smig® – Small/Mid Cap Income Growth | SECOND QUARTER 2026

STRATEGY OBJECTIVES

1. **Income Growth:** 2.2% yield[1]; +3.3% growth in trailing-twelve-month (TTM) income as of 2Q2026[2].
2. **Downside Protection:** Daily downside capture of 41.3% across all Russell 2500 down days during the quarter[3].
3. **Price Appreciation:** Since inception Sharpe ratio of 0.67 gross versus the Russell 2500's Sharpe ratio of 0.58[4]. Positive since inception alpha of 1.98 gross versus the Russell 2500[5].

2Q2026 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Income Growth

- The smig® strategy grew TTM income by +3.3%, compared to Russell 2500 income growth of +12.6%[2].
- During the quarter, 8 strategy holdings announced dividend hikes with an average TTM increase of +10.8%, reflecting the financial strength of these companies.

Downside Protection

- The strategy delivered daily downside capture of 41.3% quarter-to-date and 52.3% over the trailing twelve months across all Russell 2500 down days[3].

Price Appreciation

- The strategy returned +12.34% gross / +11.50% net versus the Russell 2500's +20.26% during the quarter, and +16.55% gross / +13.12% net versus +36.72% over the trailing twelve months.
- Investors preferred unprofitable index constituents over their profitable counterparts during the quarter, returning +23.2% and +19.6%, respectively. This marked a shift from 1Q2026, when unprofitable stocks lagged after leading by a sizable margin in 2025.
- U.S. small- and mid-cap stocks posted strong gains in 2Q2026 as improving investor confidence and easing macroeconomic concerns supported a risk-on stance. Leadership rotated toward growth-oriented areas of the market, specifically in April and May, with Information Technology and AI-related companies among the top performers as investors continued to deploy capital into the AI theme. Meanwhile, traditionally defensive sectors such as Utilities and Energy, which posted strong returns in 1Q2026, underperformed.
- Amid the current environment, we believe a risk-managed approach focused on sustainable dividends and stable fundamentals within the small-cap space continues to present an attractive investment opportunity.

2Q2026 Dividend Increases

Company	TTM % Increase	Current Yield
Agree Realty (ADC)	4.3%	4.2%
Avery Dennison (AVY)	6.4%	2.5%
Evercore (EVR)	6.0%	1.0%
Packaging Corporation of America (PKG)	20.0%	2.5%
Penske Automotive Group (PAG)	12.7%	3.2%
Targa Resources (TRGP)	25.0%	1.9%
Victory Capital Holdings (VCTR)	2.0%	2.4%
Watsco (WSO)	10.0%	3.2%

2Q2026 Trades Executed

Initiations	Eliminations
DICK'S Sporting Goods (DKS)	Marzetti Company (MZTI)
MSC Industrial Direct (MSM)	Oshkosh (OSK)
	Tractor Supply (TSCO)
Increases	**Reductions**
Agree Realty (ADC)	Allegion (ALLE)
American Healthcare REIT (AHR)	Amdocs (DOX)
First Financial (FFBC)	Atmos Energy (ATO)
Gildan Activewear (GIL)	Avery Dennison (AVY)
MSC Industrial Direct (MSM)	Broadridge Financial Solutions (BR)
NetApp (NTAP)	Evercore (EVR)
Penske Automotive Group (PAG)	Hartford Insurance Group (HIG)
Ryder Systems (R)	Targa Resources (TRGP)
Silicon Motion Technology ADR (SIMO)	Victory Capital Holdings (VCTR)

Source: Bahl & Gaynor and FactSet, 2026.

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Portfolio Review

The smig® strategy returned +12.34% gross / +11.50% net versus the Russell 2500's +20.26% during 2Q2026. Stock selection in Consumer Staples and Materials, alongside no ownership of Communication Services, aided results. However, an underweight in Information Technology and overweight to Utilities relative to the Russell 2500, in addition to stock selection in Real Estate, negatively impacted results.

The largest positive drivers of current quarter performance:

- Stock selection in Consumer Staples benefitted results during the quarter, anchored by an active position in Interparfums (IPAR) which returned +24.1% on better-than-expected earnings.
- No ownership of Communication Services companies aided results during the quarter. The sector was modestly up amid a strong quarter for smid caps broadly; however, they lagged relative to the outsized performance from AI-related parts of the market.
- Stock selection within Materials, driven by prudent avoidance of previous metals companies, miners, and specialty chemical manufacturers, aided results.

