

Concept and Holdings

Diversified Stock Income Plan (DSIP) List

Joe Buffa
Equity Sector Analyst

Jack Russo, CFA
Equity Sector Analyst

DSIP List objective

The 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.

Table of contents

DSIP List — Concept review	2
Overview.....	2
Criteria.....	3
Removing stocks.....	4
Benchmark.....	4
Investment considerations.....	4
DSIP List — Holdings by sector	5
Table 1: List statistics.....	5
Table 2: Additional list statistics.....	8

**Please see pages 11-13 of this report for Important Disclosures (including disclosures on conflicts of interest),
Disclaimers and Analyst Certification**
Wells Fargo Investment Institute is an SEC Registered Investment Adviser and is not a Broker-Dealer

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

DSIP List — Concept review

Overview

The DSIP List (the List) is a long-term, buy-and-hold strategy based on the belief that the value of a company is a reflection of the cash flow it generates for its owners. As minority owners, investors’ most tangible share of that cash flow comes as dividend payments. If investors select companies that consistently increase cash flow and deliver rising dividends, over time, we expect that the companies’ stock prices will reflect that growth and create attractive prospects for total returns.

The objectives of the DSIP List are as follows:

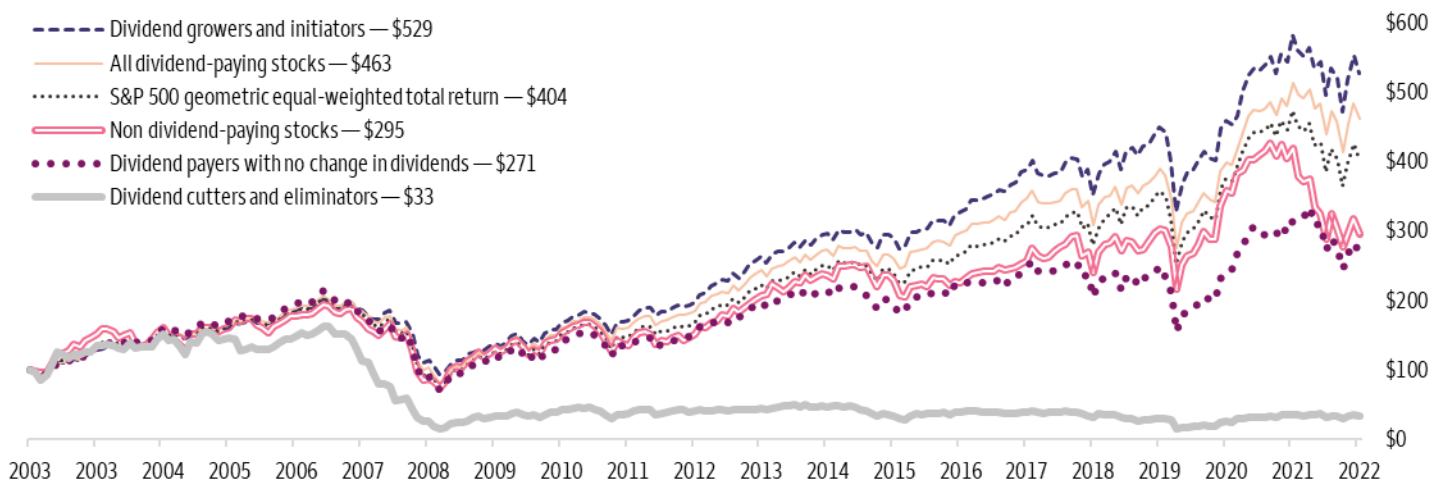
Provide a higher stream of income over time: With a list of stocks that we believe have the potential to raise their dividends with regularity, investors should be able to keep up with the rising cost of living. To help achieve this goal of a growing income stream, we recommend that investors plan to hold these stocks for an extended period, typically a minimum of five years.

Manage risk through diversification: A well-constructed portfolio typically contains stocks from several different sectors. In our view, stocks in as few as eight sectors with different investment characteristics can help reduce a portfolio's volatility to roughly that of the marketplace in which the stocks are traded.

Keep you informed about these stocks through your investment professional: We notify our investment professionals whenever a DSIP List stock announces a dividend change, if we add or remove a stock from the strategy, or if any other significant events occur. We also publish quarterly updates summarizing activity in the strategy as well as other reports on topics of interest.

History has shown that investing in stocks of high-quality dividend-growing companies over long periods of time can be a successful strategy to help investors build wealth. Receiving cash dividends up to four times a year with the prospect of dividend increases at least once per year from a properly diversified portfolio should help investors participate in the wealth-building potential of the market, even in uncertain or volatile times. Figure 1 from Ned Davis Research shows the returns of S&P 500 Index stocks categorized by dividend policy and highlights the significance of dividend growth, and dividends in general, with regard to long-term returns.

Figure 1: Growth of \$100 based on returns of S&P 500 stocks by dividend policy (2003 – 2022)



Source: Ned Davis Research. Ned Davis Research has used data provided by Refinitiv and S&P Global in this analysis. Index return information is provided for illustrative purposes only. **Index returns are not fund returns and are not a 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 U.S. 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 1/1/2003 – 12/31/2022. Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly. **Copyright 2022 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved.**

No one has control over what stock prices do. However, companies with products and services that remain in demand through economic cycles have the potential to consistently increase earnings and dividends, which often also leads to increases in the stock prices of the companies. In addition, rising dividends have historically tended to cushion the fall of stock prices in challenging markets. The DSIP List is therefore comprised of companies with products and services that we are confident will remain in demand through economic cycles. It is important to realize, however, that there are no assurances that dividend income will increase or that stock prices will rise.

