Bahl&Gaynor
Investment Counsel

A letter from the

Bahl & Gaynor Investment Committee

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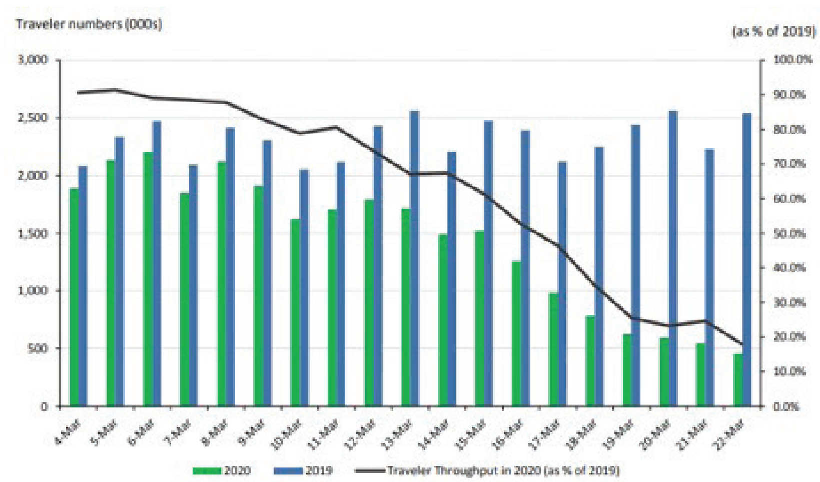
Outbreak

The COVID-19 global pandemic has manifested as a devastating tail risk event that brought the longest-running domestic economic expansion and bull market to an abrupt conclusion in the quarter just ended. The public health measures enacted to slow the virus's spread have profoundly impacted daily life and commerce, creating disruption on a massive scale that has few historical analogues. The precipitous decline in airline passenger traffic (illustrated below) serves as just one of many examples highlighting the scale of disruption. The sudden and extensive closure of the US economy has necessitated significant monetary and fiscal intervention. Monetary policy actions have focused on providing adequate liquidity to various financial market participants to prevent or buffer the onset of a full-blown credit crisis. Fiscal policy seeks to provide a financing bridge for the consumer and private sectors until more conventional economic operation can safely resume. The scale and speed of implementation of these policies is critical to minimizing longer-lasting economic damage. Market participants and policymakers will closely watch the interplay of new infection case trends and the effectiveness of monetary and fiscal policies and whether these dynamics lead the economy to more sound footing. The uncertain future path of economic growth is likely to contribute to further capital market volatility, especially given the "fat tail" nature of this global pandemic.

TSA Passenger Traffic Data 10% of Normal



Source: Deutsche Bank, TSA, 2020.

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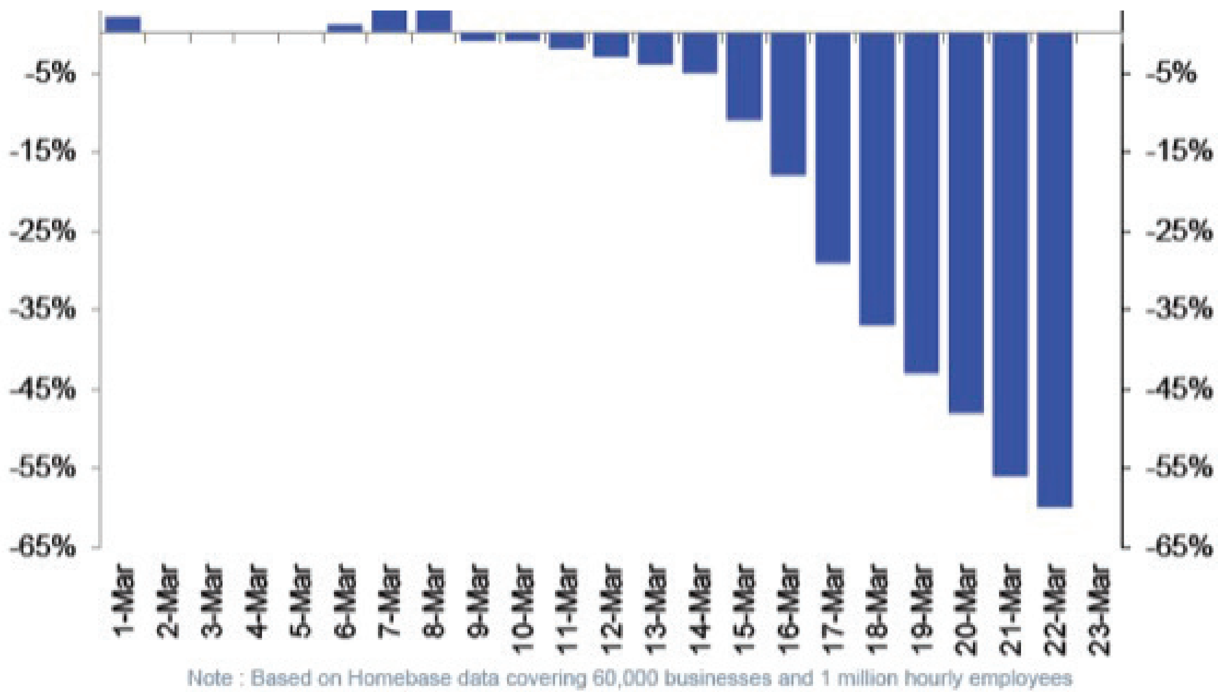
Fiscal Shock and Awe

