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Advice & Research

Diversified Stock Income Plan

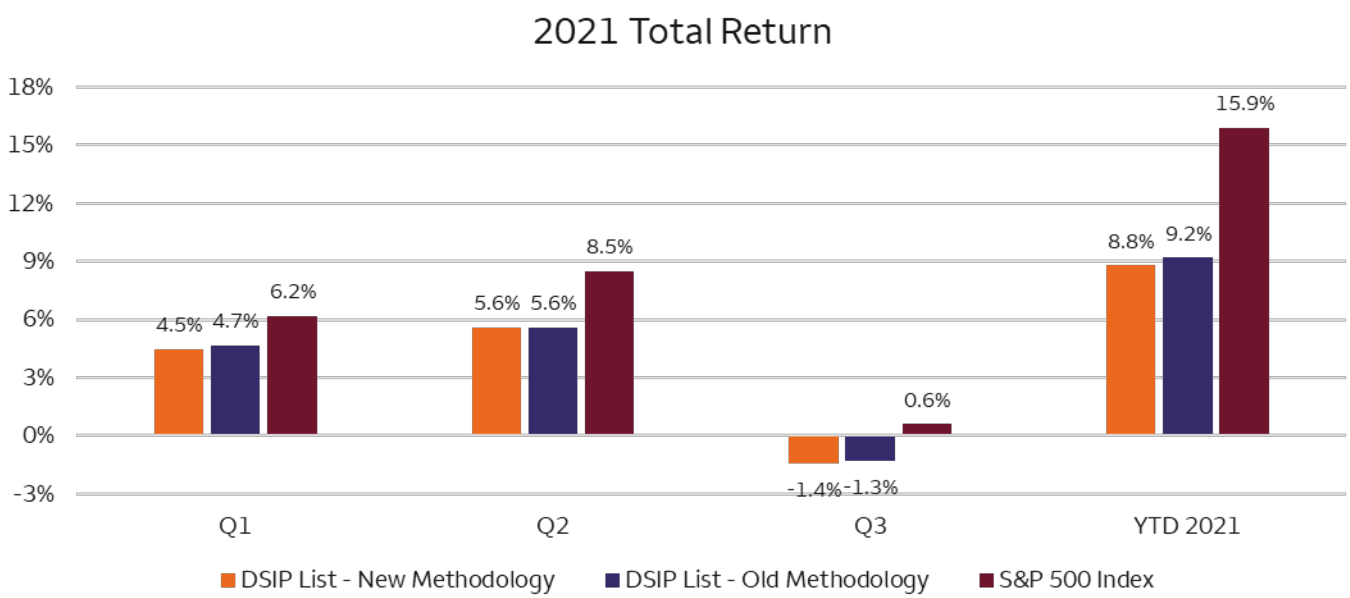
Quarterly Review –Underperformance Continues but Backdrop into Year-End May Be Favorable

DSIP List Overview

The Diversified Stock Income Plan (DSIP) 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

- DSIP List total return for the third quarter was -1.4% with negative returns from nine of eleven sectors. Financials and Information Technology (Info Tech) were the positive contributors.
- Relative to its benchmark, the DSIP List underperformed in the September quarter by about two percentage points. DSIP's heavier exposure towards value and defensive stocks and sectors hurt relative performance as rising-rate plays, energy and high-growth areas performed well.
- Sixteen DSIP List companies announced regular dividend increases during the quarter with an average increase of 8% which is an improvement compared to last year's third quarter. We believe total cash returns to shareholders will remain elevated in 2021 compared to the conservative returns in 2020 caused by the height of the pandemic.



Source: Wells Fargo Advisors, FactSet. Data as of 9/30/2021. **Past performance is no guarantee of future results**. An index is unmanaged and not available for direct investment.

Please see pages 12-14 of this report for Important Disclosures, Disclaimers and Analyst Certification

Quarterly and year-to-date commentary

The DSIP List generated a total return of -1.4% during the third quarter of 2021. Weakness was broad based with nine of eleven sectors and 41 of 77 stocks posting negative returns. Info Tech (+2.3%) and Financials (+1.8%) were the two sectors that advanced during the quarter. Strength in Info Tech was broad based with positive contributions from nine of our 11 recommendations (the two negatives were IBM and Analog Devices, -4% and -2%, respectively). DSIP Financials return was primarily driven by two stocks – FactSet Research Systems +18% and Chubb Limited +10%. In absolute terms, Energy was by far our worst performing sector at -17.4%, driven by its lone constituent, Phillips 66. Materials and Industrials, two sectors where we have more exposure than Energy, were both down nearly 4%. PPG Industries and Air Products and Chemicals declined 15% and 10%, respectively, more than offsetting low-single digit returns from our other three Materials recommendations. Major Industrials headwinds were UPS, 3M, Union Pacific and W.W. Grainger, each down 10%-12%.

During the third quarter, the market seemed to shift toward a more risk-averse stance, particularly in September, with typically defensive sectors (Utilities, Health Care and Real Estate) outperforming the overall index while more cyclical sectors (Industrials, Energy and Materials) underperformed. In our view, factors that contributed to the change in sentiment include taper talk at the Federal Reserve, lack of progress on the infrastructure bill and debt ceiling, interest rates ticking higher, inflation concerns, supply chain disruptions, and the rapid rise in energy prices. We would typically expect relatively strong results for the DSIP List in a risk-off environment such as this but that was not the case.

