

# Diversified Stock Income Plan List

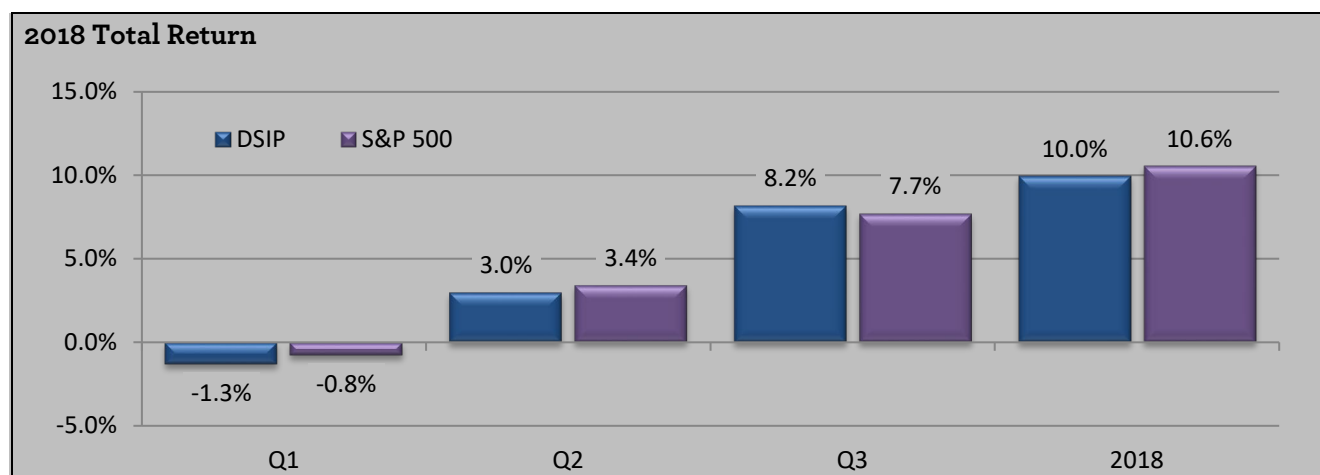
## 2018 Third Quarter Review

October 22, 2018

*The Diversified Stock Income Plan List (DSIP, or the List) focuses on companies that we believe will provide consistent annual dividend growth over a long-term investment horizon. Our objective is to provide a broad list of high quality, industry leading companies from which an investor can assemble a well-diversified portfolio. Through consistent dividend growth, our goal is to help investors stay ahead of the wealth eroding effects of inflation.*

### Summary

- In the third quarter of 2018, the DSIP List slightly out-performed versus its benchmark, the S&P 500, on a total return basis.
- Good stock selection in the Communication Services and Industrials sectors helped the List's performance during the third quarter. Our underweight in Energy also benefited the list. This was offset somewhat by our overweight presence in the Utilities and Consumer Staples segments which both underperformed the S&P 500. As has been the case for most of 2018, our underweight position in Information Technology also hurt relative performance versus the benchmark. Despite the market's focus on offensive versus defensive stocks in the July through September period, the List, which favors more defensive sectors, performed well versus its benchmark in the third quarter.
- Fourteen companies on the List announced dividend increases during the third quarter, with an average increase of +12.3%, which came in above our longer-term expectations for List dividend increases.



Source: Wells Fargo Advisors, FactSet, as of 9/30/2018. Past performance is no guarantee of future results. An index is unmanaged and not available for direct investment.

Investment and Insurance Products: ►NOT FDIC Insured ►NO Bank Guarantee ►MAY Lose Value

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Global trade tensions, the financial benefits of corporate tax reform, and solid domestic economic growth offsetting weaker emerging market fundamentals, were the broader stock market themes in the third quarter. Against this backdrop, the S&P 500 generated a total return of +7.7% for the quarter supported by sales and earnings growth of +7% and +19%, respectively. Negative factors influencing the market's results included the return of noticeable cost inflation leading to higher interest rates and increased overall market volatility, some of which was spurred on by the threat of tariffs and trade wars. (See our report titled DSIP In Periods of Rising Rates for a study on DSIP List performance in rising rate environments.) We believe the markets will have to cope with both themes of rising rates and market volatility for the remainder of the year.

In the third quarter, the DSIP List total return was roughly +8.2% while the S&P 500 total return measured +7.7%. DSIP positive total return contributions were seen from all eleven of its sectors. Offensive sectors such as Technology, Industrials and Consumer Discretionary did well in the third quarter along with the Health Care sector. Good stock selection in the Communication Services and Industrials sectors helped the List performance. Our underweight in Energy also benefited the list. Upward interest rate movements late in the quarter hurt the defensive sectors on our List particularly Staples and Utilities.

