

D E A R B O R N

P A R T N E R S

Dearborn Partners  
Balanced Income 60/40 SMA

## PORTFOLIO STRATEGY

The Dearborn Partners Balanced Income 60/40 Separately Managed Account (SMA) Portfolio is designed for investors seeking the potential for rising income with the reduced portfolio risk and volatility historically attributed to adding fixed income to all-equity portfolios. Equity investments utilize Dearborn's existing Core Rising Dividend strategy of companies offering the potential to consistently increase dividends. Fixed income investments utilize a conservative, all-weather approach—known as a bond ladder—that consists of fixed income securities that mature each year over several years. The bond ladder, further described on the next page, uses defined-maturity exchange traded funds (ETFs). The Balanced Income 60/40 has an equity/fixed income allocation targeted at 60% equity and 40% fixed income.

## INVESTMENT PHILOSOPHY - EQUITY

- ▶ Growth of dividend income
- ▶ Disciplined stock selection
- ▶ Participate in the long-term wealth-building potential of investing in great businesses
- ▶ Relatively low turnover
- ▶ Long-term investment time horizon (5+ years)

## ASSET ALLOCATION

- ▶ Current income from Fixed Income
- ▶ Rising dividend income from equities
- ▶ 49 stocks, 14 fixed income vehicles
- ▶ Flexibility for +/-10% Fixed Income/Equity Allocation

## PORTFOLIO ASSET ALLOCATION

The Dearborn Partners Balanced Income 60/40 SMA is benchmarked against a custom blended index of 60% S&P 500 and 40% Bloomberg US Aggregate Bond Index, blended daily.

Rising Dividend Equities	63.9%
Fixed Income - Corporate	25.4%
Fixed Income - Preferred	4.2%
Fixed Income - High Yield	1.3%
Cash	5.2%

## DIVIDEND INCREASE ANNOUNCEMENTS

Companies	Quarter	YTD
Reporting Increase	17 of 49	47 of 49
Average Increase	9.9%	8.6%

## RETURNS (%)

	Quarter To Date <sup>^</sup>	Year To Date	Latest 1 Year <sup>*</sup>	Latest 3 Year <sup>*</sup>	Latest 5 Year <sup>*</sup>	Inception To Date <sup>**</sup>
Balanced Income 60/40 (Pure Gross)	8.69%	12.45%	12.45%	5.20%	9.55%	8.07%
Balanced Income 60/40 (Net)	7.88%	9.13%	9.13%	2.09%	6.31%	4.88%
Custom Blended Index †	9.74%	17.67%	17.67%	4.71%	9.98%	8.20%

† The Balanced 60/40 composite is compared against a custom blended index of 60% S&P 500 and 40% Bloomberg US Aggregate Bond Index, blended daily.

<sup>\*</sup>Average annualized return

<sup>^</sup> Periodic returns

<sup>\*\*</sup>Inception date: 9/30/2017

## CHARACTERISTICS\*

## Yields:

Avg. Portfolio Yield	2.9%
Equities Yield	1.9%
Fixed Income Yield	5.5%

## Duration (Years):

Overall Portfolio Duration	1.4
Fixed Income Duration	4.6

## Beta (vs. S&amp;P 500)

0.66

\*Please see definitions on Page 2.

## TOP TEN HOLDINGS (% PORTFOLIO)

Apple Inc.	3.8%	iShares iBonds Dec 2025 Term Corp ETF	2.3%
iShares iBonds Dec 2033 Term Corp ETF	2.4%	Vanguard Long-Term Corp Bond ETF	2.3%
iShares iBonds Dec 2032 Term Corp ETF	2.4%	iShares iBonds Dec 2026 Term Corp ETF	2.3%
Principal Spectrum Prefer. Sec Active ETF	2.4%	iShares iBonds Dec 2027 Term Corp ETF	2.3%
iShares iBonds Dec 2024 Term Corp ETF	2.4%	iShares iBonds Dec 2028 Term Corp ETF	2.3%
<b>Total</b>			<b>24.9%</b>

