was 56.5% during the fourth quarter, a 370 basis point improvement versus the prior year's quarter. This combination of a strong revenue growth rate and a substantial margin increase allowed Canadian Pacific to grow its net earnings by 38% year-over-year. Earnings-per-share grew even faster due to the impact of a declining share count. Earnings-per-share of C\$4.55 (equal to US\$3.41) were up 41% year-over-year.

Canadian Pacific announced guidance numbers for fiscal 2019 during the Q4 earnings call. The company forecasts mid-single-digit volume growth and earnings-per-share growth in the double digits.

Growth Prospects & Expected Total Returns

As one of only seven Class 1 railroads in North America – the others being Canadian National Railway (CNI), CSX Corporation (CSX), Norfolk Southern Corporation (NSC), Union Pacific Corporation (UNP), BNSF Railway (owned by BRK.B), and Kansas City Southern (KSU) – Canadian Pacific benefits from operating in an oligopoly with tremendous barriers to entry. Canadian Pacific has compounded its earnings-per-share at ~17% per year over the last decade. With that said, the company's growth is highly dependent on continued economic expansion. We believe the company is capable of growing its earnings-per-share at around 8.5% per year moving forward.

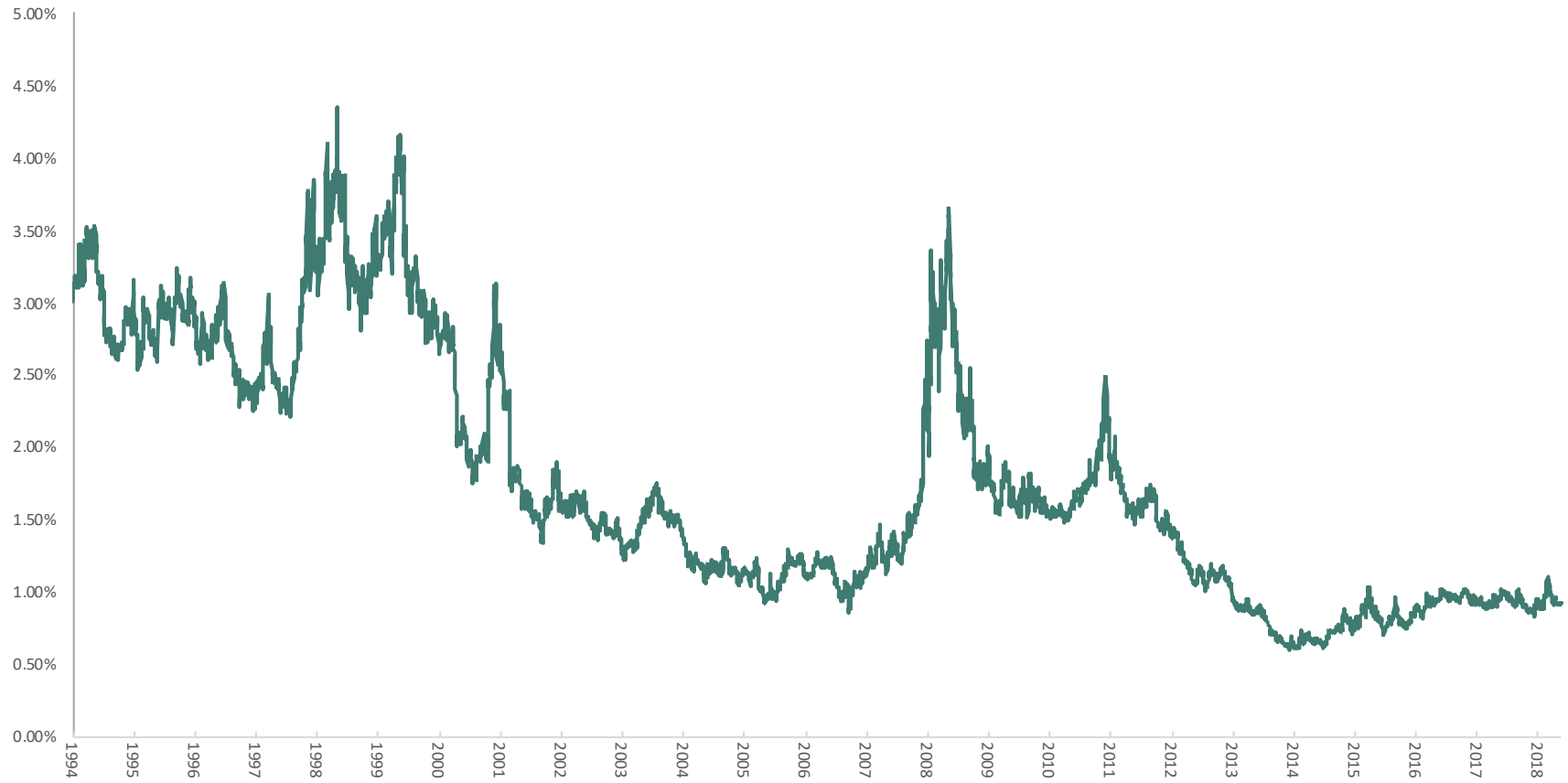
We expect Canadian Pacific Railway to generate earnings-per-share of ~\$12.19 in fiscal 2019. Using this estimate, the company is trading at a forward price-to-earnings ratio of 16.9. Our fair value target for the company is a price-to-earnings ratio of 19.0, which is in-line with its 10-year average price-to-earnings ratio. If the company's valuation multiple can expand to 19 times earnings over the next five years, this will boost its total returns by 2.4% per year during this time period. Combine this potential for valuation expansion with the company's dividend yield (0.9%) and its growth prospects (8.5%) and Canadian Pacific seems capable of delivering total returns of 11.8% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	Dividend Yield:	0.9% ¹
Headquarters City:	Calgary	Dividend History:	Steady or rising since 2001
Headquarters Country:	Canada	10-Year Average P/E:	19.0
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	16.9
Year Founded:	1881	Market Capitalization:	US\$28.8 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 1.0%.

Canadian Pacific Railway (CP) Dividend Yield History



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National Bank of Canada (NTIOF)

Overview & Current Events

National Bank of Canada (or simply National Bank) is the sixth-largest bank in Canada behind [The Big 5 Canadian Banks](#). National Bank's historical roots go as far back as 1859. The company is headquartered in Montreal, Quebec, Canada and trades with a market capitalization of \$15.6 billion.

