DEARBORN PARTNERS

First Quarter 2016 Dearborn Partners Rising Dividend Commentary Carol M. Lippman, CFA

How Did We Do?

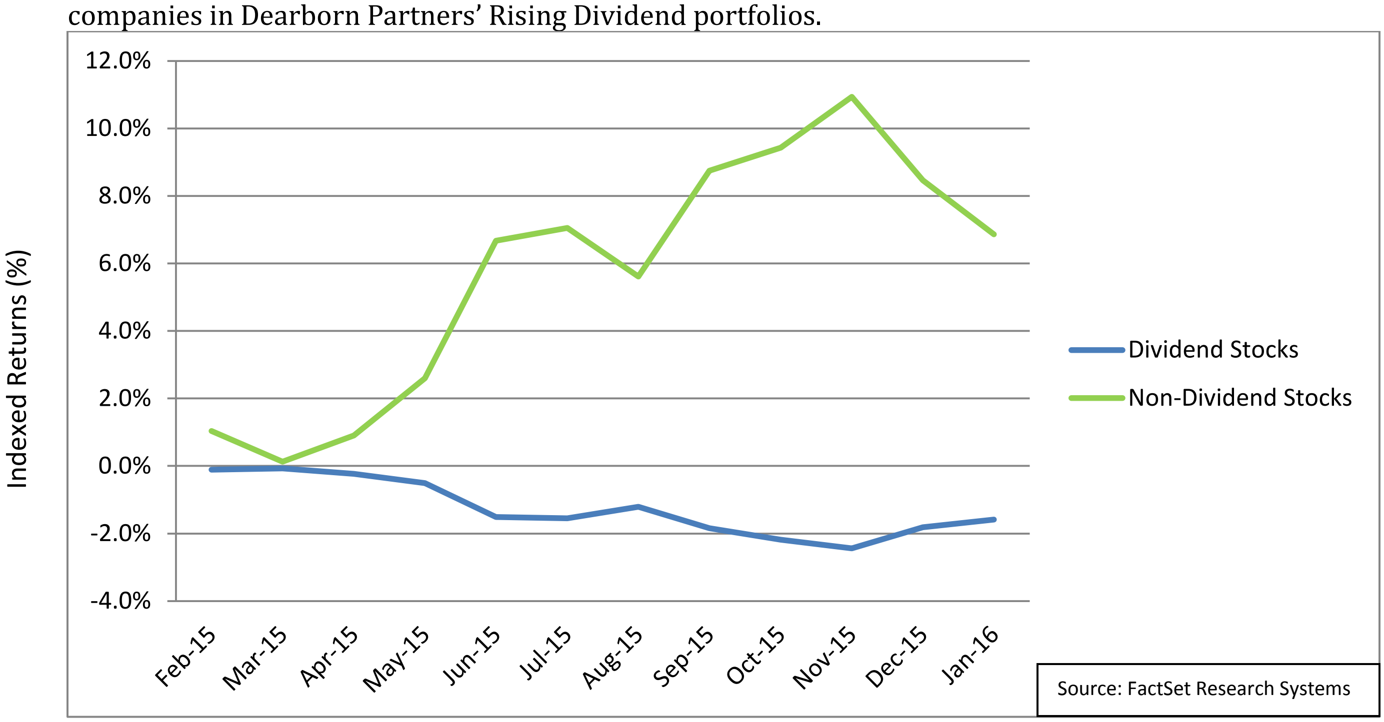
In the first quarter of 2016, the S&P 500 benchmark's total return was +1.4%. The total return of our Dearborn Partners Core Rising Dividend separately managed account (SMA) portfolio was +6.3%, and our High & Rising Dividend portfolio was +9.3%.

Nine of the 10 sectors with representation in our Core Rising Dividend portfolio had positive total returns in the quarter, with Health Care generating the only (modestly) negative return. Sectors that contributed most to the performance of our Core Rising Dividend portfolio relative to the benchmark were Financials, Consumer Discretionary and Materials. Our Core portfolio's Consumer Staples, Telecommunication Services and Utilities sectors relative to the benchmark hurt performance the most.

Nine of the 10 sectors with representation in our High & Rising Dividend portfolio also had positive total returns in the quarter, with Health Care, likewise, generating the only (modestly) negative return. Sectors that contributed most to the performance of our High & Rising Dividend portfolio relative to the benchmark were Financials, Utilities, Telecommunications Services, and Materials. High & Rising's Health Care, Consumer Discretionary and Energy sectors performed the worst.

Last Year's Headwinds Finally Reversed Course in First Quarter 2016

The broad market's total return in 2015 was modest: the S&P 500 returned +1.4%. The Federal Reserve's reassuring communication that interest rates would likely remain relatively low encouraged complacency among some investors. The *FactSet* chart below illustrates last year's bifurcated market: the top green line represents stocks of S&P 500 companies that pay no dividends; the bottom blue line in the chart represents stocks of S&P 500 companies that paid dividends in the previous 12 months from January 2016, including companies in Dearborn Partners' Rising Dividend portfolios.



