RESEARCH'S TOP IDEAS for YEAR-END 2017

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Note Important Disclosures on Pages 7-8
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Stocks listed here may not be suitable for all investors. A report on each stock mentioned is available upon request, offers more detailed information, and should be consulted before any investment is made. Check with your Wealth Advisor for the investment appropriate for you.

Banking, Andy Stapp

Pinnacle Financial Partners (PNFP)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-2	Pinnacle Financial Partners	PNFP	$65.95	$72	$58	$3.06	$3.52	$4.55	14.5	0.8%	$73	11/8/17

Our best idea in the commercial bank space is Pinnacle Financial Partners. Loan growth for the sector has slowed dramatically in recent quarters, yet Pinnacle achieved linked-quarter annualized growth just shy of 14% in Q3'17. The outsized growth is largely attributable to its ability to take market share from large regional banks in its footprint. Accordingly, the company is not dependent on loan demand to generate meaningful growth.

A key to the company's ability to gain market share is its success in luring talent from competitors. This is an excellent way to grow from a credit quality perspective given that lenders can bring over their healthier relationships, while leaving others with their former employers.

We also note that with a year to date effective tax rate of 32%, PNFP would be a big beneficiary from tax reform. Despite the foregoing, PNFP is trading at 15.6x 2018 consensus earnings, which is a meaningful discount to the median multiple for smid-cap banks of 16.1x.

Our $73 price target equates to a total return potential of 11.5%. Our model assumes a reduction in the corporate tax rate to 28%, whereas it currently looks like the tax rate will be cut to somewhere between 20%-22%. Accordingly, there is considerable room to boost our price target.

Consumer Discretionary, Jeff Thomison

The Walt Disney Co. (DIS)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	Walt Disney Co. FY(9)	DIS	$107.43	$116	$96	$5.72	$5.70A	$6.30	17.1	1.6%	$128	11/13/17

We recommend purchase of The Walt Disney Co. based on a bright fundamental outlook and an attractive stock valuation. We believe each operating segment has meaningful growth potential over the next few years, as there are numerous growth initiatives in development.

CEO Bob Iger recently announced plans for another trilogy of *Star Wars* movies after the current trilogy ends. Work continues on direct-to-consumer content streaming services, powered by the majority-owned BAMTech entity. This includes an ESPN-branded service expected to debut in Spring 2018 and a Disney-branded service (also including Marvel, Pixar, and *Star Wars* content) planned for late 2019.

The company is also believed to be in advanced discussions with 21st Century Fox (FOXA-$34.10) for certain assets, including its movie and television production divisions. Meanwhile, the near-term outlook could get a boost with the December 14th release of *Star Wars: The Last Jedi*.

Due to some pockets of sluggishness with certain businesses and continued spending for growth, three of the four quarters in FY'17 produced lower earnings. With a generally favorable fundamental outlook and somewhat easy comparisons, we expect all four quarters of FY'18 to produce year/year earnings gains, with accelerated growth in FY'19.

Our price target is $128 per share based on our current assumptions regarding forward earnings and valuation. Our suitability rating is 1.

Consumer Staples, Jeff Thomison

The JM Smucker Co. (SJM)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	The JM Smucker Co. FY(4)	SJM	$117.95	$144	$100	$7.79	$7.72A	$7.83	15.1	2.6%	$140	11/17/17

We believe now is an opportune time for investments in The JM Smucker Co. After a relatively soft 1H of the current fiscal year (due to commodity costs and marketing expenses), we expect double-digit earnings growth in 2H beginning with the current quarter (January period end). This is based on cost containment initiatives and projected gross margin improvement due in part to lower coffee costs. We recently raised our full year FY'18 financial outlook.

We also have a favorable view of FY'19 and beyond. Although we view SJM's business segments as highly competitive, we consider the company well-positioned with a strong portfolio of brands, a focus on product innovation, and the financial wherewithal to invest in those brands to grow market share over time.

October quarter results were above expectations, as each of the three main segments -- coffee, consumer foods, pet foods -- produced a positive surprise with either sales or profit. Adjusted earnings per share, excluding amortization, were $2.02 compared to the street consensus expectation of $1.90.

With SJM shares significantly off the 52-week high price, valuation is at an attractive level, in our view. We recently raised our price target by $10 to $140 per share. This was based on a slightly higher assumption of forward EPS in two years and a slightly higher valuation, due to recently improved fundamentals. Our suitability rating is 2.