National Bank reported its fiscal Q1 results on Feb. 27, 2019. Earnings-per-share rose 3% for the quarter (compared to the same period in fiscal 2018) and 10% in fiscal 2018. The bank reported stable overall results despite challenging markets. Specifically, year-over-year net income of the Personal and Commercial segment rose 7% to CAD\$246 million, Wealth Management rose 10% to CAD \$125 million, U.S. Specialty Finance and International rose 20% to CAD\$60 million, but the Financial Markets segment fell 17% to CAD\$170 million. The Financial Markets segment was impacted by lower investment banking revenues and lower gains on investments. National Bank's efficiency ratio was 42.7% for Q1, 3.9% higher than in the first quarter of 2018. Return on equity was 17.2% for Q1 versus 18.5% for full fiscal 2018. The bank's common equity tier 1 ratio was 11.5% at the end of Q1, which aligns with 2018's and is more than adequate. Net impaired loans came in at 0.3%, which in-line with the comparable figure from fiscal 2018. In summary, National Bank's Q1 earnings indicate stability. We maintain our estimate of CAD\$6.30 in earnings-per-share for fiscal 2019.

Growth Prospects & Expected Total Returns

National Bank of Canada's growth prospects are not as robust as its larger peers within the Canadian banking industry. The main reason for this is because of its lack of exposure to international markets. In the most recent fiscal year, National Bank generated just 9.2% of its net income from its "U.S. Specialty Finance and International Segment." For context, Canadian Imperial Bank of Commerce – the other Canadian bank that arguably has the second-weakest international exposure – generated 14.2% of its net income from its U.S. Commercial Banking and Wealth Management segment in the most recent quarter, while The Toronto-Dominion Bank generated 39% of its net income from the U.S. last quarter. We would be delighted to see National Bank pursue a more aggressive international growth strategy moving forward, but today the bank's prospects are weaker than its peers.

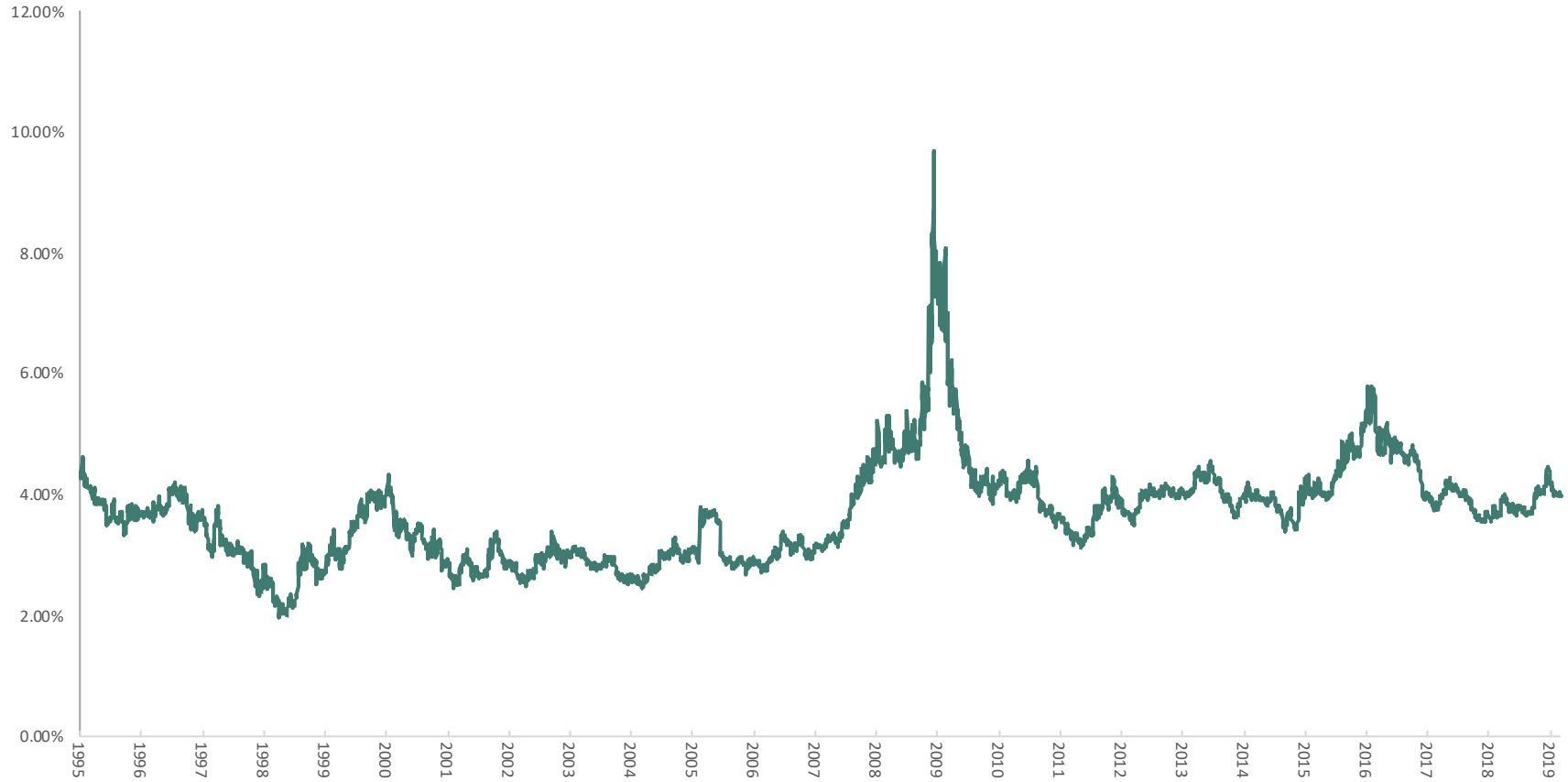
We believe that the National Bank of Canada is likely to generate earnings-per-share of around CAD\$6.30 in fiscal 2019, which is equivalent to US\$4.72 at prevailing exchange rates. The company's U.S.-listed shares currently trade at \$46.51, which implies a price-to-earnings ratio of 9.9. For context, National Bank's 10-year average price-to-earnings ratio is 10.3, which is our fair value target for this Canadian bank. If National Bank's valuation multiple reverts to its 10-year average over the next five years, this will boost its total returns by a modest 0.8% per year during this time period. Separately, the bank appears capable of delivering earnings growth of around 6% per year, and it currently trades with a dividend yield of 3.6%. Overall, National Bank seems capable of delivering total returns of about 10.4% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	Dividend Yield:	3.6% ¹
Headquarters City:	Montreal	Dividend History:	Steady or rising since 1993
Headquarters Country:	Canada	10-Year Average P/E:	10.3
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	9.9
Year Founded:	1859	Market Capitalization:	US\$15.6 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 4.2%.

