

# Diversified Stock Income Plan

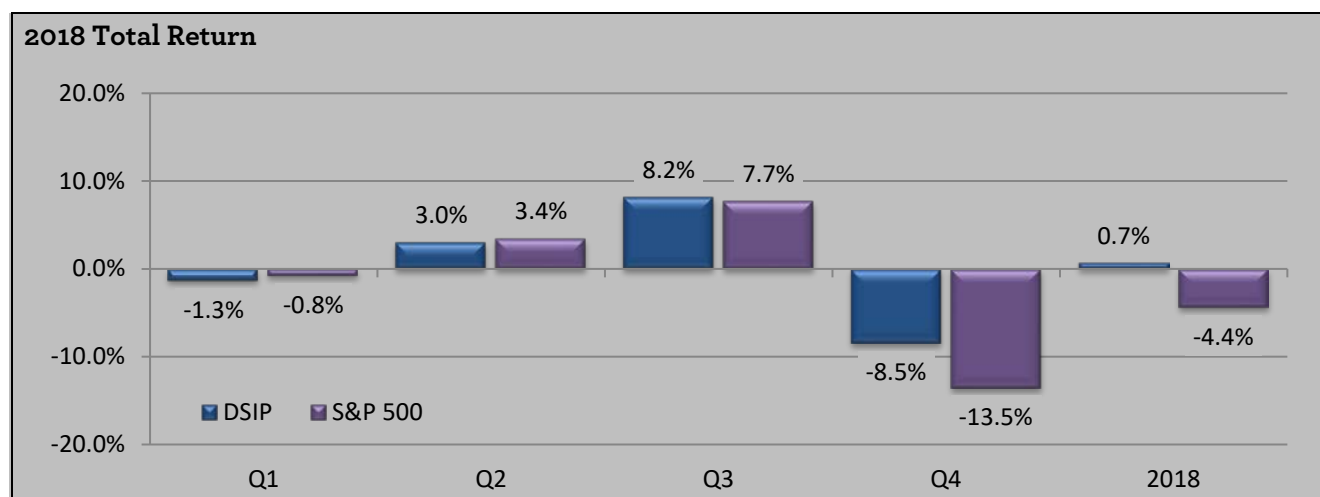
## 2018 Fourth Quarter Review

January 25, 2019

*The Diversified Stock Income Plan List (DSIP, DSIP List 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 fourth quarter of 2018 and for the full year, the DSIP List showed its defensive characteristics, outperforming its benchmark, the S&P 500, in what turned out to be a volatile quarter and year.
- The List typically outperforms in periods of downside market volatility as high-quality, rising dividend stocks tend to help reduce portfolio volatility and act as a buffer in a declining stock market.
- Twenty-one companies on the DSIP List announced dividend increases during the quarter with an average increase of 8.9%, a level slightly above our longer-term expectations.



Source: Wells Fargo Advisors, FactSet, as of 12/31/2018. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

The broader markets in the fourth quarter were difficult to say the least with the S&P 500 down nearly 14% on a total return basis. Risk-off assets outperformed risk-on as concerns about weakening global growth, trade tensions and rising interest rates all spooked the markets. The DSIP List outperformed its benchmark, the S&P 500, as we would expect in volatile overall markets. When stock prices decline,

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

**Please see pages 11-12 for Important Disclosures, Disclaimers and Analyst Certification**

dividends typically serve as a stabilizing source of return and predictable income. DSIP absolute, positive total return was only seen from the Utilities sector in the December quarter. Asset managers, energy companies and technology stocks were poor List performers in the quarter while defensive groups like utilities, real estate investment trusts (REITs) and consumer staples were relative outperformers. Our underweight in information technology helped the List as did our overweight in the above-mentioned defensive sectors.

