DEARBORN PARTNERS

Dear Investors,

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

**Quarter Ended June 30, 2023 Thoughts – American as Apple Pie**

Looking at the big picture performance of the portfolio, one could characterize it as follows: fixed income was fine, but the equities did not keep up with their benchmark. As is commonly noted in financial media today, the S&P 500 index is heavily weighted to seven companies driving its performance.

To be specific, let us look at the top holdings of the S&P 500. To do so, we can look at the top holdings of the SPDR S&P 500 ETF Trust (SPY). As of June 30, 2023, the eight largest capitalization stocks in SPY made up 27.7% of the S&P 500. Those seven companies are Apple, Microsoft, Amazon, NVIDIA, Tesla, Alphabet (Class A and C), and Meta. Our portfolio owns only Apple and Microsoft. Unlike the others, Apple and Microsoft pay meaningful dividends and have consistent dividend growth potential, which best meets our strategy criteria. Notably, the outperformance of eight stocks in an index of 500 stocks does not diminish the confidence we have in the long-term potential of our other portfolio holdings. We recognize that over short periods of time, there can be abnormalities in publicly traded marketplaces. Again, we remain confident in the businesses held in the Dearborn Multi-Asset SMA portfolio.

On the fixed income side, it remains unclear how the Federal Reserve policy will affect fixed income rates and frankly how it will affect the economy at large. The Federal Reserve has two mandates: 1. Maximum employment, and 2. Price stability—i.e., inflation at about two percent over the long term. The Federal Reserve continues to tighten monetary policy (i.e., raise interest rates) in an effort to keep prices stable. The risk is that the Federal Reserve tightens too far and causes an economic recession. However, the Fed believes longer-term price instability—i.e., inflation running above two percent—is a larger risk to the overall economy because it hurts consumers, especially lower income consumers, and creates a much harder environment for businesses and consumers to plan for future purchases, borrowings, lending, etc. Like our thoughts on equity markets, while we cannot predict short-term macroeconomic outcomes (nor do we even try), we remain confident in owning solid businesses (or the debt of solid businesses) over the long term.

Why do we have such confidence in the U.S. businesses we own? We look for what we call an attractive growth algorithm from a company we consider for ownership. For example, say a company garners increasing top-line sales. With increasing sales, a company typically does more with less. It processes more sales with the same amount of expenses, or maybe even fewer expenses—i.e., the company becomes more productive. This productivity drives gains in operating income, which drives gains in earnings per share, and ultimately drives increased dividends per share.

It is our view that most American companies—public or private—benefit from being more productive. American ingenuity allows for new technology or new know-how to increase productivity. An important key differentiator for us, however, is how to find a company that *reliably* increases top-line sales. In our view, the company needs to be focused. We like the 80/20 rule. Eighty percent of a company's sales, cash flow, or earnings are typically generated by only 20% of their products, services, or customers. So, it behooves those companies to stay laser-focused on that 20% of products, services, or customers. When innovation is applied in such a focused way, we see the fly-wheel effect of increased sales and increased productivity benefiting shareholders over the long term.

This idea of productivity, innovation, and most importantly focus, is what gives us confidence in these businesses over the long term and what we consider as American as apple pie. For this reason, investors should own companies for the long term.

**Dearborn Partners Multi-Asset SMA**

As we do every quarter, we reiterate our long-term investment philosophy: 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 of high-quality companies as having an ability to earn attractive total returns beyond the rate of inflation over the long term. We equate owning stocks to owning businesses and we would like to do so for the long term. We look for quality businesses that can innovate and retain pricing power in almost any environment and maintain discipline around excellent uses of capital.

We continue to see the companies we own as capable of increasing earnings and increasing dividends through the utilization of their competitive advantages and incremental productivity. Over time, stock prices should follow earnings and cash flow generated by these companies. We continue to monitor investments across the investment spectrum—both equity and fixed income—to find the most attractive uses of capital for the Multi-Asset SMA.

On the equity side, we 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, 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.

**How does the portfolio's composition compare to its benchmark?**

At the end of the second quarter of 2023, our asset allocation stood at 69% equity, 29% fixed income, and 2% cash. On June 30, 2023, the yield on the Dearborn Partners Multi-Asset SMA was 4.0% compared with the benchmark's yield of 2.8%. 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.

As the benchmark for our Dearborn Multi-Asset portfolio, we use what historically has been considered a bellwether asset allocation strategy: an asset allocation of 60% stocks and 40% bonds. 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.

| | Portfolio Yield (%) | Portfolio Beta[2] | Fixed Duration (Years) | Portfolio Duration (Years) |
|---|---|---|---|---|
| Multi-Asset | 4.0% | 0.60 | 5.3 | 1.6 |
| 60/40 Benchmark[1] | 2.8% | 0.65 | 6.2 | 2.5 |

Notes: As of 6/30/23. Data sources are FactSet and Bloomberg.

[1] 60/40 Benchmark represented by 60% SPDR S&P 500 ETF (SPY) and 40% iShares Core US Aggregate Bond ETF (AGG)

[2] Portfolio beta based on 2-year beta calculation.

**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 what is currently available from 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.