From a sector allocation perspective, DSIP is overweight both Industrials and Materials which were the worst performing sectors in the benchmark, likely due to concerns around the fate of the infrastructure bill and to what extent supply chain bottlenecks might impact economic growth. Those overweight sectors accounted for over half of DSIP's return. At the same time, our two biggest relative overweights on the defensive side, Consumer Staples and Utilities, were also headwinds. In Utilities, our two gas local distribution companies (LDCs) offset strength elsewhere in the sector as the massive spike in natural gas prices is negative for LDCs. Food and household products were notable headwinds in the Consumer Staples sector after posting strong returns in 2020. We attribute the weakness here to input cost concerns and daunting comparisons to last year's robust results.

Third Quarter Performance Attribution

Sector	DSIP List Average Weight	DSIP List Total Return	DSIP List Contrib. To Return	S&P 500 Index Average Weight	S&P 500 Index Total Return	S&P 500 Index Contrib. To Return	Average Weight Difference	Total Return Difference	Contrib. To Return Difference	Allocation Effect	Selection Effect	Interaction Effect	Total Effect
Total	100.00	-1.39	-1.39	100.00	0.58	0.58	--	-1.97	-1.97	-0.63	-1.36	0.02	-1.97
Communication Services	2.48	-1.98	-0.05	11.29	1.60	0.16	-8.81	-3.58	-0.21	-0.08	-0.37	0.28	-0.17
Consumer Discretionary	7.67	-2.03	-0.17	12.11	0.01	-0.01	-4.45	-2.03	-0.16	0.02	-0.22	0.06	-0.14
Consumer Staples	12.18	-2.45	-0.33	5.81	-0.31	-0.02	6.36	-2.13	-0.31	-0.07	-0.12	-0.13	-0.32
Energy	1.52	-17.35	-0.30	2.54	-1.67	-0.06	-1.02	-15.68	-0.24	-0.00	-0.41	0.16	-0.26
Financials	12.99	1.82	0.22	11.13	2.74	0.28	1.87	-0.93	-0.06	0.07	-0.11	-0.05	-0.09
Health Care	10.18	-0.34	-0.05	13.31	1.46	0.19	-3.13	-1.80	-0.25	-0.01	-0.24	0.05	-0.20
Industrials	16.32	-3.86	-0.58	8.26	-4.28	-0.34	8.06	0.42	-0.25	-0.37	0.04	0.03	-0.30
Information Technology	15.66	2.27	0.33	27.81	1.37	0.38	-12.14	0.91	-0.05	-0.11	0.24	-0.11	0.02
Materials	6.33	-3.96	-0.25	2.55	-3.51	-0.09	3.78	-0.45	-0.16	-0.15	-0.01	-0.03	-0.19
Real Estate	5.47	-2.69	-0.14	2.62	0.88	0.02	2.85	-3.57	-0.17	0.01	-0.09	-0.10	-0.19
Utilities	9.20	-0.69	-0.07	2.50	1.78	0.05	6.70	-2.47	-0.11	0.08	-0.06	-0.16	-0.14

Source: FactSet, Wells Fargo Advisors. Data as of 9/30/2021.

For the first nine months of 2021, DSIP has also underperformed its benchmark, +8.8% compared to +15.9%. We believe DSIP underperformance versus its benchmark is due to an investing style issue more than anything else. The market overall this year has been oscillating among cyclical, re-opening, and mega-cap tech stocks. This has come at the expense of high-quality, dividend paying, defensive stocks – the exact types of stocks we seek for DSIP. Consider the following figures: About 60% of DSIP List recommendations are considered value stocks with the other 40% growth. Growth has been a big winner this year with mega-cap tech leading the way. The popular FANMAG stocks, a good proxy for mega-cap growth which includes Facebook (FB-$324.76), Apple, Netflix (NFLX-$628.29), Microsoft, Amazon (AMZN-$3409.02), and Alphabet (GOOGL-$2827.36, GOOG-$2833.50), weigh in at 23% of the S&P 500 and contributed a slightly larger percentage of the index's return this year (4.0% of 15.9%). DSIP List exposure to that same group is about 2.6% (only Microsoft and Apple at about 1.3% each) and they accounted for less than 5% of DSIP's return (0.4% of 8.8%).

The DSIP List is overexposed to yield and high-quality, low-volatility, defensive stocks – always has been and always will be, a zebra doesn't change its stripes. So while these periods of relative underperformance can be uncomfortable to live through, we believe stylistic trends are typically short-lived and at the end of the day, owning high-quality dividend growers will likely prove beneficial to achieving an investor's long-term financial goals.