Congress and the President have responded to the sudden economic disruption precipitated by social distancing measures with astonishing scale and speed. Initial stimulus packages include $8.3 billion and $100 billion in funding for incremental health agency and family leave benefits. Most significantly, the recently passed CARES Act represents $2.2 trillion in stimulus and is the largest single fiscal spending bill in US history. At 10% of GDP, the bill covers corporate aid ($500 billion), loans to small businesses and payroll protection ($349 billion), direct payments to +80% of all taxpayers ($290 billion), supplemental funding for unemployment insurance ($250 billion) and other funding channels. The principal objective of this bill is to stabilize businesses of all sizes as well as buffer the impact of the sharp rise in unemployment for consumers as indicated in the chart below. Now attention turns to the speed with which fiscal assistance can be delivered to economic participants. The efficacy of legislation passed to date along with resumption of normal economic operation will determine the need for additional fiscal aid packages.

Percentage Change in Number of Hourly Employees Going to Work in the US
vs. Median Attendance on Same Weekdays in January



Source: Homebase, Deutsche Bank Global Research, 2020.

Federal Reserve Actions

Adding to fiscal policy efforts outlined above, the Federal Reserve has enacted a range of conventional and unconventional policies to support economic and financial market function amid great disruption. The aggregate scale and cadence of these policies have been unique, even relative to actions taken during the Great Financial Crisis. Short-term interest rates have been reduced dramatically and now stand at zero. The Fed's balance sheet (pictured on the following page), which can be thought of as a measure of liquidity provided by the central bank to capital markets, has expanded by more than $1 trillion since early March. The balance sheet now stands at record size and will likely continue to grow significantly as recently announced programs ramp to scale. The Fed has shown a notable amount of flexibility in implementing these programs, continuously expanding and revising measures to increase efficacy. While some underlying market dislocations remain, the actions taken to date have generally been well received by markets and suggest a high probability of continued aggressive intervention in ensuring risks of a complicating financial crisis are avoided.

