



Guided Portfolio: Dividend Growth

Monthly Report

May 3, 2012

The objective of the Guided Portfolio: Dividend Growth is to provide investors current income with the potential for growing cash flow plus long-term capital appreciation.

- *This portfolio may be appropriate for investors who have an average risk tolerance and who are able to withstand volatility in its value.*
- *Stocks are chosen from the universe of companies followed by our fundamental research sources.*
- *Companies are evaluated on the strength of their underlying business models, breadth of their management teams, defined policies to return cash flow to investors, a history of strong free cash flow generation, and a commitment to dividend growth.*
- *The portfolio is limited to twenty stocks and managed for tax efficiency.*
- *Stocks selected are generally eligible for the 15% dividend taxation rate for U.S.-based investors.*
- *For additional details on methodology, please turn to page 9.*

A Brisk Pace of Dividend Growth

With four months under the market's belt in 2012, not only has it been a good year for performance—the S&P 500 is up 11.9% through the end of April—but so far, it's been a very good year for dividends. According to S&P, dividends are on pace to rise 16% overall for the market in 2012, with the median dividend increase at 11.11%. Eight companies have initiated dividends so far in 2012, and seven companies have doubled their payments in 2012. Today, 401 out of 500 companies in the S&P 500 pay a dividend, and payments have now surpassed the level paid in 2008. Quite a remarkable recovery!

Interestingly, the \$9.9 billion dividend initiation by Apple pushed the Technology sector into second place in gross dividend payments, right behind the Consumer Staples sector. According to Silverblatt at S&P, if Google matched Apple's dividend yield, technology would jump to first place quickly. It's a bit difficult to wrap my brain around the reality that the technology sector could be the major contributor to index dividends. Ah, the more things change ...

We remain firm believers that a firm's decision to pay growing dividends is a hallmark of great companies. In a low-yield world where 80% of U.S.-based financial assets are controlled by individuals 60 and older, dividends remain in vogue, even with higher taxes looming on the horizon.

GPDG Dividends Rise 8.72% to Date

Notable dividend increases this year include a 24% hike from Northeast Utilities, a 13% dividend hike from IBM, a 14% increase from Kinder Morgan Inc., and an 11% increase from Chevron Corp. Please see page 3 for a table of year-to-date dividend increases and historic dividend growth for the Portfolio.

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Guided Portfolio: Dividend Growth Investment Committee

