

DEARBORN PARTNERS

Dear Investors,

Thank you for your continued investment in the Dearborn Partners Multi-Asset Separately Managed Account (SMA). We appreciate your trust and continue to work diligently to prudently manage the portfolio for you.

Quarter Ended December 31, 2023 Thoughts

At quarter end, the Dearborn Multi-Asset SMA was invested in 68% equities, 31% fixed income, and 1% cash. Our larger allocation to equities reflects our long-term bias toward owning stocks over bonds. This long-term bias toward owning primarily American-based companies is based upon our belief in these great companies' ability to innovate and thus continue to earn increasing profits, no matter the economic, political, or interest rate environment.

Fundamental Reason we Believe in Stock Ownership over the Long Term

We are bullish on owning American-based companies over the long term. Why? In a word, *innovation*. In our view, innovation allows great companies to prosper in any environment—interest rate, political, economic—over the long term.

We see innovation in two primary forms: (1) innovation behind the scenes—in the factory, behind the sales counter, at corporate headquarters, in research labs—allows companies to increase output with the same or less input. This innovation drives productivity and happens constantly in well-run businesses, and (2) top-line, or sales innovation—new products, new services, new technologies—harness new positions in the minds of consumers. This innovation leads to sales growth, which drives the flywheel of corporate profitability over time.

Over long periods of time, companies tend to be valued by their earnings and cash flow. Stocks of companies with potentially *growing* streams of cash flow are typically rewarded advantageously compared with the *fixed* stream of cash flow provided by, and implied in the name of, fixed income or bonds. In our view, investors need to participate in the growth potential of stocks over the long term.

5-Year Bond Ladder

Generating income is important to investors in the Dearborn Partners Multi-Asset SMA. At year-end our portfolio's current yield was 3.9%, higher than that of our benchmark's 2.7%. Balancing current yield (what investors want in the short term) with portfolio growth (what investors need in the long term) is the goal of the Dearborn Partners Multi-Asset SMA. Fixed income markets, once boring, have become somewhat attractive.

Why are bond markets somewhat attractive compared to the fairly recent past? Recall that in an attempt to stimulate the economy in 2008-2009 when the Great Financial Crisis hit, the Federal Reserve implemented a zero-interest rate policy, moving its Fed Funds Rate down to 0-0.25% and kept the short end of the yield curve there for the better part of 13 years. During those 13 years, the long end of the yield curve, i.e., the yield on the benchmark 10-year U.S. Treasury bond, usually traded below 3%. Beginning in 2022 when inflation started to rise, the Federal Reserve began raising its Fed Funds Rate and ultimately yields on longer maturing bonds followed. By September of 2022, the yield on the 10-year U.S. Treasury bond was above 3% and stayed above 3% for all of 2023, reaching a high of 4.98% on 10/19/2023. As a result, over the last year, fixed income has offered more attractive investment opportunities than that asset class has offered for more than a decade. One example is our five-year bond ladder.

Mid-year in 2023, we implemented a five-year bond ladder strategy using defined-maturity exchange-traded funds (ETFs) which mature at the end of 2023, 2024, 2025, 2026, and 2027. The 2023 security subsequently matured at year end, and we replaced it with a 2028 maturity security, thus keeping our five-year bond ladder intact. Given rising rates, especially on the shorter end of the yield curve, we believe using bond securities with defined maturity dates to be an advantageous way to participate in this higher rate environment. Our intent is to continue the five-year bond ladder, adding a longer maturity bond when the shortest bond matures. We continue to manage our overall fixed-income duration, which stands at 5.8 years, below our benchmark's 6.2 years.

Big Picture

The Dearborn Partners Multi-Asset SMA is a portfolio built on balance and diversification. 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% equity / 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. 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.

