2017

DIVIDEND STOCKS ROCK BEST PICKS 2017

Portfolio Creation Using Dividend Growth Stocks

30 DIVIDEND GROWTH STOCK PICKS

Based on the 7 Dividend Investing Principles of Dividend Stocks Rock
http://www.dividendstocksrock.com/buildyourownportfolio/

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INTRO

Hello!

My name is Mike McNeil and I'm the author of The Dividend Guy Blog & The Dividend Monk along with the owner and portfolio manager over at Dividend Stocks Rock. I earned my bachelor degree in finance-marketing, own a CFP title along with an MBA in financial services. Besides being a passionate investor, I'm also happily married with three beautiful children. I started my online venture to educate people about investing and to be able to spend more time with my family.

I used to struggle with the same issues millions of small investors deal with on a daily basis. Which stocks to buy? When to sell them? How to find the time to manage my portfolio? How to diversify? I wasn't into dividend investing until I looked in depth at my portfolio returns and realized I was having difficulty keeping up with the market.

The root of the problem was a very poorly built portfolio that lacked structure and the components required to build a sturdy base. I made good money from the stock market but I was taking unnecessary risk to achieve my investing goals.

From that point on, I was determined to create a portfolio strategy that would allow me to benefit from dividend growth stocks as a solid foundation. **Since then, I manage my portfolio with a stress free method that enables me to cash out dividend payments even when the market goes sour**.

I'm not exactly following the buy & hold strategy recommended by many dividend investors. I like to build a core portfolio of stocks that I would probably never sell but I also like trading a few more stocks in and out to add a healthy profit. Imagine if you could still invest actively in individual stocks while building a rock solid portfolio. Imagine if you could use the fundamental principles of investing without getting bored or having to read hundreds of pages of stock research.

Strong from my years of experience and research in the financial industry, I've decided to go one step further in the world of dividend growth investing. In addition to writing weekly on my blogs, I created an investing platform where 95% of the work is done for you. This platform is called Dividend Stocks Rock (DSR), hence the reason why I call this eBook the DSR Best Picks 2016.

Dividend Stocks Rock (DSR) follows the same dividend growth model I use to manage my own portfolio. I didn't come up with these investing rules out of the blue. Each rule has been written after these four years of trading dividend stocks, reading through many financial research publications and listening to top investors and portfolio managers' wisdom. The 7 investing rules are as follow:

#1: HIGH DIVIDEND YIELD DOESN'T EQUAL HIGH RETURNS

#2: FOCUS ON DIVIDEND GROWTH

#3: FIND SUSTAINABLE DIVIDEND GROWTH STOCKS

#4: THE BUSINESS MODEL ENSURES FUTURE GROWTH

#5: BUY WHEN YOU HAVE MONEY IN HAND – AT THE RIGHT VALUATION

#6: THE RATIONALE USE TO BUY IS ALSO USE TO SELL

#7: THINK CORE, THINK GROWTH

HOW TO USE THIS BOOK

Each year, I make the publication of this book. This requires several weeks or hard work reading and researching financial statements. The purpose of this book is not to make you sell your portfolio and make you switch to this one.

The purpose of this book is to create a **portfolio-like list of stocks in various sectors to provide both stock value appreciation and dividend growth perspectives**. Additional research and analysis is required before making any trades. I'm neither your broker nor your financial advisor.

However, I did my homework and am fairly confident my 2017 picks will be solid again.

I separated the book into 2 sections: American Stocks (20) and Canadian Stocks (10). Therefore, there are stocks for everybody! I hope you will enjoy the work I put together. Each company has been analysed and handpicked per the **DSR investing model**.

My investing model includes both parts of my portfolio; a core model with solid (read boring) stocks and an additional growth segment where I pick stocks for a time horizon of 12 to 36 months. The idea is to pick stocks that have greater risk but also greater potential over a short period of time. Mind you, both are possible for some picks.

Once again, this book is not a book of recommendations, but it's a great step forward on your 2076 dividend investing journey!

When you read a title such as "Best 2017 Dividend Stocks" you probably think that I'm pulling out the top 20 American and the top 10 Canadian dividend stocks that will outperform the overall stock market. The goal is obviously to beat the indexes but I'm also focusing on the global results of these stocks.

I wanted to write a book about stocks that, combined together, could generate an interesting result as a whole. I have always found as an investor, pulling the trigger and buying a single stock was easy. Building a strong portfolio where stocks could balance themselves out during different markets (bullish or bearish, stable or volatile) is quite a challenge. This is the reason why I didn't only focus on the number or on a specific aspect (growth potential, high dividend yield, etc). I tried to put a combination of companies that could weather most economic situations.

This means that you will find stocks that should outperform the stock market if we are bullish while others will outperform if we enter a bear market too. Some companies will show awesome sales growth and you can expect both dividends and stock values to rise. Others have mature business models with strong dividend growth habits, but don't get too excited with the potential for stock appreciation.

My previous books (2012, 2013, 2014 and 2015 Best Dividend Stocks) were built the same way and showed great results. Each year, my total portfolio beat its benchmark (except the 2015 Cdn edition). If you are looking for more, I now offer a complete resource website with 12 real world portfolios and 8 dividend stock lists to help you trade. This resource is called Dividend Stocks Rock.

Valuation Included in Each Analysis

We now have valuation for each stock analysis. I kept the one pager format but modified it to include a stock valuation matrix. I use the well-known Dividend Toolkit Calculation Spreadsheet with a double stage dividend discount model. The valuation section will help you determine if the stock is currently trading at discount or premium throughout 2017.

Here's an example:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$104.66	$78.02	$62.07
10% Premium	$95.94	$71.52	$56.89
Intrinsic Value	$87.22	**$65.02**	$51.72
10% Discount	$78.50	$58.52	$46.55
20% Discount	$69.77	$52.02	$41.38

The fair value of this stock is the **value in blue** at $65.02. The matrix shows 15 variation of this calculations giving you discount and premium prices along with 3 variations of discount rate. Please keep in mind the DDM model has its limits and it is not perfect. The calculations are based on DSR team assumptions and may not guarantee the future stock price.

U.S. STOCK MARKET – BEATING ALL ODDS!

After a hectic year in 2015, investors started to get more anxious about what would happen next. The S&P 500 finished 2015 in the red after disastrous months in August and September. There was a small up trend toward the end of the year, but it didn't continue in the new year. In fact, it was the opposite, as you will see in the graph below, January of 2016 rapidly brought the stock market in negative territories.

Statistically, when the month of January is negative, the rest of the year will follow this trend. We call this effect the "January Barometer". This has been true for over 50% of the time and this is probably the reason why media decided to call this pseudo-magical effect on the market. Well, as most polls were giving an easy win to Clinton, the stock market did a Trump of itself and beat all odds with a strong return.

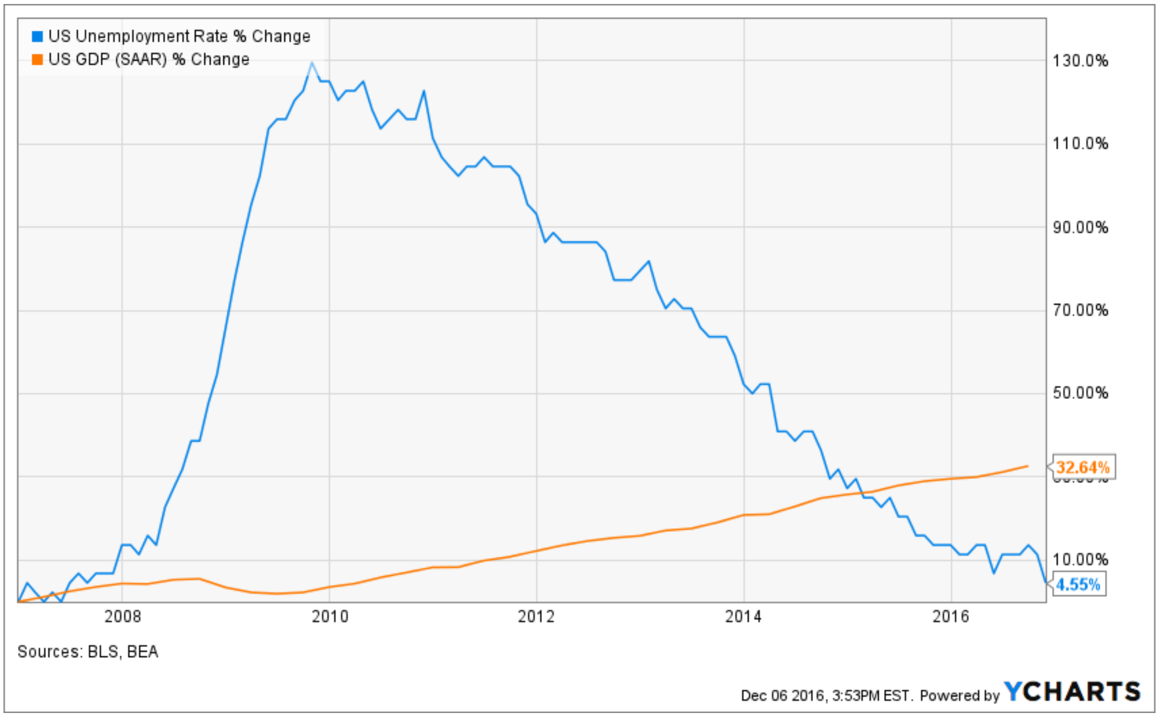
Source: Ycharts

After showing roughly -10% in February, the stock market started an unexpected shift toward positive territories. After a few hoops, the S&P 500 finished at +8.10% excluding dividend. While I keep reading negative headlines for the past couple of years, once again, the S&P 500 is beating all odds and show a very interesting return over the past three years:

Source: Ycharts

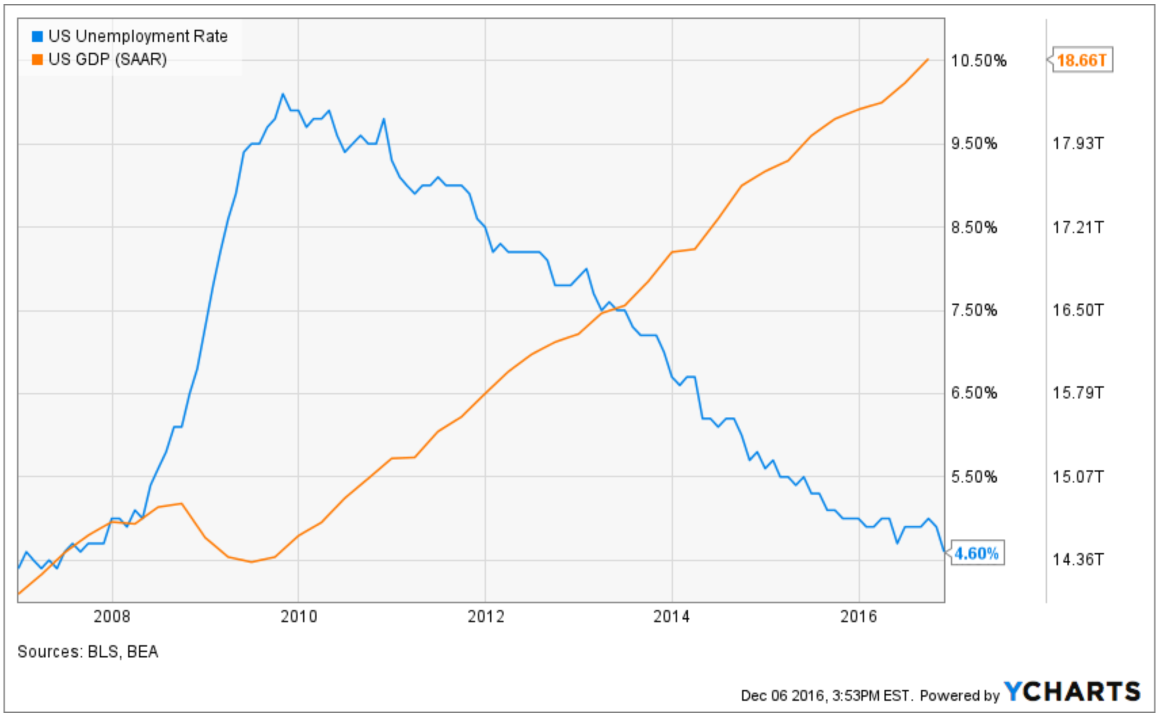
You may want to tell me it's easier to discuss the market by looking back and explaining what happen, but if you follow me for a while, **you will notice that I keep telling you the same thing at each beginning of the year: stick with your investment strategy and keep your money invested in the stock market.** This is the only way you can also beat the odds and show positive returns over the long run. You can now expect to read the exact same advice for 2017; build a strong dividend growth portfolio and stay the course, you will be rewarded.

Now let's look at what the stock market has for us in the upcoming months!



Source: Ycharts

I like this graph as it shows the pre and post situation of 2008 for unemployment rate and GDP. We can clearly see how the unemployment rate jumped drastically following the credit crisis and how the GDP slowed down during the same period. However, while the GDP slowly started to grow again, jobs recovery seemed to be a lot faster. Now fast forward in 2016, we now have a GDP 33% stronger than at the end of 2006 and an unemployment rate solely 4.55% higher. In other words, the U.S. economy hasn't been affected that much by the 2008 crisis as it rapidly recovered a steady growth. As for jobs, they were quick to disappear and the impact on people was disastrous. Fortunately, what we first saw as a bunch of "Mcjobs" created in the post-2008 economy founded the basis of a more solid employment situation. 8 years after the crisis, we can't claim there were only minimum wages created during this period. Good jobs are also being offered on the market.



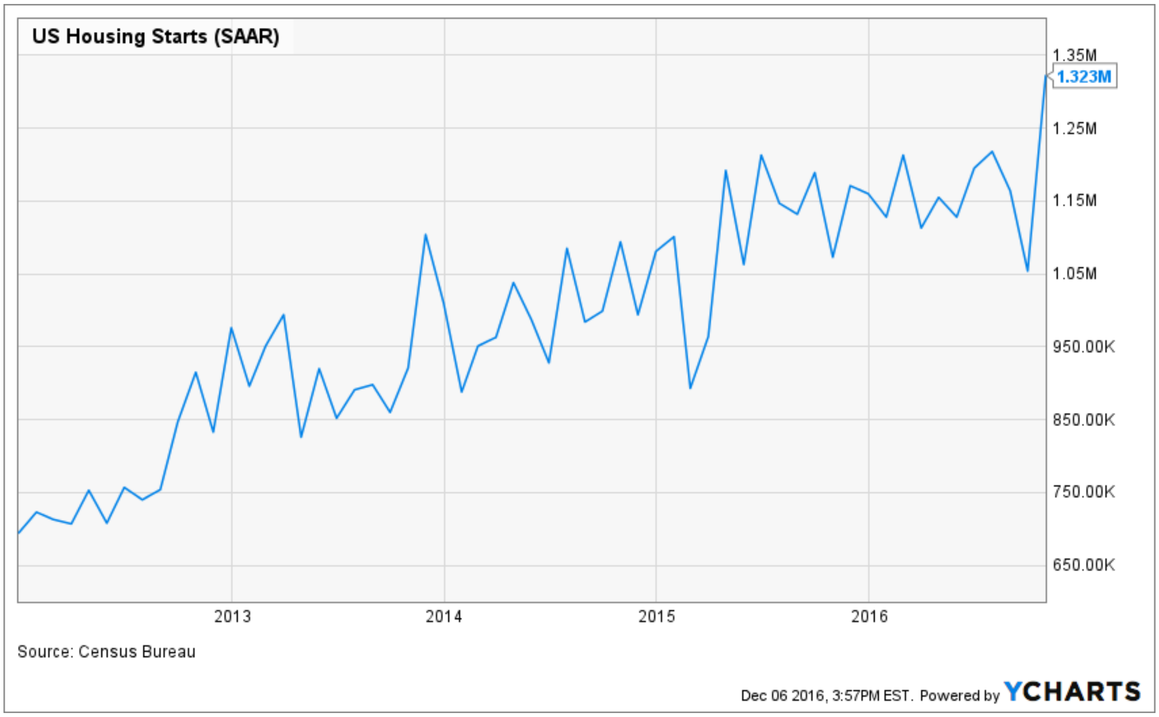
Source: Ycharts

This is the same graph in numbers. You can clearly see how the GDP is growing and how the unemployment rate is now getting stable under 5%. While we keep reading that the economy is going nowhere and that jobs numbers are bogus, it doesn't seem that way when we look at the fact. If all the numbers we read are modified or interpreted in a nice way, how can the Government lie for so long? Since 2008, they would not been able to hide the truth for almost a decade. Then, let's face the fact; the economy is going well in the U.S. and the stock market is following the same trend. Period.

Source: Ycharts

Another effect that has been affecting earnings over the past couple of years is the strong U.S. currency. As the U.S. dollar gains strength against all other currency, we see U.S. companies have a harder time to export their goods. A strong U.S. currency also affect companies doing 40% and over of their revenue offshore. Unfortunately, this is the case for many dividend paying stocks. This is probably why you will not see strong earnings growth over the past 2-3 years for several companies. However, as you can see in the graph above, the U.S. dollar seems to have reached a plateau against the Canadian dollar and the Euro. Following this situation, the exportation of goods is picking-up. This is because the market is now getting used to this new reality. We can now look forward. The beauty of the U.S. stock market is that it is well diversified. There will also be a sector growing and where investors could benefit.

I'll finish this introduction with one of these sectors.



