Bahl & Gaynor Dividend | FIRST QUARTER 2025

STRATEGY OBJECTIVES

1. **Long-term growth of dividend income:** 1.7% yield[1]; 19 strategy holdings announced dividend hikes during 1Q2025 with an average trailing-twelve-month (TTM) increase of +10.3%
2. **Downside protection:** TTM daily downside capture of 78.3% across all S&P 500 down days[2]
3. **Total return:** Since inception Sharpe ratio of 0.61 gross versus the S&P 500's Sharpe ratio of 0.52[3]. Since inception alpha of 1.88 gross versus the S&P 500[4].

1Q2025 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Long-Term Growth of Dividend Income

- During the quarter, 19 strategy holdings announced dividend hikes; average TTM increase was +10.3%, reflecting the financial strength of these companies.
- Over the trailing five years, the Bahl & Gaynor Dividend strategy's annualized income growth rate was +8.8%, compounded annually, compared to +6.0% for the S&P 500 over the same period[5].

Downside Protection

- Over the trailing five years, the strategy exhibited a daily downside capture ratio of 83.3% across all S&P 500 down days[2].

Total Return

- The strategy returned +7.65% gross / +4.48% net versus the S&P 500's +8.25% total return over the trailing twelve months, and -1.44% gross / -2.18% net versus -4.27% during the quarter.
- Strong stock selection resulted in strategy outperformance relative to its investible universe of dividend paying S&P 500 companies which returned -3.35% during the quarter.
- U.S. large-cap stocks tumbled to start 2025, driven by trade, fiscal, and immigration policy uncertainty. Beneath the surface, a market rotation took place, with growth stocks experiencing significant declines, while value stocks saw positive gains and market breadth expanded. During 1Q2025, eight of the eleven sectors outperformed the S&P 500, while Consumer Discretionary, Information Technology, and Communication Services lagged, each weighed down by the underperformance of their respective "Magnificent 7" stock constituents. In aggregate, this subset of the largest market cap stocks posted a -14.7% decline for the quarter.

1Q2025 Dividend Increases

Company	TTM% Increase	Current Yield
Air Products & Chemicals (APD)	1.1%	2.4%
Analog Devices (ADI)	7.6%	2.0%
Booz Allen Hamilton (BAH)	7.8%	2.1%
Chevron (CVX)	4.9%	4.1%
CME Group (CME)	8.7%	1.9%
CMS Energy (CMS)	5.3%	2.9%
Home Depot (HD)	2.2%	2.5%
JPMorgan Chase (JPM)	21.7%	2.3%
L3Harris Technologies (LHX)	3.4%	2.3%
Meta Platforms (META)	5.0%	0.4%
NextEra Energy (NEE)	10.0%	3.2%
Oracle (ORCL)	25.0%	1.4%
Prologis (PLD)	5.2%	3.6%
Sempra (SRE)	4.0%	3.6%
Taiwan Semiconductor (TSM)	26.9%	1.7%
TJX (TJX)	27.8%	1.4%
Walmart (WMT)	13.3%	1.1%
Waste Management (WM)	10.0%	1.4%
Williams Companies (WMB)	5.3%	3.3%

1Q2025 Trades Executed

Initiations	Eliminations
Alphabet (GOOGL)	Automatic Data Processing (ADP)
Encompass Health (EHC)	Dell Technologies (DELL)
Hubbell (HUBB)	Hershey (HSY)
Parker-Hannifin (PH)	Merck (MRK)
Reinsurance Group of America (RGA)	Northrop Grumman (NOC)
Walmart (WMT)	Otis Worldwide (OTIS)
	Starbucks (SBUX)
Increases	**Reductions**
Alphabet (GOOGL)	Broadcom (AVGO)
Apollo Global Management (APO)	Evercore (EVR)
Meta Platforms (META)	PepsiCo (PEP)
Oracle (ORCL)	Prologis (PLD)
Parker-Hannifin (PH)	Qualcomm (QCOM)
Reinsurance Group of America (RGA)	
Snap-on (SNA)	
Taiwan Semiconductor (TSM)	
UnitedHealth (UNH)	
Williams Companies (WMB)	
Zoetis (ZTS)	

Source: Bahl & Gaynor and FactSet, 2025.

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Portfolio Review

The Bahl & Gaynor Dividend strategy returned -1.44% gross / -2.18% net versus the S&P 500's -4.27% during 1Q2025. Stock selection and prudent sector positioning in Consumer Discretionary, Industrials, and Energy relative to the S&P 500 contributed positively to performance. However, stock selection in Financials and Utilities, along with an underweight position in Real Estate, were headwinds to results.