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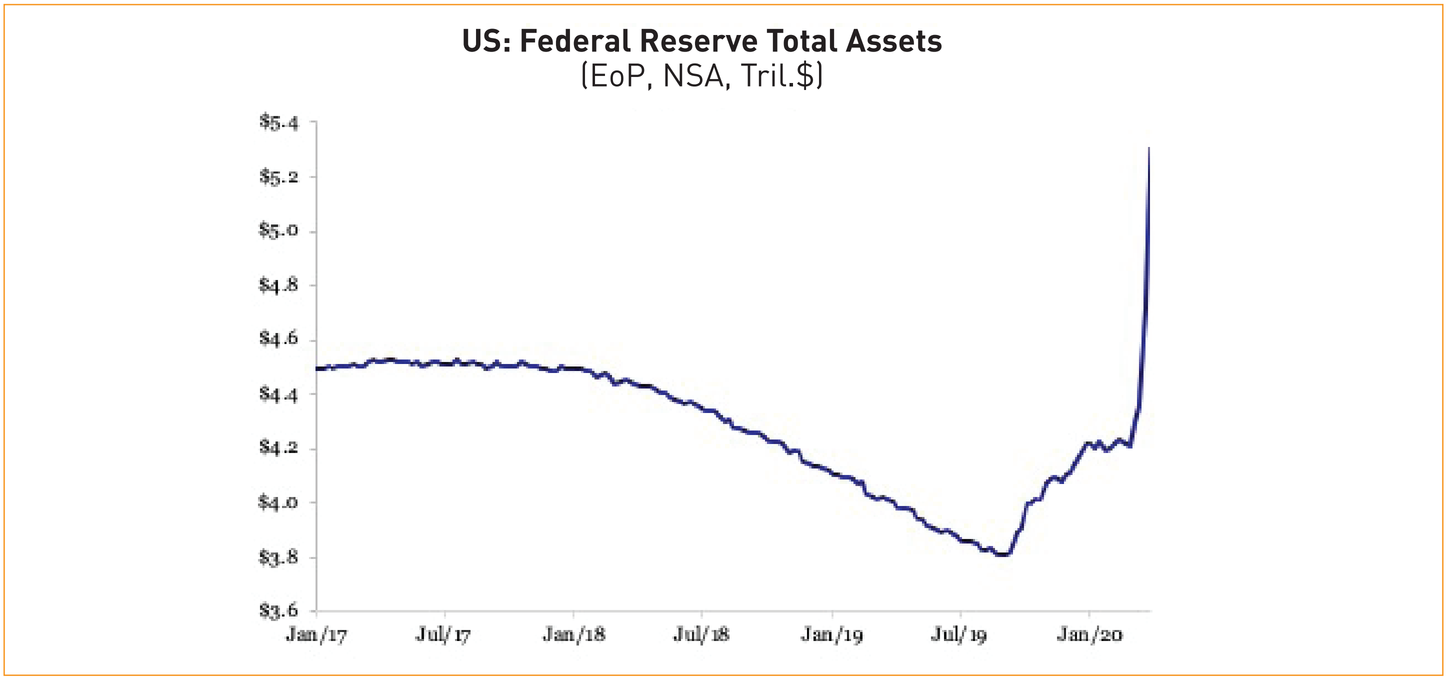

Source: Federal Reserve, Strategas, 2020.

Enormous Supply AND Demand Shocks

In most historical disruptions to economic activity, either a demand shock or a supply shock is to blame. The public health measures enacted to stem the spread of coronavirus represent both a demand and supply shock. With consumers confined to their homes and businesses scrambling to preserve liquidity, aggregate demand is significantly negatively impacted. From a supply perspective, production has been meaningfully impaired as fewer than 30% of Americans are able to perform their jobs working from home according to the Bureau of Labor Statistics. Both of these shocks are concentrated in the service sector, which represents nearly 80% of US GDP as measured by the World Bank. BCA Research points out that during most recessions, the service sector acts as a stabilizer when more cyclical parts of the economy, such as manufacturing or housing, face sharp declines. Unfortunately, the unfolding crisis appears to be much different.

The effect of the COVID-19 pandemic on employment likely represents the most painful economic cost triggered by social distancing containment efforts. Initial jobless claims data released in late March surged by 3.3 million (pictured on the next page) to record levels and higher unemployment numbers are expected in the weeks to come. A meaningful portion of funds allocated in the $2.2 trillion CARES Act enhances employment benefits and provides small businesses with incentives to maintain pre-crisis payroll levels. Small businesses employ approximately 50% of the private sector labor force in the US, and consumer spending represents nearly 70% of GDP. Therefore, the effectiveness in targeting aid to these two groups is imperative to avoid long-lasting economic damage and allow for eventual recovery. The extent and duration of economic closure remains unclear at this point and is likely to be highly dependent on the future path of new COVID-19 infections.

