

## Bahl & Gaynor Small Cap Quality Growth Separately Managed Account (SMA)

Bahl & Gaynor Investment Counsel Cincinnati, OH 45202 **Founded:** 1990 **Firm Assets Under Management:**\* \$25.4 billion

Period Ending September 30, 2018

### Investment Objective & Principal Investment Strategy

#### Investment Objective

The objective of the Bahl & Gaynor Small Cap Quality Growth Strategy is price appreciation, followed by downside protection and then income.

#### Principal Investment Strategy

Bahl & Gaynor utilizes a bottom-up, fundamental approach emphasizing small cap, high-quality stocks with steady earnings and dividends. Their approach incorporates quantitative and qualitative analysis comparing potential ideas versus their peers, history and the market and targets dominant companies with a clear competitive advantage and reasonable valuation.

The benchmark for this strategy is the Russell 2000® Growth Index.

### Investment Process

#### Price appreciation, downside protection and income.

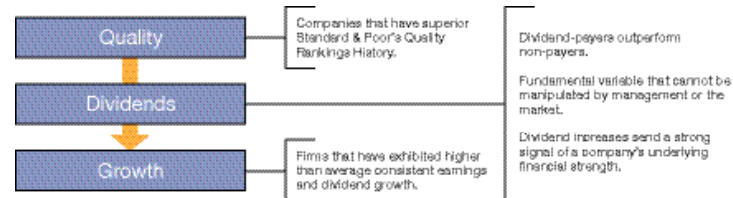
- Bahl & Gaynor believes rapid growth potential and dividend income are not mutually exclusive
- Conservative, small cap growth strategy emphasizing high-quality, dividend-paying stocks
- Focused on providing reduced volatility, increased income and a strong risk/reward profile

Bahl & Gaynor utilizes a bottom-up, fundamental investment philosophy that believes in owning shares of high-quality companies with market capitalizations of approximately \$200 million to \$5 billion at purchase that typically produce steady earnings and dividend growth.

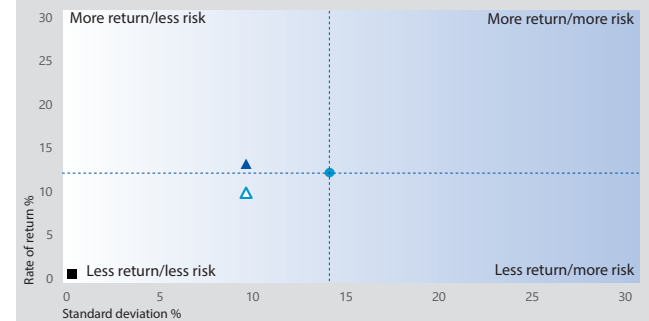
Fundamental research is conducted by Bahl & Gaynor's 15 portfolio managers/analysts each with a sector responsibility, seeking to find dominant companies with a clear competitive advantage, shareholder-friendly management with large insider ownership, and/or the ability to price products well above costs and reinvest in the business.

The strategy is not rigidly constrained to the benchmark other than for risk management purposes and typically has annualized turnover of less than 25%.

The final portfolio is typically comprised of 65 to 85 stocks with no master limited partnerships (MLPs), preferred stocks, options, exchange-traded funds (ETFs) or convertible securities owned.



### Total Risk/Reward Analysis 9/30/13– 9/30/18



	Gross of Fees	Net of Fees	Standard Deviation	Sharpe Ratio
<b>Small Cap</b>	13.19%▲	9.92%△	9.61	1.32
<b>Russell 2000 Growth Index</b>	12.14	—	14.14	0.82
<b>3-month T-Bill</b>	0.49	—	0.18	—

### Performance Highlights (Total returns as of 9/30/18) (Annualized for periods greater than one year)

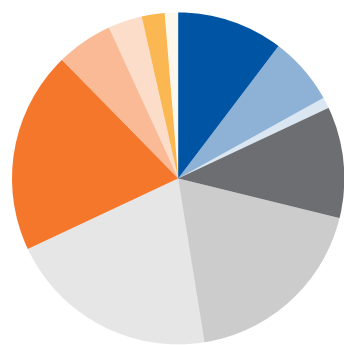
	Small Cap Gross	Small Cap Net	Russell 2000 Growth
<b>Quarter</b>	2.40%	1.64%	5.52%
<b>Year-to-Date</b>	10.00	7.61	15.76
<b>1 Year</b>	13.94	10.66	21.06
<b>3 Year</b>	19.15	15.74	17.98
<b>5 Year</b>	13.19	9.92	12.14
<b>7 Year</b>	17.16	13.80	17.52
<b>10 Year</b>	13.80	10.51	12.65
<b>Since Inception (1/2006)</b>	11.52	8.29	10.03

\* Bahl & Gaynor assets under management were \$11.7 billion and SMA platform assets under advisement were \$13.7 billion as of 9/30/2018.

