Sure Dividend International

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

June 2019 Edition

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In the United States, long-term dividend growth investors benefit from living in a country where shareholder-friendly corporate cultures are common. There are many signs of this – most notably, the United States contains a lot of companies with long histories of steadily increasing dividend payments. One would expect that given America's long history of dividend growth; its stocks would also trade with a dividend yield that is proportionately higher as well. Surprisingly, this is not the case.

Dividend Yields by Country

Nation	12/31/2018	6/30/2018	12/31/2017	6/30/2017	12/31/2016	6/30/2016	12/31/2015
Australia	4.50%	4.03%	4.13%	4.19%	4.25%	4.63%	4.73%
US	1.98%	1.84%	1.83%	1.94%	2.03%	2.13%	2.11%
UK	4.46%	3.64%	3.59%	3.61%	3.47%	3.66%	3.70%
Japan	1.90%	1.61%	1.44%	1.68%	1.71%	1.97%	1.58%
China	2.70%	2.57%	1.77%	1.68%	1.83%	2.03%	1.73%
Canada	3.45%	2.92%	2.71%	2.85%	2.76%	2.99%	3.32%
Germany	2.71%	2.56%	2.71%	2.57%	2.47%	2.98%	2.60%
Spain	4.61%	3.71%	3.82%	3.67%	4.12%	4.89%	3.87%
India	1.24%	1.22%	1.08%	1.12%	1.35%	1.25%	1.46%
France	3.54%	3.31%	2.34%	3.24%	3.41%	4.05%	3.42%

Source: Siblis Research

The United States has the third-lowest dividend yield among the countries included in this table, behind only India and Japan.

What's important to note here is that this yield discrepancy is not due to a lack of dividend payments themselves. Instead, it comes down to valuation. The U.S. equity markets (measured using any major benchmark like the S&P 500 or the Russell 2000) have outperformed the global markets for a sustained period of time, which has been primarily caused by valuation expansion. This newsletter's Closing Thoughts provides more information on this topic.

We believe that this research finding provides two main takeaways for investors who are willing to venture outside of the United States. First, investors who are looking to generate current dividend income from their investment portfolios will be exposed to a much broader opportunity set if they deploy capital in international markets. Secondly, the lower valuations available in international markets means that total returns (dividend payments & share price appreciation) are likely to be higher as the spread between international and domestic valuations is highly likely to mean revert over time.

All of our recommendations this month either have high yields (Inter Pipeline comes to mind), low valuations (The Bank of Nova Scotia) or some combination of the two. Owning a diversified basket of companies with these characteristics is a sound strategy to realize strong returns over the long run.

Sell Recommendations: Gazprom (OGZPY) and Thomson Reuters (TRI)

Both Thomson Reuters and Gazprom are historical Sure Dividend International recommendations made prior to our switch to using exclusively Sure Analysis Research Database data for our rankings.

We first recommended Gazprom in the January 2018 edition of *The Sure Dividend International Newsletter*. We first recommended Thomson Reuters in the May 2018 edition. Gazprom has generated total returns of 55% since that time, and Thomson Reuters has generated total returns of 58% since our first recommendation. For comparison, the Vanguard All-World Ex-US ETF has generated total returns of -7.9% since our Gazprom recommendation, and -5.9% since our Thomson Reuters recommendation.

Gazprom stock has surged since May as the company announced a significant dividend increase. Indeed, Gazprom has increased its dividend to 16.61 Rubles from 8.04 Rubles the previous year. After the dividend increase, the company's stock has a 7.4% dividend yield. And, the dividend is secured by the company's payout ratio which we expect will be under 50% this fiscal year.

The recent dividend hike was likely a move by Gazprom's management to bring attention to the value of the company's shares. Gazprom trades at a steep discount to other large multinational oil and gas corporations.

While Gazprom has much going for it now, we believe now is the time to sell. The security has significant political risks as it is ~50% owned by the Russian government. Geopolitical risk combined with the normal boom / bust cycle that oil companies go through makes this security riskier than we'd like. And, the dividend was cut as recently as 2012, showing that the company's high yield today might evaporate a few years from now. **We recommend investors sell their Gazprom shares now to lock in profits** and invest in securities with lower risk.

Like Gazprom, Thomson Reuters shares have significantly outperformed the broad international market index since we first recommended them. And like Gazprom, Thomson Reuters is riding high on strong recent results. In the company's most recent earnings release (5/8/19), adjusted earnings-per-share increased 29% due to revenue growth, share repurchases, and especially a significantly lower interest expense after the company's divestiture of its Financial & Risk division.

But the significant positive momentum has pushed Thomson Reuters share price significantly higher. We view the security as significantly overvalued at current prices. As a result, we expect weak total returns ahead at Thomson Reuters. **We recommend investors sell their Thomson Reuters shares now and lock in gains**.

Proceeds from both Gazprom and Thomson Reuters can be reinvested into high-quality international dividend growth prospects with more attractive risk / return profiles. The securities in this month's Top 10 make excellent candidates.

The International Top 10 – June 2019

Name and Ticker	Country	Div. Risk Score	Exp. Value Return	Dividend Yield[1]	Exp. Growth	ETR
Brookfield Asset Mgmt. (BAM)	Canada	A	6.4%	1.2%	12.0%	19.6%
Inter Pipeline (IPPLF)	Canada	A	3.5%	7.2%	5.1%	15.8%
Royal Bank of Canada (RY)	Canada	B	1.0%	3.9%	8.0%	12.9%
National Bank of Can. (NTIOF)	Canada	B	1.2%	3.6%	6.0%	10.8%
Toronto-Dominion Bank (TD)	Canada	B	0.3%	3.4%	7.0%	10.7%
Imperial Brands (IMBBY)	U.K.	C	9.5%	9.5%	3.0%	22.0%
Micro Focus Intl. (MFGP)	U.K.	C	6.6%	4.7%	8.0%	19.3%
Enbridge (ENB)	Canada	C	1.5%	5.6%	7.2%	14.3%
Scotiabank (BNS)	Canada	C	3.1%	4.2%	6.0%	13.3%
Great-West Lifeco (GWLIF)	Canada	C	3.9%	4.4%	4.0%	12.3%

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: BAM, RY, TD, ENB, and BNS. Samuel Smith is personally long BAM.*

There are three new securities in this month's Top 10 compared to last month's edition. Canadian Pacific (CP), Fresenius Medical Care (FMS), and Canadian Imperial Bank of Commerce (CM) were replaced by Brookfield Asset Management (BAM), Inter Pipeline (IPPLF), and Imperial Brands (IMBBY).

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

Dividend Yield:	4.8%	**Expected Valuation Return:**	3.7%
Growth Rate:	6.6%	**Expected Total Return:**	15.1%

The securities in the *Sure Dividend International Newsletter* have a mix of above-average dividend yields, about average growth prospects, solid safety scores, and they 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 June 12th through June 14th, 2019.

[1] After accounting for any applicable withholding taxes.

Analysis of Top 10 Securities

Brookfield Asset Management Inc. (BAM)

Overview & Current Events

Brookfield Asset Management (BAM) is a leading global alternative asset manager and one of the largest global investors in real assets – which includes real estate, renewable power, infrastructure, and private equity. The company is headquartered in Toronto, Canada and manages a portfolio of public and private investment products for both institutional and retail clients. BAM also manages four publicly traded partnerships: Brookfield Property Partners (BPY), Brookfield Infrastructure Partners (BIP), Brookfield Renewable Partners (BEP), and Brookfield Business Partners (BBU). BAM trades with a market capitalization of US$47 billion and is cross-listed on the New York Stock Exchange and the Toronto Stock Exchange, where its common equity trades under the tickers 'BAM' and 'BAM.A', respectively. Despite operating as a Canadian company, BAM reports financial results in U.S. dollars.

BAM reported Q1 earnings on May 9. In Q1, funds from operations (FFO) fell 10% to $1.051 billion versus Q1 of 2018. On a per share basis FFO fell 10% to $1.04. FFO was negatively impacted by lower fee-related earnings and lower realized disposition gains. Fee-related earnings (FRE) took a hit largely because BAM generated outsized performance fees in 2018 thanks to certain public securities portfolios doing particularly well.

Growth, Competitive Advantage & Total Returns

Brookfield Asset Management's competitive advantage lies in its expertise in investing in real assets, which comes from its top-tier management team led by CEO, Bruce Flatt. Indeed, under current management, the company's compounded rates of growth for various business metrics since 1999 are: book value, 12%; FFO per share, 16%; assets under management, 18%; balance sheet assets, 15%; shareholders' equity, 18%; fees and annualized carry, 24%. Importantly, this growth has been done with very little dilution. Brookfield Asset Management targets 12%-15% total shareholder returns over full cycles. We are using a conservative 12% estimate for our total return forecasts moving forward.

