DEARBORN PARTNERS

Year End 2021 Commentary Carol M. Lippman, CFA

Dividend Growth: Core Rising Dividend SMA portfolio

In 2021, all 49 companies in our Core Rising Dividend portfolio announced 56 dividend increases averaging about 9.9% more than those companies paid a year earlier. In the fourth quarter of 2021, 15 of the 49 companies in this portfolio announced 15 dividend increases averaging about 10.3% more than those companies paid a year earlier. Throughout the year, one company announced four dividend increases, two companies announced two dividend increases apiece. Two companies declared special cash dividends. No companies in our Core Rising Dividend portfolio cut or suspended dividends in 2021.

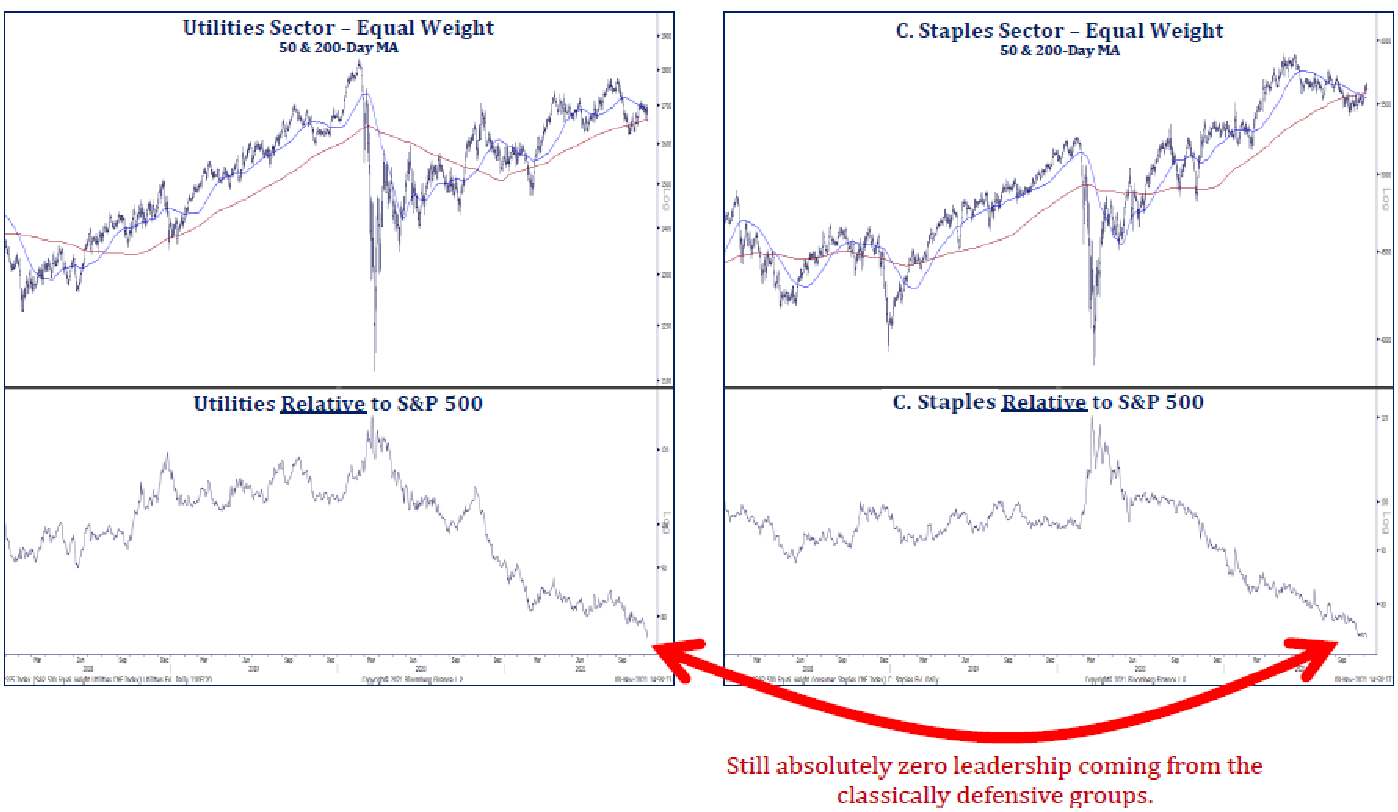
Dividend Growth: High & Rising Dividend SMA portfolio

In 2021, 24 of 25 companies in our High & Rising Dividend portfolio announced 28 dividend increases averaging about 6.3% more than those companies paid as dividends a year earlier. In the fourth quarter of 2021, 8 of the 25 companies in the portfolio announced 9 dividend increases averaging about 7.2% more than those companies paid a year earlier. One company announced five dividend increases throughout 2021. One company kept its dividends flat throughout the year. No companies in our High & Rising Dividend portfolio cut or suspended their dividends in 2021.