**Bahl & Gaynor Small Cap Quality Growth Separately Managed Account (SMA)**

Period Ending September 30, 2018

**Sector Allocations**

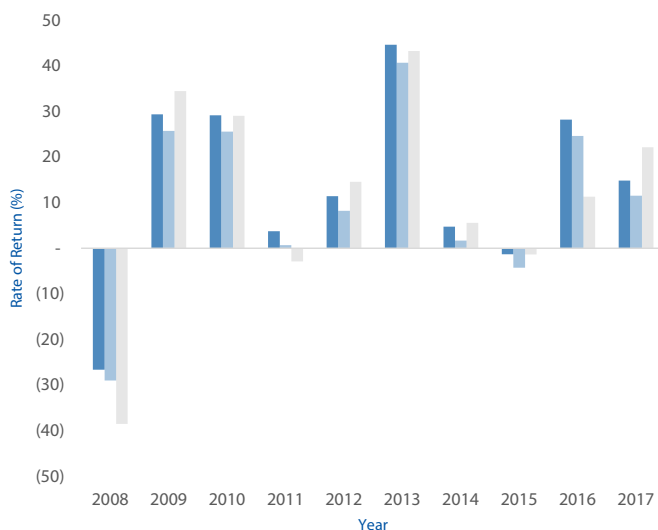


	Small Cap (%)
▶ Consumer Discretionary	10.31
▶ Consumer Staples	6.62
▷ Energy	1.08
▶ Financials	10.83
▷ Healthcare	18.62
▷ Industrials	20.55
▶ Information Technology	19.65
▶ Materials	5.49
▶ Real Estate	3.32
▶ Communication Services	2.23
▷ Utilities	1.30

**Portfolio Characteristics**

	Small Cap	Russell 2000 Growth
<b>Number of Holdings</b>	69	2,021
<b>Beta (5-Year vs. Index)</b>	0.73	1.00
<b>Price/Earnings (1-year trailing)</b>	26.50x	23.80x
<b>Weighted Average Market Capitalization (\$Billions)</b>	\$2.9	\$2.7
<b>Annual Portfolio Turnover</b>	28%	—
<b>Dividend Yield</b>	1.36%	0.60%
<b>Upside Market Capture (5 Years)</b>	87.37	100.00
<b>Downside Market Capture (5 Years)</b>	47.49	100.00

**Composite Performance Highlights — Trailing 10 Years — Gross & Net of Fees** Yearly return analysis



	Small Cap Gross	Small Cap Net	Russell 2000 Growth
<b>2017</b>	14.87	11.54	22.17
<b>2016</b>	28.21	24.63	11.32
<b>2015</b>	-1.32	-4.26	-1.38
<b>2014</b>	4.74	1.67	5.60
<b>2013</b>	44.62	40.71	43.30
<b>2012</b>	11.44	8.23	14.59
<b>2011</b>	3.78	0.71	-2.91
<b>2010</b>	29.20	25.58	29.09
<b>2009</b>	29.38	25.75	34.47
<b>2008</b>	-26.64	-29.01	-38.54

**Top 10 Equity Holdings** (excludes cash)

Security	% of Equity
<b>Cantel Medical Corp</b>	2.89
<b>John Bean Technologies Corp</b>	2.61
<b>Evercore Inc A</b>	2.50
<b>PolyOne Corp</b>	2.39
<b>LeMaitre Vascular Inc</b>	2.36
<b>Healthcare Services Group Inc</b>	2.35
<b>Inter Parfums Inc</b>	2.31
<b>Monolithic Power Systems Inc</b>	2.26
<b>First Financial Bancorp</b>	2.22
<b>Applied Industrial Technologies Inc</b>	2.18

**Investment Professionals**

Bahl & Gaynor's investment process is a collaborative effort by the 15 portfolio managers / analysts. Since inception, Bahl & Gaynor has made investment decisions via an investment committee that emphasizes consensus and values each portfolio manager's input.

