

D E A R B O R N

P A R T N E R S

Dear Investors,

Thank you for your continued interest in the Dearborn Partners Multi-Asset Separately Managed Account (SMA).

Unprecedented Times

2020 has been a remarkable time in American economic history. Social distancing to attempt to forgo the spread of the deadly coronavirus (COVID-19) caused an unprecedented stoppage of activity. The stock market as measured by the S&P 500 Index fell an extraordinary 34% in 23 trading days (2/19/20 to 3/23/20). The bond market, broadly measured by the yield of the 10-year Treasury bond, began the year at 1.91% and ended the second quarter at 0.66%. Given the inverse relationship of yields and bond prices (yields fall when bond prices rise), this drop in yield is indicative of investors fleeing to the safety of bonds.

Market Returns Concentrated in Six Stocks

Due to aggressive monetary (Federal Reserve) and fiscal (United States Government) support of the economy, the stock market has recovered from trough levels. Year to date through the end of the second quarter, the S&P 500 Index's total return was -4.04%. However, digging into those returns more deeply, we can see that six stocks have had outsized returns. Facebook, Amazon, Netflix, Microsoft, Apple, and Google's parent company Alphabet had a capitalization-weighted total return of +25.99% during the first half of 2020. Excluding those six stocks from the S&P 500 Index results in a return of -10.08%. Four of the six stocks pay no dividend and thus are not suitable for income-oriented investing. The good news is that we continue to feel there are appropriately valued stocks to be found outside of these six aforementioned stocks.

Remaining Investors not Speculators

Periods of market uncertainty such as we are experiencing now are good opportunities to remind investors to remain focused on the long term. It is a natural human emotion to be fearful. Here at Dearborn Partners, we are continuing to diligently work to find good long-term investments for our clients. Investing is a process of thorough analysis combined with an outlook for reasonable return over the long term. This is much different than speculation. Speculation is less focused on safety of principal, less focused on long-term return on capital, and more focused on short-term price movement. We at Dearborn Partners hope our long-term investment process can help investors to continue to focus on their long-term investment horizon. As such, we review our process below.

Investment Process

Key to our process is our view of an investment as owning a business. A stock, by definition, is owning a small piece of a business. Great businesses, in our view, have durable competitive advantages (possess well-known brands, have a particularly “sticky” network of customers, have size or scale advantages, etc.) and have great balance sheets (little or no debt). We visit companies, talk to company management, talk to analysts, and research publicly available information. Next, we determine a fair value to pay for the business (stock). In comparing our fair value to the stock market value, we take care to not overpay but also look to take advantage of any perceived market discounts. Like most business owners, we plan to own great businesses for many years.

Dividends

Dividends, in our view, are a tangible sign of a company’s confidence in its business. A company with a long track record of consecutive annual dividend increases is indicating to us a business maturity and capital discipline we find attractive.

Second Quarter 2020 Performance

As a reminder, the Dearborn Multi-Asset benchmark is a blended benchmark, consisting of 60% S&P 500 and 40% Investment Grade Corporate Bonds.

Here is our second quarter (ended June 30, 2020) performance:

	As of June 30, 2020					
	<u>Second Quarter</u>		<u>Year-to-Date</u>		<u>Inception-to-Date</u>	
	<u>2020 Total</u>		<u>2020 Total</u>		<u>2020 Total</u>	
	<u>Returns (%)¹</u>		<u>Returns (%)¹</u>		<u>Returns (%)¹</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Multi Asset	14.8	14.5	-9.2	-9.7	3.3	2.4
Blended Index ¹	15.3		0.0		7.8	
Bloomberg Barclay’s Intermediate Credit Index	7.6		4.1		4.9	
S&P 500 ²	20.5		-3.1		10.0	

¹ Blended index is an equal weighted average of the performance of the S&P 500 and Bloomberg Barclays U.S. Intermediate Credit TR Index Value through 3/31/19. After 3/31/19, the benchmark is 60% S&P 500 and 40% Bloomberg Barclays U.S. Intermediate Credit TR Index Value. Inception date is 09/30/2017.

² The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered to be representative of the U.S. stock market. Inclusion of this index is for illustrative purposes only. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.

Dearborn Partners' Multi-Asset Portfolio's Second Quarter Performance Factors

The top five contributors to total return in the second quarter:

- Tractor Supply Company (TSCO)
- Main Street Capital Corp (MAIN)
- Apple Inc. (AAPL)
- Alerian Master Limited Partnership Exchange Traded Fund (AMLX)
- Home Depot Inc. (HD)

The top five detractors to total return in the second quarter:

- Lamar Advertising Company (LAMR)
- Kontoor Brands Inc (KTB)
- Spire Inc (SR)
- WD-40 Company (WDFC)
- Invesco Senior Loan Exchange Traded Fund (BKLN)

Big Picture

We continue to like the balance and diversity we have in the portfolio. While we can “go anywhere” investments, we view the portfolio as a higher yielding alternative to a traditional 60/40 (60% stock / 40% bond) portfolio. We want our investors to feel a level of comfort holding this portfolio over the long term.

Our investment philosophy remains unchanged. The Dearborn Multi-Asset SMA portfolio seeks to provide attractive current income with the potential for growth in income over the long term. The portfolio is diversified across various asset classes.

