Income Growth | FIRST QUARTER 2025

STRATEGY OBJECTIVES

1. **High current and growing income:** 2.6% yield[1]; +7.8% growth in trailing-twelve-month (TTM) income as of 1Q2025[2]
2. **Downside protection:** Daily downside capture of 42.9% and 82.5% across all S&P 500 and Russell 1000 Value down days, respectively, during the quarter[3]
3. **Capital appreciation:** Since inception Sharpe ratio of 0.66 gross versus the S&P 500's 0.57 and Russell 1000 Value's 0.40 Sharpe ratios, respectively[4]. Since inception alpha of 1.85 gross and 3.73 gross versus the S&P 500 and Russell 1000 Value, respectively[5].

1Q2025 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Income Growth

- The Income Growth strategy grew TTM income by +7.8%, compared to S&P 500's and Russell 1000 Value's income growth rates of +8.1% and +6.8%, respectively[2].
- During the quarter, 17 strategy holdings announced dividend hikes; average TTM increase was +7.3%, reflecting the financial strength of these companies.

Downside Protection

- During the quarter, the strategy delivered daily downside capture of 42.9% and 82.5% across all S&P 500 and Russell 1000 Value down days, respectively. Over the trailing twelve months, the strategy delivered daily downside capture of 61.9% and 76.3% across all S&P 500 and Russell 1000 Value down days, respectively[3].

Capital Appreciation

- The strategy returned +9.29% gross / +6.07% net versus the S&P 500's +8.25% and Russell 1000 Value's +7.18% over the trailing twelve months, and +1.43% gross / +0.68% net versus -4.27% and +2.14% for the indexes, respectively, for the quarter.
- Strong stock selection drove outperformance relative to the S&P 500 Equal Weight, which returned -0.61% for 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%
Chevron (CVX)	4.9%	4.1%
Cisco Systems (CSCO)	2.5%	2.7%
CME Group (CME)	8.7%	1.9%
Dell Technologies (DELL)	18.0%	2.3%
Eaton (ETN)	10.6%	1.5%
Fastenal (FAST)	10.3%	2.2%
General Dynamics (GD)	5.6%	2.2%
Home Depot (HD)	2.2%	2.5%
JPMorgan Chase (JPM)	21.7%	2.3%
NextEra Energy (NEE)	10.0%	3.2%
Oneok (OKE)	4.0%	4.2%
PPL (PPL)	5.8%	3.0%
Prologis (PLD)	5.2%	3.6%
Realty Income (O)	4.5%	5.6%
Sempra (SRE)	4.0%	3.6%
Williams Companies (WMB)	5.3%	3.3%

1Q2025 Trades Executed

Initiations	Eliminations
Hartford Financial Services (HIG)	United Parcel Service (UPS)
Union Pacific Corporation (UNP)	
VICI Properties (VICI)	
Increases	**Reductions**
Exxon Mobil (XOM)	Broadcom (AVGO)
Hartford Financial Services (HIG)	Eaton (ETN)
Johnson & Johnson (JNJ)	Merck (MRK)
JPMorgan Chase (JPM)	PepsiCo (PEP)
Marsh & McLennan (MMC)	Phillips 66 (PSX)
Paychex (PAYX)	PNC Financial Services (PNC)
Procter & Gamble (PG)	Prologis (PLD)
Union Pacific Corporation (UNP)	Realty Income Corporation (O)
VICI Properties (VICI)	

Source: Bahl & Gaynor and FactSet, 2025.

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Portfolio Review

The Income Growth strategy returned +1.43% gross / +0.68% net versus the S&P 500's -4.27% during 1Q2025. Stock selection in Consumer Discretionary, along with overweight positions in Energy and Health Care relative to the S&P 500, contributed positively to performance. However, stock selection in Information Technology, Utilities, and Materials presented a moderate headwind 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 restaurant chain McDonald's (MCD), a standout performer in an otherwise struggling sector, also contributed positively. The strategy's underweight position in the sector relative to the S&P 500 also added value, as it was the worst-performing for the quarter.
- An overweight position in the energy sector, anchored by holdings in Williams Companies (WMB) and Chevron (CVX), boosted results for the quarter. The strategy's average overweight of eight percentage points relative to the index proved advantageous, as energy stocks demonstrated resilience, rising +10.2% during the period and reinforcing their defensive reputation amid market volatility.
- Within Health Care, owning pharmaceutical giant Eli Lilly (LLY) and leading biopharmaceutical company AbbVie (ABBV), the portfolio's largest and second-largest holdings, respectively, contributed positively to results. Exposure to Johnson & Johnson (JNJ) also benefitted returns, driven by its strong +15.6% performance for the quarter.