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Symbol	Company Name	Price 4/30/12	52-Wk Range	Performance		EPS (Calendar)			P/E		Div Yield	Annual Div	Market Cap (B)	5-yr CAGR	
				Entry Date	Entry Price ★	2011A	2012E	2013E	2012E	2013E				Historical Div Growth	3-yr Est EPS Gr
Consumer Discretionary															
MCD	McDonald's Corporation	\$97.45	102 - 78	2/13/09	\$56.81	5.27	5.70	6.29	17.1x	15.5x	2.87%	\$2.80	\$99.02	22.9%	10%
VFC	V.F. Corporation	\$152.05	156 - 92	7/06/06	\$67.71	8.18	9.45	10.87	16.1x	14.0x	1.89%	\$2.88	\$16.94	5.5%	13%
Consumer Staples															
ADM	Archer Daniels Midland Co.	\$30.83	37 - 24	2/23/11	\$35.87	2.96	2.75	3.25	11.2x	9.5x	2.27%	\$0.70	\$20.40	8.8%	6%
PM	Philip Morris International, Inc.	\$89.51	91 - 60	3/31/08	\$50.58	4.88	5.27	5.88	17.0x	15.2x	3.44%	\$3.08	\$153.54	NA	10%
PG	Procter & Gamble Co. (The)	\$63.64	68 - 58	7/06/06	\$56.45	3.92	4.05	4.40	15.7x	14.5x	3.53%	\$2.25	\$174.38	11.1%	7%
Energy															
CVX	Chevron Corporation	\$106.56	112 - 87	7/06/06	\$63.98	13.19	13.25	13.45	8.0x	7.9x	3.38%	\$3.60	\$210.21	9.3%	1%
KMI	Kinder Morgan, Inc.	\$35.90	40 - 24	12/30/11	\$32.17	0.92	1.14	1.30	31.4x	27.6x	3.57%	\$1.28	\$19.24	NA	10%
RDS.B	Royal Dutch Shell PLC	\$73.36	79 - 58	2/23/11	\$70.75	9.22	9.12	9.33	8.0x	7.9x	4.69%	\$3.44	\$97.32	NA	15%
Financials															
CB	Chubb Corporation (The)	\$73.07	74 - 55	12/29/09	\$49.40	5.12	5.91	5.94	12.4x	12.3x	2.24%	\$1.64	\$19.76	7.2%	7%
TD	Toronto Dominion Bank (The)	\$84.45	88 - 65	9/10/10	\$72.43	NA	7.53	8.25	11.2x	NA	3.45%	\$2.91	\$76.57	9.7%	12%
Health Care															
ABT	Abbott Laboratories	\$62.06	63 - 46	2/13/09	\$54.94	4.66	5.03	5.36	12.3x	11.6x	3.29%	\$2.04	\$97.58	10.2%	9%
JNJ	Johnson & Johnson	\$65.10	68 - 59	7/06/06	\$60.52	5.00	5.12	5.43	12.7x	12.0x	3.75%	\$2.44	\$178.72	8.7%	6%
Industrials															
MMM	3M Company	\$89.36	98 - 69	7/06/06	\$81.39	5.96	6.40	6.99	14.0x	12.8x	2.64%	\$2.36	\$62.00	4.2%	9%
EMR	Emerson Electric Co.	\$52.54	61 - 40	2/13/09	\$32.02	3.31	3.62	4.08	14.5x	12.9x	3.05%	\$1.60	\$38.59	8.8%	11%
Information Technology															
ADP	Automatic Data Processing, Inc	\$55.62	57 - 45	2/13/09	\$37.17	2.64	2.89	3.19	19.2x	17.4x	2.84%	\$1.58	\$27.29	11.4%	10%
IBM	International Business Machine	\$207.08	211 - 157	9/10/10	\$127.99	13.44	15.07	16.64	13.7x	12.4x	1.64%	\$3.40	\$239.94	20.1%	9%
MCHP	Microchip Technology Inc.	\$35.37	42 - 29	3/22/10	\$28.79	1.99	2.01	2.25	17.6x	15.7x	3.95%	\$1.40	\$6.79	5.7%	13%
Telecommunication Services															
T	AT&T, Inc.	\$32.91	33 - 27	7/06/06	\$27.66	2.20	2.39	2.56	13.8x	12.9x	5.35%	\$1.76	\$193.35	4.4%	10%
Utilities															
GAS	AGL Resources Inc.	\$39.43	44 - 34	11/09/07	\$38.01	2.92	2.77	3.04	14.2x	13.0x	4.57%	\$1.80	\$4.62	2.3%	2%
NU	Northeast Utilities	\$36.77	38 - 30	4/10/12	\$35.91	2.38	2.42	2.57	15.2x	14.3x	3.20%	\$1.18	\$11.51	9.4%	7%

Avg. Yield: 3.28%

Cumulative Performance	YTD	Last 12	Since
	Through 4/30/12	Months Through 4/30/12	Inception Through 4/30/12
Guided Portfolio: Dividend Growth	6.8%	8.9%	32.5%
S&P 500	11.9%	4.8%	24.8%

★ The entry price has been adjusted for a stock split, stock dividend or business spin-off that would change the cost basis of the holding.

Inception date is July 6, 2006.

A stands for actual earnings, E stands for estimated earnings based on First Call Consensus estimates. Information regarding returns is presented as total return and therefore includes dividends as well as capital appreciation and presumes reinvestment of dividends. Return calculations do not include the deduction of commissions, advisory program fees, interest charges or other expenses that would be associated with an investment in the securities mentioned that are paid to RBC Wealth Management will reduce the client's overall return. Return is calculated on an equal-weighted, total return basis, and includes dividends, which are assumed to be reinvested. Return calculations do not include the deduction of commissions, advisory program fees, interest charges or other expenses that would be associated with an investment in the securities mentioned that are paid to RBC Wealth Management will reduce the client's overall return. Return calculations for the Guided Portfolio: Dividend Growth include securities that have been removed from the portfolio. Performance information on removed stocks is available upon request. Prices utilized for performance calculation purposes are closing prices one full trading session following additions to or removals from the Guided Portfolio: Dividend Growth. S&P 500 index is an unmanaged index of 500 widely held common stocks and Real Estate Investment Trusts (REITS) of domestic operating companies traded on the New York Stock Exchange, American Stock Exchange or NASDAQ National Market List and is often used as a measure of large capitalization-weighted common stock performance in the United States. An investment cannot be made directly into an index. Past performance should not be viewed as an indicator of future results.

Source: FactSet and our national research correspondents.

