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	15.97%	0.66%	6.05%	11.24%	11.53%
Benchmark	8.97%	5.60%	5.74%	9.33%	7.54%

Value of Basket December 31, 2020	43,154.80

***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 4 of our 16 companies increase their dividends. We experienced no dividend cuts. Of the 4 companies that raised their dividends, the average increase was 8.29% which is well above the inflation rate.

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Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Brookfield Renewable Corporation	Utilities	$5,198.20	12.05%
BCE Inc	Communication Services	$2,503.78	5.80%
Exchange Income Corp	Industrials	$2,931.20	6.79%
Enbridge Inc	Energy	$2,768.28	6.41%
Cdn Tire Corp Ltd-A NV	Consumer Discretionary	$3,346.60	7.75%
Open Text Corporation	Technology	$1,272.48	2.95%
Keyera Corp	Energy	$1,402.44	3.25%
Sun Life Financial Inc	Financials	$3,509.20	8.13%
Telus Corp	Communication Services	$2,924.36	6.78%
Nutrien Ltd	Materials	$3,062.00	7.10%
Capital Power Corp	Utilities	$3,008.28	6.97%
NFI Group Inc	Industrials	$2,119.92	4.91%
Bank of Nova Scotia	Financials	$2,476.80	5.74%
WPT Industrial REIT T/U	Real Estate	$2,944.00	6.82%
Osisko Gold Royalties Ltd	Materials	$1,290.40	2.99%
Power Corp Of Canada	Financials	$2,396.86	5.55%

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
Bought	Osisko Gold Royalties Ltd	80	15.391
Sold	Purpose High Int Svgs ETF	24	50.02
Bought	Nutrien Ltd	24	51.197
Bought	Cdn Tire Corp Ltd-A NV	8	130.913
Sold	Purpose High Int Svgs ETF	46	50.015
Bought	Brookfield Renewable Corporation	38	68.813
Sold	Brookfield Renewable PTN LPU	66	61.134
Bought	Keyera Corp	62	24.69
Sold	Purpose High Int Svgs ETF	2	50.02
Bought	Enbridge Inc	68	41.259
Sold	Pembina Pipeline Corp	60	34.025
Sold	Purpose High Int Svgs ETF	14	50.02
Bought	NFI Group In	88	23.892
Sold	Brookfield Renewable Corporation	11	64.833
Sold	Purpose High Int Svgs ETF	28	50.01

Dividend Growth

Issuer	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	6.85%	94.50%
Open Text Corp	15.01%	15.01%
Brookfield Renewable Corporation	0%	3.61%
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	6.25%	13.97%

Portfolio Managers' Comments

<u>20/20 Vision.</u>

According to the American Association of Ophthalmology, 20/20 vision is a term used to express “normal visual acuity (the clarity or sharpness of vision) measured at a distance of 20 feet. If you have 20/20 vision, you can see clearly at 20 feet what should normally be seen at that distance.” The year 2020 did nothing to live up to the definition of normal.

What was normally clear prior to 2020 became unclear quickly during the year. However, despite the lack of clarity and unprecedented events, our first principles were consistently clear and normal: invest in businesses that pay and grow their dividends over time and avoid (sell) companies that we believe will cut their dividends.

If we believe there is greater opportunity for dividend growth or a better, more stable yield, we will switch into such businesses or perhaps add more to that specific holding. We have been able to do just that, while avoiding the companies that have had to cut or suspend their dividends since inception of our portfolio. The year 2020 was no different.

Our Canadian Dividend Growth and Income Portfolio finished off 2019 with one of its best 12 month returns since inception significantly outperforming our benchmark. (see 2019 report for numbers).

While we do not like underperforming or benchmark for any period of time, this too is normal, especially after a period of significant outperformance. The benchmark total return is only a reference point. We were not rewarded for our prudent investing in dividends in 2020. The S&P TSX composite had a total return of 5.60%, our portfolio 0.66%. The S&P TSX Dividend index and the S&P High Dividend index had returns of 1.08% and (-7.39%) respectively. We can see from this that our benchmark derived the majority of its returns in 2020 from non-dividend paying businesses.

