

*Period Ending: June 2022*

## Portfolio Characteristics

1. Current dividend yield of **2.8%**
2. Weighted-average S&P earnings and dividend quality ranking of **B+**
3. Weighted-average market capitalization of **\$7.7 billion**

## Portfolio Management Parameters

1. 100% of companies held in the portfolio pay a cash dividend
2. Portfolio typically managed to maximum 5% capital and 6% income contributions per stock
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 deteriorating balance sheet
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.

## Small/Mid Cap Income Growth Positioning

Our smig<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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 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 2500

**Mandate:** Small/Mid Cap Core

### Top 10 Holdings

S&P Equity Quality Ranking<sup>1</sup>

Company	Weighting	S&P Equity Quality Ranking <sup>1</sup>
Booz Allen Hamilton (BAH)	3.94%	NR
Quest Diagnostics (DGX)	3.77%	B+
Evercore (EVR)	3.58%	B
Broadridge Financial (BR)	3.55%	A-
CSG Systems (CSGS)	3.53%	B
Agree Realty (ADC)	3.48%	B
Amdocs Limited (DOX)	3.35%	NR
Hubbell Incorporated (HUBB)	3.32%	A-
Perrigo (PRGO)	3.03%	NR
Snap-on (SNA)	2.82%	A+

Sector Weightings	smig <sup>®</sup>
Information Technology	18.2%
Industrials	14.3%
Financials	13.5%
Consumer Discretionary	12.9%
Health Care	9.7%
Materials	9.7%
Real Estate	6.7%
Utilities	5.4%
Consumer Staples	5.4%
Communication Services	2.2%
Energy	0.0%
Money Market	1.9%

Portfolio Statistics	smig <sup>®</sup>	Russell 2500
P/E Ratio (trailing 12 months ex. neg.)	13.3x	11.8x
P/B Ratio	2.4x	2.0x
Weighted Average Market Cap	\$7.7 B	\$5.6 B
Dividend Yield	2.8%	1.5%
B+ or better S&P Quality Ranking	49.9%	26.6%
A- or better S&P Quality Ranking	25.7%	12.2%
Beta since inception <sup>3</sup> – Net of Fees <sup>2</sup>	0.78	1.00
Sharpe Ratio since inception <sup>3</sup> – Net of Fees <sup>2</sup>	0.68	0.47

Source: FactSet, 2022, Bahl & Gaynor. 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 smig - Small/Mid Cap Income Growth composite. Past performance is not indicative of 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. <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>Source: PSN Enterprise, 2022. <sup>3</sup>Inception date 3/31/13.