

DEARBORN PARTNERS

Dear Investors,

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

Where has yield gone?

Investors looking for income face a dilemma. How far should one be willing to stretch to receive an acceptable level of income from his or her investments? Treasuries, considered *risk-free* because they are backed by the full faith and credit of the United States government, yield only 0.68% based on the 10-year Treasury Note on September 30, 2020. Bonds issued by generally high-quality United States companies, rated Investment Grade by rating agencies, yield only 1.8% based on the Bloomberg Barclays U.S. Intermediate Term Corporate Credit Index (an index measuring 5 to 10-year corporate bonds). The stock market as measured by the S&P 500 index offers a dividend income yield of 1.7% as of September 30, 2020.

What is the 60/40 yield?

Historically, an asset allocation of 60% stocks and 40% bonds has been considered a bellwether asset allocation strategy. Principle growth and dividend income could be provided by the 60% allocation to stocks and portfolio stability and interest income could be provided by the 40% allocation to bonds. As of September 30, 2020, the bellwether 60/40 portfolio yields only 1.74%¹.

Dearborn Partners Multi-Asset SMA

On September 30, 2020, the yield on the Dearborn Partners Multi-Asset SMA was 3.2%. Our goal is to help those investors faced with the income dilemma referenced above. We are constantly weighing the risk and reward of asset classes and sectors. However, our over-arching strategy is to anchor the Multi-Asset SMA in equities offering attractive current yields, many of which also offer dividend growth potential. Our view is: A dividend is tangible evidence of a company's health; a rising dividend telegraphs a company's strength.

At quarter end, 60% of the portfolio is invested in rising-dividend equities and 37% is invested in fixed income or dividend-paying, but not necessarily dividend-growing, equities. Two percent is in cash. (Totals may not sum to 100% due to rounding.)

On the equity side, we conduct bottom-up research on companies (analyze corporate filings, talk to management, visit companies, consult third parties, etc.) and look for opportunities in Real Estate, Utilities, Consumer Staples, Communications Services, Industrials, Financials, Consumer Discretionary, Health Care, Information Technology, Energy, and Materials companies.

¹ 60% of S&P 500 Index yield (1.7% x 60% = 1.02%) + 40% of Bloomberg Barclays US Intermediate Term Corporate Credit Index yield (1.8% x 40% = 0.72%), or 1.02% + 0.72% = 1.74%.

On the fixed income side (including both fixed income and dividend-paying but not necessarily dividend-growing equities), we continue to weigh our best use of capital amongst Corporate Credit, Government Credit, Treasuries, Midstream Equity, Business Development Companies, Bank Loans, High Yield Credit, and Preferred Stock.

Stock Market Thoughts

Year 2020 continues to be a remarkable time in history, including American economic history. We observe this in both stock and bond markets. The stock market, as measured by the S&P 500 index, has risen +5.6% from the beginning of 2020 through September 30, 2020. However, this +5.6% rise in the stock market masks two important facts.

First, investors experienced extreme volatility throughout the year due to an unprecedented shut down of economic activity. The stock market fell an extraordinary 34% in 23 trading days (February 19, 2020 to March 23, 2020). The ability of investors to overcome their emotions, stay invested, and stick to long-term investment plans remains critical during these extreme periods of volatility. The S&P 500 Index closed at 2,237 on March 23, 2020 and has since recovered to close at 3,363 on September 30, 2020, a +50% increase.

Second, as mentioned above, year to date through September 30, 2020, the S&P 500's total return is +5.6%. This performance number for the index is misleading, however, because it masks the broader market return. On an absolute basis year to date, only 36% of the stocks in the S&P 500 exceeded the index's overall return; 64% underperformed. By another measure, 55% of the stocks in the S&P 500 had a negative return for the first three quarters of 2020.

Bond Market Thoughts

The bond market, broadly measured by the yield of the 10-year Treasury bond, began the year at 1.91% and ended the third quarter at 0.68%. 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. Using the Bloomberg Barclays U.S. Intermediate Term Corporate Credit Index referenced above, bonds posted a +5.5% total return thus far in 2020.

The Federal Reserve made a major policy announcement, released August 27, 2020, describing its changed approach to inflation. We believe this changed approach – essentially leaving rates lower for longer – is a long-term positive for bond markets and for equity sectors paying bond-like income, such as utilities and real estate.

Specifically, the Federal Reserve noted that “following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.” This policy is a major change because the Federal Reserve's previous practice was to preemptively raise rates to combat inflation.

Third 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 third quarter (ended September 30, 2020) performance:

	As of September 30, 2020					
	<u>Third Quarter</u>		<u>Year-to-Date</u>		<u>Inception-to-</u>	
	<u>2020 Total</u>		<u>2020 Total</u>		<u>Date² 2020 Total</u>	
	<u>Returns (%)</u>		<u>Returns (%)</u>		<u>Returns (%)</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Multi Asset	6.6	6.3	-3.2	-4.0	5.2	4.3
Blended Index ³	5.9		5.9		9.2	
Bloomberg Barclays Intermediate Credit Index	1.4		5.5		5.0	
S&P 500 ⁴	8.9		5.6		12.3	

Big Picture

The Dearborn Partners Multi-Asset SMA is a portfolio built on balance and diversity. While we can “go anywhere” with our 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 September 30, 2020 was 69% equity, 29% fixed income, and 2% cash. However, within the equity portion, we view approximately 9% of the portfolio as fixed income alternatives, namely midstream pipeline companies and Business

² Inception date is 09/30/2017.

