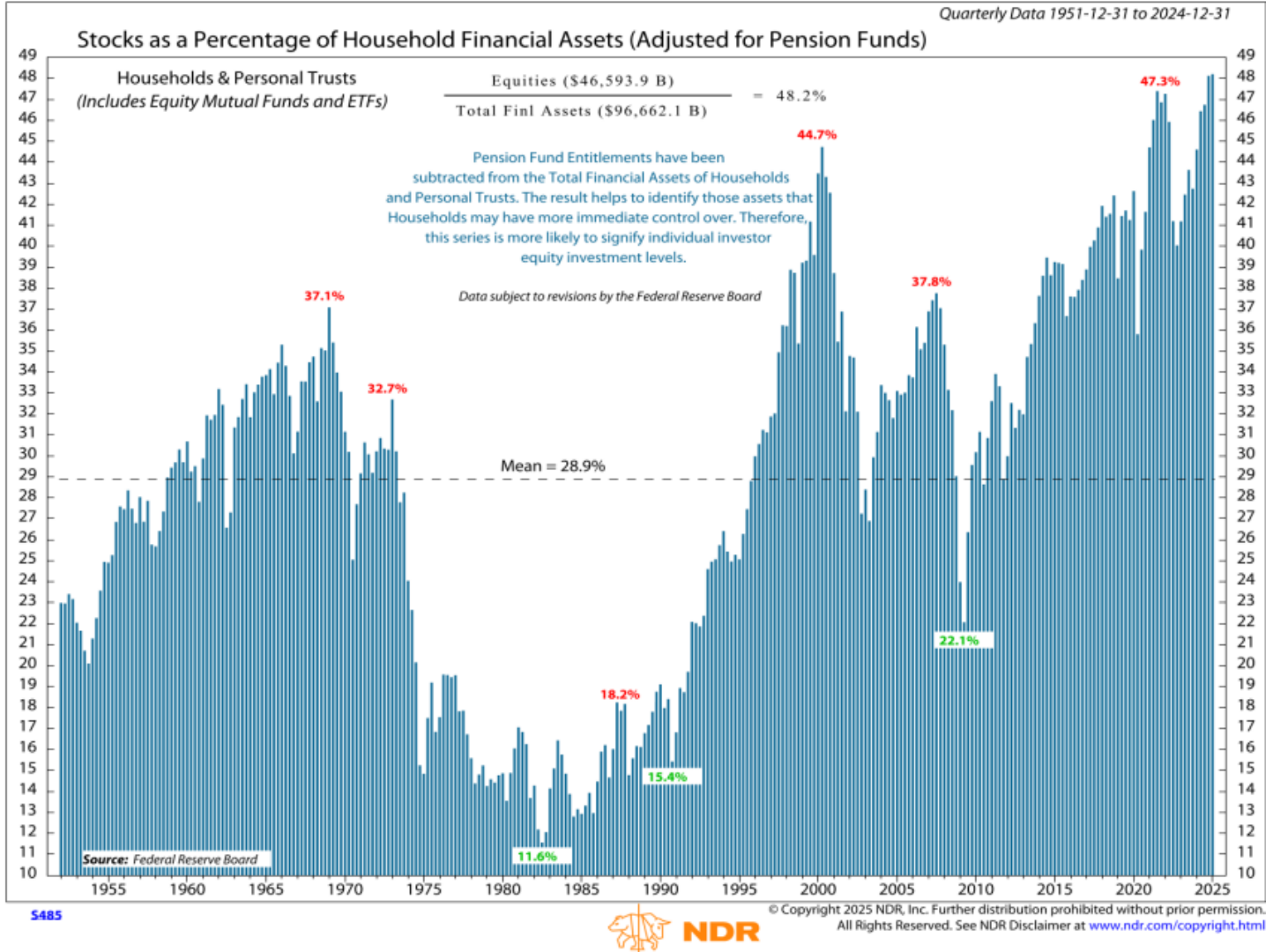


**A New Quarter, A New Stock Market Environment**

In our Commentary last quarter, we showed that by several measures of valuation, the benchmark S&P 500 had not been so high since the peak of the stock market’s dot.com bubble in late 1999-early 2000. As seen in Figure #1, investors have been ebullient. Ned Davis Research updated its graph (Figure #1) of Stocks as a Percentage of Household Financial Assets (Adjusted for Pension Funds). At the end of 2024, U.S. households held 48.2% of their total financial assets in equities, the highest level on record since the Federal Reserve Board started compiling these data at the end of 1951.


**Figure #1: Households hold record level of stocks as percentage of total financial assets.**



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Ned Davis Research, with data back to January 31, 1973, divides the companies in the S&P 500 into categories by dividend policy: Dividend Growers & Initiators, Stocks of All Dividend-Paying Companies, Dividend Payers with No Change in Dividends, stocks of Non-Dividend Paying Companies, and Dividend Cutters & Eliminators. Ned Davis shows the total returns (stock price movement plus dividends) for these categories in comparison with an equal-weighted S&P 500 index as a benchmark. Figure #2 shows that over more than 50 years, Dividend Growers provided the best total returns.