Electric Utilities, David Burks

NextEra Energy Inc. (NEE)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	NextEra Energy Inc.	NEE	$157.07	$159	$115	$6.19	$6.75	$7.25	21.7	2.5%	$170	10/27/17

We maintain our Long-term Buy rating on NextEra Energy Inc. As a reminder, NEE is the largest utility in Florida as well as the nation's largest generator of energy from renewables. We believe the company will achieve earnings growth at or near the top end of its 6% to 8% guidance range for the next few years. We also anticipate the dividend will be increased by another 13% in February.

While we do not expect a repeat in 2018 of the unusually strong stock performance in 2017, we feel NEE remains a strong long-term core holding for utility investors looking for both potential capital appreciation and rising dividends.

Health Care, Kurt Kemper

Zoetis Inc. (ZTS)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-2	Zoetis Inc.	ZTS	$72.23	$73	$51	$1.96	$2.35	$2.71	26.7	0.7%	$81	11/3/17

We view Zoetis Inc. as a top operator in the attractive animal health industry. The livestock segment of the industry is bolstered by increasing demand for animal protein throughout the world. The increasing demand and competition forces producers to continuously increase the productivity of their herd, which means keeping the animals healthy and turning to companies such as ZTS for help. The livestock business can be cyclical and impacted by weather, but Zoetis has a lower beta than its customers due to the importance of their products.

The companion animal segment's attractive growth profile is aided by the humanization of pets, as the furry friends are becoming "part of the family" in developed economies; pet ownership rates in emerging markets are also increasing.

For 2018, we expect new drugs for canines (*Apoquel*, *Cytopoint*, and, to a lesser extent, *Simparica*) to be a significant driver of 6.5% revenue growth. With some operating leverage and share repurchases, we expect EPS growth of 15% for 2018. Zoetis recently announced a 20% increase in its dividend for 2018.

Industrials, Spencer Joyce

Leggett & Platt (LEG)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-2	Leggett & Platt	LEG	$46.33	$55	$43	$2.49	$2.47	$2.78	16.7	3.1%	$66	10/27/17

Our top idea in the Industrials sector is diversified manufacturer Leggett & Platt, a member of the S&P 500 Dividend Aristocrats currently indicated to yield about 3.1%. Across much of 2017 we saw 'heavy industry' companies across the sector do well; however, we like LEG's consumer exposure as we transition into 2018. We expect continued declines in unemployment, advances in confidence, and (potentially) personal tax cuts could ultimately lead to better big-ticket consumer spending in 2018, which bodes well for LEG given their entrenched positions in bedding and furniture construction.

Rising steel costs negatively impacted margins in 2017, but they pave the way for price hikes and revenue growth in 2018. Perhaps a contrarian selection as well, LEG sits ~16% below its 52-week high.

Natural Gas Utilities, Spencer Joyce

South Jersey Industries, Inc. (SJI)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-3	South Jersey Industries, Inc.	SJI	$32.14	$38	$31	$1.33	$1.21	$1.47	21.9	3.5%	$38	11/9/17

Our top pick in the gas utility industry as we move into 2018 is South Jersey Industries, Inc. Fresh base rates for the South Jersey Gas utility franchise should drive a strong Q4'17 (results to be released in February), and we like owning SJI ahead of its mid-January investor conference, from which we expect the company to emerge with a refreshed (and positive) long-term outlook.

SJI announced a transformative M&A transaction around Labor Day of this year that acutely weighed on shares; SJI has since firmed, and we expect sentiment to incrementally improve across 2018, presenting what we view as a compelling secondary catalyst.

REITs, Carol Kemple

Tanger Factory Outlet Centers (SKT)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY FFO ----- 2016	2017E	2018E	P/FFO Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-3	Tanger Factory Outlet Centers, Inc.	SKT	$25.53	$37	$22	$2.36	$2.08	$2.51	10.2	5.4%	$31	11/8/17

Our top idea is to buy Tanger Factory Outlet Centers. Our one year target price is $31. The current dividend yield is 5.4% and the company has raised the dividend annually since going public in 2003.

Several retailers have told SKT's management that the outlet space is their most profitable channel. We believe outlet shopping has appeal in all types of economic environments. As Steven Tanger says, "In good times people love a bargain. In tough times they need a bargain." Tanger has no exposure to Sears (SHLD-$4.00), JC Penney's (JCP-$2.87), or Macy's (M-$25.70).

SKT has had 56 consecutive quarters of positive same center NOI growth and has ended every year at 95% occupancy or greater since going public. 84% of SKT's outstanding debt was at fixed rates.