Brookfield Asset Management has traded at an average price-to-FFO multiple of 11 over the last decade, if you exclude two years (2012 and 2013) when the company reported abnormally high funds from operations, which artificially lowered its valuation multiple. Looking ahead, our fair value estimate for the company is 12 times funds from operations. The company is trading at 8.8 times our 2019 FFO estimate today. If Brookfield Asset Management's price-to-FFO multiple expands to 12 over the next 5 years, this will boost its total returns by 6.4% per year during this time period. Overall, our estimate for the company's 5-year annualized total returns are 19.6%, comprised of its 1.2% dividend yield, 12% business growth, and 6.4% potential for valuation expansion.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	1.2%[1]
Headquarters City:	Toronto	**Dividend History:**	8 increases in last 32 years[2]
Headquarters Country:	Canada	**10-Year Average P/FFO:**	11.0
Stock Exchange:	TSX & NYSE	**Price-to-FFO Ratio:**	10.3
Year Founded:	1899	**Market Capitalization:**	US$47 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 1.4%.
[2] Although Brookfield Asset Management has only increased its dividend for 8 consecutive years, it has paid steady or rising dividends for 21 consecutive years with a CAGR of 14.5% during that time period.

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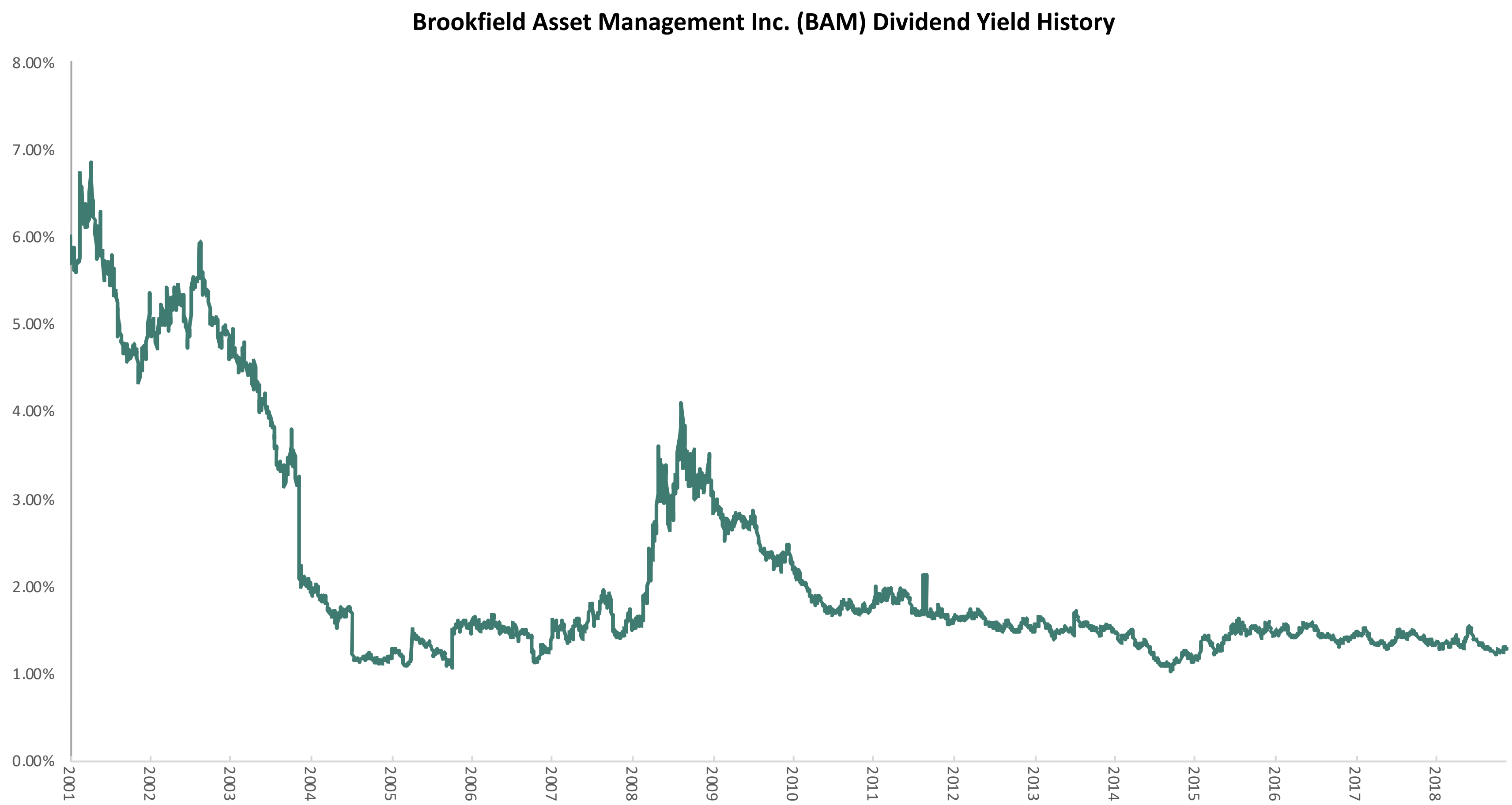

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Inter Pipeline Ltd (IPPLF)

Overview & Current Events

Inter Pipeline is an energy infrastructure company founded in 1997 with a $6.3 billion market cap whose assets transport, process, and store energy products; largely in Western Canada and at a much smaller scale in Europe. Inter Pipeline stock trades on the Toronto Stock Exchange with the ticker IPL and over-the-counter in the U.S. under the ticker IPPLF. The company estimates 2019 EBITDA for its 4 segments as follows: 54% Oil Sands Transportation, 24% Natural Gas Liquids Processing, 12% Conventional Oil Pipelines, and 10% Bulk Liquid Storage.

Inter Pipeline reported its first-quarter results on May 9, 2019. In the first quarter, Inter Pipeline generated revenue of $659 million, up 2% versus the same period a year ago. Funds from operations per share (FFO/S) declined 22%. Pipeline volumes (including Oil Sands Transportation and Conventional Oil Pipelines) fell 7%, Natural Gas Liquids Processing volumes increased 10%, and Bulk Liquid Storage declined about 4% to 78% of capacity. Lower pipeline volumes were the biggest drag, as they are projected to make up 66% of 2019 EBITDA. For the quarter, growth capital spending more than doubled as the company began its multi-year investment in the Heartland Petrochemical Complex, which is scheduled to be completed by late 2021, for a total investment of CAD$3.5 billion.

Growth, Competitive Advantages, and Total Returns

From 2009 to 2018, Inter Pipeline increased its FFO/S by 9.1% per year. We estimate a ~14% decline in FFO/S for 2019 after the reported Q1 results. We also expect the FFO/S to stay roughly flat to 2021, until the Heartland project goes into service, which will add materially to cash flow. Inter Pipeline expects Heartland to generate on average $450 to $500 million in EBITDA per year.

Inter Pipeline stayed stable during the last recession and energy price collapse thanks to its high-quality assets. The core of its asset base is concentrated in Western Canada, which keeps costs low and allowed it to earn a high EBITDA margin of 48% in 2018. Inter Pipeline also has a high credit rating of BBB+ from Standard & Poor's.

Inter Pipeline's average P/FFO since 2009 is ~12. We expect growth of 5.1% per year through 2024, and as such we have a fair value P/FFO of ~10 makes sense to reflect weaker expected growth. Based on expected FFO-per-share of CAD$2.41, equating to US$1.81 per share, Inter Pipeline shares trade at a price-to-FFO ratio of 8.4. Expansion of the price-to-FFO ratio to our fair value estimate would increase annual returns by 3.5% each year. Inter Pipeline also pays a monthly dividend of CAD$0.1425, or US$1.28 on an annual basis, for a current yield of 7.2%. The combination of 5.1% annual FFO growth, 3.5% valuation multiple expansion, and the 7.2% dividend yield result in expected total returns of 15.8% per year over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	7.2%[1]
Headquarters City:	Calgary	**Dividend History**:	Increasing since 2009
Headquarters Country:	Canada	**10-Year Average P/FFO:**	12
Stock Exchange:	TSX & NYSE	**Price-to-FFO Ratio:**	8.4
Year Founded:	1997	**Market Capitalization:**	US$6.3 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 8.5%.