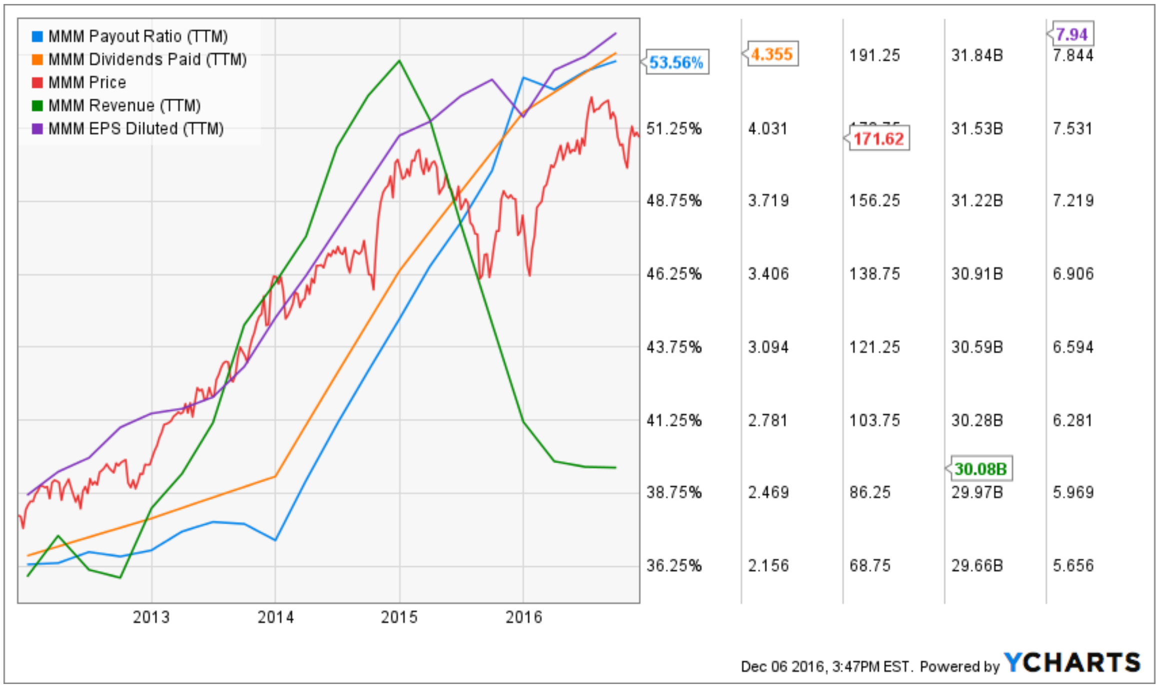
Source: Ycharts

The construction sector was somewhat the foundation of the 2008 credit crisis. As more people were using their house as a ATM machine, more people were flipping houses and pushing new constructions to the top. By looking at this graph, we can see that this sector is recuperating very well and this will support a strong U.S. economy in the upcoming years. When you combine GDP growth with low unemployment rate and strong housing starts, you get all the ingredient for a stable and growing economy. In other words, there isn't much sign of a recession coming our way and we should definitely have an interesting year in the stock market for 2017.

In the light of this analysis, **we are bullish for 2017.**

The following lists of stocks has been defined accordingly.

3M Co (MMM)



Business model:

3M produces products like Scotch tape, projector systems, Post-it notes, Tartan track, and Thinsulate. This is a conglomerate that produces products for many industries and for both personal and business use, and their manufacturing, research, and sales offices are all over the world.

Main strengths:

MMM shows all the right characteristics to be part of a dividend growth portfolio. It is a leader in many of its products and spend more than any of its competitors in R&D. This makes 3M a chief of innovation that is always a few years ahead of the competition. By improving its existing products and generating new one, MMM ensures to grow its revenue over time.

The company also has a strong experience in making several "small" acquisitions throughout the year and integrate them perfectly to their strong business model. Finally, 50% of its revenue is coming from repetitive sales, generating a never ending source of cash flow.

Potential risks:

There isn't much risk associated with 3M besides the fact that their growth in the upcoming years may not be spectacular. This is not a company to buy in the hope of showing double digit returns, but this is a company you can buy and sleep well at night.

Dividend growth perspective:

3M has been paying dividends to its shareholder for over a century and shows more than 50 consecutive years of consecutive increase. Over the past couple of years, MMM has been even more generous with their dividend increase and the payout ratio has jumped to 54%. Still, there are plenty of room for management to increase it in the future.

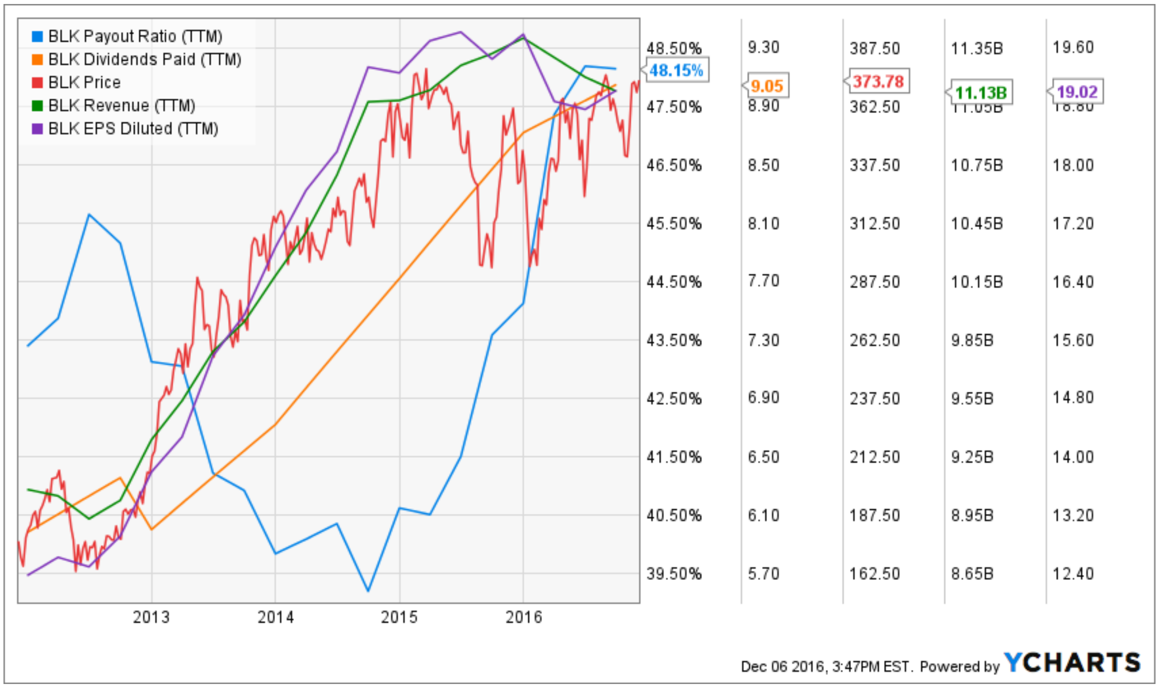
Investment thesis:

3M's competitive advantages are legendary. Industrial clients are reluctant to abandon such a world class company for any competitors as they know MMM will deliver quality products. Consumers continue to buy post-its again and again as the product is well designed, well known and, most importantly, works perfectly. 3M shows one of the strongest business models among the dividend kings and its dividend growth potential will continue to be one of its most interesting characteristics for investors.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$335.66	$222.34	$165.75
10% Premium	$307.69	$203.82	$151.94
Intrinsic Value	$279.72	**$185.29**	$138.13
10% Discount	$251.75	$166.76	$124.32
20% Discount	$223.78	$148.23	$110.50

BLACKROCK (BLK)



Business model:

BLK is THE asset manager in the US with the largest market share (Assets Under Management) with its iShares division. With over $1 trillion invested in its ETFs, BLK shows more than double the AUM of the second place State Street Corp. Considering investors' growing appetite for ETF; this is definitely an interesting economic moat to develop.

Main strengths:

BlackRock has built a solid reputation throughout the years and the recent shift in the financial industry requesting more affordable investing vehicles for the population is opening the door wide open to the world largest ETFs manufacturer. BLK has also built a strong mix of fixed income and equity products enabling them to simply offer a different products to their clients instead of seeing them selling their position and staying in cash.

Potential risks:

The thing with financial companies is that they could always evolves around complex products that could lead to bad surprises. Hopefully, new regulations for more transparency will avoid such situation with BlackRock. In the event of any market mood swings, BLK stock price is likely to fluctuate. However, those risks are nothing to worry about if you are in for the long term.

Dividend growth perspective:

BlackRock has been a steady dividend payer for some years now. The company has successfully increased its dividend payouts for the past 6 consecutive years while maintaining a payout ratio under 50%. The company is generating sufficient cash flow to continues its streak for several years to come.

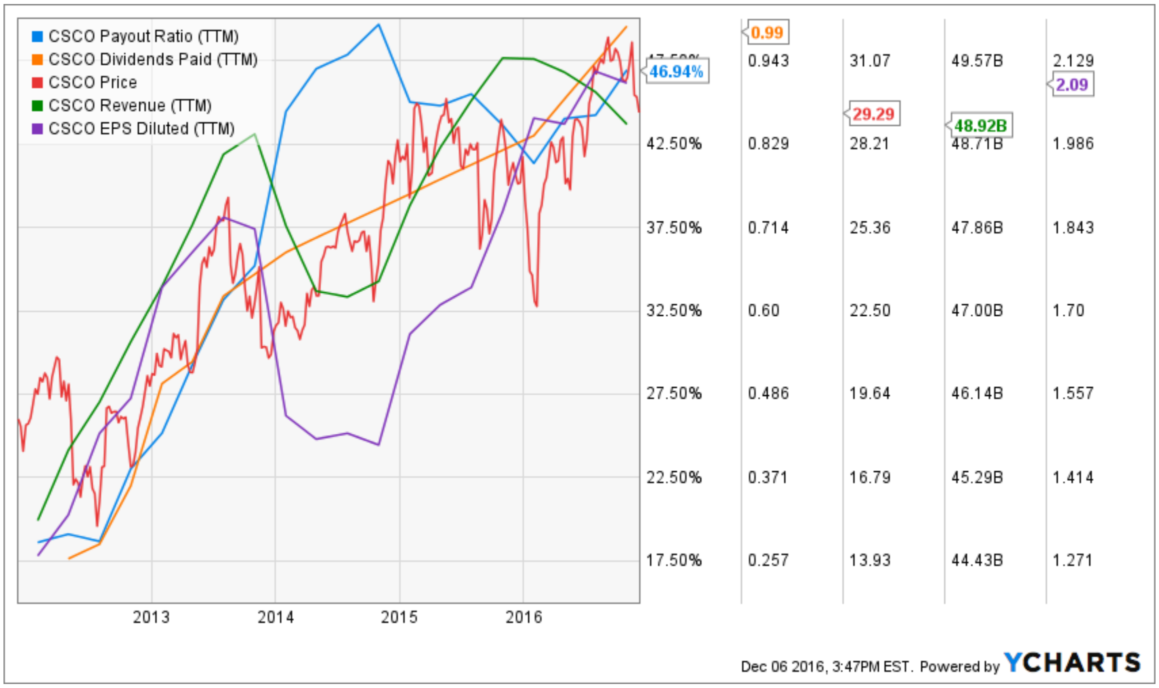
Investment thesis:

BlackRock is a leader in its industry and has built a solid relationship with its clients. They offer a wide variety of investing products going from fixed income to equity. BlackRock shows a great combination of stable business model (due to the size of its assets under management) and growth potential (as more institutions are looking for low fees investment solutions). As we are bullish for 2017, we see BLK getting more net inflows of cash flow in its products.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$697.99	$462.40	$344.75
10% Premium	$639.83	$423.87	$316.02
Intrinsic Value	$581.66	**$385.33**	$287.29
10% Discount	$523.49	$346.80	$258.56
20% Discount	$465.33	$308.27	$229.83

CISCO SYSTEM (CSCO)



Business model:

CISCO is the reference for switches and routers across the world. The way we transfer data throughout networks has been a pillar for many industries over the past decade. While 2/3 of CSCO revenue comes from switches and routers, the rest of CSCO sales are coming from faster-growing adjacent market segments such as wireless, security, collaboration, unified communications, and data center products.

Main strengths:

As Cisco is the undisputed leader in its industry, this is also the player which sets the standards for other. This enable CSCO to benefit from a stronger premiums on all its products and services. As many companies are dependant from their networking system to operate on a daily-basis, their switching costs to ditch CSCO is enormous. Cisco has built and protected a very strong niche here.

Potential risks:

Unfortunately, or fortunately technology keeps evolving. What Cisco is today (the leader of switches and routers) could eventually disappear as the need for routers may decline upon the arrival of a new technology. However, since CSCO keeps acquiring smaller techno companies in order to stay on top of things, I'm not too concerned about this potential fate right now.

Dividend growth perspective:

The dividend payment has been increasing on a steady basis for the past 5 years while the payout ratio remained well under control around 50%. Cisco core business is very strong and generates a steady income to be distributed to shareholders. Dividend increases in the forthcoming years are well secured.

Investment thesis:

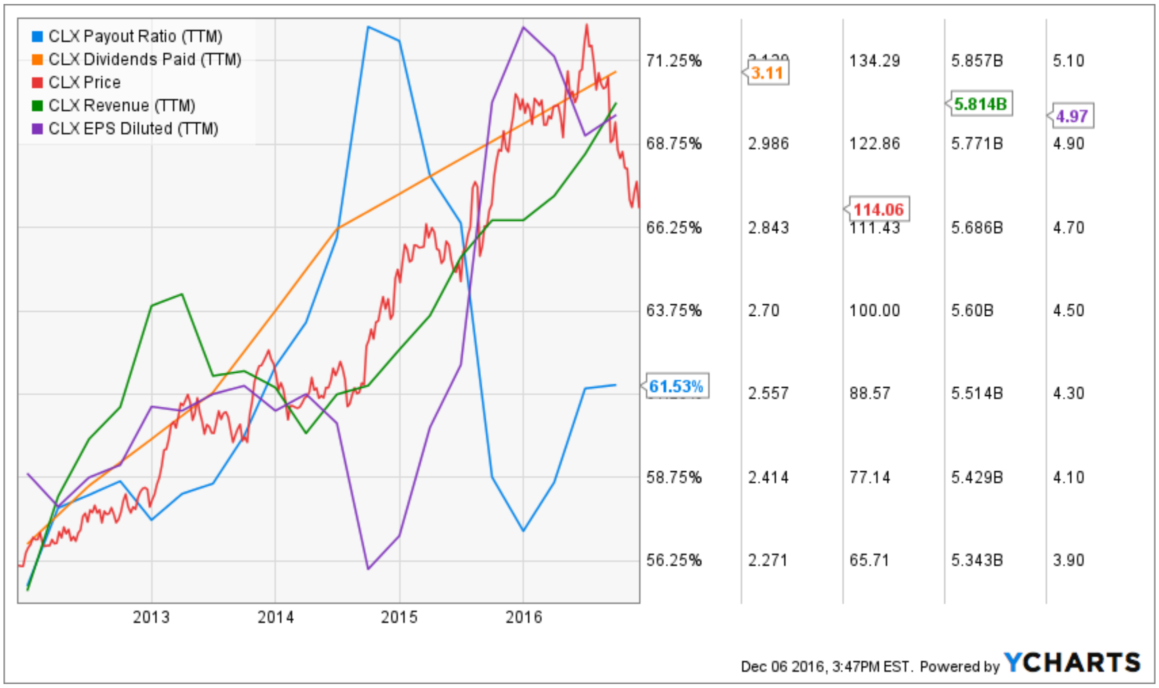
The acceleration of the "IOTH" (Internet of Things) where literally everything is meat to communicate through a network is positioning Cisco in the driver seats for several years to come. As it is already established as a strong leader in this industry, there is more room for growth in the future.

Cisco has the size and cash to follower their clients and answer their future needs. It can then continue to benefits from the strong bond it has established with its clients and offer further products to expand its revenues.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	$72.76	$48.35	$36.15
10% Premium	$66.69	$44.32	$33.14
Intrinsic Value	$60.63	$40.29	$30.13
10% Discount	$54.57	$36.26	$27.11
20% Discount	$48.50	$32.23	$24.10

CLOROX (CLX)



Business model:

The Clorox Company (Clorox) is a manufacturer and marketer of consumer and professional products. Basically, anything you find when you open a closet at home has a 50% chance to belong to CLX portfolio brand. The Company operates four divisions: Cleaning (Pinsol, Clorox), Household (such as bags & wraps… Glad anyone?), Lifestyle (Brita, Burts Bees) and International (to cover sales for the above three divisions outside the US of A).

Main strengths:

The Clorox business model is based on a very solid brand portfolio where most of their brands hold the #1 and #2 position in terms of market share. This makes it very hard for other competitors to enter the CLX playground.

Plus, since the company is selling consumer products, it generates constant cash flow helping the company pay ever increasing dividends while continuing to invest in the future.

Potential risks:

When you look at the CLX sales growth, you will notice there isn't any growth among its products. Since international sales represent 20% of total sales, we can't blame everything on currency headwinds. The problem is that Clorox bleach and charcoal products are used by consumers on a daily basis but there aren't many ways to make consumers buy more to support higher growth.

Dividend growth perspective:

I think CLX's dividend payment reputation is not to be discussed here. After 39 consecutive years of dividend increases, we can expect the company to continue. However, a quick look at the dividend payout ratio is always a good idea.

The company used to stick between 50% and 60% which leaves a very comfortable margin to increase it. Lately, the ratio has drifted higher than 70% and the aggressive dividend growth policy (9% over 5 years) might has to be reviewed in the long term.