The largest negative drivers of current quarter performance:

- Within Information Technology, the portfolio's underweight position resulted in the largest headwind to results for the quarter. The sector was the best-performing, returning +65.2%, as investors broadened AI-related investments beyond mega-cap technology companies and into semiconductor, memory, networking, and infrastructure providers. Notably, NAND flash memory and storage solutions company Sandisk (SNDK) was the biggest single stock detractor, up +229.1%. SNDK does not pay a dividend.
- A meaningfully overweight (an average 7.4-percentage points for the quarter) to Utilities, anchored by positions in NiSource (NI), Alliant Energy (LNT), and Atmos Energy (ATO), negatively contributed to results. Regulated utilities struggled amid a generally strong risk-on environment for the quarter.
- Stock selection in Real Estate, driven by positions in Agree Realty (ADC), Equity LifeStyle Properties (ELS), and American Healthcare REIT (AHR), negatively contributed to results.

Largest Relative Portfolio Contributors

1. **Silicon Motion Technology ADR (SIMO):** SIMO is a market-leading provider of NAND flash controllers. SIMO outperformed in 2Q2026, supported by improving sentiment around NAND controller demand and its exposure to AI-related storage applications. The company benefited from a clearer demand backdrop in enterprise and embedded storage, with investors responding to signs of stronger product traction and better visibility into the operating cycle. Recent trends also suggested that the business is gaining leverage from its positioning in higher-performance storage solutions. While the stock remains cyclical, the market appears to be rewarding the company's improving fundamentals and its role in AI-enabled storage growth.
2. **NetApp (NTAP):** NTAP provides storage and data management solutions for cloud, on-premise, and hybrid environments, specializing in open network applications for enterprise. NTAP outperformed in 2Q2026 on a modest revenue and EPS beat, helped in part by a large Google-related shipment that had been signaled well in advance. The quarter also reinforced confidence in the company's differentiated storage franchise, with cloud, all-flash, and AI-related demand supporting better visibility into a healthier enterprise storage cycle. Management's above-Street FY27 guide further improved the setup, suggesting the company can continue to generate strong cash flow while returning capital to shareholders.
3. **Victory Capital Holdings (VCTR):** VCTR is a multi-boutique asset management firm that acquires and integrates investment businesses. VCTR outperformed in 2Q2026 on an earnings beat, with margins and capital return both ahead of expectations and reinforcing the company's ability to execute through a mixed flow backdrop. The quarter also strengthened the case for further EPS upside, supported by buybacks, improving fund performance, and additional M&A optionality if management deploys capital on a transformational deal. That said, near-term underperformance can still follow periods of long-term outperformance as investors rotate and the market digests the stock's already-strong run.

Largest Relative Portfolio Detractors

1. **Gildan Activewear (GIL):** GIL is a leading vertically integrated manufacturer and marketer of premium-quality basic apparel. GIL shares underperformed in 2Q2026 due to a few different reasons. The market has been focused on the recent integration risk following the acquisition of Hanesbrands earlier this year, and before that risk went away, a short report was published mid-quarter. The report amplified concerns around channel stuffing, days sales outstanding, as well as the company's ability to hit its 2026 guidance targets. Additionally, GIL stock had suffered from fears tied to Bangladesh energy cost exposure prior to the short report unfolding. The weakness this quarter is largely driven by sentiment, as management commentary remains constructive on full-year performance.
2. **Hartford Insurance Group (HIG):** HIG is a best-in-class diversified commercial insurer with a strong small/mid-market focus, disciplined underwriting, high-quality investment portfolio, and a clear, shareholder-friendly capital return framework. HIG underperformed in 2Q2026 as the quarter came in noisy, with the headline miss driven more by reserve, catastrophe, and timing items than by a clean deterioration in the underlying franchise. Even so, investors still view the company as a defensive compounder with strong capital-return discipline and attractive long-term earnings power, so the weakness reflects more skepticism around near-term earnings quality than a change in the broader thesis. Near-term underperformance can also follow periods of long-term outperformance, particularly when the market is waiting for cleaner quarters to confirm that the underlying story is still intact.
3. **U.S. Physical Therapy (USPH):** USPH is the third-largest provider of outpatient physical therapy services in the U.S., with a national clinic footprint and an industrial prevention business that supports growth beyond traditional rehabilitation services. Even though USPH had another quarter of record growth in visits and continued top-line growth, the stock underperformed during the quarter following a negative reaction to 1Q2026 earnings driven by margin compression in the PT business and higher corporate expenses. We continue to view USPH as a core holding, supported by the large growth opportunity from the demand from aging demographics, new hospital partnerships, and continued M&A within a highly fragmented industry.

