US Dividend Growth and Income Portfolio

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Basket Investment Strategy

The Radia Wealth US Dividend Growth and Income Basket (USDGI) 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 US 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	7.75%	3.79%	7.54%	13.09%	12.74%
Benchmark	11.69%	26.29%	10.00%	15.69%	13.75%

Source: *Croesus*

Value of Basket** December 31, 2023	$36,172.56

***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 have had 10 of our 15 companies increase their dividends. Of the 10 companies that raised their dividends, the average increase was 5.98%.

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Holdings

Description	Sector (GIS)	Market Value	Weighting
AT & T Inc	Telecommunication Service	1,275.28	3.53%
Nextera Energy Prtns LP	Utilities	1,581.32	4.38%
Intl Business Machines	Technology	3,271.00	9.05%
General Dynamics Corp	Industrials	3,116.04	8.62%
Amgen Inc	Health Care	3,456.24	9.56%
Principal Financial Group	Financials	2,360.10	6.53%
Purpose US Cash Fund ETF	Cash	3,401.70	9.41%
Pfizer Inc	Health Care	1,036.44	2.87%
Caterpillar Inc	Industrials	1,774.02	4.91%
Prudential Financial Inc	Financials	2,281.62	6.31%
Broadcom Inc	Technology	2,232.50	6.18%
Digital Realty Trust Inc	Real Estate	1,884.12	5.21%
Cisco Systems Inc	Technology	2,526.00	6.99%
Netapp Inc	Technology	1,763.20	4.88%
Chevron Corp	Energy	2,088.24	5.78%
Gilead Sciences Inc	Health Care	1,782.22	4.93%

***Source**: Croesus*

Transactions Performed During the Year 2023

Purchase /Sold	Description	Quantity	Price
Sold	Abbvie Inc	22	152.571
Bought	Purpose US Cash Fund ETF	34	100.25
Bought	Broadcom Inc	2	594.99
Bought	Digital Realty Trust Inc	14	105.286
Bought	Gilead Sciences Inc	22	80.289
Sold	Intel Corporation	32	24.93
Sold	Purpose US Cash Fund ETF	36	100.01
Sold	Walgreens Boots Alliance	36	21.341
Bought	Purpose US Cash Fund ETF	8	100.095
Bought	Caterpillar Inc	6	291.997
Bought	Nextera Energy Prtns LP	26	30.996
Sold	Purpose US Cash Fund ETF	26	100.41

***Source**: Croesus*

Dividend Growth

Description	Dividend Increases YTD (%)	Dividend Increases Since Purchase
Nextera Energy Partners LP	10.16%	36.08%
AT & T Inc	0%	13.04%
Amgen Inc	9.79%	61.36%
Chevron Corp	6.34%	6.34%
Cisco Systems Inc	2.63%	50.00%
Pfizer Inc	2.50%	28.13%
Prudential Financial Inc	4.17%	78.57%
General Dynamics Corp	4.76%	20.00%
Netapp Inc	0%	4.17%
Principal Finl Group Inc	4.69%	4.69%
Intl Business Machines	0.61%	1.22%
Broadcom Inc	14.13%	14.13%

***Source**: Croesus*

Portfolio Managers' Comments

Let's CUT (one cut) to the chase:

From the above table we significantly underperformed our industry benchmark last year. This was perhaps the largest underperformance we have had since the 11 years of this portfolio. We are humbled but not totally in despair.

While the significant underperformance has erased 10yrs of cumulative outperformance (see our 10yr report) we know, and you know, that our primary objective is not to beat the S&P500.

Our main objectives are 1) have our dividends sustained, and 2) increase the dividends (cash received) at a rate greater than inflation.

How did we do against these two measures in 2023?

In 2022 the actual cash dividend received was $1,313.17. In 2023 the actual cash dividends received per basket was $1,438.24. We grew the cash dividends by 9.52%. Growth of the dividend is an indication that objective 1) has been achieved. 2) This growth rate is above the Consumer Price Index increase in 2023 of 3.9%

It is important to note that while we ultimately achieved objective 1, we did have one company, Intel, cut their dividends on us before we sold it. We also sold one company after a significant drawdown before they announced their dividend cut. While technically we did not receive a dividend cut, it is debatable whether we should have seen the cut coming and sold before the drawdown. A Mea Culpa? Perhaps.

We have grown the dividend by 11.49% (CAGR) over 11 years. Inflation for this period was 2.46%[1] (CAGR). The S&P500 had a dividend growth rate of 7.15%[2] (CAGR) during the same period. 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.

We too however need to remind ourselves of the game we are playing[3]. When we look at these metrics as our score card, we are quite pleased. We, however, do admit our Mea Culpas. It is in the analysis of our Mea Culpa's that we can improve and evolve our process going forward.