Investment thesis:

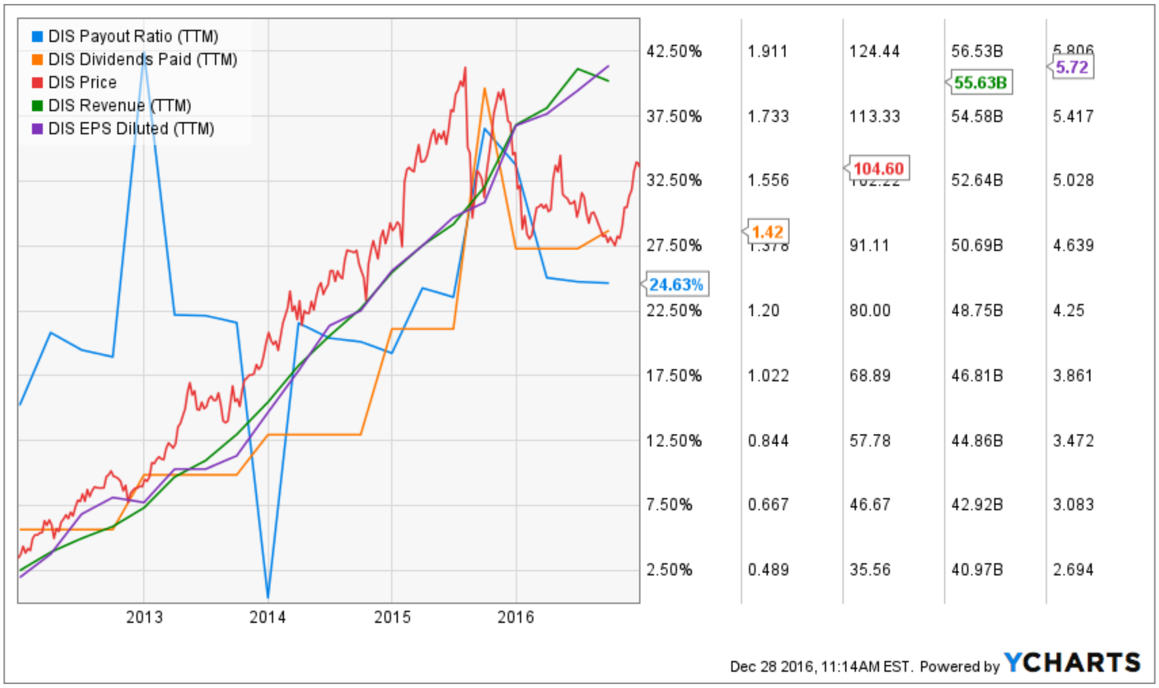
The reason an investor would pick CLX to be part of his portfolio is somewhat obvious: it is an ever increasing dividend stock. Clorox is part of the selective group of dividend aristocrats that has increased its dividend for at least 25 years consecutively. In 2016, they have reached their 39th consecutive year with a dividend raise.

The company goals are to support a 3-5% organic sales, improve margins by 25 to 50 bps and to generate free cash flow of 10-12% of sales.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$410.88	$205.44	$136.96
10% Premium	$376.64	$188.32	$125.55
Intrinsic Value	$342.40	$171.20	$114.13
10% Discount	$308.16	$154.08	$102.72
20% Discount	$273.92	$136.96	$91.31

DISNEY (DIS)



Business model:

DIS has become more than entertainment parks and Mickey. It is now the largest entertainment business in the world. Walt Disney is divided into five different segments: Media Networks, Parks and Resorts, Studio Entertainments, Consumer Products and Interactive. The Media division (ABC, The Disney Channel and ESPN) leads DIS revenue shares with 44% of the company total sales.

Main strengths:

Disney has built one of the most respectable brand in the world. Its attention to details makes their theme parks and movies almost perfect each time. They also show a strong synergy between all their divisions. Therefore, whenever Disney makes a good move, it is able to duplicate its returns through derivative products across its other divisions. The recent Start Wars success is a great example of how a blockbuster movie engaged more enthusiasm for theme parks and figurines.

Potential risks:

Over the past 18th months, many financial analysts have spit in the soup. The main reason being the inevitable death of the cable industry. This will not happen in 2017, but analysts are concerned about the highly profitable ESPN network slowly losing their customers for streaming options. This could hurt the stock price over a short period of time again in 2017, but we remain strongly bullish for DIS over the long haul.

Dividend growth perspective:

Disney is not known for its dividend payments. It is usually paying a shy 1% yield even with a strong dividend growth policy. The good news is that the yield is now closer to 1.50% as the stock price stagnated while the dividend continued to grow. 5 years ago, DIS dividend payment was at $0.60 per share for the year and it will be paying $1.49 in 2016. The payout ratio is still very low at 24.63%. This shows you how strong the dividend growth potential is.

Investment thesis:

DIS has become more than entertainment parks and Mickey. It is now the largest entertainment business in the world. Walt Disney is divided into five different segments: Media Networks, Parks and Resorts, Studio Entertainments, Consumer Products and Interactive. The Media division (ABC, The Disney Channel and ESPN) leads DIS revenue shares with 44% of the company total sales.

Disney divisions will benefit from the US consumers spending more, especially with the coming of the new Star Wars trilogy. Finally, Disney is the strongest brand for family entertainment and this competitive advantage is nearly impossible to replicate.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**10.00%**	**11.00%**	**12.00%**
20% Premium	$409.45	$136.25	$81.62
10% Premium	$375.33	$124.89	$74.81
Intrinsic Value	$341.21	**$113.54**	$68.01
10% Discount	$307.09	$102.19	$61.21
20% Discount	$272.97	$90.83	$54.41

GENTEX (GTNX)

Business model:

Gentex makes auto-dimming mirrors to improve drivers' vision during night time as mirrors automatically darken to eliminate headlight glare for drivers. With a 90% market share and 1,000 of patents to protect its technology, GNTX is far ahead of any other company in this sector.

Main strengths:

The company benefits from a strong leadership position at the time and uses it to invest massively in developing new technology to stay ahead of the game. It also tries to diversify its product offering with Homelink mirrors enabling garage doors, home lighting and security system controls from the car.

Smartbeams are currently sold in Europe but could also become a source of stronger revenue if they generate massive sales in the US.

Potential risks:

Gentex faces potential fierced competitors such as Magna (MGA) that show more resources than GNTX. If MGA goes to war against GNTX, the small player could lose. Unfortunately, auto-dimming mirrors are not a big market and limit GNTX potential. Car manufacturers also have strong negotiating power with such relatively small players.

Dividend growth perspective:

At a 29% payout ratio, the company has plenty of room to increase the dividend payment in the years to come. Now, it's only a matter of knowing if revenues and earnings will continue to increase. From the past 5 years, you can expect a steady dividend growth in 2017 an forward.

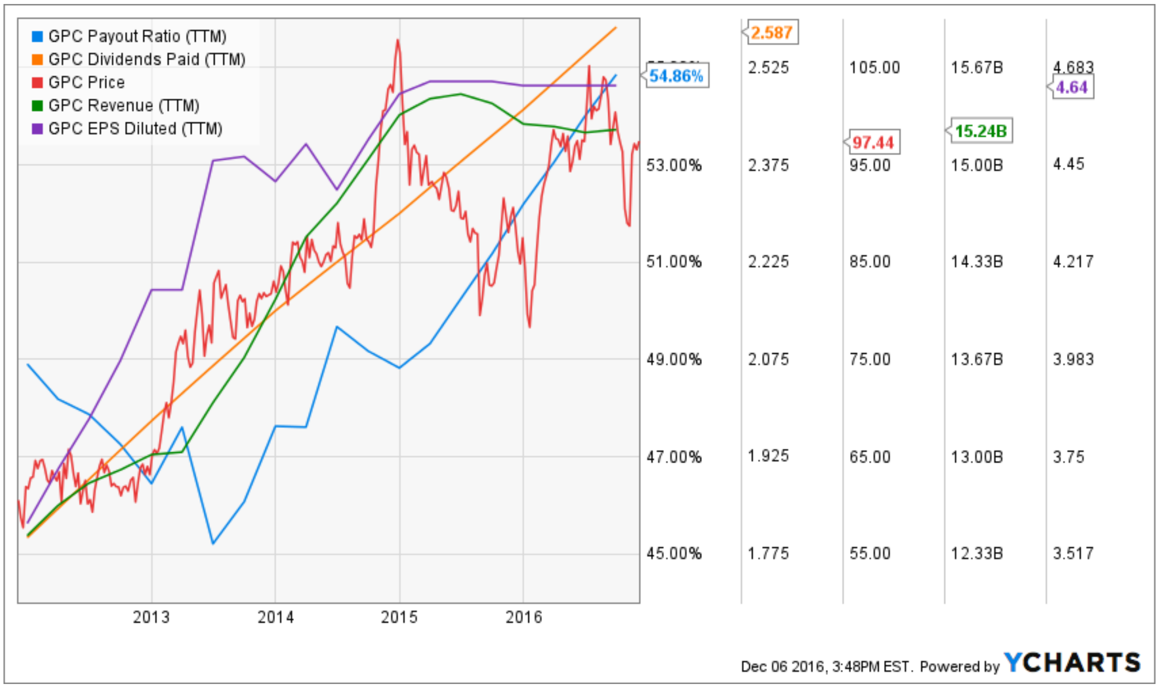
Investment thesis:

Gentex's mirrors products are on the way to become the standard of the industry. If this is the case, the company could continue its impressive sales growth for the next 10 years. In order to insure growth for the upcoming years, the company is also developing dimming windows for aircraft, bought Homelink from Johnson Controls in 2013 for $700M and also created Smartbeams, a different type of car headlight that enables automatic switching between bright and regular lighting.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$50.54	$25.18	$16.74
10% Premium	$46.33	$23.09	$15.34
Intrinsic Value	$42.12	**$20.99**	$13.95
10% Discount	$37.91	$18.89	$12.55
20% Discount	$33.70	$16.79	$11.16

GENUINE PARTS (GPC)



Business model:

Genuine Parts Co (GPC) is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical & electronic materials. GPC benefits from strong brand recognition through its UAP Napa stores. The automotive & industrial replacement part industry often selects their distributor with the fastest service and wide choice of products available.

Main strengths:

Being the big fish in a fragmented market is possibly the best position for a company like GPC. It benefits from strong brand recognition, long client history and economies of scale. A low interest rate environment also amplifies GPC's growth by acquisition strategy. Genuine parts will definitely benefit from the next economic expansion. The fact that cars last longer in general also supports more auto parts to be sold.

Many customers are more inclined to invest in replacement parts rather than buy another car as they know it will last longer. Finally, the fact that GPC is the biggest player in its industry helps them to have more accessibility to car manufacturers. The car industry is more likely to do business with strong partners able to support their demands.

Potential risks:

GPC evolves in a cyclical market. Their industrial division (Motion Industries) is currently under lots of pressure as both the oil & drilling industries are on a big slow down. At the moment, the low unemployment rate supports the need to repair vehicles. However, in the event of another recession, GPC would also see its auto part division slow down. This shouldn't be a big concern for now.

Dividend growth perspective:

GPC shows two very important components to additional dividend growth in the future: it has stable growth vectors as the industry grows naturally each year and GPC's strategy remains around acquiring smaller companies. Then, GPC is a real cash flow making machine with a continuous flow of auto parts sales. The dividend payout ratio has been relatively stable as the dividend grows along revenues and EPS. The dividend growth will continue for several years without any risks.

Investment thesis:

A winning strategy for any portfolio building method is to pick strong companies with established business models which have become leaders in their industry. GPC meets all requirements to be considered as such. While you will not see GPC stock price expand by 20% in the next 12 months, you can count on a regular and sustainable growth. Therefore, the company will continue to provide both dividend growth and stock value appreciation for many years.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$182.41	$121.20	$90.62
10% Premium	$167.21	$111.10	$83.07
Intrinsic Value	$152.01	**$101.00**	$75.52
10% Discount	$136.80	$90.90	$67.97
20% Discount	$121.60	$80.80	$60.42

LOWE'S (LOW)

Business model:

Lowe's is the second-largest home-improvement retailer in the world with over $59 billion in annual revenues. Strong from its position in the U.S., Lowe's benefits from the recent rebound of the world's largest economy. LOW is also expanding through acquisitions as management recently closed the purchase of Rona in Canada. Lowe's doesn't only focus on selling you home renovation and improvement products, it also uses their experienced salesforce to provide you with additional advice. The company has also successfully built a solution-based segment within its stores. By offering a complete solution from start to finish, Lowe's make sure to "capture" the customer for its entire project purchases.

Main strengths:

Mainly due to its size and high tech product management platform, Lowe's is able to generate substantial economies scale. The firm has created an integrated supply chain that efficiently routes nearly 75% of all Lowe's merchandise through one of 15 regional distribution centers. Its omnipresence in North America enables Lowe's to benefit from strong construction business in Canada and the United States. This alone should be enough to bring consistent growth for years to come.

Potential risks:

As we see it, the biggest risk for LOW is definitely another economic slowdown. There are still several uncertainties in the air and a contraction of the US economy would definitely put a halt to LOW's strong growth perspectives. The company margin will be under pressure in the upcoming years as competition with Home Depot intensifies and Rona's lower margins are included in Lowe's numbers.

Dividend growth perspective:

LOW shows a very strong business model generating a consistent cash flow stream. While the company will benefit from additional cash flow during a strong economic cycle, its distribution network efficiency will continue to provide management additional room for dividend increases in the future. The secret of LOW's long dividend increase history is found in a very low payout ratio (35%) and a very low yield too (less than 1.50%). Management's conservative approach makes the company's dividend growth sustainable for several years to come.

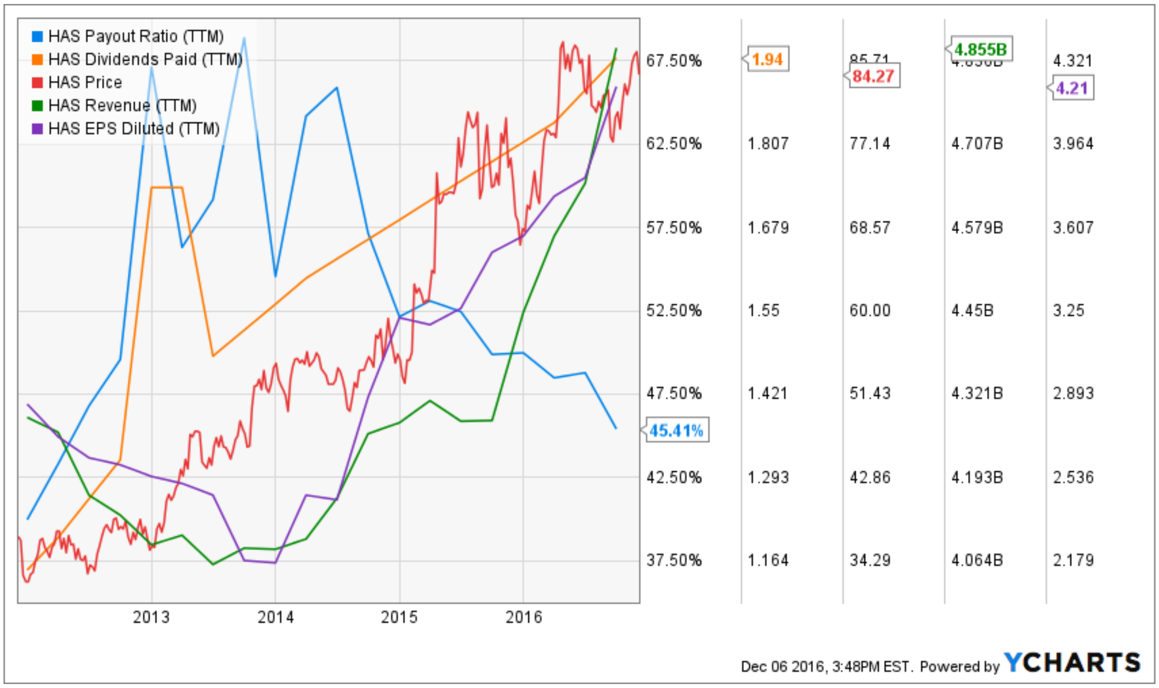
Investment thesis:

Focus on a recovering U.S. economy and additional growth from acquisitions should continue to push LOW's stock price higher. Its strong brand and the way it helps its customers to go through bigger projects by offering a "one-stop-shop-&-advice" service will secure LOW's market share and improve margins over the long haul. Lowe's has been able to transform a simple home product store into a great service offering for home projects. There is definitely more room for growth in the upcoming years.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$234.57	$116.15	$76.72
10% Premium	$215.03	$106.47	$70.33
Intrinsic Value	$195.48	**$96.79**	$63.93
10% Discount	$175.93	$87.11	$57.54
20% Discount	$156.38	$77.43	$51.15

HASBRO (HAS)



Business model:

Hasbro is a worldwide leader in children and family entertainment. It is mostly known for their numerous toy brands such as Playskool, Tonka, Milton Bradley and Parker Brothers. They are the 2nd largest toy company behind Mattel and have several trademarked franchises such as Transformers, Star Wars and Marvel action Heroes. In 2014, they outbid Mattel and won Disney's Frozen line of products.

Main strengths:

While Mattel is struggling to sustain growth, Hasbro seems to take over this opportunity to grow even bigger. Once again, HAS will benefit from a strong Holiday season. While the company benefits from a steady earnings base from its own products, it has also developed a strong expertise in licensing other's products.

The derivative products have become the answer to compensate for the fact that many kids are preferring playing on their PS4 or Xbox than playing with their board games. There is a strong group of kids loving to play with figurines representing movie they just saw like Star Wars and Captain America. This trend is not likely to diminish in the next five years as the pipeline such movies is well filled.

Potential risks:

While I expect a strong Holiday season, we saw what happened early in 2014 when Mattel declared lower sales than expected. If it's the case with Hasbro, it will definitely be a rough year for them as the bulk of their income is made in November and December.

Dividend growth perspective:

While Hasbro has offered a steady dividend increase over the past years, its payout ratio remains under control at 45%. Since the company can count on many Star Wars and Marvels movies in the upcoming 5 years, you can expect strong dividend growth for this period as well.

