

Smig® – Small/Mid Cap Income Growth | THIRD QUARTER 2024

STRATEGY OBJECTIVES

- High current and growing income:** 2.3% yield¹; +10.3% growth in trailing-twelve-month (TTM) income as of 3Q2024²
- Downside protection:** Daily downside capture of 56.0% across all Russell 2500 down days during the quarter³
- Capital appreciation:** Since inception Sharpe ratio of 0.67 gross / 0.45 net versus the Russell 2500's Sharpe ratio of 0.47⁴

MARKET RECAP AND OUTLOOK

During 3Q2024, small and mid-cap equities, as proxied by the Russell 2500, outperformed the largest market cap companies. Though the anticipation of a Federal Funds Rate cut no doubt helped to fuel the small and mid-cap rally, dividend payers within the Russell 2500 outperformed non-payers suggesting defensive undertones. Investor preference for consistent fundamentals amid potential economic, political, geopolitical, and market uncertainties has become more pronounced.

Heightened investor risk aversion was supportive of Bahl & Gaynor's dividend growth strategies across the small and mid-cap spectrum. We believe favorable strategy-level return outcomes have been driven by strong underlying fundamental performance of portfolio holdings as well as increased investor need for inflation-adjusted income and risk-aware access to small and mid-cap equity exposure under-represented in client portfolios.

With the proportion of unprofitable small and mid-cap index constituents, companies with negative earnings over the previous twelve-month period, hovering around 20% for the Russell 2500 (source: FactSet), we believe the opportunities pursued according to our investment philosophy remain highly relevant for investors seeking exposure to the space. Lagging small and mid-cap index returns vis-à-vis large-cap counterparts over the last several years likely remains an investable mean-reversion thesis. But economic and market outcomes are likely to remain uncertain, and we believe strategy outcomes are strongly supported by our unique commitment to the principles of compounding dividend income and downside protection in this portion of the market cap spectrum.

3Q2024 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Income Growth

- The Smig® strategy grew TTM income by +10.3%, compared to Russell 2500 income growth of +6.9%.²
- During the quarter, 8 strategy holdings announced dividend hikes with an average TTM increase of +16.2%, signaling continued financial health of the portfolio.

Downside Protection

- The strategy delivered daily downside capture of 56.0% quarter-to-date and 59.2% year-to-date across all Russell 2500 down days.³

Capital Appreciation

- The strategy returned +11.58% gross / +10.75% net versus the Russell 2500's +8.75% total return during the quarter.
- Strong stock selection across almost all sectors supported the strategy's outperformance versus the benchmark.
- Market breadth widened during the quarter with eight of eleven sectors outpacing the Russell 2500. Investors preferred dividend-paying companies with Russell 2500 dividend payers returning +10.05% versus non-dividend payers +7.04%.

3Q2024 Dividend Increases		
Company	TTM% Increase	Current Yield
Avnet (AVT)	6.5%	2.4%
Broadridge Financial (BR)	10.0%	1.6%
CBOE Global (CBOE)	14.5%	1.2%
First Financial (FFBC)	4.3%	3.8%
Home Bancshares (HBAN)	8.3%	2.9%
Penske Automotive (PAG)	48.6%	2.6%
Terreno Realty (TRNO)	8.9%	2.9%
Victory Capital (VCTR)	28.1%	3.0%

3Q2024 Trades Executed	
Initiations	Eliminations
Gildan Activewear (GIL)	Huntington Bancshares (HBAN)
Increases	Reductions
Agree Realty (ADC)	CSG Systems (CSGS)
CMS Energy (CMS)	Evercore (EVR)
Hartford Financial (HIG)	First Financial (FFBC)
Perrigo (PRGO)	Hubbell (HUBB)
Texas Roadhouse (TXRH)	NetApp (NTAP)
Victory Capital (VCTR)	Nexstar (NXST)

Source: Bahl & Gaynor and FactSet, 2024.

Portfolio Review

The smig® portfolio returned +11.58% gross / +10.75% net versus the Russell 2500's +8.75% during 3Q2024. Strong stock selection in Energy, Utilities, and Financials contributed positively to strategy performance while stock selection in Communication Services and Health Care, along with an underweight to Real Estate detracted from results.

The largest positive drivers of current quarter performance:

- Stock selection within Energy, primarily eschewing exposure to underperforming sectors such as exploration and production, equipment and services, and drilling, aided results amid a tough quarter for the sector. Additionally, ownership of Targa Resources' (TRGP) fee-based, relatively stable earnings stream proved beneficial, returning +15.57% for the quarter.
- Within Utilities, each of the strategy's four holdings contributed positively to results. Natural gas distribution company NiSource (NI), the largest position of the group, delivered a +21.29% return, one the highest across the entire sector, amid continued execution of its strategic objectives.
- Stock selection within Financials, including ownership of asset manager Victory Capital (VCTR), investment bank Evercore (EVR), and insurance company Hartford Financial Services Group (HIG), contributed positively to strategy performance.

