

Diversified Stock Income Plan



The Diversified Stock Income Plan (DSIP List, or the List) focuses on companies that the Advisory Services Group believes 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.

25 Years of Rising Dividends

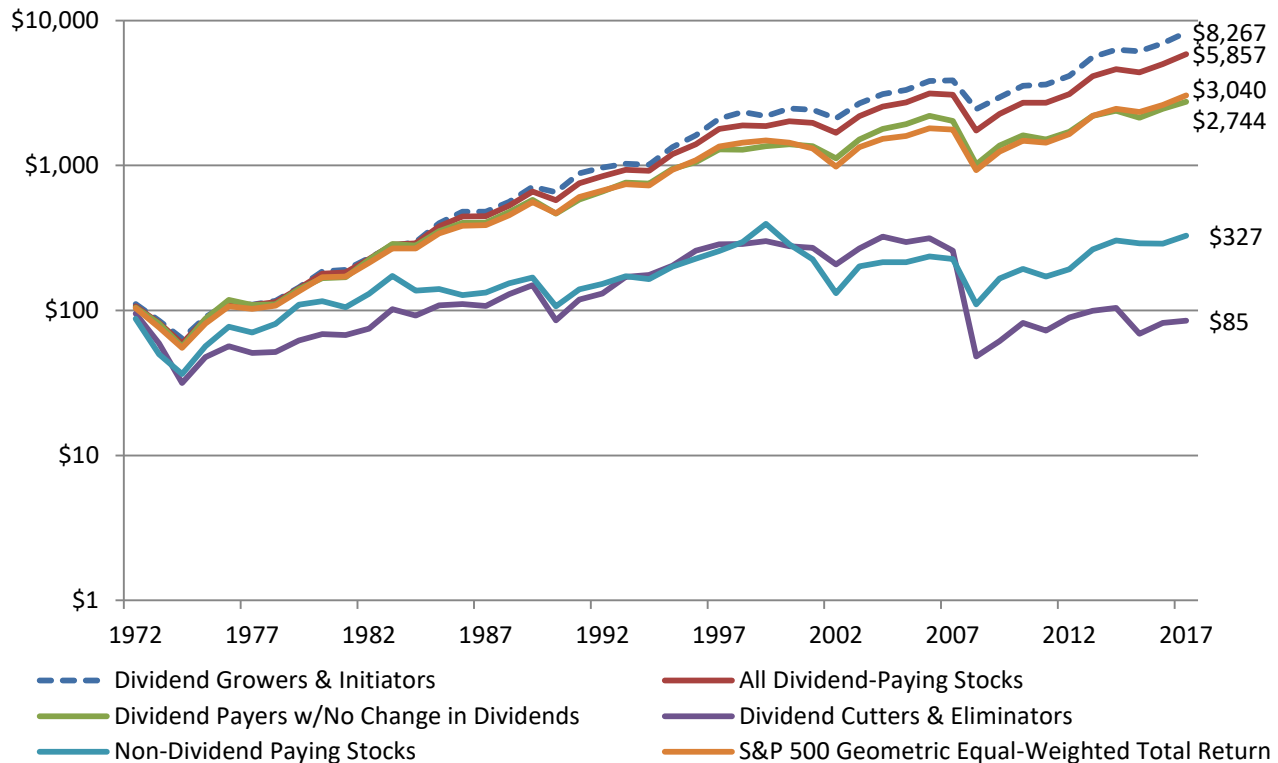
Time does go by quickly as it's hard to believe that November 29, 2018 represents the twenty-five year anniversary of the DSIP List's 1993 launch. It may come as a surprise to even the most devout DSIP followers to learn that DSIP was not the original rising dividend strategy of Wells Fargo Advisors. That distinction goes to the Utility Stock Income Plan, or USIP (our love of acronyms started early). USIP launched in 1992 and as the name implies, included only utilities. After nearly two years in its original form, however, USIP's narrow focus was widened in the name of diversification to include securities from any sector that met the strategy's goal of providing a rising dividend stream. Just like that, the Diversified Stock Income Plan was born.

The world and the DSIP List have seen a lot of changes over the last twenty-five years including the advent of the internet, four different presidential regimes, the tragedy of 9/11/2001 and the Chicago Cubs finally winning a World Series to name just a few. The core philosophy of DSIP, however, continues undeterred – owning rising dividend payers through various business cycles is a strategy that tends to outperform both non-dividend and maintenance dividend payers over long-term investment horizons (see Figure 1). Now let's look how the DSIP List over its twenty-five year history has helped cope with rising inflation and overall market volatility, two never-ending challenges facing all investors.