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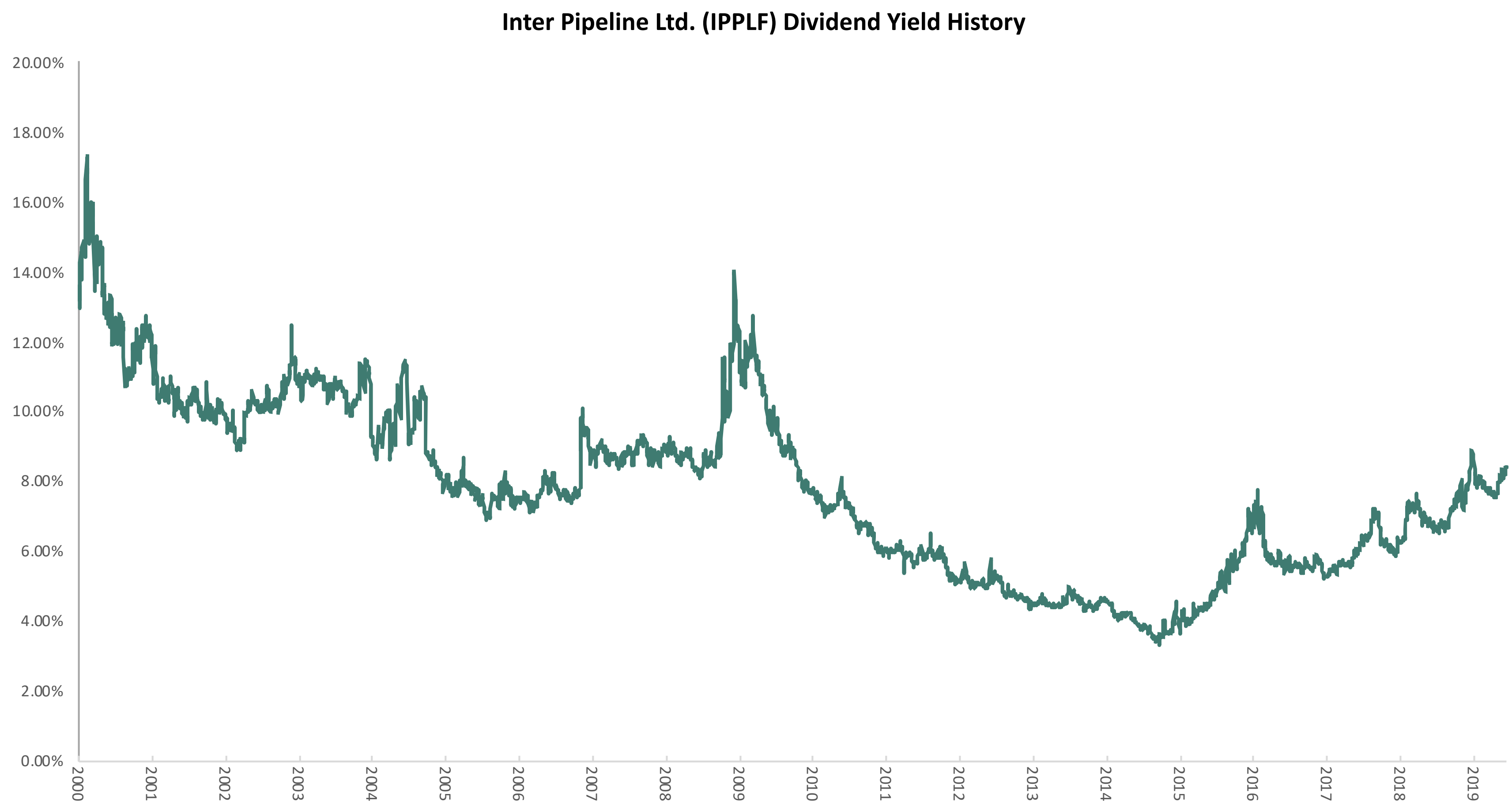

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Royal Bank of Canada (RY)

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.

RBC reported Q2 results on May 23. The bank saw a 6% increase in net income and solid diluted earnings-per-share growth of 7% against the year-ago period thanks to strong earnings growth in the segments of Capital Markets, Personal & Commercial Banking, and Wealth Management. The bank's return on equity was solid at 17.5%. Revenue was up 14% against the same period last year, but some of that growth was offset by higher expenses. Provisions for credit losses (PCL) moved materially higher, gaining 55% in Q2 due to higher PCL on impaired loans on a couple of accounts in its Canadian Banking commercial portfolio. However, we believe the bank's ongoing credit quality still remains strong. Non-interest expense rose 8% in Q2, meaning the bank gained some margin efficiency on lower operating expense growth versus revenue growth. Year-over-year, net interest margin was down from 1.68% to 1.64% in Q2, which is a low value compared to many other banks. Overall, RBC's quarterly financial performance was in-line with our long-term expectations and has a CAD$9.00 earnings estimate for fiscal 2019.

Growth, Competitive Advantage, and 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 $77, which implies a price-to-discounted ratio of 11.4. 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 1.0% per year. Combine this potential for valuation expansion with RBC's growth potential (8.0%) and dividend yield (3.9%) and RBC appears capable of delivering total returns of 12.9% per year moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.9%[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-DCF Ratio:**	11.4
Year Founded:	1864	**Market Capitalization:**	US$110.9 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 4.0%.
[2] Although RBC (RY) has only increased its dividend for eight *consecutive* years, the company has paid *steady or rising* dividends for decades.

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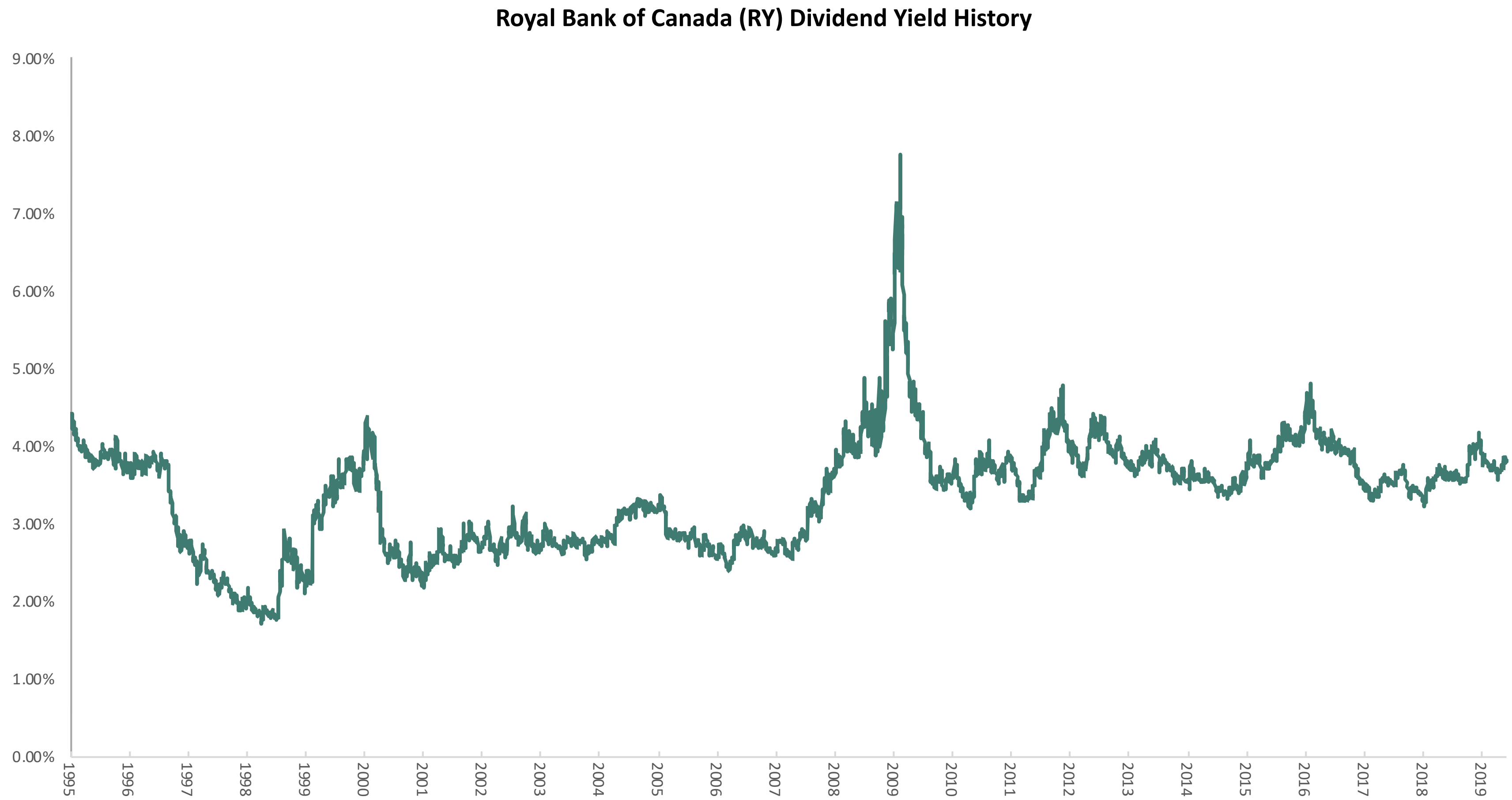

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National Bank of Canada (NTIOF)

Overview & Current Events

National Bank of Canada 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 $16 billion.