Then the calendar turned to a New Year and U.S. stocks reacted to news such as the following excerpts:

January 7, 2016: In the U.S., where markets have been trounced this week, investors pored over the latest minutes (released January 6) from the Federal Reserve's December policy meeting at which the benchmark interest rates were raised for the first time in nearly a decade. *The Economist*

Chinese stocks plunged 7 percent …raising more fears about the health of what by some measures is the world's largest economy. Consequently, markets across Asia and Europe slid, and U.S. stocks, which have already seen their worst three-day opening since the recession in 2008, extended that losing streak. *The Atlantic*

January 15, 2016 Headlines compiled by Strategas Research Partners:
China's Stock-Market Rout Spreads to Hong Kong Dollar *The Wall Street Journal*
U.S. Banks Reveal Oil Price Damage *Financial Times*
Dow plunges 500 points as fear grips markets *CNN Money*

January 19, 2016: The International Monetary Fund on Tuesday lowered its forecast of global economic growth over the next two years. China officially entered a bear market last week. The Dow Jones Industrial Average has logged its worse two-week start to a year in history. *The Washington Post*

February 11, 2016: The Dow Jones Industrial Average closed down 254 points. The recent pressure reflects concerns that investors have wrestled with for months, including falling commodity prices, a slowdown in China, heavy debt loads in emerging markets, central banks in Europe and Japan turning to negative interest rates to spur growth.

It's not just anxiety about growth and oil prices that's weighing on investor psychology. There's also policy. Will the Federal Reserve press ahead with raising interest rates? Will China devalue the yuan again? Will Britain leave the European Union? *The Wall Street Journal*

U.S. oil prices fell near $26 a barrel. Now that sanctions hindering Iran's oil sales have been lifted, the International Energy Agency (IEA) has warned that oil markets "could drown in oversupply" if the forecast surplus of 1.5 million barrels a day is not cut. A broad flight from risk sent safe haven assets climbing. Bond prices rose, sending the yield on the 10-year U.S. Treasury note, which tends to decline when investors get nervous, to its lowest level since May 2013: 1.64%. *The Economist*

Then, on February 11 the IEA said that oil prices may have bottomed. February 11 marked the low-point in the stock market so far this year.

May 20, 2015 to February 11, 2016–Dearborn Rising Dividend Portfolios' Performance During the Most Recent Market Peak to Valley

For some perspective, from the May 20, 2015 intraday high of 2134.72 to February 11, 2016's intraday low of 1810.10, the S&P 500 declined -12.6% (total return). Our Dearborn Partners Rising Dividend portfolios (total returns, gross of fees) dropped about half that: our Core Rising Dividend portfolio declined -6.6% and our High & Rising Dividend portfolio was down -5.7%.

From the December 31, 2015 closing price of 2043.94, the February 11, 2016 intraday low represented a -10.3% pullback (total return). Not since October 2011, the first full month that we launched our Dearborn Partners Rising Dividend Strategy, has the broad market pulled back at least 10%. From December 31, 2015 through February 11, 2016, our Dearborn Partners Rising Dividend portfolios declined substantially less: our Core Rising Dividend SMA portfolio and our High & Rising Dividend SMA portfolio (total returns, gross of fees) dropped an average -4.2% and -2.7%, respectively.

We have always explained that the research that led to the discovery of the power of rising dividends to cushion the fall of stock prices in challenging markets, and the launching of this strategy, influenced us to search for stocks of what we consider to be high quality, defensive businesses that are able to consistently increase dividends with a goal toward protecting on the downside. In strong markets we would hope to participate, but probably not outperform. Given our experience that few people enjoy losing money, our primary objectives have been to offer a relatively conservative investment that allows investors to **participate** in what we truly believe is the long-term wealth-building potential offered by the stocks of solid companies, and **stay in the market** throughout any turmoil and volatility, knowing that there is a high likelihood of receiving dividends that have the potential to increase over time.

Virtually the entire time since we launched the Dearborn Partners Rising Dividend Strategy, markets have been supported by low interest rates, which offered ballast to stocks of many companies with high debt levels and otherwise lesser quality than the high quality companies we strive to include in our portfolios. Those headwinds finally subsided in the first quarter of 2016 and volatility returned, thereby allowing investors to witness the relative risk-modification that stocks of such high quality, rising dividend companies can have the potential to offer. Past performance cannot assure future results, but we promise to continue to work hard to try to include in our portfolios what we consider to be financially solid companies with the potential to increase dividends over time.

Cumulative Income Summary

Here is the cumulative dividend income from an initial $200,000 investment on September 30, 2011 (the inception date of our SMA portfolios) through March 31, 2016 in each of:

	Current Yield	**Cumulative Income****
Core Rising Dividend SMA	2.5%	$32,591
High & Rising Dividend SMA	3.2%	$42,418
S & P 500 Composite *	2.2%	$29,588

**The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The inclusion of this index is for illustrative purposes only. You cannot invest directly in an index.*

***The S&P 500 dividend income in the table above is calculated by creating hypothetical investable "share units" by dividing the assumed initial $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, 2016.*

Dividend Increases

In the first quarter of 2016, 17 companies in our Core Rising Dividend SMA portfolio announced 18 dividend increases averaging about 7% more than those particular companies paid a year earlier. In our High & Rising Dividend SMA portfolio, 12 companies announced 13 dividend increases averaging about 5.9% more than those particular companies paid a year earlier.