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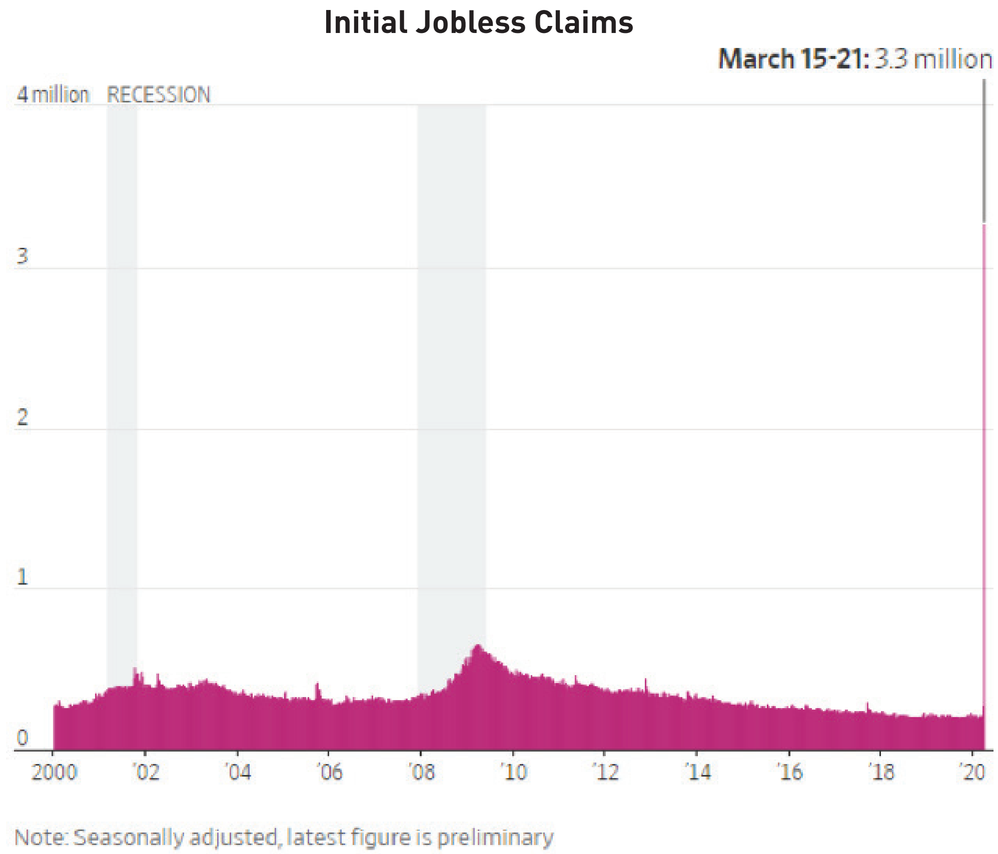
Enormous Supply AND Demand Shocks *Continued*



Source: Labor Department, Wall Street Journal, 2020.

Bahl & Gaynor Perspective

A bear market is an extremely distressing event for any investor to experience. The current bear market is no exception and may indeed be especially distressing given the severity and celerity of the drawdown. Although distressing, bear markets are a necessary part of the market cycle. The most unfortunate characteristic of this experience is not necessarily its unforeseen nature (for the onset of a bear market is often unforeseeable), but rather the devastating human impact of the pandemic in many cases through no fault of the individual. We are encouraged that the pain and severity of the Great Financial Crisis has inspired bold action on the part of monetary and fiscal policymakers. This action will go a long way in providing economic assistance where it is most needed. We can only hope that the swiftness of enactment translates to efficacy of implementation as time is absolutely of the essence for those in need.

Bahl & Gaynor's focus from an operational perspective in this crisis is to continue to safely serve our clients without interruption despite the at-present geographically scattered, but virtually connected, nature of our firm. Many years of preparation and investment have allowed us to transition our operations seamlessly and without disruption to a virtual environment.

From an investment perspective, our philosophical approach to this crisis and bear market is unchanged. We continue to focus on long-term ownership of high-quality companies that exhibit a cultural commitment to sharing profits with shareholders through rising dividends. Insofar as the disruptions stemming from the COVID-19 pandemic are likely to cause a recession in the US, our near-term focus as an investment team centers upon dividend sustainability. The

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Bahl & Gaynor Perspective *Continued*

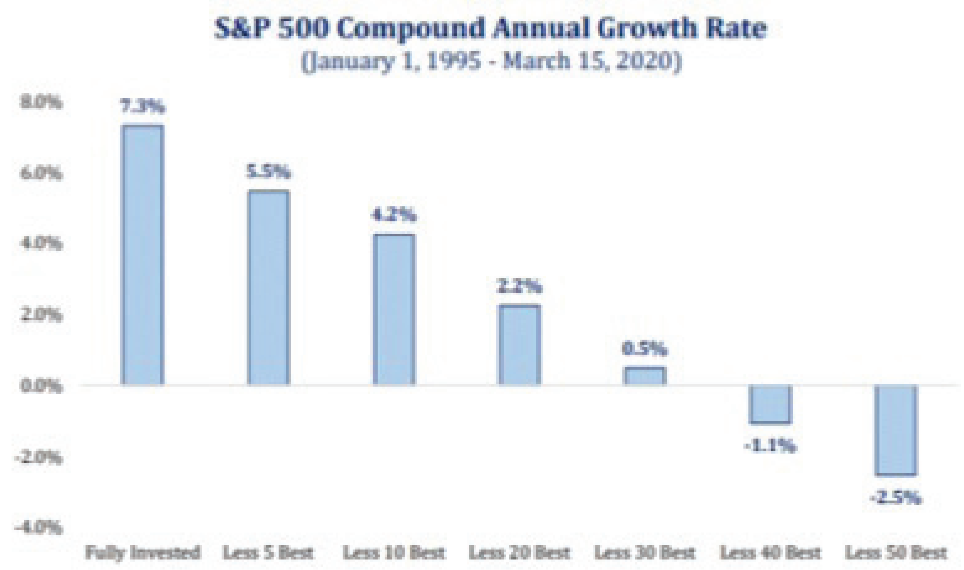
uniformity and severity of the market drawdown would suggest an outright de-risking event to date (investors exiting risk assets altogether), yet we believe our high-quality approach remains extremely relevant amid likely continued volatility and in an eventual recovery.

