

Bahl & Gaynor Small Cap Dividend | THIRD QUARTER 2026

STRATEGY OBJECTIVES

- Long-Term Growth of Dividend Income:** 1.1% yield¹; 6 strategy holdings announced dividend hikes during 3Q2026 with an average trailing-twelve-month (TTM) increase of +8.7%.
- Downside Protection:** TTM daily downside capture of 61.7% across all Russell 2000 down days².
- Total Return:** Since inception Sharpe ratio of 0.53 gross versus the Russell 2000's Sharpe ratio of 0.42³. Positive since inception alpha of 2.34 gross versus the Russell 2000⁴.

3Q2026 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Long-Term Growth of Dividend Income

- During the quarter, 6 strategy holdings announced dividend hikes with an average trailing-twelve-month (TTM) increase of +8.7%, reflecting the financial strength of these companies.

Downside Protection

- Over the trailing five years, the strategy exhibited a daily downside capture ratio of 71.6% across all Russell 2000 down days².

Total Return

- The Bahl & Gaynor Small Cap Dividend strategy returned -6.76% gross / -7.46% net versus the Russell 2000's -7.23% during the quarter, and +4.93% gross / +1.84% net versus +16.20% over the trailing twelve months.
- Profitable small-cap stocks outperformed their unprofitable counterparts during the quarter, posting a shallower decline. This marked a reversal from 2Q2026, when unprofitable stocks outperformed amid strong gains across the market.
- U.S. small-cap stocks declined in 3Q2026, with the Russell 2000 Index falling -7.2% and lagging the S&P 500 as the risk-on enthusiasm of the prior quarter faded. The performance gap widened from mid-August onward as rising oil prices and Treasury yields weighed on more rate-sensitive and speculative areas of the market. AI-related companies that led during the first half of the year also reversed course, with data center-related stocks giving back a meaningful portion of their gains. Industrials (-14.6%) and Information Technology (-12.0%) were the weakest-performing sectors, while Energy (+6.4%) was the top performer and the only positive-returning sector, benefiting from rising oil prices.
- 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.

3Q2026 Dividend Increases

Company	TTM % Increase	Current Yield
Badger Meter (BMI)	10.0%	1.4%
Chemed (CHE)	16.7%	0.6%
First Financial (FFBC)	4.0%	3.3%
Littelfuse (LFUS)	6.7%	0.8%
Reinsurance Group of America (RGA)	5.4%	1.6%
Terreno Realty (TRNO)	9.6%	3.5%

3Q2026 Trades Executed

Initiations	Eliminations
Sensient Technologies (SXT)	AAON (AAON)
Southwest Gas Holdings (SWX)	
Increases	Reductions
Applied Industrial Technologies (AIT)	AptarGroup (ATR)
Armstrong World Industries (AWI)	Balchem (BCPC)
Entegris (ENTG)	Chesapeake Utilities (CPK)
First Financial (FFBC)	Curtiss-Wright (CW)
New York Times (NYT)	Enpro (NPO)
PriceSmart (PSMT)	Littelfuse (LFUS)
Reinsurance Group of America (RGA)	Victory Capital Holdings (VCTR)
Sensient Technologies (SXT)	
Silicon Motion Technology ADR (SIMO)	
Southwest Gas Holdings (SWX)	

Source: Bahl & Gaynor and FactSet, 2026.

Portfolio Review

The Bahl & Gaynor Small Cap Dividend strategy returned -6.76% gross / -7.46% net versus the Russell 2000's -7.23% during 3Q2026. Stock selection in Health Care, Financials and Real Estate positively contributed to results. Conversely, an overweight allocation to Industrials, an underweight allocation to and stock selection in Energy, and stock selection in Consumer Discretionary detracted from results.

The largest positive drivers of current quarter performance:

- Stock selection in Health Care aided results, as the portfolio's holdings considerably outpaced the sector's -1.5% return. Top holding Ensign Group (ENSG) was the portfolio's second-largest contributor, rebounding from two short reports published in June after a strong second-quarter earnings report demonstrated solid clinical results and high-quality earnings. Chemed (CHE), U.S. Physical Therapy (USPH), and Encompass Health (EHC) also had positive quarters.
- Stock selection in Financials positively contributed to results. Victory Capital Holdings (VCTR) was the portfolio's top contributor on strong quarterly results and its accretive First Eagle acquisition. Reinsurance Group of America (RGA) also had a strong quarter, adding value.
- Within Real Estate, stock selection aided results. American Healthcare REIT (AHR) and Terreno Realty (TRNO) held up better than the broader sector, which was down -8.6%.