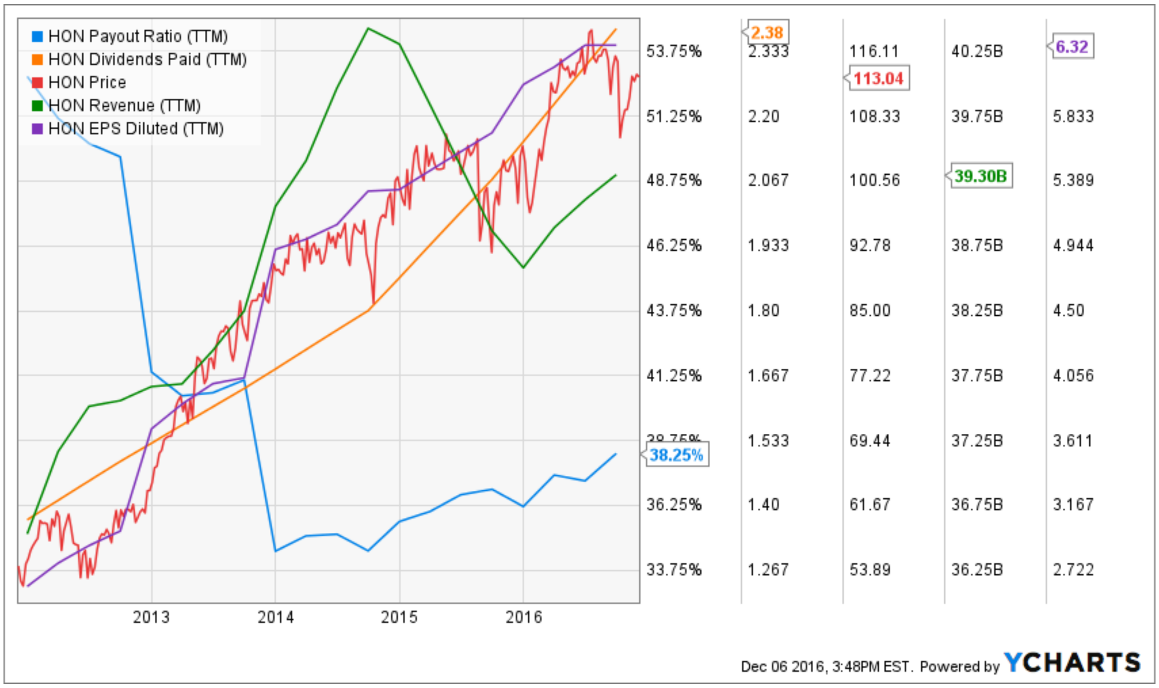
Investment thesis:

A play on Hasbro is a play on the success of a proven formula. This is without any surprises that each Super Heroes movie or Star Wars movie comes in as record breaking blockbusters. For each movie success, there will be tons of figurines and other derivatives products created. Hasbro excels in this industry and it is likely going to have the lion shares of licences.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$217.97	$129.74	$91.98
10% Premium	$199.80	$118.93	$84.32
Intrinsic Value	$181.64	**$108.12**	$76.65
10% Discount	$163.47	$97.31	$68.99
20% Discount	$145.31	$86.50	$61.32

HONEYWELL INTERNATIONAL (HON)



Business model:

Honeywell invents and manufactures technologies to address some of the world's toughest challenges initiated by revolutionary macrotrends in science, technology and society. The company evolves in three different industries: Aerospace & Transportation, Automation & Control system, Materials & Chemicals. The company recently combined the aerospace and the transportation segment in order to improve scaling economy.

Main strengths:

The company has put additional focus on software engineering with nearly 11,000 engineers working on software instead of more classic industrial goods. The software business is better as it enables more combinations of services and drives higher margins. Honeywell certainly has some solid ground for future growth.

Potential risks:

While margins improvements were quite phenomenal, we can't expect to see the company keeps increasing its margins. Therefore, further numbers shouldn't be that impressive. Also, HON automation segment may suffer from the oil and gas industry slump.

Dividend growth perspective:

management had announced last year that the dividend payout ratio will increase in the upcoming 4 years. In 2015, the dividend payment increase was of 15% and 11.76% in 2016. I'm not putting on my pink colored glasses and expecting a 12% dividend growth for the next 10 years, but I can appreciate the growth will be significant for several years to come.

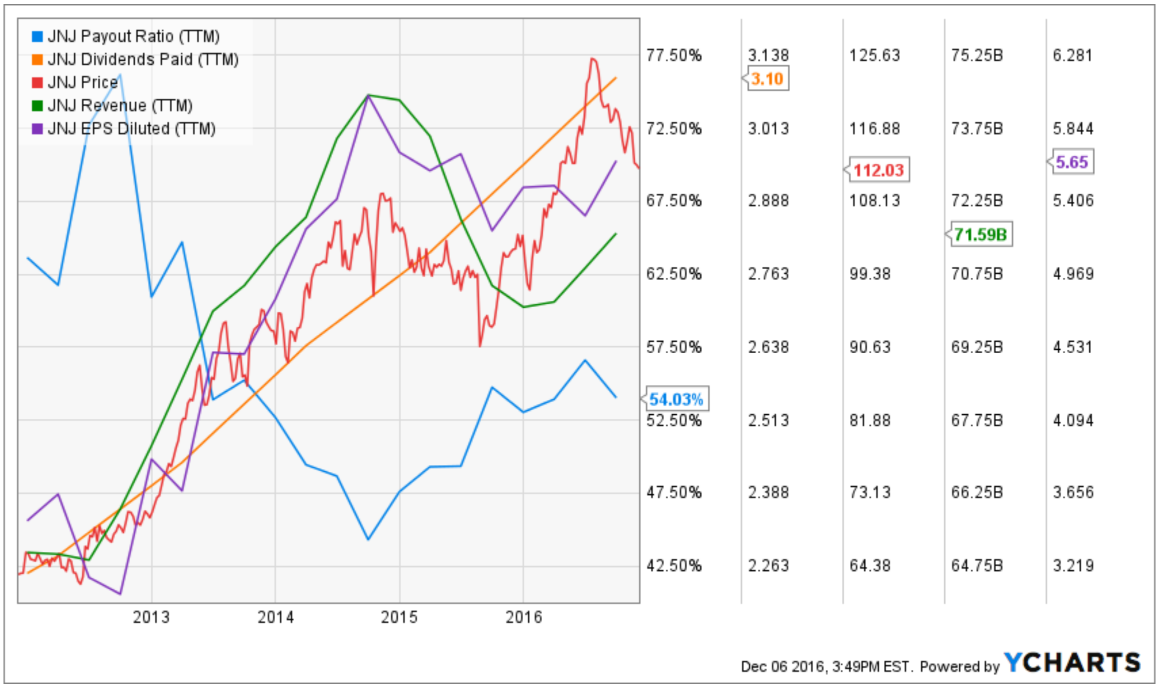
Investment thesis:

Honeywell has made impressive efforts to improve their internal practices over the past 15 years after failing to merge with General Electrics (GE). Those efforts paid well as the company operating margins improved from 7.6% in 2004 to 15.2% in 2014. Those impressive margin increase lead HON EPS to increase by 10% in 2015 as the company is facing a challenging economy. The company was also able to increase its dividend by 10% CAGR over the past 5 years. HON is a leader in the aerospace control and safety systems and should benefit from its leadership position during the commercial aircraft upcycle.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$373.46	$186.09	$123.66
10% Premium	$342.34	$170.58	$113.35
Intrinsic Value	$311.22	**$155.07**	$103.05
10% Discount	$280.10	$139.57	$92.74
20% Discount	$248.98	$124.06	$82.44

JOHNSON & JOHNSON (JNJ)



Business model:

Johnson & Johnson is among the noblest companies on the dividend king list. It demonstrates an incredible combination of #1 and #2 brand portfolio across the world while also offering additional growth vector through its drug division. JNJ shows a diversified revenue stream model across many consumer goods and has the necessary cash flow to support a strong drug pipeline leading to sustainable cash flow creation year after year. The pharmaceutical division represents 40% of JNJ's total revenue and is mainly concentrated around immunology, oncology & psoriasis drugs. JNJ has a strong focus on speciality drugs which shows stronger pricing power and are harder to replicate once patents expire. This gives more time to JNJ to capitalize on their products.

Main strengths:

Johnson & Johnson is a strong company on many levels. The company is so well diversified that it always has a source of growth somewhere. Recently, a new cancer drug called Darzalex started its first sales quarter with $100 million… well above expectations.

Their various consumer products benefit from high pricing power due to their world class brands. The medical equipment division enjoys continuous business from the same clients as the switching cost is often higher than any potential benefit. The company is also building an important cash reserve (17 billion in 2016) in the light of potential acquisitions to find additional growth vectors.

Potential risks:

Back in 2012, JNJ had several quality control issues. This hurt sales and potentially hurt some brands as well. It was a good example that even the best companies are not 100% sheltered. Potential lawsuits due to product misconception or severe drug side effects could also hurt JNJ balance sheet and image. Finally, pharmaceutical companies are always dependant on their pipeline to assure their future. Failing to continuously discover new drugs could also penalize growth.

Dividend growth perspective:

After solving its quality control issues in 2012, JNJ has brought its payout ratio back under 60% leaving the company enough room to increase their dividend for years to come. With so many income streams coming from various segments, cash flow creation is never an issue. JNJ is definitely one of the best dividend kings from the list.

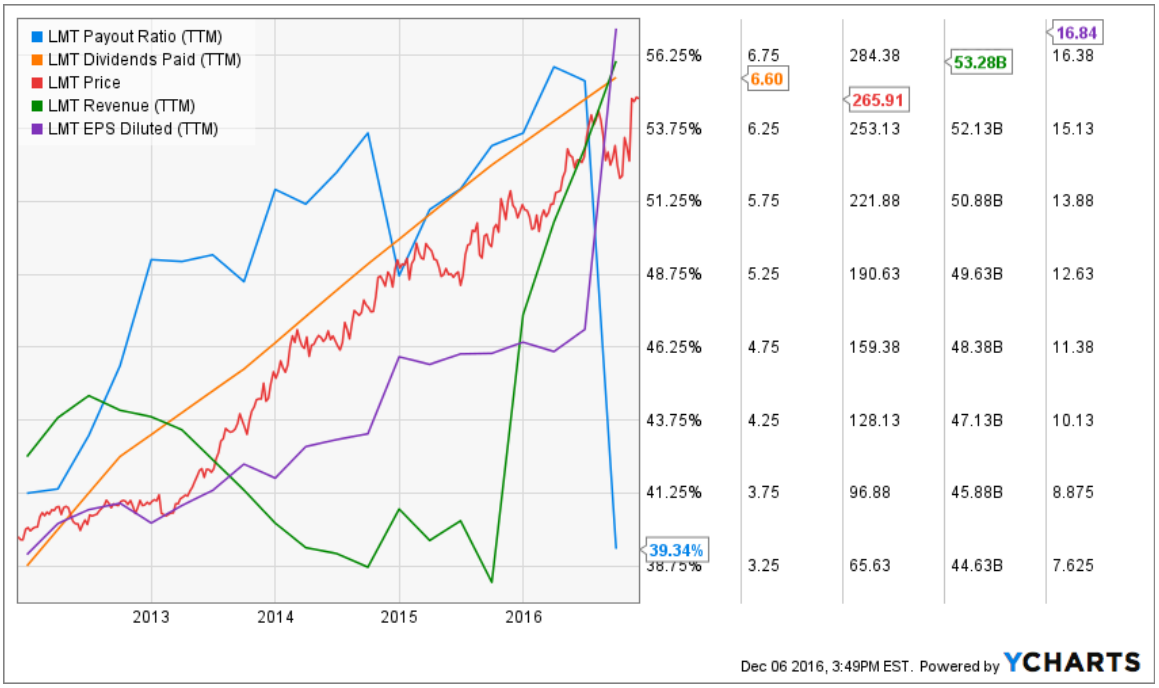
Investment thesis:

JNJ shows both stock appreciation potential and strong dividend growth. This is the perfect model of a recession-proof business with enough growth vector in their portfolio to boost sales year after year. An investment in JNJ will bring its shareholder a healthy and increasing dividend payment at the same time at considerable stock appreciation over the long haul.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$231.73	$153.73	$114.77
10% Premium	$212.42	$140.92	$105.21
Intrinsic Value	$193.11	**$128.11**	$95.64
10% Discount	$173.80	$115.30	$86.08
20% Discount	$154.48	$102.49	$76.52

LOCKHEED MARTIN (LMT)



Business model:

Lockheed Martin (LMT) is the world's largest defense contractor earning 61% of its sales from the US Department of Defense, 21% from other US government agencies and 18% from international clients. Heavy regulation, years of symbiosis with the US Defense department and their know-how are three key elements protecting most of LMT's business. Let's just say you can't start building military aircraft and missiles in your basement to compete with this defense behemoth.

Main strengths:

One of the reasons why I like LMT so much is that it barely evolves in a monopoly. They have obviously lots of competitors, but LMT has become THE defense company the U.S. government go to when it comes down for airplane firefighters for example. Lockheed Martin has done what BlackBerry did a few years ago by controlling the market. Fortunately for them, it is a lot harder to copy a F35 than a smartphone!

Potential risks:

While management seems to be used to it by now, LMT has to live with potential military budget cuts. Since 80% of Lockheed Martin revenues come from the U.S. Govt, this is always a Damocles sword pending over their head. There is a limit of what LMT could do to improve its earnings without increasing their revenues. Fortunately, the helicopter deal and the international opportunities should reduce this risk over time.

Dividend growth perspective:

While Lockheed Martin saw its revenue decline in 2014 and the spectre of Government military budget cuts is always there year after year, the company manages to become more profitable year after year. The company continues to reward its shareholders with strong growth in dividend

payments. The past 5 years show an 18% annualized dividend growth. I don't think the company will keep this rate for long, but still, LMT is praised for increasing its payments significantly.

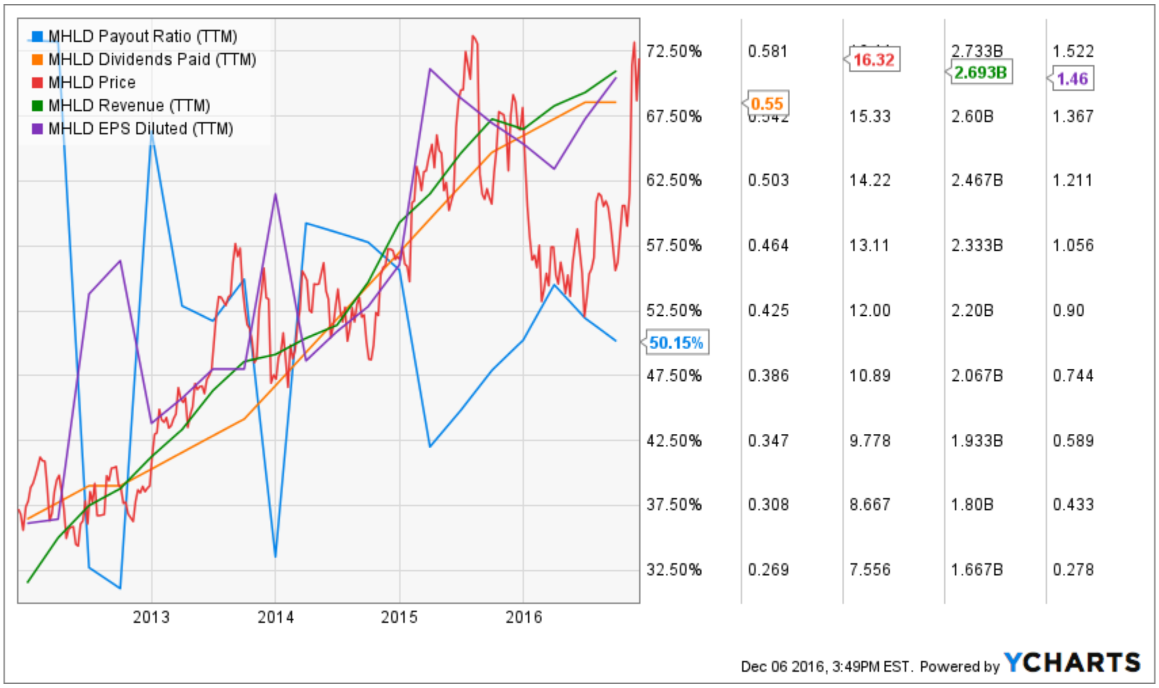
Investment thesis:

LMT clients are closely bond to them for several reasons. First, the trust between both the client and the company is quite important in this case. We are talking about military defense, you will not change your supplier in a heartbeat! Second, the switching cost for their clients would be incredibly high. Lockheed Martin benefits from several long-term contract guaranteeing a steady income flow. Those contracts are not easily broken. Plus, LMT owns a unique experience in military defense products and services. It seems LMT is surfing through the perfect storm. As conflicts are rising around the globe, the Congress accepted Lockheed Martin to seek out for international opportunities. This means the company could enlarge its international sales by doing business offshore.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$509.30	$338.43	$253.05
10% Premium	$466.85	$310.23	$231.97
Intrinsic Value	$424.41	**$282.03**	$210.88
10% Discount	$381.97	$253.83	$189.79
20% Discount	$339.53	$225.62	$168.70

MAIDEN HOLDINGS (MHLD)



Business model:

Maiden Holdings Ltd is organized to provide, through an insurance subsidiary, property and casualty insurance and reinsurance business solutions mainly to small insurance companies and program underwriting agents in the United States and Europe.

Main strengths:

MHLD is not the classic blue chip dividend payer you usually find in a dividend investor's portfolio. However, its latest jump of 23 points in our DSR rankings due to good financial results may change your mind. The reinsurance business is a very stable business with predictable income. It's a small cap with a low valuation (P/E around 14) and a reasonable yield (3.99%). This is probably one of the rare cheap opportunities on the market right now.

Potential risks:

Past numbers have been quite strong from MHLD but the stock is lagging behind the market. Considering the stock is under $1B of market value, it doesn't get the attention it requires. Also, smaller companies can swing more quickly if the bear market wind picks up.

Dividend growth perspective:

While the dividend is increasing in a steady manner, management has responsibly kept the payout ratio around 50%. I think MHLD can continue with a strong dividend growth payment for the next 10 years before slowing down its pace to a more reasonable dividend growth rate.

Investment thesis:

MHLD is evolving in a relatively stable and predictable market. The company focuses on building strong partnerships with insurance companies that constantly require MHLD services to pursue their business.

The management team shows very strong experience with the previous GMAC RE background. The company continues to post solid results quarter after quarter and is well positioned to gain more business in Europe as MHLD provides solutions for new risk base regulations coming to Europe.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	10.00%	11.00%	12.00%
20% Premium	$32.88	$24.45	$19.40
10% Premium	$30.14	$22.41	$17.78
Intrinsic Value	$27.40	**$20.37**	$16.16
10% Discount	$24.66	$18.33	$14.55
20% Discount	$21.92	$16.30	$12.93

MICROSOFT (MSFT)

Business model:

Microsoft is the best known and most important software company in the world. Along with its famous line of software products, Microsoft also offers various services such as servers (including cloud systems), business solutions (support and consulting), entertainment (Xbox) and other online services.