National Bank of Canada (NTIOF) Dividend Yield History



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Micro Focus Intl. plc (MFGP)

Overview & Current Events

Micro Focus International is a global enterprise software corporation. The company's products include IT infrastructure and enterprise applications. Micro Focus International's operating segments include Security, IT Operations Management, Application Delivery Management, Information Management & Governance, and Application Modernization & Connectivity. Micro Focus is based in the U.K. The ADRs have traded on the New York Stock Exchange since 2017.

In mid-February (2/14/19) Micro Focus International reported new financial results. For the previous 12 months, pro-forma revenue declined 5.3%, better than expected as the company's guidance called for a 6%-9% decline. Adjusted EBITDA grew 9.2% to \$1.5 billion, as EBITDA margin improved to 37.7% from 31.8% in the (7/11/18) mid-year report. The company also repurchased \$400 million worth of stock in 2018 and added another \$110 million to its repurchase authorization. In fiscal 2018, earnings-per-share increased 6.2% to US\$1.87.

For 2019, Micro Focus International expects constant currency revenue to decline 4% to 6%. Fortunately, Micro Focus expects the revenue decline to stabilize by 2020, while adjusted EBITDA margins are expected to expand to the mid-40% range, more than offsetting revenue declines.

Growth, Competitive Advantages, and Total Returns

Micro Focus International has a positive long-term growth outlook. It has an established presence in high demand technology platforms, including artificial intelligence, IT management, security, and data analytics. Also, in the most recent interim financial release, Micro Focus noted that 70% of the company's revenue is now recurring, which provides it with the ability to invest recurring cash flows into growth opportunities. Micro Focus International acquired HPE Software to accelerate its growth in new areas. This made Micro Focus International one of the largest dedicated software companies in the world. The company grew earnings-per-share by 19% per year over the past decade, and we expect 8% annual earnings growth for Micro Focus International over the next five years.

Micro Focus International generated adjusted earnings-per-share of US\$1.87 in fiscal 2018. We expect the company will achieve fiscal 2019 earnings-per-share of about US\$2.32. Using this estimate, the company is trading at a price-to-earnings ratio of just 10.7, which is significantly below our fair value estimate of 15. This indicates the stock is deeply undervalued. An expanding valuation multiple could add 7% to the annual shareholder returns moving forward. Separately, Micro Focus International has a 4.5% dividend yield, which is not subject to any withholding tax. Lastly, expected earnings growth of approximately 8% per year will add to shareholder returns. All said, Micro Focus International could generate annual returns of 19.5% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	Dividend Yield:	4.5% ¹
Headquarters City:	Newbury	Dividend History:	Increasing since 2006
Headquarters Country:	United Kingdom	10-Year Average P/E:	14.9 (since 2017)
Stock Exchange:	LSE & NYSE	Price-to-Earnings Ratio:	10.7
Year Founded:	1976	Market Capitalization:	US\$10.4 billion

Note: Due to Micro Focus's short history as an ADR, we do not have a dividend yield history for this security.

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

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 the Toronto New York Stock Exchanges and trades with a \$67 billion market cap.

Scotiabank reported Q1 results on 2/26/19; the report was in-line with our expectations. Adjusted earnings-per-share came in at CAD\$1.75 against CAD\$1.87 in the year-ago period, a decline of 6%. However, last year's number included a CAD\$0.12 cent benefit thanks to a revaluation of the company's benefit plan, so on a comparable basis, earnings-per-share were about flat.

Operationally, Scotiabank's results looked much better. Total revenue was up 7.3% thanks to an 8.6% gain in interest income and a 5.6% boost in non-interest income. The international business led the way in terms of growth in Q1, but Scotiabank continues to perform well across the board. The bank's provisions for credit losses soared 26% in Q1 but that was due to foreign currency translation, as well as from growth in the loan portfolio. This spike higher in provisions is to be expected given that Scotiabank is growing its loan book both organically and via acquisitions, but it does reduce earnings in the period the provision forms. Noninterest expense also crimped earnings during the quarter as that line item rose 19% year-over-year. This was due to the integration expense of the bank's recent mergers, including BBVA Chile, MD Financial Management, Citibank's former Columbia operations, and Jarislowsky Fraser Ltd. These costs should moderate during the balance of the year.

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).

