

## smig® — Small/Mid Cap Income Growth | SECOND QUARTER 2024

## STRATEGY OBJECTIVES

- High current and growing income:** 2.5% yield<sup>1</sup>; 10.9% growth in trailing-twelve-month (TTM) income as of 2Q2024<sup>2</sup>
- Downside protection:** Daily downside capture of 65.4% across all Russell 2500 down days during the quarter<sup>3</sup>
- Capital appreciation:** Since inception Sharpe ratio of 0.62 gross / 0.41 net vs the Russell 2500's Sharpe ratio of 0.44<sup>4</sup>

## 2Q2024 RESULTS RELATIVE TO STRATEGY OBJECTIVES:

## Income Growth

- The smig® strategy grew TTM income by +10.9%, compared to Russell 2500 income growth of +7.4%.<sup>2</sup>
- During the quarter, 10 strategy holdings announced dividend hikes with an average TTM increase of +14.9%, signaling continued financial health of the portfolio.

## Downside Protection

- The strategy delivered daily downside capture of 65.4% quarter-to-date and 61.1% year-to-date across all Russell 2500 down days.<sup>3</sup>

## Capital Appreciation

- The strategy returned -1.73% gross / -2.46% net versus the Russell 2500's -4.27% total return during the quarter.
- Strong stock selection supported the strategy's downside protection versus the benchmark and Russell 2500 dividend payers which returned -3.60% in 2Q2024.
- During the quarter, Utilities was the only sector in the Russell 2500 benchmark that had a positive return. Investors favored independent power producers poised to benefit from the artificial intelligence data center buildout and related inflection in power demand.
- Most other Russell 2500 sectors faced numerous crosscurrents including concerns about consumer spending and sustainability of year-to-date AI winners. A potential higher-for-longer interest rate environment also pressured nonprofitable small/mid cap companies, contrary to the last two quarters that have favored more "risk on" corners of the market.
- Amidst the current environment, we believe a focus on sustainable dividends and stable fundamentals within the small/mid-market capitalization range remains ripe for investment opportunity.

2Q2024 Dividend Increases		
Company	TTM % Increase	Current Yield
Agree Realty (ADC)	2.9%	4.8%
Avery Dennison (AVY)	8.6%	1.6%
Evercore (EVR)	5.3%	1.5%
Insperty (NSP)	5.3%	2.6%
NetApp (NTAP)	4.0%	1.6%
Penske Automotive (PAG)	45.5%	2.6%
Sonoco Products (SON)	2.0%	4.1%
Targa Resources (TRGP)	50.0%	2.3%
Victory Capital (VCTR)	15.6%	3.1%
Watsco (WSO)	10.2%	2.3%

2Q2024 Trades Executed	
Initiations	Eliminations
Tractor Supply Co (TSCO)	Interpublic Group (IPG)
	First Interstate BancSystem (FIBK)
Increases	Reductions
American Financial Group (AFG)	CSG Systems (CSGS)
Avery Dennison (AVY)	First Financial Bancorp (FFBC)
CMS Energy (CMS)	
Packaging Corp (PKG)	
Texas Roadhouse (TXRH)	
Victory Capital (VCTR)	

Source: Bahl & Gaynor and Factset, 2024.

### Portfolio Review

The smig® portfolio returned -1.73% gross / -2.46% net versus the Russell 2500's -4.27% during 2Q2024. Strong stock selection in Financials, Energy, and Consumer Discretionary contributed positively to performance while stock selection in Consumer Staples, Health Care and Communication Services detracted from strategy performance.

#### The largest positive drivers of current quarter performance:

- Stock selection within Financials including ownership of asset manager Victory Capital (VCTR) and investment bank Evercore (EVR) contributed positively to strategy performance. No ownership of typically lower quality consumer finance companies also benefited performance.
- Strong stock selection within Energy and specifically the ownership of Targa Resources' (TRGP) fee-based, relatively stable earnings stream contributed positively to strategy performance. No exposure to coal and integrated oil & gas companies positively affected strategy performance.
- Within Consumer Discretionary, ownership of best-in-class operators Texas Roadhouse (TXRH) and Tractor Supply Company (TSCO) bolstered strategy performance. Additionally, minimal exposure to more discretionary leaning sub-industries coupled with a lower allocation to the sector overall contributed positively to strategy performance.