Expectations Heading Into Year End

With Federal Reserve tapering top of mind along with higher interest rates, labor shortages and pandemic-related supply chain bottlenecks, predicting overall market performance even for a short timeframe of 2-3 months is almost impossible given the many uncertainties. If rates continue to rise, it would make sense that re-opening plays may get more focus from investors than mega-cap tech names especially if COVID treatments/vaccines advance as hoped. Historically, robust first-nine month market rallies tend to last throughout the full year. Additionally, credit remains loose and company profitability appears strong which should support continued momentum. Stock buybacks could be more visible in the back half of the year given recent positive banks' stress tests and overall CEO confidence compared to last year. Year-over-year sales and profit comparisons remain quite favorable for the rest of 2021 especially in the Energy, Financials and Consumer Discretionary sectors. The setup into year-end is somewhat favorable. But, we would not be surprised to see market volatility pick up, especially in the fall given recent history. We must also keep a watchful eye on inflation and supply chain bottlenecks and the impact these could have on companies' input costs, consumers' ability to afford key items and the impact that inflation could ultimately have on future interest rates (more on interest rates below).

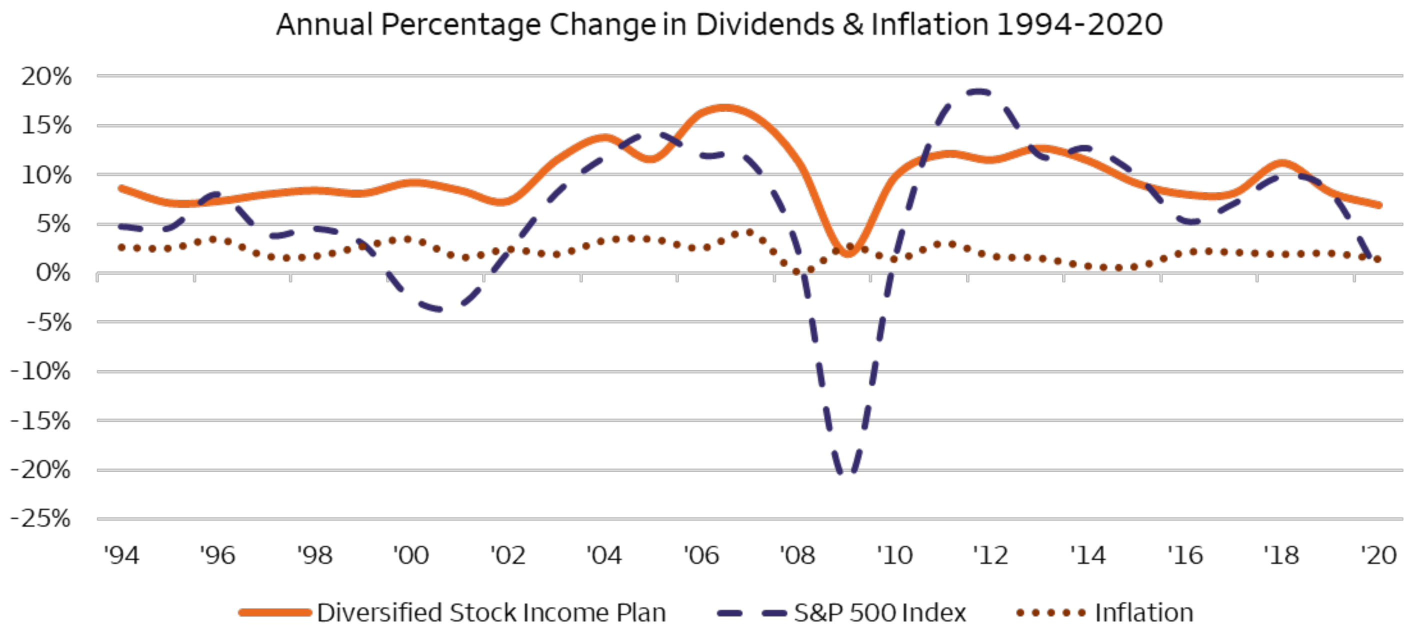
In an uncertain environment, we believe the core DSIP investing principles are more important than ever. This investment philosophy includes being disciplined, sticking with investing basics such as proper diversification, and focusing on high-quality companies with the ability and desire to provide their owners with a rising income stream. The income aspect is especially relevant today given the low level of interest rates (the 10-year Treasury yield is about 1.5%), market dividend yield (the S&P 500's dividend yield is about 1.4%), and the recent pickup in inflation (the September CPI reading came in over 5%).

Dividends

During the second quarter, 16 DSIP List companies declared regular dividend increases with an average increase of 8.1% which is above the level we saw in the third quarter of 2020. This level of dividend growth leads us to believe companies may feel more confident about the future given progress on COVID vaccine distribution and the global economic re-opening.

Notable dividend increases during the quarter were as follows: Three long-time dividend growers added to their rich histories – Illinois Tool Works with increase #56, PPG Industries with #54 and Federal Realty Investment Trust with #50. That's half of a century or more of uninterrupted dividend increases, let that sink in for a minute. McDonald's famously claims to have served billions of burgers over the years, but in our view that's not quite as impressive as its 45 years of dividend growth. Natural gas utility New Jersey Resources increased its dividend for the 26th consecutive year. Defense contractor Lockheed Martin is knocking on the door of two decades, notching increase #19 in July. Microsoft and Texas Instruments, two of our tech companies, boosted their payouts for the 18th consecutive year. First, second and third quarter dividend increase tables begin on page 7.