The largest negative drivers of current quarter performance:

- Stock selection within Information Technology, particularly owning semiconductor company Broadcom (AVGO), the strategy's largest position during the period, detracted from results as optimism behind artificial intelligence (AI) softened. However, the strategy's average exposure of 17.2% to the sector compared to the S&P 500's 31.2% more than offset this headwind. Information Technology was the second-worst performing S&P 500 sector for the quarter, posting a -12.7% loss.
- Stock selection within Utilities, primarily due to underperformance from Sempra (SRE) following an unexpected and significant guide down, detracted from results. However, a broader overweight position, supported by holdings in electric utilities NextEra Energy (NEE) and PPL Corporation (PPL), helped outweigh the negative impact.
- A modest underweight in the Materials sector slightly impacted results, as the sector gained +2.8% during the quarter. The portfolio maintains a concentrated position within the sector, with a single holding in industrial gas company Air Products and Chemicals (APD).

Largest Portfolio Contributors

1. **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—should 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.
2. **Williams Companies (WMB):** WMB has a disciplined management team, and the stock offers a thematically appealing way to invest in gas infrastructure which is seeing increased terminal value from rising power demand for data centers as well as liquefied natural gas (LNG). The combination of these factors led to continued strength in WMB shares in 1Q2025. WMB remains committed to maintaining a quality asset base, a strong capital backlog, and a healthy balance sheet to preserve and grow shareholder returns.
3. **Mondelez International (MDLZ):** Despite ongoing U.S. consumer pressure, favorable international dynamics helped support MDLZ's performance during quarter. Approximately 70% of its business, which is non-chocolate, has remained resilient. This supports the argument that the company is well-positioned among its large-cap food peers, given its exposure to higher-growth geographies, strong brands with durable and sustainable pricing power, and a clean balance sheet that enables strategic M&A.

Largest Portfolio Detractors

1. **Broadcom (AVGO):** AVGO underperformed during 1Q2025 as 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. **Sempra Energy (SRE):** SRE underperformed during 1Q2025 after the company unexpectedly reset its guidance for FY2025 due to distinct challenges in each core business segment, along with increased headwinds related to financing costs. A portion of the reduced FY2025 guidance is linked to timing-related issues, which are partially reflected in above-average growth for FY2026 and management's revised outlook for long-term earnings-per-share growth, now projected at +high-single digits off FY2025 guidance. Despite these headwinds, SRE remains committed to dividend growth, as reflected in its 1Q2025 dividend increase.
3. **Eaton (ETN):** Despite ETN's strong execution and growing visibility into its backlog associated with electrification trends across grid hardening, re-industrialization, and data center power, the stock underperformed in 1Q2025 following a strong run in the prior two years. The company's recent analyst day outlined 2030 targets, calling for continued high-single-digit revenue growth, margin expansion, and favorable capital return to shareholders, which support our continued ownership of the stock.

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STRATEGY STYLE CATEGORIZATION

Asset Class	Benchmarks	Mandate
Domestic Equity	S&P 500 & Russell 1000 Value	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.

Income Growth Positioning

Our Income Growth strategy focuses on generating a high level of current income that will grow over time. Protection in falling markets is a secondary goal, with long-term capital appreciation as a tertiary goal.

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 Income Growth strategy seeks larger companies that reward shareholders with a high current dividend and have the ability to grow their dividend payments consistently in the future.

