August 2026

Bahl&Gaynor
Dividends Pay Dividends®

3Q2026 Mid-Quarter Thoughts

When the Signals Reverse

Markets have continued to climb since our last letter over a month ago. For clients working toward long-term goals, this is genuinely good news, worth stating plainly rather than burying in caveats. But the ground beneath this advance has been shifting. Rising prices and rising tension can coexist, raising an important question:

What anchors a portfolio through this kind of period?

First Principles

Our answer is straightforward: *A portfolio built from durable businesses capable of growing cash distributions across a range of economic environments.*

Bahl & Gaynor's approach is rooted in our mission: providing increased certainty to clients via an exclusive focus on dividend growth investing. We target companies whose cash flows can support a growing dividend for two reasons:

1. *The utility of the growing income stream itself.* Dividend income and the potential for it to grow over time is a meaningful and often underappreciated component of long-term equity returns.
2. *What a growing dividend signals about the underlying business.* In our view, companies that consistently generate increasing cash for shareholders are more likely to be durable businesses with resilient economics, disciplined management teams, and business models aligned with shareholder interests.

Importantly, we seek to own companies capable of growing dividends across a wide range of market environments. Rather than relying on shifting market leadership or macroeconomic forecasts, we believe a thoughtfully diversified collection of businesses can provide a durable foundation for pursuing long-term client objectives. That philosophy is reflected in the Targeted Client Outcomes we highlight across each of our investment strategy families.

Investment Strategies

Income Growth Family	Dividend Family
Targeted Client Outcomes:	Targeted Client Outcomes:
1. Current & Consistent Income Growth	1. Long-Term Income Growth
▪ Mid-to-high single-digit annual growth (%)	▪ Higher long-term annual growth (%)
▪ Yield ≳ 1.5x the benchmark (~2x average)	▪ Yield ≳ the benchmark
2. Downside Risk Protection	2. Downside Risk Protection
▪ ≲ 80% of benchmark downside risk	▪ ≲ 90% of benchmark downside risk
3. Seeks Alpha Generation	3. Seeks Alpha Generation
Income Growth; **smig® -** Small/Mid Cap Income Growth	**Dividend**; **Small Cap Dividend**

Source: Bahl & Gaynor.

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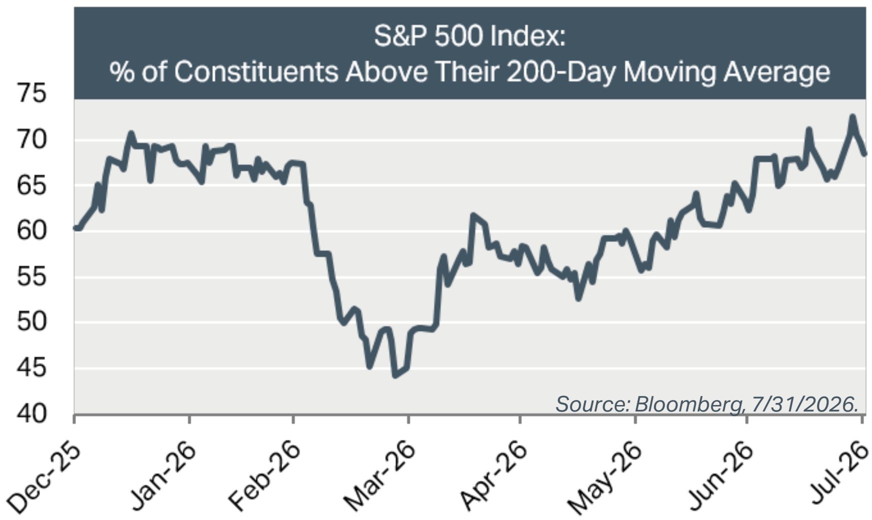
Four Tensions, Four Responses

Each tension we flagged in our 2Q2026 Investor Letter, *The Signal and the Noise*, has moved. Not necessarily toward resolution, but into a different, still-unsettled position.

The Fed held rates in July, but narrowly — three regional presidents dissented in favor of a hike, and analysts covering the meeting couldn't agree on how Chair Warsh interprets the recent rise in bond yields: as the market demanding higher rates, or as the market doing some of the Fed's tightening work for it. We don't have a call on where rates land, and we are not in the business of making one. Instead, we own companies that earn more than their cost of capital and carry balance sheets strong enough to fund growth on their own terms — a posture that is largely indifferent to the vicissitudes of monetary policy.

