

PORTFOLIO STRATEGY

The Dearborn Partners Concentrated Balanced Income Portfolios are designed for clients seeking the potential for rising income with the reduced portfolio risk and volatility historically attributed to adding fixed income to all-equity portfolios. Equity investments utilize Dearborn's existing High & Rising Dividend strategy of companies offering the potential to consistently increase dividends. Fixed income investments utilize a conservative, all-weather approach—known as a bond ladder—that consists of investing in fixed income securities that mature each year over several years. The bond ladder, further described on the next page, uses defined-maturity exchange traded funds (ETFs). We offer two concentrated balanced portfolios: one with an equity/fixed income allocation targeted at 60%/40% and one with an equity/fixed income allocation targeted at 80%/20%.

INVESTMENT PHILOSOPHY - EQUITY

- ▶ Growth of dividend income
- ▶ Disciplined stock selection
- ▶ Participate in the long-term wealth-building potential of investing in great businesses
- ▶ Relatively low turnover
- ▶ Long-term investment time horizon (5+ years)

ASSET ALLOCATION

- ▶ Current income from Fixed Income
- ▶ Rising dividend income from equities
- ▶ 25 stocks, 14 fixed income vehicles
- ▶ Flexibility for +/-10% Fixed Income/Equity Allocation

PORTFOLIO COMPANY CHARACTERISTICS - EQUITY

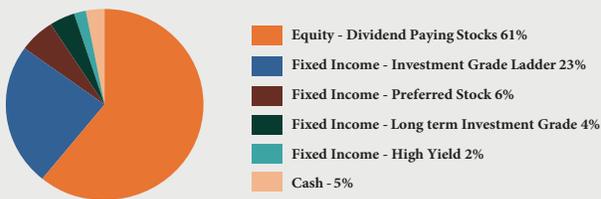
- ▶ Solid financial condition with very strong balance sheets
- ▶ Investment-grade debt (if company has debt)
- ▶ Dividends well covered by cash flow and earnings
- ▶ Operations in generally defensive businesses
- ▶ The potential to raise dividends consistently year after year

PORTFOLIO CHARACTERISTICS - FIXED INCOME

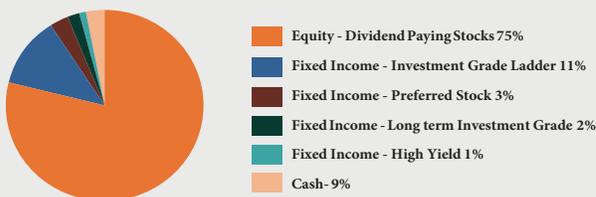
- ▶ Fixed income is benchmarked to Intermediate (5-10 year) Corporate Investment Grade Credit index.
- ▶ Laddered corporate defined-maturity ETFs utilized to reduce the need for interest rate forecasting.
- ▶ Preferred ETFs, High Yield ETFs, and Corporate Bond ETFs utilized to manage duration and credit exposure.

PORTFOLIO ASSET ALLOCATION

ConcentratedBalancedIncome60/40



ConcentratedBalancedIncome80/20



Percentages in pie charts may not be exact due to rounding

CHARACTERISTICS\*

Characteristics*	60/40	80/20
Avg. Portfolio Yield (%)	2.92	2.89
Avg. Yield - Equities (%)	3.04	3.03
Avg. Yield - Fixed Income (%)	3.13	3.13
Overall Portfolio Duration (Yr)	1.70	0.85
Targeted Turnover (%)	20-30	20-30
Fixed Income Duration (Yr)	4.97	5.02

\*Please see definitions on Page 2.

LADDERED MATURITIES



DIVIDEND INCREASE ANNOUNCEMENTS

Companies	Quarter	YTD
Reporting Increase	6 of 25	15 of 25
Average Increase	5.8%	6.2%

# PORTFOLIO REVIEW

## How do the Dearborn Partners Concentrated Balanced Income 60/40 and 80/20 Portfolios work?

**Equity, consisting of 25 individual stocks, is targeted at 60% or 80% of the portfolio.** For the equity portion, we utilize Dearborn's existing High & Rising Dividend portfolio. This strategy invests in a diversified set of companies with the potential for consistently rising dividends that offer an average current yield greater than that of the S&P 500 as well as our Dearborn Partners Core Rising Dividend portfolio. Companies selected offer the potential for anticipated mid-single-digit annual dividend growth over the long term. The combination of this attractive current yield plus potential regular dividend growth offers investors a stock portfolio that we believe will perform well in both rising and falling markets.

