



Dividend Growth ESG

While equity markets displayed notable recovery during 2Q2020, COVID-19 related disruptions continued to exert significant economic and societal impact at the national and local levels.

In April alone, 20.4 million Americans lost their jobs resulting in the U.S. unemployment rate soaring to 14.7%, the highest unemployment rate since the Great Depression and largest increase since 1939. Amid a U.S. economic recession, rising social discord and protests erupted across the nation sparked by the tragic death of George Floyd in Minneapolis and other individuals under similar circumstances. Economic and social events experienced during the quarter accelerated the current trend to challenge the notion that the sole reason for a corporation's existence is the maximization of profit for its shareholders. For ESG funds, including Bahl & Gaynor's Dividend Growth ESG strategy, investments should be selected not only for their profit-maximization potential, but also the way in which they conduct business according to environmental, social and governance (ESG) core values.

Through 2Q2020, Bahl & Gaynor observed numerous ways in which companies navigated the ongoing environment using their ESG values as a guide. We believe these actions, particularly during a period of economic and social tumult, will have lasting implications. They could dramatically impact factors such as employee retention and productivity, as well as significantly shift brand equity and customer loyalty. While not seen as exclusively profit maximizing, these decisions may ultimately impact a businesses' long-term growth trajectory and thus, dividend growth prospects.

Interestingly, work-from-home mandates and stay-at-home-orders have resulted in a dramatic, albeit temporary, reduction in global pollution and greenhouse gas emissions. This reduction has come at the cost of

reduced global travel and economic activity, particularly in the Industrial space. As a result, the spotlight has primarily shifted toward company actions related to non-environmental stakeholders during 2Q2020.

We found that many Bahl & Gaynor Dividend Growth ESG portfolio companies were in positions to aid their respective communities across an assortment of strategic initiatives and benevolent efforts. Given the health-related nature of the global pandemic, Health Care sector companies have been uniquely positioned to address societal challenges. For instance,

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UnitedHealth Group (UNH) leveraged its expertise and tools to improve access to healthcare via waived costs and unlimited telehealth visits, and expanded benefits and assistance to vulnerable populations. On different ends of the healthcare system, Eli Lilly (LLY) has been working diligently to produce effective antibody therapies to fight

COVID-19. Similarly, Abbott Laboratories (ABT) has partnered with the American Diabetes Association to donate continuous glucose monitoring technology to remotely monitor hospitalized patients with diabetes in an effort minimize COVID-19 exposure to this high-risk population.

Many companies have experienced significant financial disruptions as a result of the pandemic, forcing challenging human capital and community-related decisions. A critical decision in a crisis environment is the ability and willingness of shareholders to accept temporary profit reductions in order to support other stakeholders, particularly a company's workforce. ESG strategies already recognize the importance of

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balancing profits with the well-being of their workforce. For example, Home Depot (HD) is supporting associates with \$850M in expanded benefits to alleviate COVID-related challenges including increased pay and expanded care benefits. Similarly, in addition to assisting clients navigate ongoing financial challenges, Bank of America (BAC) CEO Brian Moynihan pledged the bank's 200,000+ employees would retain their jobs throughout 2020. These are two examples of companies that may benefit significantly in the long-run from their human capital

commitments and decisions such as these, through enhanced employee retention and productivity.

Recent health, economic, and social issues have elevated the importance of ESG integration in the eyes of many investors. The Bahl & Gaynor Dividend Growth ESG strategy will continue to seek out and interact with high-quality companies that prioritize all stakeholders through well-established and exemplified environmental, social and governance core values.

Please contact your Bahl & Gaynor Portfolio Manager if you are interested in learning more about our Dividend Growth ESG strategy.

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