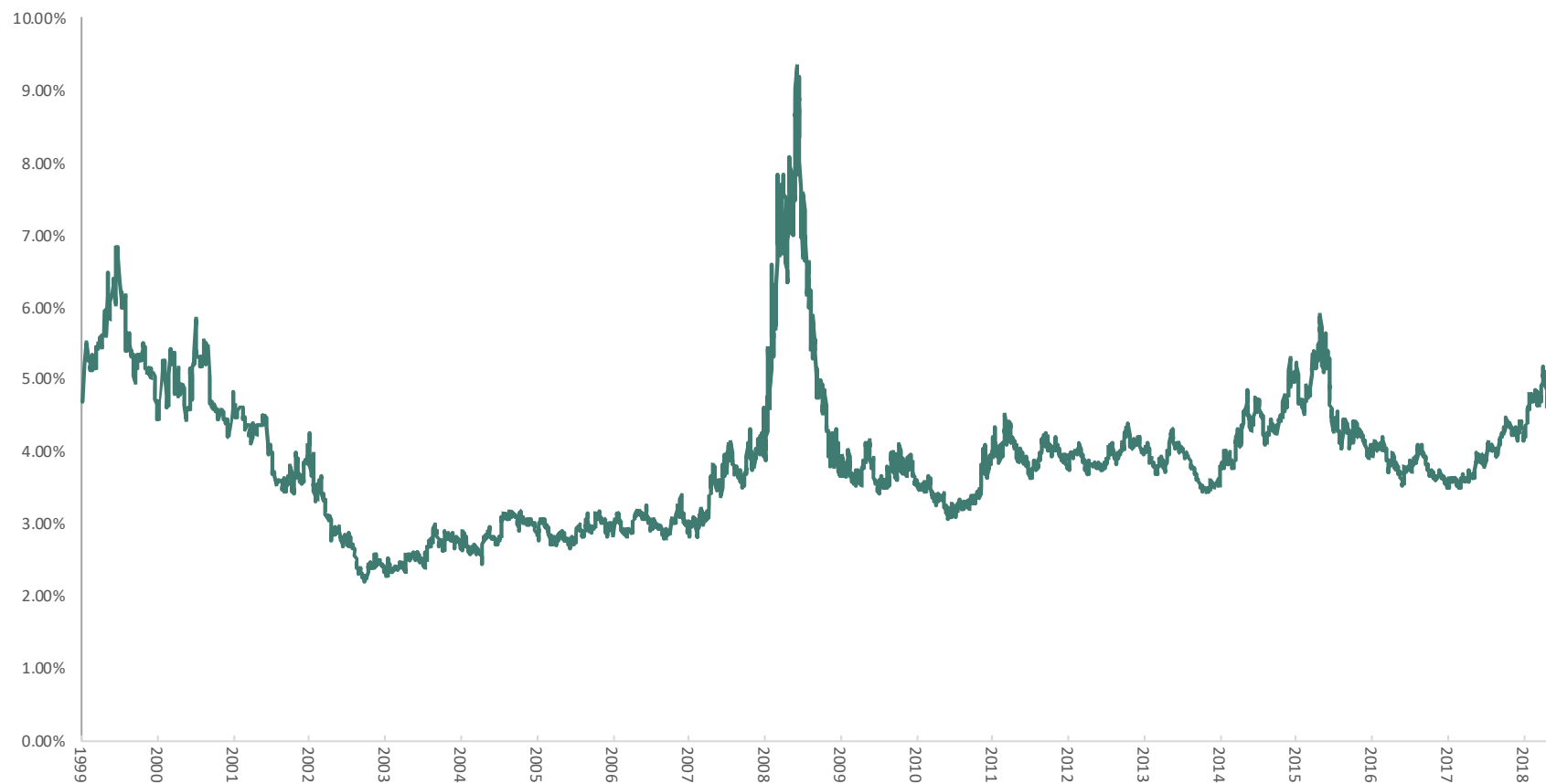
Scotiabank does not provide earnings-per-share guidance, but we believe it is likely to deliver 2019 earnings-per-share of about US\$5.59. Using this earnings estimate, Scotiabank's NYSE-listed shares are trading at a price-to-earnings ratio of 9.8 today. Our fair value estimate for the company is a price-to-earnings ratio of 12. If Scotiabank's price-to-earnings ratio expands to 12 over the next five years, this will add 4.1% to its annualized returns during this time period. Between dividend payments (4.0%), earnings growth (8%), and valuation expansion (4.1%), we believe that Scotiabank has the potential to deliver annualized returns of 16.1% moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	Dividend Yield:	4.0% 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:	9.8
Year Founded:	1832	Market Capitalization:	US\$67.1 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 4.7%.

The Bank of Nova Scotia (BNS) Dividend Yield History



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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 established 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 February, ABB reported (2/28/19) financial results for the fourth quarter and full-year for fiscal 2018. Comparable revenue increased 5% in the fourth quarter and 4% for the full year. In 2018, the company grew its orders by 8%, with order growth in all divisions and regions. It also grew its revenues by 4% thanks to sustained growth in Robotics & Motion, as well as Industrial Automation. Its backlog increased 6% over the prior year while operational earnings-per-share increased 8% on a constant-currency basis for 2018.

Separately, in December 2018 ABB announced the sale of 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. ABB intends to return 100% of the estimated net cash proceeds of \$7.7 billion from the 80.1% sale to shareholders in an expeditious and efficient manner through share buybacks or a similar cash return.

Growth, Competitive Advantages, and Total Returns

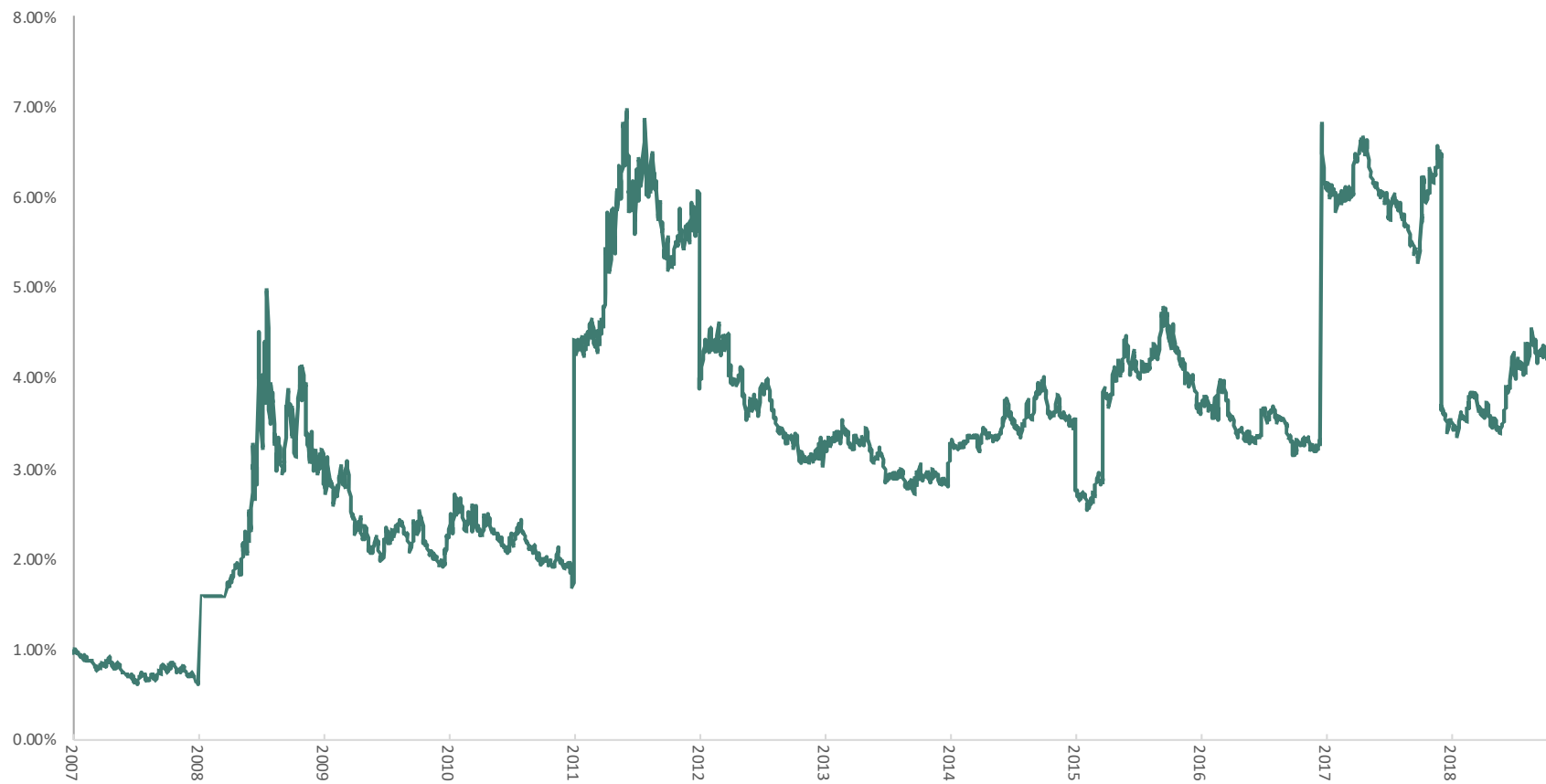
ABB's growth is fueled by its competitive advantage. Its four (soon to be three) operating divisions are either #1 or #2 globally in their respective markets. ABB enjoys operational efficiencies and the ability to cut costs and drive earnings growth. For example, in 2017 the company completed its 1,000-day productivity program, which resulted in annualized cost savings of more than US\$1.3 billion. 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 2019 earnings-per-share estimate of US\$1.50, ABB is currently trading at a price-to-earnings ratio of 12.8, below our fair value estimate of 16 times earnings. Valuation expansion could add 4.6% to annual returns if mean reversion were to occur over the next five years. In addition, we expect ABB to grow earnings by 6% 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 13.3% expected annual returns.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	Dividend Yield:	2.7% ¹
Headquarters City:	Zurich	Dividend History:	10 years of increases
Headquarters Country:	Switzerland	10-Year Average P/E:	18.9
Stock Exchange:	SIX & NYSE	Price-to-Earnings Ratio:	12.8
Year Founded:	1883	Market Capitalization:	US\$41.5 billion