Please see pages 8-9 of this report for Important Disclosures, Disclaimers and Analyst Certification

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

Figure 1– Returns of S&P 500 Stocks by Dividend Policy



Index return information is provided for illustrative purposes only. Index returns are not fund returns and are not forecast of expected gains or losses a fund might experience. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment nor do they constitute a recommendation to invest in any particular fund or strategy. The S&P 500 is a market capitalization-weighted index generally considered representative of the US stock market. An index is unmanaged and not available for direct investment. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and may be reduced, changed or eliminated at any time. **Past performance is no guarantee of future results.**

Monthly Data 1/31/1972 – 12/31/2017 (Log Scale). Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

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Source: Ned Davis Research

Rising Dividends Help Offset the Rising Cost Of Living

Remember when everyday products were much cheaper in price than they are now? We have provided in Figure 2 below real-life examples of rising everyday costs of common goods/services and how those costs could have been offset by collecting rising dividends. For example, the cost of a Disney (DSIP List name) theme park pass has increased 5% on average over the past 25 years. However, the dividend increase of the Disney common stock has actually outpaced that increase growing at an annual clip of 13% on average over that same time period. The cost of a gallon of gas has risen 3% annually over those same 25 years on average while the ExxonMobil (DSIP List name) dividend has increased 6% over that same time period keeping consumers (who own the stock) ahead of the cost of gasoline inflation.

Figure 2– Dividend Growth vs. Cost Inflation

	<u>1993</u>	<u>2018</u>	<u>25 year % change 1993 to 2018</u>	<u>25 year CAGR</u>
Exxon Mobil dividend	\$0.72	\$3.28	356%	6.3%
Cost of gallon of gas	\$1.07	\$2.75	157%	3.8%
Walt Disney dividend	\$0.08	\$1.68	2000%	13.0%
Walt Disney theme park pass	\$35.00	\$118.00	237%	5.0%
McDonald's dividend	\$0.11	\$4.64	4118%	16.1%
McDonald's cheeseburger	\$0.69	\$1.00	45%	1.5%
Colgate dividend	\$0.17	\$1.68	888%	9.6%
Colgate 6oz toothpaste	\$1.99	\$2.99	50%	1.6%

Sources: FactSet, Wells Fargo Advisors
CAGR= Compound Annual Growth Rate

Investing in dividend-growing stocks can potentially offset, or even outpace, inflation's negative impact on overall personal wealth. Of the nearly 80 companies on the List, we have seven that have raised their dividends at least 50 years in a row and eleven have raised dividends for the past 40 years. Procter & Gamble (P&G) and Emerson Electric lead the List with 62 consecutive years of dividend hikes. These examples illustrate the potential of investing in companies that have historically grown their dividends and how this can help offset other cost pressures we see in our daily lives. While we tout the impressive dividend histories of many DSIP List names, it's important to remember that the history itself is not a driver of inclusion on the List. An impressive track record, is just that, an impressive track record. With DSIP, we're less concerned with P&G's past 62 years of dividend increases – we're looking ahead for the next decade of dividend growth potential. In addition to historically attractive dividend growth, we'd be remiss if we didn't mention the current income provided by DSIP List constituents which currently averages about 2.3%.

More broadly speaking about the impact of inflation, we present below annual total return and average annual dividend increase statistics since the DSIP strategy's first full year (see Figure 3). We include the same metrics for the S&P 500 for comparison purposes. Since one of the main objectives of the DSIP List is to help investors stay ahead of the rising cost of living, we also show the annual change in the Consumer Price Index (CPI), a common measure of overall inflation. While past performance should not be assumed to be a harbinger of future results, we believe this table illustrates the historically defensive nature of the List and the success it has had across cycles at providing income growth ahead of the rising cost of living. In fact, since its inception the List has seen more than 2,200 total dividend increases or an average of nearly 90 increases per year.