2021 Was a Good Year for Defensively Positioned Portfolios, but Generally Lagged the Benchmark

Three sectors that historically have contributed to the defensiveness of equities portfolios—Consumer Staples, Utilities, and Health Care—have been persistent laggards relative to the Standard & Poor's 500 benchmark since they peaked in March 2020 before the novel coronavirus emerged. Easy Federal Reserve policy designed to keep interest rates low to help consumers deal with the economic effects of the virus have encouraged risk taking in financial assets. Strategas Research illustrates this trend in Figure #1.[1]

Figure #1 Staples and Utilities Remain Relative Laggards



[1] Technical & Macro Strategy, Strategas Securities LLC, Chris Verrone, Nov 9, 2021

Historically, Consumer Staples have accounted for roughly 8%-10% of the market capitalization of the S&P 500; Utilities have historically represented about 3%-4%. To prove their out-of-favor status, on December 31, 2021, Staples and Utilities represented 5.9% and 2.5% of the benchmark's weight, respectively. According to Strategas Securities LLC's Technical & Macro Strategy reports, since 1990, Consumer Staples' weighting has been below 6% only once—at the peak of the dot.com, or Information Technology, bubble in March 2000.[2]

The Mood of the Market Changed in the Last Month and Quarter of Year 2021

It has been widely reported that the broad market as measured by the S&P 500 hit 70 new highs throughout year 2021. Figure #2 illustrates that the market's mood changed, perhaps due to the emergence of the Omicron variant, inflation-fighting signals from the Federal Reserve, and other uncertainties, shifting outperformance to more defensive sectors, such as Consumer Staples, Utilities and Health Care in the fourth quarter and especially in the last month of the year. Notice that in each of the first two quarters of 2021 these three sectors generally lagged the returns of the benchmark, often by a wide margin. In the third quarter, Consumer Staples still lagged the S&P 500. In the fourth quarter, however, all three defensive sectors outperformed the broad market, and in the month of December, the outperformance of the broad market by these three defensive sectors was quite significant.

Figure #2 Total Returns for Year 2021

	Total Returns (%) for Year 2021					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	December	Full Year
S&P 500	6.17	8.55	0.58	11.03	4.48	28.71
Consumer Staples Sector	1.15	3.83	-0.31	13.31	10.29	18.63
Utilities Sector	2.80	-0.41	1.78	12.93	9.64	17.67
Health Care	3.18	8.40	1.43	11.17	8.98	26.13

Source: FactSet

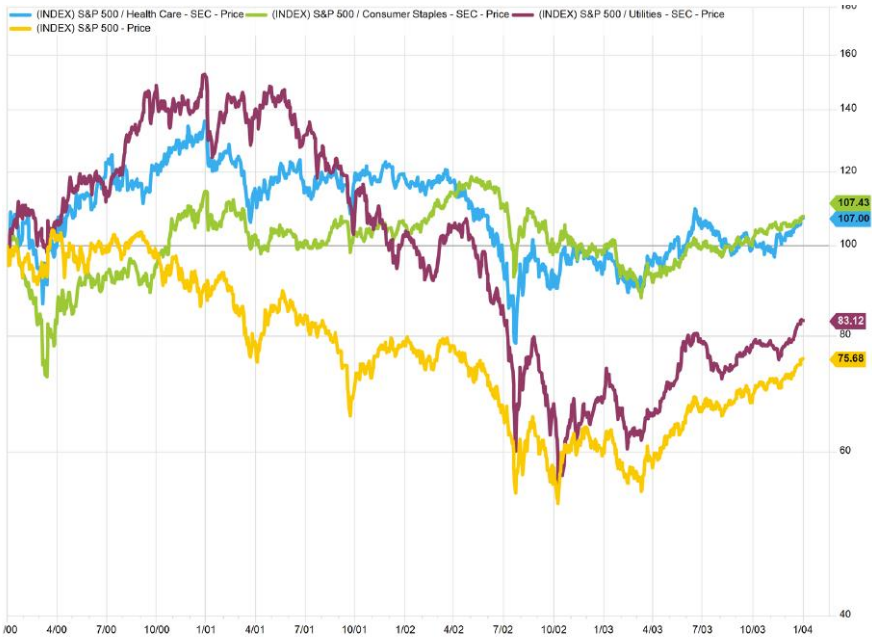
The Consumer Staples and Utilities sectors, especially, contain a number of companies that we view as having solid financials, strong cash flow, and consistent dividend growth potential. As a result, our Dearborn Partners Rising Dividend portfolios' weightings in these sectors exceed the benchmark's weightings. In 2021, the dividend increases declared by the companies in these sectors averaged high single digits versus the dividends declared a year earlier. Inasmuch as a primary objective of our strategy is to help investors outpace the rising costs of living by way of dividend growth in excess of the historic 3% average annual rate of inflation as measured by the Consumer Price Index, the constituents in our portfolios from these two sectors have helped meet this objective. We have no control over stock prices, however. The relative underperformance of these two sectors and our overweighting contributed to our portfolios' total returns modestly lagging the benchmark's longer-term results. In the fourth quarter of 2021 on days when the market finally turned more defensive, the high-quality companies with strong dividend growth helped our portfolios hold up better. Although past performance cannot assure future results, it is our hope that the generally conservative, high quality, defensive tilt of our portfolios—consistently paying us potentially rising dividends while we patiently wait—will help investors participate in the long-term wealth building potential offered by common stocks.