An underweight in Technology and an overweight in Consumer Staples and Utilities detracted from the List's relative performance compared to the S&P 500 benchmark for the third quarter and yet the List outperformed the benchmark. We have traditionally kept an overweight position in Consumer Staples given the large percentage of those companies that historically have consistently grown their dividends. However, staples have struggled fundamentally of late due to weaker sales, rising costs and more onerous demands from retailers. In Information Technology, we have typically maintained a weighting below the S&P 500 given the limited percentage of companies that meet the DSIP List goals for income.

For the first nine months of 2018, the DSIP List total return performance was up +10.0%, slightly trailing the S&P 500 total return of +10.6%. A slight overweight in Industrials and a slight underweight in Financials helped year to date performance (through September 30). The DSIP List is slightly overweight (versus the S&P 500) Staples and Utilities, that have historically provided consistent annual dividend increases but sectors that have been a bit out of favor given rising rates and the market's focus on growth and playing offense. We view List performance as admirable thus far in 2018 given the defensiveness of the List and given the underweight in the relatively strong Technology sector.

### **Dividend increases**

The third quarter was a busy one in terms of companies raising dividends with 14 DSIP companies reporting dividend increases. The average DSIP dividend increase was +12.3% compared to the same quarter in 2017, above our longer-term expectations for high single digit percentage dividend increases, helped by corporate tax reform and a solid U.S. economy. There were many notable dividend raises in the third quarter including: Realty Income's (O-\$57.71) 98<sup>th</sup> increases since 1994, McDonald's (MCD-\$166.63) 42<sup>nd</sup>, Illinois Tool Works' (ITW-\$127.32) 53<sup>rd</sup>, Federal Realty Investment Trust's (FRT-\$120.01) 51<sup>st</sup>, PPG Industries' (PPG-\$101.66) 47<sup>th</sup>, Medtronic plc's (MDT-\$93.62) 41<sup>st</sup>, and New Jersey Resources' (NJR-\$46.42) 23<sup>rd</sup> consecutive annual increases.

The average annual dividend increase for DSIP since its first full year in 1994 is +9.9%, ahead of the corresponding number for the S&P 500 of +6.1% and annual inflation of +2.2% as measured by changes in the Consumer Price Index (see Figure 1). Although future results should not be assumed to equal historical performance, we believe that holding a diversified portfolio of DSIP stocks has historically been a viable strategy to help investors against the rising cost of living. In 2018, we expect DSIP dividend

growth to be healthy and average in the low double digit range, helped by corporate tax reform and the benefits of a strong global economy.

**Figure 1– Percentage Change in Dividends & Inflation**

	Dividend Change		
	DSIP	S&P 500	Inflation
1994	8.6%	4.8%	2.6%
1995	7.1%	4.6%	2.5%
1996	7.3%	8.0%	3.4%
1997	8.0%	4.0%	1.7%
1998	8.4%	4.6%	1.7%
1999	8.1%	3.0%	2.7%
2000	9.2%	-2.5%	3.4%
2001	8.4%	-3.3%	1.6%
2002	7.3%	2.1%	2.4%
2003	11.5%	8.1%	1.9%
2004	13.8%	11.8%	3.3%
2005	11.6%	14.3%	3.4%
2006	16.3%	12.0%	2.5%
2007	16.2%	11.5%	4.1%
2008	11.3%	2.4%	0.1%
2009	1.9%	-21.1%	2.7%
2010	9.8%	1.4%	1.4%
2011	12.1%	16.3%	3.0%
2012	11.4%	18.2%	1.7%
2013	13.0%	12.0%	1.5%
2014	11.4%	12.7%	0.7%
2015	9.1%	10.0%	0.7%
2016	8.0%	5.3%	1.8%
2017	8.2%	7.1%	2.1%
Average:	9.9%	6.1%	2.2%

Source: Federal Reserve Bank of St. Louis, S&P, Wells Fargo Advisors  
Inflation as measured by Consumer Price Index

### List changes

During the month of September, we added three names and removed one from the DSIP List bringing the total number of stocks on the list to 75.