The DSIP List emphasizes owning pieces of what we feel are solid businesses — many of which sell products or services that most readers know and use — that have the potential to pay growing dividends while investors wait for stock prices to reflect the upward trend of dividends (and earnings) over the long term.

Criteria

We utilize a disciplined philosophy and methodology that focuses upon finding companies that:

- Appear fundamentally sound (in solid financial condition with investment-grade debt if they have debt)
- Have historically paid dividends that are well covered by free cash flow¹
- Operate generally mature, defensive businesses (providing products or services that customers tend to patronize in all kinds of economic environments)
- Most importantly, offer the potential to consistently raise their annual dividends.

We prefer companies that pay cash dividends out of after-tax earnings. Rarely are we attracted to companies that maintain or increase their dividends using money generated from activities outside the company's primary business of producing goods or services (for example, by selling assets or increasing borrowings). We look for companies that, in addition to increasing their earnings year after year, also generate growth in free cash flow — that is, companies that generate more cash than is required to pay their bills and employees, invest in their business, and maintain facilities and equipment. This is because dividends are paid (and increased) out of free cash flow.

We intend to add only what we believe are the highest-quality companies with the potential for consistent annual dividend growth and to patiently hold them through economic and market cycles, removing them from the DSIP List only if the fundamental characteristics that support dividend growth have deteriorated. Consequently, we are not likely to include every stock within a particular sector that meets the basic criteria for inclusion on the DSIP List. We aim to include only those companies that are industry leaders as well as the strongest financial condition and an outlook for sustainable dividend growth.

Importance of diversification

We believe a properly diversified portfolio should contain companies from a number of different sectors as well as different business types within those sectors. Diversification does not guarantee a profit or protect against loss; it can, however, help reduce the volatility of a portfolio as measured by its standard deviation (a higher standard deviation means there has been greater volatility). At a minimum, we recommend an investor assemble a portfolio consisting of 20 – 30 stocks from six to eight sectors with different investment characteristics. We would not recommend having a relatively high exposure to any one sector or stock.

Investors looking for current income may find better yields than holdings that the DSIP List has to offer in fixed-income securities or other investment types. However, to capture the potential for growing income, it is typically necessary to consider dividend-paying equities as part of an overall asset allocation strategy. For DSIP List purposes, we consider a stock

1. Free cash flow is the amount of cash that a company has left over after it has paid all of its expenses, including investments.

that offers a high dividend yield but has no potential for dividend growth to be a relatively unattractive investment. A high-quality bond with a similar yield may offer a similar return with less risk.

Removing stocks

Many successful stock investors set emotions aside and seek to patiently build wealth over time. Our hope is that through a disciplined process for adding stocks to the DSIP List, we rarely have to consider their removal. However, companies evolve and markets are dynamic. The main reason we would remove a stock is because we are no longer comfortable with the company's prospects for consistent annual dividend growth. This typically happens when the criteria we look at to add a stock begin to deteriorate or are expected to do so. Examples would include an unsustainably high payout ratio (dividends per share as a percentage of earnings per share), prolonged weakness in earnings or free cash flow growth, and deteriorating balance sheet strength. We rarely remove a stock solely for valuation reasons, but we do encourage investors to manage position sizes and capital gains if and when it makes sense in individual portfolios.

Benchmark

Our benchmark for DSIP List performance comparisons is the S&P 500 Index. The S&P 500 Index includes roughly 500 of the largest companies across all 11 S&P industry sectors. The Index is a market value-weighted index designed to measure the performance of the large capitalization segment of the U.S. equity markets.

For a detailed discussion of list performance, please refer to the list's [Quarterly Performance](#) report.

Investment considerations

We consider the DSIP List appropriate for conservative investors seeking some income and growth from their equity portfolios. It may also be appropriate for more aggressive investors who prefer to keep a portion of their portfolios in more conservative equities. Investors with a long-time horizon can potentially benefit from decades of dividend growth and reinvestment in a diversified portfolio of DSIP List stocks. Investors looking to build or rebuild their retirement accounts may find this strategy appropriate. Retired individuals may benefit from the possibility of receiving annual dividend increases from a relatively low volatility strategy. In our opinion, the decision as to whether a particular security is appropriate for an individual portfolio should be made by investors with their investment professional, with full consideration given to existing portfolio holdings as well as investment objectives, risk tolerance, and time horizon.

Dividend reinvestment

One way to potentially enhance the total return potential of a portfolio is to reinvest cash dividends to buy more shares of stock. A dividend reinvestment program allows for automatic reinvestment of dividends into additional shares of the stock. If the dividends are reinvested on a day when the share price is lower, more shares are purchased; alternately, if the stock price is higher, fewer shares are purchased. A systematic investment plan does not guarantee a profit or protect against loss in a declining market, and investors should consider their ability to continue investing through periods of low price levels. We believe investors who reinvest dividends as well as investors who want to initiate or add to stock positions should welcome market pullbacks. Ask your investment professional about dividend reinvestment, a service that we believe can allow you to take full advantage of the growth potential of your dividend income.