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 below). 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 generate income and stay ahead of the rising cost of living.



Source: Federal Reserve Bank of St. Louis, S&P, Wells Fargo Advisors. Inflation represented by the Consumer Price Index. Data through year-end 2020. The Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. **Past performance is not a guarantee of future results.** An index is unmanaged and not available for direct investment.

Another spike in interest rates…

Any time we get a jump in interest rates or the expectation of a move higher, the inevitable question arises – How does DSIP fare? The assumption is typically that a rising interest rate environment is the bane of equity income strategies. But no so fast. We updated previous work on the topic and come to the same conclusion as we have previously: rising interest rates correspond with DSIP List relative underperformance compared to the benchmark S&P 500 over short timeframes but certainly do not derail the strategy over longer timeframes. One important note, when running regression analysis with this yield and return data, we found no statistically significant or only slight relationships at best. This suggests the obvious, that there are a lot of variables that drive the returns of stocks.

Our study looked at the 22 periods during which the month-end yield on the 10-year Treasury note increased by 20% or more over three months. We then looked at DSIP List and S&P 500 returns over those three months (as the yield was rising), the following three months (we consider this period "what happened next") and then the entire six month period (yield rising and then…). Of those 22 periods, the average yield increase was fairly substantial at 38%. The average DSIP List return during the rising rate months was +2% while the S&P 500's was +5%. Over the subsequent three months, the averages were both +5%. For the entire six month period, the averages were +7% for DSIP and +10% for the S&P 500.

From this, we conclude that there has been relative underperformance, particularly during the rise in rates but that underperformance dissipates in the following months. The relative underperformance could be driven by many factors but we believe the primary one could simply be the benchmark's greater exposure to cyclical stocks and sectors.

Average % change in Treasury yield	Average DSIP % change trailing 3 months	Average S&P 500 % change trailing 3 months	Average DSIP % change 3 months forward	Average S&P 500 % change 3 months forward	Average DSIP % change entire 6 months	Average S&P 500 % change entire 6 months
38%	2%	5%	5%	5%	7%	10%

Source: FactSet, Wells Fargo Advisors.

For example, using 12-month windows (yield increase by 20% or more over 12 months), DSIP trailing return is +15% compared to +20% for the S&P 500 but the forward return is +19% compared to +14% for an overall return (two years in total) of +36% for both DSIP and the S&P 500.

Another approach was to look at the seven interest rate cycles we've experienced over the past couple decades and hone in on the trough to peak sections. We believe this is informative in that the durations of rising rates are more variable and generally pretty long, and the timeframes are not reliant on a relatively subjective cutoff in the percentage change in yield. Summaries below:

Time period	10-year Treasury yield	DSIP return	S&P 500 return
January 1994-November 1994	5.7% to 7.9%	-5.2%	-3.4%
September 1998-January 2000	4.4% to 6.7%	-0.6%	39.4%
May 2003-June 2006	3.4% to 5.1%	52.7%	39.3%
December 2008-March 2010	2.1% to 3.8%	28.6%	33.3%
July 2012-December 2013	1.5% to 3.0%	34.8%	38.3%
July 2016-October 2018	1.5% to 3.2%	25.1%	30.5%
July 2020 to March 2021*	0.5% to 1.7%	18.2%	22.8%

*March 2021 was the peak for the Treasury yield during this cycle thus far so we left it as the end point for our discussion.
Source: FactSet, Wels Fargo Advisors

Two points jump out. One, when yields were in the mid-to-high single digits before 2000, their upward movement seemed to weigh more on equity returns. Second, the tech bubble in the late 1990's appears to be a notable outlier for the benchmark return and therefore relative performance (there were no tech stocks on DSIP at the time). Otherwise, the DSIP List generally sees robust returns, even if typically below benchmark rates.

We've said it before but we'll reiterate here: The DSIP List remains unchanged. We continue to focus on long-term investments in high-quality companies with the ability and desire to provide their owners with a rising income stream through cycles – economic cycles, interest rate cycles, style cycles, presidential cycles, and whatever else comes along. This strategy, as evidenced by its long-term track record of dividend growth and returns, both absolute and relative, has served investors well historically and we believe will continue to do so long into the future.

Third quarter List change

We added Target Corporation (Target) at the tail end of the quarter. Long-time followers might recognize Target as a repeat DSIP List constituent. In many ways, Target highlights our process and thinking around additions and removals. Round one for Target lasted from 2006-2017. Over that timeframe, the company's dividend compounded at about 16% per year, which is great. The company's payout ratio also expanded dramatically, from about 14% to over 50% in 2017, not so great but manageable for a fairly steady retailer. Dividend growth was obviously outpacing earnings growth. Target also had a publicly stated dividend payout target of 40%. The algorithm, as you hear companies speak about, was to continue growing the dividend in the mid-single digit range while repurchasing Target shares to keep the gross dividend payment growing at a slower pace. In 2017 Target also embarked on an aggressive store remodel program and significantly boosted investments into ecommerce and logistics capabilities while putting share repurchases on the back burner. So basically we were looking at a period of heightened investment for a company already well above its stated payout target. That's not a good setup for dividend growth. Against that backdrop, we removed Target from the DSIP List in June of 2017.