¹Switzerland imposes a 35% dividend withholding tax. Excluding the withholding tax, the dividend yield would be 4.2%.

ABB Ltd. (ABB) Dividend Yield History

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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 (see our [Closing Thoughts](#) for more on the big Canadian banks). The company trades on the New York Stock Exchange with a market capitalization of US\$38 billion. CIBC expanded its presence into the United States with the June 2017 acquisition of publicly-traded PrivateBancorp, which operated as The Private Bank.

CIBC reported its first quarter fiscal 2019 earnings results on February 28. The company announced that it generated revenues of US \$3.46 billion and was 2.7% more than the revenues that the bank generated during the previous year's quarter. CIBC was able to grow its loan portfolio in its personal and small business banking segment marginally, while deposits rose by 5% year-over-year. Net interest margin expanded from 235bps to 242bps, which allowed for higher net interest income. CIBC's commercial banking loan portfolio and its US loan portfolio grew at a faster pace, although from a lower base compared to the personal/small business banking franchise. CIBC was also able to lower its operating expenses versus the prior year's quarter, which allowed for an 8% operating earnings growth rate. Higher provisions for credit losses offset this growth, though, which is why earnings-per-share were down to US\$2.29 for the quarter. In addition to announcing first quarter financial results, CIBC increased its dividend by 2.9%, to US\$1.06.

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, the aforementioned US\$5.0 billion acquisition of Chicago-based PrivateBancorp – 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 \$84, which implies a price-to-earnings ratio of 8.9 – 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 five-year holding period, this would bolster the company's annualized returns by 3.4% per year during this time period.

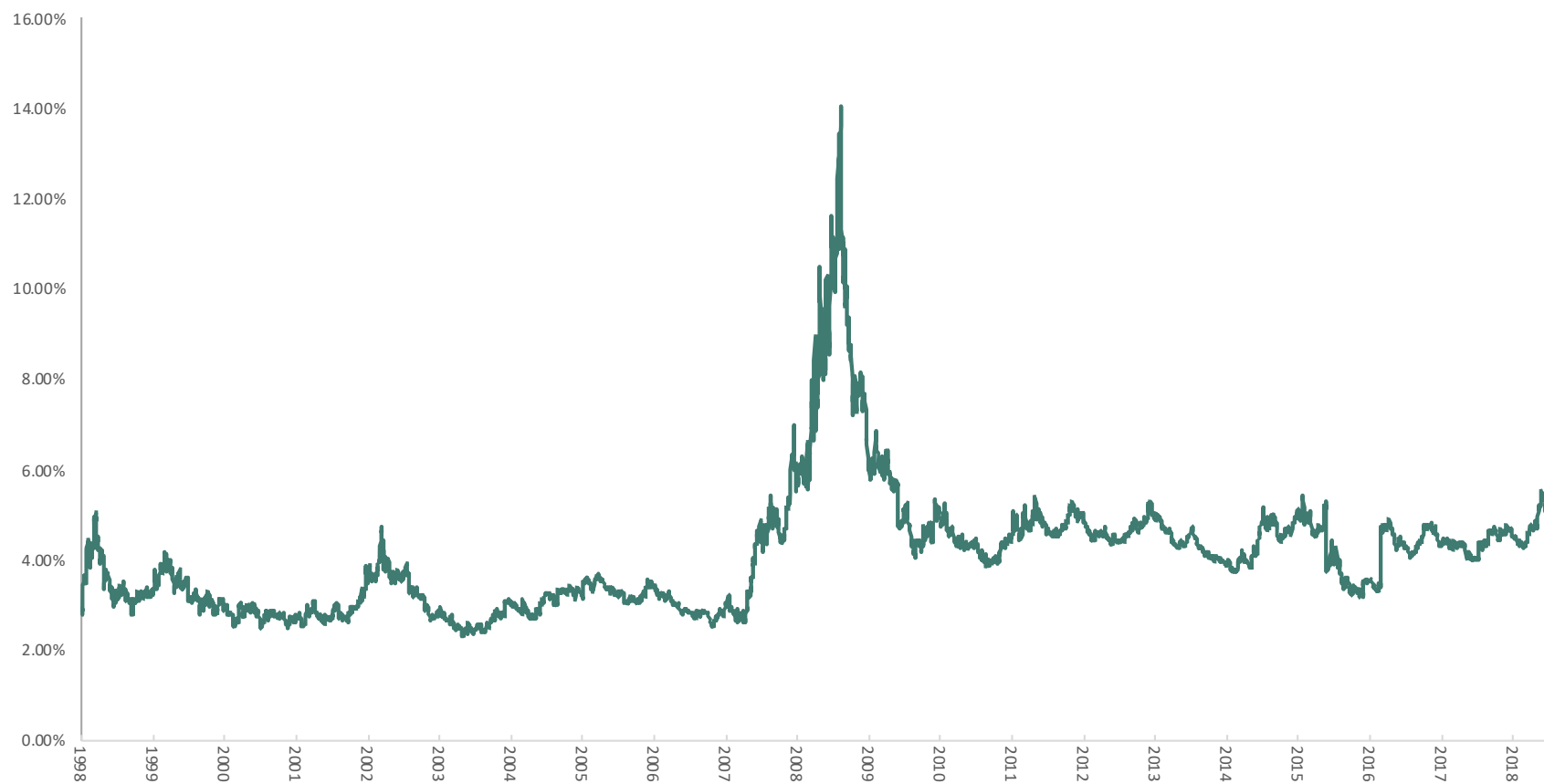
CIBC has compounded its adjusted earnings-per-share at 15.6% per year over the last decade and 9.1% per year over the last 5 years. We believe that this growth is unlikely to repeat itself and instead, the bank is capable of delivering mid-to-high-single-digit earnings-per-share growth moving forward. Combining this 5.5% growth estimate with CIBC's current yield of 4.3% (after withholding tax, outside of a retirement account) and factoring in the potential for valuation expansion (3.4%), we believe that CIBC is capable of delivering annualized returns of 13.2% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	Dividend Yield:	4.3% 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:	8.9
Year Founded:	1867	Market Capitalization:	US\$37.3 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 5.0%.

Canadian Imperial Bank of Commerce (CM) Dividend Yield History



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Royal Bank of Canada (RY)

Overview & Current Events

The Royal Bank of Canada – hereafter RBC – is the largest bank in Canada by market capitalization, and the country’s second-largest bank by total assets, behind The Toronto-Dominion Bank (TD). The financial institution operates in five business units: Personal & Commercial Banking, Wealth Management, Insurance, Investor & Treasury Services, and Capital Markets.

In late February, RBC reported (2/21/19) strong first quarter financial results. Earnings-per-share rose 7% against the year-ago period thanks to a 5% increase in net income and a small decline in the share count. Revenue was up 7% against the same period last year, but some of that growth was offset by higher expenses. Provisions for credit losses moved materially higher, gaining 54% in Q1 as one capital markets account in the utilities sector caused RBC to record a sizable provision. However, this should be a one-time event. Non-interest expense rose only 5% in Q1, meaning the bank gained some margin efficiency on lower operating expenses. This helped offset some weakness in the capital markets business and helped drive earnings higher. Net interest margin was down from 1.65% to 1.62% in Q1, which is a low value compared to its peers in the Canadian banking sector. However, RBC’s mix of business is not like a typical bank in that it derives about half of its income from non-traditional banking activities. Return on equity fell 70bps to 16.7% year-over-year, but this was due to a much higher equity total in this year’s Q1 against the comparable period. RBC’s profitability did not move materially, so again, there is no cause for concern.

Growth Prospects & Expected Total Returns

RBC’s future growth will come from continued expansion into the U.S. banking market. The company’s largest penetration into this arena came with the 2015 purchase of Los Angeles-based City National Corporation, for which the bank paid US\$5.0 billion. In fiscal 2018, 23% of RBC’s revenue was generated from the U.S. We believe RBC is capable of growing its earnings-per-share at 8% per year over full economic cycles.

We expect RBC to generate earnings-per-share of around CAD\$9.00 in fiscal 2019, which is equivalent to US\$6.75. The company’s NYSE-listed shares currently trade around \$78, which implies a price-to-earnings ratio of 11.5. As the largest among the Canadian Banks, the Royal Bank of Canada has historically traded at a premium valuation relative to its peers. The company’s 10-year average price-to-earnings ratio is 12.6 and our fair value target is an earnings multiple of 12. If RBC’s price-to-earnings ratio expands to 12 over the next five years, this will boost its total returns by 0.9% per year. Combine this potential for valuation expansion with RBC’s growth potential (8.0%) and dividend yield (3.4%) and RBC appears capable of delivering total returns of 12.3% per year moving forward.

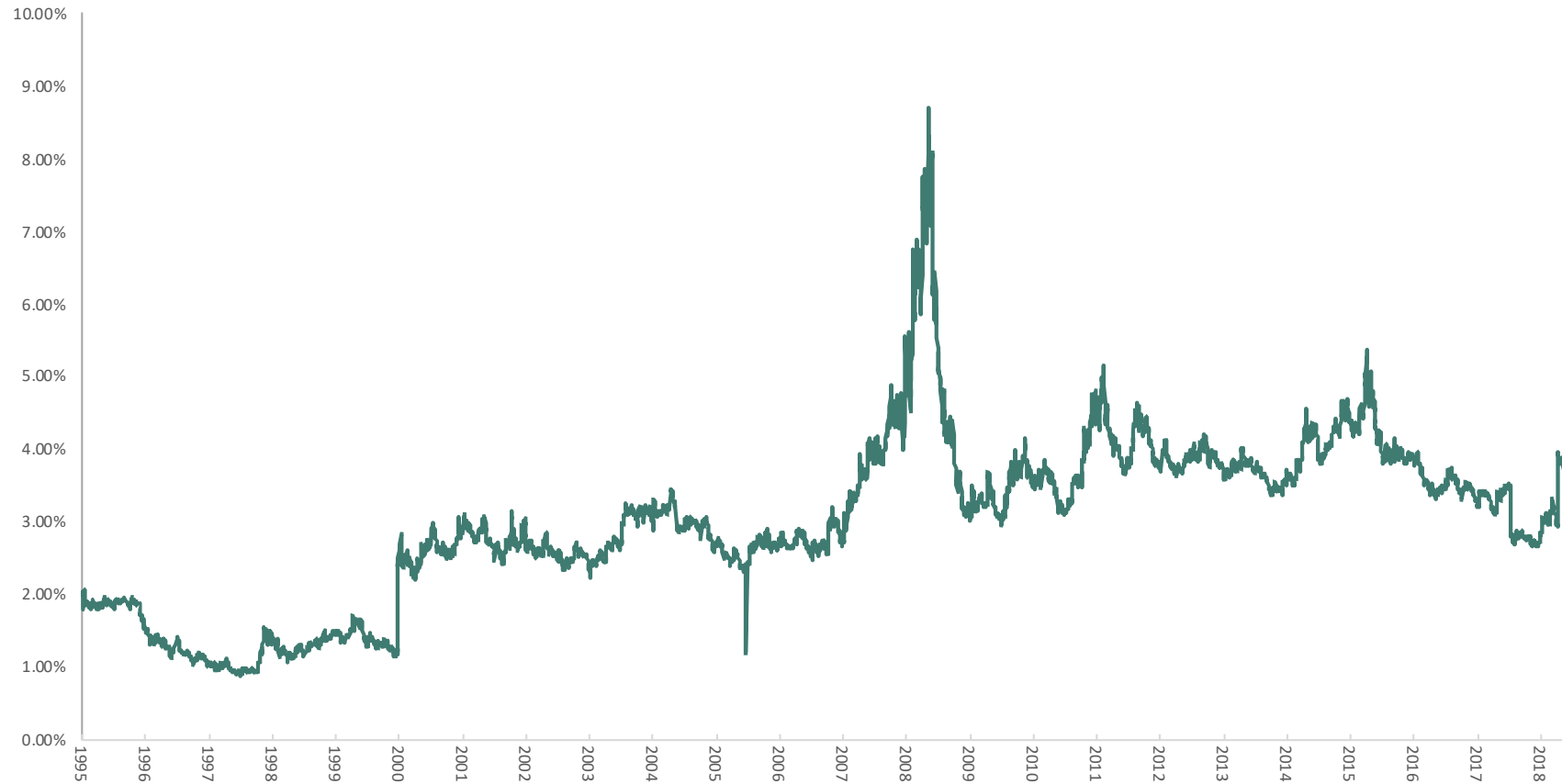
Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	Dividend Yield:	3.4% ¹
Headquarters City:	Toronto	Dividend History:	8 years of increases ²
Headquarters Country:	Canada	10-Year Average P/E:	12.6
Stock Exchange:	TSX & NYSE	Price-to-Earnings Ratio:	11.5
Year Founded:	1864	Market Capitalization:	US\$112.0 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 4.0%.