National Bank reported its fiscal second-quarter results in late May (5/30/19). For fiscal Q2, National Bank reported revenues of $1.77 billion, an increase of 1%, while diluted earnings-per-share rose 4.9% to $1.51 year-over-year, helped partly by share count reduction. Growth occurred in all segments except for a slowdown that occurred in the Financial Markets segment largely due to lower revenue. Specifically, the net income of the Personal and Commercial segment rose 9% to $234 million, Wealth Management rose 5% to $118 million, U.S. Specialty Finance and International rose 14% to $72 million, but Financial Markets revenue fell 16% to $160 million. The bank also increased its quarterly dividend by 5%.

In the first half of the fiscal year, revenue was essentially flat while diluted earnings-per-share rose 3.8% to $3.01. The bank's common equity tier 1 ratio was 11.5% at the end of Q2, which is quite strong. In summary, National Bank's earnings indicate stability. We maintain our estimate of $6.30 in earnings-per-share for fiscal 2019.

Growth, Competitive Advantages, and 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 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. With a 58% revenue exposure to Quebec, the bank's growth rate is tied closely to the economic health of Quebec. Quebec is the second-most populous province in Canada and contributes about 20% of Canada's GDP. It is a stable economy, but its GDP growth is estimated to slow to 1.9% in 2019. Thankfully, National Bank gets some diversification from other provinces, which contribute 29% to its revenue. And, it generates 13% of its revenue from the United States and Cambodia, which help contribute to higher growth.

We expect National Bank of Canada to generate earnings-per-share of ~US$4.72 at prevailing exchange rates. The company's U.S.-listed shares currently trade at $46.09 per share, for a price-to-earnings ratio of 9.7. For context, National Bank's 10-year average price-to-earnings ratio is 10.3, which is our fair value target for the stock. If National Bank's valuation multiple expands to its 10-year average over the next five years, this will boost its total returns by a modest 1.2% per year during this time period. Separately, the bank appears capable of delivering earnings growth of around 6% per year, and it trades with a current yield of 3.6%. Overall, National Bank is expected to generate total returns of about 10.8% per year over the next five years.

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:**	9.7
Year Founded:	1859	**Market Capitalization:**	US$16 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%.

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National Bank of Canada (NTIOF) Dividend Yield History

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The Toronto-Dominion Bank (TD)

Overview & Current Events

The Toronto-Dominion Bank began its life as the Bank of Toronto in 1855. Since then, the institution has grown into a global financial services provider with over 85,000 employees and more than CAD$1.3 trillion in assets. Toronto-Dominion produces around CAD$39 billion in revenue each year and the company has a CAD$137 billion market capitalization. Toronto-Dominion reports results in Canadian dollars.

Toronto-Dominion reported Q2 earnings on 5/23/19 and results were better than expected, with earnings coming in at a Q2 record. Revenue was up 2.3% to CAD$10.2 billion thanks to particular strength in the core Canadian Retail segment, which saw its revenue rise 8% during the quarter. That strength came from higher volumes, better margins, and more assets under management. Canadian Retail's adjusted net income rose 2% year-over-year.

Adjusted earnings came in 6.7% higher on a dollar basis but rose 8% on an adjusted earnings-per-share basis thanks to a lower share count, rising from $1.62 to $1.75. We reiterate our estimate of CAD$6.34 in adjusted earnings-per-share for this year after a solid Q2 report.

The bank also said it plans to buy back another 20 million shares, which represents just over 1% of the current float. The dividend was also declared at the same CAD$0.74 quarterly payout, good for a gross yield of 3.9%. Toronto-Dominion's capital position remains very strong as its common equity tier 1 ratio is 12%.

Growth, Competitive Advantage & Total Returns

We see Toronto-Dominion producing 7% annual earnings growth in the coming years. Growth should accrue in part from steady loan growth. Toronto-Dominion continues to gather cheap deposits and lend them prudently, which should drive more strong performance moving forward.

In addition, we see some margin expansion as revenue rises via lower expenses. Finally, the bank should see a low single-digit tailwind from a lower share count as it continues to buy back a small amount of its own stock, including its most recent repurchase announcement.

Of course, Toronto-Dominion is susceptible to recessions in both the U.S. and Canada and would likely see growth halted or reversed. To its credit, Toronto-Dominion's earnings-per-share did not decline during the financial crisis. While earnings were essentially flat for three years, they did not decline, which is quite a feat for a bank. For this reason, we view Toronto-Dominion as favorable against its peers, many of which suffered severe declines in earnings during the last recession.

We expect total returns to be over 10% annually in the coming years, consisting of the 3.4% net dividend yield, 7% earnings-per-share growth, and a 0.3% tailwind from the valuation creeping higher. At 11.8 times this year's earnings estimates, the stock appears fairly valued when compared to our fair value estimate of 12 times earnings. Given its strong performance during the last recession, a strong history of growth, the 3.4% dividend yield, and the reasonable share price, we rate the stock as a buy.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	3.4%[1]
Headquarters City:	Toronto	**Dividend History**:	8 years of increases
Headquarters Country:	Canada	**10-Year Average P/E:**	12.7
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	11.8
Year Founded:	1855	**Market Capitalization:**	US$102.2 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 be3.9%.

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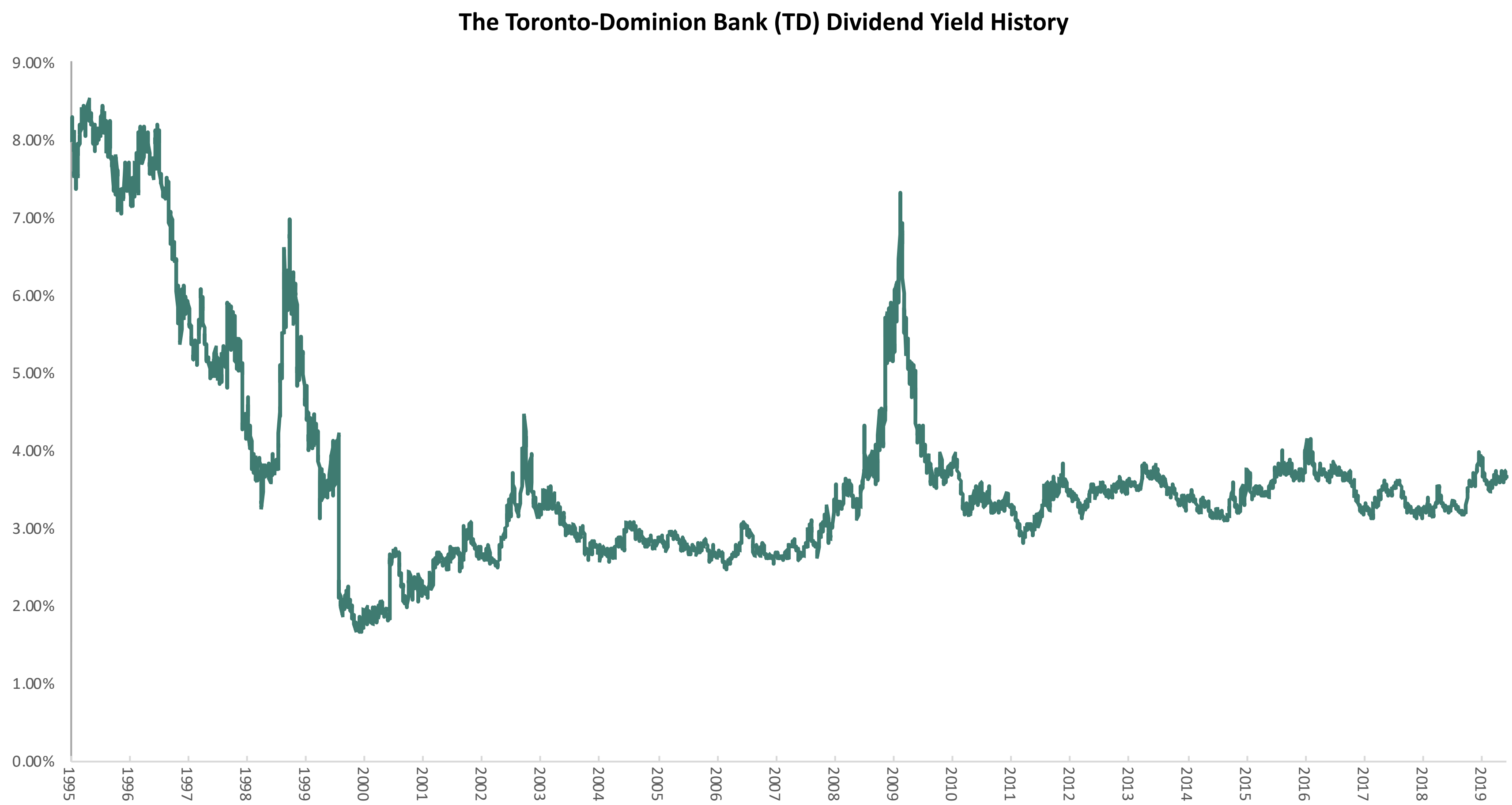