Main strengths:

I like MSFT ability to use its core business model (software products and business services) to develop new niche to dominate. Over the past decade, MSFT has built a very strong brand with Xbox, BING and it is now growing fast in the cloud business. Backed by a never-ending cash printer, MSFT knows how to use best its assets and don't hesitate to explore new markets for growth.

Potential risks:

While most companies in the techno industry are subject to become dinosaur quickly, this doesn't seem to be the case for MSFT. However, investments in bad sectors or the inability to compete with smaller and more flexible start-ups may hit them at one point.

Dividend growth perspective:

When a company shows strong dividend growth, it is usually because sales and earnings are growing at a strong rate too. This is why it is important to cross reference the dividends paid with the dividend payout ratio. We all love a payment increase, but not at any price. The company payout ratio started to increase seriously over the past 5 years. It used to be around 25% and now it is close to 70% (68%). It is obvious the double digit payment growth is not sustainable (hence, they increase it by 8% in 2016). However, the company will continue with a steady high single digit increase for several years.

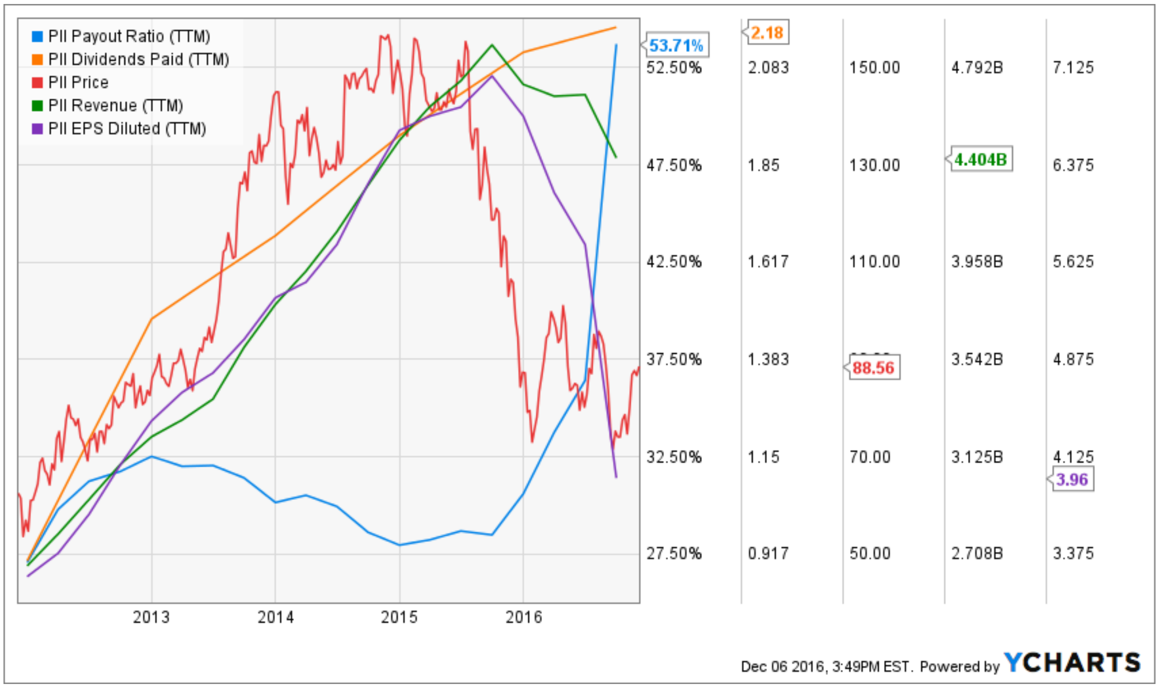
Investment thesis:

Microsoft finds another niche to dominate; here's why the cloud business will push this giant higher. We all know the strength of Microsoft lies with all businesses using their services (Windows, Office series but also servers and business services). Since the cloud is the next big thing for most companies, Microsoft can expect huge growth from this segment in the future. Plus, this relatively new niche is a perfect complement for MSFT current business.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	$129.42	$85.49	$63.56
10% Premium	$118.64	$78.36	$58.26
Intrinsic Value	$107.85	$71.24	$52.97
10% Discount	$97.07	$64.12	$47.67
20% Discount	$86.28	$56.99	$42.37

POLARIS INDUSTRIES (PII)



Business model:

Polaris Industries Operations are split into 5 segments: off-roads vehicles, parts/accessories, motorcycles, snowmobiles, small vehicles. The Off-Road Vehicles segment is by far the largest. The segments sells off road vehicles under the Ranger, RZR, Sportsman, and Ace brands. Polaris Industries surpassed its competitors to become the market share leader in off-road vehicles in 2010. Since that time, the company has increased its market share lead every year thanks to its strong brands.

Main strengths:

Polaris Industries will achieve its growth as it gains greater efficiencies through scale. The company is opening up a new manufacturing plant in the U.S. in the second quarter of 2016. Additionally, Polaris Industries is seeing strong demand for both in both its Motorcycles segment and its flagship Off-Road Vehicles segment.

Potential risks:

Polaris had its fair share of recalls in 2016. In the third-quarter earnings report, management said the recalls of its RZR off-road vehicle were nearly halfway complete… this means the wound is still bleeding. When recalls happen, it hurts the brand name and could hurt future sales. Let's hope Polaris can patch-up its wound rapidly and move forward.

Dividend growth perspective:

After a bad year on the stock market and earnings drop, the payout ratio climbed-up from 30% to 53.71%. The good news is that the company continues to have plenty of room to pay their shareholders for their patience. As I expect both revenues and earnings to bounce back in 2017, the payout ratio should diminish toward 40% by the end of this year. Dividend growth investors could sleep well at night, their payouts won't be affected.

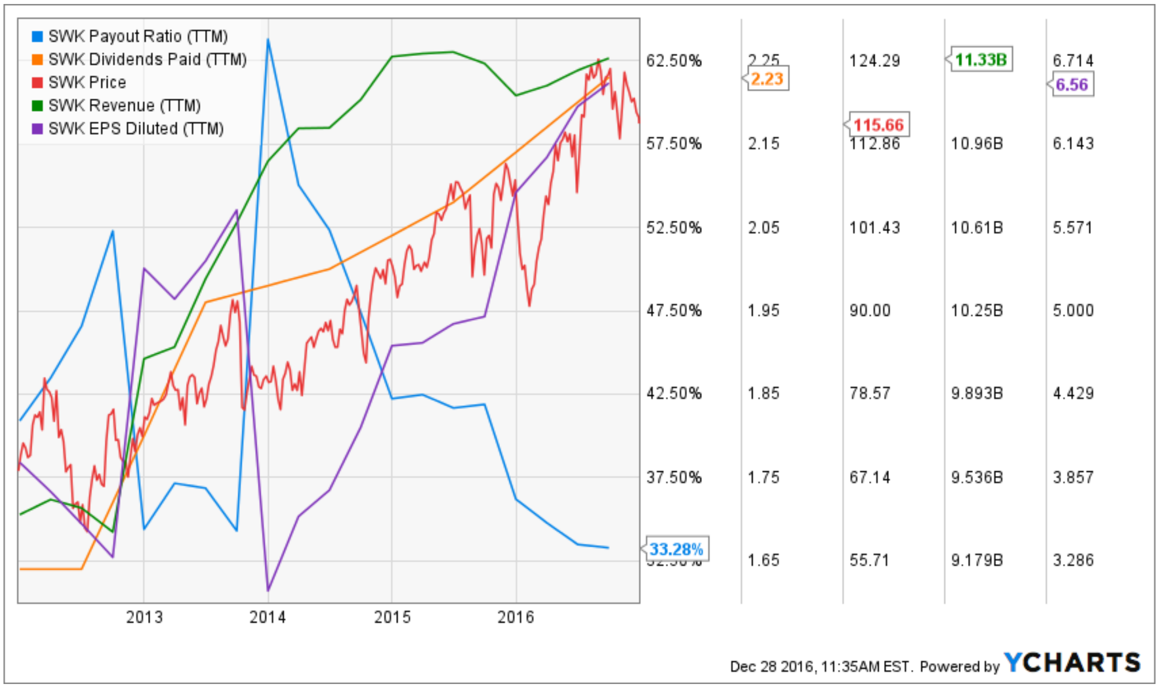
Investment thesis:

After a very strong drop in 2015 (-43.27%), it is now time to give a chance to Polaris. This list is being updated each year to make sure we capture opportunities in the market. I think that with a -43% stock price drop in 2015 and a stagnating years for 2016, we can hope a good price rebound throughout 2017. The economy is growing stronger and PII should be able to benefit from this trend.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$153.91	$102.27	$76.47
10% Premium	$141.08	$93.75	$70.10
Intrinsic Value	$128.26	**$85.23**	$63.73
10% Discount	$115.43	$76.71	$57.35
20% Discount	$102.61	$68.18	$50.98

STANLEY BLACK & DECKER (SWK)



Business model:

The company is a diversified industrial goods manufacturer showing #1 and #2 brands in all their markets. Its products revenues are coming from both US (49%) and outside the country (51%). The company has been paying dividend for the past 139 years and shows 48 consecutives increases.

Main strengths:

The size of the company and the power of its distribution network allows the company to benefit from important scaling economies. Most tools are heavily used in the construction industry and therefore, generate repetitive purchases. This generates a continuous cash flow for the company. Their brand portfolio is very strong and brand names are well-known by customers. They are also synonymous with performance.

Potential risks:

The stock market has put great hope to see the company increasing its revenue and earnings in the future. If the FED raise interest and it slows down consumers' appetite for new house and renovation, SWK sales may be hurt in the upcoming years.

Dividend growth perspective:

What is more important than past dividend growth? Future dividend growth! I'm mostly interested in the company's ability to increase its dividend in the future. Looking at the SWK dividend growth combined with its payout ratio, we can see that management's policy is to maintain a very stable payout ratio and therefore, increase its distribution according to its EPS growth.

Investment thesis:

SWK is a long term play considering its relatively low dividend yield, but strong and consistent dividend growth policy. This is not a supercharged stock that will skyrocket, but it will certainly improve your portfolio stability and add some serious dividend growth power. SWK important size of its distribution network enables large economy scale. SWK is using its free cash flow to buy back shares and gives 50% of it to its shareholders as dividend payment. As the US economy strengthens, the housing construction and renovation industry is rising. This will obviously boost SWK sales in the US.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$325.73	$162.30	$107.85
10% Premium	$298.58	$148.78	$98.86
Intrinsic Value	$271.44	**$135.25**	$89.88
10% Discount	$244.30	$121.73	$80.89
20% Discount	$217.15	$108.20	$71.90

QUALCOMM (QCOM)

Business model:

Qualcomm Inc develops digital communication technology called CDMA (Code Division Multiple Access), & owns intellectual property applicable to products that implement any version of CDMA including patents, patent applications & trade secrets. The company derived most of its income from the smartphone business selling chips for power and network connectivity.

Main strengths:

QCOM rides naturally on the smartphone wave as 90% of its revenues is derived from this industry as it drives royalty from 3G and 4G utilization. We see another great year for the smartphone industry in 2017, therefore, Qualcomm should continue to benefit from this profitable business niche. QCOM has implemented both buybacks and dividend payment increases at the same time.

Potential risks:

On top of China, other governments are eyeing QCOM business model under the anti-monopoly regulations. This could hurt future royalty earnings and therefore reduce QCOM growth potential. QCOM owns near to a monopoly in CDMA technology patent which is why it can charge such high royalty fee (3-5%). Worst case scenarios include a diminution of royalty fees which would affect QCOM future earnings growth.

Dividend growth perspective:

QCOM business model benefits from very strong royalty generated through patents. Those patents will generate strong cash flow for the next decade to come. This money will definitely results in additional dividend increase in the future. The company has a great window to find other opportunities while it enjoys its royalties. The dividend payment should continue to grow steadily in the upcoming years.

Investment thesis:

As we believe royalties will continue to bring in the dough for a decade, QCOM is sitting on a sustainable business model giving it the possibility to grow even bigger. In 2016, the company has gained strong momentum on the stock market and we believe this uptrend will persist in 2017. Its strong relationships with smartphone makers gives QCOM an edge about what is coming in the newest technology needs. You can bet QCOM will also own patents in the future mobile industry.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$148.31	$98.55	$73.69
10% Premium	$135.95	$90.34	$67.55
Intrinsic Value	$123.59	**$82.13**	$61.41
10% Discount	$111.23	$73.92	$55.27
20% Discount	$98.87	$65.70	$49.13

THE HERSHEY (HSY)

Business model:

Besides making the best chocolate bar in the world (the cookie cream one.. all right, I'm biased!), The Hershey Co is engaged in the manufacturing, marketing, selling and distribution of chocolate and sugar confectionery products, pantry items, including baking ingredients, toppings and beverages; and gum and mint refreshment products.

Main strengths:

Hershey owns approximately 45% of the U.S. chocolate market making the company a strong leader in this industry. Its products benefit from a strong branding power giving HSY the ability to negotiate larger shelf spaces with its distributors. With a better product placement in stores (notably near the cashiers), HSY ensures its products will be the one selected by customers with a sweet tooth.

Potential risks:

Hershey international has a hard time expanding through emerging markets as tastes are different in those country. For this reason, China sales only count for 5% of HSY revenue. While this could be a great growth vector in the upcoming years, it is presently more like a cost pain in marketing and product development at the moment.

Dividend growth perspective:

I like when companies show a steady and constant dividend growth policy. This is exactly the case with Hersey in the past 5 years. The company has successfully maintained a 10%+CAGR dividend growth payment over the past 5 years. I don't expect HSY to maintain this pace, but I think that a high single digit growth rate is sustainable for the next decade.

Investment thesis:

Hersey benefits from its leader position to identify where it wants its products to be sold in store. This is a huge advantage very little amount of companies own. It constantly invest in marketing new products in order to make sure it attracts new customers. Finally, we believe HSY will crack the emerging market taste and show stronger growth in this segment. So far, online sales have been quite promising in those countries.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$220.81	$132.26	$94.32
10% Premium	$202.41	$121.24	$86.46
Intrinsic Value	$184.01	$110.22	$78.60
10% Discount	$165.61	$99.20	$70.74
20% Discount	$147.21	$88.17	$62.88

UNITED PARCEL SERVICE (UPS)

Business model:

You are probably familiar with UPS, but just in case; United Parcel Service Inc (UPS) is a package delivery organization in the less-than-truckload industry & provider of supply chain management solutions. It operates in three segments; U.S. Domestic Package, International Package and Supply Chain & Freight.

Main strengths:

As the largest transportation and Logistics Company in North America, they are well positioned to rack-up more profits from this situation. Both EPS and dividend growth over the past five years are close to double digit numbers. By its size, UPS is able to generate larger economic scale and provide an A service to all e-commerce businesses. UPS also shows a great expertise resulting in unmatched productivity of its assets. Optimization is key in this business and UPS is the king.

Potential risks:

UPS derives nearly ¾ of its revenues from the U.S. market. As the FED is about to rise interest rate, there is still a possibility that the economy slow down (this is not our thesis, but still, it is a possibility). In such event, UPS won't be able to show growing numbers.

Dividend growth perspective:

UPS maintains a very straight-up line for its dividend growth policy over the past 5 years. As management successfully maintained a sustainable payout ratio (around 50%), more dividend raises are expected in the upcoming years. We expect UPS to maintain a high single digit dividend increase rate for several years.

Investment thesis:

Because UPS is the largest parcel shipments company, because it is the most productive and because it shows larger margins than its competitors, UPS should hit your radar this year. Through it strong network, UPS benefits from an asset that is nearly impossible to replicate. As we are bullish for the U.S. economy in 2017, we think UPS will be able to benefit from stronger demands for transporting goods.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$283.82	$169.45	$120.47
10% Premium	$260.17	$155.33	$110.43
Intrinsic Value	$236.52	**$141.21**	$100.39
10% Discount	$212.87	$127.09	$90.35
20% Discount	$189.22	$112.96	$80.31

WELLS FARGO (WFC)

Business model:

Wells Fargo is a company offering financial services. It operates through 3 different segments: community banking, wholesale banking & wealth along with brokerage & retirement. Wells Fargo is part of the famous Warren Buffett Berkshire Hathaway portfolio. WFC is one of the first banks to climb out of the 2008 financial meltdown. The company has a long history of strong risk management and its loan portfolio is well balanced between commercial (49%) and consumer (51%) loans.

Main strengths:

The stand-out aspect of Wells Fargo is its focus on cross-selling. As one of the nation's largest banks, management consistently focuses on expanding the number of services that each customer uses. From depositing, to getting a mortgage, to getting an auto loan or commercial loan, to accessing their investment advisory services, to other financial services, Wells Fargo is the best cross-seller in the industry, which is what drives its high revenue/asset ratio.

The "economic moat" of a bank has always been its high switching costs, meaning the difficulty and hassle of actually changing banks. For Wells Fargo, the more services that the average customer uses, the higher the switching costs are.

Potential risks:

While WFC earnings were growing steadily over the past 5 years, revenue growth has barely show positive records. This is somewhat a concern as the bank will not be able to increase its earnings without stronger sales growth. You can bet on a rocky start of the year as the new Government comes into play. Recent WFC recent sales scandals may also open the door to more pursuits in 2017. Hey, what can I tell you, banks are banks, right?

Dividend growth perspective:

The dividend yield is high enough to meet my standard and the payment growth will be there for several years to come. The company pays more dividends than it did back in 2007 and the payout ratio is now around 40%. We have a strong bank that is well positioned with a nearly impossible-to-replicate competitive advantage. This ensures dividend growth for several years.