Fast forward a few years. Heading into 2020, Target was well along its way of remodeling stores and investing in ecommerce capabilities. The company also increased its dividend each year from 2017-2020, albeit at a relatively pedestrian 3% compound annual growth rate. If anything, we believe those years highlight the company's commitment to the dividend and dividend growth. The next thing we know, COVID-19 is taking over the world, we're all homebound and some of us are stockpiling toilet paper. Essential goods retailers shine, especially those with online capabilities who can get products to customers in safe, convenient ways. Target's billions of dollars invested in ecommerce and logistics seem to pay off in a year.

For 2021, Target's payout ratio, even after a 25% dividend increase earlier in the year, will likely come in around 25%, leaving plenty of upside to the still-standing 40% payout ratio target. Buybacks have also ramped back up all while continuing to invest in the business. We believe many habits changed since March 2020, including how we shop. Order online and ship it? Sure, I don't need these things right away. Order online and you'll bring it to my car in a couple hours? Sounds great, I'll be out and about anyway. Mosey around the store and fill my cart the old fashioned way? Sounds relaxing plus I'd really like to get out of the house. Target's fully capable with any of these, and we believe also capable of 8% annual dividend growth.

Appendix A – 2021 Diversified Stock Income Plan Dividend Increases in the First Quarter

Company	Symbol	New Annual Dividend Rate	Year Earlier Annual Dividend Rate	Annualized Increase
First Quarter				**8.8%**
Aflac Incorporated	AFL	$1.32	$1.12	17.9%
BlackRock, Inc.	BLK	$16.52	$14.52	13.8%
CMS Energy Corporation	CMS	$1.74	$1.63	6.7%
WEC Energy Group Inc.	WEC	$2.71	$2.53	7.1%
Linde plc	LIN	$4.24	$3.85	10.1%
S&P Global, Inc.	SPGI	$3.08	$2.68	14.9%
Comcast Corporation Class A	CMCSA	$1.00	$0.92	8.7%
Air Products and Chemicals, Inc.	APD	$6.00	$5.36	11.9%
L3Harris Technologies Inc.	LHX	$4.08	$3.40	20.0%
Church & Dwight Co., Inc.	CHD	$1.01	$0.96	5.2%
3M Company	MMM	$5.92	$5.88	0.7%
Intercontinental Exchange, Inc.	ICE	$1.32	$1.20	10.0%
Commerce Bancshares, Inc.	CBSH	$1.05	$1.03	2.1%
T. Rowe Price Group	TROW	$4.32	$3.60	20.0%
Xylem Inc.	XYL	$1.12	$1.04	7.7%
Cisco Systems, Inc.	CSCO	$1.48	$1.44	2.8%
Eversource Energy	ES	$2.41	$2.27	6.2%
United Parcel Service, Inc. Class B	UPS	$4.08	$4.04	1.0%
NextEra Energy, Inc.	NEE	$1.54	$1.40	10.0%
Jack Henry & Associates, Inc.	JKHY	$1.84	$1.72	7.0%
Analog Devices, Inc.	ADI	$2.76	$2.48	11.3%
Sherwin-Williams Company	SHW	$6.60	$5.36	23.1%
Xcel Energy Inc.	XEL	$1.83	$1.72	6.4%
Walmart Inc.	WMT	$2.20	$2.16	1.9%
Home Depot, Inc.	HD	$6.60	$6.00	10.0%
Chubb Limited	CB	$3.20	$3.12	2.6%
General Dynamics Corporation	GD	$4.76	$4.40	8.2%
American Tower Corporation[1]	AMT	$4.96	$4.32	14.8%
Colgate-Palmolive Company	CL	$1.80	$1.76	2.3%
Realty Income Corporation[2]	O	$2.82	$2.80	0.9%

[1] AMT dividend increased after 1 quarter. The increase over the previous quarter is 2.5%.

[2] O dividend increased after 3 months. The increase over the previous month is 0.2%.

Source: Company reports, Wells Fargo Advisors

Appendix A – 2021 Diversified Stock Income Plan Dividend Increases in the Second Quarter

Company	Symbol	New Annual Dividend Rate	Year Earlier Annual Dividend Rate	Annualized Increase
Second Quarter				**10.2%**
Procter & Gamble Company	PG	$3.48	$3.16	10.0%
Costco Wholesale Corporation	COST	$3.16	$2.80	12.9%
Johnson & Johnson	JNJ	$4.24	$4.04	5.0%
Raytheon Technologies Corporation	RTX	$2.04	$1.90	7.4%
International Business Machines Corp.	IBM	$6.56	$6.52	0.6%
W.W. Grainger, Inc.[3]	GWW	$6.48	$5.76	12.5%
American Water Works Company, Inc.	AWK	$2.41	$2.20	9.5%
Apple Inc.	AAPL	$0.88	$0.82	7.3%
Paychex, Inc.	PAYX	$2.64	$2.48	6.5%
PepsiCo, Inc.	PEP	$4.30	$4.09	5.1%
FactSet Research Systems Inc.	FDS	$3.28	$3.08	6.5%
Union Pacific Corporation	UNP	$4.28	$3.88	10.3%
Medtronic Plc	MDT	$2.52	$2.32	8.6%
American Tower Corporation[4]	AMT	$5.08	$4.40	15.5%
Lowe's Companies, Inc.[5]	LOW	$3.20	$2.20	45.5%
Clorox Company	CLX	$4.64	$4.44	4.5%
UnitedHealth Group Inc.	UNH	$5.80	$5.00	16.0%
Realty Income Corporation[6]	O	$2.83	$2.80	0.9%

[3] GWW dividend increased after 3 quarters. The increase over the previous quarter is 5.9%.

