DSR 2024

TOP DIVIDEND STOCKS

BEST IDEAS FOR THREE SECTORS

PROVIDED TO YOU BY

DIVIDEND STOCKS ROCK

INVEST WITH CONVICTION, ENJOY YOUR RETIREMENT

LEGAL TERMS OF USE

THE CONTENTS OF THIS MANUAL REFLECT THE AUTHOR'S VIEWS ACQUIRED THROUGH HIS EXPERIENCE ON THE TOPIC UNDER DISCUSSION. THE AUTHOR AND/OR PUBLISHER DISCLAIM ANY PERSONAL LOSS OR LIABILITY CAUSED BY THE UTILIZATION OF ANY INFORMATION PRESENTED HEREIN. THE AUTHOR IS NOT ENGAGED IN RENDERING ANY LEGAL OR PROFESSIONAL ADVICE. THE SERVICES OF A PROFESSIONAL ARE RECOMMENDED IF LEGAL ADVICE OR ASSISTANCE IS NEEDED.

WHILE THE SOURCES MENTIONED HEREIN ARE ASSUMED TO BE RELIABLE AT THE TIME OF WRITING, THE AUTHOR, PUBLISHER AND THEIR AFFILIATES ARE NOT RESPONSIBLE FOR THEIR ACTIVITIES. FROM TIME TO TIME, SOURCES MAY TERMINATE OR MOVE AND PRICES MAY CHANGE WITHOUT NOTICE. SOURCES CAN ONLY BE CONFIRMED RELIABLE AT THE TIME OF ORIGINAL PUBLICATION OF THIS MANUAL.

THIS MANUAL IS A GUIDE ONLY AND, AS SUCH, SHOULD BE CONSIDERED SOLELY FOR BASIC INFORMATION. EARNINGS OR PROFITS DERIVED FROM PARTICIPATING IN THE FOLLOWING PROGRAM ARE ENTIRELY GENERATED BY THE AMBITION, MOTIVATION, DESIRE AND ABILITIES OF THE INDIVIDUAL READER.

NO PART OF THIS MANUAL MAY BE ALTERED, COPIED, OR DISTRIBUTED WITHOUT PRIOR WRITTEN PERMISSION OF THE AUTHOR OR PUBLISHER. ALL PRODUCT NAMES, LOGOS, AND TRADEMARKS ARE PROPERTY OF THEIR RESPECTIVE OWNERS WHO HAVE NOT NECESSARILY ENDORSED, SPONSORED, OR APPROVED THIS PUBLICATION. TEXT AND IMAGES AVAILABLE OVER THE INTERNET AND USED IN THIS MANUAL MAY BE SUBJECT TO INTELLECTUAL RIGHTS AND MAY NOT BE COPIED FROM THIS MANUAL.

THIS BOOK IS A COMPILATION OF STOCKS PICKED BASED ON IDENTIFIED & EXPLAINED METRICS. THIS SHOULD NOT, AT ANY LEVEL, REPRESENT RECOMMENDATIONS OR FINANCIAL ADVICE. READERS ARE REPONSIBLE OF THEIR OWN INVESTING PROCESS AND INVESTMENT DECISIONS. THE AUTHOR AND COMPANY EDITING THIS BOOK ARE NOT RESPONSIBLE FOR ANY LOSSES/PROFITS AN INVESTOR MAY INCUR DURING HIS INVESTING JOURNEY.

A LITTLE ABOUT ME

First, congratulations on acting and taking care of your investment portfolio! I'm a passionate investor looking forward to connecting with other passionate investors.

My name is Mike Heroux and I'm the author of The Dividend Guy Blog, The Dividend Monk, and Moose Markets (yes, I thrive on staying busy!) along with being the co-owner and portfolio manager at Dividend Stocks Rock (DSR). I have an unusual sense of humor for a "nerdy finance guy". Before you decide if you trust me or not, let's get to the "boring & serious" stuff first.

I earned my bachelor's degree with a double major in finance and marketing, I completed a CFP (Certified Financial Planner) certification along with an MBA in financial services. I worked in the financial industry for over a decade including 5 years as a financial planner and another 5 as a private banker managing accounts for high net worth (read $1M+) clients.

Besides being a passionate investor, I'm also happily married with three amazing children, and I live in the beautiful province of Quebec, Canada. Since I'm French Canadian, and French is my native language, I have most of my writings in English edited to minimize any grammar or spelling errors. I started my online venture to capitalize on my education and professional background by educating people about investing. A most fortunate by product of this professional endeavor is that I can work from home which allows me to be able to spend more time with my family.

In 2016, I decided to leave everything behind and go for a 1-year RV trip across North America and Central America (we made it all the way down to Costa Rica). Upon my return in 2017, I quit my job as a private banker and invested all my energy in my online business. I would rather pursue my dream of helping people invest through my sites. Since then, I have been a full-time online entrepreneur.

You can read more about my investing journey here.

2023: DIFFERENT INVESTORS, DIFFERENT RETURNS

I've had the chance to discuss this with several of you during the year. Through emails, webinars, and with my new service DSR FI (Financial Independence), you expressed different feelings about the market.

