

RISING DIVIDEND REPORT



Anchored Around You



Earning trust one relationship at a time is something I learned running ABC Cutting Contractors, the business my grandfather started, and I've spent my career building with my family. When I joined the DCM Board of Directors in 2025, it was evident that DCM anchors every level of its organization on your needs and best interests.

During my Board interview process, the questions revolved around two main themes: how we can best serve clients and support our people. I quickly learned these weren't just words. This is how DCM operates.

It's rare for a firm of our size to have a board with outside business leaders. That perspective helps DCM stay accountable and honest about who we serve. I've gotten to know the people and processes that make DCM distinct. These folks come to work every day, focused on your financial success.

Each Board meeting begins the same way. After a prayer, a team member who has made a real difference for a client presents what we call "The DCM Way in Action." These stories can be joyful, inspiring, or even tragic. As a Board, these stories remind us that the values we uphold must show up in how we treat every client, every day. Your team serves you through exciting milestones and the darkest days.

Through it all, the mission stays the same: to guide you with truth and care, helping lift your burdens and unlock possibilities, so you can confidently connect your resources to your dreams.

Drew Runion
Board Member

Highlights from the Investment Policy Committee

1 CUTTING THROUGH THE NOISE

Artificial intelligence, interest rates, conflict in the Middle East, and midterms are creating uncertainty. We rely on data-driven models, not headlines, to guide decisions.

2 THE BARNYARD FORECAST

Our model scores four forces, Economy, Interest Rates, Earnings, and Inflation, to gauge stocks' likely direction over the next 6 to 18 months.

3 CURRENT SCORE 4.5/8

Earnings are strong. Rates and inflation are moderate. The economy is the weak link. Still positive, just less so than six months ago.

4 PORTFOLIO POSITIONING

Rising Dividend™ Cornerstone stays tilted toward Growth, though less than in recent years, as we add Security and Income.

5 BOTTOM LINE

We remain optimistic about stocks, though a bit more cautious than a year ago. If this raises any questions, we'd love to hear from you.

Read the IPC Letter on page 3

Year-End Planning for Your Peace of Mind



Jessica Klostermann, FPQP®
Partner, Director of Client Services

As 2026 comes to an end, you may be considering giving cash or stock gifts to charitable organizations or family members. You may also be thinking about a Roth conversion or opening a Donor-Advised Fund. If any of these are on your to-do list, please let your advisor know as soon as possible.

To help you plan ahead, we recommend submitting any year-end requests by **December 1**. This includes stock gifting, Qualified Charitable Distributions (QCDs), Roth conversions, and opening Donor-Advised Funds. While this date may seem early, it allows time for the necessary paperwork, signing, and completion steps, so you can enjoy the season without any last-minute stress.

We aim to provide you with the best possible service and peace of mind during this busy time of year. If you have any questions, we're always here to help and happy to assist you.

Thank you for the opportunity to serve you.



Sarah Moore, CFP®
Partner, President & CEO

Between Us — A personal note from Sarah

CONVERSATIONS THAT SHAPE US

A client called me recently, laughing, but not because anything was funny. He was scared about the economy, and somewhere in the middle of that fear, his nervous laughter turned into an honest question. He wanted to know how I stay so clear-headed when he can't stop worrying.

For me, the answer is movement and perspective. Movement takes discipline and helps clear the noise. Perspective is harder. It takes time and bravery: a willingness to be with people, to really listen, and let what you hear change you.

That question is part of why I wanted to start this column. "Between Us" is where I'll share what I'm seeing, hearing, and learning as we move through the world together. I want to know what's on your mind, and to let it change us. Consider this an open door.

Thank you for trusting us to be part of your story. We do not take it lightly.

Dealing with Uncertainty

How We Use Models to Cut Through the Noise

by Nathan Winklepleck



One of my favorite parts about fall (and every other season, for that matter) is coffee.

A few weeks ago, I met a friend at a new cafe. The menu had an overwhelming number of options, many in Italian.

Having no clue how to differentiate between a Caffè Doppio and a Caffè Ristretto, I asked the barista what he would recommend. Then he hit me with a long list of questions: Coffee or tea? Hot or iced? This flavor or that flavor? Dark, light, or medium roast?

After a few minutes contemplating the subtle details of espresso shot-pulling techniques, my brain went for the shortest neural pathway possible. I ordered black drip coffee. The barista's disappointment at dealing with such a caffeine neophyte was palpable.