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Guided Portfolio: Dividend Growth Companies – Dividend Growth Record

Security	Stock Symbol	Historical Action Month	Type of Action	Current Rate	Prior Rate	2010 Percentage Change	2011 Percentage Change	2012 Percentage Change
Consumer Discretionary								
McDonald's*	MCD	SEP	TBD	2.80	2.44	11.00%	15.00%	
VF Corp.*	VFC	DEC	TBD	2.88	2.52	5.00%	14.00%	
Consumer Staples								
Archer Daniels Midland*	ADM	Feb/Nov	TBD	0.70	0.60	7.14%	16.67%	
Philip Morris Inc.	PM	SEP	TBD	3.08	2.56	10.00%	20.30%	
Procter & Gamble Co.*	PG	APR	Increase	2.25	2.10	9.50%	9.00%	7.00%
Energy								
Chevron Corp.	CVX	May/Nov	Increase	3.60	3.24	5.90%	12.50%	11.00%
Kinder Morgan Inc.	KMI	NOV	Increase	1.28	1.20	NA	0.00%	14.00%
Royal Dutch Shell "B"	RDS'B	MAY	TBD	3.36	3.36	0.00%	0.00%	
Financial Services								
The Chubb Company*	CB	FEB	Increase	1.64	1.56	5.71%	5.40%	5.10%
Toronto Dominion Bank	TD	Jan/Sep	Increase	2.94	2.72	0.00%	11.48%	5.90%
Healthcare								
Abbott Labs*	ABT	FEB	Increase	2.04	1.92	10.00%	9.10%	6.25%
Johnson & Johnson*	JNJ	APR	Increase	2.44	2.28	10.20%	5.60%	7.00%
Industrial								
3M Co.*	MMM	FEB	Increase	2.36	2.20	2.94%	5.00%	7.30%
Emerson Electric*	EMR	NOV	TBD	1.60	1.38	3.25%	15.90%	
Information Technology								
Automated Data*	ADP	NOV	TBD	1.58	1.44	6.00%	9.70%	
Int'l Business Machines	IBM	MAY	Increase	3.40	3.00	18.00%	15.00%	13.00%
Microchip Technology	MCHP	Quarterly	Increase	1.392	1.382	1.80%	2.05%	1.15%
Telecom Services								
AT&T Inc.*	T	DEC	TBD	1.72	1.68	2.40%	2.30%	
Utilities								
AGL Resources	GAS	FEB	Increase	1.84	1.80	2.30%	2.30%	2.22%
Northeast Utilities	NU	MAY	Increase	1.37	1.10	6.30%	7.30%	24.73%

Average Announced Portfolio Dividend Increase in 2012 through 4/30/12:	8.72%
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Portfolio Average Yield (4/30/12)	3.28%
S&P 500 Dividend Yield (4/30/12)**	2.20%

Div. Growth Rate	2011	2010	2009	2008
GPDG	9.56%	6.21%	2.40%	7.50%
S&P 500	16%	8.60%	-21.60%	2.40%

* Member of the S&P Dividend Aristocrats, companies that have increased dividends in at least each of past 25 yrs.

** Based on the S&P 500 indicated dividend rate of \$30.69

Source: RBC Wealth Management, company reports, Standard & Poor's

Guided Portfolio: Dividend Growth Changes

We make changes to the Guided Portfolio Dividend Growth Portfolio based primarily on fundamental changes in the underlying business, such as balance sheet deterioration, declining cash flows, rising dividend payout ratios, or other changes that could negatively impact the company's ability to pay its dividend. We also take into consideration market activity and valuation. Removal from the portfolio does not necessarily imply investors should sell a stock. We state our justification for removal and immediately provide appropriate follow-up information via a published report and also through our internal communication systems.

Additions: None at this time.

Deletions: None at this time.

Company Highlights

Abbott Labs (NYSE: ABT)

- The company reported better-than-expected first-quarter results with revenues and earnings of \$9.45 billion and \$1.03 per share. Strong results from pharmaceuticals, nutritionals, and diagnostics were the reason for the outperformance. Gross margins of 61.1% also exceeded expectations. Based on the better-than-expected results, management raised the fiscal year guidance to the range of \$5.00-\$5.10 from \$4.95-\$5.05. The company plans to split into two companies by the end of the year, and RBC believes a sum-of-the parts valuation puts the company between \$67-\$69 on a base-case and between \$72-\$75 under a bullish scenario.
- We remain encouraged by productivity we are seeing in the company's pharmaceutical pipeline, specifically, two experimental compounds to treat Hepatitis C (HCV). Recent phase II clinical trials results were better than expected at suppressing HCV. Should phase III trials show similar safety and efficacy results, peak sales opportunity could be more than \$2 billion and would position Abbott to be a stronger player in this anticipated \$25 billion market opportunity. On May 15, the company will pay its normal \$0.51 quarterly dividend to shareholders, representing the company's 353rd consecutive quarterly dividend paid to shareholders since 1924.