We realize that you might choose to take delivery of cash dividends. Please understand, however, that you will not have the opportunity to take advantage of the compounding effect of dividend reinvestment, which may affect your total return.

DSIP List — Holdings by sector

Table 1: List statistics

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle ³	DSIP Dividend Increases	Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to DSIP
Communication Services¹			\$179.3		2.7%				8%	11%	
Comcast Corp.	CMCSA	\$43.46	\$179.3	\$1.16	2.7%	1,4,7,10	8	15	8%	11%	8/27/15
Consumer Discretionary			\$144.7		2.3%				10%	12%	
The Home Depot, Inc.	HD	\$283.31	\$283.3	\$8.36	3.0%	3,6,9,12	4	13	9%	10%	1/2/20
Lowe's Companies, Inc.	LOW	\$186.24	\$107.5	\$4.40	2.4%	2,5,8,11	11	61	10%	19%	9/14/12
McDonald's Corp.	MCD	\$257.27	\$187.5	\$6.68	2.6%	3,6,9,12	19	47	6%	10%	9/15/04
NIKE, Inc.	NKE	\$105.18	\$160.1	\$1.36	1.3%	1,4,7,10	8	21	12%	15%	2/23/15
Starbucks Corp.	SBUX	\$94.62	\$108.4	\$2.28	2.4%	2,5,8,11	7	13	10%	19%	3/23/17
Tractor Supply Co.	TSCO	\$198.22	\$21.6	\$4.12	2.1%	3,6,9,12	1	14	7%	7%	5/2/22
Consumer Staples			\$152.6		2.2%				6%	8%	
Brown-Forman Corp.	BF.B	\$56.35	\$27.0	\$0.82	1.5%	4,7,10,12	16	39	6%	7%	5/31/07
Church & Dwight Co., Inc.	CHD	\$91.58	\$22.5	\$1.09	1.2%	3,6,9,12	3	27	6%	8%	3/5/20
Colgate-Palmolive Co.	CL	\$72.84	\$60.2	\$1.92	2.6%	2,5,8,11	18	61	4%	8%	9/15/05
Costco Wholesale Corp.	COST	\$551.84	\$244.3	\$4.08	0.7%	2,5,8,11	15	18	10%	11%	6/24/08
McCormick & Co., Inc.	MKC	\$62.30	\$16.7	\$1.56	2.5%	1,4,7,10	16	37	7%	8%	5/31/07
Mondelez International, Inc.	MDLZ	\$65.55	\$89.2	\$1.70	2.6%	1,4,7,10	5	10	8%	6%	9/17/18
PepsiCo, Inc.	PEP	\$162.19	\$223.0	\$5.06	3.1%	1,3,6,9	29	51	7%	9%	8/9/94
Procter & Gamble Co.	PG	\$149.90	\$353.3	\$3.76	2.5%	2,5,8,11	25	67	4%	8%	11/20/98
Target Corp.	TGT	\$108.68	\$50.2	\$4.40	4.0%	3,6,9,12	2	52	8%	15%	9/28/21
Walmart, Inc.	WMT	\$163.25	\$439.4	\$2.28	1.4%	1,4,6,9	19	50	2%	8%	9/21/04
Energy			\$49.8		3.8%				4%	34%	
Phillips 66	PSX	\$111.93	\$49.8	\$4.20	3.8%	3,6,9,12	12	11	4%	34%	5/2/12
Financials			\$47.0		2.0%				8%	9%	
Aflac, Inc.	AFL	\$77.76	\$46.2	\$1.68	2.2%	3,6,9,12	18	40	5%	6%	11/1/06
BlackRock, Inc.	BLK	\$612.39	\$91.4	\$20.00	3.3%	3,6,9,12	9	14	8%	7%	2/23/15
Brown & Brown, Inc.	BRO	\$69.70	\$19.8	\$0.52	0.7%	2,5,8,11	16	30	7%	11%	10/3/08
Chubb Ltd.	CB	\$211.44	\$86.8	\$3.44	1.6%	1,4,7,10	7	30	4%	15%	10/27/16
Commerce Bancshares, Inc. (Missouri)	CBSH	\$44.40	\$5.5	\$1.08	2.4%	3,6,9,12	27	55	5%	6%	4/17/97
FactSet Research Systems, Inc.	FDS	\$429.91	\$16.4	\$3.92	0.9%	3,6,9,12	15	24	8%	10%	2/6/09
Intercontinental Exchange, Inc.	ICE	\$106.93	\$61.1	\$1.68	1.6%	3,6,9,12	3	10	8%	9%	2/26/20
Jack Henry & Associates, Inc.	JKHY	\$143.56	\$10.5	\$2.08	1.4%	3,6,9,12	24	32	8%	8%	11/10/99
S&P Global, Inc.	SPGI	\$347.94	\$110.7	\$3.60	1.0%	3,6,9,12	5	50	8%	14%	10/18/18
T. Rowe Price Group, Inc.	TROW	\$95.92	\$21.5	\$4.88	5.1%	3,6,9,12	7	37	7%	-3%	6/28/16
DSIP List²			\$167.3		2.4%		13	30	7%	8%	
S&P 500		\$4,248	\$71.2	\$66.41	1.6%					12%	

