SUMMER 2025

RISING DIVIDEND REPORT

DONALDSON CAPITAL MANAGEMENT

Join Us for a Toast to 30 Years Together

For thirty years, it has been our privilege to walk alongside you on your financial journey, earning your trust, celebrating your milestones, and fostering meaningful relationships with you and your families. As we commemorate this milestone, we want to say thank you.

To celebrate, we're hosting ***Party in the Park*** on Friday, September 19 at Friedman Park in Newburgh, Indiana—and you're invited.

Join us for a laid-back evening under the stars, featuring live music by *American Eagle USA*, an Eagles tribute band. Savor great eats from local food trucks, refreshments, and enjoy music in the park.

We've cherished working with you. This event is a chance to deepen those bonds, share stories, and create new memories with you and your loved ones.

Invitations will be sent via email this month. Please RSVP by August 31 and let us know how many guests you'll bring. We can't wait to celebrate with you under the open sky, reflecting on 30 years of partnership and looking forward to many more.

With gratitude,

Brandon R. Roop

Brandon R. Roop, CFP®, CRPS®
VP of Investment Advisory & Senior Investment Advisor

Highlights from the Investment Policy Committee

1. Sir Isaac Newton, father of Newton's laws, tried timing the stock market. He sold South Sea shares for a profit, watched prices soar, bought back in, and was crushed when the bubble burst.
2. Forecasting the future isn't science; Wall Street economists guessed the direction of rates only one-third of the time—even worse than flipping a coin.
3. To be a successful market timer, you must get two things right: sell before the plunge and buy at the bottom—usually when things appear worst. Miss the rebound and you miss the payoff—miss the S&P 500's best 30 days since 1995 and 83 percent of wealth vanishes.
4. Newsletter publisher John Hussman was famed for his tactical genius during 2000 and 2008, but despite those two successful calls, his newsletter underperformed a simple buy-and-hold strategy over decades.
5. Frequent trading leaks returns. Better to own great businesses, diversify, and stay put—long-term investors win through patience.

Read the IPC Letter on page 3

Capital Builder Strategy

A Tax-Efficient Blueprint for Quality Growth

The Capital Builder strategy is for investors who want a tax-efficient growth strategy without the stomach-churning volatility that may come with those more aggressive strategies.

The strategy pairs a disciplined quality-growth process with deliberate tax management, seeking to outperform the S&P 500 on a risk-adjusted basis across full market cycles—typically five to ten years—while cushioning the downside in difficult markets like 2022 or Q1 2025.

Who Should Consider Capital Builder?

The portfolio was engineered for two types of investors:

- High-net-worth retirees who no longer need income from their taxable accounts and prefer to defer gains as long as possible
- Younger investors who are looking for a lower-volatility growth strategy

Both of these investor groups value individual stock ownership and a smoother ride than many growth strategies deliver.

The M-V-P Framework

Our security selection relies on the same playbook that many great investors like Warren Buffett and the late Charlie Munger have used to build wealth over time:

"M" for Moat

We buy businesses that dominate their niches and reinvest at returns on invested capital (ROIC) that significantly exceed their cost of capital. These companies have a large economic "moat" that allows them to earn more money on reinvested dollars than their competitors and the average company.

"V" for Value

Quality growth stocks often trade at higher multiples than the broader market, as they should, but we want to avoid bubbles that these growth names have experienced in the past. We triangulate intrinsic value using our proprietary blend of valuation models. We use these models to identify quality businesses that may be trading at less than their intrinsic value or find areas in the portfolio that we should take profits in.

"P" for Predictability

Capital Builder seeks predictable companies that consistently grow their earnings year after year. We think that's a sign of a wonderful company with an advantage that may be hard to match; those are the kinds of companies we believe can generate long-term performance with below-average risk.

Why Capital Builder?

In an environment where growth strategies are extremely exposed to a handful of mega-cap stocks, Capital Builder seeks to offer a different path: own durable franchises, pay a fair price, then stand aside and let those companies do the heavy lifting of compounding wealth. For clients seeking a tax-efficient growth strategy without as much volatility, Capital Builder could potentially be appropriate as a core strategy or an excellent complement to Cornerstone for a portion of your assets.