Automatic Data Processing, Inc. (NYSE: ADP)

- The company reported another solid quarter, with \$0.92 in earnings, which was \$0.01 better than the consensus estimate. Revenues increased 7% to \$2.92 billion, also better than expected. The company's Employer Services division exceeded expectations in revenues and margins, and new business sales were up 12% year over year. Dealer Services also exceeded expectations in revenues and earnings. PEO Services reported revenues slightly below expectations, but higher margins more than offset the revenue miss. New sales growth was also better than expected for PEO Services.
- For the full year, management still targets 7%-9% total revenue growth and earnings growth of 8% to 9% over fiscal 2011's \$2.52. RBCCM expects the company will earn \$2.75 in 2012 and \$3.05 in 2013. Automatic Data Processing remains one of the steadiest dividend growers in the Technology sector, with 37 years of uninterrupted dividend increases.

Archer Daniels Midland (NYSE: ADM)

- Archer Daniels reported strong third-quarter results. EPS was \$0.78 versus consensus of \$0.60, while revenue rose 5% year over year to \$21.2 billion versus consensus of \$21.6 billion. From a segment perspective, oilseeds processing (33% of sales) was the biggest surprise as the company delivered higher operating profit versus expectations. Corn Processing (13% of sales) was also stronger than expected as ethanol-related results were higher despite expectations to the contrary. Agricultural Services (46%) was relatively in line with expectations. In the quarter the company returned \$171 million to shareholders in the form of dividends and share repurchases.
- Looking forward, management is optimistic based on projected North American corn and soybean plantings. We were particularly encouraged that headcount reductions and costs savings initiatives are coming in better than expected. In the quarter, the company raised its annual cost savings target to \$150 million from \$125 million, news that was warmly received by investors. We also welcome these structural changes and believe it puts Archer Daniels on a path to better earnings visibility and growth.

International Business Machines (NYSE: IBM)

- The company reported another beat and raise quarter. IBM reported \$24.7 billion in revenues and earnings of \$2.78, both better than expected. Management is now guiding earnings for the year to at least \$15 compared to the current consensus estimate of \$14.93. The company is maintaining its target to exceed \$20 per share in earnings by 2015. The company believes the combination of revenue growth, acquisitions, cost reduction, and share buybacks will allow them to meet their goal. The company continues to generate a large amount of cash. In the quarter it generated free cash of \$3.3 billion which will likely support future M&A, potentially higher dividends, and share repurchases.
- On April 24, the Board announced it would increase its quarterly dividend by 13% to \$0.85 from \$0.75. This dividend increase represents the 17th year in a row the company has increased its dividend and the ninth-straight year of double-digit growth. Since the beginning of 2000, the company has increased its dividend by over 700%. This new dividend will be paid to shareholders on June 9. IBM has paid consecutive quarterly dividends since 1916.

Northeast Utilities (NYSE: NU)

- On April 10, NSTAR and Northeast Utilities completed their merger. NSTAR shareholders received 1.312 shares of Northeast Utilities (NU) for each NST share held. The merged companies will retain the Northeast Utility name and symbol (NU) and NSTAR is now a fully owned subsidiary of Northeast Utilities.
- The combined company remains on Guided Portfolio Dividend Growth. The merger is expected to be accretive to earnings in the first year and beyond. The combined company should be able to deliver enhanced earnings growth which should help drive future dividend growth. On May 2, the Board approved the new quarterly dividend of \$0.343 up from \$0.294 and will pay the new dividend to shareholders on June 29 to shareholders of record on June 1. This increase represents a 17% increase over the March quarter dividend and is consistent with the provisions of the merger.