DSIP Can Also Help Reduce Portfolio Volatility

Overall market volatility has recently been on the rise recently due to rising interest rates and increasing trade tensions. We have seen numerous periods of high overall market turbulence over the past twenty-five years. This turbulence was caused by unique events such as the 1997 Asian financial crisis, the dot-

com bubble in early 2000, the 9/11/2001 attacks and the financial crisis of 2007-2008 to name just a few. We believe owning dividend-growing stocks can help reduce portfolio volatility in a declining stock market. The DSIP List outperformed in past struggling overall markets; we specifically cite the 2000-2002 and 2008 time periods as examples (see Figure 3).

Figure 3- Total Return, Dividend Change, and Inflation

	Total Return		Dividend Change		Inflation
	DSIP	S&P 500	DSIP	S&P 500	
1994	-0.4%	1.3%	8.6%	4.8%	2.6%
1995	30.6%	37.7%	7.1%	4.6%	2.5%
1996	25.2%	22.8%	7.3%	8.0%	3.4%
1997	36.6%	33.4%	8.0%	4.0%	1.7%
1998	8.9%	28.6%	8.4%	4.6%	1.7%
1999	-6.2%	21.1%	8.1%	3.0%	2.7%
2000	33.5%	-9.1%	9.2%	-2.5%	3.4%
2001	6.2%	-11.8%	8.4%	-3.3%	1.6%
2002	-2.7%	-22.1%	7.3%	2.1%	2.4%
2003	24.7%	28.7%	11.5%	8.1%	1.9%
2004	18.4%	10.9%	13.8%	11.8%	3.3%
2005	5.8%	4.9%	11.6%	14.3%	3.4%
2006	19.3%	15.8%	16.3%	12.0%	2.5%
2007	6.5%	5.5%	16.2%	11.5%	4.1%
2008	-24.5%	-37.0%	11.3%	2.4%	0.1%
2009	25.1%	26.5%	1.9%	-21.1%	2.7%
2010	17.4%	15.1%	9.8%	1.4%	1.4%
2011	9.3%	2.1%	12.1%	16.3%	3.0%
2012	12.7%	16.0%	11.4%	18.2%	1.7%
2013	30.0%	32.4%	13.0%	12.0%	1.5%
2014	14.7%	13.7%	11.4%	12.7%	0.7%
2015	0.7%	1.4%	9.1%	10.0%	0.7%
2016	14.2%	12.0%	8.0%	5.3%	2.1%
2017	19.8%	21.8%	8.2%	7.1%	2.1%
Average:	13.6%*	11.3%*	9.9%	6.1%	2.2%

Sources: FactSet, S&P, Wells Fargo Advisors

* Simple average, not to be confused with the compound annual growth rate (CAGR) which takes into account the compounding effects of previous returns. A simple average can over-represent growth. For reference, inception through 2017 CAGRs are +12.6% for DSIP and +9.7% for the S&P 500.

Why has the List Outperformed in Times of Market Distress?

The DSIP List strategy is to include companies with above average prospects for earnings and free cash flow growth that we believe will support steady dividend hikes over time. The companies on the List are typically more mature, large capitalization names that have historically exhibited balance sheet strength, appropriate debt levels and high credit ratings. These traits are generally valued by the investment community, particularly in declining markets. The List also contains companies that have been industry leaders, highly profitable and market share leaders in their respective industries. We believe a list of such companies should lead to below average volatility. It is interesting to note the DSIP List did not contain any technology stocks until after the burst of the tech bubble showing again its focus on more proven stocks. Hence, the DSIP List may trail popular market averages in strong upside market moves yet outperform when overall markets are in a downturn.

Summary

Plenty has changed in the past 25 years and we could see even more change over the next 25 years due to increased technology usage and millennials unique preferences to name just a couple of reasons. While some of the specific stocks on our DSIP List will change too due to various reasons (in fact, Emerson Electric is the only company that remains that was on the original list in 1993), we don't expect the basic principles of our DSIP List to change in the near future. The List will continue to focus on companies that we believe have potential to provide consistent annual dividend growth over a long-term investment horizon. In fact, the average tenure of current List constituents is greater than ten years. 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 stay ahead of the wealth eroding effects of inflation and to lower the overall portfolio volatility.

