US Dividend Growth and Income Portfolio

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Basket Investment Strategy

The Chan Lee (CL) US Dividend Growth and Income Basket (USDGI) 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 US companies that in our opinion, 1) have sustainable dividends, and 2) will be able to grow their dividend 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 the 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	11.35%	34.80%	15.98%	12.83%	15.39%
Benchmark	9.07%	31.49%	15.27%	11.70%	14.73%

Value of Basket** Decemeber 31, 2019	$29,947.74

Inception date: *January 1st, 2013 initial value of one basket is $26,893.32 . After the 2 for 1 split, initial cost for one basket is $13,446.66*

***** Value of one basket. The basket split 2 for 1 on October 31, 2019.***

Fees: *Returns presented are gross of fees.*

Source*: Croesus*

Indices are shown for comparison purpose only.

Composition of the benchmark: *S&P 500 Total Return Index*

Total returns are expressed in US Dollars.

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 500 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 11 of our 15 companies increase their dividends. We experienced no dividend cuts. Of the 11 companies that raised their dividends, the average increase was 8.22% which is well above the inflation rate.

Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Disney Walt Company	Consumer Discretionary	4,049.64	6.76%
AT & T Inc	Telecommunication Service	2,813.76	4.70%
JP Morgan Chase & Co	Financials	2,788.00	4.65%
Spdr Blm Barc 1-3M T-bill	Cash	2,194.32	3.66%
Coresite Realty Corp	Real Estate	3,587.84	5.99%
Blackstone Group Inc CL-A	Financials	5,594.00	9.34%
Amgen Inc	Health Care	3,857.12	6.44%
Microsoft Corp	Technology	5,046.40	8.43%
Paychex Inc	Technology	3,742.64	6.25%
Pfizer Inc	Health Care	2,350.80	3.92%
Apple Inc	Technology	5,873.00	9.81%
Prudential Financial Inc	Financials	2,999.68	5.01%
Intel Corporation	Technology	3,351.60	5.60%
Abbvie Inc	Health Care	4,249.92	7.10%
Cisco Systems Inc	Technology	4,220.48	7.05%
Qualcomm Inc	Technology	3,176.28	5.30%

Transactions Performed During the Year 2019

Purchase /Sold	Description	Quantity	Price
Sold	Lockheed Martin Corp	6	281.512
Bought	Spdr Blm Barc 1-3M T-bill	18	91.56
Bought	Apple Inc	8	195.66
Sold	Spdr Blm Barc 1-3M T-bill	18	91.46
Bought	Blackstone Group (The) LPU	36	35.82
Bought	Disney Walt Company	12	129.66
Bought	Spdr Blm Barc 1-3M T-bill	2	91.52
Sold	Boeing Company	8	380.496
Bought	Abbvie	28	67.894
Sold	Kohls Corp	30	46.695
Sold	Spdr Blm Barc 1-3M T-bill	6	91.591
Bought	Abbvie Inc	18	78
Sold	Spdr Blm Barc 1-3M T-bill	16	91.54
Bought	Abbvie Inc	2	79.24
Bought	Apple Inc	2	242.31
Bought	Coresite Realty Corp	2	119.554
Bought	JP Morgan Chase & Co	2	125.439
Bought	Pfizer Inc	2	38.599
Sold	Spdr Blm Barc 1-3M T-bill	12	91.571

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Coresite Realty Corp	10.91%	35.56%
AT & T Inc	2.00%	10.87%
Disney Walt Company	0%	4.76%
Paychex Inc	10.71%	87.88%
Microsoft Corp	10.87%	121.74%
Amgen Inc	9.85%	9.85%
Intel Corp	5.00%	31.25%
Cisco Systems Inc	6.06%	34.62%
Pfizer Inc	5.88%	12.50%
Prudential Financial Inc	11.11%	42.86%
Qualcomm Inc	0%	16.98%
Apple Inc	5.48%	22.22%
JP Morgan Chase & Co	12.50%	60.71%

Portfolio Managers' Comments

The US market along with most global markets ended 2019 in the positive. A low beginning-of-year starting point and more accommodative Central Bank policy helped produce one of the strongest performances in the equity markets.

Our US Dividend Growth and Income portfolio also had one of it's best 12 month returns since inception. The total return for our portfolio was 34.80%. We outperformed our benchmark's 31.49% by 3.31%, or 10.5% during this period.

