



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

# EQUITY INCOME STRATEGY for Institutional Advised Clients

DIVIDEND ASSETS CAPITAL INSTITUTIONAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH 03/31/18

## AN INVESTMENT APPROACH THAT MAKES SENSE

**CONSISTENT AND SIGNIFICANT RISING DIVIDENDS** provide opportunities for increasing income to enhance capital appreciation and help protect purchasing power.

**STRONG BRANDS, GLOBAL EXPOSURE AND ESSENTIAL PRODUCTS** are hallmarks of companies with the potential to consistently grow future earnings.

## PORTFOLIO MANAGERS

C. Troy Shaver Jr.  
Chief Executive Officer, Chief Investment Officer & Portfolio Manager

Ying "Susie" Wang, CFA®, CIC®  
Director of Energy/MLP Strategy & Portfolio Manager

Michael "Mick" Kuehn, CFA®  
Senior Equity Analyst, Dividend Growth

Peter G. Gerry, III  
Portfolio Manager & MLP Analyst

John C. Cheshire  
Director of Private Client Group & Senior Portfolio Manager  
Portfolio Manager

Alan Johnson, CFP®  
Senior Portfolio Manager  
Private Client Group

Jim Haley, CFP®  
Senior Portfolio Manager  
Private Client Group

WE SEEK TO INVEST IN HIGH - QUALITY U.S., FOREIGN AND GLOBAL COMPANIES WITH A HISTORY OF SIGNIFICANT, CONSISTENT DIVIDEND INCREASES THAT PROVIDE OPPORTUNITIES FOR ABOVE-AVERAGE CAPITAL APPRECIATION WITH ATTRACTIVE, RISING INCOME.

## GUIDING PRINCIPLES for EQUITIES

Companies must pass our rigid screen and demonstrate:

- Dividends that have risen consistently and significantly, year after year, for a decade or more.
- Consistent growth of earnings that provide the ability to pay and grow dividends.
- Favored companies in a growing global economy provide or guide essential products and services, such as consumer goods and services, energy, healthcare, technology, materials, and industrials.

Our research evaluates company growth rates and financial strength, consistent earnings growth across economic cycles, evidence of strong leadership, growing global brands and exposure, and transparency.

## IMPORTANCE OF DIVIDEND GROWTH Dividend Growing Stocks Outperformed Over Time<sup>1</sup>

CATEGORY (January 31, 1972 - March 31, 2018)	Annual Gain	\$100 Became	Past performance does not guarantee future results
Dividend Cutters or Eliminators	-0.50%	\$78	<sup>1</sup> Source: Further distribution prohibited without prior permission. Copyright© 2018 Ned Davis Research, Inc. All rights reserved.
Non-Dividend Payers	2.60%	\$330	
Dividend Payers With No Change in Dividends	7.40%	\$2,692	
S & P 500	7.60%	\$2,991	
Dividend Growers and Initiators	10.0%	\$8,111	

- Since 1926, dividends have accounted for approximately one-third of the total return of the stock market, while capital appreciation contributed two-thirds.<sup>1</sup>
- Dividend yield, as a component of total return, is historically less volatile than price appreciation.<sup>1</sup>
- We focus on companies that increase their dividends, not absolute dividend yield.<sup>1</sup>

## OPPORTUNITY OF MLPs

- Mid stream energy MLPs fund pipelines, storage and infrastructure to transport oil and gas across the United States.
- MLPs play a critical role, offering participation in the energy sector without exposure to the risks of exploration.
- The fees that MLPs charge for transporting petroleum products are regulated by the Federal Energy Regulatory Commission (FERC) and indexed to inflation based on the Producer Price Index (PPI).
- As a result of FERC oversight, earnings tend to be stable, but partnership returns may be limited on the upside.