The largest positive drivers of current quarter performance:

- Stock selection within Consumer Discretionary, specifically not owning "Magnificent 7" stocks Tesla (TSLA)—the second-worst performer in the index for the period— and Amazon (AMZN), aided results as both struggled amid the growth-led selloff. An overweight position in retailer TJX Companies (TJX), a positive performer in an otherwise struggling sector, also contributed positively. The strategy's underweight position in the sector also added value, as it was the worst-performing S&P 500 sector for the quarter.
- Within Industrials, strong performance from top sector positions—Cintas (CTAS), Broadridge Financial (BR), and Waste Management (WM)—along with an average overweight of more than 9 percentage points relative to the S&P 500, contributed positively to results during the quarter.
- An overweight position in the energy sector, anchored by holdings in Targa Resources (TRGP) and Williams Companies (WMB), boosted results for the quarter. The strategy's positioning proved advantageous, as energy stocks demonstrated resilience, rising +10.2% during the period and reinforcing their defensive reputation amid market volatility.

The largest negative drivers of current quarter performance:

- Stock selection within Financials, specifically owning alternative asset managers Apollo Global Management (APO) and KKR (KKR), as well as investment banking advisory firm Evercore (EVR), detracted from performance. Not owning non-dividend-paying Berkshire Hathaway (BRK.B), a top-10 index holding, also presented a headwind—the stock returned +17.5% for the quarter.
- During the quarter, the position in utility company Sempra (SRE) detracted from results as the stock underperformed following an unexpected and significant guide down. However, the position in regulated electric and natural gas utility CMS Energy (CMS) helped offset some of the losses, with CMS being one of the sector's top performers, returning +13.6%.
- A slight underweight in Real Estate relative to the S&P 500, a sector that posted a positive return for the quarter, detracted from results. However, Industrial REIT Prologis (PLD), the strategy's sole holding returned +6.7%, helping to mitigate the headwind from broader sector positioning.

Largest Portfolio Contributors

1. **Marsh & McLennan (MMC):** In the post-COVID era, MMC has realized upwards of low-double-digit revenue growth, indicative of a commanding position within their end-markets. We retain confidence in the company's ability to compound earnings in the low-double-digit range, driven by positive inflation tailwinds, a compounding business model by nature, and a proven ability to roll-up acquisition targets and integrate in fragmented markets.
2. **Cintas (CTAS):** Despite heightened macro uncertainty, CTAS reported strong F3Q2025 results including accelerating organic growth and strong margin expansion across its segments. Management's commentary reflects continued confidence in organic growth despite macro uncertainty as new business trends and retention rates remain strong, in addition to immense cross-selling opportunities across existing customers. Additionally, CTAS is well insulated from policy risk in terms of both tariffs and federal budget uncertainty, which in our view, supports an already attractive growth trajectory.
3. **AbbVie (ABBV):** ABBV's strong start to 2025 reflects management's confidence in achieving high-single-digit topline growth through the end of the decade. The company has effectively managed its Humira's loss of exclusivity, with Skyrizi and Rinvoq offsetting near-term erosion and expanding into new indications. Growth across ABBV's key franchises—Immunology, Neuroscience, and Aesthetics—could help mitigate potential Part D redesign headwinds and drive sales beyond 2027. With a robust product portfolio and promising pipeline, ABBV remains a core Health Care holding.

Largest Portfolio Detractors

1. **Broadcom (AVGO):** AVGO underperformed during 1Q2025 as artificial intelligence (AI)-driven optimism softened and investors questioned the sustainability of capital-intensive data center developments. Additionally, the continued emergence of efficient AI models from China and rumors that AVGO would acquire Intel's CPU business remained overhangs on the valuation. Despite these challenges, we remain constructive on AVGO due to its leadership in custom chips (ASICs) and deep engagements with several new customers. Its networking solutions and software business position the company for through-cycle earnings growth and profitability.
2. **Taiwan Semiconductor (TSM):** During 1Q2025, TSM underperformed as investors grew concerned about hyperscaler customers' demand for AI-driven leading-edge semiconductors. Additionally, during the quarter, TSM's multiple was hampered by increased geopolitical tensions between Taiwan and China, as well as rumors of takeovers of Intel's semiconductor fabrication plants. Despite these concerns, we believe TSM continues to maintain a leading, competitive position in advanced chip manufacturing and has an essential role in enabling both AI and broader next-generation technologies.
3. **Evercore (EVR):** As the best-in-class M&A and advisory company, EVR has benefitted from the resurgence of previously dry, challenged capital markets. The stock outperformed greatly over the prior two years but underperformed in 1Q2025, as valuation was incongruent with what remains a highly attractive fact pattern. The duration of the M&A cycle to come and a strong history of execution garner our confidence in continued ownership.

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STRATEGY STYLE CATEGORIZATION

Asset Class	Benchmark	Mandate
Domestic Equity	S&P 500	Large 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.

Bahl & Gaynor Dividend Positioning

The Bahl & Gaynor Dividend strategy focuses on high-quality, dividend-paying businesses with underappreciated capabilities to compound capital and grow dividends over time.

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 strategy seeks larger companies with the ability to grow their dividend payments at a high rate in the future.