DSIP List

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle ²	DSIP List Dividend Increases	Company Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to List
Communication Services (average)			\$201.2		3.6%				6%	6%	
AT&T, Inc.	T	\$30.53	\$222.2	\$2.00	6.6%	2,5,8,11	10	34	2%	5%	6/25/08
Comcast Corporation Class A	CMCSA	\$37.88	\$172.3	\$0.76	2.0%	1,4,7,10	3	10	10%	7%	8/28/15
Verizon Communications Inc.	VZ	\$58.08	\$240.0	\$2.41	4.1%	2,5,8,11	5	12	2%	6%	3/12/14
Walt Disney Company	DIS	\$114.33	\$170.2	\$1.76	1.5%	1,7	4	9	10%	8%	8/28/15
Consumer Discretionary			\$73.5		2.1%				10%	14%	
Lowe's Companies	LOW	\$90.95	\$73.0	\$1.92	2.1%	2,5,8,11	6	56	10%	15%	9/14/12
McDonald's Corporation	MCD	\$185.45	\$143.0	\$4.64	2.5%	3,6,9,12	14	42	6%	9%	9/16/04
NIKE, Inc. Class B	NKE	\$75.54	\$121.0	\$0.88	1.2%	1,4,7,10	4	17	12%	18%	2/24/15
Polaris Industries, Inc.	PII	\$90.79	\$5.6	\$2.40	2.6%	3,6,9,12	16	23	6%	16%	11/8/02
Starbucks Corporation	SBUX	\$66.55	\$82.6	\$1.44	2.2%	2,5,8,11	2	8	10%	14%	3/24/17
TJX Companies, Inc.	TJX	\$46.46	\$57.5	\$0.78	1.7%	3,6,9,12	4	22	12%	12%	6/10/14
V.F. Corporation	VFC	\$79.95	\$31.7	\$2.04	2.6%	3,6,9,12	10	46	8%	12%	10/3/08
Consumer Staples			\$91.2		2.3%				6%	7%	
Brown-Forman Corp.	BF.B	\$46.79	\$22.3	\$0.66	1.4%	4,7,10,12	12	35	8%	9%	5/31/07
Clorox Company	CLX	\$163.76	\$20.9	\$3.84	2.3%	2,5,8,11	14	42	6%	5%	9/16/05
Colgate-Palmolive Co.	CL	\$63.23	\$54.8	\$1.68	2.7%	2,5,8,11	13	55	4%	6%	9/16/05
Costco Wholesale Corp.	COST	\$233.20	\$102.2	\$2.28	1.0%	2,5,8,11	10	13	10%	11%	6/25/08
J. M. Smucker Company	SJM	\$100.83	\$11.5	\$3.40	3.4%	3,6,9,12	11	21	6%	3%	10/3/08
McCormick & Company, Inc.	MKC	\$151.63	\$20.0	\$2.28	1.5%	1,4,7,10	12	33	7%	10%	5/31/07
Mondelez International Inc.	MDLZ	\$44.25	\$64.3	\$1.04	2.4%	1,4,7,10	0	5	8%	9%	9/17/18
PepsiCo, Inc.	PEP	\$116.84	\$164.9	\$3.71	3.2%	1,3,6,9	24	46	7%	7%	8/10/94
Procter & Gamble Co.	PG	\$93.55	\$233.1	\$2.87	3.1%	2,5,8,11	20	62	4%	7%	11/23/98
Sysco Corporation	SYU	\$65.94	\$34.3	\$1.56	2.4%	1,4,7,10	23	49	5%	11%	2/6/97
Walmart Inc.	WMT	\$94.77	\$275.3	\$2.08	2.2%	1,4,6,9	14	45	4%	7%	9/21/04
Energy			\$187.3		3.8%				5%	9%	
Exxon Mobil Corporation	XOM	\$78.39	\$331.9	\$3.28	4.2%	3,6,9,12	20	36	4%	13%	5/11/95
Phillips 66	PSX	\$92.60	\$42.7	\$3.20	3.5%	3,6,9,12	8	6	6%	6%	5/2/12
Financials			\$27.9		2.2%				7%	9%	
