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 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	15.73%	11.18%	13.43%	12.96%	13.98%
Benchmark	20.54%	7.51%	10.73%	10.73%	13.21%

Value of Basket** June 30, 2020	$28,907.22

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 9 of our 13 companies increase their dividends. We experienced no dividend cuts. Of the 9 companies that raised their dividends, the average increase was 6.34% which is well above the inflation rate.

Holdings

Issuer	Sector (GIS)	Market Value	Weighting
AT & T Inc	Telecommunication Service	1,088.28	3.76%
Spdr Blm Barc 1-3M T-bill	Cash	6,040.98	20.90%
Coresite Realty Corp	Real Estate	1,936.96	6.70%
General Dynamics Corp	Industrials	1,793.52	6.20%
Amgen Inc	Health Care	1,886.88	6.53%
Microsoft Corp	Technology	2,442.12	8.45%
Paychex Inc	Technology	1,666.50	5.76%
Pfizer Inc	Health Care	981.00	3.39%
Apple Inc	Technology	1,459.20	5.05%
Prudential Financial Inc	Financials	974.40	3.37%
Intel Corporation	Technology	1,914.56	6.62%
Abbvie Inc	Health Care	2,749.04	9.51%
Cisco Systems Inc	Technology	2,332.00	8.07%
Qualcomm Inc	Technology	1,641.78	5.68%

Transactions Performed During the Year 2020

Purchase /Sold	Description	Quantity	Price
Sold	Apple Inc	4	316.972
Sold	Microsoft Corp	4	166.97
Bought	Spdr Blm Barc 1-3M T-Bill	20	91.51
Sold	Disney Walt Company	14	106.506
Bought	General Dynamics Corp	6	131.293
Bought	Spdr Blm Barc 1-3M T-Bill	8	91.64
Sold	Blackstone Group Inc Cl-A	50	49.755
Bought	Spdr Blm Barc 1-3M T-Bill	28	91.55
Bought	Abbvie Inc	4	89.83
Bought	Cisco Systems Inc	6	44.46
Bought	Intel Corporation	4	57.06
Sold	JP Morgan Chase & Co	10	86.633
Sold	Apple Inc	2	356.54
Bought	General Dynamics Corp	6	145.814
Sold	Spdr Blm Barc 1-3M T-Bill	2	91.531

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Coresite Realty Corp	0%	35.56%
AT & T Inc	1.96%	13.04%
Abbvie Inc	10.28%	10.28%
Paychex Inc	0%	87.88%
Microsoft Corp	0%	121.74%
Amgen Inc	10.34%	21.21%
Intel Corp	4.76%	37.50%
Cisco Systems Inc	2.86%	38.46%
Pfizer Inc	5.56%	18.75%
Prudential Financial Inc	10.00%	57.14%
Qualcomm Inc	4.84%	22.64%
Apple Inc	6.49%	30.16%

Portfolio Managers' Comments

In the year-end report for 2019 I wrote, *"Our US Dividend Growth and Income portfolio also had one of its 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 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..." 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 are we will be careful about what we write.

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. Unfortunately, that magic is beyond the ability of our writing skills and certainly our portfolio management skills.

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

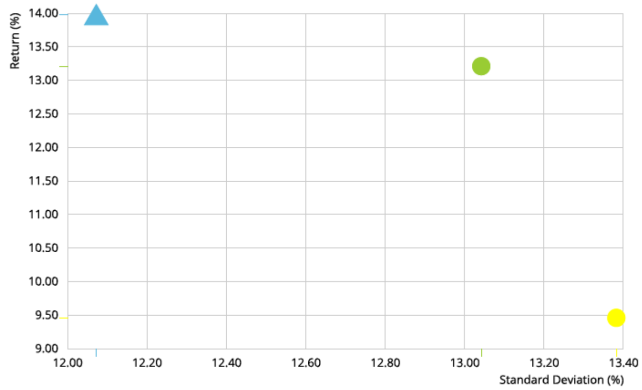
We sold three companies in the last quarter. One of the 3 companies, Disney, suspended their dividend indefinitely. For the purpose of our portfolio we will treat dividend suspensions as dividend cuts. Blackstone cut their dividend from last year's comparable quarter of 48 cents a share to 37 cents a share. JP Morgan did not cut their dividends. JP Morgan subsequently issued the statement that they would not be cutting their dividend.

We currently have 20.90% of our portfolio in cash. Having taken profits from MSFT and AAPL in January and again from AAPL in June. We have written in our Canadian 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? Yes and No. We trimmed but we did not deploy all our cash. We switched holdings in March but increased our cash position.

In January we were holding $1,097.16 or 3.661% of our portfolio in cash. Today we are holding $6,040.98 or 20.90%. With hindsight and hindsight bias in mind, it is easy to conclude that we should have deployed all our cash in March. 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 500 companies that make up the S&P500. Out of the 419 companies that pay or paid dividends 57, cut or suspended their dividend. (Note: our universe is not restricted to the S&P500.

The actual dividends received in 2019 per basket was $782.10. As of June 2020, our expected dividends for 2020 is $773.62. If we receive our expected dividends, our dividends will remain relatively flat for 2020. This is not ideal as we are looking for dividend growth. We do expect to increase the dividends as we deploy the 20% cash into higher yielding dividends and more of the companies we hold announce dividend increases.

We have attached the 7 1/2 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	12.07	13.98
	DJII	13.38	9.46
	S&P 500 RT/TR	13.04	13.21

Over the 7 1/2 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 13 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. 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

[i] Copernicus financial planning software