Company Descriptions

3M Company (NYSE: MMM)

3M Co. is a global manufacturer operating a broadly diversified business. The company classifies its business into six reportable segments: Industrial & Transportation, Health Care, Display & Graphics, Consumer & Office, Electro & Communications, and Safety, Security, and Protection. Most 3M products involve expertise in product development, manufacturing, and marketing, with many of the company's products involving some form of coating, sealant, adhesive, film, or chemical additive that increases the product's overall functionality and usability for consumers. Brands familiar to customers in 200 countries include Scotch, Post-it, Scotchgard, Thinsulate, Scotch-Brite, Filtrete, Command, and Vikuiti. 3M generates about two-thirds of its revenues outside the United States. The company is a member of the S&P Dividend Aristocrats and has paid uninterrupted quarterly dividends to shareholders for more than 95 years; 2012 represents the 54th consecutive year 3M has increased its dividend.

Abbott Laboratories (NYSE: ABT)

Abbott Labs discovers, develops, manufactures, and sells a broad and diversified line of health care products and services. The company's products include pharmaceuticals, diagnostic products, medical devices, and nutritional products. In 2010, pharmaceuticals represented 56% of operating revenues, nutritionals 16%, diagnostics 11%, vascular 9%, and other 8%. Foreign sales accounted for 59% of total sales in 2011. The company markets its products worldwide through its

affiliates and distributors. Abbott announced it intends to split the company into two companies, one focused on medical devices and one focused on pharmaceuticals. The firm has targeted a completion date of late 2012. Abbott is a member of the S&P Dividend Aristocrats, a group of companies that has raised its dividends in at least each of the past 25 years. The company has paid a quarterly dividend uninterrupted since 1924—for 353 consecutive quarters—and 2012 represents the 40th consecutive year the company has increased its dividend.

AGL Resources (NYSE: GAS)

With the closure of the Nicor Inc. merger on December 9, 2011, AGL Resources is the largest gas utility in the United States based on customer count. The company serves roughly 4.5 million utility customers in seven states and has an enterprise value of \$9.5 billion. In addition, AGL has small investments in marketing and trading, retail gas marketing, and last-mile telecommunications. Its main reporting segments are Distribution Operations (80% of 2011 segment EBIT), Retail Energy Operations (18%), Midstream Operations (2%), Wholesale Services (1%), Cargo shipping (0%) and other (-1%). The company has made 257 consecutive quarterly dividend payments since 1948.

Archer-Daniels-Midland (NYSE: ADM)

Archer-Daniels-Midland Co. (ADM) is one of the world's largest agribusiness companies with a global network of processing and transportation facilities. It is a leader in oil seeds processing (33% of Fiscal 2011 net sales, 38%

operating profit); Corn Processing (12%, 26%); and Agricultural Services (47%, 23%), other (8%, 13%). Its other operations include milling, processing, and financial services. Archer-Daniels is also a world leader in biodiesel and ethanol and a processor of wheat, cocoa, feed ingredients, and food additives. The company was founded in 1898 and is based in Decatur, Illinois. It is a member of the S&P Dividend Aristocrats, a group of companies that has raised dividends in at least each of the past 25 years. The 2011 dividend payment represented the company's 320th consecutive quarterly dividend payment, or 80 years of uninterrupted dividend payments.

AT&T Inc. (NYSE: T)

AT&T Inc. is one of the world's largest communications companies and is the largest in the United States. Operating globally under the AT&T brand, AT&T companies are recognized as the leading worldwide providers of IP-based services to business and as the leading U.S. provider of high-speed DSL Internet, local and long-distance voice, directory publishing, and advertising services. AT&T Inc. recently re-branded Cingular Wireless as AT&T Mobility, which is the leading U.S. wireless service provider, with more than 68 million post-paid wireless customers. The company has paid an uninterrupted quarterly dividend since going public in 1893. AT&T became a member of the S&P Dividend Aristocrats in 2012.

Automatic Data Processing (NYSE: ADP)

Automatic Data Processing (ADP) is the world's largest global provider of payroll outsourcing services based on revenues. ADP also offers benefits administration, tax filing, and human resource outsourcing, with a broad range of data processing services in two segments, employer and dealer. Employer Services provides payroll, human resource, benefits administration, tax filing, and other services to more than 570,000 clients worldwide. Dealer Services provides transaction systems, data products, and professional services to truck and auto dealers and manufactures worldwide. ADP is a member of the S&P Dividend Aristocrats, a group of companies that has increased its dividends in at least each of the past 25 years, and recently marked its 37th consecutive year of dividend increases.