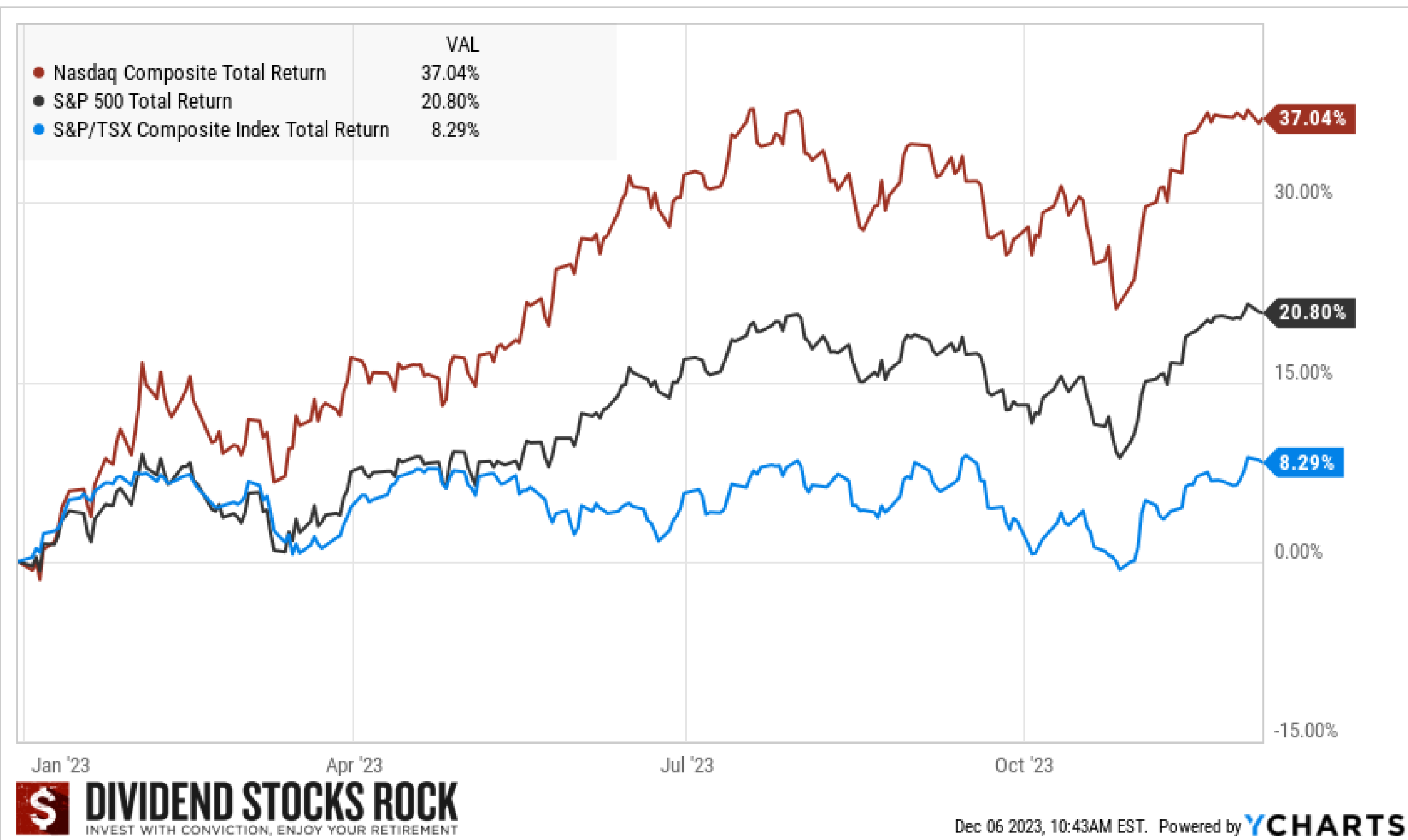
Some of you had a great year and were happy that the market was "finally back".

Some others were upset to see their portfolio values decline.

What explains why some investors were successful and some others were not in 2023?

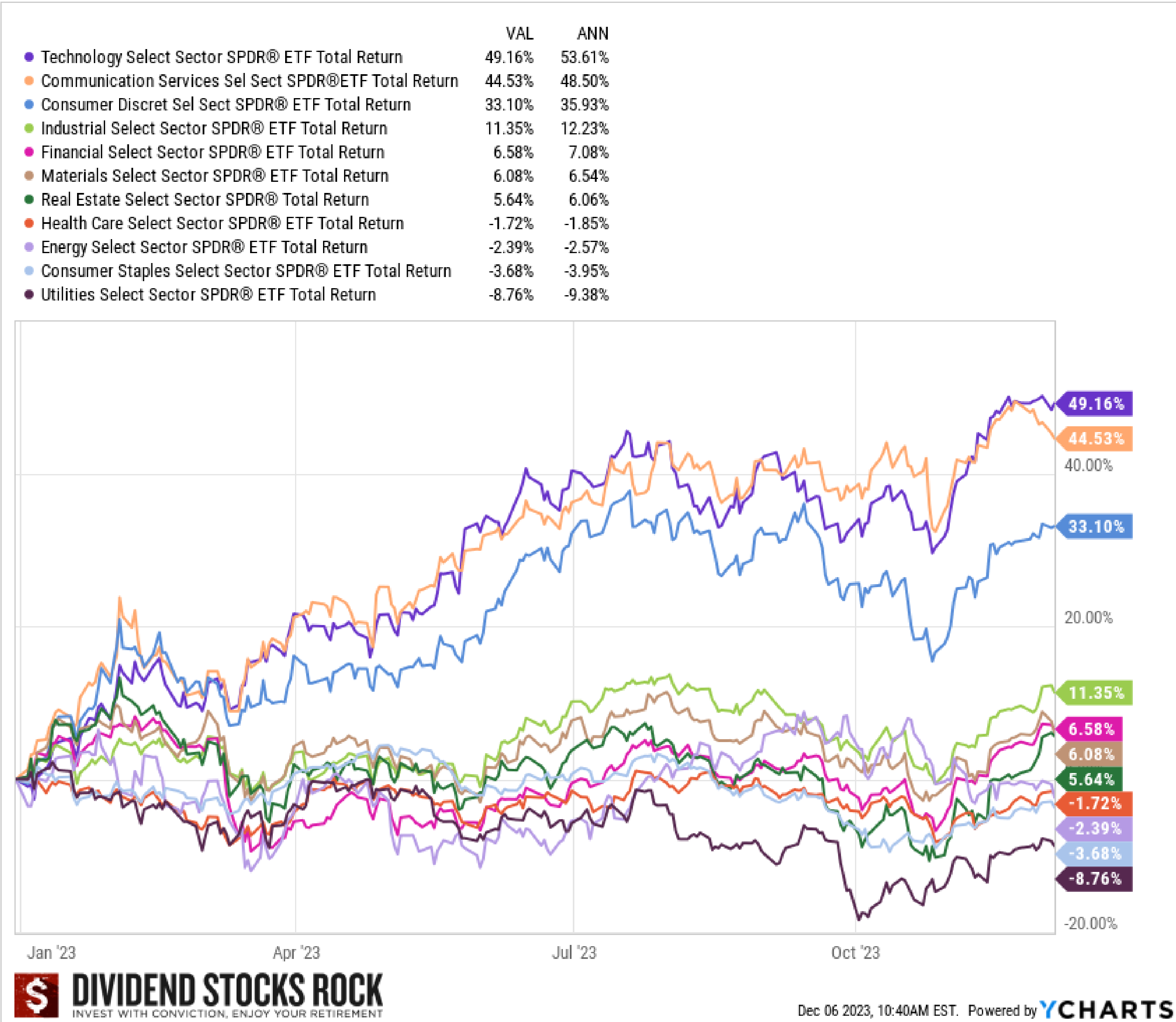
Asset and sector allocation.

