

DEARBORN PARTNERS

Dear Investors,

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

Second Quarter of 2021 Thoughts

Late in the second quarter of 2021, we opted to move assets out of equity and into fixed income. Our asset allocation is now 67.7% equity, 30.6% fixed income, and 1.7% cash. Our allocation prior to the changes was 71.4% equity, 25.3% fixed income, and 3.3% cash.

Most significant among our changes, we lowered, but did not eliminate, exposure to midstream energy pipelines. Given an 87%¹ increase in crude oil prices over the last year, we used the opportunity to lessen an overweighted position in energy pipelines and continue a more balanced approach to asset allocation – closer to our 60% stock and 40% bond benchmark.

Over the long term, our bias within the Multi-Asset SMA is to weight more to stocks versus bonds relative to our 60/40 benchmark. We view stocks as having an ability to earn attractive returns beyond the rate of inflation over the long term. We view owning stocks as owning businesses for the long term. Quality businesses can innovate and retain pricing power in almost any environment and maintain excellent uses of capital.

Over the short term, there remains uncertainty in the outlook for inflation and the ongoing strength of corporate earnings as post pandemic normalcy takes hold. We think the portfolio is positioned well for the environment. Given low bond interest rates – high-quality five to ten-year corporate bonds yield 1.9%² - combined with an outlook for modest inflation over the next ten years of 2.3%³, we think stocks still offer better risk/reward opportunities for investors. As noted above, our current allocation is 67.7% stocks and 32.3% fixed income and cash.

What is the 60/40 yield?

Historically, an asset allocation of 60% stocks and 40% bonds has been considered a bellwether asset allocation strategy. Principal growth and dividend income could be provided by the 60% allocation to stocks, while portfolio stability and interest income could be provided by the 40% allocation to bonds. As of June 30, 2021, the bellwether 60/40 portfolio benchmark yields only 1.60%⁴.

Dearborn Partners Multi-Asset SMA

On June 30, 2021, the yield on the Dearborn Partners Multi-Asset SMA was 2.9%. 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.

¹ Bloomberg. West Texas Intermediate crude oil. \$73.47 on 6/30/21 vs \$39.27 on 6/30/20.

² Bloomberg Barclays US Credit Corp 5-10 Year Total Return Index as of 4/9/21.

³ Federal Reserve Bank of St. Louis. 10-Year Breakeven Inflation Rate. *The breakeven inflation rate represents a measure of expected inflation derived from 10-Year Treasury Constant Maturity Securities and 10-Year Treasury Inflation-indexed Constant Maturity Securities. The latest value implies what market participants expect inflation to be in the next 10 years, on average.*

⁴ 60% of S&P 500 Index yield (1.35% x 60% = 0.81%) + 40% of Bloomberg Barclays US Intermediate Term Corporate Credit Index yield (1.97% x 40% = 0.79%), or 0.81% + 0.79% = 1.60%.

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.

On the fixed income side (including both bonds 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.

Second Quarter 2021 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, 1-year, 3-year, and inception-to-date (ended June 30, 2021) performance:

As of June 30, 2021								
	<u>Second Quarter</u>		<u>1-Year Total</u>		<u>3-Year</u>		<u>Inception-to-</u>	
	<u>2021 Total</u>		<u>Returns (%)</u>		<u>Total</u>		<u>Date Total</u>	
	<u>Returns (%)</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	5.3	5.0	28.3	26.9	10.0	8.9	9.4	8.4
Blended Index ⁵	6.0		24.3		13.8		12.0	
Bloomberg Barclays Intermediate Credit Index	2.2		2.4		6.0		4.2	
S&P 500 ⁶	8.6		40.8		18.7		17.5	

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.

⁵ 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. Inception date is 09/30/2017.

⁶ 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.