We believe that stock market participation is critical. Risk reduction along the way is even more important, in our opinion. Past performance cannot assure future results, but we view a well-diversified portfolio, even including sectors that have been out of favor, as helping long-term investors participate while potentially modifying risk.

How did these three relatively defensive sectors perform after the last time that Consumer Staples' weighting reached an all-time low in March 2000? Figure #3 below shows the stock price performance of three sectors and the broad market: Consumer Staples are the green line, Health Care is the blue line, Utilities are the dark red line, and the broad market as measured by the S&P 500 is the yellow line.

[2] Technical & Macro Strategy, Strategas Securities LLC, Chris Verrone, Aug 13, 2021

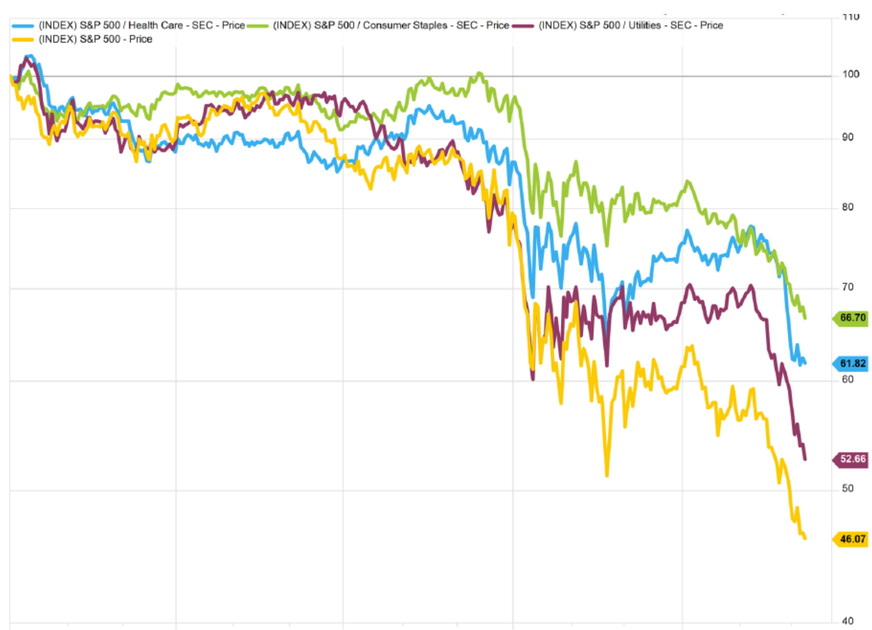
Figure #3 January 1, 2000—January 1, 2004, From Peak of Dot.com (Tech) Bubble through Trough in S&P 500



Source: Factset

According to Strategas, Consumer Staples' weighting as a percentage of the broad market peaked in 2004 and then sold off as investors became braver and less defensive, until 2008, when the Great Financial Crisis hit. Figure #4 below, using the same color scheme as in Figure #3, shows how these same three sectors and the S&P 500 stock prices performed from January 1, 2008 through the trough in the stock market on March 9, 2009. During both of these challenging periods in the stock market, the defensive sectors held up better than the S&P 500 as a whole.