The Folly of Market Timing

Why "Time in the Market" Beats "Timing the Market"

by Nathan Winklepleck

> *"Far more money has been lost by investors trying to anticipate corrections, than has been lost in the corrections themselves."*
>
> *—Peter Lynch, widely regarded as the greatest fund manager in U.S. history*

Sir Isaac Newton had just finished formulating his laws of motion when he tried his hand at a far simpler problem: making money in the financial markets. Newton was convinced he could beat the crowd and, considering his amazing achievements in physics, was justified in his assumption.

The South Sea Company was founded in 1711, primarily to manage British debt. Newton was an early investor and profited handsomely from his investment, but he believed it would end badly, so he liquidated his shares. As the weeks went on, however, the price of the South Sea Company continued to climb. Unable to bear watching others get richer while he sat in cash, Newton bought back in, only to see the stock collapse in 1720.

When the dust settled, the most celebrated scientist of his era had lost the modern equivalent of several million dollars. Newton was able to predict eclipses to the minute, yet he could not predict the behavior of financial markets nor control his own emotions. He is reported to have sighed, "I can calculate the motions of the heavenly bodies but not the madness of men."

Trying to time the market is a temptation as old as investing itself. The allure is obvious: if you could reliably predict when to sell before a big drop and when to buy back before the next surge, your returns would trounce a simple buy-and-hold approach. Who wouldn't want to get the benefit of stock market returns without the downside risk?

In theory, perfect market timing is the ultimate investment strategy. In practice, however, it's extraordinarily difficult–if not impossible–to achieve over an investment career.

Most who try it, and most of us *have* tried it at some point, end up being worse off than if they had stayed invested. Here's why trying to outguess the market is a bad idea.

Reason 1: You Must Be Right...

> *"The function of economic forecasting is to make astrology look respectable."* *—Ezra Solomo*

One common catalyst for attempted market timing is the news cycle. Every day, investors are bombarded with headlines—warnings of recession, political crises, Fed policy shifts, world events, and other dire stories. It's very easy to let these news items sway our investment decisions. If "experts" are predicting a recession or a market crash, shouldn't we take defensive action?

Investing based on news headlines or forecasts is usually a recipe for disappointment. Time and again, predictions fail to materialize as expected, and those who acted on them end up regretting it.

In 2011, amidst a U.S. credit rating downgrade and European debt crisis, many commentators warned of a "double-dip recession." It never happened, and stocks rose in 2012.

In 2015–2016, there were dire predictions that plunging oil prices and China's slowdown would trigger a U.S. recession. Then Trump won the election in 2016, and the predictions were for a bear market in stocks. Again, it didn't happen, and the market powered to new highs in 2017.

Trade war fears in 2018 also never materialized; the market was higher.

The inverted yield curve in 2019, a supposed recession indicator, was wrong. No recession in 2019. The recession that *did* happen in 2020 was for the pandemic. Despite the self-induced recession, stocks still finished the year higher in 2020.

In late 2022, the financial press was obsessed with the idea that a U.S. recession was imminent in 2023. Inflation had spiked above 6%, the Federal Reserve was aggressively hiking interest rates, and many pundits argued a downturn was inevitable. In August 2022, economist Steve Hanke predicted "we're going to have one whopper of a recession in 2023." He wasn't the only one; in October 2022 Bloomberg Economics modelers announced there was a *100% probability of a recession within 12 months.*

Oops.

There was no recession. In fact, the U.S. economy grew, unemployment stayed low, inflation subsided, and the stock market went on to hit a new all-time high by the end of 2023.

In July 2024, BCA Research's Peter Berezin argued that the prevailing optimism was unfounded and "the consensus soft-landing narrative is wrong." He predicted the U.S. would fall into recession by late 2024 or early 2025, and that this downturn would send the S&P 500 plunging 32% in 2025 to around 3,750 points.

Meanwhile, the S&P 500 hit 50 new all-time highs in 2024 and finished the year around 6,000.

In early 2025, a new risk emerged on the horizon—aggressive U.S. trade policies. President Donald Trump announced sweeping new tariffs on April 2, 2025, catching markets by surprise. Fears quickly spread that escalating trade wars would choke global growth and finally trigger the long-awaited recession. The S&P 500 plunged roughly 10% in 48 hours, including a 6.65% single-day drop on April 3–one of its worst days since the 2020 pandemic crash. Headlines blared that a "stock market crash" was underway.