It wasn't his explanations or enthusiasm that were lacking; it was the sheer volume of information. We tend to think that more information is helpful for making decisions.

However, research is clear: when it comes to decision-making, less is more. This is a phenomenon known as the "paradox of choice" (Iyengar & Lepper, 2000; Schwartz, 2004; Haynes, 2009; Chernev, Böckenholt, & Goodman, 2015). When presented with more options to choose from, study participants have a more difficult time deciding. Not only that, but they experienced heightened levels of anxiety, fatigue, and regret about the decision they did make.

Sound familiar?

Living a day in modern life feels like nothing but making decisions; all of them, including the simple task of ordering coffee, come with an infinite number of choices and opinions on which is the best. Never in human history have we had so much information, yet so little understanding. Adding more data, expert opinions, and advice should increase our certainty; yet it seems to be doing the exact opposite.

You're feeling that; we can tell.

In our conversations with many clients over the last few months, one investing theme has emerged: *uncertainty*.

There are a lot of crosscurrents right now. What impact will artificial intelligence (AI) have on the markets? Are those stocks in a bubble, or are they still an opportunity? Will the war in Iran rekindle inflation? How will the new Federal Reserve chairman, Kevin Warsh, impact interest rates? What will happen in the upcoming midterm elections, and how will that impact stocks? All those are important questions with profound market impacts, but they are converging to create a ton of uncertainty.

Since DCM was founded in 1995, we've heavily relied on models to aid in our decision-making. The final decision is always made by or overseen by a real person, but these models help us cut through the uncertainty to make more rational, consistent decisions.

WHY MODELS?

Research shows that using data-driven models, even simple ones, results in better decision-making. Grove et al. (2000) did a comprehensive meta-analysis of 136 studies evaluating mechanical, formulaic models vs. human expert predictions across medicine, psychiatry, and more. They found that **mechanical, rules-based models exceeded or beat expert human judgment 94% of the time.**

In the next couple pages, we want to share one of those models: the Barnyard Forecast. We'll share what that model is saying right now about the likely direction of stocks over the next 6-18 months, and what we're doing about it.

THE BARNYARD FORECAST

Aristotle believed “first principles” are the starting points for all knowledge and inquiry. Anytime you’re dealing with a complex problem, adopting “first principles thinking” can help break it down into its most basic, undeniable truth first and then build solutions from the ground up.

Let’s start with a complex problem: **Are stocks going to go up or down in the next 6-18 months?**

Take a second to consider that question. How would you answer it?

Most people will immediately jump into an answer, citing an article they read or an interview they saw on CNBC. However, the first principle approach is not to give answers, but to ask more questions. Before we try to answer whether stocks are going to go up or down, we first need to know: **“What causes stocks to go up or down in the first place?”**

We believe these four “first principles” collectively drive the direction of stocks:

1 Economy

2 Interest Rates

3 Earnings

4 Inflation

Those forces drive the “Opportunity” in the market, so $E+I+E+I=O$. (Hence the name, *Barnyard Forecast*.)

If you’re reading an article in the Wall Street Journal, ask yourself: What impact does this have on earnings, interest rates, the economy, or inflation? If it has little-to-no impact on those specific areas, it is inconsequential—at least for the stock market. It’s only noise.

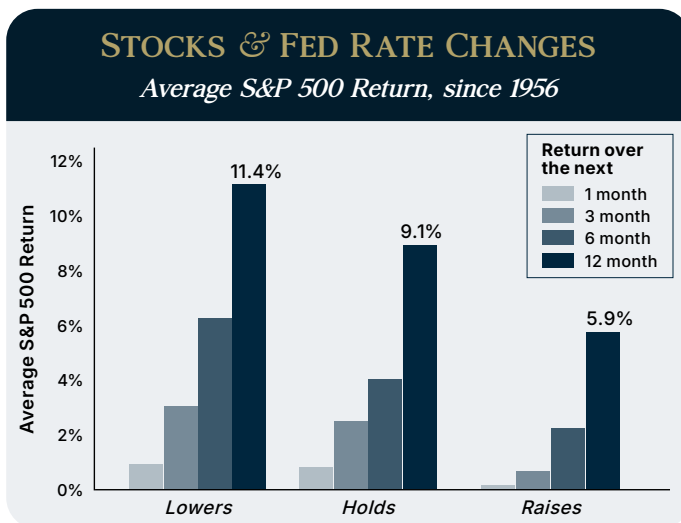
To the greatest extent possible, we try to boil everything we do down to some kind of objective score. Each of the four metrics above gets a score between 0 and 2. Let’s go through each of the four:

Economy (.5/2)

The economy has remained strong. AI infrastructure investment continues to drive a steady wave of capital spending, while consumers have remained resilient. Consumer spending reached a record high in May, with gains broadly distributed across categories.

