Canadian Dividend Growth and Income Portfolio

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Basket Investment Strategy

The Radia Canadian Dividend Growth and Income Basket (CDGI) is an investment portfolio that is managed by Radia Wealth 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 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	4.21%	-0.96%	7.07%	7.78%	11.31%
Benchmark	5.96%	-5.84%	7.54%	6.85%	7.74%

Value of Basket** December 31, 2022	$24,188.98

Inception date: *January 1st, 2013 initial value of one basket is $25,431.80 . After the 2 for 1 split, initial cost for one basket is $12,715.90*
***** Value of one basket. The basket split 2 for 1 on August 19, 2021***

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 11 of our 15 companies increase their dividends. We experienced one dividend cut[1]. Of the 11 companies that raised their dividends, the average increase was 8.76% which is above the Canadian inflation rate of 6.8%.

Holdings

Description	Sector (GIS)	Market Value	Weighting
Brookfield Renewable Corporation	Utilities	$670.86	2.77%
BCE Inc	Communication Services	$1,427.76	5.90%
Exchange Income Corp	Industrials	$2,105.20	8.70%
Enbridge Inc	Energy	$1,799.28	7.44%
Bank of Montreal	Financials	$1,471.92	6.09%
Capital Power Corp	Utilities	$1,482.56	6.13%
Keyera Corp	Energy	$1,420.32	5.87%
Sun Life Financial Inc	Financials	$2,011.20	8.31%
Telus Corp	Communication Services	$1,515.54	6.27%
Nutrien Ltd	Materials	$1,383.90	5.72%
CDN Natural Resources Ltd	Energy	$1,353.42	5.60%
Purpose Hi Int Svg Fd ETF		$2,001.20	8.27%
Newmount Corp	Materials	$1,916.88	7.92%
Dream Industrial REIT T/U	Real Estate	$841.68	3.48%
Power Corp Of Canada	Financials	$1,337.70	5.53%
Altagas Ltd	Utilities	$1,449.56	5.99%

Transactions Performed During the Year 2022

Purchase /Sold	Description	Quantity	Price
Bought	Cdn Natural Resources Ltd	10	77.099
Sold	Nutrien Ltd	6	122.000
Bought	Cdn Natural Resources	8	77.044
Sold	NFI Group Inc	44	14.966
Sold	Bank of Nova Scotia	22	70.611
Sold	Capital Power Corp	12	50.377
Bought	Newmont Corp	16	54.799
Sold	Nutrien	6	120.066
Bought	Purpose Hi Int Svg Fd ETF	40	50.039

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	7.24%	119.44%
Power Corp of Canada	0%	10.61%
Brookfield Renewable Corporation	5.35%	15.65%
Exchange Income Corporation	10.55%	31.25%
Canadian Natural Resources Limited	13.33%	13.33%
Sun Life Financial Inc	30.91%	58.24%
Nutrien Ltd	4.35%	20.00%
BCE Inc	5.14%	21.85%
Capital Power Corporation	5.94%	29.61%
Enbridge Inc	2.99%	2.99%
Altagas Ltd	6.04%	6.04%
Bank Of Montreal	4.51%	4.51%

Portfolio Managers' Comments

Happy 10yrs to our Dividend Growth and Income Portfolios

Ten years ago on January 1 2013 we officially started our Canadian and US Dividend Growth and Income Baskets (CDGI an USDGI).

We are pleased with our performance both to our main objectives 1) have our dividends been sustained, and 2) have we increased the dividends (cash received) at a rate greater than inflation.

For CDGI we believe we have accomplished both those goals. At the beginning of 2013 we reported expected dividends (based on 2012) was 1,142.42CAD. In 2022 the actual dividends received per basket was 1,217.07CAD. Remember we split our basket last year, thus to compare the dividends in 2013 with 2022 we have to multiply them by two. Thus in 2022 our initial investment amount produced for us $2,434.14CAD.

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[1] We explained how we track and record dividend increases in the Q4 2021 report. We have to actually experience 2 dividends with the second being higher than the first. We record dividend cuts differently. We acknowledge the cut they announced even if we do not actually experience the cut because we sell after the announcement.

We have grown our dividend by 7.86% (CAGR). Inflation for this period was 2.36%[2] (CAGR). Thus we have in our opinion significantly increased the purchasing power of the dividends net of inflation. We accomplished our two main objectives, dividends sustained and increased at a rate greater than inflation.

How did we perform against the industry standard benchmark?