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Imperial Brands plc (IMBBY)

Overview & Current Events

Imperial Brands is a tobacco company headquartered in the United Kingdom. The company manufactures and sells a variety of tobacco products, including cigarettes, tobaccos, cigars, rolling papers, and tubes. Some of its core brands include Winston, Davidoff, Gauloises, L&B, Bastos, Fine, Gitanes, Kool, Jade, and many more. Imperial Brands is organized into two operating segments: tobacco and logistics. The tobacco segment includes the manufacture and sale of its various tobacco products, while the logistics segment distributes tobacco to product manufacturers.

Imperial Brands reported first half of fiscal 2019 results on 5/8/19. Net revenue increased 2.3% mostly due to the core tobacco group. Tobacco revenue grew 2.5% in constant currency as a 6.5% increase in prices offset volume declines. The company increased its cigarette share in the U.S. Adjusted earnings-per-share (EPS) declined 1.3% in constant currency as market loss in the e-cigarette category in the U.S. was partially offset by cost cuts. This was the likely cause of the stock reaching new 52-week lows. Imperial Brands expects revenue to grow at the upper end of its 1% to 4% range for the fiscal year and reiterated its expectation for adjusted earnings-per-share.

Growth, Competitive Advantages, and Total Returns

Like the rest of the tobacco industry, Imperial Brands is struggling with the declining smoking rate in developed economies like the United States. Imperial Brands reported a volume decline of 4.5% in the first half of fiscal 2019. Imperial Brands' future growth will be fueled by its next-generation product line. This includes vapor and heated tobacco products, such as blu, designed to address the changing consumer preferences away from traditional cigarettes. To help finance its growth investments, the company is launching an aggressive cost reduction program, targeting up to US$2.6 billion in cost savings over the next one to two years. We expect 3% annual earnings growth through 2024.

Imperial Brand's competitive advantages provide the company with a wide economic moat. It operates in a highly regulated industry, with high barriers to entry. It also has pricing power due to the addictive nature of tobacco. Another positive for the stock is that the underlying business is highly recession resistant. Tobacco sales hold up very well during recessions, which allows the company to continue paying its hefty dividend. Imperial Brands pays a variable quarterly dividend. The previous four payments totaled approximately US$2.42 per share, equaling a very high current dividend yield of 9.5%, with no dividend withholding taxes applied since the company is based in the U.K.

Imperial Brands' valuation has fluctuated somewhat wildly over the past 10 years, primarily due to earnings volatility. The stock has a 2019 price-to-earnings ratio of 7.0, while our fair value estimate for Imperial Brands is a price-to-earnings ratio of 11.0. Valuation changes are expected to add 9.5% to the annual returns of the stock through 2024. In addition to 3% expected annual EPS growth and the 9.5% dividend yield, total returns are expected to reach 22% per year through 2024.

Key Statistics, Ratios, & Metrics

Reporting Currency:	British Pound	**Dividend Yield:**	9.5%[1]
Headquarters City:	Bristol	**Dividend History**:	Steady or rising since 1997
Headquarters Country:	United Kingdom	**10-Year Average P/E:**	28.3
Stock Exchange:	LSE & NYSE	**Price-to-Earnings Ratio:**	7.0
Year Founded:	1901	**Market Capitalization:**	US$24 billion

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

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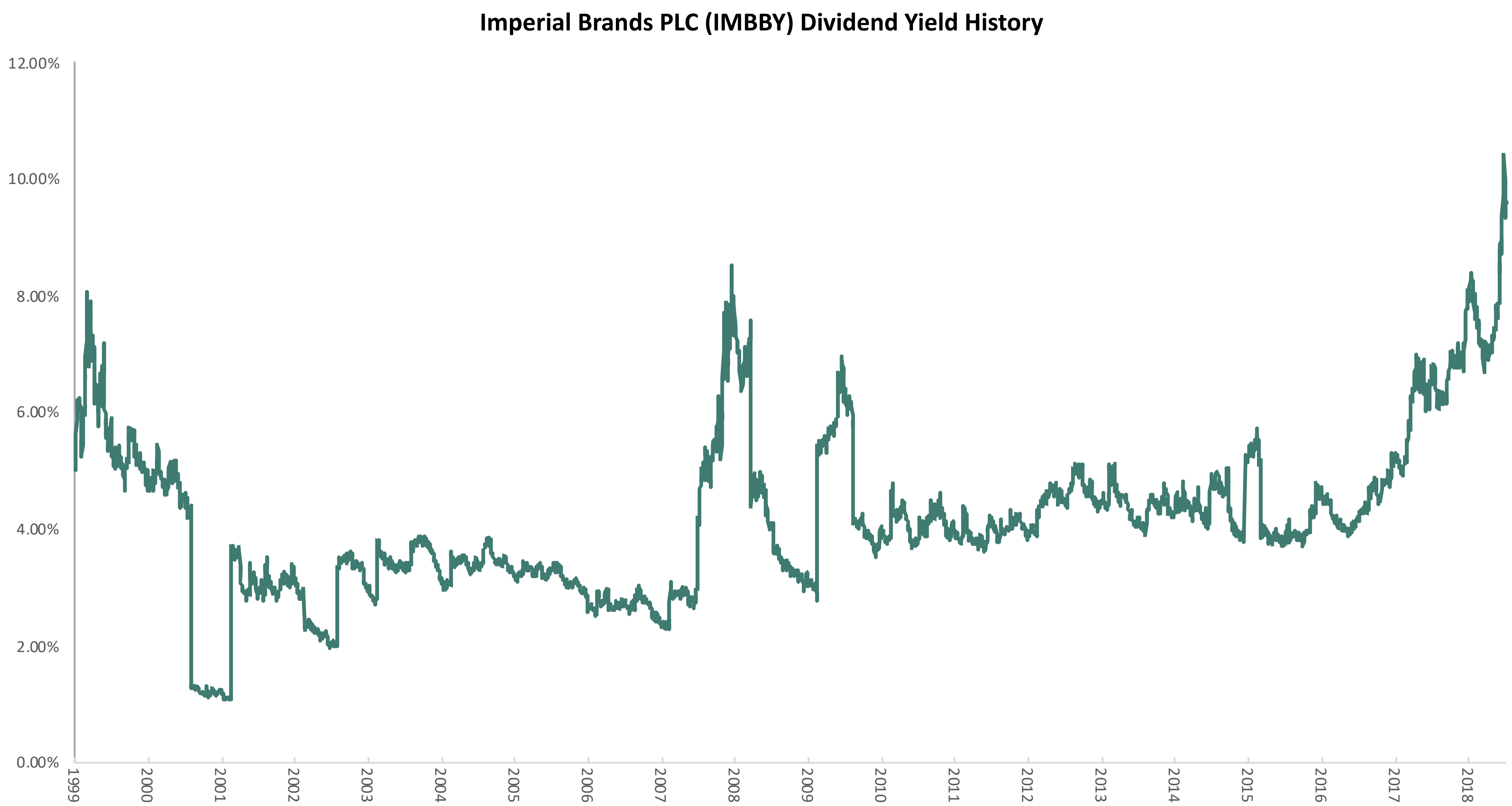

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Micro Focus Intl. plc (MFGP)

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% to 9% decline. Adjusted EBITDA grew 9.2% to $1.5 billion, as the 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, as Micro Focus noted in its most recent interim financial release, 70% of company 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, with pro-forma revenues of US$4.4 billion and adjusted EBITDA of US$1.4 billion. 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 to 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 10.9; significantly below our fair value estimate of 15. This indicates the stock is deeply undervalued. An expanding valuation multiple could add 6.6% 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 19.3% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	U.S. Dollar	**Dividend Yield:**	4.7%[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:**	10.9
Year Founded:	1976	**Market Capitalization:**	US$8.8 billion

Note: Due to Micro Focus' 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.

