DSR PREMIUM NEWSLETTER

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This is your site and your exclusive newsletter. Please, feel free to share any ideas, opinions, comments, or suggestions with us via email at dividendustries@gmail.com.

OCTOBER 27TH, 2023

Dear DSR member,

It is with great pleasure that we present our weekly premium newsletter which is an important component of your subscription to Dividend Stocks Rock.

You may benefit from viewing our video explaining the differences between the Buy List, our ratings, and our portfolio models. You can retrieve this information in the Videos section of the website.

Referral

Feel free to share our ideas with your friends or associates who may benefit from this information. **We would personally consider any referrals you make on our behalf to be the ultimate compliment for our efforts.**

GENERAL COMMENT

I cannot stress enough that ***you should never make a trade solely on short-term performance***. The past two years have tested our patience, but you should not deviate from your investment process.

You probably have losers, but does that mean you should sell them? Absolutely not.

Does it mean you should ignore your losers? Absolutely not.

Remember: *the proof is in the pudding*. You need more than one ingredient (holding) to make a delicious pudding. If your core recipe is a proven success, you can live with a bit too much sugar or salt.

While keeping track of short-term performance could highlight some weaknesses, it could also be the result of a lot of noise in the markets. Over the past 2 years, we have had to deal with supply chain disruptions, inflation, rising interest rates, and a war. That's enough to create a lot of noise and much uncertainty!

The trades explained in this newsletter are the result of a quarterly assessment and have little to do with the current state of the market. It's a result of our lecture on macroeconomic trends, quarterly analysis, and an overall portfolio review. This quarter is all about rebalancing our positions. **As usual, please don't follow these transactions blindly and by all means do your own due diligence.**

Nobody knows better than you your personal risk tolerance or how you feel when seeing a drop in value of $5,000, $10,000, or $50,000. Nobody knows if you need that money in three months or in 30 years. Nobody knows how you sleep at night when you think about your portfolio. This is where "doing your due diligence is important". **The most important reason why we all say "do your due diligence" is because personal finance is, well… *personal*.**