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle ³	DSIP Dividend Increases	Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to DSIP
Health Care¹			\$172.1		2.0%				8%	9%	
Cencora, Inc.	COR	\$189.01	\$38.0	\$1.94	1.0%	3,6,9,12	7	17	5%	9%	11/9/15
Abbott Laboratories	ABT	\$94.81	\$164.5	\$2.04	2.2%	2,5,8,11	15	51	8%	2%	6/24/08
Amgen, Inc.	AMGN	\$276.12	\$147.7	\$8.52	3.1%	3,6,9,12	8	12	10%	4%	9/8/15
Becton, Dickinson & Co.	BDX	\$259.21	\$75.2	\$3.64	1.4%	3,6,9,12	16	51	5%	9%	1/5/07
Johnson & Johnson	JNJ	\$151.23	\$364.2	\$4.76	3.1%	3,6,9,12	15	61	6%	3%	6/24/08
Medtronic Plc	MDT	\$71.96	\$95.7	\$2.76	3.8%	1,4,7,10	8	46	5%	5%	11/9/15
Stryker Corp.	SYK	\$265.06	\$100.7	\$3.00	1.1%	1,4,7,10	11	32	10%	9%	4/25/12
UnitedHealth Group, Inc.	UNH	\$525.00	\$486.3	\$7.52	1.4%	3,6,9,12	7	14	10%	11%	3/23/17
Zoetis, Inc.	ZTS	\$167.12	\$76.9	\$1.50	0.9%	3,6,9,12	1	9	10%	11%	11/3/22
Industrials			\$69.1		2.3%				8%	9%	
Automatic Data Processing, Inc.	ADP	\$240.45	\$99.1	\$5.00	2.1%	1,4,7,10	20	48	6%	13%	11/25/03
Broadridge Financial Solutions, Inc.	BR	\$172.85	\$20.4	\$3.20	1.9%	1,4,7,10	8	17	9%	-	1/15/16
Cintas Corp.	CTAS	\$505.82	\$51.5	\$5.40	1.1%	3,6,9,12	2	40	8%	12%	7/5/22
Emerson Electric Co.	EMR	\$90.74	\$51.9	\$2.08	2.3%	3,6,9,12	29	66	2%	14%	11/29/93
General Dynamics Corp.	GD	\$233.00	\$63.6	\$5.28	2.3%	2,5,8,11	15	26	8%	10%	6/24/08
Honeywell International, Inc.	HON	\$181.46	\$120.5	\$4.32	2.4%	3,6,9,12	6	14	8%	8%	2/6/18
Illinois Tool Works, Inc.	ITW	\$223.06	\$67.5	\$5.60	2.5%	1,4,7,10	17	58	7%	5%	3/2/05
L3Harris Technologies, Inc.	LHX	\$173.02	\$32.7	\$4.56	2.6%	3,6,9,12	16	22	8%	4%	8/29/08
Lockheed Martin Corp.	LMT	\$440.90	\$109.4	\$12.60	2.9%	3,6,9,12	4	21	7%	9%	3/5/20
Paychex, Inc.	PAYX	\$117.12	\$42.3	\$3.56	3.0%	2,5,8,11	19	12	5%	9%	5/7/01
Union Pacific Corp.	UNP	\$205.44	\$125.2	\$5.20	2.5%	3,6,9,12	3	16	8%	6%	3/5/20
United Parcel Service, Inc.	UPS	\$149.32	\$127.6	\$6.48	4.3%	3,6,9,12	15	14	6%	1%	3/7/07
W.W. Grainger, Inc.	GWW	\$686.71	\$34.3	\$7.44	1.1%	3,6,9,12	17	52	6%	13%	7/10/06
Xylem, Inc.	XYL	\$89.44	\$21.5	\$1.32	1.5%	3,6,9,12	5	12	8%	12%	10/18/18
Information Technology			\$963.9		2.0%				8%	8%	
Accenture Plc	ACN	\$296.09	\$185.8	\$5.16	1.7%	2,5,8,11	16	18	9%	-5%	6/24/08
Analog Devices, Inc.	ADI	\$164.93	\$82.2	\$3.44	2.1%	3,6,9,12	15	19	8%	8%	6/28/07
Apple, Inc.	AAPL	\$173.44	\$2,711.6	\$0.96	0.6%	2,5,8,11	5	10	6%	9%	11/28/18
Cisco Systems, Inc.	CSCO	\$53.01	\$214.7	\$1.56	2.9%	1,4,7,10	10	12	5%	5%	11/20/13
Microsoft Corp.	MSFT	\$330.53	\$2,455.5	\$3.00	0.9%	3,6,9,12	12	20	9%	14%	1/5/12
Texas Instruments Incorporated	TXN	\$146.92	\$133.4	\$5.20	3.5%	2,5,8,11	7	20	8%	7%	6/27/17
DSIP List²			\$167.3		2.4%		13	30	7%	8%	
S&P 500		\$4,248	\$71.2	\$66.41	1.6%					12%	