While we do love these double digit returns, we caution that they are not sustainable and should not be expected in the long term. The adjusted average annual historical return for the S&P500 is 9.4%[i] . We expect a reversion correction to take place in the future [ii]. 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.

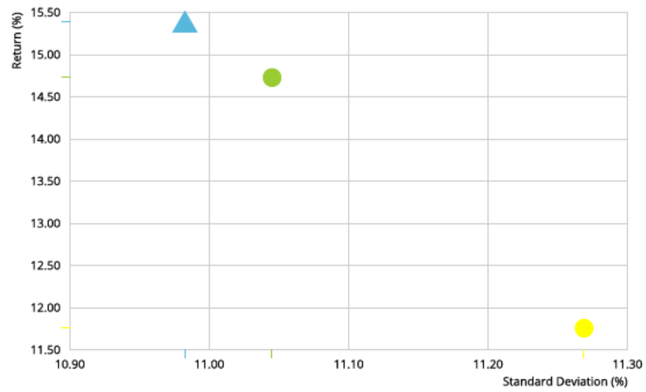
Since inception, now 7 years ago, our compounded annual growth rate (CAGR) is 15.39% which is significantly higher than the 14.73% CAGR of our benchmark index.

At the end of December 2018 the value of one basket was $45,794.32. In 2019 we split our basket. If you had one basket you now have two. This will make it easier for you to rebalance your overall asset allocation as our basket had grown to $56,703.20 US. Each basket at the end of 2019 is $29,947.74. The minimum holding is one basket and the subsequent purchases are ½ a basket. The splitting of our basket did not affect your holdings except for minor adjustments to the shares of each company held.

We are confident that our dividend growth investing methodology will continue to outperform in the long run and generate healthy positive return 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 2018 we ended the year having received $1,527.04USD in dividends. In January 2019 we expected $1,563.37 in dividends. The actual dividends received in 2019 was $1,564.19 slightly above the projected amount at the start of the year. This was a modest 2.43% increase. Of the companies we held at the end of 2019 only 11 of them had increased their dividend in 2019. The average dividend increase of these companies was 8.22%. If we include the companies that did not increase their dividiends the average increase was 6.028%. This is above inflation and we are happy with the average increase.

We have attached the 7 year (since inception) Risk/Reward chart below which compares the volatility of our portfolio, as measured by standard deviation with the return comparing it to our index, the S&P 500 Total Return Index. As seen, in the chart below, our portfolio (the blue triangle) is now slightly higher than the S&P 500.



Annualized	Std Dev. (%)	Return (%)
Gross of Fees	10.98	15.39
DJII	11.27	11.76
S&P 500 RT/TR	11.05	14.73

Over the 7 years, we have slightly outperformed our benchmark. This is a secondary objective for us. We do believe that our methodology will provide continuous growing income for our investors that will outpace the rate of inflation. This is our true objective.

To this end, 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.

We are currently holding 15 companies. We can hold 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.

We will continue to invest this portfolio with care, looking for companies which in our opinion offer stable, sustainable dividends and have the potential to increase their dividends over time. Our goal is to develop an income stream for you, the investor, that continues to increase 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.

The voting machine will move the prices of our dividend companies both down and up. We, however; as dividend investors, look forward to the longterm true weight (valuation) of a company’s dividends and dividend growth in our portfolios revealing themselves.

[i] Copernicus financial planning software

[ii] At the time of this writing we are experiencing the market correction (reversion to the mean) that is referenced here. The concerns of the effects of the Covid-19 virus on the global economies and the oil price war between Saudi Arabia and Russia has been the catalyst for this correction. Our portfolio YTD is down approx. 13.702% with the S&P 500 down approx. 16.47% all within the span of approx. 2 weeks. The speed of this downturn is fast, furious and hard to stomach. At the end of January we trimmed a Microsoft and Apple, due to concentration in the technology sector and rich valuations. We raised our cash position from approx. 3.66% to approx. 10%. In hindsight it we should have trimmed more but hindsight is always 20/20. We are glad for this correction as it will give us an opportunity to deploy our cash at valuations that we belive will be more attractive. We do not presume we can pick the bottom, just as we know we cannot time the top. We suspect the market will over react to bad negative news as it over extends to positive good news. We do expect to be full invested later this year.

2016 Awards of Excellence

Private Portfolio of the Year
Finalist Canada

2017 Awards of Excellence

Best Private Portfolio
National Winner