As you can see, it was quite a different year for Canadians, Americans and tech investors…



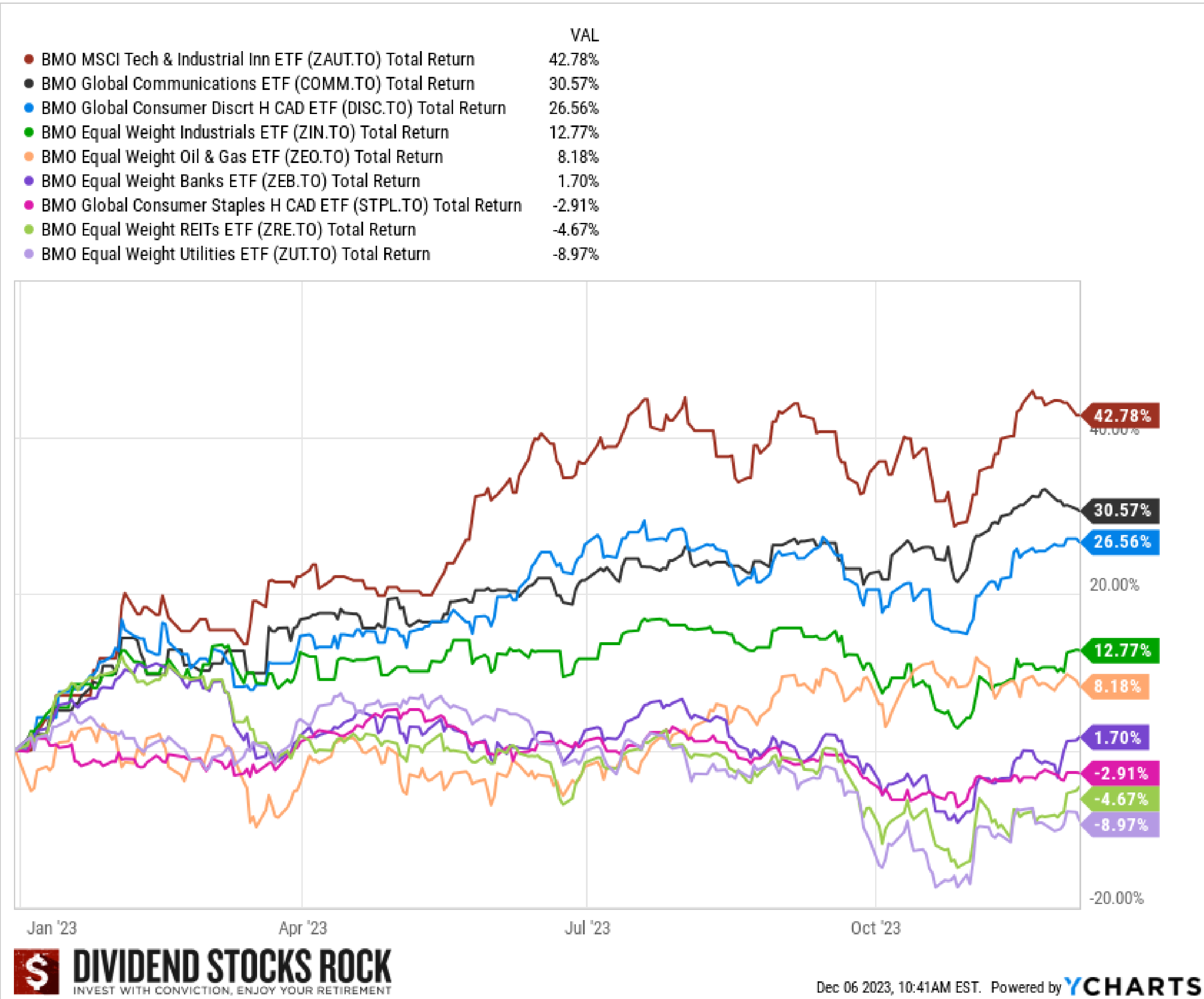
Without the latest "mini bull run" provoked by hints that the era of interest rate hikes was over (I told you the market would react swiftly), the Canadian market was heading toward a flat year (or worse).

But that's not it. Even across sectors, the performance between Canada and the U.S. was quite different.



In the U.S., we see how the technology sector surged, followed by the communication services sector. This wasn't the AT&T's and Verizon's of this sector that pushed it to higher levels but rather "tech-focused" communications stocks such as Meta (META), Alphabet (GOOG) and Netflix (NFLX). I must add this ETF isn't really a good representation as 47% of it is invested in Meta and Alphabet. While the Energy sector was the only savior in 2022, it reported a "flat year" in 2023. The Utility sector was the biggest loser as they were hurt by higher interest rates and poor performance from all the renewable energy stocks.

On the Canadian side, we saw similar trends, but the energy sector remained stronger. I could ignore BMO's technology, communications and consumer discretionary ETFs as they include several U.S. stocks. Banks and telcos disappointed in 2023 along with utilities and REITs.



This investment year would summarize as follows:

- ✓ If you focused on low-yield, high dividend growth stocks, it was a success.
- ✓ If you focused on income and high yield, it was a bad year.

What's next?

