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 in our opinion, 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	10.51%	19.16%	17.15%	13.73%	15.54%
Benchmark	7.71%	17.91%	17.31%	13.95%	15.60%

Value of Basket September 30, 2018	$52,411.66

***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 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 11 of our 19 companies increase their dividends. We experienced no dividend cuts. Of the 11 companies that raised their dividends, the average increase was 11.04% which is well above the inflation rate.

Holdings

Issuer	Sector (GIS)	Market Value	Weighting
Disney Walt Company	Consumer Discretionary	1,871.04	3.57%
AT & T Inc	Telecommunication Service	2,417.76	4.61%
Johnson & Johnson	Health Care	3,039.74	5.80%
Spdr Blm Barc 1-3M T-bill	Cash	2,197.92	4.19%
Coresite Realty Corp	Real Estate	3,334.20	6.36%
Lockheed Martin Corp	Industrials	2,075.76	3.96%
Amgen Inc	Health Care	3,316.64	6.33%
Microsoft Corp	Technology	3,659.84	6.98%
Paychex Inc	Technology	3,240.60	6.18%
Pfizer Inc	Health Care	2,556.06	4.88%
Apple Inc	Technology	2,257.40	4.31%
Prudential Financial Inc	Financials	3,242.24	6.19%
Intel Corporation	Technology	2,648.24	5.05%
Boeing Company	Industrials	2,975.20	5.68%
Cisco Systems Inc	Technology	4,281.20	8.17%
Qualcomm Inc	Technology	2,593.08	4.95%
Kohls Corp	Consumer Discretionary	2,236.50	4.27%
Blackstone Group (The) LPU	Financials	2,437.12	4.65%
JP Morgan Chase & Co	Financials	2,031.12	3.88%

Transactions Performed During the Year 2018

Purchase /Sold	Description	Quantity	Price
Sold	Tupperware Brands Corp	28	58.402
Bought	Blackstone Group (The) LPU	44	36.58
Sold	Macquarie Infrasture Corp	18	39.613
Bought	Blackstone Group (The) LPU	20	34.248
Sold	Procter & Gamble Co.	26	79.105
Sold	Paychex	16	64.803
Sold	Microsoft Corp	4	93.65
Sold	Mcdonalds Corp	20	151.406
Sold	Lockheed Martin Corp	2	340.33
Bought	Kohls Corp	30	65.508
Bought	Coresite Realty Corp	6	96.766
Bought	Apple Inc	10	175.336
Bought	Amgen Inc	10	186.885
Bought	Spdr Blm Barc 1-3M T-bill	10	91.447
Sold	Boeing Company	4	330.081
Bought	Spdr Blm Barc 1-3M T-bill	14	91.54
Sold	Microsoft Corp	18	102.101
Sold	Lockheed Martin Corp	4	308.414
Bought	JP Morgan Chase & Co	18	106.788
Bought	Amgen Inc	6	196.143
Sold	Chevron Corp	24	120.312
Bought	Disney Walt Company	16	110.499
Bought	Prudential Financial Inc	10	104.211

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Coresite Realty Corp	5.10%	14.44%
AT & T Inc	2.04%	8.70%
Johnson and Johnson	7.14%	47.54%
Paychex Inc	12.00%	69.70%
Boeing Company	20.42%	20.42%
Microsoft Corp	0%	82.61%
Lockheed Martin Corp	0%	50.38%
Intel Corp	10.09%	25.00%
Cisco Systems Inc	13.79%	26.92%
Pfizer Inc	6.25%	6.25%
Prudential Financial Inc	20.00%	28.57%
Qualcomm Inc	8.77%	16.98%
Apple Inc	15.87%	15.87%

Portfolio Managers' Comments

The US markets as measured by our benchmark, the S&P 500 Total Return Index, finished the first half of 2018 with a total return of 2.65% (in USD). In Q3 the S&P 500 Total Return Index added 7.71%, bringing the YTD return to 10.36%

Our portfolio had a YTD total return of 9.165%. We are slightly underperforming the index for the year. The rise in the S&P 500 was led once again by the FAANG stocks with AMZN and AAPL hitting the one trillion dollar market capitalizations. Dividend stocks as a whole lagged the S&P 500 as the S&P 500 Dividend Aristocrats Index returned YTD to Sept 28, 2018 only 4.32%.