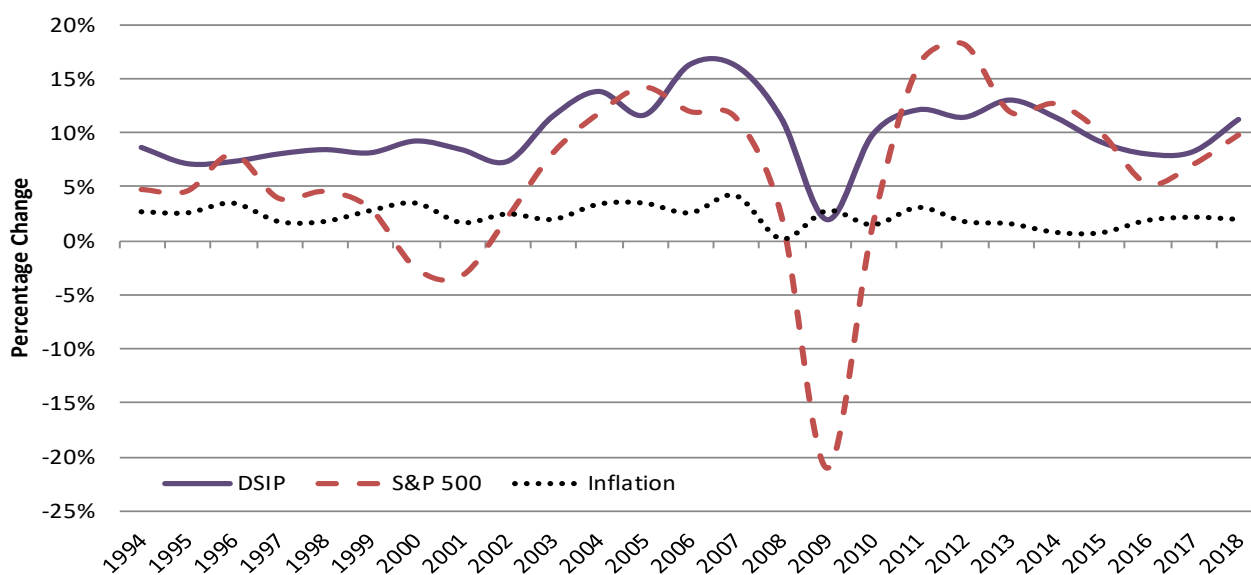
For the full year 2018, risk-off stocks outperformed risk-on with utilities and healthcare stocks two of the best performing sectors while financials, industrials, materials and energy were at the opposite end of the spectrum. The DSIP List easily outperformed its benchmark, the S&P 500, by roughly 5 percentage points in 2018. The List typically outperforms in periods of market volatility/weakness as rising dividend stocks can help reduce portfolio volatility and act as a buffer in a declining stock market. Through the first eight months of 2018, DSIP List performance was only in line with the broader markets as our underweight in technology stocks hurt. However, the last four months favored more defensive sectors and more mature, proven companies which make up the majority of names on our List. Healthcare, consumer discretionary and utilities stocks were among the most positive contributors to absolute DSIP List performance in the year just ended while industrials, financials (especially asset managers) and energy hurt results.

**Dividend increases**

During the fourth quarter, 21 DSIP companies declared dividend increases with an average increase of 8.9% compared to the same quarter in 2017. For the full year, year-over-year dividend growth was healthy, averaging about 11%, helped by strong company fundamentals and the benefits of corporate tax reform.

The average annual dividend increase for DSIP since its first full year in 1994 is roughly 10%, ahead of the corresponding number for the S&P 500 of 6% and annual inflation of about 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 proven to be and should continue to be a viable strategy to help investors stay ahead of the rising cost of living.

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



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

## List changes

We added three companies to the DSIP List during the fourth quarter, bringing the total number of constituents to 78 at yearend.

**S&P Global, Inc. (SPGI)** and **Xylem Inc. (XYL)** were added in October. S&P Global is a leading provider of ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. We are attracted to S&P Global's leading positions in its end markets, its free cash flow generation, and the firm's high level of recurring revenue and its commitment to return at least 75% of its free cash flow to shareholders via share buybacks and dividends. We estimate dividend growth of 8% per year and it is worth noting the company has boosted its dividend annually for the past 45 years putting it in elite company. Dividend payout ratios remain low while the balance sheet is solid with a low debt to total capital ratio.