**Fixed income is targeted at 40% or 20% of the portfolio and consists of 14 exchange traded funds (ETFs).** For the fixed income portion, we primarily utilize a bond laddering strategy along with a few other fixed income asset classes. With a bond ladder, we use proceeds obtained when short-term bonds mature to reinvest into longer-dated bonds. In this way, we are not trying to make any predictions about the direction or level of interest rates, and we view the bond ladder as an effective, all-weather fixed income strategy. We believe that this approach allows income-oriented investors the potential to reduce interest rate and portfolio risk.

**Bond ladder example:** In the portfolios, we invest in defined-maturity exchange traded funds (ETFs). Unlike traditional ETFs, the defined-maturity fixed income ETFs mature on a stated date—usually December 15<sup>th</sup> of its maturity year. We are investing the portfolio in a bond ladder with ETFs maturing each year from 2019 through 2028. We intend to invest cash proceeds that we receive when the 2019 ETF matures into a longer-dated maturity, in this case, 2029.

**Portfolio allocation:** Overall, the 60/40 portfolio targets a 60% equity and 40% fixed income mix. The 80/20 portfolio targets an 80% equity and 20% fixed income mix. As securities' market values fluctuate, these percentages may vary slightly. We retain the flexibility to stay within plus or minus 10% of our targeted allocations.

### Concentrated Balanced Income 60/40

Time Period	Composite TWR - Pure Gross*	Composite TWR - Net	Blended Index*	Standard Dispersion	3-Yr Ann Deviation Composite	3-Yr Ann Deviation Blended Index*	Portfolios in Composite	End of Period Composite Assets (\$thousands)	End of Quarter Total Assets (\$ thousands)	Strategic MVAL	Non-Bundled Assets	End of Period Strategy Assets (\$thousands)	Pct of Composite \$ in Bundled-Fee	End of Period Total Firm GIPS Assets (\$ millions)
4Q 2017	3.61	3.55	4.15	N/A	N/A	N/A	1	\$251	\$251	\$250,752	\$250,752	\$251	0%	\$2,056
2018	-0.80	-1.30	-3.05	N/A	N/A	N/A	1	\$236	\$236	\$989,467	\$236,099	\$989	0%	\$2,297

### Concentrated Balanced Income 80/20

Time Period	Composite TWR - Pure Gross*	Composite TWR - Net	Blended Index*	Standard Dispersion	3-Yr Ann Deviation Composite	3-Yr Ann Deviation Blended Index*	Portfolios in Composite	End of Period Composite Assets (\$thousands)	End of Quarter Total Assets (\$ thousands)	Strategic MVAL	Non-Bundled Assets	End of Period Strategy Assets (\$thousands)	Pct of Composite \$ in Bundled-Fee	End of Period Total Firm GIPS Assets (\$ millions)
4Q 2017	4.65	4.58	5.39	N/A	N/A	N/A	1	\$253	\$253	\$253,090	\$253,090	\$253	0%	\$2,056
2018	-0.35	-1.00	-3.67	N/A	N/A	N/A	2	\$1,399	\$1,399	\$1,679,363	\$1,399,042	\$1,679	0%	\$2,297

## INVESTMENT TEAM

**Carol M. Lippman, CFA**  
Portfolio Manager, Rising Dividend Strategy  
30+ years investment experience

**Michael B. Andelman**  
Portfolio Manager, Rising Dividend Strategy  
20+ years investment experience

**Peter J. Deakos, CFA**  
Portfolio Manager, Rising Dividend Strategy  
20+ years investment experience

**Matthew Guttosch, CFA**  
Analyst, Rising Dividend Strategy  
10+ years investment experience

**Jackson Finks, CFA**  
Analyst, Rising Dividend Strategy  
5+ years investment experience

\*\*These statistics are Supplemental Information.  
Dispersion is calculated only for an entire year.