CMS Energy Corporation (CMS-\$50.48) was added to the Utilities sector of the DSIP List in September. CMS Energy Corporation is a Michigan-based holding company. Its principal subsidiary is a regulated electric and gas utility with operations spanning the majority of Michigan’s Lower Peninsula. We view CMS Energy Corporation as a high-quality, defensive utility with attractive, relatively low-risk, long-term growth potential. We expect dividend growth of +7%, in-line with management’s targets of 6-8% earnings per share (EPS) growth and a 62% payout ratio which implies dividend growth in line with EPS growth. Supporting CMS Energy Corporation’s growth ambitions is a favorable public service commission in Michigan that ranks above average by RRA, an industry research group focused on utility regulation.

Crown Castle International Corp (CCI-\$105.78) is a leading U.S. provider of shared communications infrastructure. The company owns a comprehensive network of macro towers, small cells, and fiber. The company is organized as a real estate investment trust (REIT). Crown Castle owns approximately 40,000 macro towers, about 60,000 small cells (smaller structures attached to utility poles, traffic signals, etc.) and 60,000 route miles of fiber. They are differentiated from their peers in that they are solely focused on the U.S. market and they are investing significantly in small cells and fiber. Given these characteristics,

we believe Crown Castle is well positioned to take advantage of carrier spending on future network upgrades including 5G and then 6G and 7G. We expect growth in U.S. data demand to remain robust for several years. We estimate annual dividend growth of +7% going forward, in-line with management's target of 7-8%.

Mondelez International (MDLZ-\$41.44) is a packaged food company focused largely on the snacking sub-segment which is higher growth in nature. The company produces biscuits, cookies, crackers and salted snacks, chocolates, gum and candies under the brand names of Nabisco, Oreo, belVita, Cadbury, Milka and Toblerone to name a few. 75% of sales are outside the U.S. and products are typically delivered through club stores, supercenters, mass merchants, drug and convenience stores. Our expectation for longer-term EPS growth is in the upper single digit range led by growth in emerging markets, product innovation and a commitment to expense management. The company has increased its dividend every year since its 2012 split from Kraft Foods. The average increase since then is +18% and we expect future increases to be in-line with the expectation of upper single digit earnings per share growth especially given the company's relatively low payout ratio of 43%.

Kimberly-Clark Corporation (KMB-\$106.40) was removed in September. Like many Consumer Staples companies, Kimberly-Clark has struggled to grow organic sales and earnings recently. This has been caused by intense competition from both branded and private label players, declining birth rates which have hurt diaper sales and rising commodity costs especially in the areas of pulp paper. Higher reinvestment needed to bolster the core business and weaker overall fundamentals appear to be impacting the company's earnings and cash flow growth. The company recently guided lower for 2018 expected EPS growth. We believe this situation may inhibit future dividend growth. Five year trailing growth has averaged +4.5% after averaging upper single digit growth the five years before that. The last dividend boost measured +3% which was below our relatively modest 4% expectation. We believe dividend growth will remain modest due to the company's many operating challenges. Therefore, we believe removal of Kimberly-Clark Corporation from the DSIP List was prudent.

### **Notable company news**

- On September 5, 2018, Honeywell International (HON-\$152.61) declared a pro rata dividend of Garrett Motion Inc. (GTX-\$13.96) to Honeywell shareholders. The distribution was effective on October 1, 2018 to Honeywell shareholders of record on September 18, 2018. Honeywell shareholders received 1 share of GTX for every 10 shares of HON owned on the record date.
- On September 17, 2018, TJX Companies, Inc. (TJX-\$108.65) announced a 2-for-1 stock split. Shareholders of record as of the close of market on October 30, 2018 will receive an additional share of TJX for each share they own following the close of business on November 6, 2018.
- PepsiCo, Inc. (PEP-\$109.40) announced that its Board of Directors has unanimously elected 22-year Pepsi veteran Ramon Laguarta to succeed Indra K. Nooyi as Chief Executive Officer. Nooyi stepped down on October 3rd after 24 years with the company, the last 12 as CEO. She will remain Chairman until early 2019 to ensure a smooth and seamless transition. Laguarta was also elected to the company's Board of Directors, effective October 3rd.
- In other PepsiCo news, the company is acquiring SodaStream (SODA-\$142.94) for \$144 per share in cash, a \$3.2 billion total transaction value deal. The transaction has been unanimously approved by the boards of both companies, though is subject to a SodaStream shareholder vote.

Closing is expected by January 2019, subject to certain regulatory approvals and other customary conditions. This deal will allow PepsiCo to diversify away from core carbonated soda beverages.