Dividend growth rates reported by the companies in our portfolios so far have moderated somewhat from the past, but they exceeded the year-over-year dividend growth rate of the S&P 500 through March 31, 2016 of 4.64% down from 8.39% as of December 31, 2015. Such moderating growth is consistent with information in the March 16, 2016 *FactSet Dividend Quarterly*, which reported:

> "trailing twelve month dividends per share for the S&P 500 slowed to a single-digit growth rate in the fourth quarter of 2015, and the same is projected for the next twelve months. Looking at dividends per share over the next twelve months, analysts are projecting that dividend per share growth for the index will decelerate to 5.5%. A major reason for this sentiment can be attributed to the continued decline in aggregate earnings for S&P 500 companies. The blended year-over-year earnings decline for the index was -3.5% in the fourth quarter of 2015. The fourth quarter marked the first time that the S&P 500 has seen three consecutive quarters of year-over-year earnings declines since the first quarter of 2009 through third quarter of 2009. Analysts do not expect earnings growth to return until the third quarter of 2016."

Our objective is to strive for annual dividend increases that can help investors keep up with or outpace the annual rate of inflation (as measured by the Consumer Price Index), which averaged 1.0% through February 2016 and has averaged about 3% per year over the past nine decades.

Please see page 6 for the record of dividend increases for each full calendar year since the inception of our Dearborn Partners Rising Dividend Portfolios.

Don't Underestimate the Important Contribution of Dividends to Long-term Total Returns

The (very busy) table below from *Strategas Research Partners* illustrates the important contribution of dividends to investors' total returns. Over the nine decades listed, dividends accounted for an average of 47.4%, or nearly half, of the entire total return of stocks as measured by the S&P 500. We think dividends are critically important to a portfolio.

HISTORICALLY DIVIDENDS HAVE PROVIDED NEARLY HALF OF THE TOTAL RETURN FROM EQUITIES

Dividend Contribution to Total Return (TR)

	Price % Change	**Dividend Contribution**	**Total Return**	**Dividend % of TR**	**Avg. Payout Ratio (%)**
1930s	-41.9%	56.0%	14.1%	NA	90.1%
1940s	34.8%	100.3%	135.0%	74.3%	59.4%
1950s	256.7%	180.0%	436.7%	41.2%	54.6%
1960s	53.7%	54.2%	107.9%	50.2%	56.0%
1970s	17.2%	59.1%	76.4%	77.4%	45.5%
1980s	227.4%	143.1%	370.5%	38.6%	48.6%
1990s	315.7%	117.1%	432.8%	27.0%	47.6%
2000s	-24.1%	15.0%	-9.1%	NA	35.3%
2010s	83.3%	24.7%	108.0%	22.9%	30.8%
Average	**102.5%**	**83.3%**	**185.8%**	**47.4%**	**52.0%**

Strategas Research Partners – Investment Strategy, March 14, 2016

Looking more closely at the most challenging decades for stock prices—the 1930s and 2000s, when stock price returns were negative—reveals that dividends rescued investor returns. In the strong bull markets of the 1950s, 1980s, 1990s and so far this decade, investors could, perhaps, justify being cavalier about the need for dividends because stock prices generally moved upward. There was no harm in owning stocks of dividend-paying companies, though, because dividend contributions enhanced total returns. Those three-plus decades, however, represent the minority of the time shown in this table. In the other five decades, the dividend contribution exceeded the price change contribution. We view this as more reinforcement for the wisdom of owning stocks of companies that pay dividends. Our strategy is even more stringent in that it requires investment in companies for which we see the potential for consistent dividend growth.

Thank you for your interest in our Dearborn Partners Rising Dividend Strategy.

Dearborn Partners Rising Dividend Separately Managed Account Portfolios

Average Calendar Year Dividend Increases

Year	Core Rising	High & Rising	CPI*
2012	18.4%	18.2%	1.7%
2013	12.8%	8.5%	1.5%
2014	12.1%	7.2%	0.8%
2015	9.7%	7.4%	0.5%
Q1 2016	7.0%	5.9%	1.0%

** Consumer Price Index for All Urban Consumers Unadjusted 12-month Percent Change. First quarter 2016 CPI through February.*

Past performance is no guarantee of future results.

This report is not a complete description of or recommendation to invest in the Strategy. There is no assurance the Strategy will be profitable, achieve its objectives, be suitable for you, or not incur losses. Some of the information herein has been obtained from third party sources. We believe such information is reliable but we have not in each case verified its accuracy or completeness. Any opinions herein are as of the date of this report and are subject to change without notice. Dividends are not guaranteed and must be authorized by the company's board of directors.