The largest negative drivers of current quarter performance:

- Exposure to traditional advertising and broadcasting companies such as Nexstar Media Group (NXST) within Communication Services was a slight detractor to strategy performance. Not owning non-dividend payer Lumen Technologies (LUMN), a telecommunications company that benefitted from investors looking to participate in the artificial intelligence (AI) boom, provided an additional headwind.
- Within Health Care, ownership of private label drug manufacturer Perrigo (PRGO) and outpatient physical therapy services company U.S. Physical Therapy (USPH) detracted from strategy performance. This was partially offset by an overweight to Quest Diagnostics (DGX), which was rewarded for its continued innovation to expand its addressable testing market.
- A slight underweight to the quarter's second-best performing sector, Real Estate, detracted from results. The interest rate sensitive sector rallied as the Federal Reserve's direction for interest rates became clearer and culminated with a 50-basis point cut in September.

Largest Portfolio Contributors

1. **Evercore (EVR):** EVR posted earnings results above expectations in the most recent quarter, reflecting the company's excellent competitive positioning and supported by strong recent investments in advisor headcount growth. Management continues to stay disciplined on costs while capitalizing on the global rebound in M&A activity.
2. **Victory Capital (VCTR):** VCTR showed strength in 3Q2024 due to the company's industry leading EBITDA margin profile and unique operating platform, in addition to an announced distribution agreement during the prior quarter. Given balance sheet capacity and strong cash flow generation, the M&A pipeline remains a catalyst for the company going forward.
3. **Packaging Corp (PKG):** PKG's business model focused on local and regional customers is a differentiator within the paper & packaging industry, translating to higher margins through lower freight & logistics costs. Following a multi-year investment cycle to upgrade its box plants, PKG is benefitting from streamlined operations and improved volumes after a heavy destocking cycle. PKG's differentiated factors give us confidence in through cycle dividend growth and continued operational excellence.

Largest Portfolio Detractors

1. **NetApp (NTAP):** After strong performance in 1H2024, NTAP shares lagged in the recent quarter. Although earnings met expectations, management noted weakness in North American IT budgets. Additionally, we believe the AI storage opportunity, which is primarily related to inferencing, may take time to develop resulting in a trim during the quarter.
2. **Lancaster Colony (LANC):** LANC reported flat volume growth for its Retail segment and negative pricing for its Foodservice segment, both falling short of expectations during the quarter. The company faced challenges from lower volumes in quick service restaurants and tough comparisons in its retail segment. However, with its diverse portfolio, new sauce facility, and desire to expand its brand portfolio, LANC is well positioned to maintain its status as a leading sauce and dressing producer supporting sustained earnings and dividend growth into the future.
3. **Perrigo (PRGO):** As a generic and over-the-counter manufacturer, the sustainability of PRGO's margin profile was in question due to its private label brands and input cost inflation. However, PRGO's portfolio is compelling through-cycle if consumers trade down in a slowing economy; it is further supported by high-growth and high-margin segments like women's health and skin care.

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>Portfolio Management Parameters</p>	<p>1</p> <p>100% of companies held in the portfolio pay a cash dividend</p>	<p>2</p> <p>Portfolio typically managed to maximum 5% capital and 6% income contributions per stock</p>	<p>3</p> <p>Cash is frictional and generally represents 1% to 3% of portfolio value</p>
	<p>4</p> <p>Annual portfolio turnover is low to moderate</p>	<p>5</p> <p>Sell or trim decisions are based upon fundamentals, dividend policy, and deteriorating balance sheet</p>	<p>6</p> <p>The strategy employs no derivatives, exchange-traded funds or mutual funds</p>

Portfolio Details (as of September 30, 2024)

Top 10 Holdings	smig® Weight
Booz Allen Hamilton (BAH)	5.1%
Victory Capital (VCTR)	4.7%
Hubbell (HUBB)	4.3%
Broadridge Financial (BR)	4.2%
Hartford Financial (HIG)	4.0%
Targa Resources (TRGP)	4.0%
Packaging Corporation (PKG)	3.9%
Watsco (WSO)	3.8%
Snap-on (SNA)	3.6%
NiSource (NI)	3.3%
Total:	40.8%

Sector	smig® Weight	Russell 2500 Weight
Industrials	22.5%	19.0%
Financials	18.8%	17.4%
Materials	10.8%	6.1%
Utilities	8.5%	2.6%
Information Technology	7.2%	12.6%
Consumer Staples	6.0%	3.2%
Energy	6.0%	4.4%
Health Care	5.9%	12.8%
Real Estate	5.8%	6.1%
Consumer Discretionary	5.6%	13.1%
Communication Services	1.2%	2.6%
Cash	1.8%	-

Portfolio Statistics	smig®	Russell 2500
P/E Ratio (TTM)	21.0x	18.2x
P/B Ratio	3.0x	2.3x
Weighted Average Market Cap	\$14.9 B	\$7.4 B
Dividend Yield – Gross of Fees ¹	2.3%	1.4%
Beta since inception (Gross / Net)	0.78 / 0.79	1.00
Sharpe ratio since inception (Gross / Net) ⁴	0.67 / 0.45	0.47
TTM Turnover	15.1%	-