At the end of 2022 and continuing through the beginning of 2023, I suffered from bad investment decisions. Algonquin (AQN.TO), Sylogist (SYZ.TO), and VF Corp (VFC) were all sold after cutting their dividends. I was frustrated for many reasons:

1. I made three mistakes in a short period of time (never good for the investor's ego).
2. I lost capital and income (roughly a 50% loss for each stock).
3. I could have prevented a part of the loss by following my own rules (which I ignored).

Then, I quickly got back to my investment rules and followed my process to the dot.

1. I sold the three dividend cutters and took my losses and moved on.
2. I identified weaker positions in my portfolio and assessed my risk exposure (how much could I lose?).
3. I did my spring cleaning fast and focused on dividend growers with strong dividend triangles.

If you focus on your portfolio yield, you are probably unhappy with your results in 2023. My guess is that it won't be that easy in 2024 either. I will discuss investment themes for 2024 in my last newsletter for this year.

New inflation data hints at a pause in interest rate movements. We may even start talking about rate decreases later in 2024. However, as the steak price won't get back to 2021 levels, we are not going to see 2% mortgages or debentures in 2024. Companies will have to deal with higher interest rates when refinancing.

The year is different, but the plan is the same

Studies show that most individual investors like you and me lag the market. To illustrate that phenomenon, we can think of the famous investor Peter Lynch who managed the Fidelity Magellan Fund from 1977 to 1990 and generated an annual return of 29%. Fidelity later disclosed that the average Magellan Fund investor lost money during this period. How is that possible? **Investors were simply not investing with conviction, and they would stop following their plan at each market drop**.

We have been spoiled over the past 12 years. In general, an economic cycle will last about 5 to 8 years. That includes a bear market and a bull market and everything in between. The last real bear market we had started in 2008 and stopped in 2009. That was 14 years ago.

In 2022, I was overconfident and I started to "forget" about my investment rules and process. In early 2023, I quickly got back into the driver's seat and took action. Last year, I explained that, fortunately, my investment structure prevents me from making major mistakes as my bad investments are limited by their size in my portfolio. Again, it highlights the importance of following your plan and sticking to your investment strategy.

Going forward, I intend to follow the same plan. My investment strategy will remain the same: Having a strong investment thesis backed with numbers. Select companies with minimal downside: *Heads, you make money; Tails, you don't lose much* (Thank you for that quote from Mohnish Pabrai, Brad!).

2023 Stock Pick Results

2023 was a very frustrating year for the markets. Here are the results as of December 6th 2023 compared to their respective sector ETFs. We used iShares sector ETFs for our U.S. benchmarks and BMO sector ETFs for our Canadian benchmarks (when available).

Stock	Return	ETF	Δ	Stock	Return	ETF	Δ
ATVI	24.67%	44.53%	-19.86%	T.TO	1.12%	30.57%	-29.45%
HD	5.27%	33.10%	-27.83%	MG.TO	1.10%	26.56%	-25.46%
TSN	-16.78%	-3.68%	-13.10%	ATD.TO	31.09%	-2.91%	34.00%
BLK	8.79%	6.58%	2.21%	TRP.TO	0.87%	8.18%	-7.31%
ABT	-3.05%	-1.72%	-1.33%	CNQ.TO	24.29%	8.18%	16.11%
JNJ	-6.09%	-1.72%	-4.37%	NA.TO	6.58%	1.70%	4.88%
SWK	26.16%	11.35%	14.81%	BN.TO	14.20%	1.70%	12.50%
AVGO	66.21%	49.16%	17.05%	TIH.TO	15.31%	12.77%	2.54%
APD	-13.45%	6.08%	-19.53%	CSU.TO	55.04%	42.78%	12.26%
EQIX	29.28%	5.64%	23.64%	CCL.B.TO	-2.06%	6.08%	-8.14%
NEE	-27.23%	-8.76%	-18.47%	GRT.UN.TO	7.80%	-4.67%	12.47%
				BIPC.TO	-15.54%	-8.97%	-6.57%
Avg	8.53%			Avg	11.65%		
SPY	20.73%			XIU.TO	8.55%		
VIG	10.26%			XDV.TO	3.36%		

Here are my conclusions:

- 11 out of 23 companies did better than their respective sectors.
- 4 companies produced double-digit negative returns (TSN, APD, NEE, BIPC.TO)
- On average, U.S. stocks underperformed their sector and their market benchmarks.
- On average, Canadian stocks greatly outperformed their sector and their market benchmarks.
- I had more homeruns (ATVI, AVGO, EQIX, ATD.TO, CNQ.TO, CSU.TO) than last year.

Overall, I'm quite satisfied with my selections. I do lag the U.S. market, but if we consider that the top 10 S&P 500 largest companies represent 30% of the index and most of them aren't dividend payers and they are tech concentrated, it's very hard to match that on a year like 2023.

