

# DEARBORN PARTNERS

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Dear Investors,

Thank you for your continued interest 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 September 30, 2025**

At quarter end, the Dearborn Multi-Asset SMA was invested in 67% equities, 31% fixed income, and 2% cash. This allocation compares with 69% equities, 29% fixed income, and 2% cash at the end of the second quarter. At third quarter end, the portfolio had an average yield of 3.3%. This compares with a benchmark portfolio yield of 2.4%.

During the third quarter of 2025, we added to our existing fixed income holdings, added a new fixed income holding and added a Materials sector stock. We reduced stocks in the Real Estate, Consumers Staples, and Consumer Discretionary sectors. As noted in the pie graph below, Equity–Rising Dividend Stocks decreased to 58% (from 62% last quarter) and Fixed Income–Investment Grade increased to 16% (from 14%), with other allocations remaining unchanged.

## **“Throwing Our Best Pitch”**

Consistent with our historical portfolio management practice, we attempt to ensure that we have our best equity ideas in the portfolio. In baseball parlance, we want to make sure we are always “throwing our best pitch” in the portfolio. These “best pitch” companies possess well-designed business strategies allowing them to focus, compete, and grow in their core business line, all while trading at or below what we estimate to be a fair value for the entire company.

## **Investing Requires Patience**

Investing can be difficult at times due to humans’ typically emotional, not rational, reactions to outside factors. Patience is a virtue in life and in investing. We believe it is important to be patient as companies navigate changing fiscal and monetary policies, tariffs, and artificial intelligence landscapes. Other notable human virtues include prudence, justice, fortitude, and temperance (we’ll leave faith, hope, and charity for another newsletter!) Investors can generally benefit from using a little fortitude (courage) and temperance (self-control) when dealing with their investments. Keep a long-term perspective. As your asset manager, we will attempt to maintain your trust by managing the portfolio with prudence.

## **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 driving cost productivity, and (2) top-line, or sales innovation—new products, new services, new technologies—harness new positions in the minds of consumers. Sales growth plus cost productivity drive the flywheel of corporate profitability. 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 offered by stocks of high-quality companies over the long term.

## 5-Year Bond Ladder

Generating attractive income is important to investors in the Dearborn Partners Multi-Asset SMA. As we said above, at quarter end, our portfolio’s current yield was 3.3%, higher than that of our benchmark’s 2.4% current yield. We utilize a five-year corporate bond ladder strategy using defined-maturity exchange-traded funds (ETFs) which currently mature at the end of 2025, 2026, 2027, 2028, and 2029. We believe using bond securities with defined maturity dates to be an advantageous way to participate in this relatively higher interest rate environment.

## 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. 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. Owning 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 9/30/25

<u>Dearborn Partners Multi-Asset SMA</u>	<u>Position Size</u>	<u>Duration (years)</u>	<u>Yield</u>	<u>Beta</u>
<b><u>Equity</u></b>				
Traditional Rising Dividend Equities	59.5%		2.1%	0.68
Business Development Companies	7.8%		7.8%	0.66
<b><u>Fixed Income</u></b>				
Corporate & Government Bonds	16.0%	8.9	5.4%	0.13
Five-year Corporate Bond Ladder	5.8%	1.6	4.0%	0.05
Preferred	8.7%	3.0	5.6%	0.17

Weighted Average - Equity	67.3%	--	2.6%	0.68
Weighted Average - Fixed Income	32.7%	5.4	4.9%	0.11
Weighted Average - Overall Portfolio	100.0%	1.6	3.3%	0.50