- Girding for continued change in the retail landscape, Starbucks (SBUX-\$58.90) plans job cuts this fall at its Seattle headquarters, including eliminating some top executives, as it reorganizes in a bid to make quicker decisions and reignite sales growth.
- Comcast Corporation (CMCSA-\$35.75) announced it prevailed with the highest offer price in the auction to acquire the shares of Sky plc (SKY-LON-£17.26) with an offer price of £17.28 (about \$22.44) per Sky share. This implies a value of \$40.0 billion (£30.6 billion) for the fully diluted share capital of Sky. Sky plc is a pan-European, British media and telecommunications company headquartered in London.

## Appendix A– 2018 DSIP List Dividend Increases

Company	Symbol	New Annual Dividend Rate	Year Earlier Annual Dividend Rate	Annualized Increase
<b>First Quarter</b>				<b>10.9%</b>
BlackRock, Inc.	BLK	\$11.52	\$10.00	15.2%
Realty Income Corporation <sup>1</sup>	O	\$2.63	\$2.53	4.0%
WEC Energy Group Inc.	WEC	\$2.21	\$2.08	6.3%
Kimberly-Clark Corporation	KMB	\$4.00	\$3.88	3.1%
Comcast Corporation Class A	CMCSA	\$0.76	\$0.63	20.6%
Praxair, Inc.	PX	\$3.30	\$3.15	4.8%
3M Company	MMM	\$5.44	\$4.70	15.7%
Air Products and Chemicals, Inc.	APD	\$4.40	\$3.80	15.8%
Commerce Bancshares, Inc.	CBSH	\$0.94	\$0.86	9.7%
Aflac Incorporated <sup>2</sup>	AFL	\$2.08	\$1.72	20.9%
Polaris Industries Inc.	PII	\$2.40	\$2.32	3.4%
Eversource Energy	ES	\$2.02	\$1.90	6.3%
United Parcel Service, Inc. Class B	UPS	\$3.64	\$3.32	9.6%
Jack Henry & Associates, Inc.	JKHY	\$1.48	\$1.24	19.4%
NextEra Energy, Inc.	NEE	\$4.44	\$3.93	13.0%
T. Rowe Price Group	TROW	\$2.80	\$2.28	22.8%
Clorox Company <sup>3</sup>	CLX	\$3.84	\$3.20	20.0%
Cisco Systems, Inc.	CSCO	\$1.32	\$1.16	13.8%
Walmart Inc.	WMT	\$2.08	\$2.04	2.0%
Xcel Energy Inc.	XEL	\$1.52	\$1.44	5.6%
Chubb Limited	CB	\$2.92	\$2.84	2.8%
Analog Devices, Inc.	ADI	\$1.92	\$1.80	6.7%
General Dynamics Corp.	GD	\$3.72	\$3.36	10.7%
Colgate-Palmolive Company	CL	\$1.68	\$1.60	5.0%
American Tower Corporation <sup>4</sup>	AMT	\$3.00	\$2.48	21.0%
Realty Income Corporation <sup>5</sup>	O	\$2.63	\$2.53	4.0%
<b>Second Quarter</b>				<b>13.0%</b>
TJX Companies Inc.	TJX	\$1.56	\$1.25	24.8%
Procter & Gamble Company	PG	\$2.87	\$2.76	4.0%
Automatic Data Processing, Inc. <sup>6</sup>	ADP	\$2.76	\$2.28	21.1%
International Business Machines Corp.	IBM	\$6.28	\$6.00	4.7%
Costco Wholesale Corporation	COST	\$2.28	\$2.00	14.0%
W.W. Grainger, Inc.	GWV	\$5.44	\$5.12	6.3%
Exxon Mobil Corporation	XOM	\$3.28	\$3.08	6.5%
Johnson & Johnson	JNJ	\$3.60	\$3.36	7.1%
Paychex, Inc.	PAYX	\$2.24	\$2.00	12.0%
PepsiCo, Inc.	PEP	\$3.71	\$3.22	15.2%
FactSet Research Systems Inc.	FDS	\$2.56	\$2.24	14.3%
Phillips 66	PSX	\$3.20	\$2.80	14.3%
American Tower Corporation <sup>7</sup>	AMT	\$3.08	\$2.56	20.3%
Lowe's Companies, Inc.	LOW	\$1.92	\$1.64	17.1%
UnitedHealth Group Inc.	UNH	\$3.60	\$3.00	20.0%
Realty Income Corporation <sup>8</sup>	O	\$2.64	\$2.54	4.0%
Medtronic plc	MDT	\$2.00	\$1.84	8.7%
Starbucks Corporation	SBUX	\$1.44	\$1.20	20.0%