Just as quickly as the market fell, it rebounded. Within a week, the White House moved to pause and roll back some of the tariff measures, sparking a furious rally. By May 13, just six weeks after the panic began, the S&P 500 had fully erased its losses and even turned positive for the year.

Reason 2: ...Twice

"We will continue to ignore political and economic forecasts, which are an expensive distraction for many investors and businessmen."

—Warren Buffett, 1994 Letter to Shareholders

As it turns out, being right *once* is difficult; but to be a successful market timer, you need to be right not just once, but *twice*: both on when to sell *and* when to buy back in.

Even if you correctly predict an impending downturn and move to cash, you then face the equally hard task of determining the perfect moment to re-enter the market. And that perfect time to buy is always when things look their worst; so, by definition, the best time to buy always feels like the *worst* time to buy.

If you sell too early, you miss out on further gains while sitting in cash. If you sell too late, you've already suffered losses. And if you misjudge the bottom and buy back too late, you miss the best part of the recovery. Markets often turn up abruptly when pessimism is highest, which means those celebrating a well-timed exit can miss the swift rebound.

Reason 3: The best days come in the worst of times

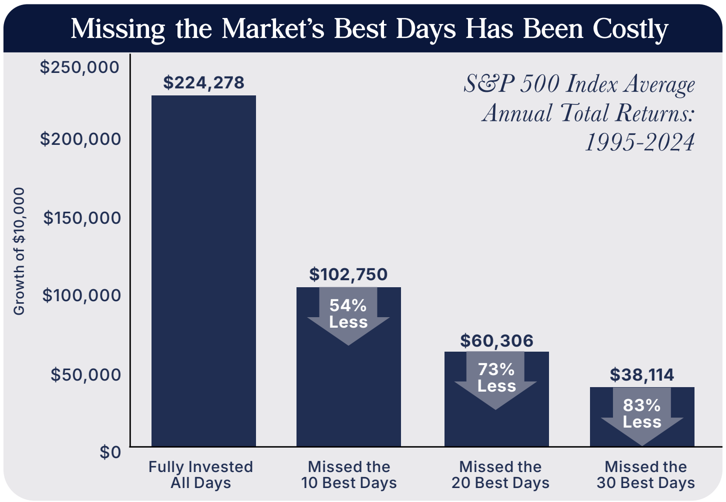
"You make most of your money in a bear market, you just don't realize it at the time."

—Shelby Cullom Davis

Speaking of rebounds, most of the markets' biggest moves happen during bear markets. In fact, about 78% of the markets' best days have occurred during bear markets. This means that those best days often happen when investors *least expect* positive news.

And you don't want to miss them.

An extensive study by Ned Davis Research looked at S&P 500 returns from 1995–2024. An investor who missed just the 10 best days out of 30 years, their overall returns would be cut in half. Missing the 30 best days reduced overall returns by an astonishing 83%.



Past performance does not guarantee results. For illustrative purposes only. Data Sources: Ned Davis Research, Morningstar, and Hartford Funds, 1/25.

There were roughly 7,500 trading days from 1995 thru 2024. Missing just 30 days or 0.4% wiped out almost your entire gains for that period.

A $10,000 investment in the S&P 500 grew to over $220,000 when fully invested the entire time. However, missing the 10 best days shrank the ending value to around $102,750. Missing the 20 best days left only about $60,000, and missing the 30 top days resulted in roughly $38,000—a staggering **83% less wealth than the buy-and-hold investor.**

Any attempt to engage in market timing, particularly around heightened volatility, puts you at risk of missing one or more of these critical rebound days. By the time the outlook feels safe, and you buy again, the market has already recovered. The lesson: **time in the market is critical, because missing even a few key days can make a massive difference.**

Reason 4: There is no evidence of a single successful market timer

It may not be fair to say that market timing is *impossible*; we can't prove something doesn't exist by only observing that we've never seen it. Maybe someone can pull it off, but there hasn't been any evidence so far.

To date, we have not heard of a single investor or fund manager that has consistently achieved better performance by market timing. (If you can find one, please let us know). And we're not alone.

Vanguard founder and investing legend Jack Bogle said that in his 50 years in the business, "I don't know anybody who has [timed the market] successfully and consistently. I don't even know anybody who *knows* anybody who has."