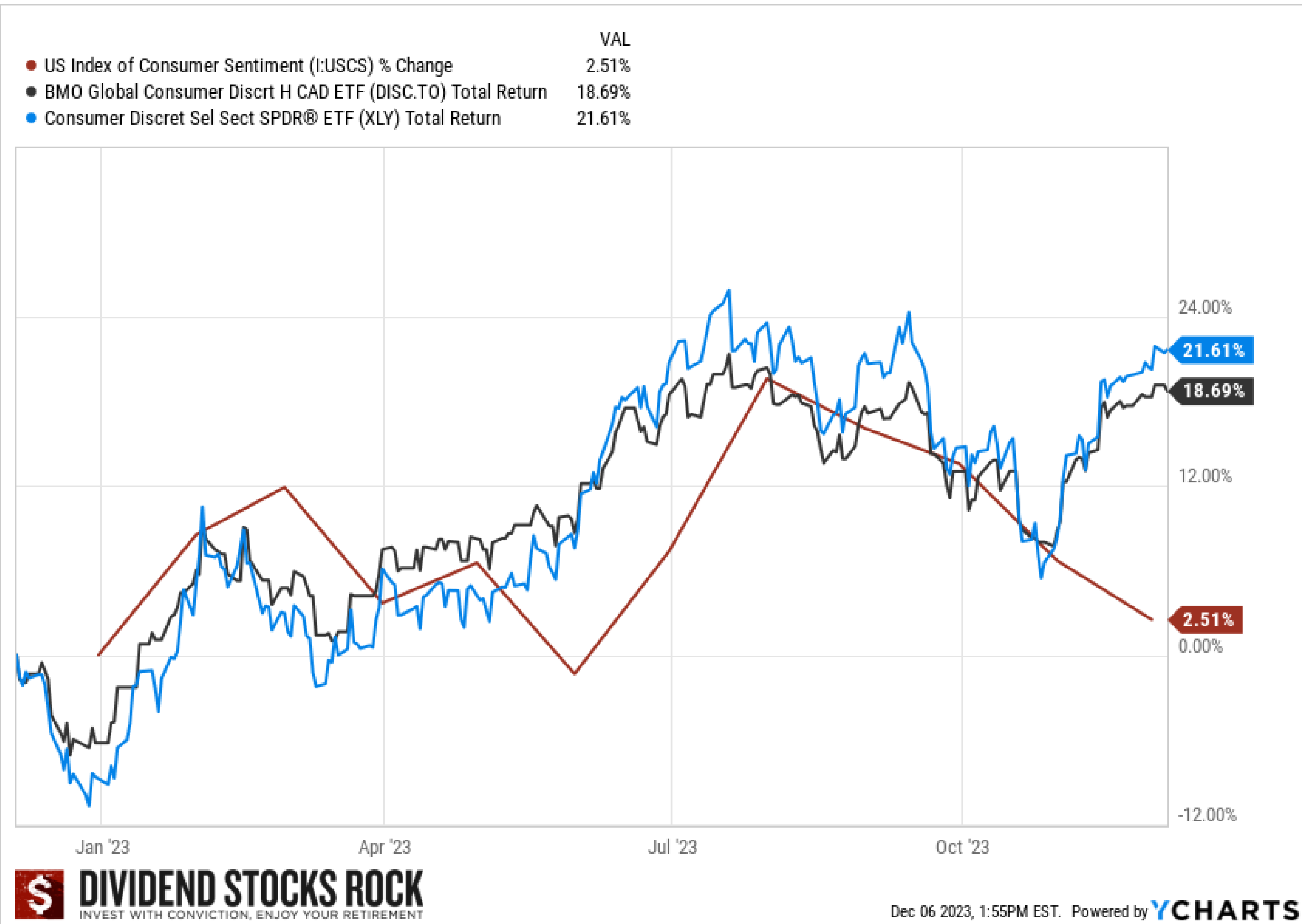
On the Canadian side, the performance was particularly good as 7 out of 12 stocks beat their benchmark and 10 out of 12 were positive (only on stocks down double-digit). I'm always taking some risk to spice up this "top picks report" and I do try to beat the market, but I do expect a few bad positions.

Now, let's see what each sector has in store for us next year. Each sector will be reviewed, and I'll provide my favorite company within each sector.

CONSUMER DISCRETIONARY

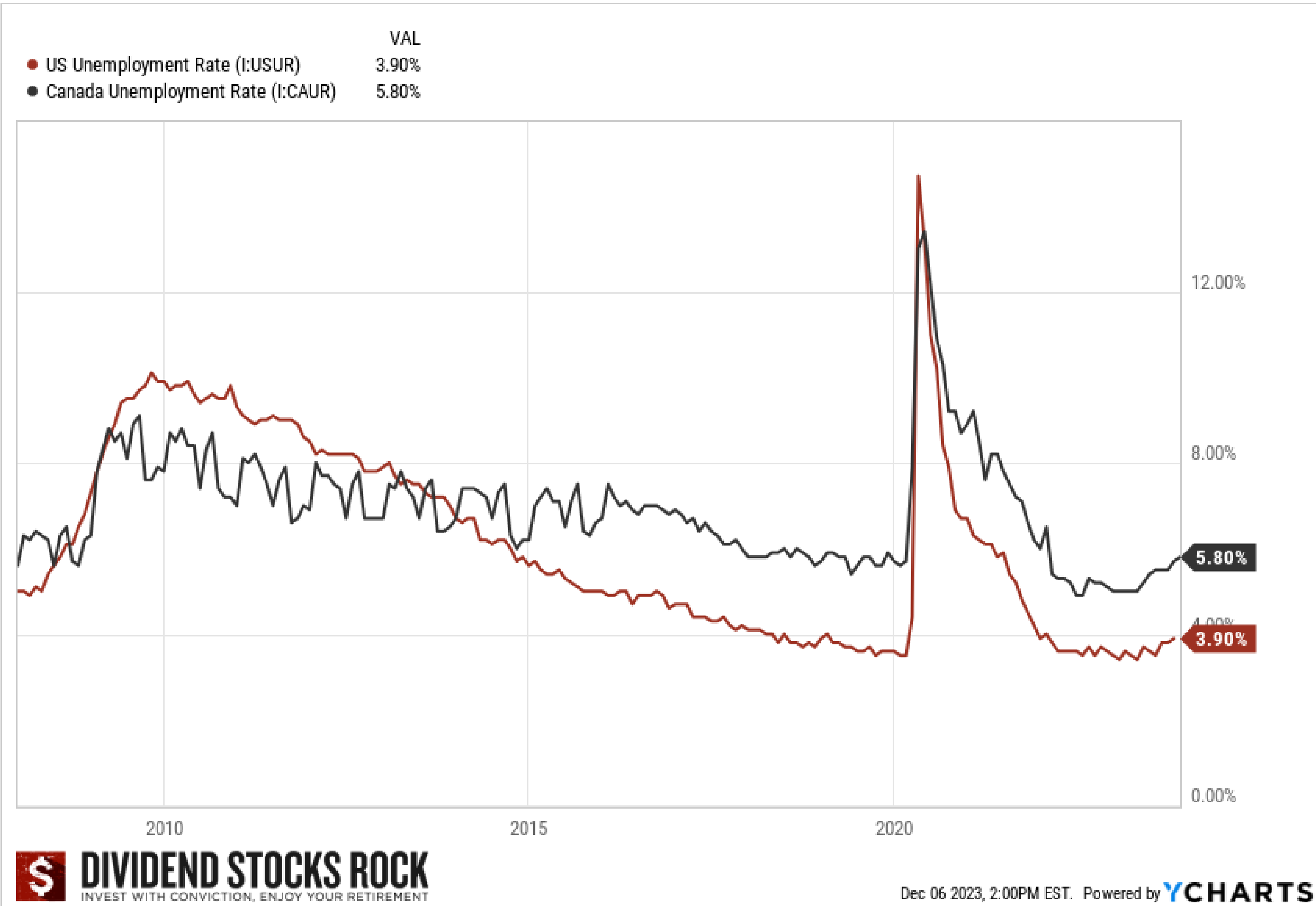
The Consumer discretionary sector surged in 2023 after a bad year in 2022. Surprisingly, the consumer confidence index is a little higher than last year. However, we can see how confidence is fluctuating from one month to another. This is a sign that the average consumer isn't certain about anything and his consumption can erode quickly.