Figure #4 January 1, 2008—March 9, 2009, Through the Great Financial Crisis



Source: Factset

Cumulative Income Summary

Here is the cumulative gross (before fees) dividend income generated by the companies in both of our Dearborn Partners Rising Dividend Separately Managed Account (SMA) Portfolios from an initial $200,000 investment on September 30, 2011 (the inception date of our SMA portfolios) through December 31, 2021:

	Average Current Yield	Cumulative Income*
Core Rising Dividend SMA	1.6%	$96,629
High & Rising Dividend SMA	2.8%	$128,103
S&P 500	1.3%	$85,138

**The S&P 500 dividend income in the table above is calculated by creating hypothetical investable "share units" by dividing the assumed initial $200,000 investment by the price of the index (1131.42) on September 30, 2011 (the inception date of our Rising Dividend SMA portfolios), resulting in 176.77 share units. The dividends per share unit of the index, provided by S&P Dow Jones Indices, are applied to the calculated units on a quarterly basis. The total represented in the table is the sum of those quarterly dividends per share unit, from December 31, 2011, through December 31, 2021.*

The table above shows that the average yield of both of our Rising Dividend SMA portfolios at the end of 2021 exceeded the average yield of the S&P 500. As a result of their above average yields, lower volatility, and generally conservative features, our portfolios may appeal to some generally risk-averse investors who are in search of yields greater than those offered by both long-term bonds and the broad market.

Dearborn Partners' Rising Dividend Philosophy

The Dearborn Partners Rising Dividend investment team works very hard to try to find companies that we consider capable of increasing dividends at rates that help investors keep ahead of the rising costs of living throughout any kind of environment—economic, interest rate, political, social, taxation, unprecedented pandemics, severe weather, etc. Some of the eleven sectors into which Standard & Poor's divides the marketplace are more economically sensitive than others. From every sector, however, we look for what we consider to be the most defensive—i.e., consumers patronize their products or services in tough economic times as well as good times—and now the most essential businesses with strong balance sheets, high barriers to entry, and solid management. As we know, companies don't grow overnight; growth takes years and investors must be patient. We insist that every company pays dividends. In fact, we insist that the dividends represent a prudent percentage of earnings and cash flow so that the companies can reinvest most of the cash generated for future growth of revenues, cash flow, earnings, and dividends. Historically, stock prices move as the earnings of the underlying company move. If the earnings and dividends can march upward over time, so should the stock prices and provide attractive total returns over the long term. We think our strategy of paying investors while waiting, and consistently getting pay raises through dividend increases should, we hope, give investors the fortitude to stay invested throughout any environment.

The lens through which we examine every company in our portfolios and those that may be candidates for our portfolios is: do they possess the ability to not only pay a dividend but increase the dividend consistently over time. **Our view is: A dividend is tangible evidence of a company's health; a rising dividend telegraphs a company's strength.**

We are truly grateful that you are taking this journey with us and hope that you will patiently stay with us for many years to come. That we concentrate so intently on including in our portfolios companies that offer the potential to continuously pay and increase dividends we hope will enable you to get invested and stay invested in our equity portfolios throughout the volatility and in any environment. We promise to continue to work hard to try to bring you lots of rising dividends.

The Dearborn Partners Investment Team,
Carol, Mike, Pete, Matt, and Jack

Dearborn Partners Rising Dividend Separately Managed Account Average Calendar Dividend Increases

	Core Rising	High & Rising	CPI*
10-Year Average	10.3%	7.5%	2.4%
2021	9.9%	6.3%	6.8%
2020	7.6%	5.9%	1.6%
2019	9.6%	8.2%	2.3%
2018	13.3%	9.5%	2.2%
2017	7.8%	5.8%	1.7%
2016	8.0%	6.5%	2.1%
2015	9.7%	7.5%	2.1%
2014	12.2%	7.4%	1.6%
2013	12.2%	8.7%	1.7%
2012	13.0%	9.6%	1.9%

** Core Consumer Price Index for All Urban Consumers Unadjusted 12-month Percent Change for 12 months ending Nov. 2021.*
Updated December 10, 2021.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy [CPILFENS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPILFENS December 10, 2021.

Disclaimer:

On the date that a company in our SMA portfolios announces a dividend increase, we calculate the percentage difference from the dividend the company paid a year earlier. We are excluding any special or accelerated dividends paid. We then calculate the average of all those year-over-year increases. However, if a company announces a dividend increase more than once a year, we use the average of that company's multiple increases to be considered in the year-over-year comparison. 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. 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.