#### The largest negative drivers of current quarter performance:

- Ownership of center-store, packaged foods companies within Consumer Staples contributed negatively to performance as the market continued to assess the potential impact on food and beverage volumes following positive obesity drug readouts. Additionally, amidst concerns regarding consumer spending, ownership of fragrance producer Inter Parfums (IPAR) detracted from performance.
- Within Health Care, ownership of private label drug manufacturer Perrigo (PRGO) detracted from strategy performance due to idiosyncratic headwinds. This was partially offset by ownership of Quest Diagnostics (DGX), which was rewarded for its continued innovation to expand its addressable testing market.
- Exposure to traditional advertising and broadcasting companies within Communication Services was a slight detractor to strategy performance. This was partially offset by no exposure to consumer-cyclical media companies.

#### Largest Portfolio Contributors

1. **NetApp (NTAP):** During the quarter, NTAP was rewarded for its increasingly differentiated storage solutions through both public and private cloud and on-premises offerings. The company gained market share versus competitors with growth in product offerings up and down the value chain. Going forward, we remain convinced in NTAP's competitive position in storing and synthesizing unstructured data especially in the current "AI Age." The company's fundamental strength was accompanied by a 4% dividend increase announced in May.
2. **Targa Resources (TRGP):** TRGP has benefited from a favorable commodity cycle and increased NGL production in the Permian. Strong free cash flow generation coupled with improved financial stability following debt payment prioritization and the reduction of operating expenses from 2020 onwards support long-term shareholder returns.
3. **Victory Capital (VCTR):** VCTR showed strength in 2Q2024 due to the company's industry leading EBITDA margin profile and unique operating platform, in addition to an announced distribution agreement during the quarter. Given balance sheet capacity and strong cash flow generation, the M&A pipeline remains a catalyst for the company going forward.

#### Largest Portfolio Detractors

1. **Perrigo (PRGO):** Infant formula remediation efforts pressured PRGO's sales and margins during 1Q2024 and caused management to reduce full year 2024 guidance. Management has recently cited that these efforts have gone ahead of plan, allowing for a sustainable recovery in PRGO's results, especially at a time when consumer spending pressures are creating a trade down effect to store-branded products that PRGO supplies.
2. **Inter Parfums (IPAR):** During the quarter, IPAR underperformed as concerns about the health of consumer spending began to percolate. However, continued investments in marketing and innovation should help play an instrumental role in increased overall profitability for the company. As the pure play fragrance provider with a diversified portfolio of brands, we expect IPAR to continue to maintain its strong market position regardless of macro backdrop.
3. **Hubbell (HUBB):** Following strong outperformance over the last two years, shares of HUBB underperformed in 2Q2024 as F1Q earnings fell short of bullish expectations due to destocking headwinds and telecom weakness. Despite these headwinds, strong overall demand driven by electrification and grid hardening related investments combined with recent margin expansion should continue to support strong earnings and dividend growth.

## STRATEGY STYLE CATEGORIZATION

Asset Class	Benchmark	Mandate
Domestic Equity	Russell 2500	Small/Mid Cap Core

### Investment Philosophy

Bahl & Gaynor employs a Growth at a Reasonable Price discipline to purchase high-quality companies at sensible valuations. It is our goal to seek competitive performance while preserving capital in declining markets. In addition, our focus on companies that pay a growing dividend has benefited our clients in the form of a reliable income stream.

We are long-term investors and seek to identify companies that are managed conservatively and for growth, have stable and sustainable business models, and reward shareholders with a growing dividend. It is our intention to identify the best companies that meet these criteria and hold them for long periods of time.

Bahl & Gaynor’s investment philosophy exemplifies our firm belief in the power of long-term investing and compounding dividend income.

### smig® Small/Mid Cap Income Growth Positioning

Our smig® strategy focuses on owning small and medium-size companies with a market capitalization between \$200 million and the largest company in the Russell 2500 at purchase. Protection of capital in falling markets, providing an above-average and growing income stream, and strong performance all relative to small to medium-size company managers constitute the strategy’s goals.

Bahl & Gaynor’s equity selection process yields an investable universe of companies that are managed conservatively and for long-term growth, have stable and sustainable business models, and reward shareholders of the company with a growing dividend. From this investable universe, the smig® strategy seeks small to medium-size companies with the ability to grow their dividend payments at a high rate in the future.