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

Performance (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
QTD (Cumulative)	11.58%	10.75%	8.75%
YTD (Cumulative)	18.00%	15.39%	11.30%
1 Year	31.24%	27.38%	26.17%
3 Years	9.37%	6.15%	3.47%
5 Years	10.21%	6.96%	10.43%
10 Years	11.16%	7.89%	9.50%
Since Inception	11.76%	8.47%	10.06%

Standard Deviation (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
1 Year	13.22%	13.11%	18.85%
3 Years	17.23%	17.35%	20.88%
5 Years	18.82%	19.06%	22.60%
10 Years	15.89%	16.08%	18.97%
Since Inception	15.31%	15.48%	18.26%

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

¹Dividend yield includes cash holdings.

²The 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.

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

⁴Sharpe 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.

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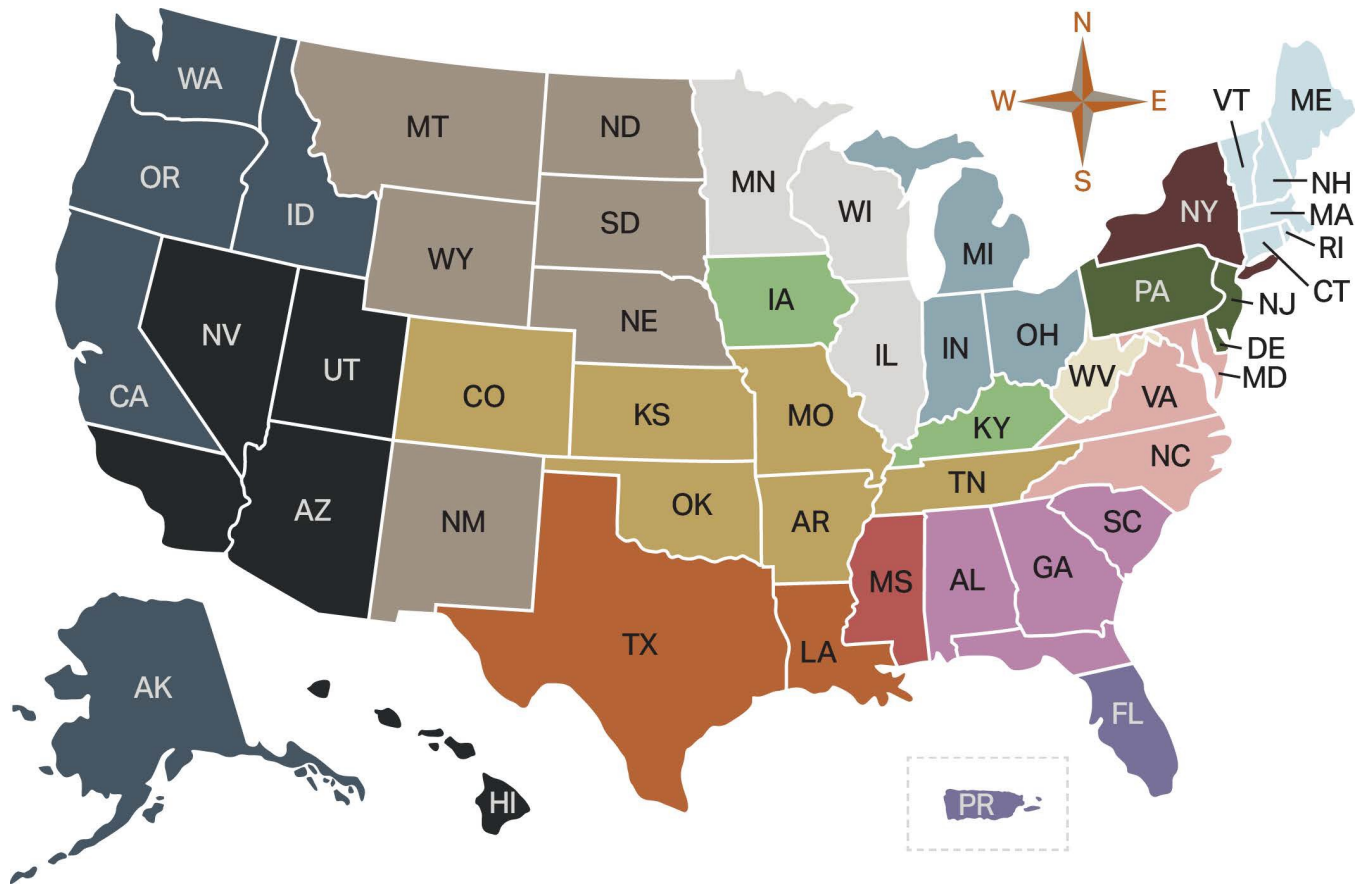
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