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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.

Enbridge reported another record quarter that exceeded consensus' expectations. The company grew adjusted EBITDA in Q1 to CAD$3.8 billion, up 11.8% year-over-year. Distributable cash flow also grew rapidly to CAD$2.8 billion from CAD$2.3 billion year-over-year, for a 21.7% growth rate. Additionally, a strong contribution from new gas transmission projects, favorable weather patterns, and increasing crude-oil and natural gas differentials boosted results further. The company continues to forecast solid growth over the next several years.

Growth, Competitive Advantage, 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's DCF per share guidance is 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 10.2. Our fair value estimate is a price-to-cash flow ratio of 11. Expansion of the valuation multiple could add 1.5% 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 5.6%. 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 5.6% dividend yield, and a 1.5% annual tailwind from valuation changes, we expect annual returns of 14.3% over the next five years.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	5.6%[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:**	10.2
Year Founded:	1949	**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 6.5%.

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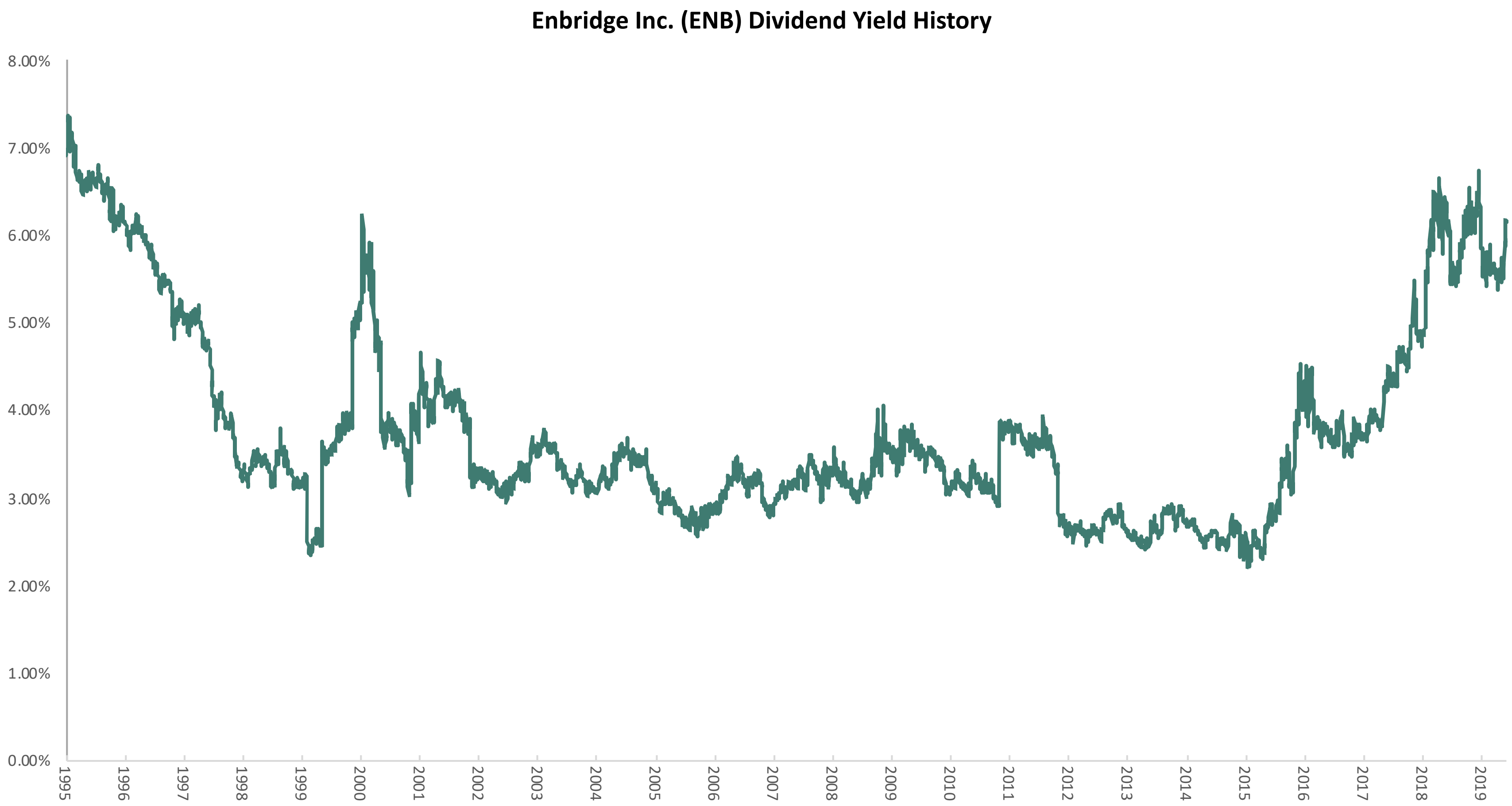

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The Bank of Nova Scotia (BNS)

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 reported business improvement in fiscal Q2 results on 5/28/19. Revenue increased 10.6% to CAD$7.8 billion over Q2 2018 thanks to a 6.2% gain in interest income and a 16.2% boost in non-interest income. Earnings from the Personal and Commercial banking businesses were up 8% year-over-year while Global Banking and Markets rebounded strongly. The bank's provisions for credit losses soared 63% to $873 million in Q2. The provisions put a drag on the net income, but they are essentially a needed expense set aside to cover for uncollected loans and loan payments. Higher provisions are to be expected given that Scotiabank is growing its loan book both organically and via acquisitions, but it does reduce earnings in the short-term.

Adjusted earnings-per-share (EPS) were essentially flat, coming in at $1.70 vs. $1.71 in the year-ago period. The bank's capital position also remains quite strong with its common equity tier 1 capital ratio at 11.1%, and its shareholders' equity rose 11% from $57.2 billion a year ago to $63.6 billion today. Scotiabank also announced it will repurchase ~2% of its outstanding shares using current prices. In the first half of the fiscal year, Scotiabank reported diluted EPS of CAD$3.44, down 3.4% over the same period in the prior year. Therefore, we are revising our EPS estimate down to CAD$7.25 for 2019.

Growth, Competitive Advantages, and Total Returns

Scotiabank has two catalysts that should drive its growth. 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. 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).

We expect 2019 earnings-per-share of about US$5.44, or CAD$7.25. Using this earnings estimate, Scotiabank's NYSE-listed shares are trading at a price-to-earnings ratio of 9.7 today. Our fair value estimate for the company is a price-to-earnings ratio of 11.3, a slightly downward revision from our previous target P/E, due to the company's slowing EPS growth in recent periods. If Scotiabank's price-to-earnings ratio expands to 11.3 over the next five years, this will add 3.1% to its annualized returns. Between dividend payments (4.2%), earnings growth (6%), and valuation expansion (3.1%), we believe that Scotiabank has the potential to deliver annualized returns of 13.3% moving forward.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	4.2%[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:**	9.7
Year Founded:	1832	**Market Capitalization:**	US$65 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 4.9%.

