



Richard's weekly recap:

Last week, I promised to discuss how the lack of commitment contributes to investment under-performance, but I MUST tell you what happened this past weekend, and I will discuss commitment next week.

Last Saturday night, I attended a charity dinner and live auction. Unbeknownst to me, I sat at table with six real estate investors who worked together at the same company. After the usual introductions, and a short description of our occupations, the discussion quickly turned to the stock market. Since I was the sole portfolio manager in the group, I expected to provide free investment advice while trying to outbid others, and win the right to take home a new racing bike (my own Father's day gift).

Well... I couldn't have been more surprised. The group explained how they had just invested in new a start-up company that was created by the merger of a silver exploration company, and a very small marijuana company, in Oregon.

The new merged company was in the process of raising \$8,000,000 by selling shares at 40 cents through a private placement offering. Ultimately, the company would list on the TSX Venture Exchange and then the S&P/TSX, within 12 months. They carefully explained how other marijuana companies started in the same fashion, and today are worth billions of dollars. Of course, they mentioned how Canada was legalizing cannabis, and Canada would soon become the Saudi Arabia of POT. It was a sure bet...

I sheepishly asked "what does the company do"?

The answer was very interesting because they really couldn't specifically explain the business proposition. After 10 painful minutes of poor explanations, I turned to Google for the business plan. With Google in hand, I read out loud how one company explores for silver in Chile, and the other company claims to have a proprietary process to extract oils from cannabis plants. Neither had ever grown cannabis, nor have the appropriate licenses to grow and market cannabis in Canada. Together they would plant, grow, and sell cannabis oils.

Two guys shouted: "That's it, that's exactly what we told you!" They were convinced this was a "ground floor" opportunity to make a lot of money. They mentioned that Canopy Growth (Canada's largest publicly traded cannabis company) started five years ago with a similar private placement for 20 cents a share, and today trades for approximately \$40.00. Since it worked for Canopy (and a few other cannabis companies); it could definitely work for this new company.

I couldn't believe, after last week's newsletter about story-based investing, that I just heard a GREAT INVESTMENT STORY. The boys at my table asked if I was interested in buying the very few remaining shares. I politely declined their profitable offer, and finished my chicken.

A great investment story has sweeping generalizations; it's not supported by evidence, and doesn't consider the negatives. The above story had all three damaging characteristics. Of course, I have no idea whether this company will, or will not be successful, but I will stick to my evidence based investment models, which only invest in companies that have the same features of the most successful companies of the last 25 years.

By the way, I was successful in bidding for the new racing bike: a beautiful Bianchi

I wish all Fathers a happy and enjoyable Father's Day.

Weekly Investment Tip: Be nice to Dad, he's been there during your good and painful days.



Market Watch:

For a detailed review of this week's economic and political events:

http://www.smlibrary.com/media/documents/Research-and-Reports/Weekly/market_watch.pdf

Articles of interest:

Two Key Steps to Successful Estate Planning

<https://www.forbes.com/sites/bobcarlson/2018/05/15/two-key-steps-to-successful-estate-planning/#483daf07a6b7>

The World Cup is coming to Canada

<https://www.theglobeandmail.com/sports/soccer/article-fifa-members-prepare-to-elect-host-of-2026-world-cup/>

US Federal Reserve lifts rates, predicts two more hikes this year

<https://globalnews.ca/news/4271948/u-s-federal-reserve-lifts-rates-predicts-two-more-hikes-this-year/>

Canadian Dividend Model as of June 13th, 2018	YTD Return %	YTD Dividend Increase %
Toronto Dominion Bank	3%	12%
Interrent Real Estate Investment Trust*	0%	
Open Text Corporation	6%	15%
Transcontinental Inc.	24%	5%
Royal Bank	-3%	3%
Brookfield Asset Management*	1%	15%
TFI International*	2%	
Power Corp of Canada	-5%	
CAE Inc.	19%	
Magna International Inc	19%	22%
NFI Group (New Flyer)	-5%	
Enbridge Inc.	-14%	
CCL Industries Inc.	13%	13%
Metro Inc.	8%	11%
Dollarama Inc.	-5%	9%
Empire Ltd	-1%	
Canadian National Railway	4%	10%
Telus Corporations	-4%	
Intact Financial Corp	-10%	9%
Canadian Utilities Ltd	-17%	10%

This week's additions: None

This week's removals: None

* Performance indicates from the date it was added to the model

Brookfield Asset Management added May 7th, 2018

TFI International added May 8th, 2018

Interrent Real Estate Investment Trust added June 4th, 2018

**Source Thomson Reuters

US Dividend Model	YTD Return %	YTD Dividend Increase %
As of June 13th, 2018		
Broadcom Limited	4%	72%
NIC Inc.	3%	
First American Financial	-7%	
Investor Bancorp Inc.	-4%	9%
Lyondellbasell Industries	4%	11%
Valero Energy Corp	29%	14%
KAR Auction Services Inc.	9%	
Fastenal Company	-3%	15%
Allegiant Travel Company	-3%	
Gilead Science Inc.	0%	9%
Novo Nordisk AS	-17%	12%
Ruth's Hospitality Group Inc.	27%	22%
DSW Inc.	17%	25%
Cracker Barrel Old Country Store	2%	4%
General Motors	7%	
Nielsen Holdings PLC	-13%	3%
CMS Energy Corp	-9%	8%
Columbia Banking Systems	-1%	18%
Everest RE Group LTD	2%	4%
City Holdings Company	12%	4%

This week's additions: None
This week's removals: None

* Source Thomson Reuters

Richard started the Canadian Dividend Growth Model in 2007 with the prime focus on investing in Canada's best dividend growing companies. With the assistance of one of North America's most well-respected providers of independent equity research, the model uses 10 investment filters to screen companies that meet stringent and rigorous investment criteria.

Richard backtested the dividend model over a 10 year time period and found that it produced historical returns above both the S&P/TSX returns and the average Canadian Dividend Fund during the same period.

As always, we are here to assist and are happy to share our thoughts in more detail. Should you have any questions or if you would like more information about any of our Canadian and US dividend growth models please send us an email or call us directly.

Feel free to forward this weekly report onto a family member, friend, or colleague who might appreciate receiving it. As always, we are here to assist and are happy to share our thoughts in more detail - so don't hesitate to reach out to us. Should you have any questions or if you would like more information about any of our Canadian and US Dividend Growth models please send us an email or call us directly.

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