

Period Ending: March 2023

## Portfolio Characteristics

1. Current dividend yield of **2.7%**<sup>1</sup>
2. Weighted-average S&P earnings and dividend quality ranking of **B+**
3. Weighted-average market capitalization of **\$9.0 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 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.

Bahl & Gaynor's investment philosophy exemplifies our firm belief 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.

<sup>1</sup> Dividend yield is inclusive of cash holdings.

The primary focus for this investment strategy is generating current income higher than that of the Russell 2500 that will grow over time. Protection in falling markets is a secondary goal, with long-term capital appreciation as a tertiary goal. This Strategy focuses on owning small and medium-size companies with a market capitalization between \$200 million and the largest company in the Russell 2500 Index at purchase. The Strategy is designed for long-term investors who are willing to accept short-term market price fluctuations. Principal risks of investing in this strategy include stock market risk, management risk, recent market events risk, and small and medium capitalization company risk. Investing in small and medium-capitalization companies involves greater risk and the possibility of greater price volatility than investing in larger-capitalization and more established companies. All equity investments inherently have aspects of risk associated with them; past performance does not guarantee future results. Investment involves a risk of loss.

An issuer of a security may be unwilling or unable to pay income on a security. Common stocks do not assure dividend payments and are paid only when declared by an issuer's board of directors. The amount of any dividend may vary over time.

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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	Weight	S&P Equity Quality Ranking <sup>1</sup>
Inter Parfums (IPAR)	5.04%	B+
Amdocs (DOX)	4.44%	NR
Booz Allen Hamilton (BAH)	3.74%	NR
Quest Diagnostics (DGX)	3.71%	B+
Snap-on (SNA)	3.65%	A+
Watsco (WSO)	3.50%	A
Broadridge Financial (BR)	3.38%	A-
Hubbell Incorporated (HUBB)	3.35%	A-
Insperty (NSP)	3.22%	B+
Evercore (EVR)	3.18%	B

Sector Weightings	smig <sup>®</sup>
Industrials	23.8%
Financials	16.5%
Information Technology	10.3%
Consumer Staples	9.4%
Materials	7.8%
Health Care	7.5%
Real Estate	6.9%
Utilities	6.4%
Consumer Discretionary	5.2%
Communication Services	2.6%
Energy	1.9%
Money Market	1.8%

Portfolio Statistics	smig <sup>®</sup>	Russell 2500
P/E Ratio (trailing 12 months ex. neg.)	14.8x	12.4x
P/B Ratio	2.4x	2.1x
Weighted Average Market Cap	\$9.0 B	\$6.3 B
Dividend Yield	2.7% <sup>2</sup>	1.6%
B+ or better S&P Quality Ranking	51.0%	27.2%
A- or better S&P Quality Ranking	25.4%	12.7%
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>	0.61	0.45

Source: FactSet, 2023, Bahl & Gaynor. Dividend yield is inclusive of cash holdings. Statistics and weight 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 does not guarantee 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, 2023. <sup>3</sup>Inception date 3/31/13.