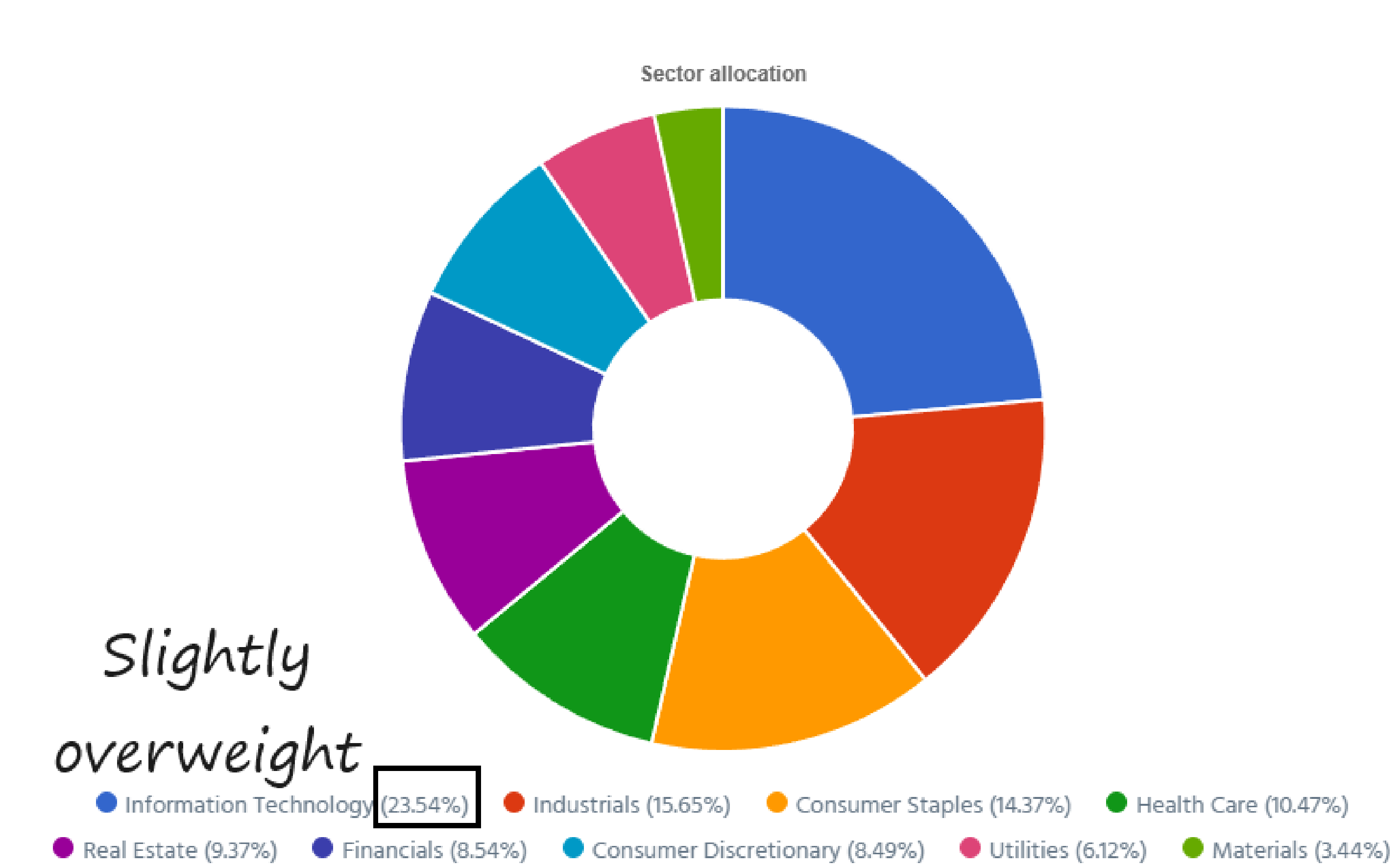
To help you do your due diligence, I'm offering you a quick step-by-step methodology. This will help you go through your portfolio and take appropriate actions with conviction.

Sector review

In general, your asset allocation will explain about 90% of the variability of a portfolio's returns over time (research conducted by Ibbotson & Kaplan). Please note, I didn't use the words "investment returns", but rather I used the word "variability". When you review your portfolio, asset allocation (and sector allocation to a lesser extent), will explain most fluctuations you observe. As fluctuations are the results of short-term movements, the fact that you are exposed (or not) to an asset class or a sector will explain why your portfolio is going up (or down!).

For example, someone with a concentration in Technology stocks, consumer discretionary and REITs would have done terribly in 2022. On the other hand, an investor focused on the energy sector would tell you that 2022 was a great year to be in the market. Different allocations lead to different results.

To avoid major volatility, my objective is to keep my favorite sectors close to 20% of the portfolio, but not to exceed this limit (I personally must run some modifications within my own portfolio!). I like it when a portfolio includes at least 7-8 sectors. It ensures that I'm rarely overexposed and that I can ride multiple tailwinds.



**DSR PRO sector allocation dashboard example*

Stock weight

Like sector allocation, I don't want my portfolio returns to depend on a couple of heavyweights in my portfolio. In the past, I sold shares of Apple (AAPL) and Microsoft (MSFT) to keep my exposure to a maximum of 15% for a stock (none of my holdings are that heavy now). For our DSR portfolios, we try to keep most of our holdings equally weighted. However, we manage those portfolios as a "real person". This means we don't equally balance stocks quarterly as no one would have the patience to make that many trades in real life. However, when a stock attains an overweighted status, we will trim a percentage and reallocate the money accordingly.

