

smig<sup>®</sup> - Small/Mid Cap Income Growth | FIRST QUARTER 2024

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## Strategy Objectives

1. **High current and growing income:** 2.4% yield<sup>1</sup>; 9.4% growth in trailing-twelve-month (TTM) income as of 1Q2024<sup>2</sup>
2. **Downside protection:** Daily downside capture of 55.9% across all Russell 2500 down days during the quarter<sup>3</sup>
3. **Capital appreciation:** Since inception Sharpe Ratio of 0.65 gross / 0.43 net, respectively<sup>4</sup>

1Q2024 RESULTS RELATIVE TO STRATEGY OBJECTIVES:

## Income Growth

- The smig<sup>®</sup> strategy grew TTM income by +9.4%, compared to Russell 2500 income growth of +11.3%.<sup>2</sup>
- 19 strategy holdings announced dividend hikes with an average TTM increase of +20.4%, signaling continued financial health of the portfolio.

## Downside Protection

- Daily downside capture of 55.9% and upside capture of 68.1% across all Russell 2500 down/up days during 1Q2024.<sup>3</sup>

## Capital Appreciation

- The strategy returned +7.50% gross / +6.70% net versus the Russell 2500's +6.92% total return during the quarter.
- Strong stock selection supported the strategy's outperformance, versus its investable universe of Russell 2500 companies with a dividend yield >2.0%, which returned +4.07%.
- During 1Q2024, the Russell 2500 performance was led by traditionally cyclical sectors, like Materials and Energy. Consumer Discretionary and Financials also outperformed the Russell 2500 benchmark during the period.
- The small/mid capitalization market has been subject to a continuation of 4Q2023 themes with defensive companies underperforming growth and cyclicals as investors embraced a "risk on" mentality.
- We remain convicted in the outlook for risk-aware, active small/mid capitalization strategies with a focus on sustainable dividends and the ability to self-fund amidst an environment still defined by the tightest financial conditions seen in the last decade.

## 1Q2024 Dividend Increases

Company	TTM % Increase	Current Yield
Alliant Energy (LNT)	6.1%	3.8%
Amdocs (DOX)	10.1%	2.1%
Booz Allen Hamilton (BAH)	8.5%	1.4%
CMS Energy (CMS)	5.6%	3.4%
CSG Systems (CSGS)	7.1%	2.3%
Equity Lifestyle Properties (ELS)	6.7%	3.0%
Inter Parfums (IPAR)	20.0%	2.1%
Interpublic Group (IPG)	6.5%	4.0%
Meritage Homes (MTH)	177.8%	1.7%
Nexstar Media Group (NXST)	25.2%	3.9%
NiSource (NI)	6.0%	3.8%
Penske Automotive (PAG)	42.6%	2.1%
Perrigo (PRGO)	1.1%	3.4%
Plains Group (PAGP)	18.7%	7.0%
Quest Diagnostics (DGX)	5.6%	2.3%
Texas Roadhouse (TXRH)	10.9%	1.6%
US Physical Therapy (USPH)	2.3%	1.6%
Victory Capital (VCTR)	4.7%	3.2%
World Kinect (WKC)	21.4%	2.6%

## 1Q2024 Trades Executed

Initiations	Eliminations
CMS Energy (CMS)	MDC Holdings (MDC)
Meritage Homes (MTH)	Regions Financial (RF)
Texas Roadhouse (TXRH)	
Increases	Reductions
Avery Dennison (AVY)	CSG Systems (CSGS)
CBOE Global (CBOE)	Evercore (EVR)
CMS Energy (CMS)	First Interstate Bank (FIBK)
Hartford Financial (HIG)	Insperty (NSP)
Meritage Homes (MTH)	NetApp (NTAP)
NiSource (NI)	Nexstar Media Group (NXST)
Packaging Corp (PKG)	World Kinect (WKC)
Plains Group (PAGP)	
Targa Resources (TRGP)	
Texas Roadhouse (TXRH)	
Victory Capital (VCTR)	

Source: Bahl &amp; Gaynor and FactSet, 2024.