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STRATEGY STYLE CATEGORIZATION

Asset Class	Benchmark	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 attractive 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, at the time of purchase, between $200 million and the largest company in the Russell 2500 within the prior 12-month period. 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 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 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

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Portfolio Details (as of June 30, 2026)

Top 10 Holdings	smig® Weight
Silicon Motion Technology ADR (SIMO)	6.6%
Targa Resources (TRGP)	4.9%
Snap-On (SNA)	4.6%
Victory Capital Holdings (VCTR)	4.3%
DT Midstream (DTM)	4.1%
Hubbell (HUBB)	4.0%
Gildan Activewear (GIL)	3.7%
Packaging Corporation of America (PKG)	3.3%
NiSource (NI)	3.2%
Evercore (EVR)	3.1%
Total:	41.8%

Sector	smig® Weight	Russell 2500 Weight
Industrials	19.4%	19.9%
Financials	19.4%	16.5%
Energy	10.3%	3.6%
Information Technology	10.0%	15.6%
Consumer Discretionary	9.8%	10.6%
Real Estate	9.5%	6.1%
Utilities	9.1%	2.8%
Materials	6.1%	5.2%
Health Care	2.7%	14.2%
Consumer Staples	2.2%	3.2%
Communication Services	0.0%	2.2%
Cash	1.4%	-

Portfolio Statistics	smig®	Russell 2500
P/E Ratio (TTM inc. negative earners)	22.5x	38.5x
Forward P/E Ratio (inc. negative earners)	18.4x	21.3x
Weighted Average Market Cap	$16.9 B	$9.2 B
Dividend Yield – Gross of Fees[1]	2.2%	1.3%
Daily Downside Capture since inception (Gross)[3]	73.1%	100.0%
Beta since inception (Gross)	0.78	1.00
Sharpe ratio since inception (Gross)[4]	0.67	0.58
Alpha since inception (Gross)[5]	1.98	0.00
TTM Turnover	24.9%	-

Source: Bahl & Gaynor, FactSet, Morningstar Direct, 2026. Inception date 3/31/2013.

Performance (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
QTD *(Cumulative)*	12.34%	11.50%	20.26%
YTD *(Cumulative)*	15.39%	13.68%	22.71%
1 Year	16.55%	13.12%	36.72%
3 Years	13.70%	10.35%	18.40%
5 Years	8.71%	5.51%	8.30%
10 Years	10.92%	7.65%	12.25%
Since Inception	11.46%	8.18%	11.36%

Standard Deviation (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
1 Year	12.09%	12.09%	12.75%
3 Years	13.73%	13.73%	17.64%
5 Years	15.78%	15.78%	19.15%
10 Years	16.24%	16.24%	19.41%
Since Inception	15.09%	15.09%	18.07%

Source: Bahl & Gaynor, Morningstar Direct, 2026. Inception date 3/31/2013.

[1]Dividend yield includes cash holdings. [2]The income growth rate for the Bahl & Gaynor smig® 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 Russell 2500 is calculated using the same methodology. [3]Source: Bahl & Gaynor; historical downside capture is the sum of strategy returns on all Russell 2500 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. smig® return is derived from the daily internal rate or return (IRR) of the separately managed account "house" composite because it reflects the strategy's approach. . It is calculated on a gross of fee basis and does not incorporate the impact of advisory and other fees which will be experienced by investors. Daily returns for the WRAP composite are not available. [4]Sharpe Ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 3/31/2013. [5]Alpha is a measure of risk-adjusted return expected from a portfolio above the benchmark return at any point in time. Inception: 3/31/2013.

Source: FactSet, Bahl & Gaynor, 2026. 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. Gross dividend yield figures for individual stocks are presented prior to the deduction of any applicable taxes, including foreign withholding taxes from American Depository Receipts (ADRs), and do not reflect investment-related fees, transaction costs, or advisory expenses. 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.*

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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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