Xylem Inc. is a global leader in water technology providing solutions across the water cycle – transportation, processing, utilization, and metering. Its products include pumps, fire protection systems, drinking water systems, and water meters to name just a few. Xylem's end markets are utility (50%), industrial (35%) and commercial. Half of revenue is generated domestically. The company has increased its dividend each year since its separation from ITT Corporation in 2011 with a five year compounded annual growth rate (CAGR) of 12%. Going forward, we estimate dividend growth of 10% per year. Dividend payout ratios remain low in the 20-30% range. The company maintains a solid balance sheet with a relative low net debt to total capital ratio of 38%.

**Apple Inc. (AAPL)** was added in late November. While recent results have trailed off a bit, the company's longer-term financial profile matches up strongly with the key criteria we use to evaluate stocks for their potential to consistently increase annual dividends. These metrics include market leadership, consistent growth in mature/defensive businesses, a strong balance sheet and excess free cash flow. Apple has increased its earnings per share at an 8% CAGR over the past five years and the dividend at a 12% CAGR since 2012. We estimate Apple will grow its dividend at a long-term CAGR of 8% despite recent earnings per share (EPS) estimate growth reductions. The company maintains a very strong balance sheet ending 2018 with roughly \$120 billion of AA+ rated debt partially offset by \$77 billion in cash and short term investments.

## A look back at 2018 List changes

Besides the three additions mentioned above, there were five other additions and seven removals during 2018. Roughly 25% of the changes were in the Consumer Staples sector with three stock removals and one addition. We also made meaningful changes to our utility holdings with two additions and two removals. Now to the specifics:

Additions:

**Honeywell International Inc. (HON)** was added to the Industrials sector in February. Honeywell is a diversified technology and manufacturing company serving customers worldwide across diverse segments. We believe the company will grow its dividend 8% annually, slightly below their longer-term EPS growth rate. Honeywell also has balance sheet strength and the ability to generate high levels of free cash flow, both of which support future dividend growth.

**American Water Works Company, Inc. (AWK)** was added to the Utilities sector in June. American Water Works is the largest and most geographically diverse publicly-traded water utility in the U.S. by revenue and population served. Importantly for DSIP purposes, management expects annual dividend

growth to be at the high end of its +7-10% EPS guidance while remaining within its targeted 50-60% payout window.

**CMS Energy Corporation (CMS)** was added to the Utilities sector in September. CMS Energy 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 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% EPS growth and a stable 62% payout ratio which implies future dividend growth in line with EPS growth.

**Crown Castle International Corp (CCI)** is a leading U.S. provider of shared communications infrastructure and was added to the list in September. The company owns a comprehensive network of macro towers, small cells, and fiber. The company is organized as a REIT. 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)** is a global packaged food company focused largely on the snacking sub-segment which is higher growth in nature. Mondelez was added in September. 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 our expectation of upper single digit earnings per share growth especially given the company's relatively low payout ratio of 43%.

Removals:

**Kellogg Company (K \$57.66)** and **General Mills, Inc. (GIS \$43.52)** were removed in February. Like many packaged food companies, both have struggled to grow organic sales and earnings recently as consumers tastes have shifted to fresh and protein-focused products and those using fewer artificial ingredients. Both companies will invest more to have more exposure in these areas via acquisitions and innovation and also to invest more in e-commerce. However, these investments along with higher costs in general could restrict the company's earnings, cash flow power and balance sheet and potentially cap dividend growth in the foreseeable future.

**Edison International (EIX \$55.14)** were also removed in February. A wildfire was reported on December 4, 2017 in the service territory of Edison's primary subsidiary, Southern California Edison. The fire was ultimately contained and investigations have taken place to determine the cause. If Edison is found liable for damages, the monetary costs could be substantial and impact the company's ability to grow or even maintain its dividend in the future. With the uncertainty around long-term dividend growth prospects and relatively unappealing regulatory treatment historically in California, we believe removal of Edison shares from the DSIP List was prudent.

**South Jersey Industries, Inc. (SJI \$30.70)** was removed in June. This was due to dividend growth that we believe will remain at a low level for the foreseeable future constrained by the company's high payout ratio.

**Aptargroup, Inc (ATR \$97.13)** were removed in June. This was due to the company's irregularity in providing consistent annual dividend growth which is what the DSIP List is all about. We believe the dividend raise inconsistency could continue going forward given the company's priority on making fill-in acquisitions in the fragmented packaging and dispensing solutions industry.

