

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 March 31, 2024

At quarter end, the Dearborn Multi-Asset SMA was invested in 63% equities, 35% fixed income, and 2% cash. This allocation compares to our year-end allocation of 68% equities, 31% fixed income, and 1% cash. During the quarter, we trimmed equity positions and reinvested proceeds into fixed income—namely government bonds and preferred. Secondly, we eliminated our high-yield fixed income and replaced it with additional Business Development Companies (BDC). BDCs invest primarily in three-to-five-year floating rate loans to middle-market U.S.-based companies.

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.

Interest Rates and Our Value-added Strategy

Interest rates, as measured by the yield on the 10-year U.S. Treasury Note, started 2024 at 3.93%. By the quarter end, the yield was 4.20%. As of this writing (4/19/24), it is 4.62%. The prevailing thought at the beginning of the year was that inflation had been corralled, and rate cuts by the Federal Reserve were right around the corner. Instead, inflation has proven stickier than previously thought and the potential for rate cuts—if there are cuts at all—have been pushed further into 2024 or beyond. Will this change in inflation be a temporary phenomenon or a long-term trend? Honestly, we here at Dearborn Partners simply do not know the answer. Our ability, or any market participant's ability, to predict interest rates or inflation is simply speculative. Instead, the value of the strategy we offer clients through our Multi-Asset SMA is fivefold:

- (1) We see rising dividends as an effective way to combat an inflationary environment. See the rising dividends table at the end of the letter for companies that announced increases in the first quarter.
- (2) To protect capital, we keep our fixed-income duration at conservative levels. Our portfolio duration currently stands at 5.1 years, versus 6.1 years for the benchmark. (As a reminder, the price or value of a lower duration portfolio should be less sensitive to changes in interest rates, i.e., less volatile.)
- (3) Another strategy to protect capital is to have a balance between floating and fixed rates. For example, the portfolio holds variable rate preferred securities (versus long-dated perpetual preferreds) and BDCs, which make floating rate loans. Intentionally diversifying our fixed and floating rate exposure is important to us.
- (4) To further protect capital, we implemented a five-year corporate bond ladder in the latter half of 2023. This bond ladder mitigates the effects of volatile interest rates while still garnering attractive income.
- (5) We anchor the portfolio in high-quality U.S.-based companies. We believe that the inventiveness of these companies makes investment in their shares attractive uses of capital over the long term.

Thus, while we cannot predict the direction or level of interest rates, we believe that by using these five strategies we can and will prudently manage your assets in any 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 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 drives 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 of stocks over the long term.

5-Year Bond Ladder

Generating attractive income is important to investors in the Dearborn Partners Multi-Asset SMA. At quarter end, our portfolio's current yield was 3.9%, higher than that of our benchmark's 2.7% current yield. In 2023, we implemented a five-year bond ladder strategy using defined-maturity exchange-traded funds (ETFs) which currently mature at the end of 2024, 2025, 2026, 2027, and 2028. We believe using bond securities with defined maturity dates to be an advantageous way to participate in this 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 3/31/24

<u>Dearborn Partners Multi-Asset SMA</u>	<u>Position Size</u>	<u>Duration (years)</u>	<u>Yield</u>	<u>Beta</u>
Equity				
Traditional Rising Dividend Equities	52.8%		2.2%	0.86
Business Development Companies	9.8%		7.7%	0.75
Fixed Income				
Corporate & Government Bonds	16.9%	8.2	5.2%	0.26
Five-year Corporate Bond Ladder	6.6%	2.0	5.2%	0.12
Preferred	11.9%	2.4	6.7%	0.31
Weighted Average - Equity	62.6%	--	3.0%	0.86
Weighted Average - Fixed Income	37.4%	5.1	5.7%	0.24
Weighted Average - Overall Portfolio	100.0%	1.8	3.9%	0.62