Company	Symbol	Price	Market Cap (billion)	Dividend per Share	Dividend Yield	Dividend Pay Cycle ³	DSIP Dividend Increases	Consecutive Dividend Increases	Annual Dividend Growth Estimate	Consensus L-T EPS Growth Estimate	Date Added to DSIP
Materials¹			\$75.2		1.7%				7%	10%	
Air Products & Chemicals, Inc.	APD	\$277.24	\$61.6	\$7.00	2.5%	2,5,8,11	17	41	7%	12%	7/5/06
Ecolab, Inc.	ECL	\$160.25	\$45.7	\$2.12	1.3%	1,4,7,10	16	31	8%	13%	3/6/07
Linde Plc	LIN	\$367.26	\$179.2	\$5.10	1.4%	3,6,9,12	17	30	7%	10%	6/15/06
PPG Industries, Inc.	PPG	\$122.85	\$29.0	\$2.60	2.1%	3,6,9,12	7	52	6%	10%	6/28/16
The Sherwin-Williams Co.	SHW	\$234.98	\$60.4	\$2.42	1.0%	3,6,9,12	3	44	8%	7%	3/5/20
Real Estate			\$53.3		4.6%				5%	7%	
American Tower Corp.	AMT	\$163.23	\$76.1	\$6.31	3.9%	2,5,8,11	40	11	10%	14%	6/14/13
Federal Realty Investment Trust	FRT	\$87.64	\$7.1	\$4.36	5.0%	1,4,7,10	7	56	3%	7%	10/27/16
Prologis, Inc.	PLD	\$101.70	\$94.8	\$3.48	3.4%	3,6,9,12	1	9	7%	8%	5/2/22
Realty Income Corp.	O	\$49.60	\$35.2	\$3.07	6.2%	Monthly	80	28	3%	4%	3/13/07
Utilities			\$32.9		3.4%				7%	8%	
American Water Works Co., Inc.	AWK	\$117.77	\$22.9	\$2.83	2.4%	3,6,9,12	5	15	8%	9%	6/6/18
Atmos Energy Corp.	ATO	\$108.67	\$16.1	\$2.96	2.7%	3,6,9,12	3	39	7%	8%	1/2/20
CMS Energy Corp.	CMS	\$53.64	\$15.6	\$1.95	3.6%	2,5,8,11	5	17	7%	8%	9/17/18
New Jersey Resources Corp.	NJR	\$41.70	\$4.1	\$1.68	4.0%	1,4,7,10	29	28	7%	8%	2/15/96
NextEra Energy, Inc.	NEE	\$55.12	\$113.1	\$1.87	3.4%	3,6,9,12	30	29	10%	6%	5/10/94
WEC Energy Group, Inc.	WEC	\$81.58	\$25.7	\$3.12	3.8%	3,6,9,12	13	20	6%	6%	2/9/12
Xcel Energy, Inc.	XEL	\$59.08	\$32.6	\$2.08	3.5%	1,4,7,10	8	20	6%	6%	3/2/15
DSIP List²			\$167.3		2.4%		13	30	7%	8%	10/21/11
S&P 500		\$4,248	\$71.2	\$66.41	1.6%					12%	

Sources: FactSet, Wells Fargo Investment Institute, company reports. 1 – Rows with sectors show averages for DSIP List securities within the sector. 2 – Row shows average for DSIP List; simple average for market cap, dividend yield, dividend counts, and date added; median for growth estimate. 3 – Months in which dividends are paid. January is 1, February is 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.