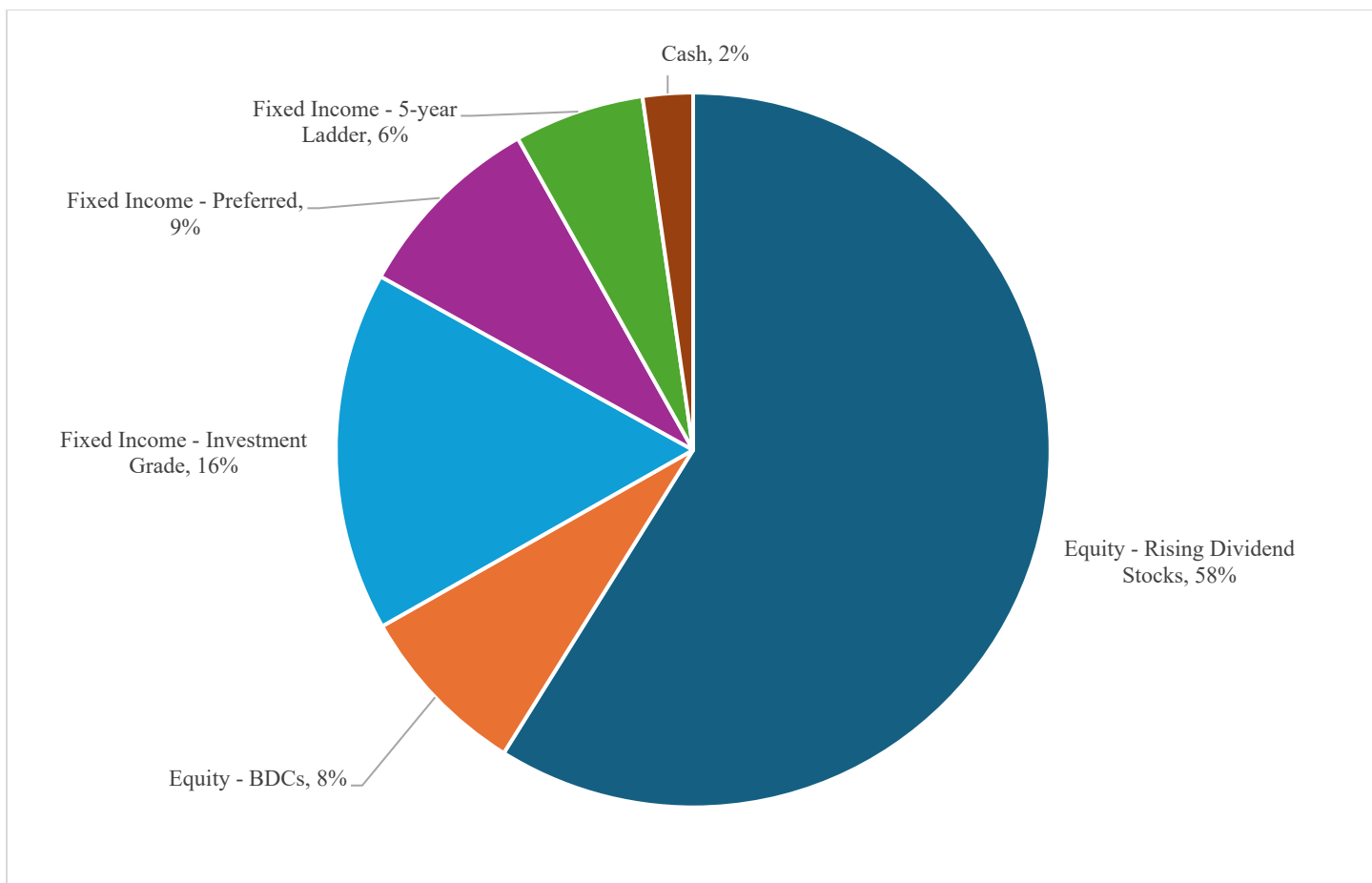
Sources: FactSet, Bloomberg. Represents duration-and yield-to-worst and 2-year beta. Cash included in Fixed Income allocation.

<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%	--	1.1%	1.00
Fixed Income (iShares Core U.S. Aggregate Bond ETF - AGG)	40.0%	6.1	4.7%	0.06
Weighted Average - Overall 60/40 Benchmark Portfolio	100.0%	2.4	2.5%	0.62

## Quarter-End Asset Allocation Mix

The Dearborn Multi-Asset SMA held 48 securities and 1 cash position as of 9/30/25.

- 67% Equity (percentages may not add due to rounding)
  - 58% Traditional dividend-growing equity.
    - The portfolio holds 33 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/or total return potential over long periods of time.
  - 8% Business Development Companies (BDCs).
    - The portfolio holds 3 BDCs.
- 31% Fixed Income
  - 16% Investment-grade bonds (corporate and government).
    - The portfolio holds 5 investment-grade ETFs.
  - 9% Preferred securities.
    - The portfolio holds 2 preferred ETFs.
  - 6% Investment-grade 5-year bond ladder.
    - The portfolio holds 5 defined-maturity corporate bond ETFs.
- 2% Cash



## Dividend Increases

Below are the companies within our Multi-Asset SMA that announced quarterly dividend increases or special dividends in the third quarter of 2025:

Company	Ticker	Date of Increase Announcement	New Amount	Old Amount	Percent Change	Consecutive Annual Increases
Accenture PLC Cl A	ACN	9/25/2025	\$1.63	\$1.48	10.14%	20
Microsoft Corp.	MSFT	9/15/2025	\$0.91	\$0.83	9.64%	20
U.S. Bancorp	USB	9/9/2025	\$0.52	\$0.50	4.00%	15
Verizon Communications, Inc.	VZ	9/5/2025	\$0.69	\$0.68	1.85%	19
Capital Southwest Corporation	CSWC	8/27/2025	\$0.06	--	special	--
Main Street Capital Corporation	MAIN	8/5/2025	\$0.30	--	special	--
Illinois Tool Works Inc	ITW	8/1/2025	\$1.61	\$1.50	7.33%	63
Sixth Street Specialty Lending, Inc.	TSLX	7/30/2025	\$0.05	--	special	--
Cintas Corp	CTAS	7/29/2025	\$0.45	\$0.39	15.38%	42
Corteva Inc	CTVA	7/29/2025	\$0.18	\$0.17	5.88%	5

\*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 details, please reach out to us at any time.

Sincerely,

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