Bahl&Gaynor
Investment Counsel

Product Profile | **Mid Cap Quality Growth**

Supplemental Information
Period Ending: September 2019

Portfolio Characteristics

1. Current dividend yield of **1.7%**
2. Average S&P earnings and dividend quality ranking of **B+**
3. Weighted-average market capitalization of **$12.4 billion**

Portfolio Management Parameters

1. 100% of companies held in the portfolio pay a cash dividend
2. Maximum position size of 5.0%, minimum of 0.5% at purchase
3. Cash is frictional and generally represents 1% to 3% of portfolio value
4. Annual portfolio turnover is low to moderate
5. Sell or trim decisions are based upon fundamentals, dividend policy, and better opportunities for yield or income growth
6. The strategy employs no derivatives, exchange-traded funds or mutual funds

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 superior 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.

Since day one, our investment strategy has remained intact – we firmly believe in the power of long-term investing and compounding dividend income.

Mid Cap Quality Growth Positioning

Our Mid Cap Quality Growth strategy focuses on owning medium-size companies with an average market capitalization at purchase between $2.0 billion and $30.0 billion. Protection of capital in falling markets, providing an above-average and growing income stream, and strong performance all relative 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 Mid Cap Quality Growth strategy seeks 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 Mid Cap Quality Growth strategy seeks to outperform its benchmark and mid-capitalization growth peers all in the context of a lower-than-average portfolio risk profile.

Client portfolios will generally be diversified among a selection of 40 to 60 common stock issues with each security typically held for three to five years. Low portfolio turnover combined with the favorable tax treatment of dividend income results in a cost and tax-efficient portfolio.

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Model Style Categorization

Asset Class: Domestic Equity **Benchmarks:** Russell Mid Cap Growth **Mandate:** Mid Cap Growth

Top 10 Holdings		S&P Equity Quality Ranking[1]
CDW Corp (CDW)	4.64%	NR
STERIS (STE)	4.11%	NR
Cintas (CTAS)	3.35%	A-
West Pharmaceutical (WST)	3.34%	A-
Broadridge Financial (BR)	3.15%	A-
Simpson Manufacturing (SSD)	2.97%	A-
SYNNEX (SNX)	2.78%	B+
Encompass Health (EHC)	2.74%	B
D.R. Horton (DHI)	2.66%	B
HEICO (HEI)	2.49%	A

Sector Weightings	Mid Cap Quality Growth
Information Technology	23.3%
Industrials	17.5%
Health Care	15.7%
Consumer Discretionary	13.0%
Financials	9.2%
Real Estate	6.5%
Materials	4.7%
Consumer Staples	4.5%
Utilities	3.0%
Communication Services	1.2%
Energy	0.0%
Money Market	1.4%

Portfolio Statistics	Mid Cap Quality Growth	Russell Mid Cap Growth
P/E Ratio (Trailing 12 Months)	21.9x	25.5x
P/B Ratio	3.7x	6.2x
Weighted Market Cap	$12.4 B	$17.3 B
Dividend Yield	1.7%[2]	0.8%
B+ or better S&P Quality Ranking	58.3%	46.5%
A- or better S&P Quality Ranking	38.5%	23.9%
Beta since inception[3] – Gross of Fees[4]	0.78	1.00
Sharpe Ratio since inception[3] – Gross of Fees[4]	0.66	0.54

Source: Factset, 2019, Bahl & Gaynor. Data is drawn from the Mid Cap 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. [1]Standard & Poor's (S&P) Quality Ranking: S&P determines "quality" via a company's 10-year history of earnings growth and dividend growth. Those with a quality rating of B+ (or better) are considered "average" (or better) [2]Dividend yield includes cash holding. [3]Inception date is 12/31/2003. [4]Source: PSN Enterprise, 2019.