Reason 5: There are plenty of examples of unsuccessful market timers

The successful market timer is as rare as the black swan, but the unsuccessful ones are as plentiful as white ones.

Decades ago, analyst Mark Hulbert tracked the performance of dozens of investment newsletters, many of which engaged in active market timing. The results were sobering. In one often-cited analysis, covering the 10-year period from 1988 to 1997, *not even one of the 25 market-timing newsletters beat the returns of the broad stock market. Their average annual return was about 11.1%, while the S&P 500 gained roughly 18.1% per year over that decade. The best market timer in Hulbert's universe returned 13.7% annually versus 15.1% for the S&P 500–before trading costs.*[1]

Newsletters are one thing, but what about professional money managers?

John Hussman was a Ph.D. economist and mutual fund manager who became famous for bearish market calls. His Hussman Strategic Growth Fund made stellar gains during the 2000–2002 dot-com crash, largely by hedging to avoid the market plunge. He repeated this defensive success in 2008, losing only 9% when the S&P 500 fell 37%.[2]

However, Hussman then kept his fund highly defensive throughout the long bull market that followed. From 2009 onward, he continuously anticipated a market downfall that didn't arrive. As a result, the fund badly lagged. By early 2014, the five-year annualized return of Hussman's flagship fund was *negative*. His fund lost –3.5% versus +22.2% per year for the S&P 500 over the same 5-year period.

The siren song of market timing impacts millions of investors, and the data shows just how costly it can be. Morningstar's annual "Mind the Gap" study of investor returns found that over the 10 years through 2023, the average fund returned 7.4% annually. However, the average investor in those funds earned just 6.3% per year.

This gap of 1.1 percentage points per year, which adds up to about one-sixth of the total return, represents the cost of poorly timed purchases and sales. Investors tended to pour money into funds after they had already run up (buying high) and panic-sell during declines (selling low), missing out on the subsequent recoveries.

The evidence is overwhelming: Sir Isaac Newton can't time the market, Ph.D. economists can't time the market, expert fund managers can't time the market, and investors can't do it. Many of the world's greatest investors don't even attempt it.

We would be wise to follow their lead.

1) "Bob Brinker's Market Timing - CXO Advisory." 2025. Cxoadvisory.com. 2025. https://www.cxoadvisory.com/individual-gurus/bob-brinker

2) The Curious Case of John Hussman: Understanding the Biases in Your Process." awealthofcommonsense.com. 2014. https://awealthofcommonsense.com/2014/02/curious-case-john-hussman-understanding-biases-process

Reason 6: Transaction costs

Finally, there is one more reason to consider before trying to time the market: trading costs. Every time you sell a stock or fund at a profit in a taxable account, you incur capital gains taxes. Frequent trading disrupts the process of compounding by siphoning off money to Wall Street brokers and the IRS.

Even in tax-sheltered accounts, moving in and out of positions racks up transaction costs like bid-ask spreads and commissions. Studies have repeatedly found that active timing systems that back test well *before* costs tend to underperform after considering trading expenses and taxes, even with the benefit of hindsight. When you consider the uncertainty as to whether those systems will work in the future, the odds are even less favorable. The more you trade, the more these costs steadily leak from long-term returns.

By contrast, a patient buy-and-hold investor defers taxes and minimizes trading costs, allowing compound growth to work more efficiently. This means a timing strategy must outperform by a wide margin just to match the after-tax, after-cost returns of a simple buy-and-hold strategy.

Reason 7: There's a better alternative

> *"I never have an opinion about the market because it wouldn't be any good and it might interfere with the opinions we have that are good."*
> *—Warren Buffett*

"Time in the market beats timing the market" is a cliché for a reason—because it's true. When you feel anxiety from scary headlines or economic uncertainty, recall the many false alarms of the past. There are *always* things to worry about.

Sometimes, those worries come to fruition–or even worse than feared.

We've had two World Wars, threats of nuclear attack, the Vietnam war, wage controls, price controls, high taxes, low taxes, two oil shocks, a one-day drop in the Dow of 508 points, a global pandemic, communism, socialism, Democrats, Republicans, assassination attempts (and successes), bad managers, inefficient governments, deficits, huge government debt, protests, recessions, housing collapses, credit crisis, and more.

Yet, despite all the terrible things that have happened over the last 200+ years, the stock market has been the greatest wealth-building machine in human history.

