Bahl&Gaynor

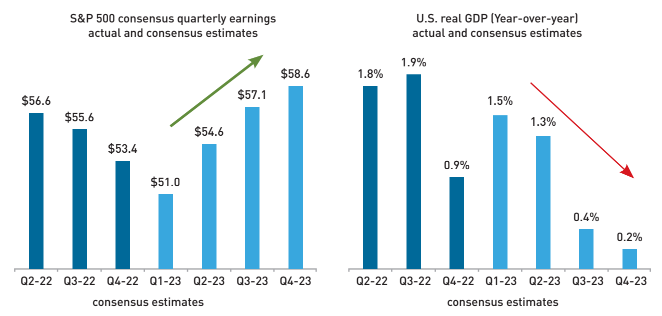
1Q 2023 Market Review and Outlook

Shelf Life

"Nine-tenths of wisdom is to be wise in time." — U.S. President, Theodore Roosevelt

A 24-hour news cycle combined with a rapid increase in professional and retail day traders has tilted markets into a path of short-termism. The CFA Institute defines short-termism as "an excessive focus on short-term results at the expense of long-term interest." Added to this phenomenon is the propensity for "shoot first and ask questions later" responses within media, social networks, and online investment forums. These reactions create a positive feedback loop where "news," with debatable merits and a questionable shelf life, moves markets into an unstable state. Coupled with this dynamic is the presence of structurally higher volatility as investors grapple with a market plagued by dichotomy. S&P 500 consensus earnings estimates are expected to reach a record high in the second half of the year, for instance, while the U.S. real GDP estimates signal an economic slowdown over this same period. This "new normal" of a market existing in the presence of short-termism, dichotomies and heightened volatility only reinforces Bahl & Gaynor's consistent approach focused on high-quality, dividend growth stocks.

Exhibit 1: Disconnect between consensus earnings estimates that are expected to reach a record in the 2nd half vs. a material projected economic slowdown



Source: Truist, FactSet and Bloomberg

Bottom-line: *By staying true to the firm's core tenet of responsible wealth creation through long-term ownership of companies with sustainable competitive advantages and solid fundamentals, the firm's investment committee strives to insulate its investors from this, now common, market turbulence.*

Walking the Walk with Consistency

Various market environments have come and gone since Bahl & Gaynor's 1990 inception and, through these peaks and valleys, we have emphasized current and growing income along with downside protection to achieve responsible growth of capital over the long run. We pride ourselves on meeting portfolio objectives and "walking the walk," especially amidst markets plagued with uncertainty and volatility.

Since inception, our strategies have generated above-market dividend growth and have captured less downside than the market overall, both of which have contributed to materially lower strategy betas versus each strategy's respective benchmark *(Exhibit 2)*. This equates to a more predictable investor experience.

Exhibit 2: Two-Year Betas <1 Across All Strategies

Strategy	Income Growth	Quality Growth	Dividend Growth ESG	Small/Mid Income Growth	Small Cap Quality Growth
Benchmark	S&P 500	S&P 500	S&P 500	Russell 2500	Russell 2000 Growth
Two-Year Beta	0.78	0.83	0.84	0.70	0.73

Source: Bloomberg. Data as of March 10, 2023. Two-Year Beta is measured by the slope of the regression line of the model portfolio and declared benchmark daily returns over the two-year period.

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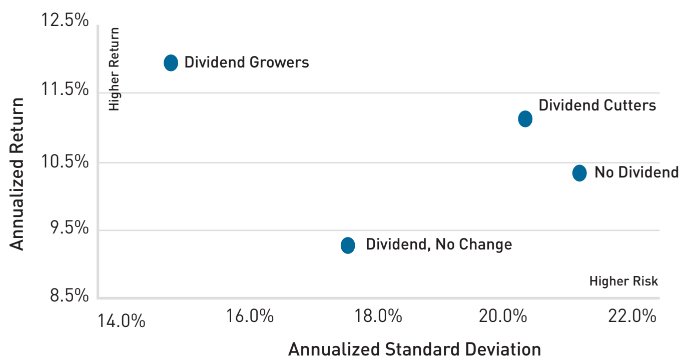
Quality: A Proven Investment Style

Dividend growth companies have historically offered attractive returns with less risk. It is our belief that a consistent growth in the dividend paid is a clear enterprise quality advantage over companies that do not pay or grow the dividend.

These businesses are associated with high economic returns that have shown persistent earnings growth over time to support higher dividend payouts. Earnings stability through-cycle has resulted in reduced volatility and enhanced returns to produce superior risk-adjusted returns for these dividend growers over the long run *(Exhibit 3)*.

Exhibit 3: Annualized Return and Risk of S&P 500 by Dividend Policy (1/31/1990 - 12/31/2022)



Source: 2023 Strategas Research, Inc.