Overweight position

Symbol	Name	Sector	Units	Average Cost	Current Price	Value in CAD	Weight
AVGO	Broadcom Inc	Information Technology	67	N/A	887.87	80,307.84	$\boxed{10.61\ \%}$
PG	Procter & Gamble Co	Consumer Staples	339	N/A	149.98	68,638.35	9.07 %
MSFT	Microsoft Corp	Information Technology	120	N/A	329.91	53,445.42	7.06 %
ABBV	Abbvie Inc	Health Care	253	N/A	149.27	50,983.17	6.74 %
SWK	Stanley Black & Decker Inc	Industrials	426	N/A	79.54	45,743.45	6.05 %
AAPL	Apple Inc	Information Technology	187	N/A	175.77	44,373.14	5.86 %
AOS	A O Smith Corp	Industrials	480	N/A	68.47	44,368.56	5.86 %

As you can see in this example, Broadcom (AVGO) was taking up too much space in our 100 USD portfolio. We can quickly identify it by looking at the top holdings using the DSR PRO report. While all the other positions are between 5% and 6%, AVGO was then close to 11%. Considering the stock surged, I'm not surprised we must trim our position!

Stock review

Once I'm satisfied with the weighting of each sector and each stock, it's time to do a deep dive and look at each stock individually. In general, a simple look at their ratings, their dividend triangle and their latest quarterly earnings summary are adequate. Let's be honest, though, because Starbucks won't stop selling coffee tomorrow morning and Canadian National Railway will continue to operate railroads. Business models don't change overnight, and a thorough analysis isn't required each time you look at your portfolio. Our team of analysts is here to highlight major changes in a company or in an industry.

When a company shows a weaker rating (PRO or dividend safety score), I'll have a look at the replacement list provided by the report. I will also use Mike's Buy list and the stock screener to expand my list of candidates. This will instantly provide me with a list of stocks in the same sector with stronger ratings. This improves my chances of picking the best replacement security in the portfolio.

Portfolio & Stock Performance review

The portfolio and stock performance review comes at the end of my review. The goal is to quickly identify anything that may be off. I don't mind if my portfolio is down 10% if the overall market has moved in a similar way. If my portfolio is down 10% and the market is up 8%, then I must identify the source of this underperformance.

It doesn't mean I'll trade if I underperform or overperform, but I must be able to explain what is happening in my portfolio.

Brookfield Renewable Corp (BEPC.TO) Sector: Utilities	PRO Rating: 4 Dividend Safety: 4	Price: $53.94 Yield: 3.04% YTD: 16.62%

This methodology takes only a couple of hours once you have your PRO report. Using the Pareto Principle, you can focus on the 20% that will generate 80% of your returns. In most cases, no changes will be necessary. But not monitoring your investments could lead to dividend cuts and potential disaster.

You will obviously make mistakes as we all cannot avoid the occasional mistake. But since I'm following a diligent portfolio review process, I make sure I'm well invested across various sectors and various quality stocks. Therefore, when I make a mistake, it will have only a small impact on the overall picture.

One more thought about this review

We will perform more trades than usual. In fact, there are many quarters where we barely touch our portfolios. The idea is to keep our holdings as long as possible to benefit from the power of dividend growth and compounding interest. However, we have noticed that many of our positions were either overweight or underweight. Therefore, the "theme" of this newsletter is "rebalancing".

The purpose is to sell high and buy low. We trim the outperformers, and we buy some more of the underperformers.

Now, let's look at the portfolio trades we will complete on October 31st, 2023.

New portfolio booklets will be created for November 30th, 2023.

U.S. PORTFOLIOS

25K USD PORTFOLIO

With almost 13% of our portfolio invested in Apple (AAPL), it's time to trim our position once again. We do have a great opportunity here to sell AAPL at a good price and buy back more of Brookfield Infrastructure. The market is worried about interest rates affecting utilities, but I'm not worried about how BIPC has been managing its portfolio of high-quality assets. The FFO payout ratio is under control and management reinstated its dividend growth policy in September.

- SELL 2% OF AAPL
- BUY 2% Brookfield Infrastructure (BIPC)

100K USD PORTFOLIO

Similar to what happened with the 25K, we have overweighted stocks in our 100K portfolio. Selling 3% of our position in Broadcom (AVGO) and 2% of Procter & Gamble (PG) should bring those weights to roughly 8% and 7% of the portfolio, respectively. We will take the proceeds of those sales to add to our Realty Income (O) and Air Products and Chemicals (APD) positions.

- SELL 3% Broadcom (AVGO)
- SELL 2% Procter & Gamble (PG)
- BUY 3% Realty Income (O)
- BUY 2% Air Products and Chemicals (APD)

500K USD PORTFOLIO

We decided to get rid of our position in Hannon Armstrong (HASI) and Tyson Foods (TSN) as both companies are facing major headwinds and they were small positions in the portfolio already (1.35% and 1.42% of the portfolio). In both cases, we see a weakening dividend triangle. Considering the current state of the market and the level of uncertainties, we wanted to minimize volatility by adding a strong component to the portfolio. It's easier to sell small positions when they are that small compared to the rest of the portfolio.

We will use the proceeds of both sales to initiate a new position in Costco (COST).

- SELL Hannon Armstrong Sustainable Infrastructure (HASI)
- SELL Tyson Foods (TSN)
- BUY Costco (COST) with proceeds

USD RETIREMENT PORTFOLIO

In February, we increased our exposure to Digital Realty (DLR). This was a good move as the stock rose double-digits since then. Unfortunately, DLR has skipped a beat and didn't increase its dividend in 2023. For that reason, we will sell our position. We will also sell our position in Atlantica Yield (AY) as dividend safety is now a concern. Again, the goal is to reduce exposure to companies that don't offer meaningful dividend increases now.

We will increase our position in Pfizer (PFE) and Brookfield Renewable (BEP) in order to benefit from the weakness in their current stock prices.

The remaining proceeds will be used to add a new position, Bank OZK (OZK). While this is considered a relatively risky move (Bank OZK isn't a big bank with a market cap of only 4B), the bank has maintained its dividend growth policy through challenging times.

- SELL Digital Realty Trust (DLR)
- SELL Atlantica Sustainable Infrastructure (AY)
- BUY 2% Pfizer (PFE)
- BUY 2% Brookfield Renewables (BEP)
- BUY Bank OZK (OZK) with remaining proceeds

CANADIAN PORFOLIOS

25K CAD PORFOLIO

I told you the theme was rebalancing. Well, we had a lot to do with the 25K CAD portfolio. With 13% in Apple and Alimentation Couche-Tard and 10% in Lockheed Martin, it was time to do some "trimming". We are adding a new US position from the USD proceeds: Costco (COST). The idea is to add another recession-resistant company to the portfolio.

We will add more Royal Bank (RY.TO) to our portfolio after selling some shares of ATD.TO. Royal Bank is one of the smallest positions in the portfolio and its diversification (plus poor performance in 2023) makes it a good candidate for rebalancing. We were tempted to add more Telus and BCE but we still prefer banks over telcos.

- SELL 4% Apple (AAPL)
- SELL 2% Lockheed Martin (LMT)
- BUY 6% Costco (COST)
- SELL 3% Alimentation Couche-Tard (ATD.TO)
- BUY 3% Royal Bank (RY.TO)

100K CAD PORTFOLIO

With a 3% yield and an average dividend growth rate of 10% over the past 5 years, we don't change a winning strategy. However, it's time to sell a bit more of A O Smith (AOS) to benefit from price weakness from Brookfield Infrastructure (BIPC). We will also add a few shares of Johnson & Johnson (JNJ).

Please note that the 100K CAD portfolio is half US and half Canadian. When we sell US shares, we do everything we can to invest in another company in the same currency.

- SELL 3% A O Smith (AOS)
- BUY 2% Brookfield Infrastructure (BIPC)
- BUY 1% Johnson & Johnson (JNJ)

100% CAD PORTFOLIO

The 100% CAD portfolio is well diversified and shows a strong performance. We are simply doing some rebalancing where we trim our two largest positions to buy two of our smallest positions.

- SELL 2% TFI International (TFII.TO)
- SELL 2% Magna International (MG.TO)
- BUY 2% TD Bank (TD.TO)
- BUY 2% Emera (EMA.TO)

500K CAD PORTFOLIO

As much as we like Microsoft and Apple, it's always a good practice to sell high and buy low! We are buying more of JNJ and CL as they are small positions in our portfolio.