Investment thesis:

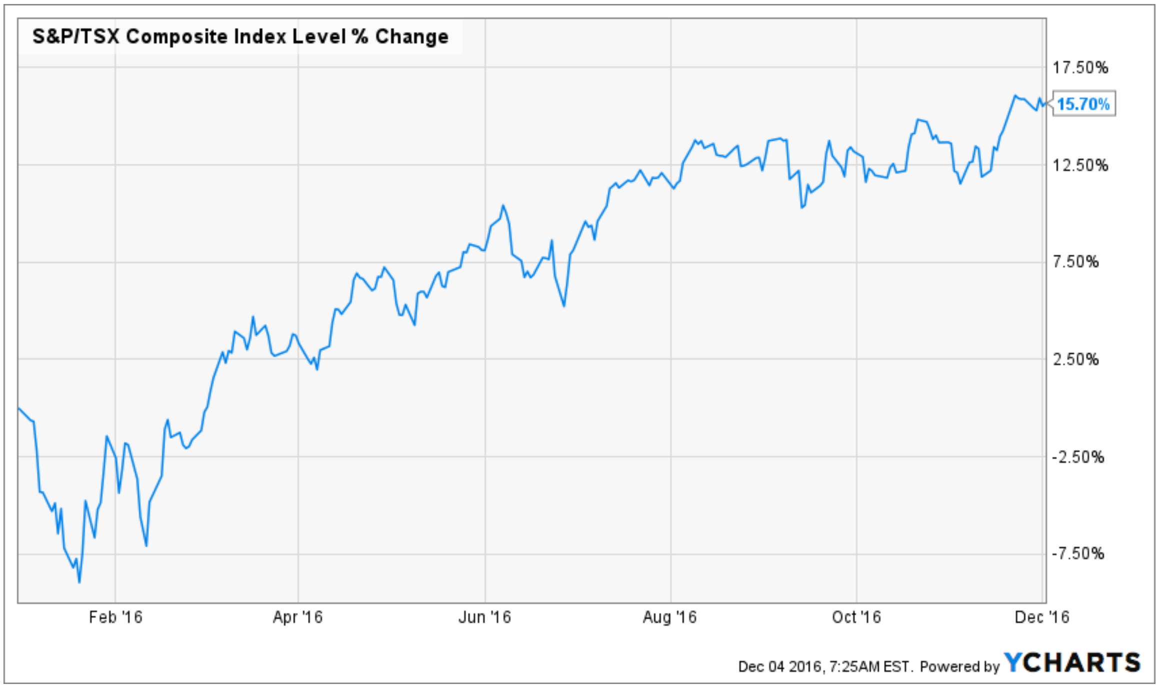
The best of cross-selling banks in a bullish economy is what you get when you buy WFC. Wells Fargo should be one of the winner in the evet of future interest rate rise as it will earn bigger spreads on its products. As Wells Fargo performed relatively better than its peers after the financial crisis, we believe it is a strong holding to hold in your portfolio.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$114.91	$76.12	$56.74
10% Premium	$105.34	$69.77	$52.02
Intrinsic Value	$95.76	$63.43	$47.29
10% Discount	$86.18	$57.09	$42.56
20% Discount	$76.61	$50.75	$37.83

CANADIAN DIVIDEND STOCKS SELECTION

At the moment of writing this book (December 4th 2016), the TSX has shown an incredible resilience capacity. After finishing at -11.8% (excluding dividend) in 2015 and continued its drop by -8.9% during January in 2016, **the TSX bounced back and is currently showing +15.70%**.



Source: Ycharts

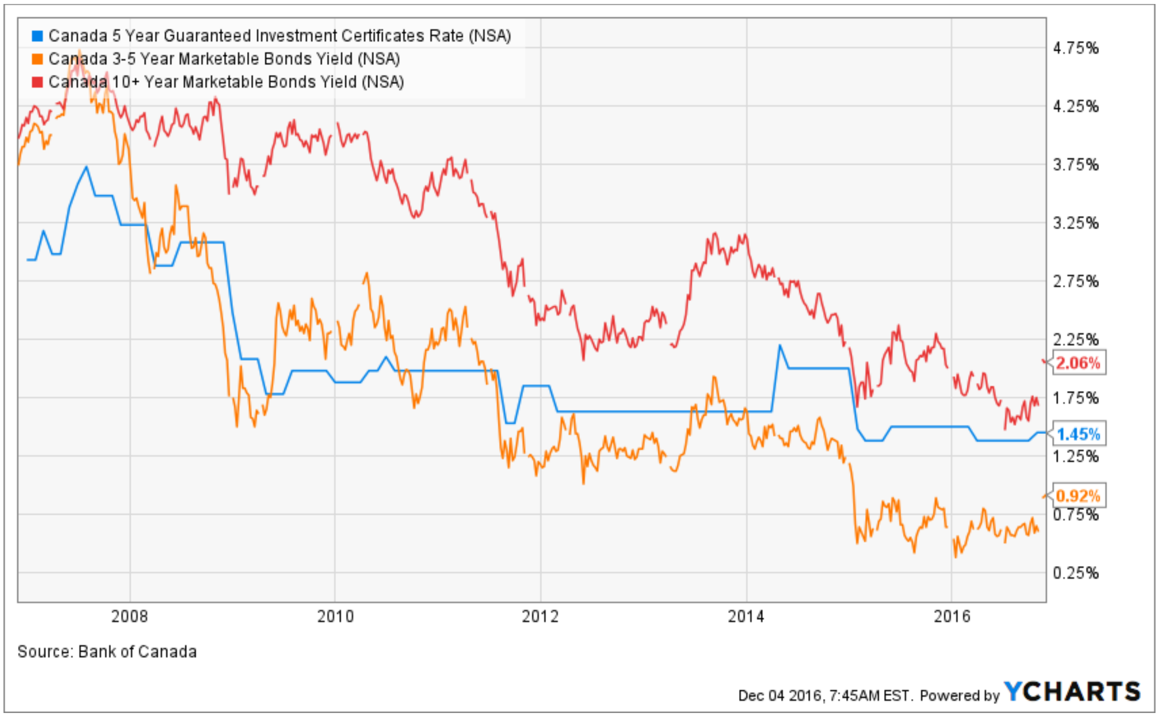
Therefore, the TSX recuperated completely its losses from 2015 by showing a +2.03% since January 1st 2015. Back in December 2015, I was telling you **in this very newsletter that there were no reasons to panic.** I also told you it was a very good timing to pile up for undervalued companies. To be honest, I didn't expect the stock market to finish that strong either.

I saw 2015 more like a good entry point for a long-term investor. It turned out it was one of the best entry point since 2008:

Source: Ycharts

The most pessimistic investors will tell me the Canadian market only provided 8.70% in nearly 8 years which is far from being enough to support any kind of retirement plan. However, if you add a healthy 3% dividend yield growing year after year, you end-up with a stress-free portfolio that actually beat inflation and successfully brought in between 4% and 5% annualized returned. Yes, the stock market has went through a lot of ups and downs during the past 8 years. **But if you have stayed the course of your investing strategy (assuming it's based on dividend growth), your portfolio is right on track 8 years after the world worst ever market crash.** However, this also tells you that if you are hoping for a 8% annualized return for a very long period of time, you might want to reconsider your retirement calculations.

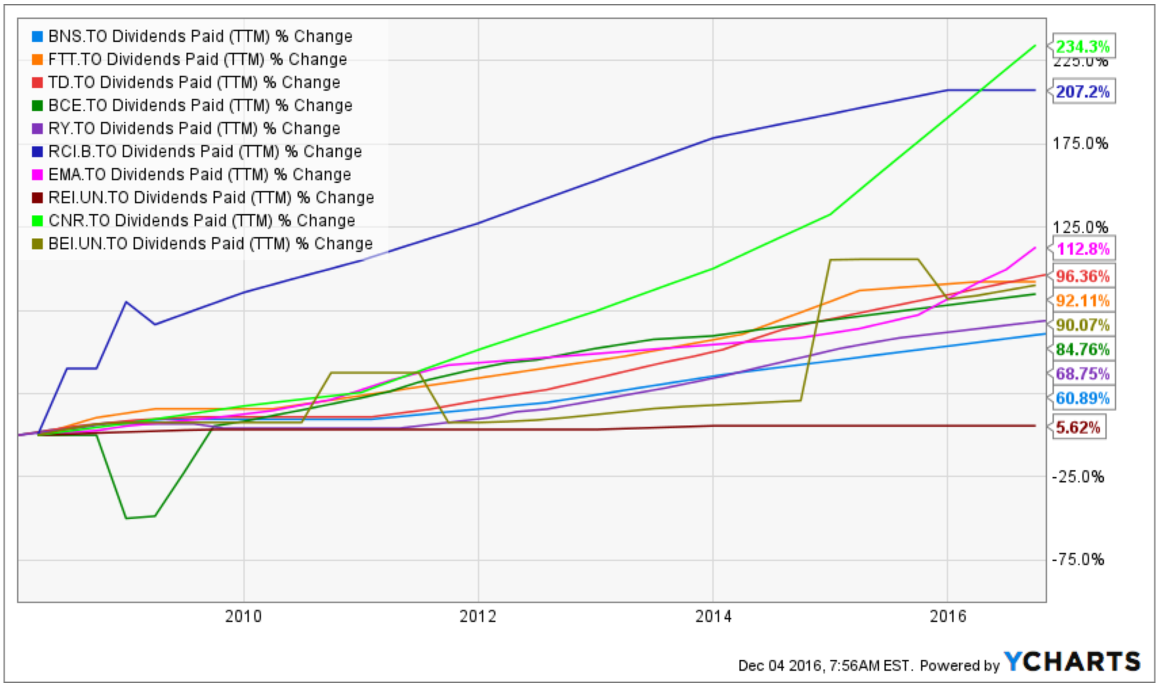
On the other hand, if you don't invest in dividend growth companies, there isn't much options left out for "safe investing strategies". While the stock market didn't bring much on the table over the past 8 years if we exclude dividends, it is even worst if you have been seeking interest revenues from your bank or from bonds:



Source: Ycharts

I'm aware those are not negotiated rates and this chart doesn't show bond value going up due to ever decreasing interest rate. However, there is something showed by this graph that is quite obvious: **interest rates have been doing down for a while and this trend isn't about to quickly switch back.** While the stock market is quite hectic and could give you headaches, it is still the best place to invest your money. Don't try to time the market and try increasing your time in the market instead. During all those years, your portfolio value would have not increased by much, but the dividends paid 8 years ago is only growing bigger year after year.

For example, let's take 10 Canadian stocks held in our DSR 100K Canadian Conservative Portfolio. I've pulled the graph of their dividend paid (ttm) since January 1st 2008:



Source: Ycharts.

On average, those 10 companies show a dividend growth of 105.28% over the past 8 years. This means your portfolio dividend payment has doubled in the past 8 years if you have kept it. Not bad for an investor who puts his money right before the worst crash on the stock market over the past 100 years, right?

All right, enough with what happened on the stock market over the past few years and let's discuss what will happen on the Canadian market this year, shall we?

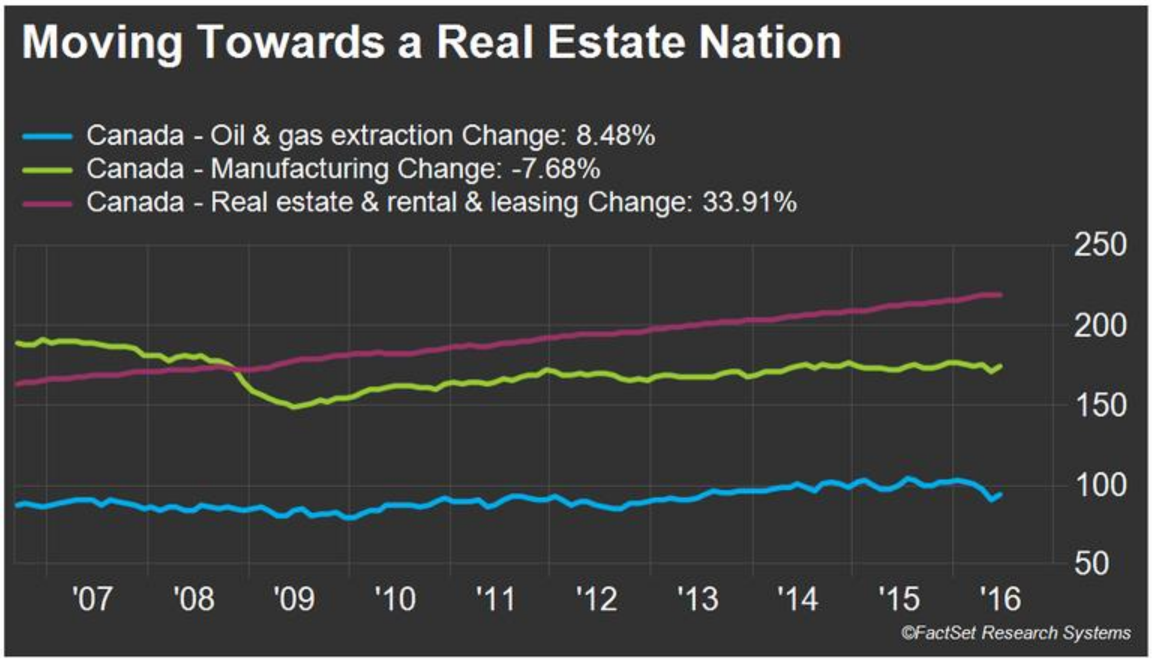
The main reason why the TSX has done so well in 2016 is mainly because pretty much everybody expected the economy to take the oil price drop kick in the mouth and lose some teeth in the process. But it seems that those experts were wrong (once again ;-)). As the Canadian economy doesn't seem to need oil to grow:

Source: Ycharts.

While the oil barrel took a serious beating, the Canadian GDP only stalled for about a year before growing back again. This is explained by various reasons:

- ✓ **There were several ongoing oil sand projects that continued their course;**
- ✓ **Helped by a weaker dollar, Canadian exportations grew up;**
- ✓ **Canadian service industry picked-up strongly;**
- ✓ **Banks remain strong and show healthy balance sheet.**

Unfortunately, while I told you to not panic at the end of 2015, I will tell you to not go ecstatic for 2017. While it is quite good news to see the Canadian economy doing well without counting on resources industries, this phenomenon hides a more pessimistic truth. If you have been reading me for a while, you will note that I'm not a big fan of the Canadian housing market. It seems that one of the main reason why Canada economy is not suffering right now is because the housing industry is doing very well:



Source: Factset

At one point or another, the Real Estate industry will not be able to stay the course. When this will happen, banks and services will suffer from Canadian consumers' mortgage problems. I'm not saying this will happen in 2017 (nobody has a crystal ball), but I'm saying that it's something to keep in mind while doing further investments. In other words, remain cautious about banks and aim at more defensive stocks for 2017. Our 2017 Canadian stocks selection has been done with this reality in mind.

ALIMENTATION COUCHE-TARD (ATD.B.TO)

Business model:

Alimentation Couche-Tard is the largest convenience store operator in Canada, second largest in North America and is constantly expanding its presence in the United States and Europe. It has successfully built a convenience store model offering clients several daily use products and combine several stores with fuel service stations. ATD operates 12,081 convenience stores across the word (7,863 in North America, 2,708 in Europe and 1,510 internationally). Instead of simply selling chips and beers, ATD focuses on a superior product offering including fresh food, private labels and strong product concept offerings.

Main strengths:

Alimentation Couche-Tard has definitely a unique competitive advantage in its experience or acquiring and integrating convenience store to its business model. As it evolves in a highly fragmented industry, ATD is growing through acquisitions at an impressive rate. After completing

the integration of The Pantry (1,500 stores acquired in 2015), ATD bought Topaz (444 stores) and purchased 279 Esso-Brand convenience store sites from Imperial oil in 2016.

In 2017, it enters in a merger agreement with CST brands (1,146 stores in US and 873 in Canada). After all those acquisition, ATD balance sheet remains healthy with a net debt to capital ratio of 32.9%. Considering the low interest rate environment, the table is set for ATD to continue its growth-by-acquisition strategy in 2017.

Potential risks:

Growers by acquisitions are all vulnerable to making a bad purchase. While ATD methodology to acquire and integrate more convenience stores has been proven, it is important they don't grow too fast or become too greedy and overpay in the name of growth. With the current management team in place, this doesn't seem like an issue right now.

Dividend growth perspective:

I know, you will tell me the mediocre 0.50% dividend yield is so low ATD shouldn't even be considered as a dividend growth company. However, you would probably change your mind if I tell you the dividend paid nearly tripled since 2011 (from $0.03 to $0.08/share) and the stock price surged 516%. The only reason why the dividend yield is so low is because ATD is on a really fast track for growth. The company will continue increasing steadily its payout while providing stock value appreciation to shareholders during the process.

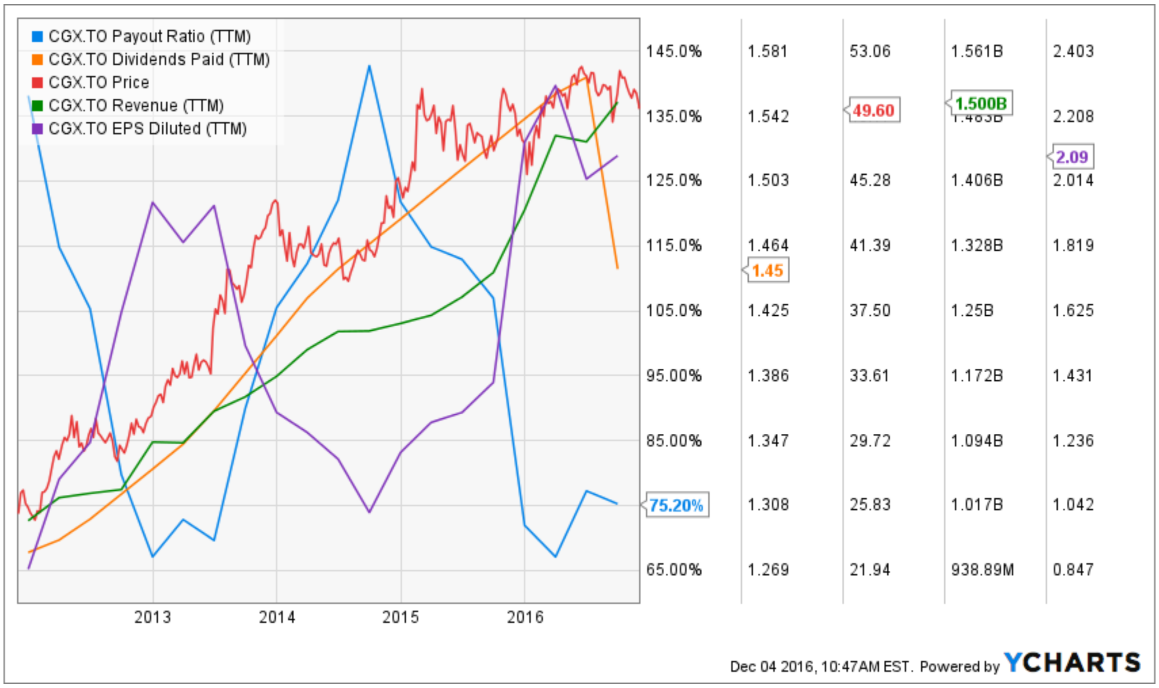
Investment thesis:

An investment in ATD is definitely not for an income producing stock. However, if you are looking at the long term horizon, you dividend payouts will grow in the double digit for a while and you will enjoy a strong stock price growth. ATD potential is directly linked to its capacity to swallow and integrate more convenience stores.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	-$115.16	$113.79	$37.51
10% Premium	-$105.56	$104.31	$34.38
Intrinsic Value	-$95.97	$94.83	$31.25
10% Discount	-$86.37	$85.35	$28.13
20% Discount	-$76.77	$75.86	$25.00

CINEPLEX (CGX.TO)



Business model:

Cineplex is the Canada largest movie theatre operators with a huge market shares of 78% counting 164 theatres with 1,677 screens. With the rise of DVD/BlueRay and home theatre, we would have thought that the classic going to the cinema date would become outdated. However, Cineplex was able to improved consumers experience with various combo offers, games and VIP treatments.