The Middle East reversed course from where a ceasefire left it in June. The 60-day U.S.-Iran memorandum of understanding (MOU) proved fragile amid ambiguous terms and mutual mistrust. Military exchanges resumed, including strikes reaching Gulf states, before diplomacy picked back up. We can't underwrite how this situation resolves. But we can own companies with resilient demand through prior periods of geopolitical and energy volatility, run by management teams that have operated through more than one kind of environment.

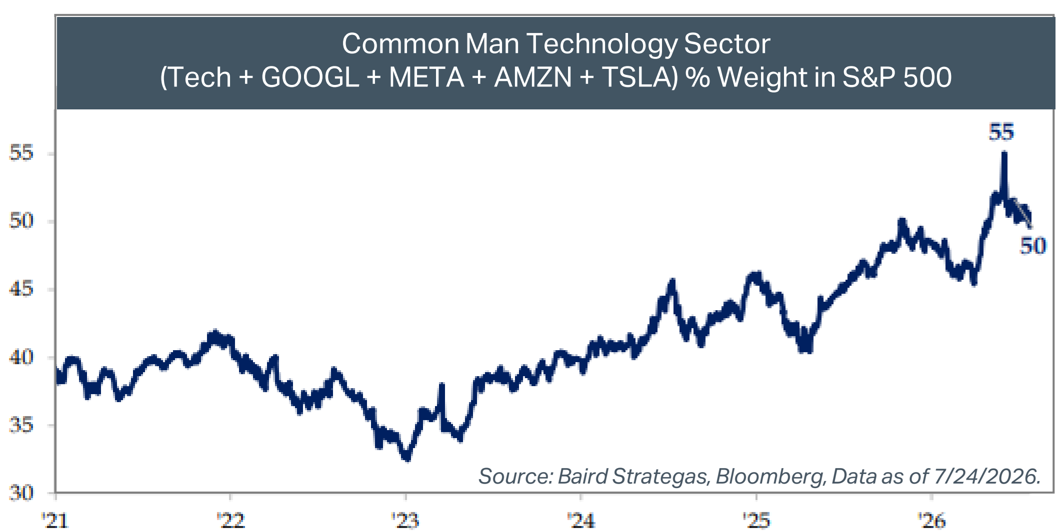
Market breadth has improved from where we left it in June. The Artificial Intelligence (AI)-momentum trade had narrowed to a pure semiconductor story. Since then, breadth has increased with roughly three-quarters of S&P 500 constituents trading above their 200-day moving average (pictured to the right), while semiconductors have become the lagging group. A signal firing one way and then the opposite within a month is a good argument for not betting on any single leadership story. We are diversified across sectors and industries by design, which matters most when leadership rotates this unpredictably.



S&P 500 Index:
% of Constituents Above Their 200-Day Moving Average

Source: Bloomberg, 7/31/2026.

Concentration remains high. The Technology sector is roughly 37% of the S&P 500 by official weighting, but including the handful of large, Tech-adjacent names pushes that figure to 50% of the market. This may rise further as the remaining large, private AI companies come to public markets. Diversification shapes how we think about AI exposure. We continue to believe the long-term opportunity is significant, but current valuations assume AI adoption expands well beyond infrastructure providers and diffuses broadly throughout the economy. Rather than concentrating exposure in a narrow group of AI beneficiaries, we prefer owning high-quality companies across industries that have both the resources and management discipline to adopt these technologies thoughtfully. In our view, this approach provides participation in AI's long-term potential while maintaining a differentiated risk profile through broader diversification.



Common Man Technology Sector
(Tech + GOOGL + META + AMZN + TSLA) % Weight in S&P 500

Source: Baird Strategas, Bloomberg, Data as of 7/24/2026.