Counterintuitively, a strong economy is a *bad* thing for our model. Why? A stronger economy lowers the score because it increases the likelihood of a more restrictive Federal Reserve (“Fed”). The economy’s underlying strength gave the Fed room to prioritize its commitment to lowering inflation, leading to the first increase in the Federal Funds rate since 2023.

Historically, rate hikes have been associated with lower forward stock returns. The chart below shows the average forward returns in different Fed cycles:



“Holds” means rates moved less than 0.5% over the prior 12 months.

Since 1956, the S&P 500 has generated total returns of 11.4% when the Federal Funds rate declined by 0.5% or more in the last 12 months. When the Fed increased the Federal Funds rate by 0.5% or more, the S&P 500 rose by an average of 5.9%. Even in a hiking environment, however, stocks increase more often than not, with 68.5% of the 317 hiking months showing positive returns.¹

Interest Rates (1/2)

The 10-year U.S. Treasury yield touched 5% in September, reaching levels only seen in late 2023 and, before that, June 2007. Mortgage rates have followed suit, with the 30-year rate, a key driver of housing activity, climbing from 6% in March to 6.75%.

Despite higher interest rates, the yield curve—meaning the difference between short and long-term rates—remains positive. That is the primary driver of our model, which is supportive of stocks.

Earnings (2/2)

Earnings have been nothing short of remarkable so far in 2026. Forward growth remains strong, with earnings

per share (EPS) expected to grow over 35% in 2026 and around 15% in 2027, and consensus estimates for next year continue to be raised. As of late August, projected earnings had risen for 66 straight weeks—surpassing the prior 46-week recovery streak after the 2008-09 Financial Crisis.

And it's not just technology; it's nearly every sector. In July, analysts raised their earnings forecasts for all 11 S&P 500 sectors, which is usually something we only see following a recession.

Inflation (1/2)

Headline CPI increased 3.4% year-over-year in August, and Core CPI, which excludes the more volatile food and energy components, remained lower at 2.4% year-over-year. However, inflationary pressures are building. The escalating conflict in the Middle East has driven gas prices higher. Diesel hit \$6 per gallon, which risks pushing inflation higher across the economy.

Overall (4.5/8)

We view a score of 4 or above as indicative of a constructive environment for stocks. Today, the Barnyard Forecast stands at 4.5 out of 8, pointing to a modestly positive backdrop over the next 6 to 18 months. That said, the list of concerns continues to grow. If 10-year yields continue to hold above 5% and inflation continues to run hot into the end of 2026, the forecast could slip toward a neutral score of 4.



SO, WHAT DOES THAT MEAN?

Now, let's talk specifically about what this means for you and the portfolios we're managing. In everything we do, we start with the core tenets of each strategy, which are:

- **Preservation of Capital (fixed income):**
Security and/or Income, depending on client needs
- **Rising Dividend™ Cornerstone:**
Security, Income, Growth
- **Income Builder:** *Income, Security*
- **Sequoia:** *Growth*
- **Navigator:** *Growth, Security*

However, within each strategy, we “tilt” based on the opportunity at hand. For example, in our Rising Dividend™ Cornerstone strategy, we target an equal mix of Security, Income, and Growth. When the Barnyard Forecast score is high (5+), we would become more offensive and tilt towards higher total-return Growth opportunities. When the Barnyard Forecast scores lower (3 or lower), we may adopt a more defensive position, tilting more towards Security.

Over the last few years, we've been tilted more towards Growth. Right now, however, the Barnyard Forecast suggests the environment is less favorable for stocks than it has been in recent years. That doesn't mean it's a bad environment; it's just not as good as it once was. Therefore, our moves in 2026 have been to add Security and Income. As we said in our Winter 2025 letter:

“We also expect the AI trade to soften, which we've already seen a bit to close 2025. The AI spend is already significant, and expectations are high. Much of that optimism is being baked in, so we would expect a valuation-driven slowdown at some point. Ideally, the market expands from just the “S&P 10” into the “S&P 490”—where the benefits of AI start to trickle into the real economy and positively impact all businesses, not just a few.”