Main strengths:

Cineplex main strength is the fact it has the lion share of the movie theatre in Canada. The entertainment business is picking up in the country as Canadian box office was up 12% in Q4 2015 and + 21.8% in Q1 2016 mainly because of the new Star Wars. With a strong movie pipeline for 2017, Cineplex should continue enjoying the uptrend. Cineplex is also improving its services toward more media and gaming offering through The Rec Room.

Potential risks:

The main downside I see with Cineplex is the fact they can't control how many great movies Hollywood would produce in the upcoming years. Therefore, the bulk of their business is subject to external variations. The movie industry seems on a good roll, but trends in the entertainment business may shift rapidly.

Dividend growth perspective:

Cineplex has the advantage of paying a monthly dividend of over 3%. This is a great company for income seeking investor. The payout ratio has been quite hectic over the past 5 years but recent earnings growth has put it in a more sustainable situation. Management remains cautious about its payout ratio as CGX took a pause of dividend increase in 2015 while the ratio were over 100%.

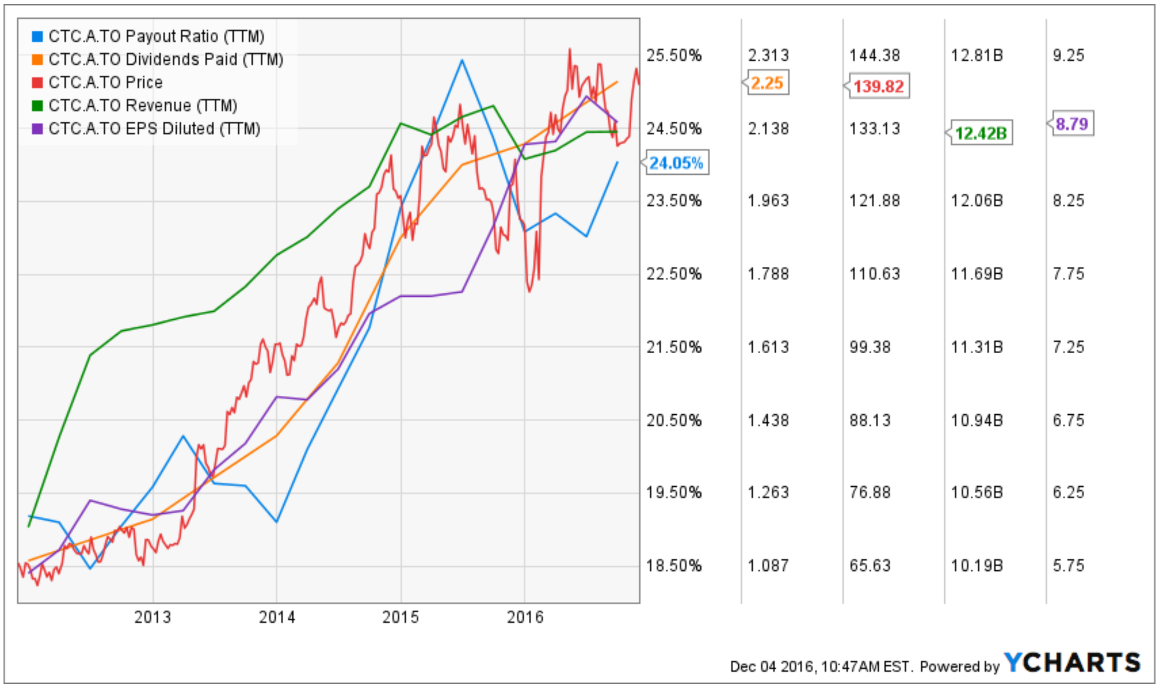
Investment thesis:

As Cineplex has been able to evolve its business model toward more premium services, it enjoys not only a huge market share, but is able to generate interesting margins. Cineplex is also able to evolve with its time with a successful online streaming platform. Finally, CGX is gradually building a serious bond with its clients through its SCENE loyalty program. From 600,000 members in 2006, SCENE now counts 7,9 million members. Through a strong leadership presence and steady income flow, CGX will continue to reward shareholders for the upcoming years.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$116.52	$77.42	$57.89
10% Premium	$106.81	$70.97	$53.06
Intrinsic Value	$97.10	**$64.52**	$48.24
10% Discount	$87.39	$58.07	$43.42
20% Discount	$77.68	$51.62	$38.59

CANADIAN TIRES (CTC.A.TO)



Business model:

Canadian Tire is a well-known and loved Canadian retail stores. It offers variety of products throughout several categories (automotive, living, fixing, playing/sporting goods, apparel and financial services). Besides the various Canadian Tire brand declination, the company also owns Sports Experts, Sportchek and Atmosphere brand under the FGL sports division (21.5% of CTC revenues).

Main strengths:

Canadian Tire has built a loved brand that is part of every Canadian daily life. One Canadian out of 5 owns a Canadian Tire credit card. Canadian Tire has also successfully build an exclusive portfolio of products mainly in the automotive, living and fixing categories. This competitive advantage ensures a constant flow of customers in their stores everyday.

Potential risks:

One of the biggest potential risk for Canadian Tire is definitely the jump into the 21st century through online shopping. Having exclusive products is helping them, but there is little that CTC could offer in store or online that other Amazon of this world can't compete with similar offers. CTC continues to be heavy in the old school & classic marketing methods (flyers, catalogs, etc). While it seems to work well now, it could catch up to them as baby boomers are aging.

Dividend growth perspective:

CTC is another Canadian company with a relatively low yield (1.85%) but impressive results (up +111% over the past 5 years and dividend growth of 91% during the same period). With a very low payout ratio, Canadian Tire has enough room to stick with a generous course with its shareholders. Due to its presence in the Canadian economy, CTC enjoys a steady cash flow growing quarterly.

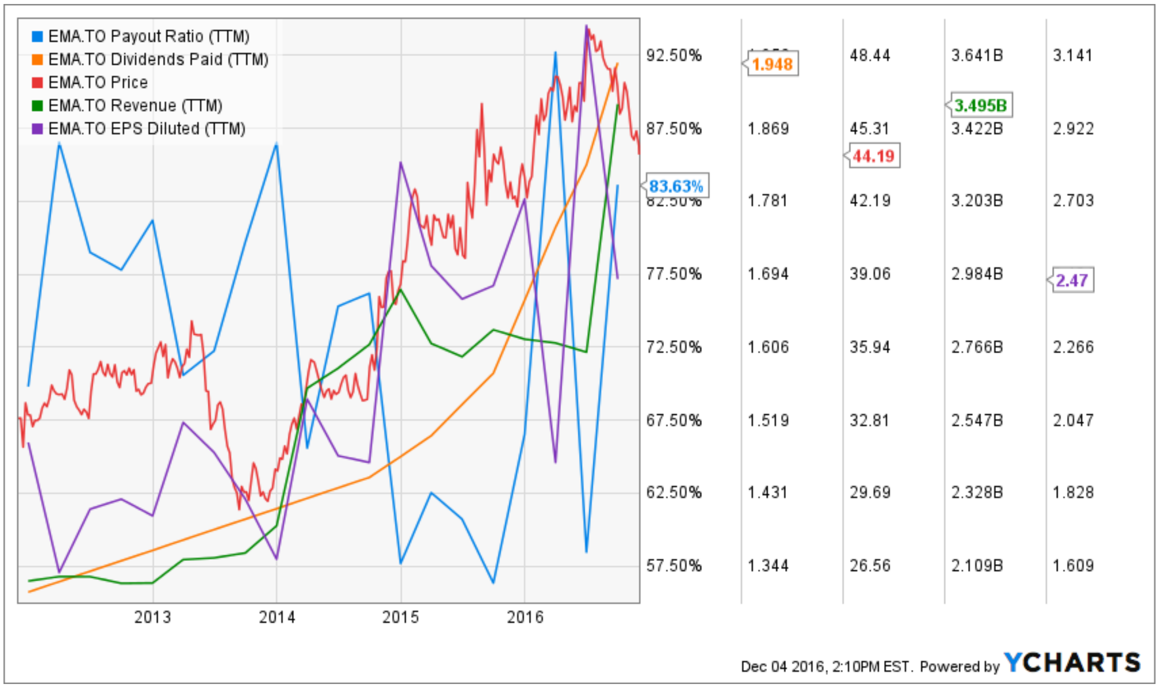
Investment thesis:

CTC trades at a 15 PE ratio and is poised for additional growth in the upcoming year. If the Canadian economy would slow down, it would also serve as a solid shield against any stock market drops. Canadian Tire will continue to benefit from its leadership position in Canada and shows a strong combination of dividend growth and stock appreciation perspectives.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$365.04	$181.89	$120.87
10% Premium	$334.62	$166.73	$110.80
Intrinsic Value	$304.20	**$151.58**	$100.72
10% Discount	$273.78	$136.42	$90.65
20% Discount	$243.36	$121.26	$80.58

EMERA (EMA.TO)



Business model:

Emera is an energy and service company. Emera's main market is Nova Scotia as it owns Nova Scotia Power, the province's main electricity provider. Emera actually owns power plants and distributes natural gas in Canada, the USA and the Caribbean. It is actively developing more energy projects in Eastern Canada.

Main strengths:

With two more projects starting in 2017 (Maritime link and an undersea power cable) and the integration of its recent acquisition (TECO Energy) Emera will continue its path to growth this year. Emera offers a great stability due to the nature of its business. Its business model has been developed to generate continuous cash flow.

Potential risks:

While we expect stronger results in 2017 due to EMA several products, management could end-up not creating the desired synergy with the acquisition of TECO Energy. This would hurt EMA financial results. Overall, this scenario is unlikely.

On the other side, smoother winter weather could slowdown the demand for energy across Atlantic provinces.

Dividend growth perspective:

EMA is one of the very few companies offering a high yield (4.75%), interesting dividend growth perspective (management committed to a 8% increase rate per year throughout 2019) and relatively low risk (due to a solid business model). While its payout ratio seems a bit high (83.63%), it is a better assumption to use the AFFO (Adjusted Funds From Operation) payout ratio. This ratio stands at 59% which is definitely sustainable.

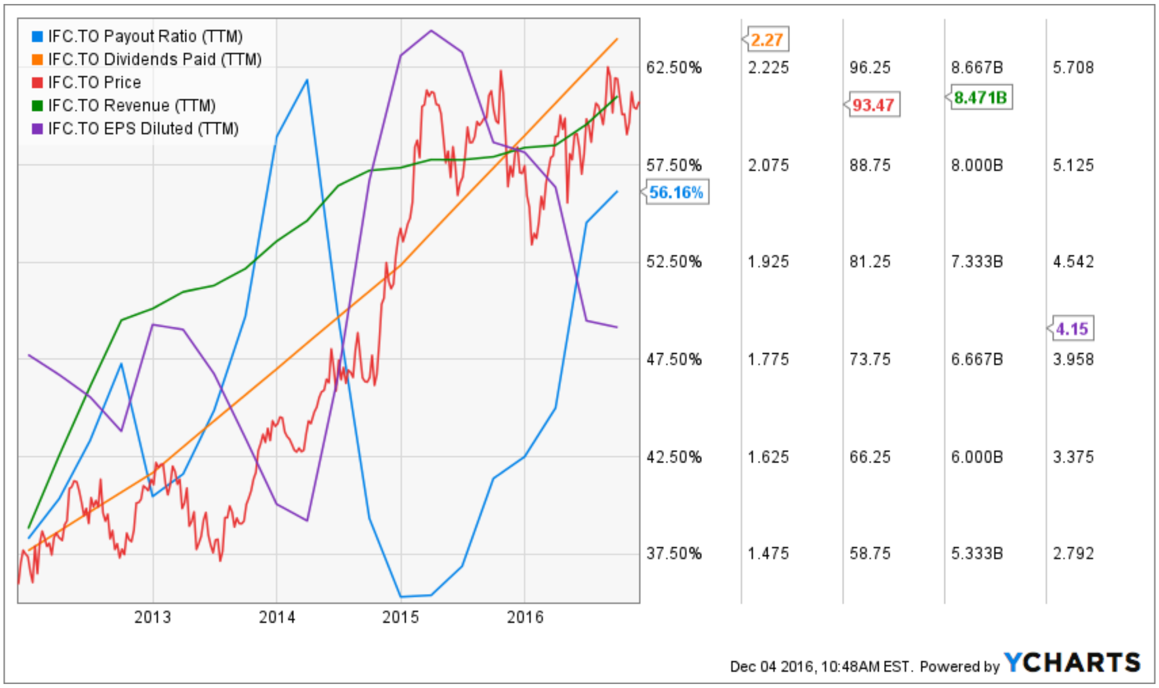
Investment thesis:

An investment in EMA is an investment into a high dividend yield stocks with solid perspective. The utility industry is slowing but surely growing each year and the dividend payment will continue to be increased in the upcoming years. Since EMA is continuously working on new projects, we can expect cash flow generation capacity to increase and offer shareholders more reasons to smile.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$104.66	$78.02	$62.07
10% Premium	$95.94	$71.52	$56.89
Intrinsic Value	$87.22	**$65.02**	$51.72
10% Discount	$78.50	$58.52	$46.55
20% Discount	$69.77	$52.02	$41.38

INTACT INSURANCE (IFC.TO)



Business model:

Intact Financial Corporation provides property and casualty insurance in British Columbia, Alberta, Ontario, Quebec and Nova Scotia. It distributes insurance under the Intact Insurance brand through a network of brokers and its subsidiary, BrokerLink.

Main strengths:

Intact is a leader in P&C insurance in Canada with 17% of the market share. This market is highly fragmented as the top 5 insurers only cover 47% of the market. In other words, After IFC, there are 4 other "big" players sharing 30% of the market and 53% is spread among multiple other insurers. Over the past 5 years, IFC has showed a strong and steady revenue growth adding more clients to its portfolio.

Potential risks:

It seems that Alberta has won the jackpot in the recent years. A major flood a couple years ago and Fort McMurray wildfire this year (not even talking about the oil bust…). Intact continuously face the risk of paying back clients after a major catastrophe. This is what hurt 2016 earnings and pushed the payout ratio over 50%. Let’s hope IFC doesn’t run into any major “act of God” in 2017.

Dividend growth perspective:

Over the past 5 years, IFC has increased its payouts by 57%. The company is very cautious about its dividend increase and maintain a low payout ratio to insure future growth. We remain quite positive for the future an expect a 7.50%-9% dividend growth for the long term.

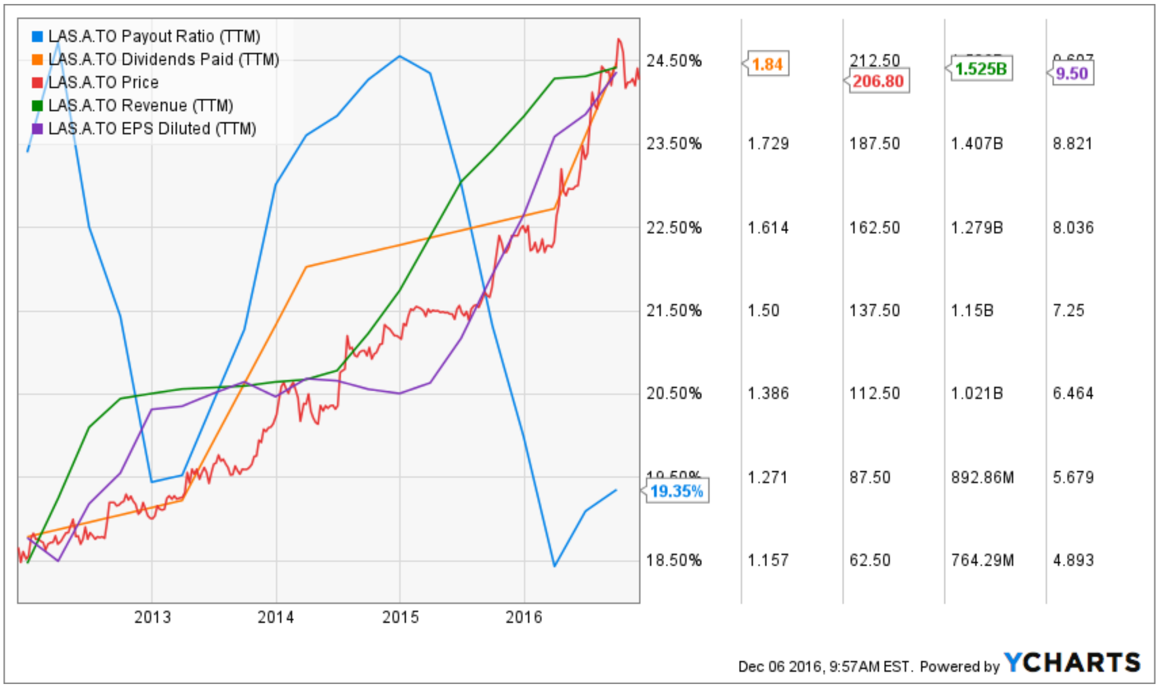
Investment thesis:

IFC is one of the best managed P&C insurance companies in Canada. Through a strict underwriting process and careful portfolio management, IFC has proven its value to investors over time. Since the insurance market in Canada is quite fragmented, there are plenty of possibilities for growth in the upcoming years without having real treats to IFC business model.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$227.36	$135.75	$96.52
10% Premium	$208.41	$124.44	$88.47
Intrinsic Value	$189.47	**$113.12**	$80.43
10% Discount	$170.52	$101.81	$72.39
20% Discount	$151.57	$90.50	$64.35

LASSONDE INDUSTRIES (LAS.A.TO)



Business model:

Lassonde Industries develops, manufactures and markets fruit and vegetable juices. Their revenues comes massively from the retail market (89% of their total revenues). They own several well-known brands such as Oasis, Fruité, Fairlee, Rougemont, Allen's, Everfresh and Del Monte. In mid-2014, it bought the US company Apple & Eve to improve their presence in the US market.