**Appendix A– 2018 DSIP List Dividend Increases**

Company	Symbol	New Annual Dividend Rate	Year Earlier Annual Dividend Rate	Annualized Increase
<b>Third Quarter</b>				<b>14.1%</b>
J.M. Smucker Company	SJM	\$3.40	\$3.12	9.0%
BlackRock, Inc. <sup>9</sup>	BLK	\$12.52	\$10.00	25.2%
PPG Industries, Inc.	PPG	\$1.92	\$1.80	6.7%
Federal Realty Investment Trust	FRT	\$4.08	\$4.00	2.0%
Illinois Tool Works Inc.	ITW	\$4.00	\$3.12	28.2%
Broadridge Financial Solutions, Inc.	BR	\$1.94	\$1.46	32.9%
Harris Corporation	HRS	\$2.74	\$2.28	20.2%
Verizon Communications Inc.	VZ	\$2.41	\$2.36	2.1%
American Tower Corporation <sup>10</sup>	AMT	\$3.16	\$2.64	19.7%
New Jersey Resources Corp.	NJR	\$1.17	\$1.09	7.3%
Realty Income Corporation <sup>11</sup>	O	\$2.65	\$2.54	4.0%
Microsoft Corporation	MSFT	\$1.84	\$1.68	9.5%
Texas Instruments Inc.	TXN	\$3.08	\$2.48	24.2%
McDonald's Corporation	MCD	\$4.64	\$4.04	14.9%
Accenture plc Class A	ACN	\$2.92	\$2.66	9.8%
Honeywell International Inc.	HON	\$3.28	\$2.98	10.1%

Source: Company reports, Wells Fargo Advisors

<sup>1</sup> O increased after 1 month. The increase over the previous month is 3.1%.

<sup>2</sup> AFL increased after 1 quarter. The increase over the previous quarter is 15.6%.

<sup>3</sup> CLX increased after 3 quarters. The increase over the previous quarter is 14.3%.

<sup>4</sup> AMT increased after 1 quarter. The increase over the previous quarter is 7.1%.

<sup>5</sup> O increased after 2 months. The increase over the previous month is 0.2%.

<sup>6</sup> ADP increased after 2 quarters. The increase over the previous quarter is 9.5%.

<sup>7</sup> AMT increased after 1 quarter. The increase over the previous quarter is 2.3%.

<sup>8</sup> O increased after 3 months. The increase over the previous month is 0.2%.

<sup>9</sup> BLK increased after 2 quarters. The increase over the previous quarter is 8.7%.

<sup>10</sup> AMT increased after 1 quarter. The increase over the previous quarter is 2.6%.

<sup>11</sup> O increased after 3 months. The increase over the previous month is 0.2%.