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## Portfolio Review

The smig® portfolio returned +7.50% gross / +6.70% net versus the Russell 2500's +6.92% during 1Q2024. Strong stock selection in Financials, Materials and Energy contributed positively to performance while stock selection in Industrials, Health Care and Utilities detracted from strategy performance.

### The largest positive drivers of current quarter performance:

- An active overweight to property & casualty insurers including the ownership of Hartford Financial (HIG) and American Financial (AFG) contributed positively to strategy performance. In addition, stock selection within asset managers and a position in investment bank Evercore (EVR) benefited performance.
- Within Materials, an overweight to the packaging industry which has been supported by higher-than-expected volumes and stock selection within the diversified specialty chemicals industry was beneficial to strategy performance. This was partially offset by no exposure to cyclical construction materials.
- Strong stock selection within oil & gas storage and specifically the ownership of Targa Resources (TRGP), and its fee based, relatively stable earnings stream fee-based, relatively stable earnings stream contributed positively to strategy performance. No exposure to coal and integrated oil & gas companies was a positive for strategy performance.

### The largest negative drivers of current quarter performance:

- Exposure to data processing companies CSG Systems (CSGS) and Broadridge Financial (BR) detracted from strategy performance. Furthermore, ownership of human resource provider Insperity (NSP) hurt performance as expectations on future employment and net hiring weakened. This was partially offset by ownership of electrical components companies and government contractor Booz Allen Hamilton (BAH).
- An overweight to health care services and ownership of private label drug manufacturer Perrigo (PRGO) detracted from strategy performance. This was offset by no ownership of cyclical health care equipment and supplies companies.
- Within Utilities, an overweight to the sector as a whole and no ownership of independent power production companies detracted from strategy performance as investors embraced a "risk on" mentality which benefited lower quality utility companies.

## Largest Portfolio Contributors

1. **Hubbell (HUBB):** As a key provider of electrical products, HUBB continued to experience strong demand driven by secular trends such as electrification, grid hardening & the deployment of renewable generation. This combined with recent margin expansion continues to support strong earnings growth.
2. **Hartford Financial (HIG):** HIG posted a better-than-expected combined ratio and favorable net written premium growth results during the quarter, in addition to raising profitability expectations for the fiscal year. HIG's history of best-in-class commercial underwriting results and a diversified business mix should translate to a continuation of attractive earnings and dividend growth.
3. **Booz Allen Hamilton (BAH):** As a leading provider of IT services to the defense, intelligence, and civil markets, BAH has demonstrated continued top-line growth in excess of peers. The company's backlog remains favorable and hiring has improved, both of which should continue to support the bottom line.

## Largest Portfolio Detractors

1. **Insperity (NSP):** Though earnings announced during 1Q2024 exceeded expectations, shares reacted negatively to a disappointing financial outlook including headwinds from client attrition and costs associated with an unexpected business partnership. The position was trimmed during the quarter to manage this increased risk and uncertainty.
2. **Agree Realty (ADC):** A return to interest rate volatility in 1Q24 saw ADC underperform as the company's strategy of acquiring high-quality real estate at attractive spreads over its cost of capital remained challenged. Despite this, ADC has no material debt maturities until 2028, continues to grow the dividend, and maintains a relatively de-risked earnings growth outlook for 2024.
3. **Quest Diagnostics (DGX):** DGX underperformed during 1Q24 as the company worked through margin headwinds from increased labor costs and the continued roll off of premium Covid-19 test pricing. Despite this, the company's organic volumes have inflected positively, even from a high Covid-19 base volume, and M&A within diagnostic labs remains a viable growth lever.

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## Strategy Style Categorization

Asset Class	Benchmarks	Mandate
Domestic Equity	Russell 2500	Small/Mid Cap Core

### 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.

### smig® Small/Mid Cap Income Growth Positioning

Our smig® 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® 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® 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.