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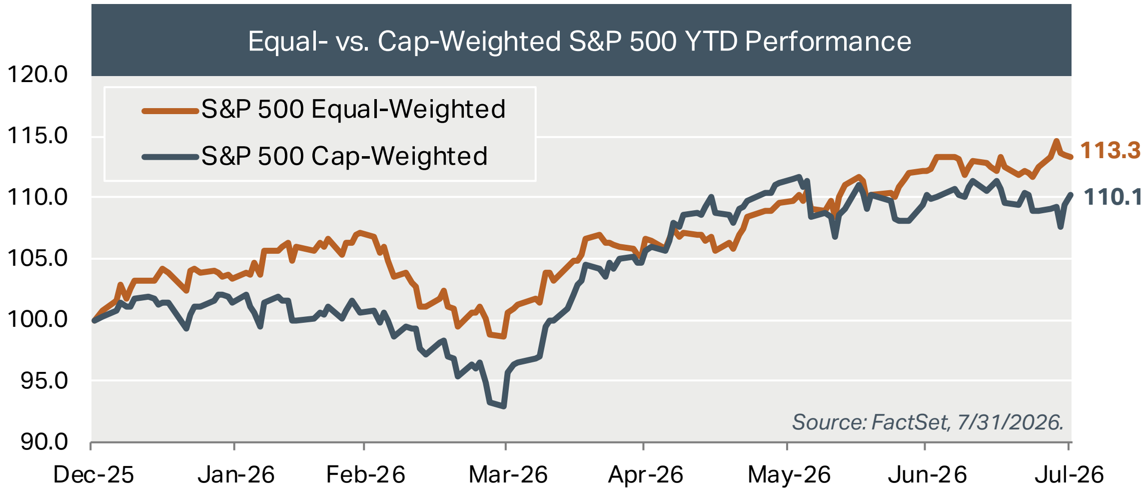
A Quieter Kind of Validation

We haven't changed how we invest in response to these tensions, and we are not going to start now. What has changed is that the market environment has begun to reward many of the characteristics we have long emphasized.

For much of the fifteen-plus years following the Global Financial Crisis, market leadership was concentrated in a relatively narrow group of companies, making broad passive exposure difficult for many active managers to overcome. In 2026, market leadership has broadened. The equal-weighted S&P 500 outperforming its cap-weighted counterpart illustrates that shift (pictured below).



It is tempting to read the four tensions we describe as a passing rough patch. We would frame it differently. These developments may be early evidence of a longer-term shift. Rather than returning to the quantitative easing (QE)-driven stability that characterized much of the last cycle, markets may be entering a more multipolar environment — one in which diversification, valuation discipline, and company-level fundamentals matter more than they have in years.

What We Are Actually Solving For

It is worth restating what our strategies are designed to pursue, and why each objective may matter even more in an environment like this.

Growing dividend income is the primary outcome we seek for clients. Long-term investing ultimately seeks an increasing stream of cash generated by productive businesses. We believe companies capable of growing dividends over time often demonstrate durable business fundamentals, and that growing income can help clients meet both current spending needs and long-term financial goals regardless of day-to-day market fluctuations.

Downside risk mitigation is easy to undervalue during rising markets, but periods like today's remind us why it matters. While no equity strategy can eliminate downside risk, we seek to manage it through diversification, valuation discipline, and rigorous fundamental underwriting. We believe portfolios built on sound underlying business economics, rather than sentiment, are better positioned to navigate periods when market conditions change rapidly.

Alpha generation is the most elusive of our three objectives, and we want to be careful not to overstate it. No active investment discipline outperforms in every market environment, and dividend growth strategies have experienced extended periods when broad market exposure proved sufficient for many investors.

This year's market environment has been more favorable to many of the investment characteristics we emphasize, including valuation discipline, growing income, and high-quality businesses. We believe that remaining focused on those principles, rather than attempting to forecast macroeconomic developments, is the best way to help clients continue making progress toward their long-term goals.

The Constant: Markets will continue to send changing signals, and periods of uncertainty are inevitable. Our investment philosophy has not changed with them. We continue to believe that portfolios built on durable businesses, growing cash flows, disciplined valuation, and thoughtful diversification remain well suited to help clients pursue their long-term financial goals.

Thank you, as always, for entrusting us with your capital.

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Alpha *is a measure of risk-adjusted return expected from a portfolio above the benchmark return at any point in time.* ***Market Breadth*** *is a measure of how broadly market gains or losses are spread across stocks. Broad breadth means many stocks are participating; narrow breadth means only a smaller group is driving performance.* ***Downside Protection*** *is an investment characteristic or objective intended to help reduce losses during market declines. It does not guarantee that losses will be avoided.* ***Federal Funds Rate*** *is the interest rate that U.S. banks charge each other for overnight lending of reserves. It is set indirectly by the Federal Reserve as a key policy rate.* ***Volatility*** *is the degree to which an investment's price moves up and down over time.* ***200-day moving average*** *is the average closing price of a security over the most recent 200 trading days, used by many investors as a trend indicator.*

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