## Appendix B– DSIP List Holdings by Sector

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle <sup>2</sup>	DSIP List Dividend Increases	Company Cons ecutive Dividend Increases	Annual Dividend Growth Es timate	Cons ens us L-T EPS Growth Es timate	Date Added to List
<b>Communication Services (average)</b>			<b>\$201.0</b>		<b>3.5%</b>				<b>6%</b>		
AT&T, Inc.	T	\$32.67	\$237.2	\$2.00	6.1%	2,5,8,11	10	34	2%	7%	6/25/08
Comcast Corporation Class A	CMCSA	\$35.75	\$163.8	\$0.76	2.1%	1,4,7,10	3	10	10%	1%	8/28/15
Verizon Communications Inc.	VZ	\$54.98	\$227.2	\$2.41	4.4%	2,5,8,11	5	12	2%	6%	3/12/14
Walt Disney Company	DIS	\$118.27	\$175.9	\$1.68	1.4%	1,7	3	8	10%	9%	8/28/15
<b>Consumer Dis cretionary</b>			<b>\$73.3</b>		<b>2.1%</b>				<b>10%</b>	<b>15%</b>	
Lowe's Companies	LOW	\$98.39	\$79.8	\$1.92	2.0%	2,5,8,11	6	56	10%	17%	9/14/12
McDonald's Corporation	MCD	\$166.63	\$129.3	\$4.64	2.8%	3,6,9,12	14	42	6%	9%	9/16/04
NIKE, Inc. Class B	NKE	\$74.90	\$120.0	\$0.80	1.1%	1,4,7,10	3	16	12%	18%	2/24/15
Polaris Industries, Inc.	PII	\$92.74	\$5.8	\$2.40	2.6%	3,6,9,12	16	23	6%	16%	11/8/02
Starbucks Corporation	SBUX	\$58.90	\$79.5	\$1.44	2.4%	2,5,8,11	2	8	10%	15%	3/24/17
TJX Companies, Inc.	TJX	\$108.65	\$68.1	\$1.56	1.4%	3,6,9,12	4	22	12%	11%	6/10/14
V.F. Corporation	VFC	\$77.60	\$30.8	\$2.04	2.6%	3,6,9,12	10	46	8%	13%	10/3/08
<b>Consumer Staples</b>			<b>\$89.1</b>		<b>2.3%</b>				<b>6%</b>	<b>7%</b>	
Brown-Forman Corp.	BF.B	\$47.67	\$22.9	\$0.63	1.3%	7,10,12	11	34	8%	10%	5/31/07
Clorox Company	CLX	\$150.85	\$19.3	\$3.84	2.5%	2,5,8,11	14	42	6%	6%	9/16/05
Colgate-Palmolive Co.	CL	\$63.64	\$55.2	\$1.68	2.6%	2,5,8,11	13	55	4%	7%	9/16/05
Cos tco Wholesale Corp.	COST	\$229.06	\$100.4	\$2.28	1.0%	2,5,8,11	10	13	10%	12%	6/25/08
J. M. Smucker Company	SJM	\$104.71	\$11.9	\$3.40	3.2%	3,6,9,12	11	21	6%	4%	10/3/08
McCormick & Company, Inc.	MKC	\$141.41	\$18.6	\$2.08	1.5%	1,4,7,10	11	32	6%	10%	5/31/07
Mondelez International Inc.	MDLZ	\$41.44	\$60.8	\$1.04	2.5%	1,4,7,10	0	5	8%	12%	9/17/18
PepsiCo, Inc.	PEP	\$109.40	\$154.4	\$3.71	3.4%	1,3,6,9	24	46	7%	7%	8/10/94
Procter & Gamble Co.	PG	\$86.60	\$215.8	\$2.87	3.3%	2,5,8,11	20	62	4%	7%	11/23/98
Sys co Corporation	SY	\$70.79	\$36.9	\$1.44	2.0%	1,4,7,10	22	48	5%	12%	2/6/97
Walmart Inc.	WMT	\$97.14	\$284.5	\$2.08	2.1%	1,4,6,9	14	45	4%	7%	9/21/04
<b>Energy</b>			<b>\$195.7</b>		<b>3.6%</b>				<b>5%</b>	<b>9%</b>	
Exxon Mobil Corporation	XOM	\$81.15	\$343.6	\$3.28	4.0%	3,6,9,12	20	36	4%	13%	5/11/95
Phillips 66	PSX	\$103.15	\$47.9	\$3.20	3.1%	3,6,9,12	8	6	6%	6%	5/2/12