[4] AMT dividend increased after 1 quarter. The increase over the previous quarter is 2.4%.

[5] LOW dividend increased after 3 quarters. The increase over the previous quarter is 33.3%.

[6] O dividend increased after 3 months. The increase over the previous month is 0.2%.

Source: Company reports, Wells Fargo Advisors

Appendix A – 2021 Diversified Stock Income Plan Dividend Increases in the Third Quarter

Company	Symbol	New Annual Dividend Rate	Year Earlier Annual Dividend Rate	Annualized Increase
Third Quarter				**8.4%**
J.M. Smucker Company	SJM	$3.96	$3.60	10.0%
PPG Industries, Inc.	PPG	$2.36	$2.16	9.3%
Federal Realty Investment Trust	FRT	$4.28	$4.24	0.9%
Illinois Tool Works Inc.	ITW	$4.88	$4.56	7.0%
Mondelez International, Inc. Class A	MDLZ	$1.40	$1.26	11.1%
Broadridge Financial Solutions, Inc.	BR	$2.56	$2.30	11.3%
Verizon Communications Inc.	VZ	$2.56	$2.51	2.0%
New Jersey Resources Corporation	NJR	$1.45	$1.33	9.0%
Microsoft Corporation	MSFT	$2.48	$2.24	10.7%
Realty Income Corporation[7]	O	$2.83	$2.81	0.9%
Texas Instruments Incorporated	TXN	$4.60	$4.08	12.7%
American Tower Corporation[8]	AMT	$5.24	$4.56	14.9%
Accenture Plc Class A	ACN	$3.88	$3.52	10.2%
Lockheed Martin Corporation	LMT	$11.20	$10.40	7.7%
McDonald's Corporation	MCD	$5.52	$5.16	7.0%
Starbucks Corporation	SBUX	$1.96	$1.80	8.9%

[7] O dividend increased after 3 months. The increase over the previous month is 0.2%.

[8] AMT dividend increased after 1 quarter. The increase over the previous quarter is 3.1%.

