

## Portfolio Characteristics

1. Current dividend yield of **2.1%**
2. Average S&P earnings and dividend quality ranking of **A-**
3. Weighted-average market capitalization of **\$264.4 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, Environmental, Social Governance (ESG) key issues and better opportunities for yield or income growth
6. The strategy employs no derivatives, funds, preferred shares, MLPs, or convertible issues

## Company Engagement

1. Directly vote shares in contests that are supportive of constructive ESG initiatives, including diversity, compensation, labor and environmental issues<sup>2</sup>

## 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.

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

## Dividend Growth ESG Positioning

Our Dividend Growth ESG strategy focuses on targeting high-quality companies while also integrating Environmental, Social and Governance (ESG) factors<sup>1</sup>. ESG factors include, but are not limited to, labor, human rights, environmental, diversity, corporate governance and anti-corruption standards. The strategy also focuses on generating a high level of current income that will grow over time. Protection in falling markets is a third goal and long-term capital appreciation is the strategy's fourth goal.

Bahl & Gaynor believes that investors can positively influence companies by voting shares in support of a wide variety of key ESG-related issues. In turn, we believe these changes have potential to enhance the long-term value of our portfolio companies.

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 Dividend Growth ESG strategy seeks companies that reward shareholders with a high current dividend and have the ability to grow their dividend payments consistently in the future.

Over a full market cycle, Bahl & Gaynor's Dividend Growth ESG strategy seeks to outperform its benchmark and large-capitalization core peers all in the context of a lower-than-average portfolio risk profile.

Client portfolios will generally be diversified among a selection of 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.

<sup>1</sup>Bahl & Gaynor utilizes a combination of internal, proprietary research and third-party research to incorporate ESG characteristics into security analysis and selection. <sup>2</sup>Bahl & Gaynor utilizes Broadridge to vote proxies following Glass-Lewis ESG Guidelines.











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## Model Style Categorization

**Asset Class:** Domestic Equity

**Benchmarks:** S&P 500

**Mandate:** Large Cap Core

| Top 10 Holdings  | S&P Equity Quality Ranking <sup>1</sup> |
|--|---|
| JPMorgan Chase (JPM)  4.03%             | A-                                      |
| Microsoft (MSFT)  3.98%                 | B+                                      |
| Home Depot (HD)  3.59%                  | A+                                      |
| Texas Instruments (TXN)  3.29%          | A                                       |
| NextEra Energy (NEE)  3.26%             | A                                       |
| Air Products and Chemicals (APD)  2.85% | A-                                      |
| Broadcom (AVGO)  2.79%                  | NR                                      |
| Truist Financial (TFC)  2.70%           | B+                                      |
| BlackRock (BLK)  2.57%                  | A                                       |
| PepsiCo (PEP)  2.56%                    | A-                                      |

| Sector Weightings      | ESG   |
|------------------------|-------|
| Information Technology | 24.4% |
| Financials             | 15.6% |
| Health Care            | 14.6% |
| Consumer Discretionary | 8.6%  |
| Industrials            | 8.5%  |
| Consumer Staples       | 6.9%  |
| Utilities              | 6.5%  |
| Real Estate            | 5.5%  |
| Materials              | 4.0%  |
| Communication Services | 3.6%  |
| Energy                 | -     |
| Money Market           | 1.9%  |

| Portfolio Statistics   | ESG               | S&P 500   |
|--|-------------------|-----------|
| P/E Ratio (trailing 12 months)                                       | 27.0x             | 28.7x     |
| P/B Ratio  | 4.6x              | 4.2x      |
| Weighted Average Market Cap  | \$264.4 B         | \$465.0 B |
| Dividend Yield   | 2.1% <sup>2</sup> | 1.5%      |
| A- or Better S&P Ranking   | 46.4%             | 30.0%     |
| Beta since inception <sup>4</sup> – Net of Fees <sup>3</sup>         | 0.86              | 1.00      |
| Sharpe Ratio since inception <sup>4</sup> – Net of Fees <sup>3</sup> | 1.16              | 1.28      |
| Number of Positions  | 52                | 505       |

Source: FactSet, 2021, Bahl & Gaynor. Data is drawn from the Dividend Growth ESG 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. <sup>1</sup>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) <sup>2</sup>Dividend yield includes cash holdings. <sup>3</sup>Source: PSN Enterprise, 2021. <sup>4</sup>Inception date: 12/31/2018