**Kimberly-Clark Corporation (KMB \$111.44)** was removed in September. Like many consumer staples companies, Kimberly-Clark has struggled to grow organic sales and earnings recently in its varied paper-based goods categories. 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 from Q4**

- Commerce Bancshares, Inc. (CBSH) declared and paid its typical 5% stock dividend during the quarter.
- On October 23, Johnson & Johnson (JNJ) announced the acquisition of a majority stake in Ci:z Holdings Co., Ltd. for \$1.8 billion. Ci:z Holdings is a Japanese company focused on the marketing, development and distribution of a broad range of dermocosmetic, cosmetic and skincare products.
- International Business Machines Corp. (IBM) announced its \$34 billion acquisition of Red Hat Inc. (RHT \$176.35) on October 28. Red Hat is a leading provider of enterprise open source software solutions. The company helps customers integrate new and existing technology applications, develop cloud-native applications, standardize, and automate, secure, and manage complex environments. The transaction is expected to close in the second half of 2019.
- On October 29, Honeywell International (HON) completed the spin-off of its security and distribution business to shareholders (Resideo Technologies, Inc. (REZI \$20.39)). This follows the spin-off of Honeywell's transportation business (Garrett Motion, Inc. (GTX \$15.02)) on October 1.
- Praxair Inc. and Linde AG completed their merger of equals on October 31, about two years after announcing the transaction. The combined entity, Linde plc (LIN \$157.37), is a global leader in the industrial gas industry.
- In mid-November, Jack Henry & Associates (JKHY) graduated up to the S&P 500 from the mid-cap S&P 400.

**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%

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

<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.	GWW	\$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%

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%

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

<b>Fourth Quarter</b>				<b>8.9%</b>
United Technologies Corporation	UTX	\$2.94	\$2.80	5.0%
Brown & Brown, Inc.	BRO	\$0.32	\$0.30	6.7%
Eaton Vance Corporation	EV	\$1.40	\$1.24	12.9%
Crown Castle International Corp.	CCI	\$4.50	\$4.20	7.1%
V.F. Corporation	VFC	\$2.04	\$1.84	10.9%
AmerisourceBergen Corporation	ABC	\$1.60	\$1.52	5.3%
Automatic Data Processing, Inc. <sup>12</sup>	ADP	\$3.16	\$2.52	25.4%
Emerson Electric Company	EMR	\$1.96	\$1.94	1.0%
NIKE, Inc. Class B	NKE	\$0.88	\$0.80	10.0%
Brown-Forman Corporation Class B	BF.B	\$0.66	\$0.63	5.1%
Sysco Corporation	SYU	\$1.56	\$1.44	8.3%
Becton, Dickinson and Company	BDX	\$3.08	\$3.00	2.7%
McCormick & Company, Inc.	MKC	\$2.28	\$2.08	9.6%
Walt Disney Company	DIS	\$1.76	\$1.68	4.8%
Stryker Corporation	SYK	\$2.08	\$1.88	10.6%
Ecolab Inc.	ECL	\$1.84	\$1.64	12.2%
American Tower Corporation <sup>13</sup>	AMT	\$3.36	\$2.80	20.0%
Amgen Inc.	AMGN	\$5.80	\$5.28	9.8%
Realty Income Corporation <sup>14</sup>	O	\$2.652	\$2.55	4.0%
AT&T Inc.	T	\$2.04	\$2.00	2.0%
Abbott Laboratories	ABT	\$1.28	\$1.12	14.3%

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%.

<sup>12</sup>ADP increased after 2 quarters. The increase over the previous quarter is 14.5%.

<sup>13</sup>AMT increased after 1 quarter. The increase over the previous quarter is 6.3%.