For the past ten years we have been correct in our thesis that if we accomplish our main objectives (above) we will do well with the secondary objective over the long run. The 10yr Compound Annual Growth Rate (CAGR) of CDGI is 11.31%. The 10yr CAGR for our benchmark index (the S&P TSX Composite total return index) is 7.74%.

We are extremely pleased with our long-term outperformance. As seen above we outperformed in the 10yr, 5yr and 1yr periods. We slightly underperformed in the 3yr. We are ok with that.

While past performance is not a guarantee of future performance, we believe our methodology will continue to do well in the future. Simply put, we look for businesses that are growing, that have sustainable dividends and can grow their dividends at a rate greater than inflation. The growth in dividends will protect the purchasing power of those dividends.

Another Steady Year for the Canadian Dividend Growth and Income Portfolio despite another crazy year for the Global Equity Markets.

We Held Our Ground[3]

In our last annual report we wrote, **"**we made up ground" as after a dip in dividends in 2020 we got back to slightly above 2019 dividend levels. The dividends received in 2021 were $1,045.07. The dividends expected in 2022 were $1,114.70. The actual dividends received in 2022 were $1,217.07. We had a year over year increase of 16.46%. This was well above last year's CPI increase of 6.3%.

This year I am titling this portion "**We Held Our Ground".** This is not in reference to the dividends but in terms of portfolio value. The Global Equity markets and the Global Bond Markets all had a turbulent year ending with siginificant declines. Below is a table from National Bank Investment detailing the annual returns for the major markets.

Table 2 **Market Total Returns**

Asset Classes	Dec	Q4	2022
Cash (S&P Canada T-bill)	0.3%	0.8%	1.4%
Bonds (ICE BofA Canada Universe)	-1.2%	0.0%	-11.5%
Short Term	0.0%	0.5%	-4.0%
Mid Term	-1.5%	0.4%	-10.0%
Long Term	-2.8%	-0.9%	-21.5%
Federal Government	-1.2%	-0.1%	-9.2%
Corporate	-0.5%	0.5%	-10.1%
S&P/TSX Preferred shares	-1.7%	-3.2%	-18.1%
U.S. Corporate (ICE BofA US$)	-0.2%	3.5%	-15.4%
U.S. High Yield (ICE BofA US$)	-0.8%	4.0%	-11.2%
Canadian Equities (S&P/TSX)	-4.9%	6.0%	-5.8%
Communication Services	-3.1%	6.1%	-2.6%
Consumer Discretionary	-4.3%	8.8%	-6.0%
Consumer Staples	-1.9%	8.5%	10.1%
Energy	-5.6%	8.9%	30.3%
Financials	-5.6%	3.4%	-9.4%
Health Care	-16.8%	-10.9%	-61.6%
Industrials	-5.7%	7.3%	1.4%
Information Technology	-7.2%	12.6%	-52.0%
Materials	-1.8%	8.2%	1.7%
Real Estate	-2.7%	7.1%	-21.5%
Utilities	-4.5%	-7.4%	-10.6%
S&P/TSX Small Caps	-1.8%	8.4%	-9.3%
U.S. Equities (S&P 500 US$)	-5.8%	7.6%	-18.1%
Communication Services	-7.8%	-1.4%	-39.9%
Consumer Discretionary	-11.3%	-10.2%	-37.0%
Consumer Staples	-2.8%	12.7%	-0.6%
Energy	-2.9%	22.8%	65.7%
Financials	-5.2%	13.6%	-10.5%
Health Care	-1.9%	12.8%	-2.0%
Industrials	-3.0%	19.2%	-5.5%
Information Technology	-8.4%	4.7%	-28.2%
Materials	-5.6%	15.0%	-12.3%
Real Estate	-4.8%	3.8%	-26.1%
Utilities	-0.5%	8.6%	1.6%
Russell 2000 (US$)	-6.5%	6.2%	-20.4%
World Equities (MSCI ACWI US$)	-3.9%	9.9%	-18.0%
MSCI EAFE (US$)	0.1%	17.4%	-14.0%
MSCI Emerging Markets (US$)	-1.4%	9.8%	-19.7%
Commodities (GSCI US$)	-1.4%	3.4%	26.0%
WTI Oil (US$/barrel)	-0.3%	0.4%	6.7%
Gold (US$/oz)	3.4%	8.3%	-0.6%
Copper (US$/tonne)	1.7%	8.9%	-14.1%
Forex (US$ Index DXY)	-2.3%	-7.7%	7.9%
USD per EUR	3.7%	8.9%	-6.2%
CAD per USD	1.1%	-2.0%	7.2%

CIO Office (data via Refinitiv, as of 2022-12-30)

As we can see the S&P TSX Composite Total return lost -5.8% our CDGI only dropped -0.96%. We Held our ground. Even though we are down, we outperformed our benchmark by 4.84%. We held our ground.