Over a full market cycle, Bahl & Gaynor's Dividend 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 45 to 55 common stock issues with each security typically held for three to five years. Low to moderate portfolio turnover combined with the favorable tax treatment of dividend income can result in a cost and tax-efficient portfolio.

Portfolio Management Parameters

1. 100% of companies held in the portfolio pay a cash dividend
2. Portfolio typically managed to maximum 5% capital contribution 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 better opportunities for yield or income growth
6. The strategy employs no derivatives, exchange-traded funds or mutual funds

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Portfolio Details (as of March 31, 2025)

Top 10 Holdings	Bahl & Gaynor Dividend Weight
Eli Lilly (LLY)	5.1%
Broadcom (AVGO)	4.1%
Broadridge Financial Solutions (BR)	4.1%
Taiwan Semiconductor (TSM)	3.9%
Motorola Solutions (MSI)	3.9%
Cintas (CTAS)	3.9%
Marsh & McLennan (MMC)	3.7%
TJX (TJX)	3.5%
AbbVie (ABBV)	3.3%
Mondelez Intl (MDLZ)	3.0%
Total:	38.4%

Sector	Bahl & Gaynor Dividend Weight	S&P 500 Weight
Industrials	18.4%	8.5%
Financials	17.2%	14.7%
Information Technology	16.5%	29.6%
Health Care	15.1%	11.2%
Energy	7.3%	3.7%
Consumer Staples	6.7%	6.1%
Consumer Discretionary	6.0%	10.3%
Utilities	4.4%	2.5%
Communication Services	3.4%	9.2%
Materials	3.0%	2.0%
Real Estate	0.6%	2.3%
Cash	1.6%	-

Portfolio Statistics	Bahl & Gaynor Dividend	S&P 500
P/E Ratio (TTM)	24.0x	24.5x
P/B Ratio	5.4x	4.6x
Weighted Average Market Cap	$276.9 B	$906.4 B
Dividend Yield – Gross of Fees[1]	1.7%	1.4%
Beta since inception (Gross)	0.82	1.00
Sharpe ratio since inception (Gross)[3]	0.61	0.52
TTM Turnover	24.3%	-

Source: Bahl & Gaynor, FactSet, Zephyr, 2025. Inception Date 6/30/1990.

Performance (Annualized)	Bahl & Gaynor Dividend WRAP (Pure Gross)	Bahl & Gaynor Dividend WRAP (Net)	S&P 500
QTD *(Cumulative)*	-1.44%	-2.18%	-4.27%
1 Year	7.65%	4.48%	8.25%
3 Years	8.71%	5.51%	9.06%
5 Years	16.60%	13.16%	18.59%
10 Years	12.03%	8.73%	12.50%
15 Years	12.44%	9.13%	13.15%
20 Years	10.00%	6.76%	10.23%
Since Inception	10.61%	7.36%	10.45%

Standard Deviation (Annualized)	Bahl & Gaynor Dividend WRAP (Pure Gross)	Bahl & Gaynor Dividend WRAP (Net)	S&P 500
1 Year	11.15%	11.70%	11.92%
3 Years	14.73%	15.07%	17.07%
5 Years	15.00%	15.27%	16.76%
10 Years	14.04%	14.28%	15.32%
15 Years	13.37%	13.54%	14.55%
20 Years	13.47%	13.58%	15.02%
Since Inception	12.96%	13.05%	14.77%

Source: Bahl & Gaynor, Zephyr, 2025. Inception Date 6/30/1990.

[1]Dividend yield includes cash holdings. [2]Source: Bahl & Gaynor; historical downside capture is the sum of strategy returns on all S&P 500 down days divided by the sum of index returns on all respective down days. Down days are defined as any trading day the index posts a negative total return. Strategy returns are derived from the internal rate of return (IRR) of a single non-fee paying representative account. [3]Sharpe ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 6/30/1990. [4]Alpha is a measure of risk-adjusted return expected from a portfolio above the benchmark return at any point in time. Inception: 6/30/1990. [5]The income growth rate for the Bahl & Gaynor Dividend 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 five years prior. The income growth rate for the S&P 500 is proxied by the SPDR® S&P 500 ETF Trust (SPY) as an investable proxy for the Index that pays out real distributions of dividend income paid by the index constituents. SPY was chosen versus other S&P 500 Index-tracking ETFs due to its status as one of the largest ETFs tracking the S&P 500 Index and its longer history, with an inception date of 1/22/1993, versus peers. SPY income is calculated as of the most recent quarter-end using the trailing twelve months of income earned per the distribution rate paid by the ETF, with income reinvestment at the end of each quarter, compared to the income earned in the twelve-month period five years prior. Source: FactSet, Bahl & Gaynor, 2025. Statistics and weight data is drawn from the Bahl & Gaynor Dividend 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 Bahl & Gaynor Dividend 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.*

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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.

Contact Us

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