Are we going to see a huge bump in 2024 if we hear about interest rate cuts? That's possible. I'm still not convinced we will have an economic soft landing and I continue to expect a recession. It's going to be hard to manage inflation and higher interest rates for all of us next year.



Again, the U.S. ETF is dominated by Tesla and Amazon. I'm not sure I would give much importance to the sector uptrend at this point. Many retailers told us how consumers are tightening their belt and going for necessary spendings way before rewarding them with treats.

Another important point to notice when we compare what happened during the financial crisis of 2008-2010 is the unemployment rate.



We currently live in a strange world: inflation hurts consumers' budgets forcing them to spend less. High interest rates put even more pressure on consumers and yet, the unemployment rate remains low. This reflects our demographic: As our population is aging, many retire, and we don't have enough "babies" to fill those jobs.

During the second part of 2023, we see signs that higher interest rates are finally slowing down the economy. Inflation is lower, GDP isn't as strong (even Canada reported a negative GPD late in 2023) and unemployment rates from both sides of the borders are going up by a bit.

I have said this several times; we will continue to feel the lagging impact of those interest rate increases for many years. It's definitely a good time to select your favorite stock in this sector. Besides the "big tech", most consumer discretionary stocks have underperformed the index in 2023. Take your time and go for absolute winners (e.g. strong dividend triangle and several growth vectors).

U.S Pick: Home Depot (HD) (Core Holding)

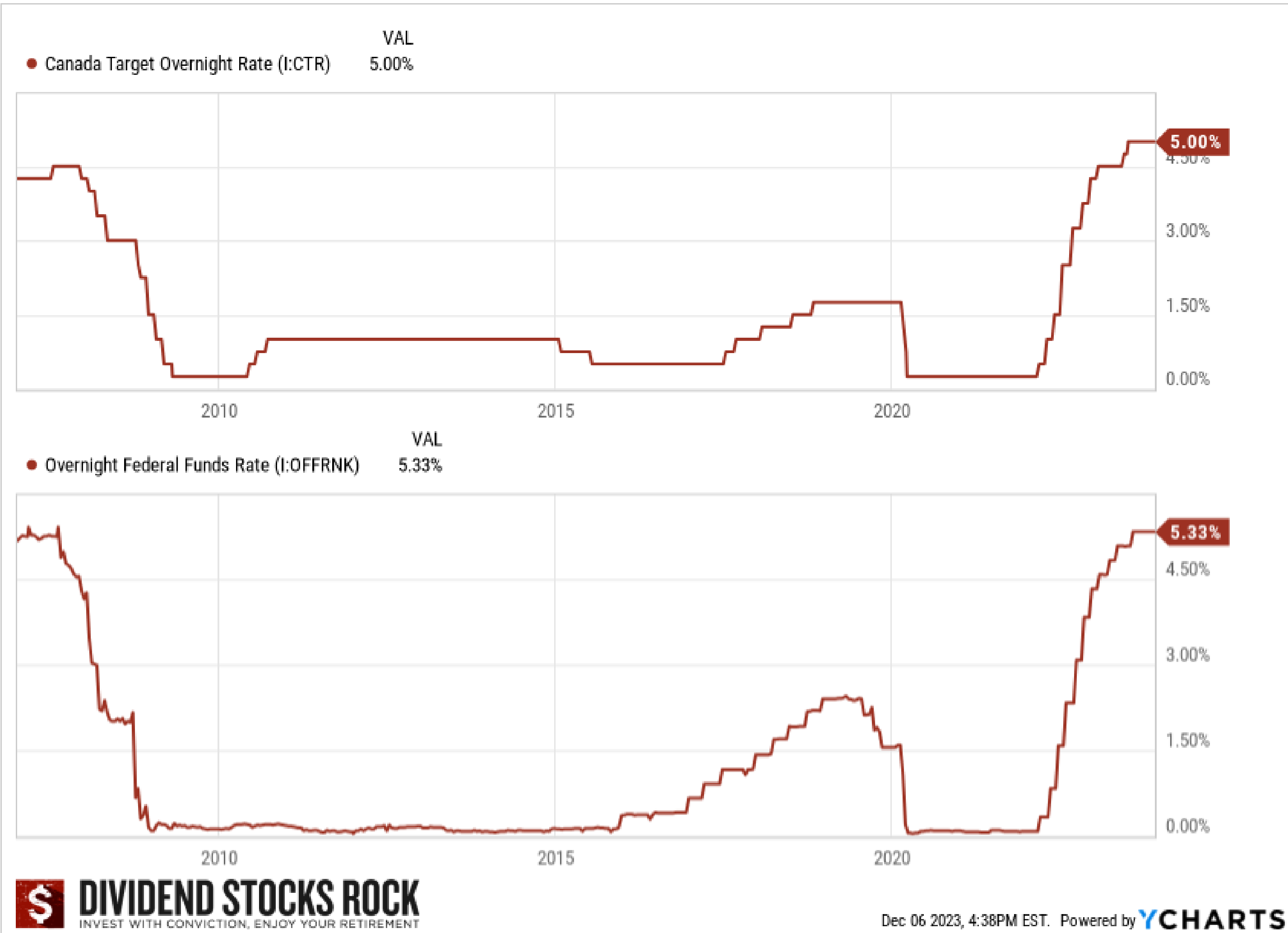
I keep my pick from last year as I think it's the right time to gather as many shares as possible for such a high-quality company going through a normal down cycle. It's possible that HD will continue to struggle in 2024, but the stock trades at its lowest valuation in the past 10 years with a PE of 21 (it reached a PE ratio of 19 during the bear market in 2018 and during the 2020 crash). It is true that HD's numbers are somewhat tied to the housing market. However, now that millions of Americans are locked into 30-year mortgages at incredibly low rates, what do you think will happen? They won't want to sell their house and pay a 6%+ mortgage on the new one unless they really have too. It means they will likely renovate their current home. This should support organic growth for a while. HD shows a strong dividend triangle with a slowdown in 2023. Once HD's numbers go back up, it will be too late to grab shares. HD has built a strong relationship with PRO contractors by being their "convenience store for all products". Whenever a PRO misses something on a job, he can quickly grab everything he needs in a Home Depot and won't have to delay the job. HD is the largest home improvement retailer and there is a Home Depot close to 90% of the U.S. population.