While our optimism is lower than it was a year ago, we remain constructive about stocks. Our “Barnyard Forecast” suggests the opportunity is a slightly above average 4.5/8, so we're still slightly tilted towards “Growth,” but less so than we were to start the year. If/when the environment shifts towards “Neutral” (4 out of 8), we would consider an even more meaningful tilt towards Security and Income.

Using the Barnyard Forecast and other models we've built over the decades helps us “shrink the menu”—immediately cutting down to the first principles that are most relevant in making decisions.

If this letter raises any questions, or you'd simply like to talk through your own mix, reach out to your advisor. We'd love to hear from you.

Rooted in Community

Client Spotlight

“Diane’s generosity, willingness to help others, and love of sharing are remarkable and infectious. She approaches philanthropy with intentionality, focusing on people, organizations, and communities where her gifts can make a lasting impact.”

Ron Patberg, CFP®

Partner & Senior Investment Advisor



A philanthropist mentoring the next generations.

Diane Billings with her granddaughter and great-granddaughter at Common Grounds Coffee Company in Williamsport, Indiana.

Giving back is Diane Billings’ way of honoring the people and places that shaped her life.

Much of that focus is directed toward Warren County, Indiana, where Diane, her son, and her three granddaughters manage the 1,800-acre farm her husband and his parents built. Since his passing seven years ago, they’ve continued the family legacy as the third and fourth generations to run it.

“I believe a successful farm is dependent on a successful community,” Diane says, a conviction that shapes her philanthropy today.

Diane credits her father as an early role model for both saving and philanthropy. When she was 10 years old, he started a stock portfolio for her. More than 70 years later, that portfolio remains a tangible reminder of his influence and helps provide resources for her charitable giving.

“Available money should be returned to its origins,” she says.

That belief has guided gifts to a fund at the University of Wisconsin honoring her father, to nursing organizations, and to the Indiana University School of Nursing in Indianapolis, where she spent 40 years on faculty.

One gift stands out, a small research grant for faculty developing the science of nursing education. One recipient invited Diane to visit a class where she was putting her findings into practice. “I so appreciated her thinking of me as making the grant possible,” Diane says.

Today, most of Diane’s giving flows through the Warren County Community Foundation and supports scholarships for students studying agronomy and veterinary medicine, weekend meals for students, and training for local first responders. Six students have received scholarships so far, and three have returned to work in the community.

“I find joy in giving back,” Diane says, “and focus my gifts on something that will have an impact, be it an individual, a group, or an entire community.”

Her advice for anyone hoping to make a difference is this:

“Find someone whose vision for impact aligns with your own and trust them to help carry out your intent.”

Could the Navigator Strategy Benefit Your Family or Friends?

“When clients ask how they can help the people they care about get started well, Navigator is often where that conversation begins. It’s built for investors in their accumulating years who value broad diversification and a patient, long-term approach.”

Kyle Markle, CFP®

*Partner, Chief Investment Officer,
& Senior Investment Advisor*

HOW NAVIGATOR WORKS

Navigator is designed for investors focused on building long-term wealth who don’t yet need significant income from their portfolio. Every portfolio we build for you weighs the goals of security, income, and growth. Navigator emphasizes growth while using broad diversification to provide a layer of security.

We begin with diversification by investing across thousands of companies around the world using exchange-traded funds (ETFs). This broad exposure supports long-term growth, backed by thoughtful portfolio management and guidance from your advisor.

Thoughtful and active investment management keeps Navigator from becoming a “set it and forget it” strategy. Our Investment Policy Committee oversees the portfolio, regularly reviewing the strategy and its holdings to confirm it still fits your long-term goals. We also adjust the portfolio based on investment characteristics like valuation, profitability, company size, and momentum, which we believe reward investors over time.



The ETFs used in Navigator also offer an advantage at tax time. They provide meaningful tax efficiency, particularly in taxable accounts, helping limit taxable capital-gain distributions while we make changes in the portfolio.

WHO IS NAVIGATOR FOR?

Navigator may especially appeal to you if you’re a younger investor, in your peak earning years, and still accumulating wealth and regularly adding to your portfolio. It may also fit if you want long-term equity growth but prefer broader diversification over a portfolio concentrated in individual companies.

Navigator won’t be the right fit for everyone. If you’re seeking high current income, our Income Builder Strategy may be a better match. If you value a growing stream of dividends, Cornerstone may be a better fit, and if you want a more concentrated growth approach, Sequoia may be worth considering.

Ultimately, the right strategy depends on what you need your money to accomplish. If Navigator sounds like a fit for your goals, your DCM advisor can help you decide whether it belongs in your plan.



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