<sup>14</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>\$197.0</b>		<b>3.7%</b>				<b>6%</b>	<b>6%</b>	
AT&T, Inc.	T	\$30.60	\$222.7	\$2.04	6.7%	2,5,8,11	11	35	2%	5%	6/25/08
Comcast Corporation Class A	CMCSA	\$36.24	\$164.9	\$0.84	2.3%	1,4,7,10	4	11	10%	17%	8/28/15
Verizon Communications Inc.	VZ	\$57.07	\$235.8	\$2.41	4.2%	2,5,8,11	5	12	2%	6%	3/12/14
Walt Disney Company	DIS	\$110.55	\$164.8	\$1.76	1.6%	1,7	4	9	10%	6%	8/28/15
<b>Consumer Dis cretionary</b>			<b>\$74.8</b>		<b>2.1%</b>				<b>10%</b>	<b>13%</b>	
Lowe's Companies	LOW	\$91.80	\$73.7	\$1.92	2.1%	2,5,8,11	6	56	10%	16%	9/14/12
McDonald's Corporation	MCD	\$187.37	\$144.4	\$4.64	2.5%	3,6,9,12	14	42	6%	9%	9/16/04
NIKE, Inc. Class B	NKE	\$80.44	\$126.6	\$0.88	1.1%	1,4,7,10	4	17	12%	14%	2/24/15
Polaris Industries, Inc.	PII	\$86.47	\$5.3	\$2.40	2.8%	3,6,9,12	16	23	6%	15%	11/8/02
Starbucks Corporation	SBUX	\$64.74	\$80.3	\$1.44	2.2%	2,5,8,11	2	8	10%	13%	3/24/17
TJX Companies, Inc.	TJX	\$48.68	\$60.2	\$0.78	1.6%	3,6,9,12	4	22	12%	12%	6/10/14
V.F. Corporation	VFC	\$83.34	\$33.1	\$2.04	2.4%	3,6,9,12	10	46	8%	12%	10/3/08
<b>Consumer Staples</b>			<b>\$89.7</b>		<b>2.4%</b>				<b>6%</b>	<b>8%</b>	
Brown-Forman Corp.	BF.B	\$45.61	\$21.8	\$0.66	1.5%	7,10,12	12	35	8%	9%	5/31/07
Clorox Company	CLX	\$149.17	\$19.0	\$3.84	2.6%	2,5,8,11	14	42	6%	5%	9/16/05
Colgate-Palmolive Co.	CL	\$62.20	\$53.9	\$1.68	2.7%	2,5,8,11	13	55	4%	6%	9/16/05
Costco Wholesale Corp.	COST	\$210.31	\$92.6	\$2.28	1.1%	2,5,8,11	10	13	10%	11%	6/25/08
J. M. Smucker Company	SJM	\$101.77	\$11.6	\$3.40	3.3%	3,6,9,12	11	21	6%	9%	10/3/08
McCormick & Company, Inc.	MKC	\$124.35	\$16.4	\$2.28	1.8%	1,4,7,10	12	33	7%	-13%	5/31/07
Mondelez International Inc.	MDLZ	\$43.03	\$62.6	\$1.04	2.4%	1,4,7,10	0	5	8%	8%	9/17/18
PepsiCo, Inc.	PEP	\$109.50	\$154.6	\$3.71	3.4%	1,3,6,9	24	46	7%	6%	8/10/94
Procter & Gamble Co.	PG	\$94.30	\$235.9	\$2.87	3.0%	2,5,8,11	20	62	4%	7%	11/23/98
Sysco Corporation	SY	\$62.53	\$32.5	\$1.56	2.5%	1,4,7,10	23	49	5%	12%	2/6/97
Walmart Inc.	WMT	\$98.36	\$285.8	\$2.08	2.1%	1,4,6,9	14	45	4%	8%	9/21/04
<b>Energy</b>			<b>\$172.2</b>		<b>4.0%</b>				<b>5%</b>	<b>9%</b>	
Exxon Mobil Corporation	XOM	\$71.40	\$302.3	\$3.28	4.6%	3,6,9,12	20	36	4%	12%	5/11/95
Phillips 66	PSX	\$91.33	\$42.1	\$3.20	3.5%	3,6,9,12	8	6	6%	6%	5/2/12
<b>Financials</b>			<b>\$28.8</b>		<b>2.1%</b>				<b>7%</b>	<b>9%</b>	
Aflac Incorporated	AFL	\$47.33	\$36.0	\$1.04	2.2%	3,6,9,12	13	36	5%	9%	11/1/06
BlackRock, Inc.	BLK	\$406.56	\$64.4	\$13.20	3.2%	3,6,9,12	5	10	10%	11%	2/24/15
