



**DIVIDEND ASSETS CAPITAL, LLC**

INVESTMENT ADVISORS

# EQUITY 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.

## PORTFOLIO MANAGERS

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

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

**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.

### TARGETING ESSENTIAL PRODUCTS AND SERVICES

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.

### FOCUSED, RESEARCH-DRIVEN INVESTMENT APPROACH

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.

Proprietary research, complemented by Wall Street analyses and conversations with management, evaluates:

- Company growth rates and financial strength
- Consistent earnings growth across economic cycles
- Evidence of strong leadership
- Growing, global brands and exposure
- 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	-0.40%	\$83
Non-Dividend Payers	2.80%	\$353
Dividend Payers With No Change in Dividends	7.40%	\$2,758
S & P 500	7.60%	\$3,061
Dividend Growers and Initiators	10.0%	\$8,206

Past performance does not guarantee future results

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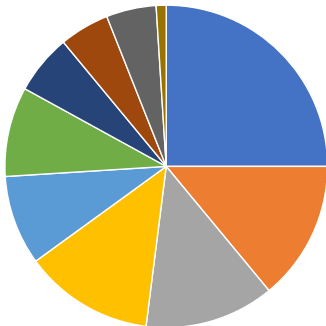
- Since 1926, dividends have accounted for approximately one-third of the total return of the stock market, while capital appreciation contributed two-thirds.<sup>1</sup>
- Dividend yield, as a component of total return, is historically less volatile than price appreciation.<sup>1</sup>
- We focus on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

# EQUITY STRATEGY

Investments in our Equity 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 %
INDUSTRIALS	25%
CONSUMER DISCRETIONARY	14%
INFORMATION TECHNOLOGY	13%
CONSUMER STAPLES	13%
FINANCIALS	9%
MATERIALS	9%
HEALTH CARE	6%
ENERGY	5%
CASH	5%
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)	3.09%	3.13%	15.98%	8.62%	11.50%	8.82%	8.04%
DAC (Net of Fees)	2.93%	2.80%	15.13%	8.00%	10.87%	8.15%	7.39%
S&P 500 Index	3.43%	2.65%	14.37%	11.93%	13.42%	10.17%	8.77%

\*Inception Date 5/31/06

Calendar Year Performance %	2017	2016	2015	2014	2013	2012	2011	2010	2009
DAC (Gross of Fees)	20.72%	3.87%	1.44%	12.39%	28.27%	8.80%	1.26%	12.67%	20.93%
DAC (Net of Fees)	19.99%	3.36%	0.81%	11.75%	27.69%	8.20%	0.58%	11.92%	20.07%
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 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.

For the period May 31, 2006 to September 30, 2013, inclusion in the Equity composite was based on portfolios with an initial target allocation of 90% holdings in equities (not including MLPs). During the period May 31, 2006 to December 31, 2013 not all accounts in the portfolio held investments meeting the target allocation based on customization of client accounts that occurred. As of January 1, 2014, the following composite methodology was used: No Fixed Income, target 90% or greater in Equity (not including MLPs) and 10% in cash. In addition, each individual portfolio in the composite is customized to the client's investment objectives. This also contributes to a wide dispersion of performance returns for portfolios in the composite.

Top Ten Holdings   Portfolio %	10-Year Average Dividend Increase	Years of Dividend Growth	PORTFOLIO CHARACTERISTICS*:	
			DAC Equity Composite	S&P 500 Index
Roper Technologies Inc   6.58	17.9	24	P/E Ratio	23.9x
Harris Corp   5.89	18.1	15	Dividend Yield	1.6%
TJX Cos Inc/The   5.26	22.1	21	Return on Equity (ROE)	20.7%
Ecolab Inc   4.61	13.2	31	Total Debt to Capital	38.6%
Automatic Data Processing Inc   4.32	12.5	43	Weighted Avg. Market Cap	\$90.8B
Canadian National Railway Co   4.07	14.8	15	Beta	0.92
Bank of the Ozarks   3.74	20.8	19		1.00
NIKE Inc   3.67	15.1	15		
Costco Wholesale Corp   3.61	13.2	13		
Microsoft Corp   3.37	14.8	14		

\*PORTFOLIO CHARACTERISTICS. The securities identified and described in the Equity composite 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.

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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.

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