

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

STRATEGY OBJECTIVES

- Income Growth:** 2.4% yield¹; +3.3% growth in trailing-twelve-month (TTM) income as of 3Q2026².
- Downside Protection:** Daily downside capture of 64.8% across all Russell 2500 down days during the quarter³.
- Price Appreciation:** Since inception Sharpe ratio of 0.63 gross versus the Russell 2500's Sharpe ratio of 0.55⁴. Positive since inception alpha of 1.92 gross versus the Russell 2500⁵.

3Q2026 RESULTS RELATIVE TO STRATEGY OBJECTIVES

Income Growth

- The smig® strategy grew TTM income by +3.3%, compared to Russell 2500 income growth of +17.6%².
- During the quarter, 7 strategy holdings announced dividend hikes with an average TTM increase of +9.3%, reflecting the financial strength of these companies.

Downside Protection

- The strategy delivered daily downside capture of 64.8% quarter-to-date and 50.9% over the trailing twelve months across all Russell 2500 down days³.

Price Appreciation

- The strategy returned -5.27% gross / -5.98% net versus the Russell 2500's -6.37% during the quarter, and +7.03% gross / +3.88% net versus +17.45% over the trailing twelve months.
- Profitable small- and mid-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- and mid-cap stocks declined in 3Q2026, with the Russell 2500 Index falling -6.4% and lagging the S&P 500 throughout the quarter 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 (-14.7%) and Consumer Discretionary (-10.4%) were the weakest-performing sectors, while Energy (+7.0%) was the top performer as oil prices climbed.
- Amid the current environment, we believe a risk-managed approach focused on sustainable dividends and stable fundamentals within the small- and mid-cap space continues to present an attractive investment opportunity.

3Q2026 Dividend Increases		
Company	TTM % Increase	Current Yield
CBOE Global (CBOE)	19.4%	1.2%
First Financial (FFBC)	4.0%	3.3%
Penske Automotive Group (PAG)	9.1%	2.9%
RB Global (RBA)	6.5%	1.6%
Reinsurance Group of America (RGA)	5.4%	1.6%
Ryder System (R)	11.0%	1.8%
Terreno Realty (TRNO)	9.6%	3.5%

3Q2026 Trades Executed	
Initiations	Eliminations
Lincoln Electric Holdings (LECO)	Broadridge Financial Solutions (BR)
Reliance (RS)	
Increases	Reductions
DICK'S Sporting Goods (DKS)	Amdocs (DOX)
First Financial (FFBC)	NetApp (NTAP)
Lincoln Electric Holdings (LECO)	Penske Automotive Group (PAG)
MSC Industrial Direct (MSM)	RB Global (RBA)
Packaging Corporation of America (PKG)	Ryder System (R)
Plains GP Holdings (PAGP)	Targa Resources (TRGP)
Reliance (RS)	Victory Capital Holdings (VCTR)
RPM International (RPM)	
Silicon Motion Technology ADR (SIMO)	

Source: Bahl & Gaynor and FactSet, 2026.

Portfolio Review

The smig® strategy returned -5.27% gross / -5.98% net versus the Russell 2500's -6.37% during 3Q2026. Stock selection in Financials, Industrials and Information Technology aided results. However, stock selection in Utilities, Energy and Consumer Discretionary, in addition to an overweight to Utilities relative to the Russell 2500, negatively impacted results.

The largest positive drivers of current quarter performance:

- Stock selection in Financials aided 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) and Cboe Global Markets (CBOE) also had strong quarters, posting +16.3% and +13.8% returns, respectively, which aided results.
- Within Industrials, stock selection contributed positively, driven by both holdings and non-holdings. Not owning data center-related companies such as Carpenter Technology (CRS), Sterling Infrastructure (STRL), and Dycom (DY) benefited relative performance, as those stocks gave back much of their first-half gains. Portfolio companies MSC Industrial (MSM) and Allegion (ALLE) also contributed on the back of better-than-expected results.
- Stock selection in Information Technology positively contributed to results. NetApp (NTAP, +36.2%) was the standout. It reported quarterly revenue growth of 30% year-over-year and significantly raised its full-year guidance on increasing demand. Not owning MKS (MKS) and exposure to Amdocs (DOX) also helped results.

The largest negative drivers of current quarter performance:

- An overweight allocation to Utilities and stock selection within the sector detracted from results. Rate-sensitive areas of the market traded lower as the 10-year Treasury yield rose meaningfully between mid-August and late September. Positions in NiSource (NI), Alliant Energy (LNT) and CMS Energy (CMS) were headwinds.
- Stock selection in Energy detracted from results. DT Midstream (DTM) was the largest detractor, while not owning refiner HF Sinclair (DINO, +55.0%) and oil producer APA Corp. (APA, +28.4%), also modestly hurt, as both rallied on higher oil prices.
- Within Consumer Discretionary, stock selection detracted. Dick's Sporting Goods (DKS) struggled during the quarter after missing earnings expectations and cutting guidance due to struggles in its Foot Locker business. Gildan Activewear (GIL) and Texas Roadhouse (TXRH) also had tough quarters which weighed on results.

