



**DIVIDEND ASSETS CAPITAL, LLC**

INVESTMENT ADVISORS

# EQUITY INCOME STRATEGY

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH 06/30/18

## 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.

**MLPs OFFER SIGNIFICANT, TIMELY INCOME POTENTIAL** due to the increasing global demand for energy.

## 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

**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 - June 30, 2018)	Annual Gain	\$100 Became
Dividend Cutters or Eliminators	-0.4%	\$83
Non-Dividend Payers	2.8%	\$353
Dividend Payers With No Change in Dividends	7.4%	\$2,758
S & P 500	7.6%	\$3,061
Dividend Growers and Initiators	10.0%	\$8,206

Past performance does not guarantee future results

<sup>1</sup>Source: Further distribution prohibited without prior permission.  
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- 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 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.

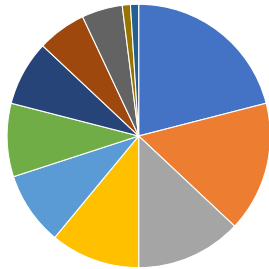
Investors in MLPs should determine the tax consequences of investing in MLPs based on their specific circumstances and should consult with their tax advisor regarding the tax consequences of an investment strategy that includes MLPs. Investors in MLPs should be aware that any changes in the current tax 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

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Investments in our Equity Income Portfolios are selected across many industries and sectors. While the majority are large companies, we also offer diversification 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 6/30/2018



Sectors	Portfolio %
ENERGY	21%
INDUSTRIALS	16%
INFORMATION TECHNOLOGY	13%
CONSUMER DISCRETIONARY	11%
CONSUMER STAPLES	9%
HEALTH CARE	9%
FINANCIALS	8%
MATERIALS	6%
CASH	5%
UTILITIES	1%
REAL ESTATE	1%

## COMBINED PERFORMANCE OF SELECT PORTFOLIOS\*\*

Total Returns %	Qtr	YTD	1 YR	Annualized			
				3 YR	5 YR	10 YR	Incept.*
DAC (Gross of Fees)	4.01%	1.88%	11.63%	4.32%	7.78%	9.49%	8.83%
DAC (Net of Fees)	3.79%	1.48%	10.75%	3.50%	6.88%	8.56%	7.90%
S&P 500 Index	3.43%	2.65%	14.37%	11.93%	13.42%	10.17%	8.44%

\*Inception Date 4/30/06

Calendar Year Performance %	2017	2016	2015	2014	2013	2012	2011	2010	2009
DAC (Gross of Fees)	15.03%	5.12%	-7.67%	13.10%	27.84%	8.59%	7.77%	22.70%	34.59%
DAC (Net of Fees)	14.08%	4.27%	-8.40%	12.10%	26.80%	7.75%	6.83%	21.59%	33.33%
S&P 500 Index	21.83%	11.96%	1.37%	13.68%	32.38%	16.00%	2.11%	15.06%	26.46%

Certain performance calculations are prepared internally and have not been verified or audited by a third party. The use of a different methodology for preparing, calculating, or presenting performance returns may lead to different results and such results may be material. **Past Performance is not indicative of future results.**

\*\*HISTORICAL PERFORMANCE RETURNS. Performance calculations are time-weighted and include the reinvestment of dividends and other earnings. The Equity Income composite includes discretionary and non-discretionary accounts. Net performance results reflect the deduction of investment management fees. Gross performance results do not reflect the deduction of investment management fees, and are net of commissions and foreign withholding tax.

Top Ten Holdings  Portfolio %	Average Dividend Increase	Years of Dividend Growth	PORTFOLIO CHARACTERISTICS: DAC EQUITY INCOME COMPOSITE	
			DAC Equity Income Composite	S&P 500 Index
Microsoft Corp   4.04	14.8	14	P/E Ratio	20.7x
Magellan Midstream Partners LP   3.4	N/A <sup>3</sup>	N/A <sup>3</sup>	Dividend Yield	2.6%
Enterprise Products Partners LP   2.97	N/A <sup>3</sup>	N/A <sup>3</sup>	Return on Equity (ROE)	17.2%
NIKE Inc   2.86	15.1	15	Total Debt to Capital	41.1%
Texas Instruments Inc   2.59	32.3	13	Weighted Avg. Market Cap	\$96.5B
Harris Corp   2.59	18.1	15	Beta	0.95
Ecolab Inc   2.59	13.2	31		1.00
TJX Cos Inc/The   2.58	22.1	21		
Roper Technologies Inc   2.52	17.9	24		
Costco Wholesale Corp   2.45	13.2	13		

<sup>3</sup>We follow distribution rates for MLPs. Information can be provided upon request.

\*PORTFOLIO CHARACTERISTICS. The information provided in the Equity Income composite represents certain financial characteristics of the combined portfolios 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.

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. Ten Year Average Dividend Increase represents 10-year average annual dividend increase through the date of this report. Source: Bloomberg and DAC.

For the period April 30, 2006 to October 1, 2013, inclusion in the Equity Income composite was based on the initial allocation of a portfolio being invested solely in a combination of equities and MLPs. Based on customization of client accounts that occurred over time, not all accounts in the portfolio held investments meeting the target allocations. As of October 2013, the following composite methodology was used: No Fixed Income, target 10% - 36% in MLPs, 54% - 85% in Equities (not including MLPs) and 10% or less in cash. In addition, each individual portfolio in the composite is customized to the individual investment objectives. This also contributes to dispersion of performance returns for portfolios in the composite.

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The S&P 500 Index is a market value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group presentation.

The index is unmanaged, and you cannot invest directly in the index. The index comparisons are provided for informational purposes only.

Dividend Assets Capital, LLC (DAC) 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.

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](http://www.DACapitalSC.com), emailing [info@DACapitalSC.com](mailto: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](http://www.adviserinfo.sec.gov) You may search this site using a unique identifying number known as a CRD. DAC's CRD is 129973.

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