**Figure #2: Portfolio Performance Statistics from January 31, 1973 through March 31, 2025** (get update as of 3/31/25)



Portfolio Performance Statistics		
Analysis Dates: 1973-01-31 - 2025-03-31		
Portfolio	Gain/Annum %	Growth of \$100
Dividend Growers & Initiators	10.2	15963.7
All Dividend-Paying Stocks	9.2	9702.6
Dividend Payers w/No Change in Dividends	6.7	2910.0
Dividend Cutters & Eliminators	-0.8	65.6
Non-Dividend Paying Stocks	4.1	830.5
S&P 500 Geometric Equal-Weighted Total Return	7.7	4804.9

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Since the end of 2022, more than half of the stock market’s return has come from seven “hot stocks,” dubbed the Magnificent 7—Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. According to FactSet, in 2023, the total return of the S&P 500 was +26.3%; the total return of the Magnificent 7 was +16.3%, or 62% of the broad market’s return. In 2024, the S&P 500’s total return was +25%; Magnificent 7’s was +13.2%, or 53%.

Apple and Microsoft have paid and annually increased dividends for many years; Apple since 2012, Microsoft since 2003. These are the only companies among the Magnificent 7 that currently qualify for the Dearborn Partners Rising Dividend strategy.

Amazon and Tesla pay no dividends.

Alphabet declared its first annual dividend of \$0.80 per share on April 25, 2024. As of March 31, 2025, the company has not increased its dividend. The current yield is 0.5%.

Meta declared its first quarterly dividend of \$0.50 per share on February 1, 2024. On February 13, 2025, Meta announced a 5% increase in its quarterly dividend to \$0.525 per share. According to FactSet, Meta’s consensus estimated long-term earnings growth rate is 12.7%. If Meta considered its dividend a priority, we would have expected the company to increase its dividend closer to double digits in line with projected earnings growth. Its current yield is 0.3%.

Finally, NVIDIA has paid a dividend since November 2012, but it maintained \$0.004 for 22 consecutive quarters between November 2018 and February 2024. On May 22, 2024, the company announced a 150% dividend increase to \$0.01 per quarter. A 150% dividend increase may seem impressive, but at the same time, the company split its stock 10-for-1. The quarterly dividend is just a penny per share and because the share price is over 100 (as of March 31, 2025), the current yield is insignificant (0.0003%). Share buybacks and mergers and acquisitions appear to be more of a priority for NVIDIA than consistently increasing its dividend to get its yield to a material level.

For all of the year 2023 and much of 2024, only Apple and Microsoft paid and raised their dividends. Most of the companies in the Magnificent 7 during its two-year market dominance would have fallen into the Non-Dividend Paying category. As seen in Figure #3, in 2023 and 2024, Non-Dividend Paying Stocks generated the best returns—an average of 13.8% per year.

**Figure #3: Portfolio Performance Statistics from December 31, 2022 through December 31, 2024**

Portfolio Performance Statistics		
Analysis Dates: 2022-12-31 - 2024-12-31		
Portfolio	Gain/Annum %	Growth of \$100
Dividend Growers & Initiators	10.2	121.5
All Dividend-Paying Stocks	9.7	120.3
Dividend Payers w/No Change in Dividends	10.5	122.2
Dividend Cutters & Eliminators	-7.9	84.8
Non-Dividend Paying Stocks	13.8	129.6
S&P 500 Geometric Equal-Weighted Total Return	9.8	120.5

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Ned Davis Research created market capitalization-weighted indexes of only the Magnificent (Mag) 7 as well as the other 493 stocks in the S&P 500. Figure #4 shows that this year through March 31, 2025, the market capitalization-weighted Magnificent 7 Index was down -15.02% versus a decline of -4.59% for the benchmark S&P 500 index. The other 493 had a slightly positive return, +0.35%. The enormous contribution that the concentration of seven stocks made to the broad market's rise in 2023 and 2024 also accounts for an outsized drop so far this year in 2025.

**Figure #4: Magnificent 7 Leading Market Lower December 31, 2024 through March 31, 2025 (non-annualized)**

Index (Cap-Weighted)	YTD % 2024-12-31 to 2025-03-31
MAG 7	-15.02
S&P 500 Index	-4.59
S&P 493 Index (S&P 500 ex MAG 7)	0.35

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The categories by dividend policy show that since the fourth quarter of 2024 through the first quarter of 2025, the Dividend Growers have declined the least as seen in Figure #5.

**Figure #5: Portfolio Performance Statistics from September 30, 2024 through March 31, 2025**

Portfolio Performance Statistics		
Analysis Dates: 2024-09-30 - 2025-03-31		
Portfolio	Holding Period Return*	Growth of \$100
Dividend Growers & Initiators	-2.9	97.1
All Dividend-Paying Stocks	-3.7	96.3
Dividend Payers w/No Change in Dividends	-6.0	94.0
Dividend Cutters & Eliminators	-10.2	89.8
Non-Dividend Paying Stocks	-6.0	94.0
S&P 500 Geometric Equal-Weighted Total Return	-4.7	95.3
* Non-annualized return		

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There have been a few relatively short periods when Non-Dividend Paying Stocks have outperformed. Past performance cannot assure future results, however, most of the time over the past half century, Dividend Growers have provided the best returns, including declining less in bad markets. If one can lose less money in bad markets, one doesn't have to work as hard to recover losses. In other words, rising dividends have tended to cushion the fall of stock prices in challenging markets and enhance returns in strong markets. Paying investors while staying invested helps investors remain patient rather than panicking, selling, and missing a potential rebound. We believe rising dividends are an investment strategy that can help investors in the future, as well.