One of the concerns that have caused a short term headwind for the dividend stocks this year is the thought of rising interest rates. We are long term investors and therefore do not mind rising interest rates. Here are a few reasons that we actually welcome higher interest rates

1) Rising interest rates usually mean a stronger economic environment which is a positive for fundamentally sound businesses.

The manipulation of interest rates have been the government's main tool for combatting deflation and inflation. Interest rates are decreased to combat deflation and increased to combat inflation. Inflation usually occurs when the economy is strong, which creates jobs, increases wages, and thus increases demand for goods and services. The increase in demand for goods and services in turn leads to stronger revenue and earnings growth, which leads to dividend increases. We like dividend increases.

We wrote above "fundamentally sound businesses". We believe there are companies that have been kept solvent by historically low interest rates and will become insolvent as interest rates rise. While this may cause short term negativity to the stock markets, it is a long term positive. As the weaker companies are weeded out, their assets will be redistributed to fundamentally sound companies who will in turn utilize these assets to become more productive and profitable. This again will lead to increasing dividends for these companies.

2) The fear that rising interest rates may cause a market crash may have investors/speculators sit on the sidelines, this in turn may minimize the risk of another major crash.

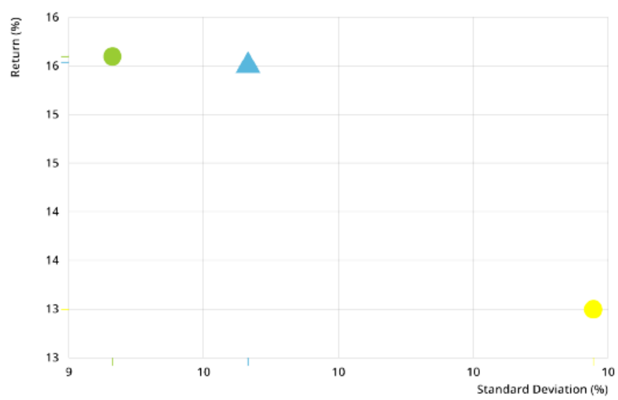
Warren Buffett has been quoted to say, "Be fearful when others are greedy and greedy when others are fearful". As long as there is fear in commentaries and sentiment, a major crash is probably unlikely. Fear keeps cash on the sidelines. When not everyone is fully invested, the market seldom crashes. It is important to note that we are writing the market selcomd crashes and not seldom corrects. The market will have approximately 2-5 corrections per year.

However as a buyer of fundamentally sound companies that pay dividend the third point actually indicates the we do not mind the corrections or crashes. It gives us a sale.

3) Rising interest rates generally initially put pressure on dividend stocks.

As we enter the 4th quarter of the year, we as consumers look forward to Black Friday, Cyber Monday and Boxing Day sales. We like to buy our goods for cheaper. Stocks are one of the only things that the majority do not like to buy when it is cheaper. We are holding cash in our portfolio at this moment because we see many companies that we would like to purchase not priced at what we want to pay for them. We are not timing the market we are waiting for what we like to go on sale.

We have attached the 5 ¾ 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 lower than the S&P 500.



Annualized	Std Dev. (%)	Return (%)
Gross of Fees	9.67	15.54
DJII	10.18	13
S&P 500 RT/TR	9.46	15.60

While we do not like to see this, we know that our underperformance is due to the recent year and not the entire 5 ¾ years. It has been the concentration of returns from investments that pay no dividends that have resulted in our underperformance. 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 holding 17 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 wrote with our 2017 year end commentary that "many dividend investments have increased in market price at a percentage greater than their dividend growth". We see many that are currently over valued by our measurements standards and thus we have taken some profits and left the proceeds in our cash proxy the Spider Bloomberg Barclays 1-3 Month T-Bill ETF. We are currently holding approximately 4.19% in cash.

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.

The voting machine will move the prices of our dividend companies both down and up. We, however; as dividend investors, look forward to the longterm true weight (valuation) of a company's dividends and dividend growth in our portfolios revealing themselves.

2016 Awards of Excellence

Private Portfolio of the Year
Finalist Canada

2017 Awards of Excellence

Best Private Portfolio
National Winner