## THE PREMISE FOR OUR STRATEGY

### How does the Dearborn Partners Balanced Income 60/40 Portfolio work?

**Equity, consisting of 49 individual stocks, is targeted at 60% of the portfolio.** For the equity portion, we utilize Dearborn's existing Core Rising Dividend separately managed account (SMA) portfolio. This strategy invests in a diversified set of companies with the potential for consistently raising dividends that offer an average current yield greater than that of the S&P 500. Companies selected offer the potential for anticipated **mid- to high single-digit** annual dividend growth over the long term. Please see our Core Rising Dividend portfolio fact sheet for more details. The combination of this attractive current yield plus potential regular dividend growth offers investors a stock portfolio that we believe will perform well in both rising and falling markets.

**Fixed income is targeted at 40% of the portfolio and consists of 14 exchange traded funds (ETFs).** We utilize preferred, high yield, and corporate bond ETFs to manage duration and credit exposure. For the fixed income portion, we primarily utilize a bond laddering strategy along with a few other fixed income asset classes benchmarked to the Bloomberg US Aggregate Bond Index. With a bond ladder, we use proceeds obtained when short-term bonds mature to reinvest into longer-dated bonds. In this way, we are not trying to make any predictions about the direction or level of interest rates, and we view the bond ladder as an effective, all-weather fixed income strategy. We believe that this approach allows income-oriented investors the potential to reduce interest rate risk and portfolio volatility.

**Bond ladder example:** In the portfolio, we invest in defined-maturity ETFs. Unlike traditional ETFs, the defined-maturity fixed income ETFs mature on a stated date—usually December 15<sup>th</sup> of its maturity year. We are investing the portfolio in a bond ladder with ETFs maturing in each of the next 10 years. We intend to take cash proceeds that we receive when the current year ETF matures to invest into a longer-dated maturity 10 years out.

**Portfolio allocation:** Overall, the 60/40 portfolio targets a 60% equity and 40% fixed income mix. As securities' market values fluctuate, these percentages may vary slightly.

Time Period	Composite TWR - Pure Gross**	Composite TWR - Net	Custom Blended Index	Standard Dispersion	3-Yr Ann Deviation Composite	3-Yr Ann Deviation Custom Blended Index	Portfolios in Composite	End of Period Composite Assets (\$ thousands)	End of Period Strategy Assets (\$thousands)	Pct of Composite \$ in Bundled-Fee	End of Period Total Firm GIPS Assets (\$ millions)
4 Qtr 17	3.90	3.12	4.12	N/A	N/A	N/A	1	\$566	\$1,659	0%	\$2,057
2018	-0.89	-3.82	-2.35	N/A	N/A	N/A	1	\$560	\$8,405	0%	\$2,297
2019	20.30	16.75	22.18	N/A	N/A	N/A	1	\$692	\$35,135	0%	\$3,103
2020	9.72	6.48	14.73	N/A	11.47	11.26	2	\$827	\$56,222	0%	\$3,389
2021	15.35	11.94	15.86	N/A	11.16	10.48	2	\$920	\$85,465	0%	\$4,048
2022	-10.27	-12.92	-15.79	N/A	13.84	13.81	2	\$775	\$96,606	0%	\$3,564
2023	12.45	9.13	17.67	N/A	12.12	12.52	1	\$782	\$121,447	0%	\$3,804

