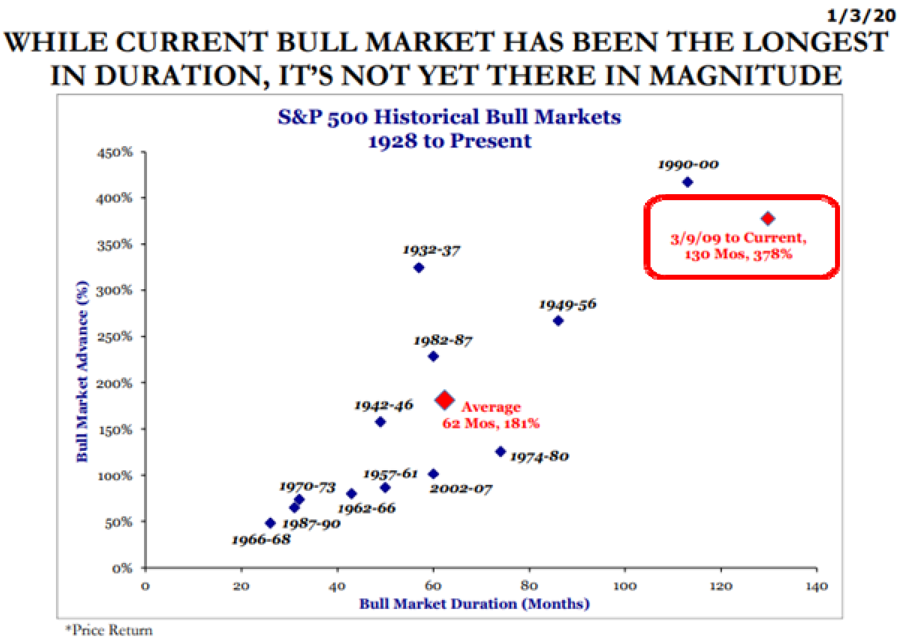
DEARBORN PARTNERS

March 2, 2020

Please keep your seat-belts fastened and continue to hold on.

The stock market was overdue for a correction, in our opinion. Strategas Research showed in a January 3, 2020 report that this stock market expansion has been the longest on record (red box below).



Source: Strategas Research Partners

Especially in year 2019 when the S&P 500 broad market index registered a total return of 31.5%, whereas the historic compound annual total return over the past nine decades has averaged about 10%[1], we viewed the stock market as overextended, complacent and vulnerable. History has repeatedly shown that the unforeseen can disrupt such complacency; we just never know when or what will be the trigger. The market remained strong and complacent into year 2020, even with reports of the Coronavirus spreading throughout Asia and Europe as well as the United States.

Monday February 24, 2020, however, fear finally hit stocks and bonds and persisted throughout the week. As of the close of the markets Friday February 28, 2020, the flight to safety sent the 10-year U.S. Treasury bond yield to a record intra-day low of 1.1%, closing at 1.15%; the 30-year U.S. Treasury bond yield touched a record intra-day low of 1.64% and closed at 1.69%. For the week, the S&P 500 dropped the most since 2008, falling 15% at its trough and closing -

11.5% for the week; a textbook definition of a “correction” (a decline greater than 10% from the peak). Year to date the S&P 500 is down -8.27% according to S&P Dow Jones Indices.[2]

This Coronavirus is a human tragedy and scary because neither a cure nor prevention is yet known. It’s too soon to know what the effects of quarantines, factory shutdowns, canceled travel, canceled meetings, etc. will be on the economy and corporate earnings.

The premise of our Dearborn Partners Rising Dividend strategy has always been that stocks of companies with the ability to increase dividends year after year—which we select for our portfolios—have typically held up better in bad markets. We purposely include companies that are financially solid, defensive, and capable of increasing cash flow, earnings, and dividends throughout any environment. Just as we teach children about needs and wants in hopes that they spend and save prudently, from each of the 11 sectors into which Standard & Poor’s divides the marketplace, we strive to find the strongest companies that provide our *needs.* We maintain strict disciplines, including the requirement that each of our companies pay dividends that represent a prudent percentage of earnings and cash flow so that they can plow the bulk of their earnings and cash flow back into themselves to assure future growth, including dividend growth.

So far this year, 15 companies in our Dearborn Rising Dividend separately managed account portfolios have announced dividend increases averaging about 7.8% more than these companies paid as dividends a year earlier. And, here is the record of dividend increases each full calendar year since the inception of our strategy in September 2011.

Dearborn Partners Rising Dividend Separately Managed Account
Average Calendar Dividend Increases

	Core Rising	High & Rising	CPI*
2019	9.60%	8.20%	2.30%
2018	13.30%	9.50%	2.20%
2017	7.80%	5.80%	1.70%
2016	8.00%	6.50%	2.10%
2015	9.70%	7.50%	2.10%
2014	12.20%	7.40%	1.60%
2013	12.20%	8.70%	1.70%
2012	13.00%	9.60%	1.90%

** Core Consumer Price Index for All Urban Consumers Unadjusted 12-month Percent Change. Year to Date (YTD) 2019 CPI through November.*

Over long periods, stock prices have moved in line with the earnings of their underlying companies. If companies can increase dividends as their earnings increase, then over time, stock prices should follow and provide attractive total returns (stock price movement plus dividends). The long-term trend of stocks of good quality companies has generally been up. Market corrections of 10% to 20% are normal and stocks have always recovered. Although past performance cannot assure future results, it is our belief that stocks will recover this time, too, so we must have the courage and patience to stay invested. In the meantime, companies in our Dearborn Partners Rising Dividend portfolios are paying dividends virtually every day. Furthermore, the Dearborn Partners Investment Team promises to continue to work hard to try to bring you lots of rising dividends.

Thank you for your continued interest in our strategy. We are sincerely grateful for your partnership.

[1] https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp

[2] https://on.spdji.com/rs/838-LDP-483/images/dashboard-us-2020-02.pdf?mkt_tok=eyJpIjoiTW1Kak16QTFOalppTWpnMyIsInQiOiIwUnZDMmNUc1pLR05kZHJFQlFYemtBK1JyNmhJeXhcLzlMdHhVcXY3UWoxMXowTjd5Qm1oZXBuMzFNVkxYemZIa2tNdllaSHlIM1UzY1VSQ2N4V21aRFJQQlF4WHJnR1dldzNlTTczWVhvZXJUakdEckhDdWk2TVlmNVZMb3JqMTIifQ%3D%3D

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