The largest negative drivers of current quarter performance:

- An overweight allocation to Industrials, the worst-performing sector (-14.6%), detracted from results. The portfolio held roughly twice the index weight. Curtiss-Wright (CW), BWX Technologies (BWXT) and Enpro (NPO) each de-rated from premium valuations despite second-quarter beats and guidance raises. CW's modest raise proved insufficient to sustain its valuation, though forward estimates continue to rise on record defense electronics orders, while BWXT was pressured by its exposure to the power and data center trade and NPO by a broader semiconductor selloff in early July.
- An underweight allocation to Energy, the best-performing sector (+6.4%), and stock selection detracted from results. The portfolio's sole holding, DT Midstream (DTM), declined alongside other natural gas pipeline stocks. Not owning PBF Energy (PBF, +69.7%) and SM Energy (SM, +30.2%), which rallied on higher oil prices, also hurt.
- Stock selection in Consumer Discretionary, driven primarily by Gildan Activewear (GIL), Texas Roadhouse (TXRH), and Winmark (WINA), detracted from results. Gildan Activewear (GIL) fell sharply in late September after a sell-side analyst cut estimates on inflation concerns. Texas Roadhouse (TXRH) and Winmark (WINA) also had poor quarters which weighed on results.

Largest Relative Portfolio Contributors

1. **Victory Capital Holdings (VCTR):** VCTR outperformed in 3Q2026 on continued strength of existing assets paired with the highly material, opportunistic acquisition of First Eagle. The acquisition rationale is bolstered by First Eagle's existing distribution partnership with Amundi, which mitigates critical integration risk and increases potential for significant revenue synergy.
2. **Ensign Group (ENSG):** Following the two short reports published in June, ENSG rebounded in 3Q2026 on a strong 2Q earnings report that demonstrated solid clinical results and high-quality earnings. ENSG stayed active in the quarter, executing on its buy-and-turnaround playbook which has helped restore investor confidence. We continue to view ENSG as a core holding, supported by the large growth opportunity from aging demographics, a strong operating model, and highly fragmented industry.
3. **Chemed (CHE):** CHE outperformed in 3Q2026 following up on a strong 2Q. After a rough start to the year, Roto-Rooter showed some stabilizing trends, and management continued to buy back large underperforming franchises. The strong reaction to the 2Q earnings report was driven by blowout results from its VITAS hospice unit, which posted better-than-expected average daily census, patient mix, and stable labor costs, leading to margin expansion. CHE's leadership in two stable, fragmented end markets, combined with long-term demand tailwinds in healthcare and essential services, provides strategic flexibility and supports our long-term conviction.

Largest Relative Portfolio Detractors

1. **Curtiss-Wright (CW):** CW, a provider of highly engineered products, de-rated in 3Q2026 following a modest beat and raise that proved insufficient to sustain its premium valuation. On a positive note, forward estimates continue to move higher as record demand for defense electronics orders, a raised buyback, and nuclear and Golden Dome tailwinds continue to support a robust outlook for the company.
2. **Enpro (NPO):** NPO, an industrial technology company, underperformed in 3Q2026 as the stock de-rated modestly from its premium multiple, owing to a broader tech and semiconductor selloff in early July. NPO had a strong 2Q beat and raise, given accelerating semiconductor demand in the AST business and record backlog visibility. The stock has recovered swiftly to begin the final quarter of the year, reflecting market recognition of the long-term supportive backdrop we see for this company.
3. **BWX Technologies (BWXT):** BWXT, a company that engages in the supply and provision of nuclear components and products, underperformed in 3Q2026 as the stock de-rated despite a modest 2Q beat and guidance raise across core metrics. Ultimately, as the company is connected through its portfolio of nuclear solutions to the global power and data center trade, it remains vulnerable to multi-year changes in sentiment related to these dynamics. With the de-rating to date, we are comfortable with the current outlook which has not changed, and BWXT is a high-quality way to gain exposure to these dynamics.

STRATEGY STYLE CATEGORIZATION

Asset Class	Benchmark	Mandate
Domestic Equity	Russell 2000	Small 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.

Bahl & Gaynor Small Cap Dividend Positioning

The Bahl & Gaynor Small Cap Dividend strategy focuses on high-quality, dividend-paying businesses with underappreciated capabilities to compound capital and grow dividends over time. The strategy invests in small-size companies having market capitalizations, at the time of purchase, within the range of the market capitalizations of the Russell 2000 Index over the prior 12-month period.

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 currently reward shareholders of the company with a dividend.

Over a full market cycle, Bahl & Gaynor’s Small Cap Dividend strategy seeks to outperform its benchmark and small-capitalization core peers all in the context of a lower-than-average portfolio risk profile.