What might explain dividend growth as a sustainable investment style? Dividends can be viewed as a pseudo-contract between corporate boards, management teams and investors. As such, public company boards typically only commit to a regular dividend payment when they believe that payment can, at the very least, be sustained into the future.

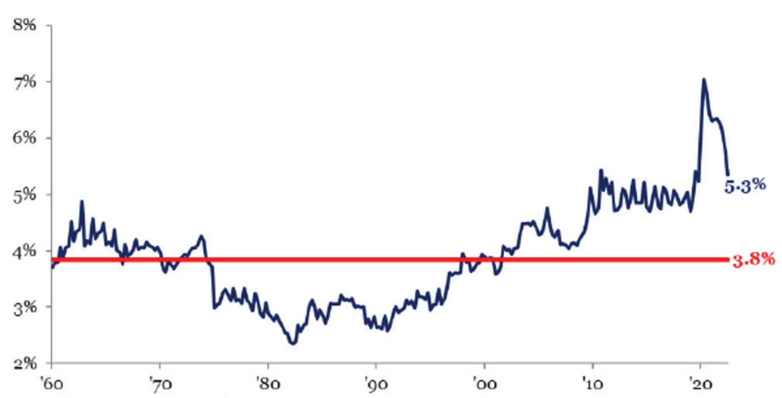
As a by-product of this pseudo-contract, dividend growers' management teams often provide additional transparency to shareholders and form an open dialogue between company and investor. Interestingly, this transparent relationship is something we at Bahl & Gaynor also strive to form with each of our own clients.

A Status Update on Dividends

While the case for dividend growth can certainly be made for the long-term, what dynamics are at play in both the short and medium term? On average, dividend-paying companies did not overspend during the pandemic and managed their cash flows in a responsible, shareholder-friendly manner. The number of dividend increase announcements for S&P 500 companies has only grown since 2020 (286 announcements in 2020, 355 in 2021, and 377 in 2022). 2023 is off to a strong start, with 108 dividend increase announcements from S&P 500 companies this year (Strategas Research, as of 3/15/2023).

Further, company balance sheets remain healthy with above average cash to contribute to capital expenditures to fuel organic growth, as well as shareholder returns in the form of sustained dividends and buybacks *(Exhibit 4)*. With the transition from Quantitative Easing to Quantitative Tightening, higher interest rates are likely to prevail for longer suggesting investors should back management teams with a track record of disciplined capital allocation. Companies that can self-fund and produce sustainable cash flows are, in our view, likely to be structurally advantaged. This is often the definition of dividend-paying and dividend-growing companies.

Exhibit 4: U.S. Non-Financial Corporations Cash Pct. of Total Assets



Source: 2023 Strategas Research, Inc.

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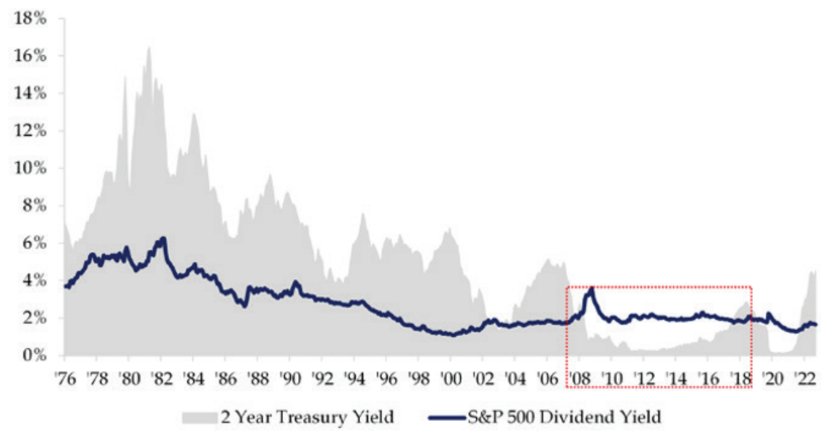
A Status Update on Dividends *(continued)*

Throughout the 2010's, Quantitative Easing depressed fixed income yields near the zero-bound, an anomalistic byproduct of the Fed's accommodative policy. This phenomenon positioned dividend yields above the bottom-dwelling, two-year treasury yield *(Exhibit 5)*. While this relationship has started to revert, and fixed income yields are once again higher than the S&P 500 dividend yield, it is critical to recognize that only dividend-paying equities can *grow* their income stream over time. We believe equities, with the potential for principal and income growth, remain attractive through-cycle.

Exhibit 5: S&P 500 Dividend Yield vs. 2 Year Treasury Yield



Source: 2023 Strategas Research, Inc.

Closing Thoughts

We are continually humbled by the opportunity to deliver exceptional service to our clients, supported by an ownership mindset espoused by each Bahl & Gaynor employee. We believe the past 32 years of client and firm success has largely been driven by our fervent commitment to what we do best: maintain and grow income, provide downside protection, and responsibly grow capital for our investors.

Reliable Income = Reliable Outcome®

Disclosure: