

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	2.12%	6.16%	16.26%	8.59%	11.16%
Benchmark	1.10%	10.43%	12.42%	7.62%	7.92%

Value of Basket** June 30, 2023	\$24,795.39
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***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 9 of our 16 companies increase their dividends. Of the 9 companies that raised their dividends, the average increase was 4.67%.

Sold	Sun Life Financial Inc	8	66.29
Sold	Purpose Hi Int Svg Fd ETF	16	50.04
Bought	Secure Energy Svcs Inc	140	5.944

Holdings

Description	Sector (GIS)	Market Value	Weighting
Brookfield Renewable Corporation	Utilities	\$752.22	3.03%
BCE Inc	Communication Services	\$1,449.60	5.85%
Exchange Income Corp	Industrials	\$2,096.40	8.45%
Enbridge Inc	Energy	\$1,674.16	6.75%
Bank of Montreal	Financials	\$1,435.68	5.79%
Capital Power Corp	Utilities	\$1,347.20	5.43%
Keyera Corp	Energy	\$1,466.40	5.91%
Sun Life Financial Inc	Financials	\$1,657.44	6.68%
Telus Corp	Communication Services	\$1,495.24	6.03%
Manulife Financial Corp	Financials	1,051.68	4.24%
CDN Natural Resources Ltd	Energy	\$1,340.64	5.41%
Purpose Hi Int Svg Fd ETF		\$900.54	3.63%
Open Text Corporation	Technology	\$2,204.00	8.89%
Dream Industrial REIT T/U	Real Estate	\$1,015.92	4.10%
Power Corp Of Canada	Financials	\$1,497.72	6.04%
Altagas Ltd	Utilities	\$1,475.60	5.95%
Secure Energy Svcs Inc	Energy	\$1,749.84	7.06%

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Telus Corporation	3.56%	127.25%
Power Corp of Canada	6.06%	17.32%
Brookfield Renewable Corporation	5.47%	21.97%
Exchange Income Corporation	0%	31.25%
Canadian Natural Resources Limited	5.88%	20.00%
Sun Life Financial Inc	4.17%	64.84%
BCE Inc	5.16%	28.15%
Capital Power Corporation	0%	29.61%
Enbridge Inc	3.20%	6.29%
Altagas Ltd	5.66%	12.04%
Bank Of Montreal	2.88%	7.52%

Portfolio Managers' Comments

Strategy Recap – Chapter 16 You and Me “The Psychology of Money”

In our last report H2 2022, we wrote “*We have a specific style of investing: to buy publicly 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.*¹ We outperformed on the 10-year, 5-year, and 1-year periods with this report but not on the 3-year. We also remind you that these are static historical reports and we may underperform on a 1-year or even a 5-year basis in the future.”

Soon after writing that we have underperformed our industry standard benchmark. Humbling indeed. Below is a table from National Bank Investments detailing the year to date (YTD) returns for the major markets.

Transactions Performed During the Year 2023

Purchase /Sold	Description	Quantity	Price
Sold	Nutrien Ltd	14	96.626
Bought	Open Text Corporation	40	41.819
Sold	Purpose Hi Int Svg Fd ETF	6	50.021
Bought	Manulife Financial Corp	42	27.038
Sold	Newmont Corp	30	59.805
Bought	Secure Energy Svcs Inc	136	8.60

¹ Read our [2021 Q4 US Dividend report](#) for a more through discussion. If you would like to read the report click here:

Table 2 Market Total Returns

Asset Classes	June	Q2	YTD
Cash (S&P Canada T-bill)	0.3%	1.0%	2.2%
Bonds (ICE BofA Canada Universe)	0.0%	-0.8%	2.2%
Short Term	-0.3%	-0.8%	0.9%
Mid Term	-0.6%	-2.1%	1.5%
Long Term	0.8%	0.4%	4.7%
Federal Government	-0.3%	-1.5%	1.4%
Corporate	0.2%	0.2%	2.8%
S&P/TSX Preferred shares	1.3%	-2.1%	0.2%
U.S. Corporate (ICE BofA US\$)	0.3%	-0.2%	3.2%
U.S. High Yield (ICE BofA US\$)	1.6%	1.6%	5.4%
Canadian Equities (S&P/TSX)	3.4%	1.1%	5.7%
Communication Services	1.1%	-1.1%	2.1%
Consumer Discretionary	9.1%	6.3%	11.3%
Consumer Staples	1.5%	-2.6%	5.0%
Energy	3.9%	0.0%	-2.3%
Financials	4.2%	2.0%	3.7%
Health Care	-2.0%	0.5%	1.3%
Industrials	4.8%	2.1%	8.7%
Information Technology	4.4%	16.6%	47.5%
Materials	0.8%	-6.9%	0.6%
Real Estate	0.7%	-2.8%	2.8%
Utilities	-2.3%	-1.5%	5.2%
S&P/TSX Small Caps	0.6%	-4.6%	-0.3%
U.S. Equities (S&P 500 US\$)	6.6%	8.7%	16.9%
Communication Services	2.6%	13.1%	36.2%
Consumer Discretionary	12.1%	14.6%	33.1%
Consumer Staples	3.2%	0.5%	1.3%
Energy	6.6%	-0.9%	-5.5%
Financials	6.7%	5.3%	-0.5%
Health Care	4.4%	3.0%	-1.5%
Industrials	11.3%	6.5%	10.2%
Information Technology	6.6%	17.2%	42.8%
Materials	11.1%	3.3%	7.7%
Real Estate	5.6%	1.8%	3.8%
Utilities	1.6%	-2.5%	-5.7%
Russell 2000 (US\$)	8.1%	5.2%	8.1%
World Equities (MSCI ACWI US\$)	5.9%	6.3%	14.3%
MSCI EAFE (US\$)	4.6%	3.2%	12.1%
MSCI Emerging Markets (US\$)	3.9%	1.0%	5.1%
Commodities (GSCI US\$)	4.4%	-2.7%	-7.5%
WTI Oil (US\$/barrel)	3.7%	-6.6%	-12.0%
Gold (US\$/oz)	-2.8%	-3.1%	5.5%
Copper (US\$/tonne)	3.1%	-7.6%	-0.5%
Forex (US\$ Index DXY)	-1.4%	0.4%	-0.6%
USD per EUR	2.3%	0.4%	2.2%
CAD per USD	-2.5%	-2.1%	-2.3%