Over a full market cycle, Bahl & Gaynor's Income Growth 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 40 to 50 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. New positions must have a minimum current dividend yield of 2% at initiation
3. Portfolio typically managed to maximum 5% capital and 6% income contributions per stock
4. Cash is frictional and generally represents 1% to 3% of portfolio value
5. Annual portfolio turnover is low to moderate
6. Sell or trim decisions are based upon fundamentals, dividend policy, and better opportunities for yield or income growth
7. The strategy employs no derivatives, funds, preferred shares, MLPs, or convertible issues

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Portfolio Details (as of March 31, 2025)

Top 10 Holdings	Income Growth Weight
Eli Lilly (LLY)	4.9%
AbbVie (ABBV)	4.7%
Broadcom (AVGO)	4.3%
Williams Companies (WMB)	4.1%
Procter & Gamble (PG)	3.9%
Johnson & Johnson (JNJ)	3.8%
Mondelez International (MDLZ)	3.6%
Travelers Companies (TRV)	3.4%
Marsh & McLennan (MMC)	3.4%
McDonald's (MCD)	3.1%
Total:	39.1%

Sector	Income Growth Weight	S&P 500 Weight	Russell 1000 Value Weight
Health Care	16.3%	11.2%	14.7%
Financials	14.6%	14.7%	23.4%
Information Technology	14.1%	29.6%	8.8%
Industrials	12.1%	8.5%	13.8%
Energy	12.0%	3.7%	7.0%
Consumer Staples	11.6%	6.1%	8.2%
Utilities	7.4%	2.5%	4.9%
Consumer Discretionary	5.6%	10.3%	5.9%
Real Estate	2.9%	2.3%	4.6%
Materials	1.8%	2.0%	4.2%
Communication Services	0.0%	9.2%	4.6%
Cash	1.6%	-	-

Portfolio Statistics	Income Growth	S&P 500	Russell 1000 Value
P/E Ratio (TTM)	22.4x	24.5x	19.2x
P/B Ratio	4.0x	4.6x	2.6x
Weighted Average Market Cap	$309.0 B	$906.4 B	$36.6 B
Dividend Yield – Gross of Fees[1]	2.6%	1.4%	2.1%
Beta since inception (Gross)	0.79	1.00	1.00
Sharpe ratio since inception (Gross)[4]	0.66	0.57	0.40
TTM Turnover	16.9%	-	-

Source: Bahl & Gaynor, FactSet, Zephyr, 2025. Inception date 12/31/2005.

Performance (Annualized)	Income Growth WRAP (Pure Gross)	Income Growth WRAP (Net)	S&P 500	Russell 1000 Value
QTD *(Cumulative)*	1.43%	0.68%	-4.27%	2.14%
1 Year	9.29%	6.07%	8.25%	7.18%
3 Years	7.13%	3.97%	9.06%	6.64%
5 Years	14.90%	11.52%	18.59%	16.15%
10 Years	10.49%	7.24%	12.50%	8.79%
15 Years	12.06%	8.76%	13.15%	10.42%
Since Inception	10.10%	6.86%	10.25%	7.95%

Standard Deviation (Annualized)	Income Growth WRAP (Pure Gross)	Income Growth WRAP (Net)	S&P 500	Russell 1000 Value
1 Year	8.24%	8.89%	11.92%	13.32%
3 Years	13.86%	14.19%	17.07%	16.76%
5 Years	14.10%	14.34%	16.76%	16.28%
10 Years	13.31%	13.49%	15.32%	15.64%
15 Years	12.34%	12.48%	14.55%	14.91%
Since Inception	12.92%	13.02%	15.25%	15.85%

Source: Bahl & Gaynor, Zephyr, 2025. Inception date 12/31/2005.

[1]Dividend yield includes cash holdings. [2]The income growth rate for the Bahl & Gaynor Income Growth 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 one year prior. The income growth rate for the SPDR® S&P 500 ETF Trust (SPY) and the iShares Russell 1000 Value ETF (IWD) are shown as investable proxies for the S&P 500 and Russell 1000 Value Indices 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. IWD was chosen versus other Russell 1000 Value Index tracking ETFs due to its status as the largest ETF tracking the Russell 1000 Value Index and its longer history, with an inception date of 5/22/2000, versus peers. SPY and IWD 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 one year prior. [3]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. [4]Sharpe Ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 12/31/2005. [5]Alpha is a measure of risk-adjusted return expected from a portfolio above the benchmark return at any point in time. Inception: 12/31/2005. Source: FactSet, Bahl & Gaynor, 2025. Statistics and weight data is drawn from the 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 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.*

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THANKS!

Your continued support and interest are much appreciated.

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