## Bahl & Gaynor Small Cap Quality Growth Separately Managed Account (SMA)

Period Ending September 30, 2018

Bahl & Gaynor Investment Counsel, Inc.  
Schedule of Rates of Return and Statistics  
Small Cap Quality Growth Composite  
December 31, 2007 Through December 31, 2017

Year Ended 12/31	Gross Composite Return (%)	Net Composite Return (%)*	Benchmark Return (%) Russell 2000 Growth*	Number of Accounts	Composite Dispersion (%)	3 Year Annualized Ex-Post Standard Deviation		Total Composite Assets (\$MM)	Non-fee Paying Assets (%)	Total Firm Assets (\$MM)	Total AUA (\$MM)**
						Composite (%)	Russell 2000 Growth (%)				
2007	4.81	1.74	7.05	≤5	N/A	N/A	N/A	0.5	100	3,157.60	120.8
2008	-26.64	-29.01	-38.54	≤5	N/A	16.9	21.6	0.3	100	2,386.60	86.8
2009	29.39	25.75	34.47	≤5	N/A	20.6	24.8	0.4	100	2,658.10	94.1
2010	29.19	25.58	29.09	≤5	N/A	23	27.7	4.4	12.9	3,042.10	187.1
2011	3.79	0.71	-2.92	11	0.02	20.6	24.3	9.2	7.9	3,733.50	1,419.40
2012	11.44	8.23	14.59	18	0.08	16.6	20.7	18.8	4.4	4,809.20	2,856.10
2013	44.62	40.71	43.29	18	0.45	13.9	17.3	27.7	9.3	6,461.80	4,616.60
2014	4.74	1.67	5.61	21	0.15	11.9	13.8	33.6	6.6	7,544.90	5,701.50
2015	-1.33	-4.26	-1.38	23	0.28	13.4	15	45.4	4.8	7,965.60	6,051.10
2016	28.21	24.63	11.32	31	0.75	14.2	16.7	81.5	3.2	8,792.4	8,422.5
2017	14.87	11.54	22.16	36	0.18	12.7	14.6	141.7	1.8	10,778.1	11,541.5

\* Net Composite Return and Benchmark Return Russell 2000 Growth Return are not covered by the report of the independent verifiers.

\*\* Assets under advisement (AUA) are presented as supplemental information. Assets under Advisement represent assets that are not under the discretion of Bahl & Gaynor, but rather follow the strategy allocation in the form of a model based/UMA program. For AUA Bahl & Gaynor provides the model account and the various sponsor firms are responsible for determining account acceptance, trading and implementation of the strategies including restrictions and various levels of customization.

**General:** The information contained in this profile is proprietary in nature. All market prices, data and other information are not warranted as to completeness and accuracy and are subject to change without notice. The foregoing has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security.

The firm is defined as Bahl & Gaynor Investment Counsel, Inc. (Bahl & Gaynor), an independent, privately held corporation registered as an investment adviser under the Investment Advisers Act of 1940. Based on the way the firm holds itself out in the marketplace and in order to adhere to both the requirements and the spirit of the GIPS standards, we have adopted the broadest possible definition of the firm. The firm includes all accounts managed by the firm. Bahl & Gaynor manages both institutional and high net worth accounts. Registration does not imply a certain level of skill or training. The composite of Small Cap Quality Growth investment accounts under management was created in December 2005. Bahl & Gaynor claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Bahl and Gaynor has been independently verified for the periods June 30, 1990 to December 31, 2016. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Quality Growth composite has been examined for the periods December 31, 2005 to December 31, 2016. The verification and performance examination reports are available upon request.

**Accounts Eligible for the Composite:** The currency used to express performance is U.S. dollars. Composite dispersion measures represent the consistency of a firm's annual composite performance with respect to the individual account annual returns within a composite. The dispersion of annual returns is measured by standard deviation across asset-weighted accounts. Dispersion includes only those accounts which have been included in the composite for the entire year. This eliminates any inaccuracies created by annualizing partial year returns. The three-year annualized standard deviation is not presented as of December 31, 2007 because the composite did not yet have 36 monthly returns. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. Past performance is not indicative of 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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## Bahl & Gaynor Small Cap Quality Growth Separately Managed Account (SMA)

Period Ending September 30, 2018

**Composite Style:** The Small Cap Quality Growth Composite follows the philosophy of investing in quality, dividend-paying stocks, but invests in companies with market capitalizations less than \$5 billion. Typically, this results in a portfolio with less risk than the benchmark for this space. As of January 1, 2016 the minimum account size is \$100,000, an account dropping below 75% of the composite's minimum threshold shall be removed from the composite at the beginning of the quarter it declined in market value. There was no account minimum prior to 2016. A complete list and description of Firm composites and performance results is available upon request.