Table 2: Additional list statistics

Symbol	Sub-Industry	Price	52-Week Low	52-Week High	Fiscal Year End	TTM Dividend Payout Ratio	5-Yr Dividend CAGR	NTM P/E	5-Yr Average NTM P/E	NTM Relative P/E	5-Yr Avg NTM Relative P/E	Net Debt / Capital	S&P Credit Rating
Communication Services¹						71%	11%	11.0x	14.1x	0.6x	0.7x	51%	
CMCSA	Cable & Satellite	\$43.46	\$30.04	\$47.46	Dec	71%	11%	11.0x	14.1x	0.6x	0.7x	51%	A-
Consumer Discretionary						48%	16%	19.6x	24.1x	1.1x	1.2x	81%	
HD	Home Improvement Retail	\$283.31	\$268.00	\$347.25	Jan	50%	16%	18.3x	21.3x	1.0x	1.1x	92%	A
LOW	Home Improvement Retail	\$186.24	\$176.50	\$237.21	Feb	42%	20%	13.5x	17.1x	0.8x	0.9x		BBB+
MCD	Restaurants	\$257.27	\$245.73	\$299.35	Dec	55%	8%	21.9x	26.0x	1.2x	1.3x	108%	BBB+
NKE	Footwear	\$105.18	\$86.24	\$131.31	May	42%	11%	27.3x	35.1x	1.5x	1.7x	13%	AA-
SBUX	Restaurants	\$94.62	\$82.43	\$115.48	Oct	63%	14%	24.2x	32.2x	1.3x	1.5x	130%	BBB+
TSCO	Other Specialty Retail	\$198.22	\$187.55	\$251.17	Dec	39%	29%	18.9x	22.2x	1.0x	1.1x	61%	BBB
Consumer Staples						60%	8%	22.0x	25.6x	1.2x	1.3x	41%	
BF.B	Distillers & Vintners	\$56.35	\$52.59	\$74.76	Apr	51%	5%	27.0x	37.5x	1.5x	1.9x	41%	A-
CHD	Household Products	\$91.58	\$70.30	\$100.52	Dec	59%	7%	28.2x	28.5x	1.5x	1.5x	34%	BBB+
CL	Household Products	\$72.84	\$67.62	\$82.09	Dec	105%	3%	22.2x	24.3x	1.2x	1.2x	89%	AA-
COST	Consumer Staples Merchandise Retail	\$551.84	\$447.90	\$577.30	Sep	27%	12%	35.2x	36.2x	2.0x	1.8x	-13%	A+
MKC	Packaged Foods & Meats	\$62.30	\$59.13	\$94.39	Nov	64%	10%	22.3x	30.1x	1.2x	1.5x	47%	BBB
MDLZ	Packaged Foods & Meats	\$65.55	\$56.38	\$78.59	Dec	51%	12%	19.6x	21.0x	1.1x	1.1x	40%	BBB
PEP	Soft Drinks & Non-alcoholic Beverages	\$162.19	\$155.83	\$196.88	Dec	81%	7%	20.3x	24.2x	1.1x	1.2x	54%	A+
PG	Household Products	\$149.90	\$126.48	\$158.38	Jun	60%	6%	23.0x	24.1x	1.3x	1.2x	31%	AA-
TGT	Consumer Staples Merchandise Retail	\$108.68	\$102.93	\$181.70	Jan	60%	11%	12.9x	18.4x	0.7x	0.9x	56%	A
WMT	Consumer Staples Merchandise Retail	\$163.25	\$134.00	\$165.85	Jan	44%	2%	24.3x	23.4x	1.3x	1.2x	35%	AA
Energy						18%	7%	7.7x	16.2x	0.4x	0.6x	34%	
PSX	Oil & Gas Refining & Marketing	\$111.93	\$89.74	\$125.19	Dec	18%	7%	7.7x	16.2x	0.4x	0.6x	34%	BBB+
Financials						39%	11%	17.1x	19.2x	0.9x	1.0x	22%	
AFL	Life & Health Insurance	\$77.76	\$59.18	\$82.03	Dec	22%	13%	12.9x	10.9x	0.7x	0.6x	9%	A-
BLK	Asset Management & Custody Banks	\$612.39	\$570.94	\$785.65	Dec	56%	14%	17.1x	19.3x	0.9x	1.0x	-	AA-
BRO	Insurance Brokers	\$69.70	\$52.82	\$74.57	Dec	17%	9%	23.6x	26.6x	1.3x	1.4x	34%	BBB-
CB	Property & Casualty Insurance	\$211.44	\$183.40	\$231.37	Dec	20%	3%	10.5x	12.7x	0.6x	0.6x	-	A
CBSH	Regional Banks	\$44.40	\$45.16	\$72.60	Dec	26%	7%	13.3x	18.5x	0.7x	1.0x	50%	A-
FDS	Financial Exchanges & Data	\$429.91	\$377.89	\$474.13	Aug	31%	9%	26.7x	29.4x	1.5x	1.5x	40%	-
ICE	Financial Exchanges & Data	\$106.93	\$89.49	\$118.79	Dec	53%	14%	19.0x	21.6x	1.0x	1.1x	22%	A-
JKHY	Transaction & Payment Processing Services	\$143.56	\$139.28	\$202.66	Jun	40%	8%	29.0x	37.6x	1.6x	1.9x	16%	-
SPGI	Financial Exchanges & Data	\$347.94	\$287.31	\$428.65	Dec	48%	15%	26.0x	29.3x	1.4x	1.5x	22%	-
TROW	Asset Management & Custody Banks	\$95.92	\$95.75	\$134.64	Dec	72%	16%	13.9x	14.9x	0.8x	0.8x	-19%	-
DSIP List²						51%	10%	18.4x	21.7x	1.0x	1.1x	39%	A
S&P 500		\$4,248	\$3,698	\$4,607		34%	6%	17.6x	19.1x	1.0x	1.0x	34%	BBB+