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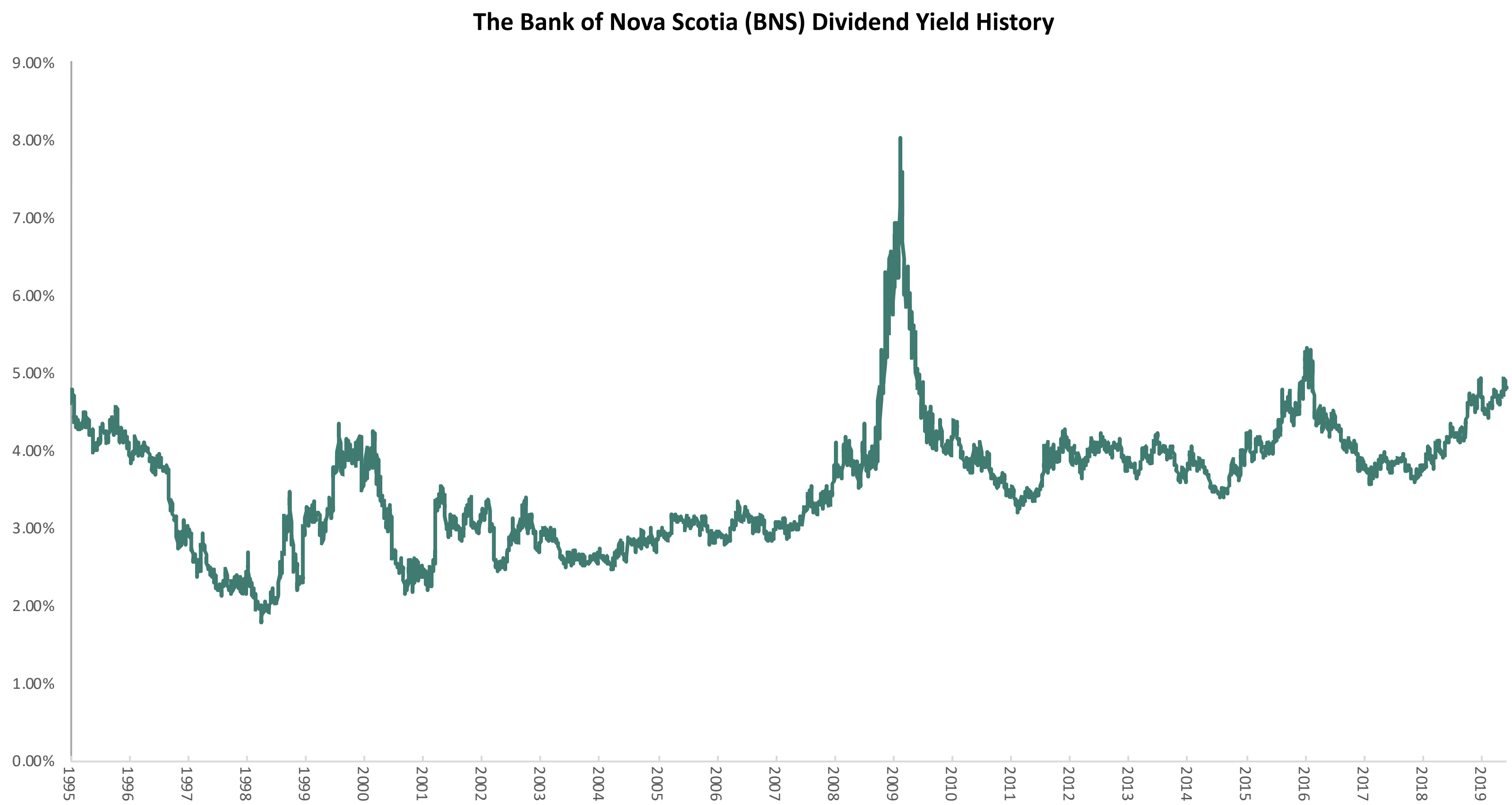

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Great-West Lifeco Inc. (GWLIF)

Overview & Current Events

Great-West Lifeco is an international financial services holding company. The company operates in life insurance, health insurance, investment and retirement, asset management, and reinsurance divisions. The stock is dual-listed in Toronto and New York, under tickers GWO and GWLIF, respectively. The company was founded in 1891 and has a current market capitalization of $21.7 billion on the U.S.-listed shares following a period of recent weakness. Great-West reports in Canadian dollars.

The company announced Q1 earnings on 5/3/19 and results were much weaker than expected. Earnings-per-share came in at CAD$0.67, missing analyst estimates of $0.77, and down from the year-ago period earnings of $0.74 per share. Earnings declined primarily due to higher income taxes as Great-West's tax rate nearly doubled from 10% to 18% year-over-year. In addition, lower fee income in North America, as well as unfavorable claims in Europe helped drive the decline.

The company's capital position remains strong despite weak Q1 earnings. Also, Great-West recently retired $2 billion of its own shares. We are maintaining the expectation of $3 in earnings-per-share for this year after a somewhat messy Q1 report, which would be essentially flat as compared to last year.

Growth, Competitive Advantage & Total Returns

Great-West has faced some challenges in producing meaningful growth in recent years as low interest rates have taken their toll. Indeed, like any other insurer, Great-West's fixed rate annuity and insurance businesses rely upon carry income for revenue and margins, so when rates are low – or when the yield curve flattens or inverts, as it has recently – entities like Great-West can face a difficult time with revenue and earnings.

Given this, we think the company will have a somewhat difficult time producing growth in the coming years outside of share repurchases. We see 4% earnings growth annually in the next five years, with mergers and acquisitions continuing to play a pivotal role in achieving that growth. Great-West's strong capital position will help, whether it chooses to buy its own shares or pursue acquisitions.

Great-West's competitive advantage is its unadventurous and conservative approach to its businesses. In periods of economic uncertainty, the company's strong capital position and strong dividend will appeal to investors. Indeed, insurance companies typically are defensive stocks in a recession as their earnings are beholden to claims, not necessarily economic growth. Great-West's strong balance sheet will afford it the ability to purchase growth opportunistically.

We expect total returns for Great-West to be in the area of 12.3% annually in the coming years, consisting of the 4.4% dividend yield, 4% earnings-per-share growth, and a 3.9% tailwind from the valuation expanding (which assumes that the valuation mean reverts over the next 5 years). At just under 10 times this year's earnings estimates, the stock appears meaningfully undervalued when compared to our fair value estimate of 12 times earnings.

Key Statistics, Ratios, & Metrics

Reporting Currency:	Canadian Dollar	**Dividend Yield:**	4.4%[1]
Headquarters City:	Winnipeg	**Dividend History:**	22 increases in last 32 years
Headquarters Country:	Canada	**10-Year Average P/E:**	13.8
Stock Exchange:	TSX & NYSE	**Price-to-Earnings Ratio:**	10.3
Year Founded:	1891	**Market Capitalization:**	US$21.7 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 5.2%.

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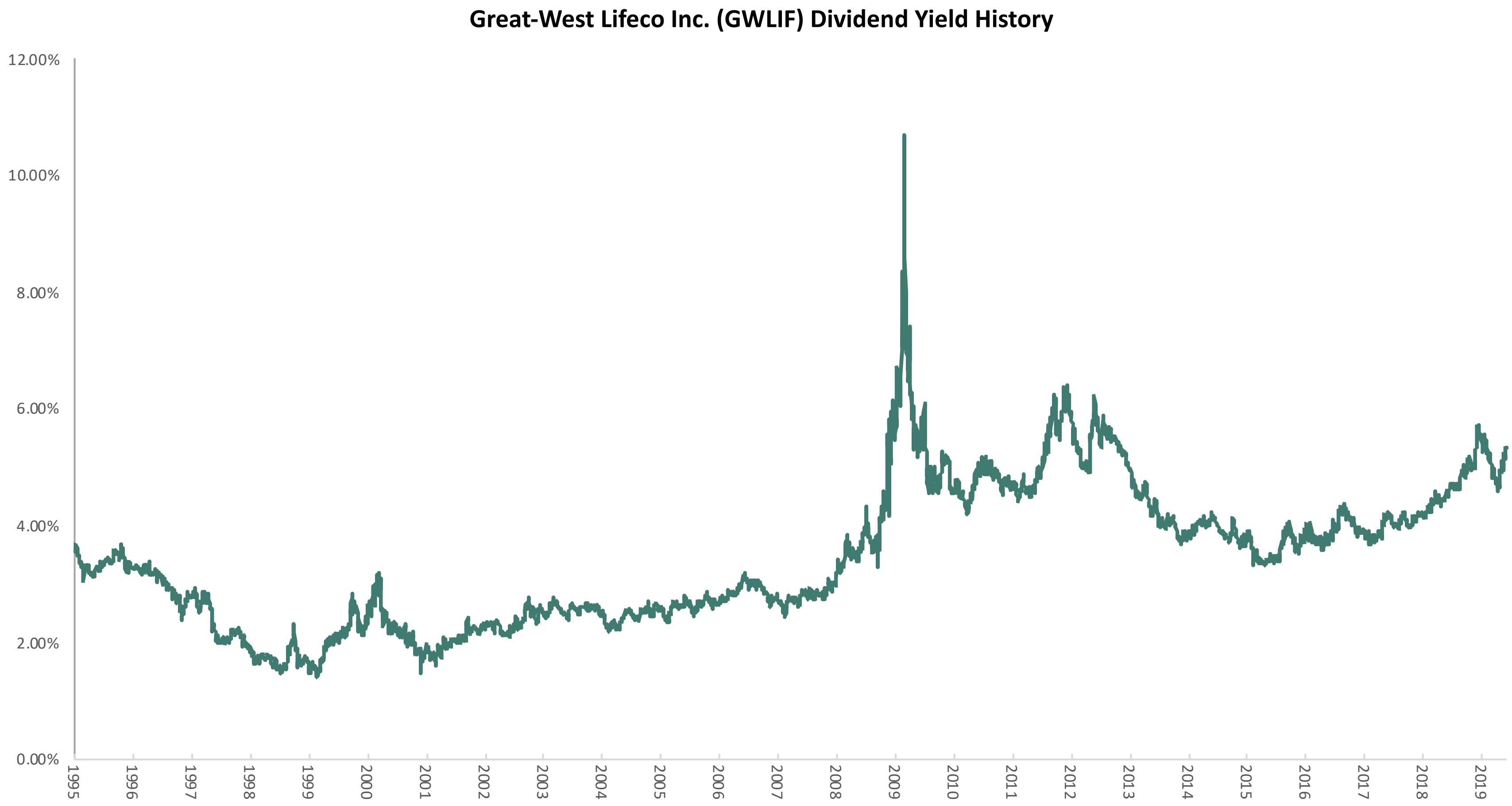