Portfolio Overview & Benchmark as of 12/31/23

<u>Dearborn Partners Multi-Asset SMA</u>	<u>Position Size</u>	<u>Duration (years)</u>	<u>Yield</u>	<u>Beta</u>
<u>Equity</u>				
Traditional Rising Dividend Equities	58.9%		2.4%	0.87
Business Development Companies	8.6%		7.3%	0.70
<u>Fixed Income</u>				
Corporate & Government Bonds	15.8%	9.0	5.0%	0.29
Five-year Corporate Bond Ladder	7.0%	2.2	4.9%	0.11
Preferred	8.3%	2.5	8.9%	0.27
Weighted Average - Equity	67.5%	--	3.0%	0.85
Weighted Average - Fixed Income	32.5%	5.8	5.9%	0.23
Weighted Average - Overall Portfolio	100.0%	1.8	3.9%	0.65

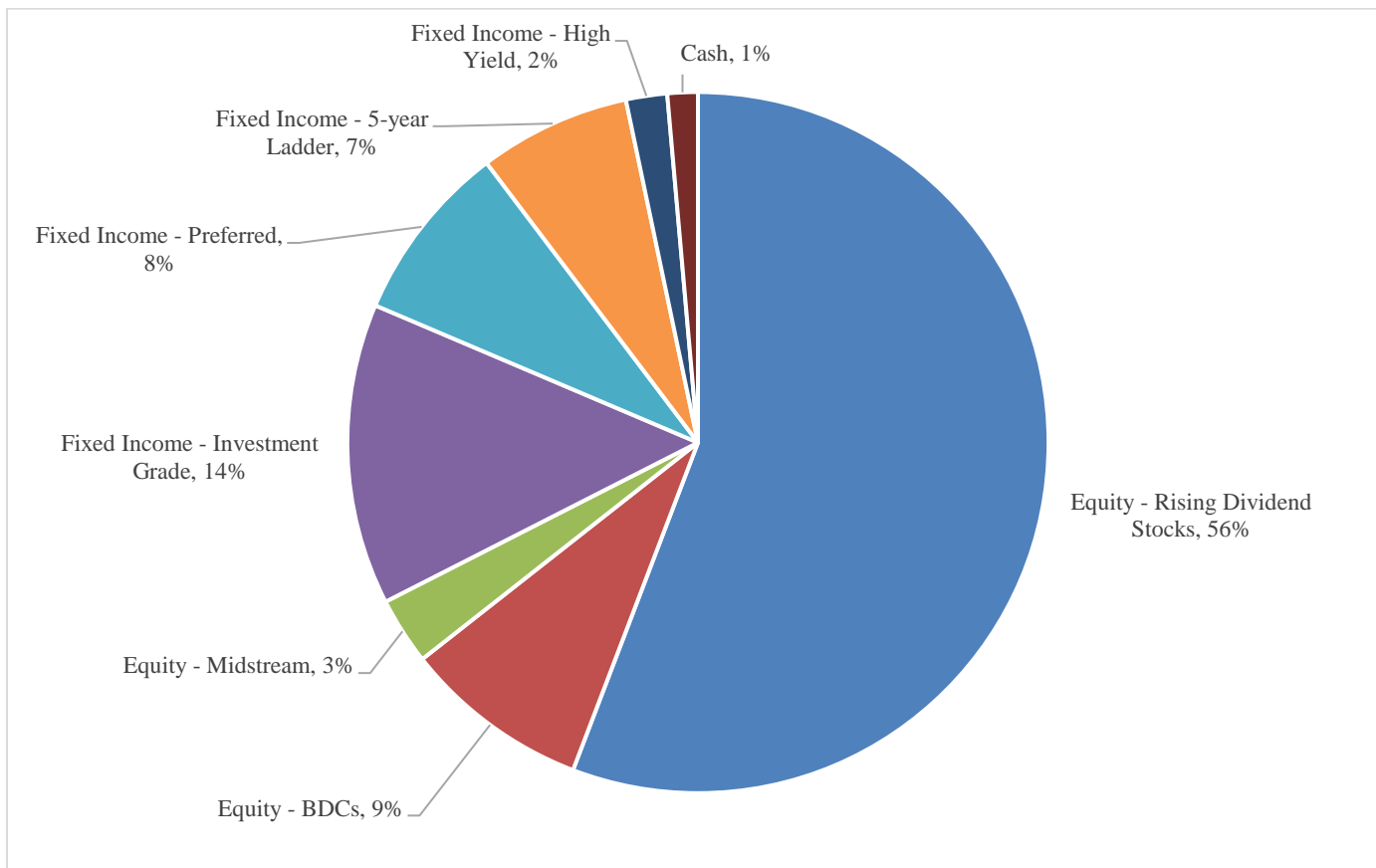
Notes: As of 12/31/23. Data sources are FactSet and Bloomberg. Cash allocation included in Fixed Income allocation. Duration and yield represent duration-to-worst and yield-to-worst calculations.