Brown & Brown, Inc.	BRO	\$28.31	\$8.0	\$0.32	1.1%	2,5,8,11	11	25	7%	1%	10/3/08
Chubb Limited	CB	\$132.41	\$61.0	\$2.92	2.2%	1,4,7,10	2	25	8%	8%	10/28/16
Commerce Bancshares, Inc.	CBSH	\$60.39	\$6.7	\$0.94	1.6%	3,6,9,12	22	50	5%	4%	4/18/97
Eaton Vance Corporation	EV	\$39.36	\$4.6	\$1.40	3.6%	2,5,8,11	19	38	7%	9%	1/12/01
FactSet Research Systems Inc.	FDS	\$213.86	\$8.1	\$2.56	1.2%	3,6,9,12	10	19	10%	10%	2/6/09
S&P Global, Inc.	SPGI	\$188.57	\$47.3	\$2.00	1.1%	3,6,9,12	0	45	8%	14%	10/19/18
T. Rowe Price Group	TROW	\$93.86	\$22.6	\$2.80	3.0%	3,6,9,12	2	32	7%	11%	6/29/16
<b>Health Care</b>			<b>\$145.6</b>		<b>2.1%</b>				<b>9%</b>	<b>9%</b>	
Abbott Laboratories	ABT	\$70.86	\$124.5	\$1.28	1.8%	2,5,8,11	11	47	8%	12%	6/25/08
AmerisourceBergen Corp.	ABC	\$78.70	\$16.6	\$1.60	2.0%	3,6,9,12	3	14	7%	9%	11/9/15
Amgen Inc.	AMGN	\$200.97	\$128.1	\$5.80	2.9%	3,6,9,12	4	8	12%	7%	9/9/15
Becton, Dickinson & Co.	BDX	\$240.72	\$64.9	\$3.08	1.3%	3,6,9,12	12	47	9%	12%	1/5/07
Johns on & Johns on	JNJ	\$127.03	\$340.7	\$3.60	2.8%	3,6,9,12	10	56	6%	7%	6/25/08
Medtronic Plc	MDT	\$87.23	\$117.2	\$2.00	2.3%	1,4,7,10	3	41	9%	8%	11/9/15
Novartis AG ~	NVS	\$86.40	\$200.2	\$2.49	2.9%	4	13	21	4%	6%	9/16/05
Stryker Corporation	SYK	\$167.30	\$62.6	\$2.08	1.2%	1,4,7,10	7	28	10%	10%	4/25/12
UnitedHealth Group Inc.	UNH	\$266.13	\$256.0	\$3.60	1.4%	3,6,9,12	2	9	10%	12%	3/24/17
<b>Indus trials</b>			<b>\$58.1</b>		<b>2.5%</b>				<b>7%</b>	<b>10%</b>	
3M Company	MMM	\$192.52	\$112.1	\$5.44	2.8%	2,5,8,11	13	60	7%	9%	3/2/05
Emerson Electric Co.	EMR	\$63.04	\$39.5	\$1.96	3.1%	3,6,9,12	25	62	2%	10%	11/30/93
General Dynamics Corp.	GD	\$170.82	\$50.6	\$3.72	2.2%	2,5,8,11	10	21	9%	10%	6/25/08
Honeywell International Inc.	HON	\$141.18	\$104.5	\$3.28	2.3%	3,6,9,12	1	8	8%	8%	2/7/18
Harris Corporation	HRS	\$141.93	\$16.7	\$2.74	1.9%	3,6,9,12	11	17	6%	-	8/29/08
Illinois Tool Works Inc.	ITW	\$130.93	\$43.4	\$4.00	3.1%	1,4,7,10	12	53	7%	9%	3/2/05
United Parcel Service, Inc.	UPS	\$99.70	\$85.8	\$3.64	3.7%	3,6,9,12	10	9	7%	11%	3/7/07
United Technologies Corp.	UTX	\$115.56	\$99.8	\$2.94	2.5%	3,6,9,12	15	23	6%	10%	9/20/01
W.W. Grainger, Inc.	GW	\$286.22	\$16.0	\$5.44	1.9%	3,6,9,12	12	47	6%	14%	7/10/06
Xylem Inc.	XYL	\$68.63	\$12.3	\$0.84	1.2%	3,6,9,12	0	6	10%	14%	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 Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to List
<b>Information Technology</b>			<b>\$199.8</b>		<b>2.4%</b>				<b>8%</b>	<b>9%</b>	