Client portfolios will generally be diversified among small capitalization common stock with each security typically held for three to five years. Low to moderate rate portfolio turnover combined with the favorable tax treatment of dividend income can result in a cost and tax-efficient portfolio.

Portfolio Management Parameters

1Companies initiated in the portfolio pay a cash dividend at the time of purchase

2Cash is non-tactical and typically represents 0% to 3% of portfolio value

3Under normal circumstances, at least 80% of the strategy’s net assets are invested in small capitalization companies, defined as companies with a market capitalization, at the time of purchase, within the range of the Russell 2000 Index over the prior 12-month period

4Annual portfolio turnover is low to moderate

5Sell or trim decisions are based upon fundamentals, dividend policy, and better opportunities

6The strategy employs no derivatives, exchange-traded funds or mutual funds

Portfolio Details (as of September 30, 2026)

Top 10 Holdings	Bahl & Gaynor Small Cap Dividend Weight
Ensign Group (ENSG)	8.4%
Chemed (CHE)	5.5%
American Healthcare REIT (AHR)	4.8%
Federal Signal (FSS)	4.8%
Silicon Motion Technology ADR (SIMO)	4.6%
Victory Capital Holdings (VCTR)	4.5%
Enpro (NPO)	4.3%
Gildan Activewear (GIL)	3.8%
Applied Industrial Technologies (AIT)	3.4%
Littelfuse (LFUS)	3.3%
Total:	47.5%

Sector	Bahl & Gaynor Small Cap Dividend Weight	Russell 2000 Weight
Industrials	26.6%	14.0%
Health Care	17.6%	20.8%
Financials	12.5%	19.2%
Information Technology	12.3%	13.8%
Consumer Discretionary	8.0%	8.8%
Real Estate	6.2%	5.4%
Materials	5.0%	4.2%
Utilities	3.4%	2.7%
Consumer Staples	2.9%	2.0%
Communication Services	2.1%	2.4%
Energy	1.9%	6.7%
Cash	1.5%	0.0%

Portfolio Statistics	Bahl & Gaynor Small Cap Dividend	Russell 2000
P/E Ratio (TTM inc. negative earners)	25.8x	79.4x
Forward P/E Ratio (inc. negative earners)	19.6x	24.8x
Weighted Average Market Cap	\$9.2 B	\$3.9 B
Dividend Yield – Gross of Fees ¹	1.1%	1.3%
Daily Downside Capture since inception (Gross) ²	81.6%	100.0%
Beta since inception (Gross)	0.81	1.00
Sharpe ratio since inception (Gross) ³	0.53	0.42
Alpha since inception (Gross) ⁴	2.34	0.00
TTM Turnover	33.1%	-

Source: Bahl & Gaynor, FactSet, Morningstar Direct, 2026. Inception date 12/31/2005.

Performance (Annualized)	Bahl & Gaynor Small Cap Dividend WRAP (Pure Gross)	Bahl & Gaynor Small Cap Dividend WRAP (Net)	Russell 2000	Standard Deviation (Annualized)	Bahl & Gaynor Small Cap Dividend WRAP (Pure Gross)	Bahl & Gaynor Small Cap Dividend WRAP (Net)	Russell 2000
QTD (Cumulative)	-6.76%	-7.46%	-7.23%	1 Year	15.63%	15.63%	16.73%
YTD (Cumulative)	8.06%	5.67%	13.71%	3 Years	16.90%	16.90%	19.54%
1 Year	4.93%	1.84%	16.20%	5 Years	18.56%	18.56%	20.83%
3 Years	12.38%	9.07%	17.72%	10 Years	18.03%	18.03%	20.90%
5 Years	6.97%	3.82%	6.34%	15 Years	16.52%	16.52%	19.11%
10 Years	9.42%	6.19%	9.84%	Since Inception	17.27%	17.27%	20.15%
15 Years	11.89%	8.60%	11.80%				
Since Inception	9.95%	6.71%	8.56%				

Source: Bahl & Gaynor, Morningstar Direct, 2026. Inception date 12/31/2005.

¹Dividend yield includes cash holdings. ²Bahl & Gaynor; historical downside capture is the sum of strategy returns on all Russell 2000 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. Bahl & Gaynor Small Cap Dividend return is derived from the daily internal rate of 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. ³Sharpe ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 12/31/2005. ⁴Alpha 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, 2026. Statistics and weight data is drawn from the Bahl & Gaynor Small Cap 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. Gross dividend yield figures for individual stocks are presented prior to the deduction of any applicable taxes, including foreign withholding taxes from American Depositary Receipts (ADRs), and do not reflect investment-related fees, transaction costs, or advisory expenses. Risk and return data are representative of the Bahl & Gaynor Small Cap 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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