Transactions Analysis

We made 9 transactions last year; 4 buys and 5 sells. This is consistent with our normal transactions, 2021 was an anomaly. This is not a high turnover portfolio.

We trimmed Nutrien twice and Capital Power Corp once. Nutrien had doubled since our initial purchase

[2] Consumer Price Index, monthly, seasonally adjusted Dec 2012 to Dec 2022

[3] From this point on we will talk about one basket adjusted for the split in 2021.

and had become 12.15% of our portfolio. The first trim was to bring it to below 10% of the portfolio. To manage the concentration risk of our portfolio we do not keep holdings above a 10% weighting.

The second trim was to bring it to a normal portfolio weight of 6.67% or 1/15th of the portfolio. Our target number of holdings is 15 with a range between 10 and 20.

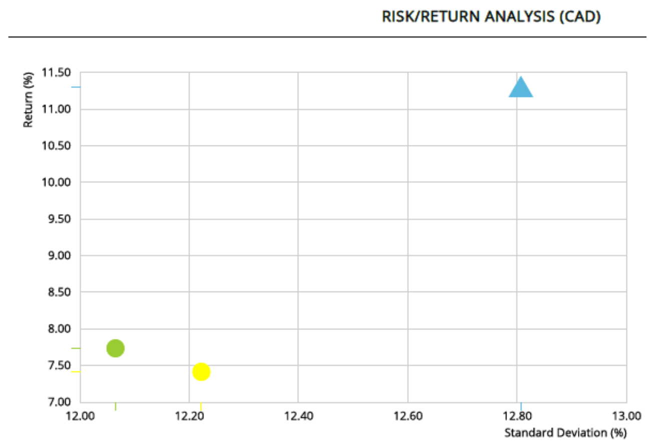
We chose to trim Nutrien as the dividend yield was only 2.14% which was below the High Interest Savings Account (HISA) rates at the time. For the Canadian investor, Canadian dividends have preferential tax treatment and at the highest marginal tax rate, the dividend's after tax return was still slightly better than the HISA return[4]. However, we felt no need to overweight.

Mea Culpa

Our mea culpa was NFI Group. This company is leader in the electrified public transportation space with electrified buses. We made the mistake thinking that they would be able to maintain their dividend despite the short term supply chain issues. They had just cut their dividend before we invested and they had a backlog of increasing sales. Supply chain issues prevented them from producing and delivering their buses, reducing their cashflow, so they cut their dividend significantly again. We do believe that NFI Group will survive, recover and possibly reinstate their dividend to previous levels but we had to sell. We may buy back in the future, if we see revenues and cashflow from operations improving.

Risk Reward

Below is the 10 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 have the same return metrics but lower risk, such as over to the left of the chart, i.e. higher return and lower volatility.



Annualized		Std Dev. (%)	Return (%)
	Gross of Fees	12.81	11.31
	DJ CAD DIV	12.22	7.41
	S&P/TSX RT/TR	12.07	7.74

We have a specific style of investing: to buy publically listed businesses that pay sustainable dividends and grow their dividends over time at a rate greater than inflation. We must also humbly admit and remind you, our fellow investors, that NO strategy outperforms all the time and no strategy is perfect.[5] We outperformed on the 10yr, 5yr, and 1yr periods with this report but not on the 3yr. We also remind you that these are static historical reports and we may underperform on a 1yr or even a 5yr basis in the future.

We currently hold 15 companies. Our 16th holding is Purpose High Interest Savings Fund ETF (PSA). We consider this a placeholder of our equity position while we wait for opportunities in which we have confidence. We do not reinvest dividends in this portfolio, we pay them out to you, the investor, to spend or reinvest as you wish. Occasionally, when we sell a holding or rebalance, we will be left with cash. We do not distribute this but reinvest it when we find a business that meets our investment criteria. In the meanwhile we will hold the cash in the PSA.

One thing that is sure, 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. We look forward to splitting this portfolio again and another 10yrs of great performance.

[4] For a taxable account

[5] Read our 2021 Q4 US Dividend report for a more through discussion. If you would like to read the report click here:

2016 Awards of Excellence

Private Portfolio of the Year
Finalist Canada

2017 Awards of Excellence

Best Private Portfolio
National Winner

2022 Awards of Excellence

Private Portfolio
National Finalist

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