## **A Strategy for Getting into the Stock Market and Staying in the Stock Market**

The Dearborn Partners Rising Dividend Strategy offers a way for investors to get into the stock market and stay in the stock market throughout any environment getting paid while patiently waiting. The Dearborn Partners investment team does not try to time when to get into or out of stocks. We do not make predictions about the direction of markets or interest rates or other macroeconomic factors. We constantly work hard trying to find for our portfolios good quality companies that we consider capable of increasing dividends year after year offering the potential for attractive total returns over time.

We on the Dearborn Partners investment team try to analyze the companies for our portfolios so well before adding them that we hope to be able to own them "forever." In fact, our average turnover is very low: less than 12% annualized since inception. Sometimes, however, companies lose their discipline, or unforeseen developments change the dividend's position relative to other important fundamentals. Our discipline emphasizes assessing our view of a company's ability to not just maintain a dividend but to be able to increase it with regularity and consistency. We believe that enforcing such strict criteria provides for removing a company before the security of the dividend becomes a concern.

## **Dividend Growth Record**

The companies in our Dearborn Partners Rising Dividend portfolios have on average continued to increase dividends at rates in accordance with our stated objectives of mid- to high single-digit annual growth. Here are some details about the dividend increases announced by the companies in our separately managed accounts (SMAs) in the first quarter of 2025.

### **Dividend Growth: Core Rising Dividend SMA portfolio**

In the first quarter of 2025, 13 of the 49 companies in our Core Rising Dividend portfolio announced 13 dividend increases averaging about 6.8% more than those companies paid a year earlier. No companies in this portfolio have reduced or suspended dividends so far in 2025.

### **Dividend Growth: High & Rising Dividend SMA portfolio**

In the first quarter of 2025, 8 of 25 companies in our High & Rising Dividend portfolio announced 9 dividend increases averaging about 5.4% more than those companies paid as dividends a year earlier. One company announced dividend increases on February 19, 2025 and March 12, 2025. No companies in this portfolio have reduced or suspended dividends so far in 2025.

## Cumulative Income Summary

Here is the cumulative dividend income generated by the shares held in companies in both of our Dearborn Partners Rising Dividend SMA Portfolios from two actual accounts, each with an initial \$200,000 investment on September 30, 2011 (the inception date of our SMA portfolios) through March 31, 2025:

	Average Current Yield	Cumulative Income*
Core Rising Dividend SMA	1.8%	\$144,106
High & Rising Dividend SMA	2.9%	\$201,022
S&P 500	1.4%	\$126,039

*\*The S&P 500 dividend income in the table above is calculated by creating investable “share units” by dividing an actual \$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 March 31, 2025.*

The table above shows that the average yield of both of our Rising Dividend SMA portfolios at the end of the first quarter of 2025 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 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, war, peace, 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—with strong balance sheets, high barriers to entry, and solid management.

It’s true that short-term U.S. Treasury bill yields are finally offering rates that provide decent alternatives to stocks of companies that offer attractive dividend yields. As of March 31, 2025, the 6-month U.S. Treasury bill yield was 4.22% down from 5.5% in December 2024. Since before the Global Financial Crisis in 2008, savers are now no longer being punished and securities with the full faith and credit backing of the United States government can provide decent returns risk free and thus viable diversification to portfolios. Remember, however, that U.S. Treasury instruments offer no growth. The Federal Reserve is signaling that they may further cut the Fed Funds Rate at upcoming meetings. If so, when current 6-month bills mature, rolling into the next ones may provide lower yields. We make no market forecasts; instead, we continue to believe that owning well-diversified portfolios of high-quality companies that offer the potential to consistently increase dividends over time makes sense as a core component of investors’ portfolios.

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 Jon

**Dearborn Partners Rising Dividend Separately Managed Account Average Calendar Year Dividend Increases<sup>1</sup>**

	<b>Core Rising</b>	<b>High &amp; Rising</b>	<b>CPI*</b>
13-Year Average	10.2%	7.4%	2.8%
2025 YTD	6.8%	5.4%	3.1%
2024	9.1%	5.8%	3.3%
2023	8.6%	6.9%	4.0%
2022	11.8%	8.7%	6.0%
2021	9.9%	6.3%	5.5%
2020	7.6%	5.9%	1.6%
2019	9.6%	8.2%	2.3%
2018	12.9%	8.8%	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 February 2025 Updated March 12, 2025.  
 YTD=Year to Date. 13-Year Average represents December  
 2012-December 2024.

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> March 12, 2025.

<sup>1</sup> 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.

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