<b>Financials</b>			<b>\$28.4</b>		<b>2.1%</b>				<b>7%</b>	<b>11%</b>	
Aflac Incorporated	AFL	\$44.28	\$34.0	\$1.04	2.3%	3,6,9,12	13	36	5%	8%	11/1/06
BlackRock, Inc.	BLK	\$392.36	\$62.7	\$12.52	3.2%	3,6,9,12	4	9	10%	12%	2/24/15
Brown & Brown, Inc.	BRO	\$29.13	\$8.1	\$0.32	1.1%	2,5,8,11	11	25	7%	1%	10/3/08
Chubb Limited	CB	\$127.13	\$58.6	\$2.92	2.3%	1,4,7,10	2	25	8%	11%	10/28/16
Commerce Bancshares, Inc.	CBSH	\$61.42	\$6.5	\$0.94	1.5%	3,6,9,12	22	50	5%	9%	4/18/97
Eaton Vance Corporation	EV	\$44.85	\$5.3	\$1.40	3.1%	2,5,8,11	19	38	7%	0%	1/12/01
FactSet Research Systems Inc.	FDS	\$220.90	\$8.5	\$2.56	1.2%	3,6,9,12	10	19	10%	12%	2/6/09
S&P Global, Inc.	SPGI	\$188.93	\$47.5	\$2.00	1.1%	3,6,9,12	0	45	8%	14%	10/19/18
T. Rowe Price Group	TROW	\$99.40	\$24.2	\$2.80	2.8%	3,6,9,12	2	32	7%	13%	6/29/16
<b>Health Care</b>			<b>\$149.6</b>		<b>1.9%</b>				<b>9%</b>	<b>10%</b>	
Abbott Laboratories	ABT	\$68.52	\$120.2	\$1.12	1.6%	2,5,8,11	10	46	8%	12%	6/25/08
AmerisourceBergen Corp.	ABC	\$90.22	\$19.5	\$1.52	1.7%	3,6,9,12	2	13	8%	10%	11/9/15
Amgen Inc.	AMGN	\$198.02	\$128.2	\$5.28	2.7%	3,6,9,12	3	7	12%	6%	9/9/15
Becton, Dickinson & Co.	BDX	\$235.34	\$63.0	\$3.00	1.3%	3,6,9,12	11	46	9%	14%	1/5/07
Johns on & Johns on	JNJ	\$138.68	\$372.0	\$3.60	2.6%	3,6,9,12	10	56	6%	8%	6/25/08
Medtronic Plc	MDT	\$93.62	\$126.4	\$2.00	2.1%	1,4,7,10	3	41	9%	8%	11/9/15
Novartis AG ~	NVS	\$87.10	\$201.9	\$2.49	2.9%	4	13	21	4%	6%	9/16/05
Stryker Corporation	SYK	\$167.76	\$62.7	\$1.88	1.1%	1,4,7,10	6	27	10%	10%	4/25/12
UnitedHealth Group Inc.	UNH	\$262.19	\$252.4	\$3.60	1.4%	3,6,9,12	2	9	10%	12%	3/24/17
<b>Indus trials</b>			<b>\$62.4</b>		<b>2.3%</b>				<b>7%</b>	<b>11%</b>	
3M Company	MMM	\$201.36	\$118.1	\$5.44	2.7%	2,5,8,11	13	60	7%	9%	3/2/05
Emers on Electric Co.	EMR	\$71.72	\$45.1	\$1.94	2.7%	3,6,9,12	24	61	2%	13%	11/30/93
General Dynamics Corp.	GD	\$190.14	\$56.3	\$3.72	2.0%	2,5,8,11	10	21	9%	12%	6/25/08
Honeywell International Inc.	HON	\$152.61	\$113.0	\$3.28	2.1%	3,6,9,12	1	8	8%	8%	2/7/18
Harris Corporation	HRS	\$171.69	\$20.2	\$2.74	1.6%	3,6,9,12	11	17	6%	-	8/29/08
Illinois Tool Works Inc.	ITW	\$127.32	\$42.7	\$4.00	3.1%	1,4,7,10	12	53	7%	10%	3/2/05
United Parcel Service, Inc.	UPS	\$115.64	\$99.5	\$3.64	3.1%	3,6,9,12	10	9	7%	11%	3/7/07
United Technologies Corp.	UTX	\$126.40	\$101.1	\$2.94	2.3%	3,6,9,12	15	23	6%	11%	9/20/01
W.W. Grainger, Inc.	GWW	\$275.24	\$15.5	\$5.44	2.0%	3,6,9,12	12	47	6%	15%	7/10/06
Xylem Inc.	XYL	\$69.35	\$12.5	\$0.84	1.2%	3,6,9,12	0	6	10%	13%	10/19/18