- SELL 2% Apple (AAPL)
- SELL 2% Microsoft (MSFT)
- BUY 2% Johnson & Johnson (JNJ)
- BUY 2% Colgate-Palmolive (CL)

CAD RETIREMENT PORTFOLIO

We show a large weight in TD and A&W compared to other positions. We will then trim our position in TD and we will sell enough A&W shares to add a new position in Labrador Iron Ore (LIF.TO). The LIF price has been relatively stable and shows an interesting dividend. Keep in mind LIF's dividend is variable depending on how the iron ore spot price fluctuates.

- SELL 3% TD Bank (TD.TO)
- SELL 5% A&W Revenue Royalties (AW.UN.TO)
- BUY 3% Canadian Tire Corp (CTC.A.TO)
- BUY 5% Labrador Iron Ore (LIF.TO)

FINAL THOUGHT

We typically don't include that many trades in a single update, but we believe it's best to position our portfolios for what is coming in 2024. 2023 went all over the place depending on how you are invested. Most importantly, the fears we had in 2022 are still valid today (inflation, war, higher interest rates, potential for a recession, etc.).

Remember that we can't predict the future. In October of 2022, Bloomberg surveyed several financial firms. **They all said there was a 100% chance for a recession in 2023.** 12 months later, the economy is still rolling and the FED continues its fight against inflation.

For the record, if you had asked for my perspective last year, I would have agreed 100% with those economists.

Did I change anything to my portfolio thinking 2023 would be a bad year?

You know the answer: I did some spring cleaning and made sure my portfolio was filled with high-conviction stocks. When I say "high conviction", I mean that I'm 100% confident those companies will go through whatever will come their way and continue to be thriving businesses 5-10 years from now.

Remember: ***You can borrow someone else's stock ideas, but you can't borrow their conviction.***

Therefore, you shouldn't buy "my stocks" but rather make sure "your stocks" are companies where you hold 100% confidence in them.

Even if I think that 2024 will be a tough year, I will remain 100% invested. Why?

1. I will either be wrong, and the stock market may go up.
2. Or I will be right, but my stocks will continue to pay growing dividends.

We believe changes in our portfolio models will strengthen all our portfolios and maintain the strong performances they have enjoyed since their inception.

Cheers,

Mike.

RATING CHANGES

This section communicates rating changes on the most popular stocks held at DSR. The changes mentioned below happened during this week upon our latest review.

No rating changes.

COMPANY	SYMBOL	PREVIOUS RATINGS (PRO/DIV)	NEW RATINGS (PRO/DIV)	COMMENT

OVERALL PORTFOLIO PERFORMANCE

Listed Returns are as of October 26th 2023:

Portfolios	Inception Date	Return	Benchmark	Added Value	Annualized Return	1 Y	YTD
CAD 25K	10/31/13	172.44%	104.15%	68.29%	10.46%	9.29%	2.20%
USD 25K	10/31/13	142.06%	153.92%	-11.86%	9.17%	8.79%	-4.35%
CAD 100K	10/31/13	109.77%	104.15%	5.62%	7.63%	7.17%	-0.11%
USD 100K	10/31/13	182.79%	153.92%	28.86%	10.87%	14.69%	2.58%
USD 500K	05/31/14	90.60%	125.48%	-34.88%	7.09%	7.16%	-2.89%
CAD 500K	05/31/14	105.36%	79.67%	25.70%	7.95%	6.97%	-1.07%
100% CAD	07/31/17	63.77%	31.65%	32.12%	8.34%	5.89%	2.53%
Retirement CAD	07/31/18	15.94%	21.72%	-5.78%	2.86%	-10.69%	-9.45%
Retirement USD	07/31/18	41.05%	53.29%	-12.24%	6.78%	1.13%	-7.65%

*Canadian portfolios added value is calculated based on 50% of VIG and 50% of XDV as half of portfolios are US stocks. Currency hasn't been taken into consideration.

Benchmarks are VIG and XDV.TO for all portfolios.