Resist the urge to time the market. Instead, base your strategy on long-term principles—buy quality assets, diversify, and stay invested through thick and thin. The more time you own a portion of quality companies, the more your odds of success go up.

A Grandparent's Guide to 529 Plans & the New FAFSA Rule

With the new FAFSA Rule, it's now easier to support your grandchild's education.

What's Changed?

Previously, if a grandparent used a 529 plan to help with college costs, those withdrawals were counted as student income on the FAFSA, potentially reducing aid. Starting with the 2024-2025 academic year, this is no longer the case. Grandparent-owned 529 distributions are not reported on the FAFSA, making it easier to support your grandchild without affecting their aid.

Parent-owned 529 plans are still considered parental assets for financial aid purposes, which could have a small effect on financial aid. However, when money from this account is used for qualified education expenses, it's not counted as income for the student. This rule remains unchanged.

What is a 529 Plan?

A 529 plan is a tax-advantaged savings account for education expenses like tuition, books, and housing. Withdrawals for qualified expenses are tax-free, and many states offer tax credits for contributions.

What is FAFSA?

The Free Application for Federal Student Aid (FAFSA) is a form to apply for financial aid that determines a student's eligibility for financial aid, including scholarships, grants, loans, and work-study programs.

A Quick Note About Private Colleges

Some private schools use the College Scholarship Service (CSS) Profile, which may treat grandparent 529 plans differently—possibly as assets or income. It's a good idea to check with each college's financial aid office for specific policies.

Benefits for Grandparents & Their Grandchildren

- **More Financial Aid**
  Students won't be penalized for grandparent support.
- **Greater Flexibility**
  You can contribute to your grandchild's education confidently at any time.
- **Simpler Planning**
  Grandparents no longer need to delay distributions until later college years.

Talk to Your Financial Advisor

If you own a 529 plan, talk to your Advisor about:

- **When to Start Distributions**
  With no FAFSA penalty, you may now use 529 funds earlier.
- **Investment Strategy**
  Depending on your grandchild's age and when you plan to use the funds, your investment strategy may need adjusting.
- **Contribution Planning**
  If you're contributing a large amount or using gift tax exclusions.

Your financial advisor can tailor a plan that aligns with your grandchild's educational timeline and your financial goals.

Join Us for a Workshop

Let's Talk About What Matters to You

Learning about your financial future doesn't have to feel formal or overwhelming. Instead, we're creating opportunities for you to connect with others, enjoy meaningful conversations, and pick up valuable insights along the way.

Whether it's a casual gathering, a themed event, or a relaxed discussion with our Advisors, our events are designed to be both social and enriching, giving you the chance to explore topics that matter most to you in a welcoming, down-to-earth setting.

From our **Cybersecurity** info session about safeguarding your financial future to **An Evening of Top Golf** with a brief market update, we're creating experiences that are as engaging as they are informative. These gatherings are about more than just learning. They're about building community and sharing the journey.

We've also hosted events like:

Live Wellthy

In 2024, Advisors hosted an event with certified life coach Samantha Tiller to explore topics such as transitioning from work to retirement and navigating the "third act of life." Many of us spend decades focused on careers and family, only to reach retirement unsure of what's next. Samantha helped attendees cast a new vision of focus and purpose for life post-employment.

Mock Meetings with the Investment Policy Committee

In the past, DCM held a behind-the-scenes look at how our Investment Policy Committee evaluates markets, economic trends, and global events. Clients gained insight into the decision-making process that shapes DCM investment strategies, and a unique opportunity to ask questions, learn how we think, and better understand the rationale behind our investment philosophy.

What Is Your Business Really Worth?

In 2023, we brought in a speaker to help clients who own businesses better understand the worth of their companies. Attendees learned about the valuation process and how it can support retirement or future sales. This event was well-received, with many finding value in understanding how to position their business for long-term success.

In July, our Advisor Teams will be attending a summit on Generational Wealth, because we're always learning, too. We're excited to bring back fresh insights to help you grow your legacy and align your wealth with what matters most: your people, your passions, and your purpose.

We'd love your input!

Your feedback and ideas help us shape future workshops that truly resonate. These sessions aren't just about learning—they're about partnership and community. Your voice helps us deliver real-world solutions that matter to you.

If you have a topic that you would find valuable or interesting, please reach out to your DCM advisor.

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