<u>60/40 Benchmark Portfolio</u>	<u>Position Size</u>	<u>Duration (years)</u>	<u>Yield</u>	<u>Beta</u>
Equity (SPDR S&P 500-SPY)	60.0%	--	1.4%	1.00
Fixed Income (iShares Core U.S. Aggregate Bond ETF-AGG)	40.0%	6.2	4.5%	0.15
Weighted Average - Overall 60/40 Benchmark Portfolio	100.0%	2.5	2.7%	0.66

Quarter-End Asset Allocation Mix

The Dearborn Multi-Asset SMA held 45 securities and 1 cash position as of 12/31/23.

- 68% Equity
 - 56% Traditional dividend-growing equity.
 - These are 29 individual stocks of companies expected to raise dividends year after year. These businesses—we view owning stocks as owning businesses—provide the expected dividend growth and total return potential over long periods of time.
 - 9% Business Development Companies (BDCs).
 - The portfolio holds 2 BDCs.
 - 3% Midstream pipelines.
 - The portfolio holds 2 midstream stocks.
- 31% Fixed Income
 - 14% Investment-grade bonds (corporate and government).
 - The portfolio holds 4 investment-grade ETFs.
 - 8% Preferred securities.
 - The portfolio holds 2 preferred ETFs.
 - 7% Investment-grade 5-year bond ladder.
 - The portfolio holds 5 defined-maturity corporate bond ETFs.
 - 2% High-yield bonds.
 - The portfolio holds 1 high-yield bond ETF.
- 1% Cash



Dividend Increases

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

Company	Ticker	Date of Increase Announcement	New Amount	Old Amount	Percent Change	Consecutive Annual Increases
WEC Energy Group	WEC	12/20/2023	\$0.84	\$0.78	7.05%	21
U.S. Bancorp	USB	12/12/2023	\$0.49	\$0.48	2.08%	13
Deere & Company	DE	12/6/2023	\$1.47	\$1.20	22.50%	3
Progressive Corporation	PGR	12/4/2023	\$0.75	--	special	--
Automatic Data Processing	ADP	11/8/2023	\$1.40	\$1.25	12.00%	49
Lancaster Colony	LANC	11/8/2023	\$0.90	\$0.85	5.88%	61
Sixth Street Specialty Lending, Inc.	TSLX	11/2/2023	\$0.07	--	special	2
Main Street Capital Corporation	MAIN	11/1/2023	\$0.72	\$0.68	6.67%	4
Main Street Capital Corporation	MAIN	11/1/2023	\$0.28	--	special	4
Equinix	EQIX	10/25/2023	\$4.26	\$3.10	37.42%	8
McDonald's Corporation	MCD	10/4/2023	\$1.67	\$1.52	9.87%	47

*The percentage change of dividend payments reflects the new dividend rate compared with the similar payment made in the prior year.

If you have any questions, comments, or would like additional detail, please reach out to us at any time.

Sincerely,

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