## INVESTMENT TEAM

### Carol M. Lippman, CFA

Portfolio Manager, Rising Dividend Strategy  
30+ years investment experience

### Michael B. Andelman

Portfolio Manager, Rising Dividend Strategy  
15+ years investment experience

### Peter J. Deakos, CFA

Portfolio Manager, Rising Dividend Strategy  
20+ years investment experience

### Matthew Guttosch, CFA

Analyst, Rising Dividend Strategy  
10+ years investment experience

### Jonathan Woo, CFA

Analyst, Rising Dividend Strategy  
10+ years investment experience

**\*Avg. Portfolio Yield** is the weighted average percentage of the portfolio's equity, fixed income, and cash positions combined. **Equities Yield** refers to the average yield only from the equities as if the equities were a standalone portfolio. **Fixed Income Yield** refers to the yield only from the fixed income securities as if the fixed income securities were a stand-alone portfolio. **Overall Portfolio Duration** is a measure of the sensitivity of the price – the value of principal – of the entire portfolio to a change in interest rates. Duration is expressed in number of years. **Fixed Income Duration** refers to the duration of only the fixed income portion of the portfolio as if the fixed income portion were a stand-alone portfolio. **Beta** is a measure of the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than its benchmark index.

**\*\*These statistics are Supplemental Information.**

Past performance is no guarantee of future results. This report is not a complete description of or recommendation to invest in the Dearborn Partners Balanced Income 60/40 SMA ("60/40 SMA") (the "Strategy"). There is no assurance the Strategy will be profitable, achieve its objectives, be suitable for you, or not incur losses. Dividends are not guaranteed and must be authorized by the company's board of directors. There is no assurance that any Rising Dividend portfolio company will increase its dividend, or not reduce its dividend, or not have a significant decrease in its stock price. Dividend yield is one component of performance and should not be the only consideration for investment. The Balanced Income 60/40 Composite (the "Composite") contains discretionary accounts with a minimum size of \$100,000 that Dearborn manages pursuant to the Dearborn Partners Balanced Income 60/40 SMA Strategy ("60/40 SMA"), which is a Dearborn Rising Dividend strategy. The Composite was created and inception on September 30, 2017. The Balanced 60/40 composite is compared against a custom blended index of 60% S&P 500 and 40% Bloomberg US Aggregate Bond Index, blended daily. (Prior to December 2022, the custom benchmark comprised of 60% S&P 500 Total Return and 40% Bloomberg Credit Corp 5-10 Yr. This change to the current custom benchmark was made retroactively, as of the 4Q 2022 factsheet.) The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). Source: Bloomberg Index Services Limited. Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). 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Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Dearborn maintains a list of broad distribution pooled funds, and a list of composite descriptions, which are both available upon request. Results are based on discretionary accounts under management, including those accounts no longer managed by Dearborn. The Standard Dispersion is an asset-weighted standard deviation calculated for the accounts that were in the Composite for an entire given year. The annual dispersion and 3-year annualized standard deviation are calculated using gross returns. Composite dispersion is not presented for periods with five or fewer portfolios in the composite for the entire year. The U.S. Dollar is the currency used to express performance. Returns are presented on a "pure gross" and net basis and include the reinvestment of all income. Pure gross returns do not reflect the deduction of any expenses, including trading costs, and are supplemental to net returns. For non-wrap fee-paying accounts, the gross returns are calculated net of transactions costs and net returns are calculated net of transaction costs and actual management fees. Net of fee returns are calculated using a model fee of 3%. Model fees are based on the highest fee payer in the composite. Net of fee returns are calculated by deducting the applicable monthly rate of the model fee from the monthly gross returns of the composite. In August 2023 we discovered that the net composite returns in the table above were not reflecting the disclosed net calculation methodology, which resulted in a material error. The net returns have now been corrected. Wrap fees include trading expenses, third party management fees, custodial fees, and other administrative expenses. Wrap accounts pay an all-inclusive fee which can range up to 3% and includes all management fees and expenses involved in managing the account. Dearborn's non-wrap management fees range from 0.30% to 0.75%. Some portfolios may pay \$0 trading commissions. Actual fees and expenses may vary. The End of Period Strategy Assets include the assets managed by model managers and is supplemental to the assets in the composite. Dearborn's policies for valuing investments, calculating performance and preparing GIPS Reports are available on request. Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS®). 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