### Definitions

**Average Portfolio Yield (%)** is the weighted average percentage of the portfolio's equity, fixed income, and cash positions combined calculated by dividing total dividends by the current market price and multiplying by 100. **Average Yield - Equities (%)** refers to the average yield only from the equities as if the equities were a stand-alone portfolio. **Average Yield - Fixed Income (%)** refers to the yield only from the fixed income securities as if the fixed income securities were a stand-alone portfolio. **Overall Portfolio Duration** is a measure of the sensitivity of the price – the value of principal – of the entire portfolio to a change in interest rates. **Duration** is expressed in number of years. **Fixed Income Duration** refers to the duration of only the fixed income portion of the portfolio. **Turnover** is the lesser of purchases or sales as a percentage of the average portfolio value of a representative portfolio in the composite, annualized. **Targeted Turnover** is the turnover level for which the manager strives in managing the portfolio. **TWR** is the Time Weighted Return, also known as the Geometric Mean Return.

Past performance is no guarantee of future results. This report is not a complete description of or recommendation to invest in the Dearborn Partners Concentrated Balanced Income 60/40 SMA ("60/40 SMA") or the Dearborn Partners Concentrated Balanced Income 80/20 SMA ("80/20 SMA") (together, the "Strategies"). There is no assurance the Strategies will be profitable, achieve their objectives, be suitable for you, or not incur losses. Some of the information herein has been obtained from third party sources. We believe such information is reliable, but we have not in each case verified its accuracy or completeness. Any opinions herein are as of the date of this report and are subject to change without notice. Dividends are not guaranteed and must be authorized by the company's board of directors. There is no assurance that any Rising Dividend portfolio company will increase its dividend, or not reduce its dividend, or not have a significant decrease in its stock price. Dividend yield is one component of performance and should not be the only consideration for investment. Dearborn is an SEC-registered investment adviser. Registration does not imply a certain level of training or skill.

The Concentrated Balanced Income 60/40 Composite and Concentrated Balanced Income 80/20 Composite (the "Composites") contain discretionary accounts with a minimum size of \$150,000 that Dearborn manages pursuant to the Dearborn Partners Concentrated Balanced Income 60/40 SMA Strategy ("60/40 SMA") or the Dearborn Partners Concentrated Balanced Income 80/20 SMA Strategy ("80/20 SMA"), respectively, which are two of Dearborn's Rising Dividend strategies. Both Composites were inception on September 30, 2017. For benchmark purposes, the Composites are measured against the S&P 500 for Equity and the Bloomberg Barclays Credit Corporate 5-10Y for Fixed Income at a 60/40 ratio for the 60/40 SMA, and an 80/20 ratio for the 80/20 SMA. Dearborn claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Dearborn has been independently verified for the periods April 1, 1997 through December 31, 2016. The verification reports are available on request. The Standard Dispersion is an asset-weighted standard deviation calculated for the accounts that were in the Composite for an entire given year. Verification assesses whether (1) Dearborn has complied with all the Composite construction requirements of the GIPS standards on a firm-wide basis and (2) Dearborn's policies and procedures are designed to calculate and present performance in compliance with GIPS. Verification does not ensure the accuracy of any specific composite presentation. A performance examination has not been conducted on this composite. Dearborn maintains a complete list and description of composites, which is available upon request. Results are based on discretionary accounts under management, including those accounts no longer managed by Dearborn.

The U.S. Dollar is the currency used to express performance. Returns are presented on a "pure gross" and net basis and include the reinvestment of all income. Pure gross returns do not reflect the deduction of any expenses, including trading costs, and are supplemental to net returns. Net of fee performance was calculated using actual fees, which includes wrap fees, management fees and trading commissions. The End of Period Strategy Asset includes the assets managed by model managers and is supplemental to the assets in the composite. Dearborn's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor's Financial Services LLC (S&P). GICS is a service mark of MSCI and S&P and has been licensed for use by Dearborn Partners, LLC.