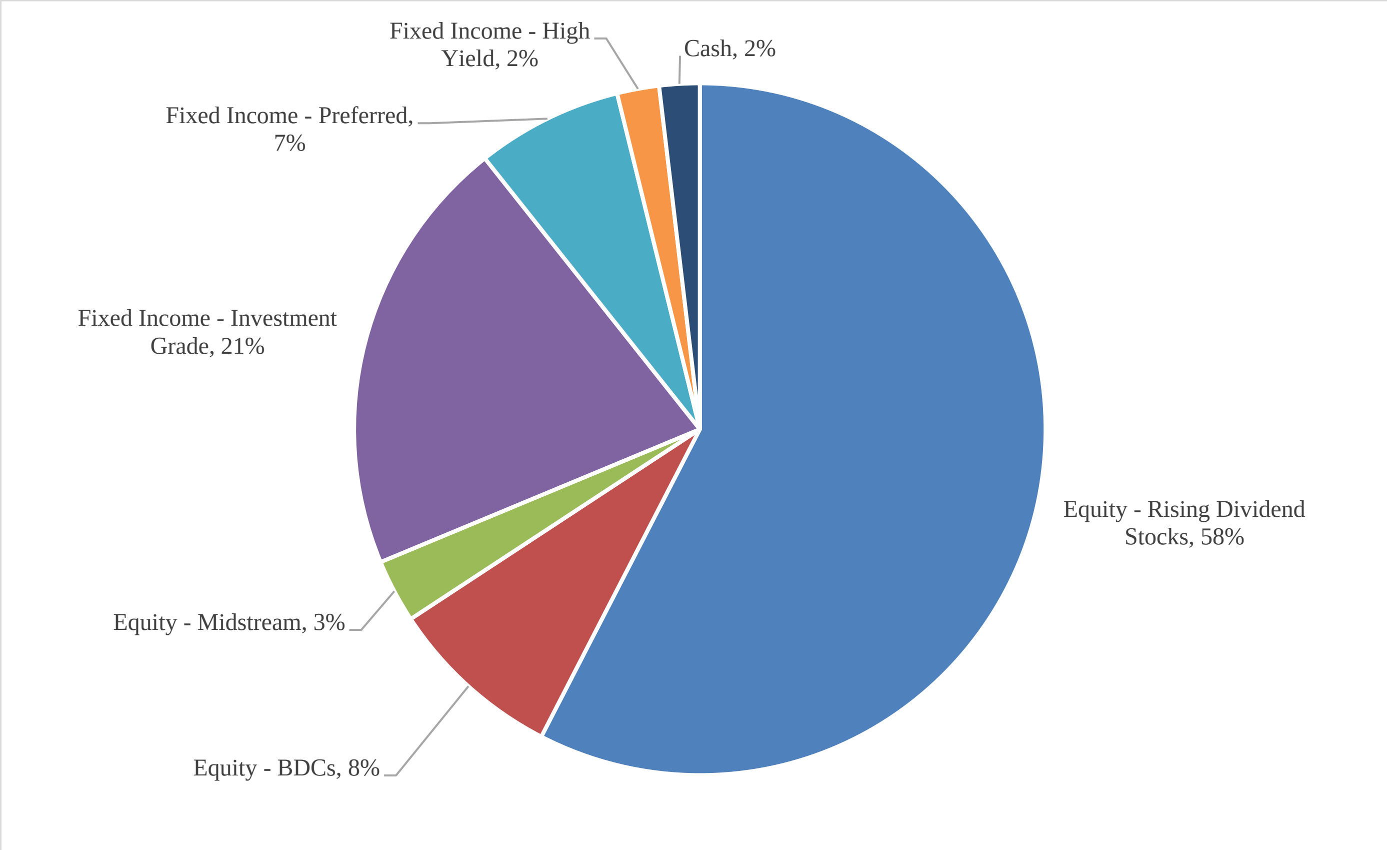
We maintain the view that diversification across and within various asset classes can help moderate portfolio risk. Holding companies with the ability (and willingness) to pay and raise dividends over time is, we believe, one of the most prudent uses of capital for our Dearborn Multi-Asset SMA.

**Quarter-End Asset Allocation Mix**

The Dearborn Multi-Asset SMA official asset mix as of June 30, 2023, was 69% equity, 29% fixed income, and 2% 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 58% equity, 40% 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: 36 stocks, 9 ETFs (exchange traded funds), 1 cash position. (Also, see pie graph below.)

- 69% Equity
  - 58% Traditional dividend-growing equity.
    - These are 32 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.
  - 8% Business Development Companies (BDCs).
    - The portfolio holds 2 BDCs.
  - 3% Midstream pipelines.
    - The portfolio holds 2 midstream stocks.
- 29% Fixed Income
  - 21% Investment-grade bonds (Corporate, Government).
    - The portfolio holds 6 investment-grade ETFs.
  - 7% Preferred securities.
    - The portfolio holds 2 preferred ETFs.
  - 2% High-yield bonds.
    - The portfolio holds 1 high-yield bond ETF.
- 2% Cash




## Dividend Increases

Here are the companies within our Dearborn Partners Multi-Asset SMA that announced dividend increases or special dividends in the second quarter of 2023, listed in reverse order by date, beginning with the most recent announcement:

| Company | Ticker | Date of Increase Announcement | New Amount | Old Amount | Percent Change | Consecutive Annual Increases |
|---|---|---|---|---|---|---|
| Casey's General Stores, Inc. | CASY | 6/6/2023 | $0.43 | $0.38 | 13.16% | 24 |
| Medtronic plc | MDT | 5/25/2023 | $0.69 | $0.68 | 1.47% | 46 |
| Sixth Street Specialty Lending, Inc. | TSLX | 5/8/2023 | $0.04 | -- | special | 2 |
| Apple Inc. | AAPL | 5/4/2023 | $0.24 | $0.23 | 4.35% | 11 |
| Main Street Capital Corporation | MAIN | 5/2/2023 | $0.69 | $0.68 | 2.22% | 3 |
| Paychex, Inc. | PAYX | 4/28/2023 | $0.89 | $0.79 | 12.66% | 13 |
| International Business Machines Corp. | IBM | 4/25/2023 | $1.66 | $1.65 | 0.61% | 28 |

*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,

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