Aflac Incorporated	AFL	\$43.55	\$33.2	\$1.04	2.4%	3,6,9,12	13	36	5%	8%	11/1/06
BlackRock, Inc.	BLK	\$400.23	\$63.1	\$12.52	3.1%	3,6,9,12	4	9	10%	9%	2/24/15
Brown & Brown, Inc.	BRO	\$27.92	\$7.9	\$0.32	1.1%	2,5,8,11	11	25	7%	1%	10/3/08
Chubb Limited	CB	\$131.48	\$60.6	\$2.92	2.2%	1,4,7,10	2	25	8%	11%	10/28/16
Commerce Bancshares, Inc.	CBSH	\$60.48	\$6.7	\$0.94	1.6%	3,6,9,12	22	50	5%	9%	4/18/97
Eaton Vance Corporation	EV	\$38.07	\$4.5	\$1.40	3.7%	2,5,8,11	19	38	7%	9%	1/12/01
FactSet Research Systems Inc.	FDS	\$226.42	\$8.6	\$2.56	1.1%	3,6,9,12	10	19	10%	12%	2/6/09
S&P Global, Inc.	SPGI	\$173.49	\$43.5	\$2.00	1.2%	3,6,9,12	0	45	8%	14%	10/19/18
T. Rowe Price Group	TROW	\$94.86	\$22.8	\$2.80	3.0%	3,6,9,12	2	32	7%	10%	6/29/16
Health Care			\$154.8		1.9%				9%	9%	
Abbott Laboratories	ABT	\$71.54	\$125.6	\$1.12	1.6%	2,5,8,11	10	46	8%	12%	6/25/08
AmerisourceBergen Corp.	ABC	\$85.98	\$18.2	\$1.60	1.9%	3,6,9,12	3	14	7%	9%	11/9/15
Amgen Inc.	AMGN	\$199.01	\$126.8	\$5.28	2.7%	3,6,9,12	3	7	12%	7%	9/9/15
Becton, Dickinson & Co.	BDX	\$241.23	\$64.7	\$3.08	1.3%	3,6,9,12	12	47	9%	12%	1/5/07
Johnson & Johnson	JNJ	\$145.91	\$391.3	\$3.60	2.5%	3,6,9,12	10	56	6%	8%	6/25/08
Medtronic Plc	MDT	\$96.24	\$129.3	\$2.00	2.1%	1,4,7,10	3	41	9%	8%	11/9/15
Novartis AG ~	NVS	\$89.05	\$206.4	\$2.49	2.8%	4	13	21	4%	7%	9/16/05
Stryker Corporation	SYK	\$172.44	\$64.5	\$2.08	1.2%	1,4,7,10	7	28	10%	10%	4/25/12
UnitedHealth Group Inc.	UNH	\$276.85	\$266.3	\$3.60	1.3%	3,6,9,12	2	9	10%	12%	3/24/17
Industrials			\$60.1		2.4%				7%	11%	
3M Company	MMM	\$202.68	\$118.0	\$5.44	2.7%	2,5,8,11	13	60	7%	9%	3/2/05
Emerson Electric Co.	EMR	\$63.79	\$39.9	\$1.96	3.1%	3,6,9,12	25	62	2%	10%	11/30/93
General Dynamics Corp.	GD	\$171.02	\$50.6	\$3.72	2.2%	2,5,8,11	10	21	9%	11%	6/25/08
Honeywell International Inc.	HON	\$141.56	\$104.8	\$3.28	2.3%	3,6,9,12	1	8	8%	8%	2/7/18
Harris Corporation	HRS	\$139.75	\$16.4	\$2.74	2.0%	3,6,9,12	11	17	6%	-	8/29/08
Illinois Tool Works Inc.	ITW	\$133.26	\$44.2	\$4.00	3.0%	1,4,7,10	12	53	7%	9%	3/2/05
United Parcel Service, Inc.	UPS	\$108.04	\$93.2	\$3.64	3.4%	3,6,9,12	10	9	7%	11%	3/7/07
United Technologies Corp.	UTX	\$121.45	\$104.9	\$2.94	2.4%	3,6,9,12	15	23	6%	11%	9/20/01
W.W. Grainger, Inc.	GWW	\$299.57	\$16.9	\$5.44	1.8%	3,6,9,12	12	47	6%	15%	7/10/06
Xylem Inc.	XYL	\$66.83	\$12.0	\$0.84	1.3%	3,6,9,12	0	6	10%	14%	10/19/18