Canadian Pick: Dollarama (DOL.TO) (Core Holding)

I'm adding a 4th pick in this sector as I believe in the potential. Dollarama is a low yield, high growth stock that has proven its ability to grow by opening new stores. It's focused on selling its "homebrands" which provides better margins. DOL has built a strong brand, and its business model (aimed at low-value items) is an excellent defensive play against the e-commerce threat over the retail business. Through the acquisition of 51% of Dollarcity, DOL has demonstrated international growth potential in Latin America.

FINANCIAL SERVICES

I warned you that 2023 would be a year of higher and higher (and higher) interest rates. The Central Bank of Canada and the FED are in it "for the kill" and inflation will not survive (or our economy will perish). They would rather amputate an arm and save the body. Fortunately for us, it seems that we are finally over with the hikes.



We got our first signs that CPI was under control and that the economy was cooling off not too long ago. The market got pretty happy and everything rose in November. I don't think we are done yet. Will Central Banks reach their unachievable goal of a smooth landing? It's clear that rate increases have a lagging effect on all economic metrics, and we haven't seen the worst of the story yet. I expect more pain to come in 2024 as we will feel the full consequences of all those rate hikes. Many homeowners and indebted companies haven't renewed their mortgages or most of their debentures yet.

U.S Pick: Visa (V) (Core Holding)

Visa is sometimes a tech stock, sometimes a financial stock, and it could be seen as a consumer discretionary considering the volume of transactions and cross-border spendings that go through each day. Visa has recently reached its all-time-high (again), but I think there is more room for expansion, especially if we talk about rate cuts for 2024. This is the type of company that always looks overpriced so you might as well jump into the ship while it's sailing full speed.

Mastercard and Visa dominate a wide majority of transactions. What I like about them the most is they don't carry the burden of consumers' debt. They leave that to banks while they focus on money transactions.

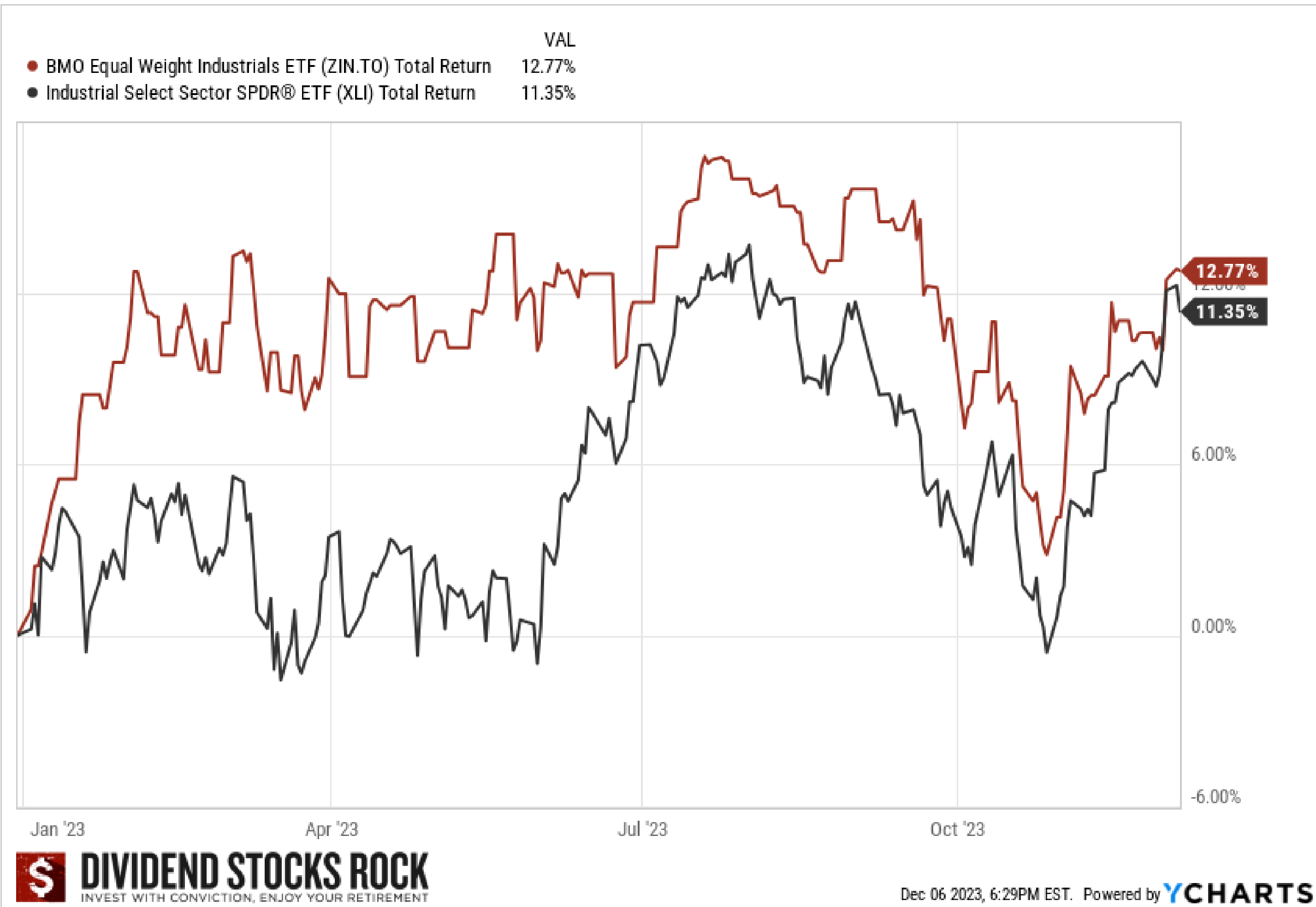
If you are looking for something spicier, I'd have a look at Bank OZK. It's a classic regional bank with a special segment for Real Estate development in New York and Miami. Their RESG (Real Estate Specialties Group) segment is their growth machine. They will live and die by the sword. In the meantime, OZK increases its dividend by $0.01 quarterly!