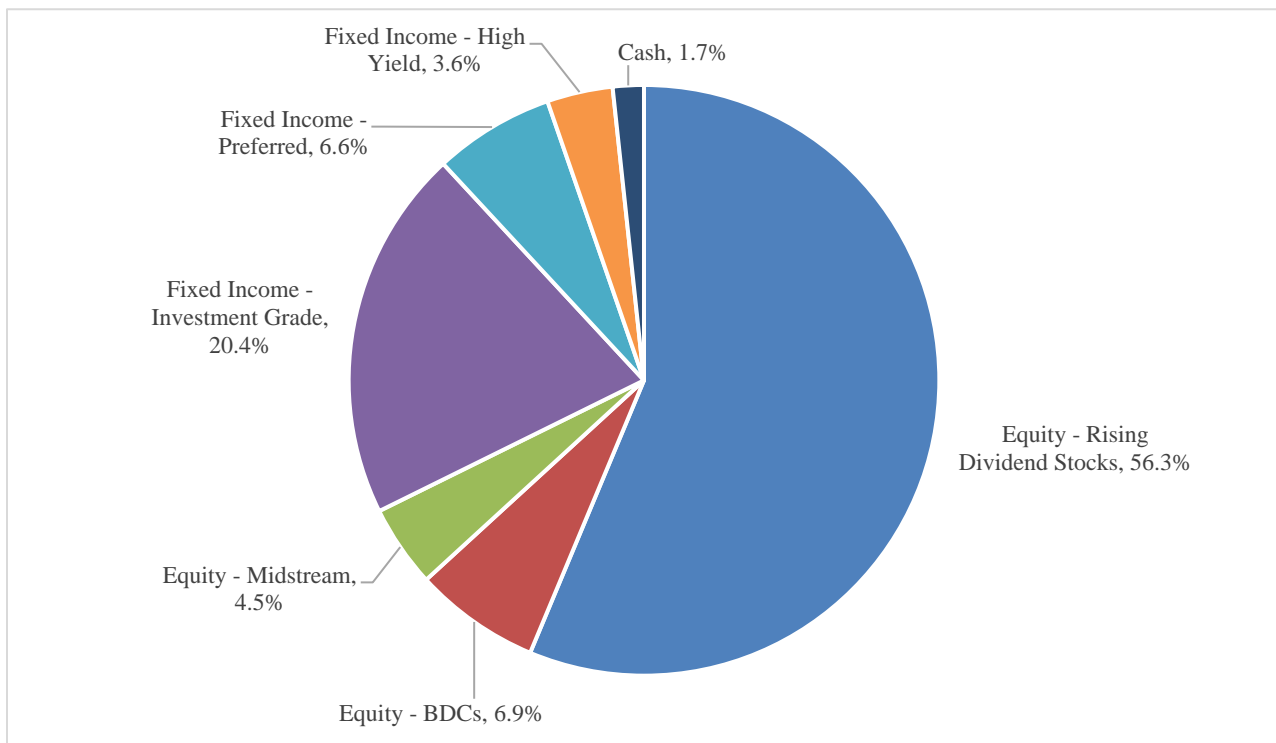
We maintain the view that diversification across and within various asset classes can help moderate portfolio risk. Holding a significant number of companies with the ability (and willingness) to pay and raise dividends over time is, we believe, one of the most prudent uses of capital for our Dearborn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

Quarter-End Asset Allocation Mix

The Dearborn Multi-Asset SMA official asset mix as of June 30, 2021 was 67.7% equity, 30.6% fixed income, and 1.7% cash. However, within the equity portion, we view approximately 11% of the portfolio as fixed income alternatives, namely midstream pipeline companies and Business Development Companies. Therefore, unofficially, we view the portfolio asset mix more as 57% equity, 42% fixed income (and “fixed income-like”), and 2% cash. (Totals may not sum to 100% due to rounding.)

Here is the portfolio breakdown (totals may not sum to 100% due to rounding) at quarter end: 39 stocks, 8 ETFs (exchange traded funds), 1 cash position. (Also, see pie graph below.)

- 68% Equity
 - 56% 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.
 - 7% Business Development Companies (BDCs).
 - 5% Midstream pipelines.
- 31% Fixed Income
 - 20% Investment-grade bonds.
 - 7% Preferred securities.
 - 4% High yield bonds.
- 2% Cash



Dividend Increases

Here are the companies within our Dearborn Partners Multi-Asset SMA that announced dividend increases in the second quarter of 2021, 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
Clorox Company	CLX	4.5%	6/2/2021	\$1.16	\$1.11	43
Medtronic Plc	MDT	8.6%	5/28/2021	\$0.63	\$0.58	44
Sixth Street Specialty Lending, Inc.	TSLX	Special	5/4/2021	\$0.06		
Paychex, Inc.	PAYX	6.5%	4/30/2021	\$0.66	\$0.62	11
Kellogg Company	K	1.8%	4/30/2021	\$0.58	\$0.57	17
International Business Machines Corporation	IBM	0.6%	4/27/2021	\$1.64	\$1.63	26
Agree Realty Corporation	ADC	4.8%	4/15/2021	\$0.217	\$0.207	9

Average: 4.5%

*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 any additional details on the Dearborn Partners Multi-Asset SMA, please contact me directly or contact our Internal Wholesaler, Evan Bindas (ebindas@dearbornpartners.com, 312-795-5338).

Sincerely,

Peter Deakos, CFA

pdeakos@dearbornpartners.com

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.

This commentary presents general views on the securities markets and should not be construed as financial or investment advice on any subject matter. It is not a complete description of, not a recommendation to invest in, any investment strategy mentioned within. This commentary may not be redistributed without Dearborn's written consent. 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. All securities investing involves risks, and this commentary is not intended to address such risks. Dearborn may make securities recommendations to clients that are inconsistent with the views herein. Any opinions herein are as of the date of this report and are subject to change without notice. Dearborn Partners L.L.C. is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training.