Symbol	Sub-Industry	Price	52-Week Low	52-Week High	Fiscal Year End	TTM Dividend Payout Ratio	5-Yr Dividend CAGR	NTM P/E	5-Yr Average NTM P/E	NTM Relative P/E	5-Yr Avg NTM Relative P/E	Net Debt / Capital	S&P Credit Rating
Health Care¹						50%	11%	17.9x	19.4x	1.0x	1.0x	41%	
COR	Health Care Distributors	\$189.01	\$142.47	\$194.79	Sep	23%	5%	15.1x	12.9x	0.8x	0.7x	62%	BBB+
ABT	Health Care Equipment	\$94.81	\$89.67	\$115.83	Dec	69%	12%	20.7x	25.6x	1.2x	1.3x	-	AA-
AMGN	Biotechnology	\$276.12	\$211.71	\$296.67	Dec	55%	11%	14.7x	14.0x	0.8x	0.7x	40%	BBB+
BDX	Health Care Equipment	\$259.21	\$217.70	\$287.32	Sep	65%	4%	19.8x	20.8x	1.1x	1.0x	37%	BBB
JNJ	Pharmaceuticals	\$151.23	\$150.11	\$181.04	Jan	34%	6%	14.3x	16.8x	0.8x	0.8x	-	AAA
MDT	Health Care Equipment	\$71.96	\$70.95	\$92.02	Apr	101%	8%	13.9x	19.2x	0.8x	1.0x	22%	A
SYK	Health Care Equipment	\$265.06	\$205.43	\$306.93	Dec	42%	10%	24.0x	25.5x	1.3x	1.3x	39%	BBB+
UNH	Managed Health Care	\$525.00	\$445.68	\$558.10	Dec	31%	17%	19.4x	20.4x	1.1x	1.0x	-	A+
ZTS	Pharmaceuticals	\$167.12	\$124.15	\$194.99	Dec	31%	25%	29.6x	36.2x	1.6x	1.8x	44%	BBB
Industrials						55%	12%	19.7x	21.5x	1.1x	1.1x	34%	
ADP	Human Resource & Employment Services	\$240.45	\$201.46	\$274.92	Jun	58%	14%	25.7x	28.6x	1.4x	1.4x	20%	AA-
BR	Data Processing & Outsourced Services	\$172.85	\$131.35	\$189.69	Jun	55%	15%	22.6x	23.7x	1.2x	1.2x	58%	BBB
CTAS	Diversified Support Services	\$505.82	\$389.48	\$525.37	May	36%	23%	34.3x	34.7x	1.9x	1.7x	38%	A-
EMR	Electrical Components & Equipment	\$90.74	\$76.94	\$100.62	Sep	-	1%	18.6x	20.2x	1.0x	1.0x	-4%	A
GD	Aerospace & Defense	\$233.00	\$202.35	\$256.86	Dec	42%	8%	15.8x	15.8x	0.9x	0.8x	33%	A-
HON	Industrial Conglomerates	\$181.46	\$176.52	\$220.96	Dec	50%	8%	18.9x	22.7x	1.0x	1.1x	34%	A
ITW	Industrial Machinery & Supplies & Components	\$223.06	\$188.86	\$264.19	Dec	52%	12%	22.5x	25.3x	1.3x	1.3x	64%	A+
LHX	Aerospace & Defense	\$173.02	\$160.25	\$255.10	Dec	107%	17%	13.5x	16.3x	0.7x	0.8x	33%	BBB
LMT	Aerospace & Defense	\$440.90	\$393.77	\$508.10	Dec	44%	9%	16.6x	15.5x	0.9x	0.8x	52%	A-
PAYX	Human Resource & Employment Services	\$117.12	\$104.09	\$129.70	May	76%	10%	24.6x	28.9x	1.4x	1.5x	-20%	-
UNP	Rail Transportation	\$205.44	\$183.69	\$240.48	Dec	50%	15%	18.8x	20.1x	1.0x	1.0x	69%	A-
UPS	Air Freight & Logistics	\$149.32	\$150.54	\$197.80	Dec	54%	13%	16.2x	16.9x	0.8x	0.8x	38%	A
GWW	Trading Companies & Distributors	\$686.71	\$508.21	\$811.60	Dec	20%	6%	18.8x	19.9x	1.0x	1.0x	39%	A+
XYL	Industrial Machinery & Supplies & Components	\$89.44	\$89.50	\$118.58	Dec	67%	11%	24.3x	35.0x	1.3x	1.7x	15%	BBB
Information Technology						40%	10%	21.4x	22.6x	1.2x	1.1x	-2%	
ACN	IT Consulting & Other Services	\$296.09	\$242.80	\$330.44	Aug	42%	11%	24.2x	27.9x	1.4x	1.4x	-20%	AA-
ADI	Semiconductors	\$164.93	\$137.79	\$200.10	Oct	44%	11%	20.6x	21.4x	1.1x	1.1x	14%	A-
AAPL	Technology Hardware Storage & Peripherals	\$173.44	\$124.17	\$198.23	Sep	16%	8%	27.1x	26.4x	1.5x	1.3x	28%	AA+
CSCO	Communications Equipment	\$53.01	\$41.81	\$58.19	Jul	50%	4%	13.1x	14.1x	0.7x	0.7x	-31%	AA-
MSFT	Systems Software	\$330.53	\$213.43	\$366.78	Jun	27%	10%	29.4x	30.1x	1.6x	1.5x	-12%	AAA
TXN	Semiconductors	\$146.92	\$147.61	\$188.12	Dec	64%	17%	23.3x	24.2x	1.1x	1.2x	8%	A+
DSIP List²						51%	10%	18.4x	21.7x	1.0x	1.1x	39%	A
S&P 500		\$4,248	\$3,698	\$4,607		34%	6%	17.6x	19.1x	1.0x	1.0x	34%	BBB+