<p><b>Portfolio Management Parameters</b></p>	<p>1 100% of companies held in the portfolio pay a cash dividend</p>	<p>2 Portfolio typically managed to maximum 5% capital and 6% income contributions per stock</p>	<p>3 Cash is frictional and generally represents 1% to 3% of portfolio value</p>
<p>4 Annual portfolio turnover is low to moderate</p>	<p>5 Sell or trim decisions are based upon fundamentals, dividend policy, and deteriorating balance sheet</p>	<p>6 The strategy employs no derivatives, exchange-traded funds or mutual funds</p>	

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Portfolio Details

Top 10 Holdings	smig <sup>®</sup> Weight	Sector	smig <sup>®</sup> Weight	Russell 2500 Weight
Booz Allen Hamilton (BAH)	5.1%	Industrials	24.7%	20.3%
Hubbell (HUBB)	4.8%	Financials	18.1%	16.8%
Broadridge Financial (BR)	4.3%	Materials	10.3%	5.6%
Snap-on (SNA)	4.0%	Information Technology	8.2%	14.5%
Amdocs (DOX)	3.7%	Utilities	7.4%	2.7%
Watsco (WSO)	3.6%	Consumer Staples	7.0%	3.2%
Victory Capital (VCTR)	3.4%	Health Care	6.4%	11.7%
Hartford Financial (HIG)	3.3%	Energy	5.4%	4.4%
Targa Resources (TRGP)	3.3%	Real Estate	5.4%	5.5%
Packaging Corp (PKG)	3.3%	Consumer Discretionary	3.5%	13.5%
		Communication Services	1.9%	1.9%
		Money Market	1.7%	-

Portfolio Statistics	smig <sup>®</sup>	Russell 2500
P/E Ratio (TTM)	20.4x	17.4x
P/B Ratio	2.8x	2.3x
Weighted Average Market Cap	\$13.1 B	\$8.3 B
Dividend Yield <sup>1</sup>	2.5%	1.4%
Beta since inception (Gross / Net)	0.78 / 0.79	1.00
Sharpe Ratio (Gross / Net)	0.65 / 0.43	0.48

Source: FactSet, PSN, 2024. Inception date 3/31/2013.

1Q2024 Performance (Annualized)	smig <sup>®</sup> WRAP (Pure Gross)	smig <sup>®</sup> WRAP (Net)	Russell 2500	1Q2024 Risk (Annualized)	smig <sup>®</sup> WRAP (Pure Gross)	smig <sup>®</sup> WRAP (Net)	Russell 2500
1 Year	18.71%	15.22%	21.43%	1 Year	15.93%	15.45%	19.91%
3 Years	6.31%	3.18%	2.97%	3 Years	17.03%	17.22%	20.19%
5 Years	10.29%	7.04%	9.90%	5 Years	18.94%	19.10%	22.67%
10 Years	10.36%	7.11%	8.84%	10 Years	15.92%	16.09%	18.96%
Since Inception	11.37%	8.09%	10.14%	Since Inception	15.43%	15.59%	18.38%

Source: Bahl & Gaynor, 2024. Inception date 3/31/2013.

<sup>1</sup>Dividend yield includes cash holdings.

<sup>2</sup>The income growth rate for the Bahl & Gaynor smig<sup>®</sup> strategy is calculated as of the most recent quarter-end using the trailing twelve months of income earned in a model portfolio, with income reinvestment, compared to the income earned in the twelve-month period three and five years prior. The income growth rate for the Russell 2500 is calculated using the same methodology.

<sup>3</sup>Source: Bahl & Gaynor; historical downside (upside) capture is the sum of strategy returns on all Russell 2500 down (up) days divided by the sum of index returns on all respective down (up) days. Down (Up) days are defined as any trading day the index posts a negative (positive) total return. Strategy performance is derived from the internal rate of return (IRR) of a single non-fee paying representative/model account.

<sup>4</sup>Sharpe Ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 3/31/2013.

Source: FactSet, Bahl & Gaynor, 2024. Statistics and weight data is drawn from the smig<sup>®</sup> 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 Small/Mid Cap Income Growth WRAP composite. Net of fee performance information shown is calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis, or 0.75% quarterly) on a quarterly basis from the gross composite quarterly return and reflects the reinvestment of income and other earnings. The standard fee schedule in effect is 3.00% on total assets. **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.

# THANKS!

Your continued support and interest are much appreciated.