Main strengths:

Lassonde is among the rare company in Canada offering a strong consumer product showing steady and increasing repetitive sales. LAS has built a very strong brand and continues now to expand in the U.S. The fact they are selling mostly healthy beverage open the door for additional growth in the future. It seems apple & orange juice are the right market to be!

Potential risks:

Lassonde is battling against major brands such as Minute Maid (Coca-Cola) with larger budgets. This could result in affecting their sales over the long run as they can't really compete fairly with them. The fact the company entered more significantly in the US market shows management isn't afraid of competing, but this confidence could penalize them if it becomes arrogance.

Dividend growth perspective:

All right, you are going to tell me: "Mike, Lassonde only pays 1% dividend yield, I can't even consider this stock as a dividend payer". Mind you, the dividend per share was at $0.30 quarterly 5 years ago and it is now standing at $0.51. This is a 11.20% annualized growth rate. If you go back 10 years ago, the dividend payout was $0.155/share quarterly. Then, Lassonde has been increasing its dividend payouts by 12.29% CAGR for the past 10 years. The best of all? The payout ratio is still under 25%. If you are in dividend investing for the long run, Lassonde is definitely going to reward your patience.

Investment thesis:

Lassonde's wide variety of brands enables them to occupy an important space in grocery stores. There aren't many consumer products in Canada that offer such great metrics. I know that the dividend yield is somewhat low (1%) but you have to keep in mind the company shows almost double digit dividend growth policy over the past 5 years and the payout ratio is still under 25%. Since there isn't many "consumer defensive" stocks on the Canadian market, LAS.A should be on your watch list right now.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	#DIV/0!	$264.38	$132.19
10% Premium	#DIV/0!	$242.35	$121.18
Intrinsic Value	#DIV/0!	**$220.32**	$110.16
10% Discount	#DIV/0!	$198.29	$99.14
20% Discount	#DIV/0!	$176.26	$88.13

ROGERS COMMUNICATIONS (RCI.B.TO)

Business model:

Rogers is a diversified communications and media company. The company is divided into three divisions: wireless, cable and media. While the Rogers business is similar to Telus when we compare wireless and cable services, RCI.B has an extra division called media. Rogers broadcasting has increased, notably through the acquisition of the Toronto Maple Leafs and the ownership of the Blue Jays that will certainly feed Rogers Sportsnet.

Main strengths:

While Rogers evolves in a highly competitive oligopoly, this is the company with the strongest spectrum blocks. The company had paid a great deal to acquire them, but now dominates this part of the industry. Rogers is also able to benefit from its size to scale its cable business at a lower cost.

Potential risks:

While the growth numbers are interesting, you may ask how much more can Rogers pull out of the Canadian market. Rogers is constantly battling against BCE and Telus for market shares in the mobile industry.

Dividend growth perspective:

Rogers dividend perspective are very strong. They not only pay nearly 4% dividend yield (currently 3.75%), but they evolve in a relatively stable environment where cash flow is coming in quarterly. This leaves Rogers with lots of room to increase its dividend payouts year after year. Earnings have dropped in 2016 mainly due to larger investment in improving their services and the winding-down of Shomi streaming services.

Investment thesis:

Investing in Rogers at this point is not to boost your portfolio return in the double digit. However, if you are looking for a steady dividend paying stock in the Canadian market that won't let you down if the country is slowing down, Rogers can play defense for you.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$111.93	$74.88	$56.34
10% Premium	$102.60	$68.64	$51.65
Intrinsic Value	$93.28	**$62.40**	$46.95
10% Discount	$83.95	$56.16	$42.26
20% Discount	$74.62	$49.92	$37.56

ROYAL BANK (RY.TO)

Business model:

Royal Bank provides various financial services to individuals as well as commercial and institutional clients. Their services range from regular banking, investments, insurance, brokerage, mortgages, loans, etc. RY has successfully diversified its revenues by increasing its expertise in capital market (more volatile, but showing strong revenue growth perspective) and wealth management (notably through the acquisition of City National late in 2015.)

Main strengths:

Royal Bank is the largest bank in Canada per asset (a title that is often disputed with TD Bank). It benefits from a great size and market share in Canada offering RY to explore other avenues (such as U.S. acquisitions). They do an awesome job generating strong profits from capital markets and their wealth management division generates revenues from over 15 million clients.

Potential risks:

As mention in my introduction, I expect the Canadian Real Estate industry to slowdown at one point or another. This will definitely hurt RY results and increase their provision for potential credit default. This is not enough to put RY on the sideline, but it could certainly hurt the bank’s results for several quarters.

Dividend growth perspective:

What we like about Canadian banks is that they are increasing their dividend payout with a very steady and predictive manner. After a short pause following the 2008 crush, RY renewed with its bi-annually dividend growth tradition. Those are small increases each time, but adds-up rapidly. We believe the company will be able to sustain a 7-8% dividend increase over the next 10 years.

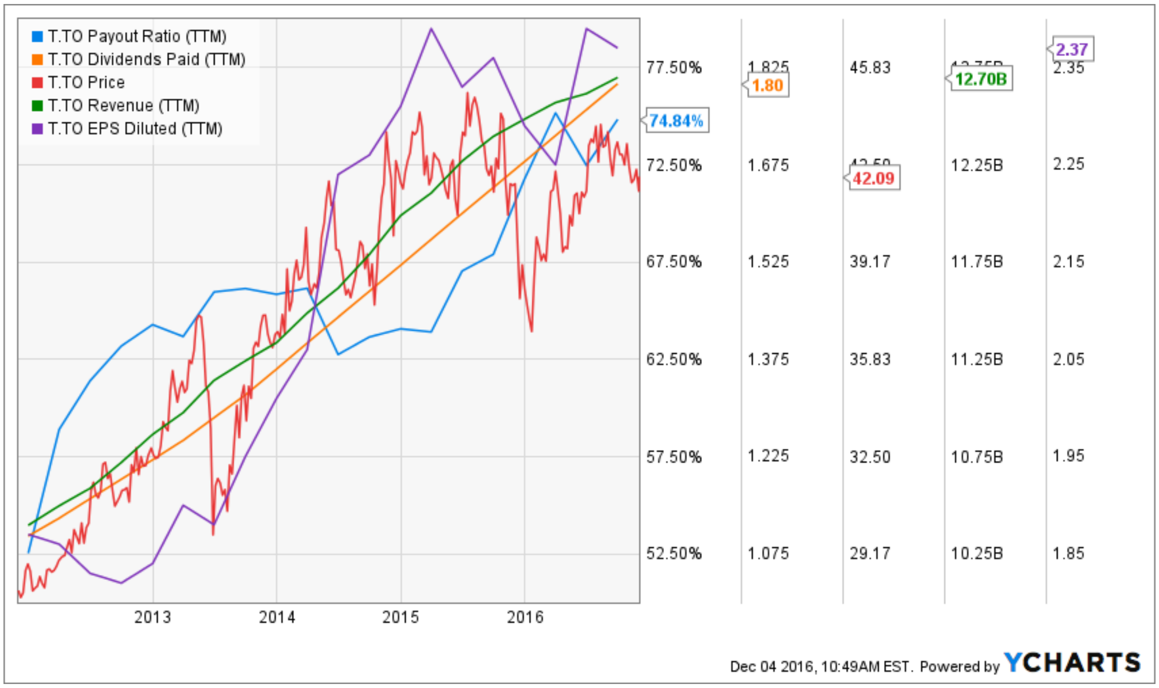
Investment thesis:

While there are some clouds over the Canadian economy, I still believe investing in banks is a good idea. In fact, even if we hit a housing bubble burst, RY will still generate enough cash flow to keep a strong dividend growth profile. Revenues generated from the capital market and the wealth management divisions will help smothering any road bumps.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	8.00%	9.00%	10.00%
20% Premium	$164.92	$122.93	$97.78
10% Premium	$151.18	$112.69	$89.63
Intrinsic Value	$137.43	$102.44	$81.48
10% Discount	$123.69	$92.20	$73.33
20% Discount	$109.95	$81.96	$65.19

TELUS (T.TO)



Business model:

Telus offers residential phone, internet, TV and mobile phone services. Back in 2008, Telus also bought Emergis, a leading electronic healthcare solutions provider and then created Telus health Solutions. Considering the number of wireless subscribers, Telus is the 3rd largest provider in Canada.

Main strengths:

The reason why Telus has been part of this selective list since 2012 is mainly because it shows a perfect balance of stability, dividend increase and financial performances. Strong from its mobile revenues, Telus is now eyeing television services as a growth vector. Telus has built a solid brand through stellar client service enabling the company to show the best customer satisfaction surveys.

Potential risks:

At one point, the mobile industry in Canada is reaching a point of maturity. There isn't much large gap to gain and since the market is shared in a small oligopoly, what Telus could gain from one side, it could lose it from the other. The fear of having a big player (like Verizon 2 years ago) is not imminent anymore, but always a possibility.

Dividend growth perspective:

Telus has aggressively increased its dividend payout over the past 5 years going from $0.29/share to $0.48/share. This had pushed the dividend payout ratio higher (75%), but the company still has enough room to increase it for several years to come. I now expect the dividend growth to slow down to high single digit (6-7%).

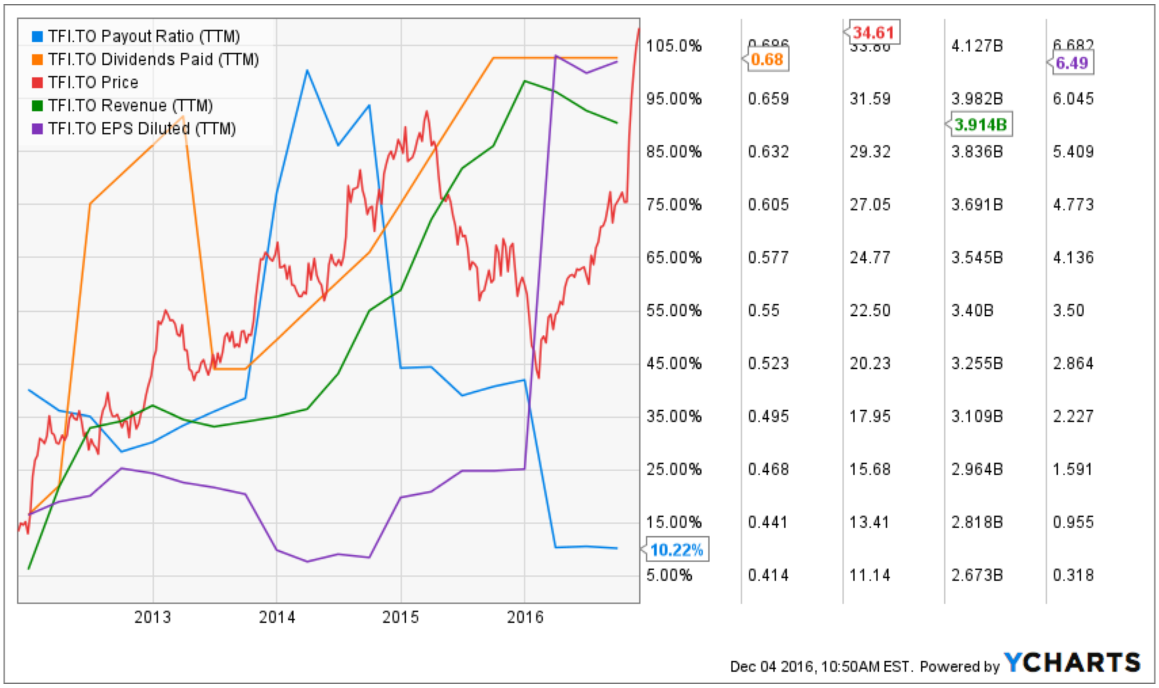
Investment thesis:

Similar to Rogers, Telus is more a defensive play. While the DDM calculation shows Telus fairly undervalued, I doubt the Canadian market will give it its full dividend value potential. However, if you are patient, you will earn a 4.50% dividend yield and eventually see the stock value going up.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**9.00%**	**10.00%**	**11.00%**
20% Premium	$102.40	$73.02	$56.71
10% Premium	$93.86	$66.94	$51.98
Intrinsic Value	$85.33	**$60.85**	$47.26
10% Discount	$76.80	$54.77	$42.53
20% Discount	$68.26	$48.68	$37.81

TRANSFORCE (TFI.TO)



Business model:

TransForce is Canada's largest trucking company and the 9th largest for-hire trucking company in North America. In total, TransForce operates a fleet of 5,348 power units and 17,814 trailers. Headquartered in Montreal, TransForce has 278 terminals across Canada and 91 in the United States.

Main strengths:

As opposed to the railroad industry, Transforce benefited from a surge in truck transportation over the past few years. Being the biggest player in Canada offers TFI more contracts than anybody else during a slowing down economy. TFI also continues growing with the purchase of 3,000 tractors and 7,500 trailers from XPO's U.S. TL division. Through this transaction, TFI expands its geographic presence as 30% of TL division was from crossing the borders toward Mexico.

Potential risks:

While road transportation is currently beating railroads on many aspect, the contrary shift could also happen. We have seen the transportation industry as a highly cyclical one and stock value could suffer during down turns. At the moment, there is no reason to believe oil price will go up, giving a few good years ahead for companies like TFI. Still, this is always a risk to be considered. Also, there are great expectations coming from their most recent acquisition. A failure to create synergy could drag the stock price down momentarily.

Dividend growth perspective:

While TFI shows a 5 year dividend growth rate of 9.58% (CAGR), the payout ratio remains very… very low (10%). This gives lots of room for management to increase their dividend payout. However, we remained cautious in our calculation as the payout ratio was nearly at 100% not so long ago. We would wish for a smoother trend of earnings, but the dividend payouts are not at risk at the moment.

Investment thesis:

As Transforce is expanding, I believe it is the time to jump in their truck and ride it for a while. Expanding outside of Canada is their smartest move as both U.S. and Mexico economy seems to grow faster in the upcoming years. The economy is doing okay, but not great. With a larger fleet, TFI will be there to pick-up any steady growth in the future. Investing in a leader in Canada and overall North America is a safe bet for anyone building a dividend growth portfolio.

Valuation:

Calculated Intrinsic Value OUTPUT 15-Cell Matrix			
	Discount Rate (Horizontal)		
Margin of Safety	**8.00%**	**9.00%**	**10.00%**
20% Premium	$80.60	$47.97	$34.01
10% Premium	$73.88	$43.97	$31.17
Intrinsic Value	$67.17	**$39.98**	$28.34
10% Discount	$60.45	$35.98	$25.50
20% Discount	$53.73	$31.98	$22.67

What's Your Next Step

This list is only the beginning of a long journey toward dividend growth investing. In the end, the true power of dividend investing is materialized through time. The longer you keep your dividend growth stocks, the higher the return you will earn from your investments. And this is how you will succeed in building a solid retirement portfolio.

In order to help you out while building this portfolio, I've created a dividend growth investing platform called **Dividend Stocks Rock**. This is an online membership site that gives you access to all the tools and techniques you can personally use to build a rock solid portfolio. This is not about stock recommendations or some kind of guru principles. It's about sound investing decisions made based on solid stock research. **And 95% of the work is done for you**.

Dividend Stocks Rock will build your knowledge, skills, and investment capability from the ground up. You'll master the techniques you need to understand what drives portfolio growth and individual stock growth to build the portfolio you want. Most importantly, it will give you the data at your fingertips to allow you to put the process into action from day 1.

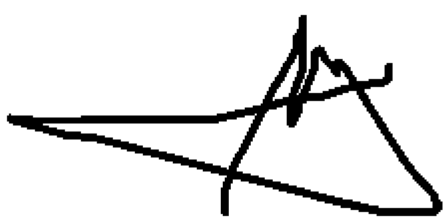
Dividend Stocks Rock is more than a premium investing newsletter:

- ✓ We manage real-life dividend portfolios and send trade alerts when we buy or sell a stock.
- ✓ We provide you with pre-screened stock lists with various metrics.
- ✓ We create 1 pager stock analyses to save you time from reading numerous pages of financial information.
- ✓ We help you in your valuation process with an excel spreadsheet calculator using a two stage dividend discount model.
- ✓ We write a bi-monthly premium investing newsletter to keep you updated on the stock market.

We have priced this product for the individual investor! Personally, I am sick and tired of the investment industry fleecing the individual investor and charging outrageous mutual fund fees or brokerage costs because they have "convinced" (read: brainwashed) us into believe we cannot invest on our own. Invest on your own and they say we are destined to a life of poverty! **You can check the various pricing options here**.

I sincerely hope this guide will help you build a stronger retirement portfolio and enable you to reach out your goals stress free.

Good luck with your investments,



Mike McNeil - Founder of Dividend Stocks Rock

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