Over a full market cycle, Bahl & Gaynor’s smig® strategy seeks to outperform its benchmark and small/mid-capitalization core peers all in the context of a lower-than-average portfolio risk profile.

Client portfolios will generally be diversified with each security typically held for three to five years. Low to moderate portfolio turnover combined with the favorable tax treatment of dividend income can result in a cost and tax-efficient portfolio.

<p><b>Portfolio Management Parameters</b></p>	<p>100% of companies held in the portfolio pay a cash dividend</p>	<p>Portfolio typically managed to maximum 5% capital and 6% income contributions per stock</p>	<p>Cash is frictional and generally represents 1% to 3% of portfolio value</p>
<p>Annual portfolio turnover is low to moderate</p>	<p>Sell or trim decisions are based upon fundamentals, dividend policy, and deteriorating balance sheet</p>	<p>The strategy employs no derivatives, exchange-traded funds or mutual funds</p>	

## Portfolio Details (as of June 30, 2024)

Top 10 Holdings	smig® Weight
Booz Allen Hamilton (BAH)	5.4%
Hubbell (HUBB)	4.3%
Broadridge Financial (BR)	4.3%
Victory Capital (VCTR)	4.2%
Watsco (WSO)	3.9%
Targa Resources (TRGP)	3.8%
Packaging Corp (PKG)	3.7%
Snap-on (SNA)	3.6%
Amdocs (DOX)	3.3%
Hartford Financial (HIG)	3.3%
Total:	39.7%

Sector	smig® Weight	Russell 2500 Weight
Industrials	23.4%	19.9%
Financials	18.1%	16.8%
Materials	10.8%	5.5%
Information Technology	8.5%	14.5%
Utilities	7.8%	3.0%
Consumer Staples	6.3%	3.3%
Energy	6.1%	4.8%
Health Care	5.9%	11.4%
Real Estate	5.4%	5.5%
Consumer Discretionary	4.6%	13.2%
Communication Services	1.5%	2.0%
Money Market	1.5%	-

Portfolio Statistics	smig®	Russell 2500
P/E Ratio (TTM)	19.4x	16.8x
P/B Ratio	2.8x	2.2x
Weighted Average Market Cap	\$13.5 B	\$8.0 B
Dividend Yield – Gross of Fees <sup>1</sup>	2.5%	1.5%
Beta since inception (Gross / Net)	0.78 / 0.79	1.00
Sharpe ratio	0.62 / 0.41	0.44
TTM Turnover	18.0%	-

Source: FactSet, Zephyr, Bahl & Gaynor, 2024. Inception date 3/31/2013.

Performance (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
1 Year	12.32%	9.01%	10.47%
3 Years	5.08%	1.99%	-0.29%
5 Years	8.29%	5.10%	8.31%
10 Years	9.45%	6.23%	7.99%
Since Inception	10.95%	7.68%	9.48%

Standard Deviation (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
1 Year	13.93%	13.83%	20.25%
3 Years	17.00%	17.15%	20.62%
5 Years	18.60%	18.81%	22.52%
10 Years	15.96%	16.15%	19.08%
Since Inception	15.34%	15.50%	18.35%

Source: Bahl & Gaynor, Zephyr, 2024. Inception date 3/31/2013.

<sup>1</sup>Dividend yield includes cash holdings.

<sup>2</sup>The income growth rate for the Bahl & Gaynor smig® strategy is calculated as of the most recent quarter-end using the trailing twelve months of income earned in a model portfolio, with income reinvestment, compared to the income earned in the twelve-month period three and five years prior. The income growth rate for the Russell 2500 is calculated using the same methodology.

<sup>3</sup>Source: Bahl & Gaynor; historical downside (upside) capture is the sum of strategy returns on all Russell 2500 down (up) days divided by the sum of index returns on all respective down (up) days. Down (Up) days are defined as any trading day the index posts a negative (positive) total return. Strategy performance is derived from the internal rate of return (IRR) of a single non-fee paying representative/model account.

<sup>4</sup>Sharpe Ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 3/31/2013.