Source: Company reports, Wells Fargo Advisors

Appendix B – Diversified Stock Income Plan Holdings by Sector

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle[2]	DSIP Dividend Increases	Company Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to DSIP
Communication Services (average)			**$230**		**3.4%**				**6%**	**10%**	
Comcast Corp.	CMCSA	$53.22	$244	$1.00	1.9%	1,4,7,10	6	13	9%	15%	8/28/15
Verizon Communications, Inc.	VZ	$51.91	$215	$2.56	4.9%	2,5,8,11	8	15	2%	4%	3/12/14
Consumer Discretionary			**$178**		**1.7%**				**9%**	**18%**	
The Home Depot, Inc.	HD	$355.01	$375	$6.60	1.9%	3,6,9,12	2	11	9%	11%	1/3/20
Lowe's Cos., Inc.	LOW	$221.74	$154	$3.20	1.4%	2,5,8,11	9	59	10%	18%	9/14/12
McDonald's Corp.	MCD	$242.26	$181	$5.52	2.3%	3,6,9,12	17	45	6%	15%	9/16/04
NIKE, Inc.	NKE	$159.43	$252	$1.10	0.7%	1,4,7,10	6	19	12%	16%	2/24/15
Starbucks Corp.	SBUX	$113.37	$134	$1.96	1.7%	2,5,8,11	5	11	10%	18%	3/24/17
Target Corp.	TGT	$253.65	$124	$3.60	1.4%	3,6,9,12	0	50	8%	25%	9/29/21
VF Corp.	VFC	$72.93	$29	$1.96	2.7%	3,6,9,12	12	48	7%	36%	10/3/08
Consumer Staples			**$129**		**2.0%**				**6%**	**7%**	
Brown-Forman Corp.	BF.B	$69.36	$33	$0.72	1.0%	4,7,10,12	14	37	6%	8%	5/31/07
Church & Dwight Co., Inc.	CHD	$82.92	$20	$1.01	1.2%	3,6,9,12	1	25	6%	7%	3/5/20
The Clorox Co.	CLX	$160.56	$20	$4.64	2.9%	2,5,8,11	17	44	6%	-2%	9/16/05
Colgate-Palmolive Co.	CL	$75.28	$63	$1.80	2.4%	2,5,8,11	16	58	4%	6%	9/16/05
Costco Wholesale Corp.	COST	$461.95	$204	$3.16	0.7%	2,5,8,11	13	16	10%	11%	6/25/08
The J. M. Smucker Co.	SJM	$121.48	$13	$3.96	3.3%	3,6,9,12	14	24	5%	1%	10/3/08
McCormick & Co., Inc.	MKC	$79.41	$21	$1.36	1.7%	1,4,7,10	14	35	7%	7%	5/31/07
Mondelez International, Inc.	MDLZ	$59.75	$84	$1.40	2.3%	1,4,7,10	3	8	8%	8%	9/17/18
PepsiCo, Inc.	PEP	$158.09	$219	$4.30	2.7%	1,3,6,9	27	49	7%	9%	8/10/94
Procter & Gamble Co.	PG	$142.34	$346	$3.48	2.4%	2,5,8,11	23	65	4%	7%	11/23/98
Walmart, Inc.	WMT	$141.68	$395	$2.20	1.6%	1,4,6,9	17	48	2%	8%	9/21/04
Energy			**$35**		**4.6%**				**6%**	**11%**	
Phillips 66	PSX	$80.87	$35	$3.68	4.6%	3,6,9,12	10	9	6%	11%	5/2/12
Financials			**$58**		**1.4%**				**7%**	**10%**	
Aflac, Inc.	AFL	$55.16	$37	$1.32	2.4%	3,6,9,12	16	39	5%	-	11/1/06
BlackRock, Inc.	BLK	$896.31	$136	$16.52	1.8%	3,6,9,12	7	12	7%	10%	2/24/15
Brown & Brown, Inc.	BRO	$64.01	$18	$0.37	0.6%	2,5,8,11	13	27	7%	17%	10/3/08
Chubb Ltd.	CB	$177.70	$78	$3.20	1.8%	1,4,7,10	5	28	5%	19%	10/28/16
Commerce Bancshares, Inc.	CBSH	$71.60	$8	$1.05	1.5%	3,6,9,12	25	53	5%	6%	4/18/97
FactSet Research Systems, Inc.	FDS	$415.80	$16	$3.28	0.8%	3,6,9,12	13	22	8%	9%	2/6/09
Intercontinental Exchange, Inc.	ICE	$130.30	$73	$1.32	1.0%	3,6,9,12	1	8	8%	10%	2/27/20
S&P Global, Inc.	SPGI	$447.86	$108	$3.08	0.7%	3,6,9,12	3	48	8%	-	10/19/18
T. Rowe Price Group, Inc.	TROW	$200.14	$45	$4.32	2.2%	3,6,9,12	5	35	7%	-	6/29/16
Health Care			**$187**		**1.9%**				**8%**	**10%**	
Abbott Laboratories	ABT	$116.82	$207	$1.80	1.5%	2,5,8,11	13	49	8%	12%	6/25/08
AmerisourceBergen Corp.	ABC	$118.38	$25	$1.76	1.5%	3,6,9,12	5	15	6%	12%	11/9/15
Amgen, Inc.	AMGN	$203.13	$115	$7.04	3.5%	3,6,9,12	6	10	10%	8%	9/9/15
Becton, Dickinson & Co.	BDX	$238.45	$68	$3.32	1.4%	3,6,9,12	14	49	5%	6%	1/5/07
Johnson & Johnson	JNJ	$160.12	$422	$4.24	2.6%	3,6,9,12	13	59	6%	7%	6/25/08
Medtronic Plc	MDT	$120.72	$162	$2.52	2.1%	1,4,7,10	6	44	7%	9%	11/9/15
Stryker Corp.	SYK	$262.05	$99	$2.52	1.0%	1,4,7,10	9	30	10%	11%	4/25/12
UnitedHealth Group, Inc.	UNH	$424.62	$400	$5.80	1.4%	3,6,9,12	5	12	10%	12%	3/24/17
DSIP Average[1]			**$166.3**		**2.0%**		**12**	**29**	**7%**	**11%**	**10/7/10**
S&P 500		**$4,486**	**$76.1**	**$57.28**	**1.3%**					**16%**	

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

Company Consecutive Dividend Increases = the consecutive number of annual dividend increases for the company