Largest Relative Portfolio Contributors

- 1. Victory Capital Holdings (VCTR):** VCTR, a multi-boutique asset management firm, 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. U.S. Physical Therapy (USPH):** USPH, the third-largest provider of outpatient physical therapy services in the U.S., outperformed in 3Q2026, even though prior quarter results were mixed. Earnings came in light as management hired ahead of its new hospital partnerships to keep up with demand, but revenue beat and full-year guidance was reaffirmed. Investors have grown more confident as these partnerships materialize and ramp sequentially. The fundamental thesis remains intact, with stable patient demand, improving reimbursement, growing hospital partnerships, and a fragmented market full of M&A opportunities all setting up for a stronger back half of the year.
- 3. NetApp (NTAP):** NTAP, a storage and data management solutions provider, outperformed in 3Q2026, driven by a sizable top- and bottom-line beat that easily cleared the high end of its own guide. Product revenue and all-flash demand led the upside, as AI-related data pipelines drove demand for high-performance storage. Strength was broad-based across geographies, channels, and consumption models. Management raised the full-year guide well above Street expectations and gave indications that the enterprise storage market is undergoing a structural step higher in its demand function. Thereafter, the market is giving NTAP credit for their clear operational momentum and a more durable growth algorithm.

Largest Relative Portfolio Detractors

- 1. Evercore (EVR):** EVR, an independent investment banking advisory firm, underperformed in 3Q2026 as while M&A deal volumes materialized as expected, and headcount additions were properly sized to meet demand, volume leverage on deal flow disappointed. Going forward, we continue to see scope for the company to gain share, while the company as an investment provides attractive end-market and factor-based exposures to the strategy.
- 2. RB Global (RBA):** RBA, an industrial auctioneer that connects buyers and sellers, underperformed in 3Q2026 as prior quarter results revealed lower-than-expected service take rates that overshadowed a topline beat. EBITDA growth also slowed to roughly in-line with service growth, and investors read the raised gross transaction guidance, largely attributable to the Biglron acquisition, as a sign of a softer core business. We have actively trimmed the position to fund other compelling investment opportunities.
- 3. Silicon Motion Technology (SIMO):** SIMO, a developer of NAND flash controllers and related storage solutions, underperformed in 3Q2026 despite a large beat and a guide well ahead of expectations, as the shares were caught up in a broad de-rating of AI-exposed names where even strong results struggled to find support. In that environment, the market leaned on the open questions around the business, namely how much of the margin strength came from passing through memory content in its bundled solutions versus true operating improvement, and management's decision to leave its long-term margin targets unchanged left investors unsure how much of the current level is sustainable. Tight memory supply and high costs weighing on smartphone demand, along with a slightly longer-than-expected wait for the next wave of higher-capacity enterprise products, also tempered enthusiasm. Even so, SIMO's idiosyncratic execution opportunity with NVIDIA and hyperscaler-specific system designs supports continued strong fundamental performance, and the weakness looks more like a sector-wide reset than a change in the underlying business.

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

1100% of companies held in the portfolio pay a cash dividend

2Portfolio typically managed to maximum 5% capital and 6% income contributions per stock

3Cash is frictional and generally represents 1% to 3% of portfolio value

4Annual portfolio turnover is low to moderate

5Sell or trim decisions are based upon fundamentals, dividend policy, and deteriorating balance sheet

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

Portfolio Details (as of September 30, 2026)

Top 10 Holdings	smig® Weight
Silicon Motion Technology ADR (SIMO)	6.9%
Victory Capital Holdings (VCTR)	4.6%
Targa Resources (TRGP)	4.4%
Snap-On (SNA)	4.4%
Hubbell (HUBB)	3.6%
US Physical Therapy (USPH)	3.6%
DT Midstream (DTM)	3.6%
Packaging Corporation of America (PKG)	3.5%
Reinsurance Group of America (RGA)	3.3%
Gildan Activewear (GIL)	3.2%
Total:	41.1%

Sector	smig® Weight	Russell 2500 Weight
Financials	20.1%	16.4%
Industrials	18.7%	18.6%
Energy	10.2%	4.7%
Real Estate	9.4%	6.6%
Information Technology	9.3%	15.1%
Consumer Discretionary	9.3%	9.5%
Utilities	8.0%	2.7%
Materials	7.5%	5.2%
Health Care	3.6%	15.4%
Consumer Staples	2.3%	3.2%
Communication Services	0.0%	2.7%
Cash	1.6%	-

Portfolio Statistics	smig®	Russell 2500
P/E Ratio (TTM inc. negative earners)	20.2x	31.9x
Forward P/E Ratio (inc. negative earners)	16.6x	19.1x
Weighted Average Market Cap	\$15.3 B	\$8.6 B
Dividend Yield – Gross of Fees ¹	2.4%	1.4%
Daily Downside Capture since inception (Gross) ³	73.0%	100.0%
Beta since inception (Gross)	0.77	1.00
Sharpe ratio since inception (Gross) ⁴	0.63	0.55
Alpha since inception (Gross) ⁵	1.92	0.00
TTM Turnover	27.6%	-

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)	-5.27%	-5.98%	-6.37%
YTD (Cumulative)	9.30%	6.88%	14.90%
1 Year	7.03%	3.88%	17.45%
3 Years	13.40%	10.06%	17.74%
5 Years	7.77%	4.59%	7.46%
10 Years	9.90%	6.67%	10.81%
Since Inception	10.79%	7.53%	10.60%

Standard Deviation (Annualized)	smig® WRAP (Pure Gross)	smig® WRAP (Net)	Russell 2500
1 Year	13.92%	13.92%	15.64%
3 Years	13.80%	13.80%	17.57%
5 Years	15.92%	15.92%	19.42%
10 Years	16.39%	16.39%	19.58%
Since Inception	15.09%	15.09%	18.05%

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

¹Dividend yield includes cash holdings. ²The 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. ³Source: 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 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. ⁴Sharpe Ratio measures the efficiency, or excess return per unit of risk (volatility), of a manager's returns. Inception: 3/31/2013. ⁵Alpha 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 Depositary 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.

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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