**Performance Data:** Performance data presented reflects past performance, which is not indicative of future results. Materially different market or economic conditions could result in markedly different performance, including the possibility of loss. Performance results are calculated prior to the deduction of advisory or management fees charged by Manager to its non-wrap program clients, but after all trading costs. All realized and unrealized capital gains and losses as well as dividends and interest from investments and cash balances are included.

The Firm calculates quarterly and annual account returns using a time-weighted monthly linked percentage return formula with appropriate adjustments for cash flows.

Net performance results are calculated after deducting a hypothetical fee of 3% per annum, which represents the highest possible fee assessed. A client's return will be reduced by the actual wrap program fee incurred in connection with the management of the client's account by Manager and any other managers managing assets in client's account as part of the wrap fee program. The applicable wrap program fee can be found in information provided by the wrap program sponsor. The wrap program fee is set by the applicable wrap program sponsor. This fee is not set by AAM or the Manager and neither AAM nor Manager knows the actual wrap program fee that may apply to client's account. The compounding effect of the wrap program fee over a period of time will impact the value of client's account. Clients should take wrap program fees into account when evaluating the investment performance of a wrap program account. Standard Deviation, Sharpe Ratio and Performance Characteristics presented are based on gross performance figures.

**Top 10 Holdings, Sector Allocations and Portfolio Characteristics** presented are based on a model portfolio and are subject to change. Information presented is as of the date listed on the first page of this profile. This information should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any of the security holdings listed were or will be profitable, or that investment recommendations or future decisions will be profitable.

This presentation should only be considered as a tool in any broker's, dealer's or advisor's investment decision matrix. Investors should consult their financial advisor when applying the assumptions of these charts/graphs.

**Definitions:** Standard deviation is a statistical measurement that sheds light on historical volatility by measuring the dispersion of a set of data from its mean. The higher the standard deviation, the higher the deviation within the data set. Standard deviation is calculated as the square root of variance by determining the variation between each data point relative to the mean. Sharpe Ratio is a measure for calculating risk-adjusted returns. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The higher the Sharpe ratio, the better the risk-adjusted performance has been. Beta is a measure of the volatility, or systematic risk, of the portfolio in comparison to the benchmark. The price/earnings ratio (often shortened to the P/E ratio

or the PER) is the ratio of a company's stock price to the company's earnings per share. A capitalization-weighted portfolio/index is one where individual components are weighted according to their total market capitalization. The larger components carry higher percentage weightings, while the smaller components in the index have lower weights. Annual turnover is the percentage rate at which a portfolio replaces its investment holdings on an annual basis. Dividend yield is a financial ratio that indicates how much a company pays out in dividends each year relative to its share price. The up-market capture ratio is the statistical measure of a portfolio's overall performance in up-markets. An upside capture ratio over 100 indicates a portfolio has generally outperformed the benchmark during periods of positive returns for the benchmark. An up-period is defined as a month when the benchmark return is positive. The down-market capture ratio is a statistical measure of a portfolio's overall performance in down-markets. A downside capture ratio of less than 100 indicates that a portfolio lost less than (i.e.: outperformed) its benchmark in periods when the benchmark has declined. A down-period is defined as a month when the benchmark return is negative.

**Benchmark:** The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Index information was obtained by Informa Investment Solutions and Russell Investments. Benchmark returns are not covered by the report of the independent verifiers.

**Advisors Asset Management (AAM):** All information contained in this profile has been provided by Manager and has not been audited or verified by Advisors Asset Management. The Form ADV, Part 2a of Manager was prepared by Manager and has not been audited or verified, or reviewed for legal sufficiency, by AAM. AAM and Manager are not affiliated. **AAM acts as a third party marketing agent to the Manager and does not act as investment advisor to the investment strategy referenced above.**

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