Our firm has weathered many bear markets and recessions and the companies we own have often navigated an even longer history of market adversity. Recent economic and market volatility underscores the importance of a coherent and consistently applied investment approach. We believe ownership of high-quality enterprises will minimize or avoid permanent impairments of capital in this downturn and a focus on income sustainability will buttress market fluctuations as they persist.

We close this quarter's correspondence with a quantification of a phrase we have used frequently amid recent volatility: *It's not timing the market, but time in the market that builds wealth and grows income.*

The Potential Cost of Market Timing

(expressed as annualized return impact by number of best-performing days missed)



Source: Strategas, 2020.

Bahl & Gaynor appreciates your confidence in us during this difficult market environment.

Disclosure:

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Financial Planning Update:

Action Required: Distance Yourself, But Not From Your Investment Plan

The speed and severity of the recent market decline from all-time highs has been shocking. The market remains volatile as investors try to determine how broadly the virus will spread and how much economic damage will be inflicted. While it can be tempting to hunker down and delay all financial decisions until there is more certainty, the current market conditions allow us to revisit your financial plan and look for new opportunities to strengthen the projected outcome going forward. Below are some options that we recommend you proactively review during this period.

Tax Loss Harvesting

Given the severity of the market pullback, some of your holdings may carry unrealized losses. Proactively realizing some of these losses will help offset current or future taxable gains. If you still want to hold a security for the long-term, you can sell it to realize the loss and repurchase it after a 31-day waiting period to avoid a wash sale. If you have a concentrated position in your account that you have been working to reduce, now is an excellent time to reduce your exposure and offset some of the gains by realizing any losses in other securities. Work with your Portfolio Manager to evaluate legacy holdings to see if it makes sense to transition into companies with better growth prospects moving forward.

Review Cash Flow and Cash Needs

While we recommend everyone conduct an annual update of their income and expense projections (your budget), now is a necessary time to refresh those projections, especially if any large discretionary expenditures are planned. We encourage you to work with your Portfolio Manager to prepare for any future cash needs above the income generated by your investment portfolio.

Roth IRA Conversions

With average share prices down significantly from where they were at the start of the year, now may be a good time to consider a Roth IRA conversion. A Roth IRA conversion involves transferring your Traditional IRA assets that grow tax-deferred into a Roth IRA that will grow tax-free. If you conduct a conversion now while the market is low, future appreciation and distributions will be free of tax. In the year that you complete the conversion, the amount of IRA assets transferred into a Roth IRA will be taxed as ordinary income. If you are a long-term investor that does not need income from your IRA or would like to pass a tax-free asset to the next generation, a Roth IRA conversion is something to consider. We recommend consulting with your tax advisor before the conversion to understand the tax impact.

Continue to Contribute to your Retirement Plan

If you are eligible to contribute to a retirement plan, continue to contribute and maximize your contributions. At present, dollar-cost averaging works in your favor. By putting new money in the market at depressed prices, you can buy more shares of stock now, and you will buy less when stocks eventually recover. This method of contributing to your retirement plan throughout all market environments smooths your purchase price over time.

Required Minimum Distributions (RMD) are Suspended for 2020

If you are required to take a minimum distribution from your IRA or an inherited IRA, you do not have to take this distribution in 2020 as part of the CARES Act. Investors who can avoid taking money from their IRA may have significant tax savings in 2020. Talk to your Portfolio Manager to discuss how this affects your income needs for 2020.

COVID-19 Impacted Events Credits/Refunds

We have witnessed the cancellation or rescheduling of many concerts, sporting events, cultural events, and travel plans. Many of the sponsoring organizations are offering refunds or credits. We recommend that you keep a master list of all credits and refunds that are due to you. Check these items off your list as they are refunded to your bank account or credit card. You may be left with a list of vendor credits that you have to use within a specific time period. If you do not receive a refund or credit within 30 days of cancellation, please contact the vendor.

If you have any questions regarding your financial plan or would like to update your plan or complete a plan for the first time, please contact your Bahl & Gaynor Portfolio Manager.