Canadian Pick: National Bank (NA.TO) (Core Holding)

After seeing NA out of the top 10 most popular stocks at DSR for two years in a row, I had to bring it back to the best stock for 2024! National Bank is the second most generous bank in terms of dividend increases over the past 10 years (right behind TD), and the most generous in the past 5 and 3-year periods. It also shows one of the lowest payout ratios of the group. What does this tell me? More generous dividend increases to come. Once again in 2023, National Bank ended the year with the largest dividend increase and the lowest payout ratio.

INDUSTRIALS

Industrials are highly cyclical and will usually follow the economy. Many old industrials are “GDP+” types of businesses which means they will normally generate a little bit more than the economic growth of their market (either a country or the world for the bigger guys). The Transportation industry’s volume (railroads, trucking, parcel delivery) depends on how much people consume. There are not as many resources or goods to transport if buying volumes are down.



After a difficult year in 2022, many industrial stocks came back in 2023. Defense stocks continue to receive much love as the war between Russia and Ukraine keeps raging and now, we have a second conflict between Israel and Hamas. On the transportation side, we saw railroads and trucking ringing the economic slowdown bells with lower volumes. Classic industrial piece makers also saw revenue slowing down as most companies try to stick with a lean inventory. We should see such slowdowns continue in 2024. However, if we begin to see rate cuts, you can bet industrials will rise faster than their backlogs!

U.S Pick: Automatic Data Processing (ADP) (Core Holding)

Automatic Data Processing is the largest US-based payroll services provider. The company enjoys a sticky business model where most corporations will use ADP services for years. Once your payroll setup is rolling, why would you change it? Tight labor markets have worked in ADP's favor, leading to improved financial performance with a rebound in new bookings. ADP's recent efforts to increase investment in existing platforms and sales capacity should help boost growth.

ADP exhibits a very strong dividend triangle with a 5yr annual revenue growth rate of 6.05%, EPS growth of 11.85% and dividend growth of 13.70%. The company is close to becoming a Dividend King with 48 consecutive years of dividend increases. While ADP continued to grow, its stock price has hovered between $200 and $250 per share for the past two years. Its 5-year average PE ratio is 31.48 while its forward PE is at 24.45. There is nothing like buying a great company at a good price.

Canadian Pick: Toromont Industries (TIH.TO) (Educated Guess)

I'm coming back with Toromont Industries for a second year in a row as the company keeps showing a very strong dividend triangle (5yr double-digit growth for revenue, EPS and dividends) and yet, the stock price isn't following the same growth trend. Last year, you had the chance to buy TIH at a PE of 20. Today, the forward PE is 18.35!

In addition to counting on the mining (20%) and construction (38%) sectors to grow organically, the company also buys smaller dealerships, such as Hewitt (acquired in 2017). Considering the massive infrastructure spending needs in Canada for the coming years, Toromont is surely a player that could do well going forward.

TIH shows an interesting diversification with CIMCO representing 13% of its sales. The CIMCO segment is involved in the designing, engineering, fabrication, and installation of industrial and recreational refrigeration systems.

FINAL THOUGHTS

Many factors will have an influence on the market in 2024. However, the best way to invest remains the same: having a straightforward strategy.

Invest with More Confidence and Less Stress

If you are like most investors, you constantly struggle with the right time to invest in the right assets. When you have losing investments, you get stuck by paralysis by analysis. This confusion hurt your portfolio and prevent you from enjoying your retirement.

Just look at how Rick solved his investing struggles and reached investing peace:

> *"One thing that I, struggle with is knowing when to let go of a losing investment when it makes sense to do so. DSR provides quarterly updates of each subscriber's portfolio (PRO feature) that provide value and dividend safety ratings for each individual holding. This is a really helpful guide as to whether it is time to consider selling a loser. Another very useful feature is that his report also provides potential replacements with better ratings. This gives me an independent viewpoint of whether my holdings are the best ones to keep going forward.*
>
> *One great part of the DSR service is Mike's inter-activeness with his subscribers. He does this regularly through both newsletters and webinars. His webinars are highly interactive, with subscribers able to make comments and input questions as it goes. Each and every time I have sent a separate email to Mike's service he has personally responded with helpful input. I recommend this service to anyone who is focused on dividend stocks and values a separate analysis of their holdings to help verify their portfolio's value and safety."*

Rick Urquhart, DSR PRO members since September 25th, 2017.

If you hesitate to subscribe, let me offer you a 60-day refund period – no questions asked. If this membership doesn't help you grow confidence and take actions with your portfolio, reply to any of DSR emails within the first 60 days of your subscription and we will send you back the money in full.

Click here and get access to DSR now*

You can forward this book to any of your friends who like dividend investing…

Cheers,

Mike, Passionate Investor

**Pssst! This is a lifetime discount; your price will never increase.*