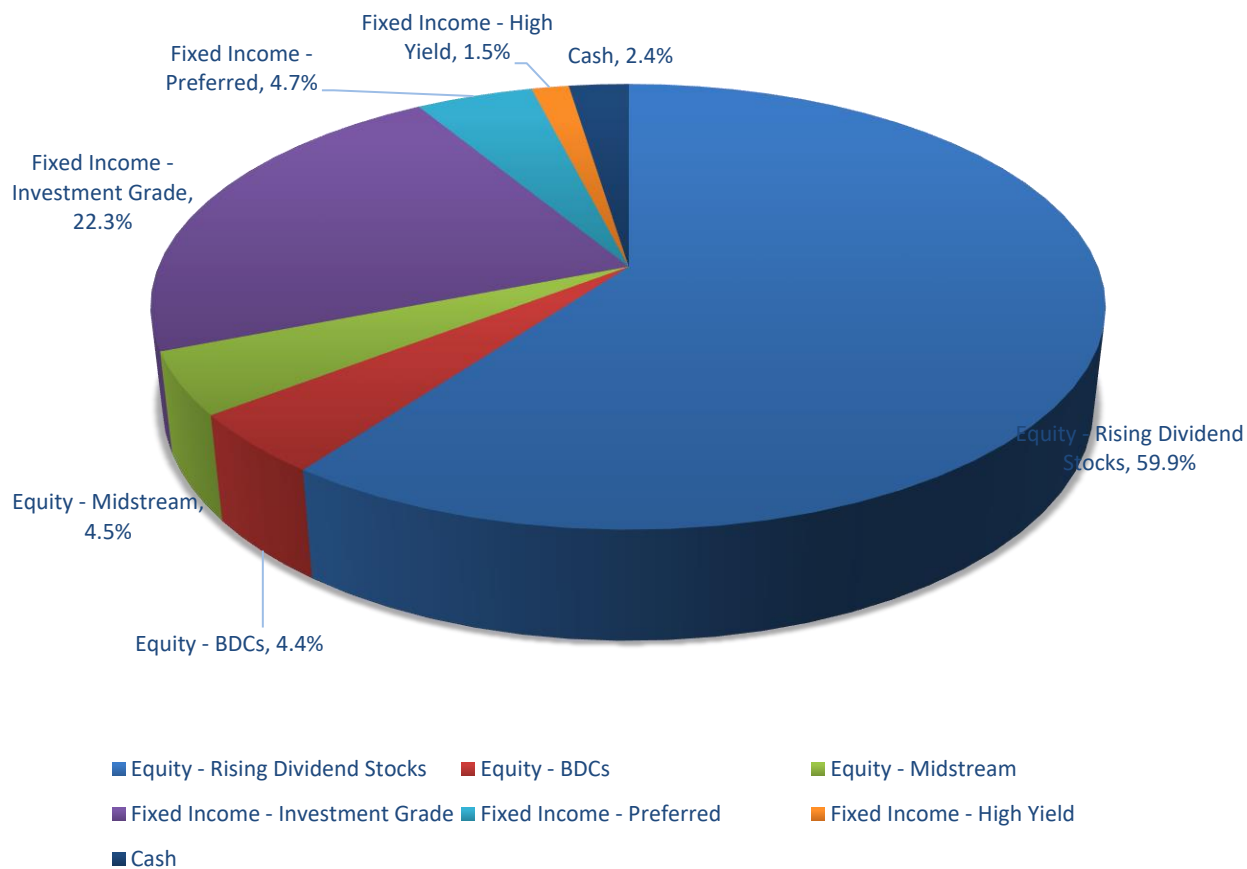
³ Blended index is an equal weighted average of the performance of the S&P 500 and Bloomberg Barclays U.S. Intermediate Credit TR Index Value through 03/31/19. After 03/31/19, the benchmark is 60% S&P 500 and 40% Bloomberg Barclays U.S. Intermediate Credit TR Index Value.

⁴ 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.

Development Companies. Therefore, unofficially, we view the portfolio asset mix more as 60% equity, 38% fixed income (and “fixed income-like”), and 2% cash.

Here is the portfolio breakdown (totals may not sum due to rounding) at quarter end: 40 stocks, 9 ETFs (exchange traded funds), 1 cash position. (Also, see pie graph below.)

- 69% Equity
 - 60% Traditional dividend-growing equity.
 - These are 35 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.
 - 4% Business Development Companies (BDCs).
- 29% Fixed Income
 - 22% Investment-grade bonds.
 - 5% Preferred securities.
 - 2% High yield bonds.
- 2% Cash



Dividend Increases

Here are the companies within our Dearborn Partners Multi-Asset SMA that announced dividend increases in the third 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
STORE Capital Corporation	STOR	2.9%	9/15/2020	\$0.36	\$0.35	6
Illinois Tool Works Inc.	ITW	6.5%	8/7/2020	\$1.14	\$1.07	58
Tractor Supply Company	TSCO	14.3%	8/6/2020	\$0.40	\$0.35	10
STERIS Plc	STE	8.1%	8/3/2020	\$0.40	\$0.37	15
Republic Services, Inc.	RSG	4.9%	7/29/2020	\$0.43	\$0.41	16
John B. Sanfilippo & Son, Inc.	JBSS	8.3%	7/9/2020	\$0.65	\$0.60	8

Average: 7.5%

*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 to receive the past 12 months of dividend activity in the Dearborn Partners Multi Asset SMA, or for any other additional details on the Dearborn Partners Multi-Asset SMA, please contact me directly or contact our Internal Sales Associates:

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Sincerely,

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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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