*OWNERSHIP IN MASTER LIMITED PARTNERSHIPS. Master Limited Partnerships (MLPs) are limited partnerships that trade as units on public securities exchanges. MLPs are generally held in an investor's account to generate income. A substantial portion of the considered a return of capital, tax-deferred until the units are sold. Investors should consult a tax advisor regarding individual circumstances.*

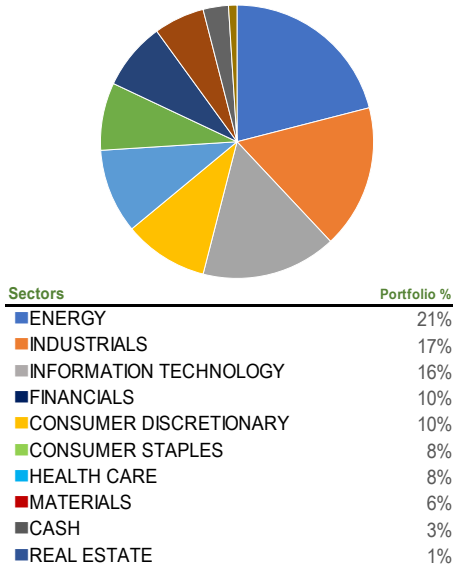
*Investors in MLPs should determine the tax consequences of investing in MLPs based on their specific circumstances and should consult with their tax advisor regarding the tax consequences of an investment strategy that includes MLPs. Investors in MLPs should be aware that any changes in the current tax law could potentially result in future and retroactive tax consequences and should consult their tax advisors regarding any tax law changes. Investors in MLPs may be required to file tax returns and pay tax in each state in which the MLP operates. Individual retirement accounts and retirement plans investing in MLPs may be required to report unrelated business taxable income (UBTI) and pay unrelated business income tax (UBIT). Tax reporting information for MLPs is provided to investors on an annual Schedule K-1 issued by an MLP. Investors may be required to request an extension of time to file their tax returns if an MLP has not issued a Schedule K-1 by April 15.*

# EQUITY INCOME STRATEGY for Institutional Advised Clients

DIVIDEND ASSETS CAPITAL INSTITUTIONAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH 03/31/18

Investments in our Equity Income Portfolios are selected across many industries and sectors. While the majority are large companies, we also offer among small, midsize and international companies. Each portfolio is constructed to help meet your objectives, which may include asset growth, greater income, tax considerations and risk tolerance.

PORTFOLIO COMPOSITION\*  
Asset Diversification 03/31/2018



Information provided with respect to the Sector Weightings and Number of Holdings shown as a percentage of net assets and are listed in order of rank in portfolio.

## COMBINED PERFORMANCE OF SELECT PORTFOLIOS\*\*

Total Returns %	Qtr	YTD	1 YR	Annualized		
				3 YR	5 YR	Since Inception
DAC (Gross of Fees)	-1.74%	-1.74%	11.10%	5.35%	9.51%	10.78%
DAC (Net of Fees)	-1.94%	-1.94%	10.21%	4.51%	8.64%	9.90%
S&P 500 Index	-0.76%	-0.76%	13.99%	10.78%	13.31%	15.00%

\*Inception Date 4/30/06

Calendar Year Performance %	2017	2016	2015	2014	2013	2012
DAC (Gross of Fees)	18.66%	6.70%	-4.91%	13.55%	29.93%	8.65%
DAC (Net of Fees)	17.71%	5.85%	-5.67%	12.65%	28.89%	7.79%
S&P 500 Index	21.83%	11.96%	1.37%	13.68%	32.38%	16.00%

\*\*HISTORICAL PERFORMANCE RETURNS. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income.

Gross of fee returns are reduced by actual trading costs incurred. Net of fee returns are reduced by trading costs and the composite's model (highest) investment management fee. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Composite and benchmark performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Net of fee performance was calculated using a model fee of 0.80%.

Top Ten Holdings   Portfolio %	10-Year Average Dividend Increase	Years of Dividend Growth	PORTFOLIO CHARACTERISTICS*	DAC Institutional Equity Income Portfolio	S&P 500 Index
Microsoft Corp   4.57	14.8	14	P/E Ratio	20.8x	21.3x
Tencent Holdings Ltd   3.95	38.7	12	Dividend Yield	2.8%	2.0%
Texas Instruments Inc   3.4	32.3	13	Return on Equity (ROE)	15.4%	13.7%
Costco Wholesale Corp   2.97	13.2	13	Total Debt to Capital	39.0%	47.4%
Ross Stores Inc   2.65	25.0	23	Weighted Avg. Market Cap	\$95.9B	\$198.8B
NIKE Inc   2.62	15.1	15	Beta	0.99	1.00
TJX Cos Inc/The   2.57	22.1	21			
Illinois Tool Works Inc   2.57	12.6	29			
Harris Corp   2.49	18.1	15			
Roper Technologies Inc   2.25	17.9	24			

\*PORTFOLIO CHARACTERISTICS. The Information provided in the Institutional Equity Income Composite represents certain financial characteristics of a representative account in the composite.