Accenture plc	ACN	\$150.15	\$95.7	\$2.92	1.9%	5,11	11	13	8%	9%	6/25/08
Analog Devices, Inc.	ADI	\$94.75	\$35.1	\$1.92	2.0%	3,6,9,12	10	14	6%	8%	6/28/07
Apple Inc.	AAPL	\$152.70	\$722.2	\$2.92	1.9%	2,5,8,11	0	5	8%	8%	11/29/18
Automatic Data Processing, Inc.	ADP	\$134.75	\$59.0	\$3.16	2.3%	1,4,7,10	16	44	6%	15%	11/25/03
Broadridge Financial Solutions, Inc	BR	\$100.80	\$11.8	\$1.94	1.9%	1,4,7,10	3	11	9%	10%	1/15/16
Cisco Systems, Inc.	CSCO	\$45.61	\$205.1	\$1.32	2.9%	1,4,7,10	5	7	9%	8%	11/20/13
Int'l Business Machines Corp.	IBM	\$132.53	\$120.4	\$6.28	4.7%	3,6,9,12	18	23	5%	3%	7/20/00
Jack Henry & Associates, Inc.	JKHY	\$131.15	\$10.1	\$1.48	1.1%	3,6,9,12	19	27	10%	9%	11/11/99
Microsoft Corporation	MSFT	\$106.20	\$815.4	\$1.84	1.7%	3,6,9,12	4	15	8%	13%	1/5/12
Paychex, Inc.	PAYX	\$69.62	\$25.0	\$2.24	3.2%	2,5,8,11	15	8	5%	9%	5/7/01
Texas Instruments Inc.	TXN	\$102.09	\$98.1	\$3.08	3.0%	2,5,8,11	2	15	8%	9%	6/28/17
<b>Materials</b>			<b>\$47.4</b>		<b>2.0%</b>				<b>7%</b>	<b>13%</b>	
Air Products & Chemicals, Inc.	APD	\$156.50	\$34.4	\$4.64	3.0%	2,5,8,11	13	37	7%	13%	7/5/06
Ecolab Inc.	ECL	\$151.92	\$43.9	\$1.84	1.2%	1,4,7,10	12	27	9%	12%	3/6/07
PPG Industries, Inc.	PPG	\$102.22	\$24.5	\$1.92	1.9%	3,6,9,12	2	47	7%	9%	6/29/16
Praxair, Inc.	PX	\$157.37	\$86.7	\$3.30	2.1%	3,6,9,12	12	25	5%	17%	6/15/06
<b>Real Estate</b>			<b>\$37.0</b>		<b>3.4%</b>				<b>6%</b>	<b>11%</b>	
American Tower Corporation	AMT	\$165.65	\$73.0	\$3.36	2.0%	2,5,8,11	22	6	15%	16%	6/14/13
Crown Castle International Corp.	CCI	\$111.91	\$46.4	\$4.50	4.0%	3,6,9,12	1	4	7%	20%	9/17/18
Federal Realty Investment Trust	FRT	\$126.69	\$9.5	\$4.08	3.2%	1,4,7,10	2	51	5%	6%	10/28/16
Realty Income Corporation	O	\$64.26	\$19.0	\$2.71	4.2%	Monthly	58	24	3%	5%	3/14/07
<b>Utilities</b>			<b>\$27.6</b>		<b>2.7%</b>				<b>6%</b>	<b>6%</b>	
American Water Works Co, Inc.	AWK	\$94.64	\$17.1	\$1.82	1.9%	3,6,9,12	0	10	8%	8%	6/7/18
CMS Energy Corp.	CMS	\$51.69	\$14.6	\$1.53	3.0%	2,5,8,11	1	13	7%	7%	9/17/18
Eversource Energy	ES	\$68.46	\$21.7	\$2.02	3.0%	3,6,9,12	15	19	6%	6%	6/7/04
New Jersey Resources Corp.	NJR	\$47.87	\$4.2	\$1.17	2.4%	1,4,7,10	24	23	6%	4%	2/16/96
NextEra Energy, Inc.	NEE	\$180.28	\$86.2	\$4.44	2.5%	3,6,9,12	25	24	12%	9%	5/10/94
WEC Energy Group Inc.	WEC	\$72.22	\$22.8	\$2.36	3.3%	3,6,9,12	9	16	6%	5%	2/9/12
Xcel Energy Inc.	XEL	\$51.39	\$26.4	\$1.52	3.0%	1,4,7,10	3	15	6%	6%	3/3/15
DSIP List Average <sup>1</sup>			\$98.7		2.5%		10	27	7%	9%	3/18/09
S&P 500		\$2,642	\$44.4	\$49.74	1.9%					12%	