Everyone at Bahl & Gaynor would like to thank you for the opportunity to serve your investment needs. If you would like to speak in greater detail with a member of the B&G Team, please reach out to us through our Institutional Consulting Group. Additional details on the Institutional Consulting Group can be found on the following page.

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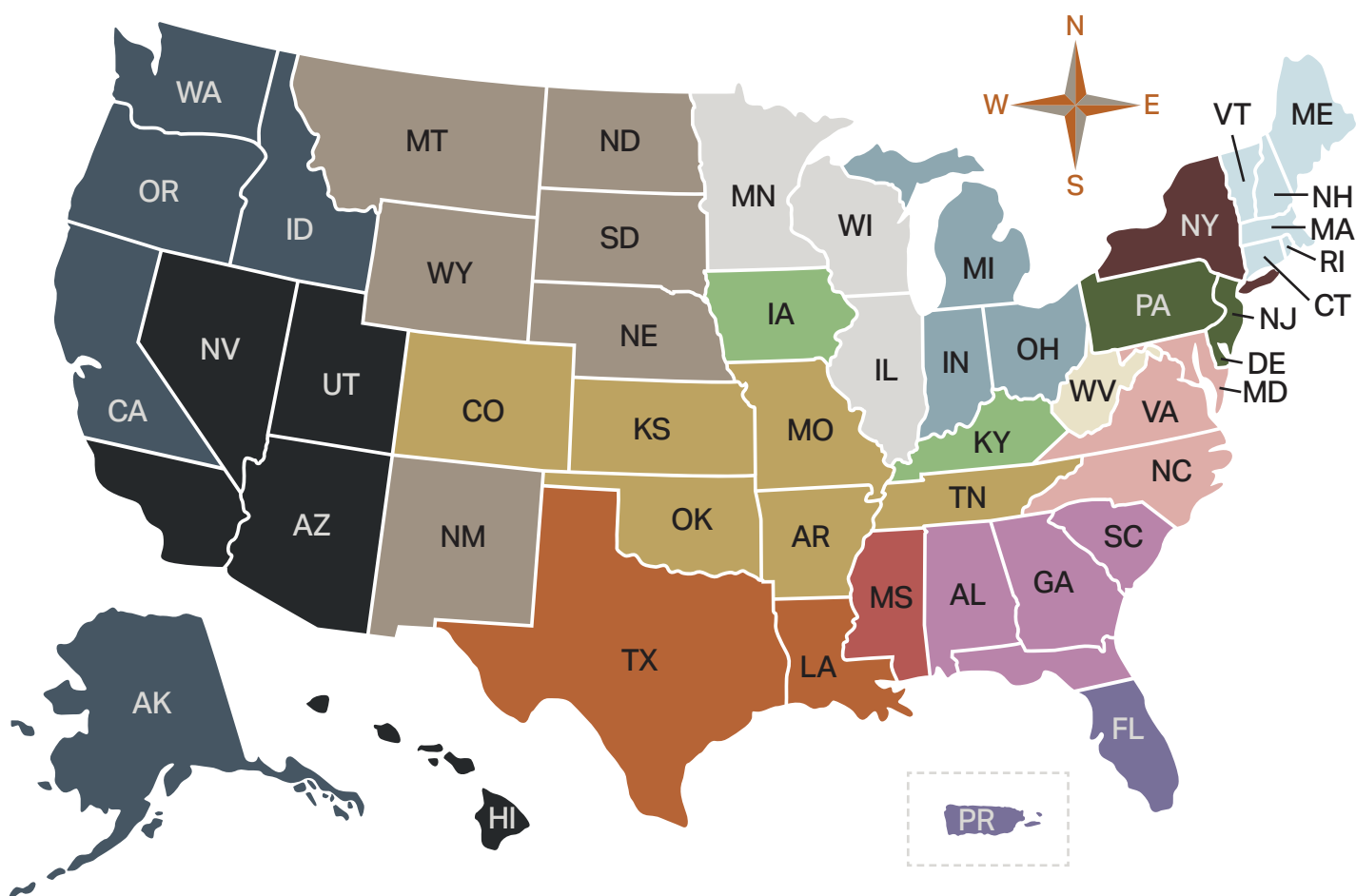
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