² Although RBC (RY) has only increased its dividend for eight *consecutive* years, the company has paid *steady or rising* dividends for decades.

Royal Bank of Canada (RY) Dividend Yield History



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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\$11 billion, and the stock trades with a market capitalization of US\$153 billion. Total produces more than 2.8 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. 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 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\$184 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 11.1, which is slightly below our fair value estimate of 11.9. Expansion of the valuation multiple could fuel 1.4% annual returns if mean reversion occurred over a five-year holding period. In addition, Total has an expected annual dividend payout of US\$3.10 per share for 2019, resulting in an after-tax yield of 3.8%. The combination of valuation changes, dividends, and expected earnings growth of 7% per year result in total expected returns of 12.2% per year through 2024.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	Dividend Yield:	3.8% ¹
Headquarters City:	Courbevoie	Dividend History:	Steady or rising since 1982
Headquarters Country:	France	10-Year Average P/E:	12.2
Stock Exchange:	Euronext & NYSE	Price-to-Earnings Ratio:	11.1
Year Founded:	1924	Market Capitalization:	US\$153 billion

¹ France imposes a 30% withholding tax. Excluding this withholding tax, the dividend yield would be 5.4%.

Total (TOT) Dividend Yield History



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Siemens AG (SIEGY)

Overview & Current Events

Siemens is a German industrial manufacturer founded in 1847. The company generates US\$90 billion of annual revenue. Siemens operating segments include Building Technologies, Energy, Drive Technology, Industrial Automation, Financing, Consumer Products, and more. The stock has a market capitalization of US\$93.8 billion.

In late January (1/30/19) Siemens reported financial results for the fiscal 2019 first quarter. The company generated revenue of US\$23 billion, up 1% from the same quarter last year. Order intake totaled US\$28.7 billion, a 12% increase year-over-year. A growing backlog is a positive due to two reasons. First, the company would be able to maintain revenues in case a recession leads to temporarily lower order inflow; and second, Siemens should be able to grow its revenues during coming quarters in the event there is no recession. Siemens' total backlog stood at US\$156 billion last quarter, a new all-time record. Earnings-per-share (EPS) of US\$1.44 declined roughly 50% year-over-year but this decline was due heavily to non-recurring items. Adjusted earnings-per-share were roughly flat from the same quarter last year.

Growth, Competitive Advantages, and Total Returns

Between 2009 and 2018 Siemens grew its earnings-per-share by 10% annually. We expect continued growth, due to Siemens' rising order backlog, and the fact that Siemens is holding a solid position in growth markets. Siemens has also 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. Siemens industrial backlog alone is sufficient to provide roughly one and a half year's worth of revenue without any new business bookings. 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\$4.60, Siemens stock trades for a price-to-earnings ratio of 12.0. In the past 10 years, the stock held an average price-to-earnings ratio of 15.0. If the valuation multiple expands to 15, total returns would be increased by 4.6% per year. Shareholder returns will also be boosted by 4.5% expected EPS growth, as well as the after-tax dividend yield of 2.9%. Total returns are expected to reach 12.0% per year, over the next five years. With a reasonably high expected return, Siemens is an attractive investment for value and dividend growth investors.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Euro	Dividend Yield:	2.9% ¹
Headquarters City:	Munich	Dividend History:	Increasing since 2002
Headquarters Country:	Germany	10-Year Average P/E:	15.0
Stock Exchange:	DAX & OTC	Price-to-Earnings Ratio:	12.0
Year Founded:	1847	Market Capitalization:	US\$93.8 billion

¹ Germany imposes a 26% withholding tax. Excluding this withholding tax, the dividend yield would be 3.9%.

Siemens (SIEGY) Dividend Yield History



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Closing Thoughts - On The Canadian Banks -

The ‘Big 5’ Canadian Banks are (listed in order by market cap):

1. Royal Bank of Canada (RY)
2. The Toronto-Dominion Bank (TD)
3. The Bank of Nova Scotia (BNS)
4. Bank of Montreal (BMO)
5. Canadian Imperial Bank of Commerce (CM)

Additionally, a 6th bank – National Bank of Canada (NTIOF) is sometimes included in with the ‘Big 5’ to make up the ‘Big 6’ Canadian Banks.