The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. The information provided represents the top ten equity holdings, shown as a percentage of net assets and listed in order of rank. Ten Year Average Dividend Increase represents 10-year average annual dividend increase through the date of this report. Source: Bloomberg and DAC.

The S&P500 Index is a market capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The index comparisons herein are provided for informational purposes only and should not be used as the basis for making an investment decision. There are significant differences between client accounts and the indices. referenced including, but not limited to, risk profile, liquidity, volatility and asset composition. You cannot invest directly in an index, which also does not take into account trading commissions and costs.

DAC does not assume any responsibility for the accuracy or completeness of information provided by third-party data sources.

OWNERSHIP IN MASTER LIMITED PARTNERSHIPS. Master Limited Partnerships (MLPs) are limited partnerships that trade as units on public securities exchanges. MLPs are generally held in an investor's account to generate income. A substantial portion of the cash distributions made are considered a return of capital, tax-deferred until the units are sold. Investors should consult a tax advisor regarding individual circumstances. Investors in MLPs should determine the tax consequences of investing in MLPs based on their specific circumstances and should consult with their tax advisor regarding the tax consequences of an investment strategy of investing in MLPs. Investors in MLPs should be aware that any changes in the current tax law could potentially result in future and retroactive tax consequences and should consult their tax advisors regarding any tax law changes. Investors in MLPs may be required to file tax returns and pay tax in each state in which the MLP operates. Individual retirement accounts and retirement plans investing in MLPs may be required to report unrelated business taxable income (UBTI) and pay unrelated business income tax (UBIT). Tax reporting information for MLPs is provided to investors on an annual Schedule K-1 issued by an MLP. Investors may be required to request an extension of time to file their tax returns if an MLP has not issued a Schedule K-1 by April 15.

Dividend Assets Capital Institutional ("DAC") is a division of Dividend Assets Capital, LLC that manages portfolios for institutional clients, financial intermediaries, and mutual funds. Dividend Assets Capital, LLC is a Registered Investment Adviser with the U.S. Securities and Exchange Commission. Registration does not imply any certain level of skill or training. Past performance is not indicative of future results. The risk of substantial loss exists in equity and MLP trading and equity and MLP investments are not suitable for all investors. You should carefully assess your objectives and risk tolerance before investing. Data is deemed to be reliable, but DAC does not guarantee reliability or accuracy. Information provided is as of the date of this report and subject to change at any time. DAC claims compliance with the Global Investment Performance Standards (GIPS®). The GIPS compliant presentation, as well as a full list of the Firm's composite descriptions, is available upon request by contacting DAC at (866) 348-4769.

The Equity Income Composite includes advised accounts that seek to invest in high-quality U.S., foreign and global company stocks and Master Limited Partnerships (MLPs) that provide opportunities for above- average capital appreciation with attractive, rising income. This strategy has a target of holding up to 10% cash, between 10% - 36% MLPs and between 54% - 85% Equity. The composite is compared against the S&P 500®. The Equity Income Composite was created January 2012.

ADDITIONAL INFORMATION. You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses before investing. The Firm's Investment Adviser Brochure, Form ADV Part 2, contains this and other information about the Firm, and should be read carefully before investing. You may obtain a current copy of DAC's Form ADV Part 2 by visiting our website at www.DACapitalSC.com, emailing info@DACapitalSC.com, or by calling us at (866) 348-4769. Additional information about Dividend Assets Capital, LLC is also available on the United States Securities and Exchange Commission's website at www.adviserinfo.sec.gov. You may search this site using a unique identifying number known as a CRD. DAC's CRD is 129973.

COPYRIGHT© 2018 DIVIDEND ASSETS CAPITAL, LLC

58 RIVERWALK BLVD · RIDGELAND, SC 29936 · USA · 866.348.4769 · DACAPITALSC.COM