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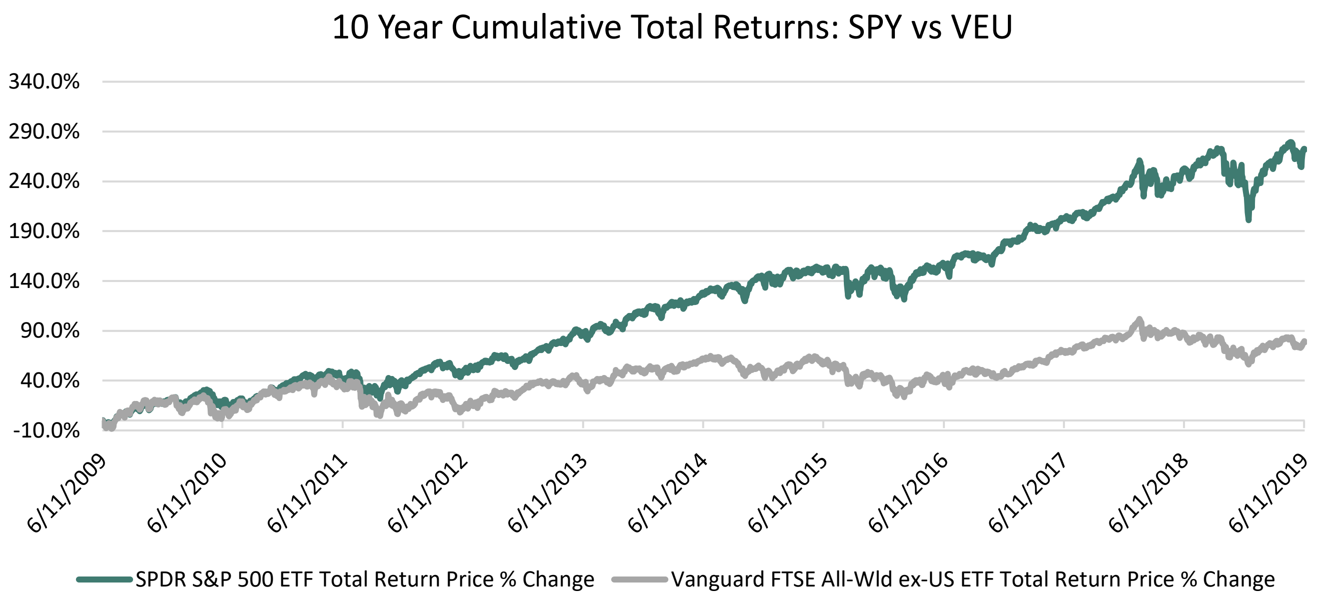
Closing Thoughts
- A Look At 10 Years Of International Stock Performance -

The global stock market excluding the U.S. as measured by the Vanguard FTSE All-World Ex-US ETF (VEU) has significantly underperformed the S&P 500 (SPY) over the last decade[1].



As the image above shows, international markets have failed to keep pace with the S&P 500 through much of the last decade's bull market. Interestingly, the cause of the performance difference is largely attributed to significant valuation multiple expansion in the United States.

In 2009, the forward P/E ratios of *both* the S&P 500 and an all-world ex-US index were around 14. The current P/E ratio for the S&P 500 has expanded to nearly 22. For comparison, VEU's current P/E ratio is still just 14.4.

Valuation multiples alone do not explain the entire performance difference over the last decade. Indeed, U.S. stocks have done exceptionally well due in large part to the strength of the technology sector.

While the last decade points to outperformance in U.S. stocks, the next 10 years are *likely* to show the reverse because of the stark difference in valuation multiples between U.S. stocks and international stocks in general.

Thanks,

Ben Reynolds
Sure Dividend

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

[1] Data through midday 6/12/19

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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*.

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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 sold[1]. **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. Only securities held for longer than 1 year are to be sold due to low expected total returns.

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.

Current Top 10 & Past Hold Recommendations

Name	Ticker	1st Rec. Date	DR Score	Exp. TR[2]	Total Return[3]
Micro Focus International	MFGP	Oct-18	C	20.4%	22.6%
Brookfield Renewable Partners	BEP	Oct-18	F	11.3%	20.4%
Enbridge	ENB	Oct-18	C	13.9%	11.6%
Bank of Nova Scotia	BNS	Oct-18	C	17.8%	-0.1%
Canadian Natural Resources	CNQ	Oct-18	C	12.4%	-3.9%
WPP	WPP	Oct-18	F	12.1%	-7.0%
British American Tobacco	BTI	Oct-18	D	16.3%	-11.7%
Autoliv	ALV	Oct-18	D	13.5%	-15.3%

[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.
[3] Total return data through morning 6/14/19

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Canon	**CAJ**	**Nov-18**	**F**	**3.7%**	**4.6%**
Sanofi	SNY	Nov-18	C	12.0%	-1.1%
Total	TOT	Nov-18	C	15.7%	-3.0%
Lazard	LAZ	Nov-18	D	23.5%	-8.0%
Brookfield Asset Management	BAM	Dec-18	A	19.6%	18.2%
Fortis	FTS	Dec-18	B	9.1%	14.5%
Fresenius Medical Care	FMS	Dec-18	B	9.8%	13.2%
Infosys	INFY	Dec-18	C	6.2%	12.8%
Siemens	SIEGY	Dec-18	C	11.2%	9.6%
ABB	ABB	Dec-18	D	8.8%	5.1%
Imperial Oil	IMO	Dec-18	A	9.4%	3.5%
Aon	AON	Jan-19	A	7.1%	24.0%
Novartis	NVS	Jan-19	B	5.4%	19.8%
Chubb	**CB**	**Jan-19**	**B**	**4.4%**	**14.1%**
Taiwan Semiconductor	TSM	Jan-19	D	7.1%	8.5%
Vermilion Energy	VET	Jan-19	D	11.9%	-13.5%
SAP	SAP	Feb-19	B	7.4%	22.3%
Canadian Imperial Bank	CM	Feb-19	C	12.1%	-8.8%
Canadian Pacific Railway	CP	Mar-19	A	9.2%	12.9%
Royal Bank of Canada	RY	Mar-19	B	12.3%	0.0%
National Bank of Canada	NTIOF	Mar-19	B	11.6%	-1.3%
Toronto-Dominion Bank	TD	May-19	B	11.2%	1.4%
Great-West Lifeco	GWLIF	May-19	C	13.4%	-2.8%
Imperial Brands	IMBBY	Jun-19	C	22.1%	N/A

Average recommendation performance (including sells and pending sells): 4.5%
Comparable performance of the Vanguard All-World Ex-US ETF (VEU): 4.4%

Note: Performance should be measured over an *absolute minimum* period of 3 years. The 8 months of return data above is all but meaningless.

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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 -20.7% and -2.2%, 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 6.8%) or below, which we believe is a reasonable estimate of fair value.

Vodafone (VOD): We first recommended Vodafone in the October 2018 *Sure Dividend International Newsletter*. Since that time, Vodafone has generated total returns of -13.0%. We issued a pending sell recommendation on Vodafone this month. We recommend selling the security when it becomes a long-term holding (1+ year holding period) instead of a short-term holding (less than 1 year); this will occur in the October or November 2019 edition of *The Sure Dividend International Newsletter*.

Sold Positions

None at this time.

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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.

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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%.

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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.

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