Canadian Dividend Growth and Income Portfolio

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Derrick Lee, CFA, CMT, CFP
Senior Vice President, Wealth Management
Advisor and Portfolio Manager

Sam Chan, CFA, CMT, CFP
Senior Vice President, Wealth Management
Advisor and Portfolio Manager

National Bank Financial
9130 Leslie Street, Suite 200
Richmond Hill, ON, L4B 0B9

Tel.: 416-756-2298
Toll Free: 1-888-463-5553
E-mail: Derrick.lee@nbc.ca
E-mail: Sam.chan@nbc.ca

Basket Investment Strategy

The Chan Lee (CL) Canadian Dividend Growth and Income Basket (CDGI) is an investment portfolio that is managed by the Chan Lee Wealth Management Group on a discretionary basis in your brokerage account. You directly own the underlying securities and receive the dividends.

As the name implies, this basket invests in Canadian companies that in our opinions, 1) have sustainable dividends, and 2) will be able to grow their dividends in the future. Sustainable dividends and the ability to grow the dividends are the two main pillars of our investment process. We believe that a superior total return can be obtained through a combination of the dividend yield and capital gains as a result of finding businesses with these two pillars.

We believe that if we invest in companies with sustainable growing dividends, the capital gains will come over the long-term (5 to 10 year time horizon). Thus, we are not focused on short-term price movements of our holdings.

Performance

Portfolio Performance

	3 months	1 yr	3 yrs	5 yrs	Inception*
Basket Performance	-9.47%	-7.88%	9.58%	7.94%	10.79%
Benchmark	-10.11%	-8.89%	6.37%	4.06%	5.49%

Value of Basket December 31, 2018	36,568.34

***Inception date:** *January 1st , 2013*

***Fees:** Returns presented are gross of fees.*

***Source**: Croesus*

Indices are shown for comparison purpose only.

***Composition of the benchmark:** S&P/TSX Composite Total Return Index.*

Performance Data

How do we know how we are doing? It is industry standard to compare a portfolio of stocks to a benchmark. Our benchmark is the S&P/TSX Composite Total Return Index.

We prefer to measure ourselves against our two pillars; 1) have our dividends been sustained and 2) have we increased the dividends (cash received) at a rate greater than inflation.

Year-to-date, we had 9 of our 14 companies increase their dividends. We experienced no dividend cuts. Of the 9 companies that raised their dividends, the average increase was 6.04% which is well above the inflation rate.

Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Brookfield Renew Egy LPU	Utilities	$2,333.10	6.38%
BCE Inc	Communication Services	$2,480.78	6.78%
Exchange Income Corp	Industrials	$2,260.80	6.18%
Power Financial Corp	Financials	$2,014.74	5.51%
Inter Pipeline Ltd	Energy	$1,895.32	5.18%
Dream Global REIT	Real Estate	$3,189.20	8.72%
Pembina Pipeline Corp	Energy	$2,430.60	6.65%
Sun Life Financial Inc	Financials	$2,807.98	7.68%
Telus Corp	Communication Services	$2,624.50	7.18%
Nutrien Ltd	Materials	$1,282.40	3.51%
Capital Power Corp	Utilities	$1,276.32	3.49%
Purpose High Int Svgs ETF	Cash ETF	$6,100.00	16.68%
H&R REIT-Stapled Unit	Real Estate	$1,486.80	4.07%
Bank of Nova Scotia	Financials	$2,449.80	6.70%
Superior Plus Corp	Utilities	$1,936.00	5.29%

Transactions Performed During the Year 2018

Purchase/Sold	Description	Quantity	Price
Sold	WSP Global Inc	28	68.797
Bought	Purpose High Int Svgs ETF	38	50.03
Sold	Thomson Reuters Corp	64	55.006
Bought	Purpose High Int Svgs ETF	70	50.06
Sold	Purpose High Int Svgs ETF	30	50.04
Bought	Nutrien Ltd	20	72.979
Sold	Chemtrade Logistics T/U	140	13.974
Bought	Purpose High Int Svgs ETF	40	50.07
Bought	Capital Power Corp	48	27.116
Sold	WSP Global Inc	40	64.547
Bought	Purpose High Int Svgs ETF	26	50.07
Bought	BCE Inc	46	56.73
Sold	Evertz Technologies Ltd	94	15.687
Sold	Purpose High Int Svgs ETF	22	50.01