Source: FactSet, Bahl & Gaynor, 2024. Statistics and weight data is drawn from the Small/Mid Cap Income Growth model portfolio that is fully discretionary, unconstrained and subject to change. Individual Bahl & Gaynor clients may or may not hold these positions or have similar characteristics. Risk and return data are representative of the Small/Mid Cap Income Growth WRAP composite. Net of fee performance information shown is calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis, or 0.75% quarterly) on a quarterly basis from the gross composite quarterly return and reflects the reinvestment of income and other earnings. The standard fee schedule in effect is 3.00% on total assets. **Past performance does not guarantee future results.** Other methods may produce different results and the results for individual accounts and for different periods may vary depending on market conditions and the composition of the account. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods. No alteration of the composite as presented here has occurred because of changes in personnel or other reasons at any time.

## THANKS!

**Your continued support and interest are much appreciated.**

Everyone at Bahl & Gaynor would like to thank you for the opportunity to serve your investment needs. If you would like to speak in greater detail with a member of the B&G Team, please reach out to us through our Institutional Consulting Group. Additional details on the Institutional Consulting Group can be found on the following page.

Contact Us

## IMPORTANT DISCLOSURES

*Past performance does not guarantee future results. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial fees, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings do or will correspond directly to any comparative indices. The index and other amounts shown above do not relate to the Bahl & Gaynor smig® strategy and are for illustrative purposes only.*

*Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2023. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®," are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.*

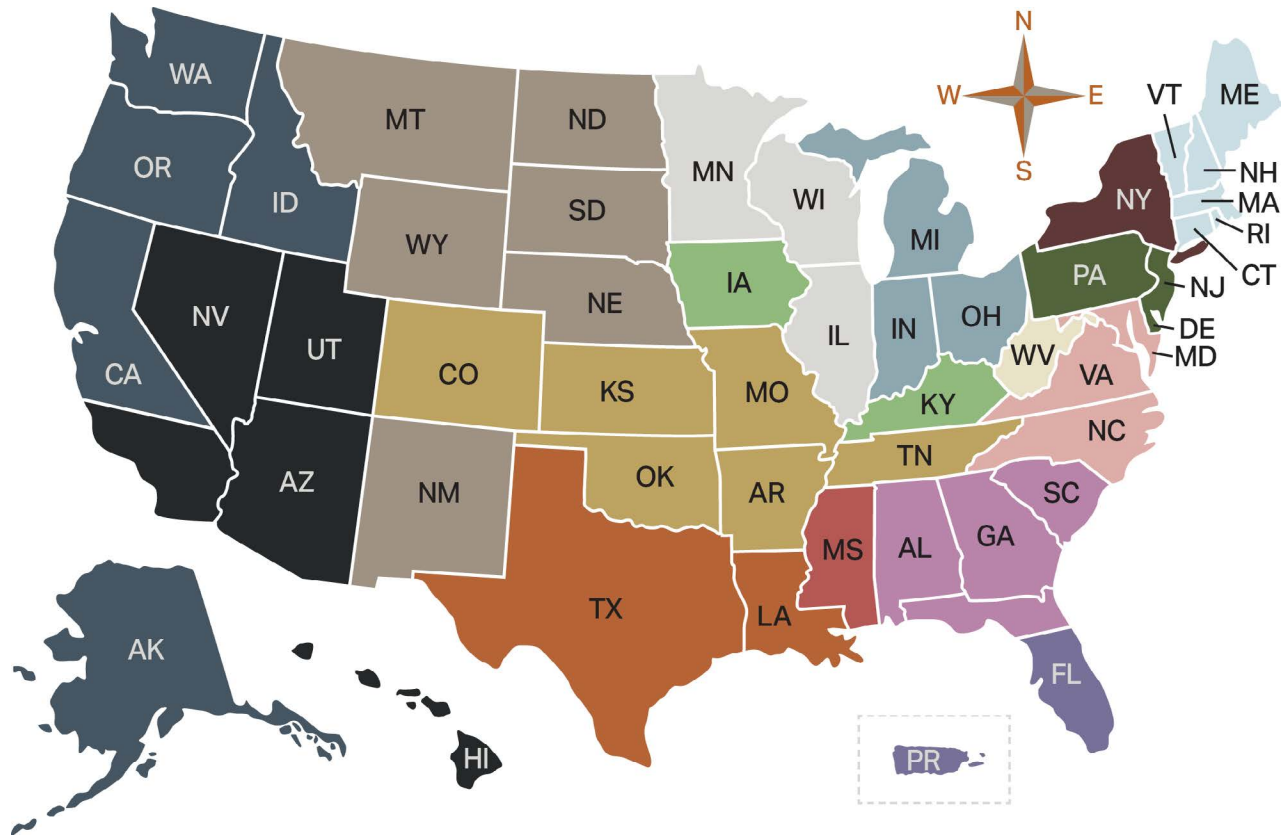
**The Strategy is designed for long-term investors who are willing to accept short-term market price fluctuations. Principal risks of investing in this strategy include stock market risk, management risk, recent market events risk, and small/mid cap company risk. All equity investments inherently have aspects of risk associated with them; past performance does not guarantee future results. Investment involves a risk of loss. An issuer of a security may be unwilling or unable to pay income on a security. Common stocks do not assure dividend payments and are paid only when declared by an issuer's board of directors. The amount of any dividend may vary over time.**

*Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Bahl & Gaynor. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Bahl & Gaynor or any other person. While such sources are believed to be reliable, Bahl & Gaynor does not assume any responsibility for the accuracy or completeness of such information. Bahl & Gaynor does not undertake any obligation to update the information contained herein as of any future date.*

*Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.*

*Investment advisory services provided through Bahl & Gaynor Investment Counsel ("B&G"), a federally registered investment adviser under the Investment Advisers Act of 1940. Registration does not imply information or a certain level of skill or training. More information about B&G can be found by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and searching by the adviser's name. This is prepared for informational purposes only and may not be applicable to your particular situation or need(s). It does not address specific investment objectives. Information in these materials are from sources B&G deems reliable, however we do not attest to their accuracy. Past performance is not indicative of future results. Indices and benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Index return information is provided by vendors and although deemed reliable, is not guaranteed by B&G. No fiduciary relationship exists because of this commentary. If you have any questions regarding the indices or investments referenced in this presentation, contact your B&G investment professional.*

*Bahl & Gaynor Investment Counsel, Inc. (Bahl & Gaynor) claims compliance with the Global Investment Performance Standards (GIPS®). Bahl & Gaynor, an independent, privately held corporation registered as an investment adviser under the Investment Advisers Act of 1940, includes all accounts managed by the firm. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. The currency used to express performance is U.S. dollars. More information about Bahl & Gaynor, including fee information, is available by request and may also be found in Form ADV Part 2A. To request a list and description of Bahl & Gaynor's composites and/or a presentation that complies with the GIPS standards, please call 888-355-6962 or email [bginvestmentspecialist@bahl-gaynor.com](mailto:bginvestmentspecialist@bahl-gaynor.com).*



Territory	Name	Phone #	Email
CT / MA / ME / NH / RI / VT	Ryan Welch	(857) 500-2438	rwelch@bahl-gaynor.com
NY	Steven Mazzuchelli	(917) 581-4419	smazzuchelli@bahl-gaynor.com
DE / NJ / PA	Jeremy Kees	(973) 508-3293	jkees@bahl-gaynor.com
WV	Tony Saba*	(513) 926-0069	tsaba@bahl-gaynor.com
DC / MD / NC / VA	Neal Lee	(410) 829-9709	nlee@bahl-gaynor.com
AL / GA / SC / N. FL	Jeffrey Rosen	(404) 491-6157	jrosen@bahl-gaynor.com
Central & S. FL / PR	Joseph Beshara	(513) 713-4837	jbeshara@bahl-gaynor.com
IN / MI / OH	Shane Russell	(248) 312-9821	srussell@bahl-gaynor.com
KY / IA	Nick Werthman*	(513) 713-4838	nwerthman@bahl-gaynor.com
AR / CO / KS / MO / OK / TN	Brian Ridgeway	(720) 749-0434	bridgeway@bahl-gaynor.com
MS	Chloe Hunt*	(513) 926-0075	chunt@bahl-gaynor.com
IL / MN / WI	Andrew Raia	(312) 520-0256	araia@bahl-gaynor.com
LA / TX	Rob Macchi	(281) 414-1438	rmacchi@bahl-gaynor.com
MT / ND / NE / NM / SD / WY	Aaron Krauss*	(770) 639-3139	akrauss@bahl-gaynor.com
AK / ID / OR / N. CA / WA	Jack Schultz	(925) 393-3460	jschultz@bahl-gaynor.com
AZ / S. CA / HI / NV / UT	Isida DeLillo (Izzy)	(858) 339-0527	idelillo@bahl-gaynor.com

\*Strategy Specialist

FOR FINANCIAL PROFESSIONAL USE ONLY. NOT FOR USE WITH THE GENERAL PUBLIC.