Canadian Dividend Growth and Income Portfolio

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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 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	9.66%	-10.38%	1.07%	5.47%	9.18%
Benchmark	16.97%	-2.17%	3.91%	4.45%	6.17%

Value of Basket June 30, 2020	35,509.64

***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 3 of our 13 companies increase their dividends. We experienced no dividend cuts. Of the 3 companies that raised their dividends, the average increase was 5.13% which is well above the inflation rate.

Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Brookfield Renew Egy LPU	Utilities	$4,290.00	12.08%
BCE Inc	Communication Services	$2,604.52	7.33%
Exchange Income Corp	Industrials	$2,140.00	6.03%
Power Financial Corp	Financials	$1,958.16	5.51%
Cdn Tire Corp Ltd-A NV	Consumer Discretionary	$1,411.68	3.98%
Open Text Corporation	Technology	$1,268.30	3.57%
Pembina Pipeline Corp	Energy	$2,036.40	5.73%
Sun Life Financial Inc	Financials	$3,093.18	8.71%
Telus Corp	Communication Services	$2,641.32	7.44%
Nutrien Ltd	Materials	$1,134.12	3.19%
Capital Power Corp	Utilities	$2,406.28	6.78%
Purpose High Int Svgs ETF	Cash ETF	$5,700.00	16.05%
Bank of Nova Scotia	Financials	$2,022.48	5.70%
WPT Industrial REIT T/U	Real Estate	$2,803.20	7.89%

Transactions Performed During the Year 2020

Purchase/Sold	Description	Quantity	Price
Exchanged out	Power Financial Corp	78	36.036
Exchanged in	Power Corp of Canada SV	82	34.345
Sold	Alaris Royalty Corp	76	15.635
Bought	Capital Power Corp	16	36.182
Bought	H&R REIT	32	20.252
Sold	Inter Pipeline Ltd	98	8.314
Bought	Purpose High Int Svgs ETF	16	50.06
Sold	H&R REIT	104	8.708
Bought	Purpose High Int Svgs ETF	48	50.07
Sold	Superior Plus Corp	200	7.561
Bought	Cdn Tire Corp Ltd-A NV	12	106.054
Bought	Open Text Corporation	22	55.702
Sold	Purpose High Int Svgs ETF	50	50.01

Dividend Growth

Issuer	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	0%	82.03%
Pembina Pipeline Corporation	5.00%	55.56%
Brookfield Renewable Energy	5.34%	30.72%
Exchange Income Corporation	0%	18.75%
Bank of Nova Scotia	0%	25.00%
Sun Life Financial Inc	0%	20.88%
Nutrien Ltd	0%	12.50%
BCE Inc	5.05%	10.26%
Capital Power Corporation	0%	7.26%

Portfolio Managers' Comments

<u>Be careful of what you write!!!</u>

In the year-end report for 2019 I wrote, *"Our Canadian Dividend Growth and Income portfolio also had one of its best 12 month returns since inception. The total return for our portfolio was 28.61%. We outperformed our benchmark's 22.88% by 5.73%, or 25% during this period.*

While we love these double-digit returns, we caution that they are not sustainable and should not be expected in the long term. … We expect a correction to take place in the future." We have certainly been through or are going through the correction.

The old adage is "be careful what you wish for". We certainly did not wish for this correction, nor think the correction would be so fast and severe. Among the lessons learned, we learned to be careful about what we write about.

If only our writings had such predictive or causative power. We would just write that the Dividend Growth portfolio would continue to go up and it would. We would also write that everything would return to normal and we would all be planning our summer travel plans. Unfortunately, that magic is beyond the ability of our writing skills and certainly our portfolio management skills.

What is within our portfolio management skillset is the attention we pay to the portfolios and our ability to make adjustments as we consider our objectives to hold companies with sustainable and growing dividends. So far, we have been able to do that while avoiding the companies that have cut their dividends.

We sold three companies in March. Two of the three companies announced dividend cuts in April. These were H&R Reit and InterPipeline. While we avoided the dividend cuts, we did take a capital loss on these companies.

We wrote in our last report "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." Did we do this when the market went down in March? No.

We believe that it was prudent for us as a dividend growth investor and not a speculative trader of stocks to wait for more clarity in the marketplace. Many companies themselves did not have clarity on their businesses and were pulling guidance. We also wanted to see who would maintain their dividends. We screened the 221 companies that make up the S&P TSX Composite index. Of the 172 companies that pay or paid dividends, 24 cut or suspended their dividend. (Note: our universe is not restricted to the S&P TSX Composite)

In January we were holding $5,001.00 or 11% of our portfolio in cash. Today we are holding $5,700.00 or 16.05%. The dollar amount of the cash position has only changed slightly due to our thoughtful buying and selling. The percentage in relation to our portfolio has increased significantly due unfortunately to the decrease in market price of the portfolio.

One of the keys to dividend growth investing, is to select holdings 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. We are running a marathon and not a sprint.

We believe that our dividend growth investing methodology will continue to outperform and protect capital in the long run, generating healthy positive returns for all our investors.

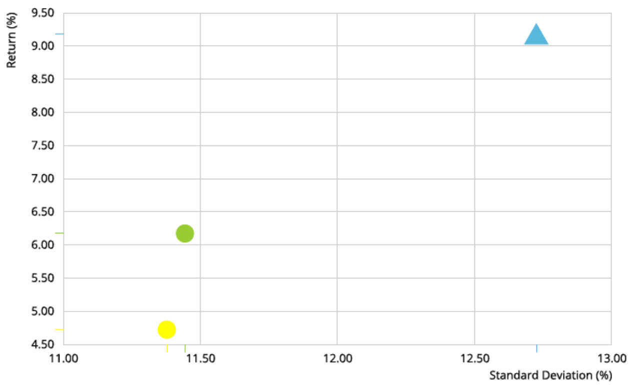
In the short run, rising tides will raise all ships and lowering tides will drop them as well. The beauty of dividend growth investing is that we do not have to depend on the rising tides to give us cash flow. The dividends generated by our portfolio will provide us with cash flow. We are buying companies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

Based on the current portfolio composition our expected dollar amount of dividends will come in below 2019 dividends received. We received 2,086.96 in 2019. We are now projected to have income of 1,848.42 for 2020.

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. Unfortunately, the opposite is true as well. We had two high yielding equities sold from our portfolio and we redeployed the capital into two lower yielding, but in our opinion more stable dividends and with greater potential to increase in the future. We are confident that going forward our selection will more than make up for the temporary setback.

We still believe that despite the downturn to the global economies we expect that we will still have dividend growth in this portfolio. Remember, we do not need to sell to generate you, the investor, cash flow. If we select our companies with prudence we will continue to increase your dividends, despite the effects of the COVID-19 virus.

Below is a 7½ (since inception) 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	12.72	9.18
DJ CAD DIV	11.38	4.72
S&P/TSX RT/TR	11.44	6.17

We are now holding 13 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.

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. We remind ourselves to be careful of what we write; however, we will still write our belief that the prices of our investments will continue to be volatile due to the upcoming US election and the headline news around COVID-19. This of course, will provide us with the opportunity to deploy our cash.

The voting machine, mail-in or otherwise, will move the prices of our dividend companies both down and up. We prefer to ignore the noise and focus on the long-term weight of the dividends we receive.

On a final and personal note, we wish you and your loved ones well and safety over the coming months. We want you to be able to spend and enjoy the dividends generated by this portfolio.

2016 Awards of Excellence

Private Portfolio of the Year
Finalist Canada

2017 Awards of Excellence

Best Private Portfolio
National Winner