Symbol	Sub-Industry	Price	52-Week Low	52-Week High	Fiscal Year End	TTM Dividend Payout Ratio	5-Yr Dividend CAGR	NTM P/E	5-Yr Average NTM P/E	NTM Relative P/E	5-Yr Avg NTM Relative P/E	Net Debt / Capital	S&P Credit Rating
Materials¹						46%	10%	21.6x	25.9x	1.2x	1.3x	44%	
APD	Industrial Gases	\$277.24	\$235.70	\$328.56	Sep	69%	11%	22.2x	25.9x	1.2x	1.3x	34%	A
ECL	Specialty Chemicals	\$160.25	\$131.04	\$191.41	Dec	51%	6%	28.5x	35.7x	1.6x	1.8x	51%	A-
LIN	Industrial Gases	\$367.26	\$276.64	\$393.67	Dec	43%	8%	25.2x	26.8x	1.4x	1.4x	25%	A
PPG	Specialty Chemicals	\$122.85	\$107.42	\$152.89	Dec	42%	7%	15.1x	19.2x	0.8x	1.0x	39%	BBB+
SHW	Specialty Chemicals	\$234.98	\$199.01	\$283.80	Dec	26%	16%	22.0x	27.1x	1.2x	1.4x	73%	BBB
Real Estate						65%	9%	14.6x	20.9x	0.8x	1.1x	62%	
AMT	Telecom Tower REITs	\$163.23	\$154.58	\$235.57	Dec	53%	17%	16.2x	24.1x	0.9x	1.3x	86%	BBB-
FRT	Retail REITs	\$87.64	\$85.27	\$115.08	Dec	64%	2%	13.3x	18.4x	0.7x	1.0x	60%	BBB+
PLD	Industrial REITs	\$101.70	\$100.64	\$136.67	Dec	-	12%	18.9x	24.9x	1.0x	1.3x	-	A
O	Retail REITs	\$49.60	\$48.42	\$68.85	Dec	77%	3%	11.9x	18.0x	0.7x	1.0x	40%	A-
Utilities						60%	8%	17.4x	22.7x	1.0x	1.2x	57%	
AWK	Water Utilities	\$117.77	\$115.39	\$162.59	Dec	57%	10%	24.2x	34.2x	1.3x	1.7x	52%	A
ATO	Gas Utilities	\$108.67	\$99.46	\$125.28	Sep	50%	9%	16.7x	19.3x	0.9x	1.0x	38%	A-
CMS	Multi-Utilities	\$53.64	\$49.87	\$65.72	Dec	76%	7%	16.1x	21.6x	0.9x	1.1x	66%	BBB+
NJR	Gas Utilities	\$41.70	\$38.92	\$55.84	Sep	54%	7%	15.7x	17.5x	0.8x	0.9x	61%	-
NEE	Electric Utilities	\$55.12	\$47.15	\$88.61	Dec	48%	12%	16.8x	28.6x	0.9x	1.4x	60%	A-
WEC	Multi-Utilities	\$81.58	\$75.47	\$101.11	Dec	70%	7%	18.0x	23.1x	1.0x	1.2x	60%	A-
XEL	Electric Utilities	\$59.08	\$53.73	\$72.99	Dec	64%	6%	17.0x	21.7x	0.9x	1.1x	60%	A-
DSIP List²						51%	10%	18.4x	21.7x	1.0x	1.1x	39%	A
S&P 500		\$4,248	\$3,698	\$4,607		34%	6%	17.6x	19.1x	1.0x	1.0x	34%	BBB+

Sources: FactSet, Wells Fargo Investment Institute, company reports. 1 – Rows with sectors show averages for DSIP List securities within the sector. 2 – Row shows average for DSIP List; simple average for payout ratio, dividend CAGR, international sales, net/debt capital, and credit rating; harmonic average for P/Es. TTM = trailing twelve months. CAGR = compound annual growth rate. NTM = next twelve months. EPS = earnings per share, funds from operations used for real estate investment trusts. P/E = price-to-earnings ratio.

IMPORTANT DISCLOSURES

One or more members of Global Securities Research leadership owns a long common equity position in AAPL, ABT, ACN, ADI, ADP, AFL, AMGN, AMT, APD, BDX, BLK, CB, CMCSA, CL, COST, CSCO, EMR, GD, GWW, HD, ITW, JNJ, LHX, LIN, LOW, MCD, MDT, MSFT, NEE, NKE, PAYX, PEP, PG, PPG, PSX, SPGI, TGT, UNH, WEC, and WMT.

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.

WFII 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 the firm's business activities, including its investment banking business, sales and trading, and principal trading.

Important Disclosures relating to Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC as broker-dealers distributing Wells Fargo Investment Institute prepared research reports:

Wells Fargo Clearing Services, LLC ("WFCS") and Wells Fargo Advisors Financial Network, LLC ("WFAFN") provide their customers with access to third-party research, including this report, which is produced by Wells Fargo Investment Institute, Inc.

To review important information about certain relationships and potential or actual conflicts of interest that may exist between WFCS, WFAFN, their affiliates, and any company that may be the subject of or part of a list that is the subject of this report, please visit the Research Disclosure page of [wellsfargoadvisors.com](https://www.wellsfargoadvisors.com) as provided below.

<https://www.wellsfargoadvisors.com/disclosures/research.htm>

WFCS and/or WFAFN trades or may trade as principal in fixed income and preferred securities (or in related derivatives).

Disclaimers

Prices, figures, and estimates are as of October 24, 2023 unless indicated otherwise.

All investments are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors due to numerous factors some of which may be unpredictable. Be sure you understand and are able to bear the associated market, liquidity, credit, yield fluctuation and other risks involved in an investment in a particular strategy.

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.

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.

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.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. **Communication Services** companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by rapid technology changes; pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players; reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. **Consumer Staples** industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Investing in the **Financial Services** companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. **Real estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Diversification does not guarantee a profit or protect against loss.

Standard & Poor's uses upper-case letters to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds". Ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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.

Price to earnings ratio (PE ratio) is a valuation ratio of company's current share price compared to its per-share earnings. $PE = \text{market value per share} / \text{EPS}$.

Dividend payout ratio is the percentage of a company's earnings paid out as dividends. Dividend payout ratio = dividend per share / EPS.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment.

Global Securities Research (GSR) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Securities Research (GSR). Opinions represent GSR's opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GSR does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report. Past performance is no guarantee of future results.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Global Securities Research works with information received from various resources including, but not limited to, research from affiliated and unaffiliated research correspondents as well as other sources. Global Securities Research does not assign ratings to or project target prices for any of the securities mentioned in this report.

Global Securities Research receives research from affiliated and unaffiliated correspondent research providers with which Wells Fargo Investment Institute 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.

Global Securities Research 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 Global Securities Research 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 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.

©2023 Wells Fargo Investment Institute. All rights reserved. RSNIP-04032025-5993272.1.1 v10.04.23