CIO Office (data via Refinitiv, as of 2023-06-30)

The YTD (January 1st to June 30th) return for the S&P/TSX was 5.7%. The CDGI had a YTD return of 4.048%. It must be noted that on a 1 ½ year basis we are still beating our benchmark but that is not important.

It would be nice to outperform our benchmark every month, every quarter, every 6 months and every year. We acknowledge that we cannot guarantee this will happen. However, we have shown over time we can

² If you have any questions regarding our investment style please do not hesitate to send us an email and perhaps we will write you an answer in our next update

outperform our industry benchmark by playing our game and not someone else's. Our game as explained above is certainly not to chase the benchmark. If that were the case, we would just recommend a low-cost S&P/TSX index Exchange Traded Fund.

This brings me to this report titled "Strategy Recap – Chapter 16, You and Me "The Psychology of Money""

Morgan Housel (MH) in his book "The Psychology of Money" wrote "**Beware of taking financial cues from people playing a different game than you are.**" Here Morgan Housel suggests that there are players (investors and speculators) in the marketplace that have different goals and different time horizons.

We hope it is clear what game we are playing and what investment style we adopt. This is described above under the section "Basket Investment Strategy."²

Why is it important to understand our/your game? Morgan Housel suggests that it has to do with valuations. He illustrates how the belief that assets have only one rational price in which one should invest is innocently incorrect.

Each investor and/or speculator has different investment time horizons and objectives. For us, all things being equal, our time horizon is 5 to 10 years – possibly longer. We are not so much concerned about valuation of the day but in the valuation of the long tomorrow.

Others who have an even shorter time horizon than us, such as 1 year, may look at shorter term metrics and macro situations that would cause a business to increase or decrease sales and earnings for the year. Some will look at quarterly earnings and decide to buy or sell based on those numbers. They may not be concerned with valuation in comparison to the earnings over time, but just whether or not the earnings are increasing or decreasing at an accelerated (buy) or decelerated rate (sell).

Even shorter-term traders, such as day traders, may not look at valuation at all and just look for momentum. They are looking for a quick in and out based on price movement. These speculators will have no regard for valuations at all. They buy and sell hoping to catch a higher price on the sell.

There is no right or wrong investment style. There is just right or wrong for you. Morgan wrote, "*It's hard to*

*grasp that other investors have different goals than we do, because an anchor of psychology is not realizing that rational people can see the world through a different lens than our own. Rising stock prices persuade investors in ways that the best marketers would envy. **They are a drug that can turn value-conscious investors into dewy-eyed optimists, detached from their own reality by the action of someone playing a different game than they are.***

It is also important to filter out all the sources of advice on what to buy, what to sell, especially from those in the media that tell **you** what you should buy and sell when they do not know who **YOU** are.

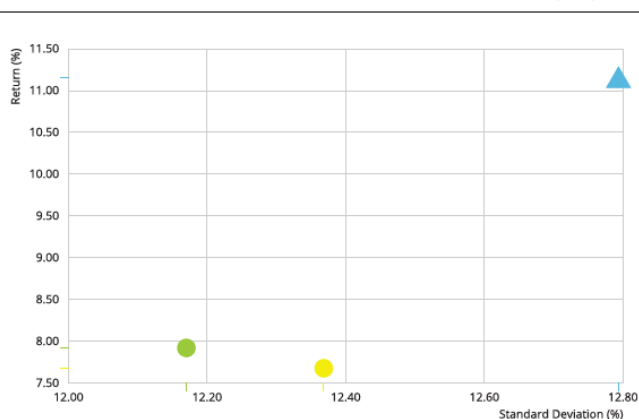
Morgan's conclusion and take away is to go out of your way to identify what game you're playing. Understand your own time horizon and do not be persuaded by the actions and behaviors of people playing a different game than you are.

Just note that I am writing this just as much for me as I am writing for you. In periods of underperformance, albeit short, it is important to understand our strategy and not deviate from it. We have confidence that it will do well in the long term as we stay disciplined by sticking to our long-term strategy.

Risk Reward

Below is the 10.5-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.

RISK/RETURN ANALYSIS (CAD)



	Annualized	Std Dev. (%)	Return (%)
▲	CDGI (Gross)	12.79	11.16
●	DJ CAD DIV	12.37	7.68
●	S&P/TSX RT/TR	12.17	7.92

We currently hold 16 companies. Our 17th 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 meantime, 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 10 years of great performance.



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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