## Appendix B– DSIP List Holdings by Sector (continued)

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle <sup>2</sup>	DSIP List Dividend Increases	Company Cons ecutive Dividend Increases	Annual Dividend Growth Es timate	Cons ensus L-T EPS Growth Es timate	Date Added to List
<b>Information Technology</b>			<b>\$151.2</b>		<b>2.4%</b>				<b>8%</b>	<b>10%</b>	
Accenture plc	ACN	\$159.55	\$102.0	\$2.92	1.8%	5,11	11	13	8%	10%	6/25/08
Analog Devices, Inc.	ADI	\$82.55	\$30.7	\$1.92	2.3%	3,6,9,12	10	14	6%	9%	6/28/07
Automatic Data Processing, Inc.	ADP	\$143.99	\$63.0	\$2.76	1.9%	1,4,7,10	15	44	6%	14%	11/25/03
Broadridge Financial Solutions, Inc	BR	\$118.28	\$13.8	\$1.94	1.6%	1,4,7,10	3	11	9%	10%	1/15/16
Cisco Systems, Inc.	CSCO	\$45.76	\$209.2	\$1.32	2.9%	1,4,7,10	5	7	9%	7%	11/20/13
Intl Business Machines Corp.	IBM	\$130.02	\$118.7	\$6.28	4.8%	3,6,9,12	18	23	5%	3%	7/20/00
Jack Henry & Associates, Inc.	JKHY	\$153.92	\$11.9	\$1.48	1.0%	3,6,9,12	19	27	10%	11%	11/11/99
Microsoft Corporation	MSFT	\$109.63	\$841.7	\$1.84	1.7%	3,6,9,12	4	15	8%	12%	1/5/12
Paychex, Inc.	PAYX	\$67.57	\$24.3	\$2.24	3.3%	2,5,8,11	15	8	5%	8%	5/7/01
Texas Instruments Inc.	TXN	\$99.72	\$96.9	\$3.08	3.1%	2,5,8,11	2	15	8%	15%	6/28/17
<b>Materials</b>			<b>\$37.1</b>		<b>2.0%</b>				<b>7%</b>	<b>13%</b>	
Air Products & Chemicals, Inc.	APD	\$153.30	\$33.6	\$4.40	2.9%	2,5,8,11	12	36	7%	14%	7/5/06
Ecolab Inc.	ECL	\$147.00	\$42.5	\$1.64	1.1%	1,4,7,10	11	26	9%	12%	3/6/07
PPG Industries, Inc.	PPG	\$101.66	\$24.4	\$1.92	1.9%	3,6,9,12	2	47	7%	7%	6/29/16
Praxair, Inc.	PX	\$166.88	\$48.0	\$3.30	2.0%	3,6,9,12	12	25	5%	16%	6/15/06
<b>Real Estate</b>			<b>\$33.8</b>		<b>3.6%</b>				<b>6%</b>	<b>10%</b>	
American Tower Corporation	AMT	\$149.25	\$65.8	\$3.16	2.1%	2,5,8,11	21	6	15%	16%	6/14/13
Crown Castle International Corp.	CCI	\$105.78	\$43.9	\$4.50	4.3%	3,6,9,12	1	4	7%	19%	9/17/18
Federal Realty Investment Trust	FRT	\$120.01	\$8.8	\$4.08	3.4%	1,4,7,10	2	51	5%	5%	10/28/16
Realty Income Corporation	O	\$57.71	\$16.7	\$2.65	4.6%	Monthly	56	23	3%	4%	3/14/07
<b>Utilities</b>			<b>\$26.2</b>		<b>2.8%</b>				<b>6%</b>	<b>6%</b>	
American Water Works Co, Inc.	AWK	\$91.53	\$16.5	\$1.82	2.0%	3,6,9,12	0	10	8%	8%	6/7/18
CMS Energy Corp.	CMS	\$50.48	\$14.3	\$1.43	2.8%	2,5,8,11	0	12	7%	6%	9/17/18
Eversource Energy	ES	\$63.20	\$20.0	\$2.02	3.2%	3,6,9,12	15	19	6%	6%	6/7/04
New Jersey Resources Corp.	NJR	\$46.42	\$4.1	\$1.17	2.5%	1,4,7,10	24	23	6%	7%	2/16/96
NextEra Energy, Inc.	NEE	\$172.66	\$81.4	\$4.44	2.6%	3,6,9,12	25	24	12%	9%	5/10/94
WEC Energy Group Inc.	WEC	\$70.19	\$22.1	\$2.21	3.1%	3,6,9,12	8	15	6%	4%	2/9/12
Xcel Energy Inc.	XEL	\$48.87	\$24.9	\$1.52	3.1%	1,4,7,10	3	15	6%	6%	3/3/15
DSIP List Average <sup>1</sup>			\$92.0		2.4%		10	27	7%	10%	1/30/09
S&P 500		\$2,756	\$46.5	\$49.73	1.8%					13%	

Source: FactSet, Wells Fargo Advisors, company reports

<sup>1</sup> Simple average for market cap, dividend yield, dividend counts, date added. Median for growth estimate.

<sup>2</sup> Months in which dividends are paid. January is 1, February 2, etc.

EPS = earnings per share, funds from operations used for real estate investment trusts

L-T = long-term

DSIP List Dividend Increases = the number of dividend increases for the company while on the DSIP List

Company Cons ecutive Dividend Increases = the cons ecutive number of annual dividend increases for the company

Market Cap categories: large cap greater than \$12.5 billion, mid cap between \$12.5 billion and \$3 billion, small cap less than \$3 billion

**IMPORTANT DISCLOSURES**

Analyst or household member owns an equity position in Eaton Vance Corporation (EV) and Verizon Communications, Inc. (VZ).

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