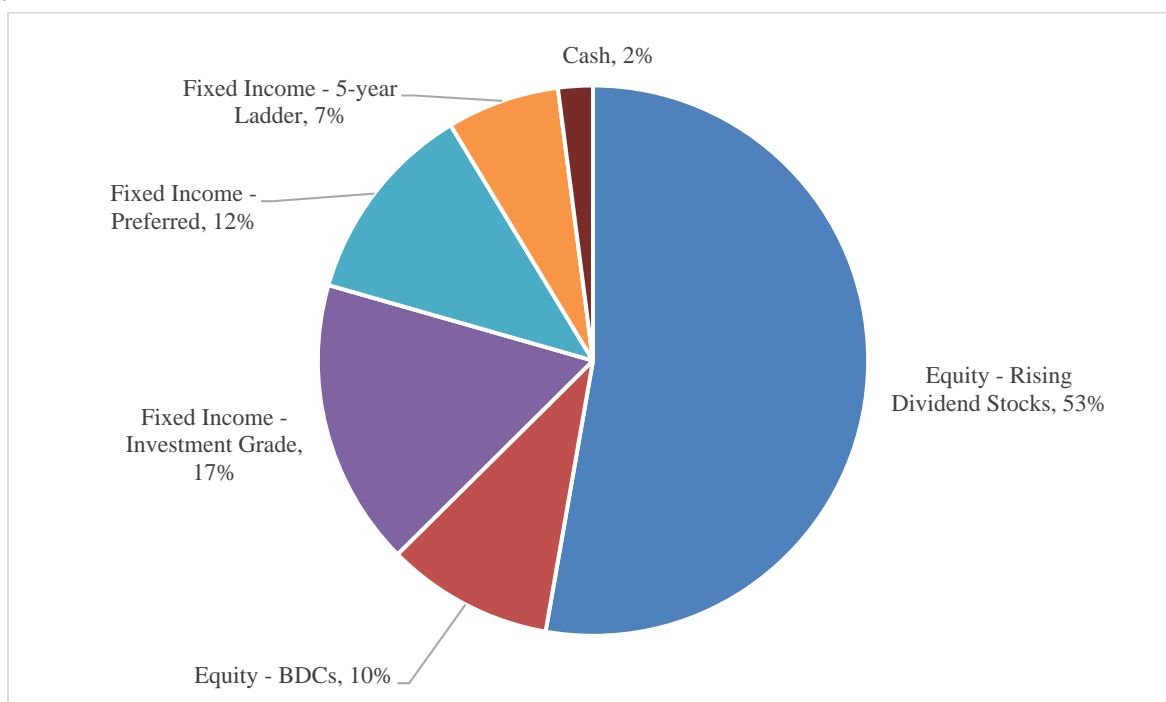
Notes: As of 3/31/24. Data sources are FactSet and Bloomberg. Cash allocation included in Fixed Income allocation.
Duration and yield represent duration-to-worst and yield-to-worst calculations.

60/40 Benchmark Portfolio	Position Size	Duration (years)	Yield	Beta
Equity (SPDR S&P 500 - SPY)	60.0%	--	1.3%	1.00
Fixed Income (iShares Core U.S. Aggregate Bond ETF - AGG)	40.0%	6.1	4.9%	0.17
Weighted Average - Overall 60/40 Benchmark Portfolio	100.0%	2.4	2.7%	0.67

Quarter-End Asset Allocation Mix

The Dearborn Multi-Asset SMA held 44 securities and 1 cash position as of 3/31/24.

- 63% Equity (percentages may not add due to rounding)
 - 53% Traditional dividend-growing equity.
 - The portfolio holds 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/or total return potential over long periods of time.
 - 10% Business Development Companies (BDCs).
 - The portfolio holds 3 BDCs.
- 35% Fixed Income
 - 17% Investment-grade bonds (corporate and government).
 - The portfolio holds 5 investment-grade ETFs.
 - 12% 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% Cash



Dividend Increases

Below are companies within our Multi-Asset SMA announcing dividend increases or special dividends in the first quarter of 2024, 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
Main Street Capital Corporation	MAIN	2/21/2024	\$0.30	--	special	--
Walmart Inc.	WMT	2/20/2024	\$0.21	\$0.19	9.21%	51
The Home Depot, Inc.	HD	2/20/2024	\$2.25	\$2.09	7.66%	15
Analog Devices	ADI	2/20/2024	\$0.92	\$0.86	6.98%	20
Sixth Street Specialty Lending, Inc.	TSLX	2/15/2024	\$0.08	--	special	--
The Sherwin-Williams Company	SHW	2/14/2024	\$0.72	\$0.61	18.18%	46
Watsco, Inc.	WSO	2/13/2024	\$2.70	\$2.45	10.20%	50
Tractor Supply Company	TSCO	2/6/2024	\$1.10	\$1.03	6.80%	15
Williams Companies, Inc.	WMB	1/30/2024	\$0.48	\$0.45	6.15%	7
Capital Southwest Corporation	CSWC	1/29/2024	\$0.06	--	special	--
ONEOK, Inc.	OKE	1/17/2024	\$0.99	\$0.96	3.66%	2
Fastenal Company	FAST	1/17/2024	\$0.39	\$0.35	11.43%	25

*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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