Chevron Corporation (NYSE: CVX)

Chevron Corporation is the second-largest U.S.-based integrated oil company and the fifth-largest publicly traded oil company in the world, based on reserves. Through its subsidiaries and affiliates, Chevron is engaged in fully integrated petroleum operations, refining, chemical operations, power, and energy services. The company's upstream operations (exploration & production accounted for 28% of 2010 revenues and 88% of segment income), while the company's downstream operations—refining, marketing, transportation—accounted for 72% and 12% of revenues and income, respectively. Chevron operates in the United States and about 180 other countries worldwide. Of the integrated oil companies, its exploration and production and refining and marketing assets have the strongest leverage in the North American region.

The Chubb Corporation (NYSE: CB)

The Chubb Corporation is one of the largest property-casualty insurance companies in the United States. The company operates three major divisions. 1) Personal Insurance (34% of 2011 written premiums) offers automobile and homeowners insurance, targeting upscale and affluent clients. 2) Chubb Commercial (43%) offers a broad portfolio of policies targeted to workers' compensation, casualty, property, marine coverage, and multiple peril. 3) Chubb Specialty insurance (23%) provides specialized executive protection and professional liability products for private and public corporations. Nearly 28% of its written premiums are generated outside the United States. Chubb has increased and paid its dividend in at least each of the past 25 years, making it a member of the S&P Dividend Aristocrats.

Emerson Electric Co. (NYSE: EMR)

Emerson Electric Company is a diversified industrial conglomerate, organized in five distinct divisions: Process Management, Industrial Automation, Network Power, Climate Technologies, and Appliances/Tools. Leading products include the design, manufacture, and sale of backup power equipment for telecommunications and internet firms, climate control devices, meters, sensors and analyzers, motors and drives/controls, and electrical motors and tools. End markets include energy services, the food and beverage industry, pulp/paper industry, pharmaceutical manufacturers, utility companies, and municipal water suppliers. Emerson Electric is a member of the S&P Dividend Aristocrats, a group of companies that has raised its dividends in at least each of the past 25 years. As of 2011, Emerson has increased its dividend for 55 consecutive years.

International Business Machines (NYSE: IBM)

International Business Machines Corp. (IBM) is based in Armonk, New York, and has a corporate history dating back to 1911. One of the world's largest information technology companies, IBM has a broad reach in hardware, software, and services. Hardware represented 18% of revenues in 2011, but through strategic acquisitions, IBM has continued to grow its services (56% of sales) and software (23% of sales), with global finance rounding out the final 2% of sales in 2011. This combination of products and services allows IBM to offer a "total solution" to its enterprise customers. IBM has a footprint in 170 countries and targets spending 6.1% of its revenues on research and development annually. In 2010, North America accounted for 43% of sales, EMEA (Europe, Middle East, and Africa) at 33%, and Asia Pacific at 24%. IBM has paid a cash dividend each consecutive quarter since 1916, and 2012 was the 17th consecutive year the company has increased its dividend, and the 8th straight year of double-digit increases.

Johnson & Johnson (NYSE: JNJ)

Johnson & Johnson (J & J) is one of the largest and most diversified health care companies in the world. The company has over 100,000 employees and more than 200 operating companies—56% of the company's 2011 sales

were international. Operations are divided into three segments: Pharmaceutical (37% of 2011 sales), Medical Devices & Diagnostics (40%), and Consumer Products (23%). The company's Pharmaceutical division has been the primary driver of growth over the past 15 years, with several blockbuster drugs used in treating a range of ailments, including cancer, arthritis, Crohn's disease, schizophrenia, and bacterial infections. Its Medical Devices & Diagnostics segment is the world's largest, with specialties in minimally invasive surgery, orthopedics, and blood glucose monitoring. Johnson & Johnson's Consumer Products division manufactures a wide range of well-known products, including dental, skin care, and allergy products. The company is a member of the S&P Dividend Aristocrats, and 2012 was the 50th consecutive year the company has increased its dividend.

Kinder Morgan, Inc. (NYSE: KMI)

Kinder Morgan Inc. based in Houston, Texas, is the general partner for Kinder Morgan Energy Partners, L.P. (KMP) and Kinder Morgan Management, LLC (KMR) and has a 20% ownership interest in Natural Gas Pipeline of America (NGPL). This leading pipeline and energy storage attributes nearly 98% of its distributions to its L.P., Kinder Morgan Energy Partners. Kinder Morgan Inc. owns 11% of the total limited partnership interests and receives incentive distribution rights (IDR), currently at 50% splits. Growing distributions at Kinder Morgan Partners drive dividend growth at Kinder Morgan Inc. Kinder Morgan Inc. announced the acquisition of El Paso Inc. (EP) in July 2011, and the transaction is expected to close in the second quarter of 2012. Kinder Morgan Inc. went public in early 2011. New public stockholders hold about 16% of KMI shares, sponsors hold 45%, and CEO Rich Kinder and other management/original stock holders own the remaining 39%.