Mea Culpas

We wrote in our H2 2022 report: "For a Canadian investor in taxable accounts, US dividends do not have preferential tax treatment and are taxed at your marginal tax rate. As the US interest rates increased over the course of the year, we sold holdings that had yields below PSU.U. This is not a long-term strategy for the portfolio and we may buy companies that pay less than the PSU.U if we believe they have a total return greater than the yield of PSU.U."

We believe that this was a Mea Culpa. Not because it was a poor choice to look for higher yielding dividend paying business but because we lost sight of the "Growth" part of our strategy. This is a Dividend Growth and Income strategy not purely an income strategy.

By selling holdings such as Qualcomm and Paychex since they had yields below the PSU.U was an error as we gave up the potential for long term growth.

Qualcomm had a total return in 2023 of 21.36%[4]. This was a combination an increase in stock price of 18.61% and a dividend of 2.75%. Qualcomm increased their dividend by 8.39%. We missed that growth.

Paychex had a total return in 2023 of 3.41%[4]. This was a combination of a paltry capital gain of .45% and the dividend of 2.96%. However, despite headwinds of a recession that never occurred Paychex increased their dividend by 17.69% last year. We missed that growth.

The second possible Mea Culpa was the decision to hold onto PSU.U for the entire year. PSU.U started the year with an expected yield of approx. 4.68% in Dec. 2022. The total yield for 2023 was 5.35% While this return was above our portfolio return of 3.79%, we believe it was a mistake to hold onto it for the entire year. As mentioned, before we are a "Dividend Growth and Income" investor not an income investor. We should not have been content with holding PSU.U to collect the yield.

Why did we hold onto to it? The reason, in itself, is not a Mea Culpa even though the results may have been better if we had acted differently. We held on to PSU.U because most economist (including National Bank) was calling for a recession. Given the risks we saw for a major drawdown we waited to deploy our capital. The risks were real, but the event (recession) did not occur.

The expectation of a recession also had us take partial positions in our purchases. Our purchases of AVGO (1/2 position), GILD (2/3 position), DLR (1/2 position), and CAT (3/4 position) was all influenced by our expectations of a market downturn. When we identify a company that we believe has a safe and sustainable growing dividend we should be taking full positions.

We wrote in our last report that *"There's such a thing as the risk of taking too little risk. Most people understand this intellectually, but human nature makes it hard for many to accept the idea that the willingness to live with some losses is an essential ingredient in investment success."* We believe that we did not take enough risk with our above positions.

We will let the reader decide if these Mea Culpa's are really Mea Culpa's or are they "Resulting".

Resulting, in the simplest terms is a logical fallacy where we evaluate the quality of our decisions based on the outcome they achieve and not the process or inputs at the time of the decision. Sometimes we win or lose by factors we can't control, regardless of the decision we made.

The above two are not the only possible Mea Culpa's that we reviewed. Be assured that we examine our decisions, both in terms of process and inputs consistently evolving our processes so that we can improve our investment strategy and as a result returns over time for you the investor. Going through Mea Culpa's is part of this process. However, to highlight them all here would take too long.

[1] Consumer Price Index, monthly, not seasonally adjusted Dec 2012 to Dec 2023

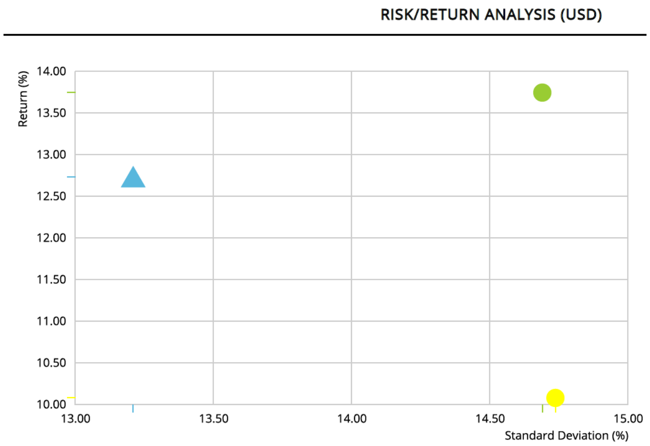
[2] Based on SPDR S&P 500 ETF Trust – SPY FactSet

[3] See 2023 H1 report and Memos by Howard Marks

[4] Data source: Fast Graphs

Risk Reward

Below is the 11-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 below that of the S&P 500, with slightly less volatility.



Annualized	Std Dev. (%)	Return (%)
USDGI (Gross)	13.21	12.73
DJII	14.74	10.08
S&P 500 RT/TR	14.69	13.75

Source: *Croesus*

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.