Dividend Growth

Issuer	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	7.92%	70.31%
Inter Pipeline	1.79%	54.05%
Pembina Pipeline Corporation	5.56%	40.74%
Brookfield Renewable Energy	4.81%	18.07%
Exchange Income Corporation	4.29%	14.06%
H&R REIT-Stapled Unit	0%	2.22%
Bank of Nova Scotia	7.59%	18.06%
Power Financial Corp	4.97%	4.97%
Sun Life Financial Inc	9.89%	9.89%
Nutrien Ltd	7.50%	7.50%

Portfolio Managers' Comments

The Canadian equity market along with most global markets ended 2018 down . After a relatively flat three quarters, 1.22% gain between January and September 31st, the TSX total return index dropped approximately (-10.11%). Our portfolio was not spared the outgoing tide. It dropped (-9.47%). All in all our return for 2018 was (-7.88%). In real relative terms we lost 1% less than our benchmark.

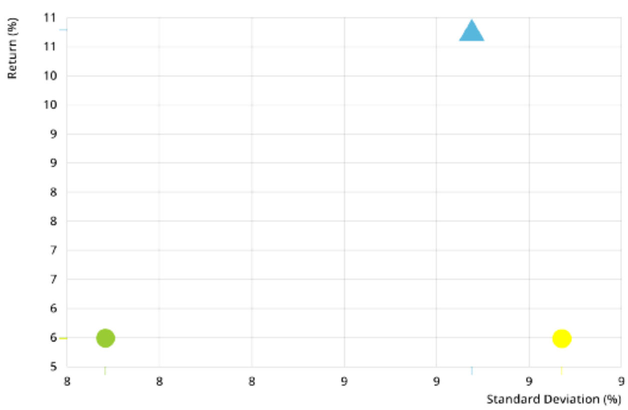
We do not like negative numbers; however, short term volatility of this nature is normal and expected. While they are expected, we do not believe they are timeable. We know they will occur but they are not timeable because we do not know when they will occur. It is counter intuitive and against our emotional instincts but we should buy more when the companies we hold are undervalued (lower). We should buy less and even trim when the markets are rising and overvalued.

Since inception 6 years ago, our compounded annual growth rate (CAGR) is now 10.79% which is significantly higher than the 5.49% CAGR of our benchmark index.

We are confident that our dividend growth investing methodology will continue to outperform in the long run and generate healthy positive returns for our investors. In the short run, rising tides will raise all ships and lowering tides will drop them as well. The beauty of dividend growth investing is that we do not have to depend on the rising tides to give us cash flow. The dividends generated by our portfolio will provide us with cash flow. We are buying companies with dividends that are growing. Our income should be increasing every year regardless of the price movements of the underlying holdings.

Did our income increase over the course of last year? In 2017 we ended the year having received $1,831.09 in dividend. For 2018 we expected $1,995.00 in dividend. The actual dividends received in 2018 was $1,983.28 slightly below the projected amount at the start of the year but still provided an inflation beating 8.31% increase over the amount received in 2017.
The projected dividends that we expect in 2019 is $2,160.03 which is another 8.91% increase.

Below is a 6 year Risk/Reward chart which compares the volatility of our portfolio, as measured by standard deviation and the total return, comparing it to our index, the S&P/TSX Composite Total Return Index. Our portfolio (the blue triangle) has had a considerable higher return with slightly more volatility than the S&P/TSX Comp T/R (green dot). Ideally, we would like to be with the same return metrics but over to the left of the chart, i.e. lower volatility.



Annualized	Std Dev. (%)	Return (%)
Gross of Fees	8.88	10.79
DJ CAD DIV	9.07	5.48
S&P/TSX RT/TR	8.08	5.49

We are now holding 14 companies. While 15 companies is our target, we do have the option of holding between 10 and 20 companies. Each holding, in our view, is a different income stream. This will offer better risk/reward metrics for you, the investor.

At the end of December 2018 we had a 16.68% position in cash held in the Purpose High Interest Savings ETF. We have been holding cash as we have seen the markets as expensive. We will invest this cash as we see the opportunities arise. It is of note that holding this cash has not reduced our expected dividend growth for 2019. As we invest the cash we expect our dividends received to be more than expected.

There are two methods that will increase dividends and your income from this portfolio; 1) an increase in dividends from the companies itself, and 2) trading a lower dividend paying company for a higher one. Remember, our goal is to develop an income stream for you, the investor, that continues to increase over time.

We will continue to invest this portfolio with care, looking for fundamentally sound companies which, in our opinion, offer stable, sustainable dividends and have the potential to increase their dividends over time.

Benjamin Graham, the father of securities analysis said, “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” The short term voting on the prices of equities has continued to create volatile markets. Short term noise will cast votes and move the prices up and down. We prefer to ignore the noise and focus on the long term weight of the dividends we receive.

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