McDonald's Corp (NYSE: MCD)

McDonald's Corp. is the dominant global player in the \$162 billion quick-service food industry. It operates nearly 33,510 stores in 117 countries and serves more than 64 million people every day. System-wide sales totaled \$85.9 billion in 2011, up from \$76.7 billion in 2010. More than 80% of its stores are owned by independent franchisees. Nearly 54% of operating income is generated outside the United States. The company has increased its dividend each and every year since paying its first dividend in 1976. McDonald's Corp. is a member of the S&P Dividend Aristocrats, a group of companies that has raised its dividends in at least each of the past 25 years.

Microchip Technology, Inc. (NASDAQ: MCHP)

Microchip Technology Inc., based in Chandler, Arizona, develops and manufactures specialized semiconductor products for use in a large number of product applications. Its microcontrollers (computers on a chip) come in 8-bit, 16-bit, and 32-bit PIC sizes. Microchip also offers a breadth of high-performance linear, mixed-signal, power management thermal management, battery management, and interface devices, as well as EEPROMs. The company has shipped over 7 billion microcontrollers since 1990. Applications are included in a wide array of end markets, including automotive, medical, consumer appliances, robotics,

security, and handheld tools. Customers are diverse and number more than 63,000. Foreign sales accounted for 80% of net sales in Fiscal 2011, with 57% of those sales coming from Asia, 22% from Europe, and 21% from the Americas. Nearly 58% of net sales in fiscal 2011 were made through distributors. The company has two wafer plants in Arizona, a fabrication plant in Oregon, and an assembly/probe and test site located in Thailand.

Northeast Utilities (NYSE: NU)

The new Northeast Utilities was created through the recently completed merger with NSTAR. Northeast Utilities is now one of the nation's largest utilities with a total enterprise value of nearly \$17.5 billion. The company operates six regulated electric and gas utilities serving roughly 3.5 million customers in Massachusetts, New Hampshire, and Connecticut. The company has nearly 4,500 miles of electric transmission lines, 72,000 miles of distribution lines and 6,000 miles of gas distribution lines.

Philip Morris International (NYSE: PM)

Philip Morris International is the world's largest tobacco products company outside of China. In 2010, the company had a 16% share of international market volumes. Philip Morris produces, sells, distributes, and markets a wide range of branded cigarettes and tobacco products. The company operates primarily in the European Union 41%, Eastern Europe, the Middle East & Africa 24%, Asia 22%, Canada, and Latin America 13%. The company's products are sold under the Marlboro, Merit, Parliament, and Virginia Slim brands in the premium category, and L&M and chesterfield in the mid-price category. Philip Morris is a member of the S&P 500 Index.

Procter & Gamble Company (NYSE: PG)

Procter & Gamble (P&G) develops and markets 300-plus branded products in more than 180 countries. Of these products, 22 generated at least \$1B in sales each. Well-known brands include: Tide, Bounty, Crest, Iams, Cover Girl, Oil of Olay, Pantene, Secret, and Pringles. In fiscal 2011, North America contributed 41% of sales, Western Europe 20%, and Asia 16%, Latin America 9%, and other geographic areas 14%. P&G is a member of the S&P Dividend Aristocrats, a group of companies that has raised dividends in at least each of the past 25 years. P&G has paid a dividend for 121 consecutive years; 2012 was the 56th consecutive year of dividend increases.

Royal Dutch Shell plc "B" (NYSE: RDS.B)

Royal Dutch Shell Plc is among the largest integrated oil and gas companies in the world. Based in the U.K., its businesses have a footprint in more than 100 countries. Shell is the global leader in LNG (liquefied natural gas) and in oil sands in Canada. Shell is also one of the world's largest chemical companies and has significant global refining operations. The "B" shares have a dividend declared in British sterling and converted to U.S. dollars, and due to the nature of the tax treaty with the U.K., the "B" share dividend does not incur foreign tax withholding.