Did our dividends grow in 2020? No. **We are extremely disappointed in this**, yet we believe that this is a temporary setback as we have avoided dividend cuts and believe that the businesses we now own will grow their dividends even if they suspend their dividend growth for 2020.

We received $2,086.96 in 2019. The actual dividends received in 2020 was $1,835.54. This was the first year since inception that our portfolio did not have dividend growth and we received less income than the previous year. The expected dividends for 2021 are $2,037.68.

The main reason dividend income decreased, stems from the selling of three high yield holdings in anticipation of a dividend cut. H&R REIT, Inter Pipeline and Superior Plus had dividend yields of 7.11%, 8.61% and 7.18% on Feb 28th respectively. We took a capital loss when we sold and therefore had less capital to deploy when we were ready to do so. We held cash until we were ready to deploy and when we did, we purchased businesses that yielded lower dividends than that which we had previously owned.

We believe that it was prudent of us as dividend growth investors, and not as speculative traders of stocks, to wait for more clarity in the marketplace before we deployed our capital. However, we do believe we should have deployed slightly faster. Somewhere is a balance that we will strive to obtain as we improve our investment acumen. We do not claim that we have perfected our dividend investing strategy, but we do claim that we are constantly striving to improve on what we consider an excellent long-term strategy.

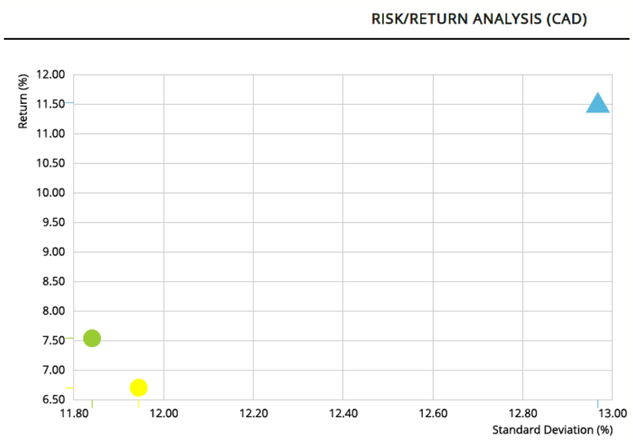
One of the keys to dividend growth investing is to select holdings that we do not have to trade in and out of to capture our return. Our goal is to focus on dividend growth. It is not surprising to see no trades in our portfolios for months. I know this is boring. The secret sauce is to pick the right company (business) in the first place. We are running a marathon and not a sprint. In our look back at 2020, we can see that this year was also abnormal in the amount of transactions performed. During the first 7 years of our portfolio, we averaged 9.5 transactions per year. This included a two-year period where we increased our target holdings from 10 to 15, increasing our transactions in those years.

In 2020 we had a total of 26 transactions, more than double our historical average. Two of these transactions were a result of corporate restructuring: Brookfield Renewable Power LP (BEP.un) to Brookfield Renewable Power Corporation (BEPC). This was done as a spin off giving us shares of both capital structures. We sold the remaining BEP.un and invested the proceeds in more of BEPC. We made the correct choice as BEPC significantly outperformed BEP.un in capital appreciation. We ended up trimming BEPC in late 2020 as the position size increased beyond our comfort level.

Of the other transactions, 8 resulted from the moving of funds into and out of a cash equivalent exchange traded fund (the Purpose High Interest Savings ETF). In a normal year we would not have held the cash equivalent, nor would we have made as many "dipping our toes into the water" initial positions. We would have moved from a sell directly to a purchase of a new position. At December 31 2020 we are holding zero cash.

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. 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 confident that this year was an abnormal year and going forward our selection will more than make up for the temporary setback.

Below is an 8 year (since inception) 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 considerably higher return with only 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. higher return and lower volatility.



Annualized	Std Dev. (%)	Return (%)
Gross of Fees	12.97	11.53
DJ CAD DIV	11.94	6.70
S&P/TSX RT/TR	11.84	7.54

We currently hold 16 companies. While 15 holdings is our target, we do have the option of holding between 10 to 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.

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