DSIP List (continued)

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle ²	DSIP List Dividend Increases	Company Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to List
Information Technology			\$212.3		2.4%				8%	10%	
Accenture plc	ACN	\$159.25	\$101.7	\$2.92	1.8%	5,11	11	13	8%	10%	6/25/08
Analog Devices, Inc.	ADI	\$89.53	\$33.1	\$1.92	2.1%	3,6,9,12	10	14	6%	8%	6/28/07
Apple Inc.	AAPL	\$174.72	\$829.1	\$2.92	1.7%	2,5,8,11	0	5	8%	10%	11/29/18
Automatic Data Processing, Inc.	ADP	\$143.18	\$62.7	\$3.16	2.2%	1,4,7,10	16	44	6%	14%	11/25/03
Broadridge Financial Solutions, Inc	BR	\$100.72	\$11.8	\$1.94	1.9%	1,4,7,10	3	11	9%	10%	1/15/16
Cisco Systems, Inc.	CSCO	\$48.39	\$217.6	\$1.32	2.7%	1,4,7,10	5	7	9%	8%	11/20/13
Intl Business Machines Corp.	IBM	\$123.91	\$112.6	\$6.28	5.1%	3,6,9,12	18	23	5%	3%	7/20/00
Jack Henry & Associates, Inc.	JKHY	\$135.95	\$10.5	\$1.48	1.1%	3,6,9,12	19	27	10%	9%	11/11/99
Microsoft Corporation	MSFT	\$109.19	\$838.3	\$1.84	1.7%	3,6,9,12	4	15	8%	13%	1/5/12
Paychex, Inc.	PAYX	\$69.17	\$24.8	\$2.24	3.2%	2,5,8,11	15	8	5%	8%	5/7/01
Texas Instruments Inc.	TXN	\$97.32	\$93.5	\$3.08	3.2%	2,5,8,11	2	15	8%	14%	6/28/17
Materials			\$48.1		2.0%				7%	13%	
Air Products & Chemicals, Inc.	APD	\$161.37	\$35.4	\$4.40	2.7%	2,5,8,11	12	36	7%	13%	7/5/06
Ecolab Inc.	ECL	\$157.55	\$45.5	\$1.84	1.2%	1,4,7,10	12	27	9%	13%	3/6/07
Linde PLC	LIN	\$155.98	\$86.0	\$3.30	2.1%	3,6,9,12	12	25	5%	21%	6/15/06
PPG Industries, Inc.	PPG	\$105.79	\$25.4	\$1.92	1.8%	3,6,9,12	2	47	7%	7%	6/29/16
Real Estate			\$38.0		3.2%				6%	11%	
American Tower Corporation	AMT	\$167.63	\$73.8	\$3.16	1.9%	2,5,8,11	22	6	15%	15%	6/14/13
Crown Castle International Corp.	CCI	\$117.47	\$48.7	\$4.50	3.8%	3,6,9,12	1	4	7%	19%	9/17/18
Federal Realty Investment Trust	FRT	\$135.55	\$10.0	\$4.08	3.0%	1,4,7,10	2	51	5%	6%	10/28/16
Realty Income Corporation	O	\$66.21	\$19.5	\$2.65	4.0%	Monthly	56	23	3%	5%	3/14/07
Utilities			\$28.1		2.6%				6%	6%	
American Water Works Co, Inc.	AWK	\$97.32	\$17.6	\$1.82	1.9%	3,6,9,12	0	10	8%	8%	6/7/18
CMS Energy Corp.	CMS	\$52.91	\$15.0	\$1.43	2.7%	2,5,8,11	0	12	7%	6%	9/17/18
Eversource Energy	ES	\$69.14	\$21.9	\$2.02	2.9%	3,6,9,12	15	19	6%	6%	6/7/04
New Jersey Resources Corp.	NJR	\$49.20	\$4.4	\$1.17	2.4%	1,4,7,10	24	23	6%	7%	2/16/96
NextEra Energy, Inc.	NEE	\$182.66	\$87.3	\$4.44	2.4%	3,6,9,12	25	24	12%	9%	5/10/94
WEC Energy Group Inc.	WEC	\$73.75	\$23.3	\$2.21	3.0%	3,6,9,12	8	15	6%	5%	2/9/12
Xcel Energy Inc.	XEL	\$53.21	\$27.4	\$1.52	2.9%	1,4,7,10	3	15	6%	6%	3/3/15
DSIP List Average ¹			\$100.2		2.4%		10	27	7%	9%	3/14/09
S&P 500		\$2,696	\$45.5	\$49.74	1.8%					13%	

Source: FactSet, Wells Fargo Advisors, company reports

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

² 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 a long common equity position in Eversource Energy (ES) and Verizon Communications (VZ).

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

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