Canadian Dividend Growth and Income Portfolio

June 30, 2019

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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	2.49%	7.20%	11.30%	8.53%	12.55%
Benchmark	2.58%	3.87%	8.39%	4.67%	7.52%

Value of Basket June 30, 2019	41,666.86

***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 7 of our 14 companies increase their dividends. We experienced no dividend cuts. Of the 7 companies that raised their dividends, the average increase was 4.44% which is well above the inflation rate.

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Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Brookfield Renew Egy LPU	Utilities	$2,989.80	7.18%
BCE Inc	Communication Services	$2,740.68	6.58%
Exchange Income Corp	Industrials	$3,056.00	7.33%
Power Financial Corp	Financials	$2,349.36	5.64%
Inter Pipeline Ltd	Energy	$1,996.26	4.79%
Dream Global REIT	Real Estate	$3,658.20	8.78%
Pembina Pipeline Corp	Energy	$2,925.00	7.02%
Sun Life Financial Inc	Financials	$3,362.26	8.07%
Telus Corp	Communication Services	$2,807.78	6.74%
Nutrien Ltd	Materials	$1,821.30	4.37%
Capital Power Corp	Utilities	$2,110.50	5.07%
Purpose High Int Svgs ETF	Cash ETF	$5,001.00	12.00%
H&R REIT-Stapled Unit	Real Estate	$1,644.48	3.95%
Bank of Nova Scotia	Financials	$2,532.24	6.08%
Superior Plus Corp	Utilities	$2,672.00	6.41%

Transactions Performed During the Year 2019

Purchase/Sold	Description	Quantity	Price
Sold	Purpose High Int Svgs ETF	22	50.05
Bought	Nutrien Ltd	6	70.892
Bought	Capital Power Corp	22	29.266

Dividend Growth

Issuer	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	3.21%	75.78%
Inter Pipeline	0%	54.05%
Pembina Pipeline Corporation	5.26%	48.15%
Brookfield Renewable Energy	5.10%	24.10%
Exchange Income Corporation	0%	14.06%
H&R REIT-Stapled Unit	0%	2.22%
Bank of Nova Scotia	2.35%	20.83%
Power Financial Corp	5.20%	4.97%
Sun Life Financial Inc	5%	15.38%
Nutrien Ltd	0%	7.50%
BCE Inc	4.97%	4.97%

Portfolio Managers' Comments

The Canadian equity market along with most global markets ended 2018 down. A low beginning-of-year starting point and more accommodative Central Bank policy helped produce one of the strongest first half performances in the equity markets for some time; the best since 2009.

Our Canadian Dividend Growth and Income portfolio also had one of it's best 6 month returns since inception. The YTD return for the portfolio is 16.62%. We slightly outperformed our benchmark's 16.22% by 40bps during this period.

While we do love these double digit returns, especially for only the first half of the year, we caution that they are not sustainable and should not be expected in the long term. The adjusted average annual historical return return for the S&P/TSX is 7.7%[1] . We expect a reversion correction to take place in the future. We would also note that it is normal for the markets to have two corrections of at least 5% and one correction of at least 10% every year. We stress that short term volatility of this nature is normal and should be expected. While they are expected, and we know they will occur, 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.

Throughout the last 6 months we have held onto the majority of our cash position. We reduced it by approximately 3% based on December 31st, 2018 numbers. Due to market gains of our portfolio and the slight reduction the cash position now sits at 12.00%. In H1 we only added to our Nutrient Ltd and our Capital Power Corp positions. In hindsight it is easy to say that we should have fully invested our cash in December 2018 or soon thereafter. However, with the S&P/TSX screaming up 8.7% in January and almost

[1] Copernicus financial planning software

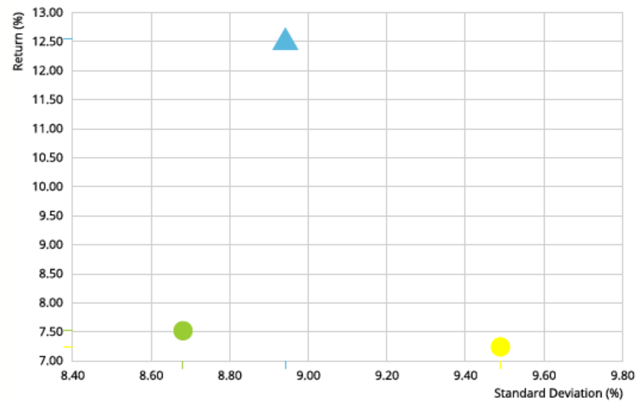
17%, without a correction on a monthly basis to the end of April, we found it hard to deploy our cash. May's correction did not help us deploy or add to our holdings as the market dropped 3.1%, our portfolio was down less than 1% (0.91194%).

One of the keys to dividend growth investing, is to select holding that we do not have to trade in and out of to capture our return. Our goal is to focus on dividend growth. It is not surprising to see no trades in our portfolios for months. I know this is boring. The secret sauce is to pick the right company (business) in the first place.

Since inception we have returned over approximately $9,384.81 to our investors. If we add this amount back to our portfolio we have effectively doubled our initial investment of $25,511.03. Yield on Cost (YOC) is the income earned/expected this year divided by the original investment amount. For this portfolio it is approximately 8.16%. This means that even if no dividend growth we would double our orginal investment again in approximately 9 yrs. Our goal is to continue to have ever increasing dividends, thereby continually increasing the Yield on Cost. This gives us confidence that our dividend growth investing methodology will continue to outperform and protect captial in the long run, generating healthy positive returns for all 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.

Below is a 6 1/2 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	8.94	12.55
DJ CAD DIV	9.49	7.24
S&P/TSX RT/TR	8.68	7.52

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.

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.

2016 Awards of Excellence

Private Portfolio of the Year
Finalist Canada

2017 Awards of Excellence

Best Private Portfolio
National Winner