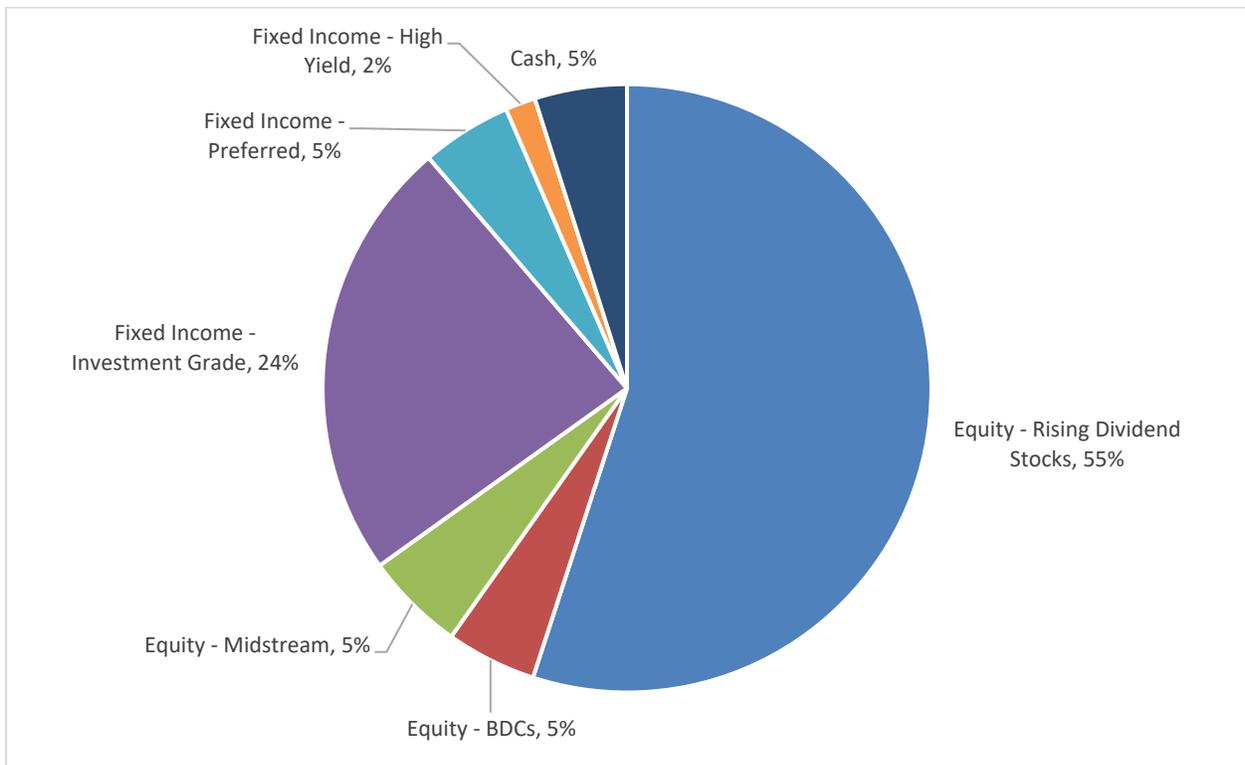
We maintain the view that diversification across and within various asset classes can help moderate portfolio risk. Holding a significant number of companies with the ability (and willingness) to pay and raise dividends over time is, we believe, one of the most prudent uses of capital for our Dearborn Multi-Asset SMA.

Quarter-End Asset Allocation Mix

The Dearborn Multi-Asset SMA official asset mix as of June 30, 2020 was 65% equity, 30% fixed income, and 5% cash. However, within the equity portion, we view approximately 10% of the portfolio as fixed income alternatives, namely pipeline companies and Business Development Companies. Therefore, unofficially, we view the portfolio asset mix more as a 55% equity, 40% fixed income (and “fixed income-like”), and 5% cash.

Here is the portfolio breakdown (totals may not sum due to rounding) at quarter end: 37 stocks, 18 ETFs (exchange traded funds), 1 cash position. (Also, see pie graph below.)

- 65% Equity
 - 55% Traditional dividend-growing equity.
 - These are 31 individual stocks of companies that we expect to raise dividends year after year. These businesses – ***remember, we view owning stocks as owning businesses over the long term*** - provide the expected dividend growth and total return potential over long periods of time.
 - 5% Midstream pipelines.
 - 5% Business Development Companies (BDCs).
- 30% Fixed Income
 - 24% Investment-grade bonds.
 - 5% Preferred securities.
 - 2% High yield bonds.
- 5% Cash



Dividend Increases

Here are the companies within our Dearborn Partners Multi-Asset SMA that announced dividend increases in the second quarter of 2020, listed in reverse order by date, beginning with the most recent announcement:

Company	Ticker	Percent Change	Date of Increase Announcement	New Amount	Old Amount	Consecutive Annual Increases
Medtronic Plc	MDT	7.4%	6/26/2020	\$0.58	\$0.54	43
Apple Inc.	AAPL	6.5%	4/30/2020	\$0.82	\$0.77	8
International Business Machines Corporation	IBM	0.6%	4/28/2020	\$1.63	\$1.62	25
People's United Financial, Inc.	PBCT	1.4%	4/23/2020	\$0.18	\$0.1775	28
Kinder Morgan Inc Class P	KMI	5.0%	4/22/2020	\$0.26	\$0.25	2

Average: 4.2%

*The percentage change of dividend payments reflects the new dividend rate compared with the similar payment made in the prior year.

If you would like any additional details on the Dearborn Partners Multi-Asset SMA, please contact me directly or contact our Internal Sales Associates:

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Disclaimer

Past performance is no guarantee of future results. Dividends are not guaranteed and must be authorized by the company's board of directors. Dividend yield is one component of performance and should not be the only consideration for investment.

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