TD Bank Financial Group (NYSE: TD)

TD Bank Financial Group (TFG), together with its subsidiaries, provides retail and commercial banking, wealth management, and wholesale banking products and services in North America and Internationally. The company operates in four segments: Canadian Personal and Commercial Banking, Wealth Management, U.S. Personal and Commercial Banking, and Wholesale Banking. Toronto-Dominion is Canada's second-largest bank by market capitalization and by assets. The company has more than 1,120 retail branches in Canada, 1,100 branches in the U.S., and 210 retail brokerage offices. The company was founded in 1855 and is headquartered in Toronto, Canada. TFG has paid a dividend each year since at least 1970. TFG is a member of the Dow Jones Sustainability Index, an important consideration for socially responsible investors.

VF Corporation (NYSE: VFC)

VF Corporation is the world's largest apparel manufacturer and offers a broad portfolio of branded products. It maintains a dominant position in denim, work wear, and daypacks. Major brands include Lee, Wrangler, Nautica, Timberland, and North Face. Its heritage brands in denim provide strong and stable cash flow with solid profitability, giving VF Corporation a tool with which to build its brand portfolio. VF Corporation has successfully acquired unique brands that provide a lifestyle identity that can be extended across multiple product categories. VF is a member of the S&P Dividend Aristocrats, a group of companies that has raised its dividend in at least each of the past 25 years.

Methodology to the Guided Portfolio: Dividend Growth

The Investment Committee, noted on the front page of this report, selects and monitors the companies included in the Guided Portfolio: Dividend Growth. Members of the Investment Committee are also members of the Portfolio Advisory Group. The universe of companies for selection encompasses the stocks under fundamental research by RBC Capital Markets, RBC Wealth Management, and our third-party providers of research. The Portfolio will be limited to 20 stocks, with concentration of no greater than 25% in any one of Standard & Poor's major industry sectors, as noted by its GICS methodology. For diversification, we seek a minimum of four S&P GICS sectors for representation in the portfolio. This portfolio will exclude REITs, MLPs, and other investment structures that do not qualify for the preferential 15% dividend tax rate. We reserve the right to highlight and add eligible foreign companies (as long as those companies trade on a U.S. exchange, Nasdaq, or are otherwise blue-sky cleared in all U.S. states and territories) we deem attractive that also have an outstanding track record of returning cash flow to investors through dividends, despite the tax withholding imposed by foreign governments.

Companies chosen for inclusion in the Portfolio will be evaluated with emphasis placed on balance-sheet strength, low business risk, strong dividend coverage, industry average, or lower payout ratios and an investment-grade debt rating. We prefer to select companies with a strong track record of dividend increases. "Strong" by definition may include some, but not all, of the following: (1) historical track record of dividend increases for at least five years, (2) current inclusion in the S&P Dividend Aristocrat List, (3) companies with a free cash flow yield above the current dividend level, plus a demonstrated desire that the management team is committed to return a meaningful portion of its cash flow to investors through dividends, or (4) renewed commitment by management to a consistent dividend policy.

Given the desire to create a Portfolio and not a list of companies, we reserve the right to tailor a mix within the Portfolio that may meet some, but not all, of the above criteria. For example, we may include slower-growing, dividend-paying companies with above-average yields and also include faster-growing but lower-yielding companies that are expected to return a sizable percentage of their cash flow to investors over the business cycle. We remain committed to including companies of the highest quality and potential.

Changes to the Guided Portfolio: Dividend Growth

The Investment Committee for the Guided Portfolio: Dividend Growth will make changes to the Portfolio for the following reasons: (1) The fundamentals and cash-flow generation potential of the included company appear to be diminished compared with prior expectations; (2) a meaningful shift of prior dividend policy; (3) the Investment Committee deems the current valuation of the shares as above our fundamental valuation and suggests a switch to another company with more compelling fundamentals; (4) a fundamental downgrade in opinion by our research sources (noted in the prior paragraph) that warrants removal in the estimation of the Investment Committee; and (5) the desire to include a company whose fundamentals are superior to that of a company currently included in the Portfolio. Stocks will be monitored on these criteria. While we strive for tax efficiency with this Portfolio, targeted toward dividend growth and long-term capital gains, we cannot assure investors this objective will be met consistently.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

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Rating	Count	%	Investment Banking Services Provided During Past 12 Months	
			Count	%
Buy (TP/O)	769	51.64	226	29.39
Hold (SP)	653	43.85	154	23.58
Sell (U)	67	4.50	3	4.48

Definitions of Rating Categories

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector, but does not attempt to provide the analyst's view of how the stock will perform relative to: (i) all companies that may actually exist in the company's sector, or (ii) any broader market index.

Ratings:

Top Pick (TP): Represents analyst's best ideas in Outperform category; expected to significantly outperform sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers:

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; and/or fairly liquid.

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