What stands out about the Canadian banks is their impressive dividend histories. Amazingly, *none of the Big 6 Canadian Banks cut their dividends during The Great Recession*. All 6 froze their dividend and returned to growth after the worst of The Great Recession passed. Compare this to the large U.S. Banks over the same time period:

- JPMorgan Chase (JPM) cut its quarterly dividend from \$0.38 to \$0.05
- Wells Fargo (WFC) cut its quarterly dividend from \$0.34 to \$0.05
- Bank of America (BAC) cut its quarterly dividend from \$0.64 to \$0.10

While the Big 6 Canadian Banks score well for safety as evidenced by their long histories of steady or rising dividends (a history much better than their U.S. counterparts), these banks have also been able to grow at a solid-if-not-spectacular clip. The average annualized earnings-per-share growth rate for the Big 6 from 2013 through 2018 is 7.9%. National Bank of Canada grew the slowest at 6.2% annually, while The Toronto-Dominion Bank grew the fastest at 11.7% annually.

And this growth came *on top of* above-average dividends. All of the Big 6 Canadian Banks currently have dividend yields of around 4% to 5% – well above the S&P 500’s dividend yield of ~2%.

The large Canadian banks’ combination of growth, safety, and yield – all at reasonable price-to-earnings ratios makes them compelling securities today. A full four of the six made this month’s Top 10: National Bank of Canada, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, and Royal Bank of Canada.

Of these four, we see National Bank of Canada’s dividend as the most secure of the bunch, but also offering the lowest expected total returns at ~11% annually over the next 5 years. The Bank of Nova Scotia has the highest expected total return over the next five years of the group, at ~17% annually.

As a group, the Big 6 Canadian Banks deserve attention from serious dividend growth investors looking for international exposure, as they provide a rare mix of growth, safety, yield, and value.

Thanks,
Ben Reynolds

The next newsletter publishes on Sunday, April 21st, 2019

Buying & Ranking Criteria

The method we use to come up with the Top 10 buys for *The Sure Dividend International Newsletter* is as follows:

Note: Ranking data is from Wednesday's Sure Analysis data update.

1. Filter our [Sure Analysis Research Database](#) universe of securities for:
 - 10%+ Expected total returns
 - A & B Dividend Risk Scores
 - International securities only (no U.S. securities)
2. Sort by expected total return (highest first). If there are not 10 securities matching the above, include C Dividend Risk Score securities.
3. Veto any securities from Top 10 as necessary after qualitative analysis, including a comparison of dividends to cash flows for non-financial securities.
4. The Top 10 is the 10 highest expected total return securities from steps 1 through 3.
5. "A" Dividend Risk Score securities rank ahead of "B" Dividend Risk Score securities which in turn rank ahead of "C" securities within the Top 10.

To receive an "A" Dividend Risk Score, a security must be in the top 20% for dividend safety. To receive a "B" Dividend Risk Score, a security must be in the top 40% for dividend safety. The formula for the Dividend Risk Score is below:

Dividend Risk Score (Raw) = Payout Ratio x 100 – # Years of Steady or Rising Dividends + 50 if deemed risky during a recession

We view securities with A and B Dividend Risk Scores as generally having secure dividends that are very unlikely to be reduced in the near future. Securities with C Dividend Risk Scores also appear generally safe, but don't have quite as high of a margin of safety as A or B ranked Dividend Risk Score securities.

Our formula for expected total return is calculated as the sum of 5-year expected returns from growth on a per share basis, 5-year expected returns from valuation multiple changes, and the current dividend yield.

The combination of expected total returns and low dividend risk creates a screen to find high-quality dividend growth securities outside of the U.S. with strong return potential.

Note that our expected total returns are based on the idea that the global economy will continue forward 'as is' for the foreseeable future, and not enter a recession.

Recessions do happen, of course, and we seek to recommend securities likely to pay steady or rising dividends even during recessions. Recession safety does factor into our Dividend Risk Scores, and in turn, our rankings for *The Sure Dividend Newsletter*.

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 securities 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 sold¹. **Past recommendations at or below this sell threshold are bolded and in green in the Exp. TR column 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 Rec. Date	DR Score	Exp. TR ²	Total Return
Micro Focus International	MFGP	Oct-18	C	19.7%	48.5%
Enbridge	ENB	Oct-18	C	12.0%	18.4%
Brookfield Renewable Partners	BEP	Oct-18	F	13.1%	11.4%
Bank of Nova Scotia	BNS	Oct-18	C	16.9%	2.6%
Vodafone	VOD	Oct-18	D	15.9%	-0.8%
Autoliv	ALV	Oct-18	D	10.0%	-1.1%
Canadian Natural Resources	CNQ	Oct-18	D	12.7%	-1.6%
British American Tobacco	BTI	Oct-18	D	14.5%	-4.7%
WPP	WPP	Oct-18	F	14.4%	-16.5%

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.

Total	TOT	Nov-18	C	13.2%	3.5%
Canon	CAJ	Nov-18	F	7.4%	1.2%
Sanofi	SNY	Nov-18	C	11.8%	-0.5%
Lazard	LAZ	Nov-18	F	21.3%	-2.8%
Fresenius Medical Care	FMS	Dec-18	B	11.7%	17.4%
Brookfield Asset Management	BAM	Dec-18	A	5.8%	13.2%
Infosys	INFY	Dec-18	A	8.1%	12.3%
Fortis	FTS	Dec-18	B	10.6%	7.1%
Imperial Oil	IMO	Dec-18	A	13.9%	6.4%
Siemens	SIEGY	Dec-18	C	13.2%	2.2%
ABB	ABB	Dec-18	C	14.9%	0.7%
Taiwan Semiconductor	TSM	Jan-19	C	7.2%	10.0%
Aon	AON	Jan-19	A	9.4%	9.8%
Novartis	NVS	Jan-19	B	8.5%	4.5%
Chubb	CB	Jan-19	B	6.4%	3.5%
Vermilion Energy	VET	Jan-19	B	21.7%	3.3%
SAP	SAP	Feb-19	B	10.8%	5.1%
Canadian Imperial Bank	CM	Feb-19	C	13.8%	-1.6%
Royal Bank of Canada	RY	Mar-19	C	13.0%	N/A
Canadian Pacific Railway	CP	Mar-19	A	12.0%	N/A
National Bank of Canada	NTIOF	Mar-19	B	11.2%	N/A

Average recommendation performance (including sells and pending sells): 5.4%

Comparable performance of the Vanguard All-World Ex-US ETF (VEU): 6.2%

Note: Performance should be measured over an *absolute minimum* period of 3 years. The 5 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 -18.7% and 0.0%, 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% (currently at 6.3%) 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:

$(\text{Income from foreign sources} / \text{Total taxable income}) \times \text{Total U.S. taxes owed}$.

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 (U.K.)	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 unwieldy 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.