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 Consecutive Dividend Increases = the consecutive 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 Eversource Energy (ES) and Verizon Communications, Inc. (VZ).

**Disclosure information . . . For important disclosure information, please contact:**

Wells Fargo Advisors Attn: Advisory Services (Disclosure Information)

One North Jefferson, St. Louis, MO 63103 Or call (877) 785-4332

**Please remember to specify the issuer(s) with respect to which you would like to receive disclosure information.**

**ANALYST CERTIFICATION:** *The Analyst who prepared this report hereby certifies that the views expressed in this report accurately reflect his/her personal views about the subject companies and their securities. The Analyst also certifies that he/she has not been, is not, and will not be receiving direct or indirect compensation for expressing the specific recommendation(s) or view(s) in this report.*

**Disclaimers**

Prices and estimates are as of January 24, 2019, unless indicated otherwise.

You should be aware that investments can fluctuate in price, value and/or income, and you may get back less than you invested. We recommend that existing shareholders consider their objectives, their risk tolerance, and the size of their positions relative to their portfolios when evaluating their holdings.

Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee dividend-paying stocks will return more than the overall market. Dividends are not guaranteed and are subject to change or elimination.

Diversification does not guarantee a profit or protect against loss.

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. This may result in greater price volatility.

The prices of small and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Investments in the energy sector are subject to the adverse economic events within that industry. A downturn in the energy sector of the economy, adverse political, legislative or regulatory developments or other events could have a large impact on a portfolio's investments.

There are special risks associated with an investment in real estate, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Investments that are concentrated in a specific sector, industry, country or commodity increases its vulnerability to any economic, political, currency or regulatory development, which may result in greater price volatility.

**AA credit rating:** High quality and subject to very low credit risk.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

Wells Fargo Advisors publishes several theme-based lists of recommended equity securities. Each list is based on a specific investment objective and time horizon which may be different from the other lists. This may cause Wells Fargo Advisors to recommend an equity security to be added to one list and removed from another list. Thus, one list may contain different recommendations or conclusions that could result in short-term price movements contrary to the recommendations in another list.

Wells Fargo Advisors research analysts receive no compensation in connection with the firm's investment banking, sales and trading, or principal trading revenues. Analysts may be eligible for annual bonus compensation based on the overall profitability of the firm, which takes into account revenues derived from all the firm's business activities, including its investment banking business, sales and trading, and principal trading.

The Advisory Services Group (ASG) of Wells Fargo Advisors works with information received from various resources including, but not limited to, research from affiliated and unaffiliated research correspondents as well as other sources. ASG does not assign ratings to or project target prices for any of the securities mentioned in this report.

ASG receives research from affiliated and unaffiliated correspondent research providers with which Wells Fargo Advisors has an agreement to obtain research reports. Each correspondent research report reflects the different assumptions, opinions, and the methods of the analysts who prepare them. Any opinions, prices or estimates contained in this report is as of the date of this publication and is subject to change without notice.

Additional information available upon request. Past performance is not a guide to future performance. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee as to its accuracy or completeness. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

©2019 Wells Fargo Clearing Services, LLC. All rights reserved.