Appendix B – Diversified Stock Income Plan Holdings by Sector

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle[2]	DSIP Dividend Increases	Company Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to DSIP
Industrials			**$91**		**2.1%**				**7%**	**12%**	
3M Co.	MMM	$181.72	$105	$5.92	3.3%	2,5,8,11	16	63	5%	8%	3/2/05
Emerson Electric Co.	EMR	$95.77	$57	$2.02	2.1%	3,6,9,12	27	64	4%	13%	11/30/93
General Dynamics Corp.	GD	$206.66	$58	$4.76	2.3%	2,5,8,11	13	24	8%	10%	6/25/08
Honeywell International, Inc.	HON	$220.63	$152	$3.92	1.8%	3,6,9,12	4	12	8%	12%	2/7/18
Illinois Tool Works, Inc.	ITW	$221.79	$70	$4.88	2.2%	1,4,7,10	15	56	7%	14%	3/2/05
L3Harris Technologies, Inc.	LHX	$238.78	$48	$4.08	1.7%	3,6,9,12	14	20	8%	9%	8/29/08
Lockheed Martin Corp.	LMT	$365.00	$101	$11.20	3.1%	3,6,9,12	2	19	7%	5%	3/5/20
Raytheon Technologies Corp.	RTX	$90.80	$137	$2.04	2.2%	3,6,9,12	16	1	6%	19%	9/20/01
Union Pacific Corp.	UNP	$225.93	$147	$4.28	1.9%	3,6,9,12	1	15	8%	11%	3/5/20
United Parcel Service, Inc.	UPS	$193.39	$168	$4.08	2.1%	3,6,9,12	13	12	6%	16%	3/7/07
W.W. Grainger, Inc.	GWW	$430.87	$22	$6.48	1.5%	3,6,9,12	15	50	6%	13%	7/10/06
Xylem, Inc.	XYL	$125.09	$23	$1.12	0.9%	3,6,9,12	3	10	10%	17%	10/19/18
Information Technology			**$523**		**1.8%**				**8%**	**11%**	
Accenture Plc	ACN	$343.18	$225	$3.88	1.1%	5,11	14	16	8%	9%	6/25/08
Analog Devices, Inc.	ADI	$173.33	$93	$2.76	1.6%	3,6,9,12	13	17	8%	13%	6/28/07
Apple, Inc.	AAPL	$146.55	$2,423	$0.88	0.6%	2,5,8,11	3	8	8%	19%	11/29/18
Automatic Data Processing, Inc.	ADP	$212.57	$90	$3.72	1.8%	1,4,7,10	18	46	6%	13%	11/25/03
Broadridge Financial Solutions, Inc.	BR	$178.02	$21	$2.56	1.4%	1,4,7,10	6	15	9%	-	1/15/16
Cisco Systems, Inc.	CSCO	$55.19	$233	$1.48	2.7%	1,4,7,10	8	10	5%	6%	11/20/13
International Business Machines Corp.	IBM	$142.32	$128	$6.56	4.6%	3,6,9,12	21	26	4%	11%	7/20/00
Jack Henry & Associates, Inc.	JKHY	$171.05	$13	$1.84	1.1%	3,6,9,12	22	30	8%	11%	11/11/99
Microsoft Corp.	MSFT	$307.29	$2,307	$2.48	0.8%	3,6,9,12	7	18	8%	15%	1/5/12
Paychex, Inc.	PAYX	$120.11	$43	$2.64	2.2%	2,5,8,11	17	10	5%	8%	5/7/01
Texas Instruments Incorporated	TXN	$194.91	$180	$4.08	2.1%	2,5,8,11	5	18	8%	11%	6/28/17
Materials			**$81**		**1.3%**				**7%**	**11%**	
Air Products & Chemicals, Inc.	APD	$292.54	$65	$6.00	2.1%	2,5,8,11	15	39	7%	11%	7/5/06
Ecolab, Inc.	ECL	$218.69	$63	$1.92	0.9%	1,4,7,10	14	29	9%	15%	3/6/07
Linde Plc	LIN	$307.97	$159	$4.24	1.4%	3,6,9,12	15	28	7%	11%	6/15/06
PPG Industries, Inc.	PPG	$157.40	$37	$2.36	1.5%	3,6,9,12	5	50	6%	11%	6/29/16
The Sherwin-Williams Co.	SHW	$297.35	$80	$2.20	0.7%	3,6,9,12	1	42	8%	12%	3/5/20
Real Estate			**$58**		**3.1%**				**5%**	**11%**	
American Tower Corp.	AMT	$268.00	$122	$5.03	1.9%	2,5,8,11	33	9	15%	14%	6/14/13
Crown Castle International Corp.	CCI	$167.81	$73	$5.32	3.2%	3,6,9,12	3	6	7%	14%	9/17/18
Federal Realty Investment Trust	FRT	$123.71	$10	$4.28	3.5%	1,4,7,10	5	54	3%	7%	10/28/16
Realty Income Corp.	O	$70.35	$27	$2.83	4.0%	Monthly	70	26	3%	6%	3/14/07
Utilities			**$39**		**2.7%**				**7%**	**7%**	
American Water Works Co., Inc.	AWK	$170.39	$31	$2.41	1.4%	3,6,9,12	3	13	8%	8%	6/7/18
Atmos Energy Corp.	ATO	$91.10	$12	$2.50	2.7%	3,6,9,12	1	37	7%	8%	1/3/20
CMS Energy Corp.	CMS	$59.55	$17	$1.74	2.9%	2,5,8,11	3	15	7%	6%	9/17/18
Eversource Energy	ES	$85.41	$29	$2.41	2.8%	3,6,9,12	18	22	6%	7%	6/7/04
New Jersey Resources Corp.	NJR	$37.05	$4	$1.45	3.9%	1,4,7,10	27	26	7%	6%	2/16/96
NextEra Energy, Inc.	NEE	$80.99	$159	$1.54	1.9%	3,6,9,12	28	27	10%	9%	5/10/94
WEC Energy Group, Inc.	WEC	$88.84	$28	$2.71	3.1%	3,6,9,12	11	18	6%	7%	2/9/12
Xcel Energy, Inc.	XEL	$64.68	$35	$1.83	2.8%	1,4,7,10	6	18	6%	7%	3/3/15
DSIP Average[1]			**$166.3**		**2.0%**		**12**	**29**	**7%**	**11%**	**10/7/10**
S&P 500		**$4,486**	**$76.1**	**$57.28**	**1.3%**					**16%**	

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