REITs, John Roberts

Physicians Realty Trust (DOC) *

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY FFO ----- 2016	2017E	2018E	P/FFO Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-3	Physicians Realty Trust * (H) (I)	DOC	$18.11	$22	$17	$0.98	$1.07	$1.25	14.5	5.1%	$20	11/3/17

We upgraded our rating on Physicians Realty Trust to Buy from Long-term Buy in early November.

Investment considerations:

- Solid asset growth, with a more than doubling over the past two years
- Above group revenue/cash flow growth
- Presence in highly in demand medical office building asset class, which should benefit heavily from aging demographics and increased use of healthcare system
- Solid discount to the closest direct peers, trading under 15 times forward cash flow versus the peers trading at close to 20 times, despite what should be better cash flow growth
- Growing dividend yield exceeding 5%, also solidly higher than direct peers

Technology, Stephen Turner

VMware Inc. (VMW)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-3	VMware Inc.	VMW	$120.04	$128	$78	$4.40		$5.14	23.4	0.0%	$145	12/1/17

Our top technology idea heading into year-end is VMware Inc. A Microsoft-style (MSFT-$85.58) business model change is improving top line growth back into the double-digits while reducing operating expense and improving cash flow. This strategy shift includes partnering with public cloud providers like Amazon's AWS (AMZN-$1165.08), Microsoft Azure, Google (GOOGL-$1048.77), and IBM (IBM-$156.74). These partnerships are expected to provide a tailwind to license revenue through our investment timeframe.

Also, new product adoption including vSAN and NSX is expected to continue as the telecom sector prepares their networks for the coming 5G network rollout.

We recently raised our price target to $145 from $122, which represents a 20% potential total return.

Telecommunications, David Burks

AT&T Inc. (T)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
Buy-2	AT&T Inc. (G) (I)	T	$38.10	$43	$33	$2.84	$2.92	$2.97	12.8	5.1%	$39	10/25/17

While AT&T's stock has rebounded of late, in our view it continues to look reasonable on both a valuation and yield basis despite the attention given to the proposed acquisition of Time Warner (TWX-$90.65).

T trades at just 12.7x estimated 2018 earnings while offering an attractive 5.1% dividend yield. We expect the dividend to be increased soon for the 34th consecutive year.

We maintain our Buy rating and regard T as a suitable holding for income oriented investors seeking modest capital appreciation.

Water Utilities, Spencer Joyce

American Water Works Co. (AWK)

Rating - Suit.	Company	Symbol	Price 12/12/17	Year High	Year Low	----- FY EPS ----- 2016	2017E	2018E	P/E Ratio 2018E	Ind. Div. Yield	Target Price	Latest Report
LTB-1	American Water Works Co.	AWK	$89.32	$92	$70	$2.85	$3.00	$3.34	26.7	1.9%	$110	12/11/17

Our top idea in the water utility industry is American Water Works Co., which happens to be the only water company included in the S&P 500. Just this month, AWK revised its 5-year guidance, which included several positive items such as: increased capital investment plans (boosts growth), more efficient expense targets, and a reiterated 5-year EPS compound annual growth rate of 7% to 10% (dividend growth is suggested to track the high end of this range).

Specifically germane to 2018, American Water is situated to benefit from rate increases across four of its five largest jurisdictions, which in our view, presents a sturdy backdrop to add exposure to a strong secular growth story.

Risks

Price targets may be dependent on a variety of factors including, but not limited to, a company meeting projected earnings forecasts, product acceptance, weather and consumer sentiment, industry trends meeting expectations, changes in the economy and interest rates, and the geopolitical environment. Risks may also be specific to the company profiled. Suitability ratings of companies mentioned may range from 1 (Conservative) to 4 (Most Aggressive); therefore, not all securities highlighted are necessarily appropriate for all investors.

Stocks priced as of the close, 12 December 2017.

Additional information is available upon request.

* - Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

Analysts' Certification

The contributors to this report hereby certify that the views expressed in this report accurately reflect their personal views about the subject. They also certify that they have not been, are not, and will not be receiving direct or indirect compensation in exchange for expressing the specific points of view in this report.

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G - Hilliard Lyons expects to receive investment banking compensation from AT&T Inc. in the coming three months.
H - Hilliard Lyons has received investment banking compensation from Physicians Realty Trust within the past 12 months.
I - Hilliard Lyons has been a manager or co-manager of an offering of securities of AT&T Inc. and Physicians Realty Trust within the past 12 months.

Investment Ratings

Buy: We believe the stock has significant total return potential in the coming 12 months. **Long-term Buy:** We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years. **Neutral:** We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise. **Underperform:** We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history. **2 -** A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks. **3 -** An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage. **4 -** Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	31	28%	13%	87%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 6 December 2017

Other Disclosures

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