1) **Why is dividend growth right for my portfolio?**

   We believe a track record of dividend increases is an excellent indicator of financial health, growth prospects and commitment to shareholders. Companies that are able to grow dividends at high rates organically are generally adept capital allocators with attractive growth opportunities. They generate more free cash flow and typically have safer balance sheets than their peers. In our view, these companies weather down markets better, either by declining less and/or recovering faster. As a result they protect investors' capital. We believe dividend growth stocks perform better across full market cycles and therefore should be a core part of any portfolios as their rising income streams protect wealth during inflationary periods and become more valuable during periods of deflation.

2) **Why is your dividend yield below the benchmark yield?**

   Not all dividend strategies are the same. Most dividend funds focus on delivering a higher than market yield but at Bristol Gate, we are focused on high dividend growth. Companies offering a high yield are generally not able to grow their dividends as quickly because they are paying out a substantial portion of their free cash flow, leaving little for reinvestment to drive further growth. Since inception, the Bristol Gate US Equity Strategy has generated a dividend yield of approximately 1.5%, while its portfolio companies have delivered around 20% dividend growth on average annually. This compares to the 2% dividend yield and 6% dividend growth of the S&P 500 over the same time period. Although the current yield of our US Equity Strategy is lower than the market's in the near term, in the longer term the high growing income and increasing yield **on cost** results in a very attractive income stream over time.

3) **I understand that Bristol Gate uses a model to identify stocks for the portfolio. Are you a quantitative strategy?**

   We are not a quantitative strategy. At Bristol Gate, we believe a combination of artificial and human intelligence working together has the most promise. The idea of predicting dividend growth has been central to our investment process since the beginning and our prediction model has evolved over time as tools and quality data have become broadly available with declines in the cost of compute and storage. Our machine learning based model's dividend predictions are the first step in our "man and machine" approach. Although our machine learning model's back test produces attractive absolute returns, it is not a risk managed portfolio. The model's value comes in providing an idea list of the best dividend growers over the coming 12-months which our portfolio managers perform deep fundamental analysis to build our portfolio of 22 (US portfolio) or 25 (Canadian portfolio). The model also enforces our sell-discipline. This systematic process promotes discipline and helps eliminate human biases.

4) **How does your strategy perform in a rising interest rate environment?**

   Companies whose dividends grow at very high rates tend to outperform in periods when interest rates are increasing because their growing income stream provides a degree of protection against a higher discount rate. Conversely, high dividend yielding stocks historically underperform when interest rates rise because their relatively stable income streams become less valuable when discounted at higher rates. In addition, higher dividend growth stocks generally have healthier balance sheets that carry less debt than their mature, higher yielding peers offering another layer of protection against higher rates as they are not saddled with increased debt servicing costs.

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5) **Does a singular focus on the best dividend growers ever distract you from finding the best performing stocks?**

At Bristol Gate, we do not believe in a Baskin Robins approach to investment management. We have one flavour, dividend growth, and our goal is to be the best in the world at it. Although we may miss a few attractive investments because of our focus or there may be periods when our particular style is out of favour, over time we believe it provides us the best opportunity to consistently meet our investors' goals. By only focusing on companies with at least a three-year history of paying dividends we avoid many of the high momentum, high expectation stocks where we believe most of the risk of overpaying for growth resides. We use high dividend growth as a tool to identify strong performing companies – a litmus test for quality.

6) **Why do you not have holdings in all the sectors?**

Our sector mix is a function of our investment process, not a market call. Our strategies, focused on high sustainable dividend growth, are typically underweight certain sectors. We are generally underweight utilities, real estate, telecom and staples because they are higher yielding as opposed to higher growth. We also tend to not own commodity companies due to their unpredictable nature, poor quality or reliance on capital markets to fund their business models. We believe sectors tell us very little about diversification and think that adequate diversification can be achieved with concentrated portfolios if numerous risk factors are considered as part of the portfolio construction process. By searching for the very best dividend growers, we build portfolios that look very different from the benchmark or a broad market index fund– in fact, they complement them.

7) **Why is your portfolio 22 holdings (US) and 25 holdings (Canada)?**

At Bristol Gate we are systematic and evidence-based. We believe in the scientific approach to help inform our decisions. Based on analysis geared at identifying the number of holdings that achieved adequate diversification but gave us the best opportunity to outperform the benchmark we determined that between 20-30 securities was the right number. Beyond that, adding additional stocks did not decrease risk and did nothing to help our returns. The strict number of holdings also introduces a discipline in the process that forces us to only include our best ideas in the portfolio. If one name enters, another leaves. It is another way that we help reduce bias.

8) **What is Productive Capital Analysis™?**

Productive Capital Analysis is the trademarked fundamental analysis process followed by Bristol Gate. It assesses whether the model's predicted dividend growth is attainable and sustainable through a thoughtful examination of a company's source and use of cash. Among other things, market structure, competitive dynamics, growth opportunities, pricing power, margins and the company's record of successful capital allocation are evaluated. This rigorous analysis provides comfort of the risks underwritten and whether the company can deliver the predicted level of dividend growth.

9) **How do you fit into a portfolio?**

We believe we should be a core part of any portfolio. Due to the concentrated and unique makeup of our portfolios, we complement many popular strategies. When analyzed in a broader portfolio context, we believe our concentrated high active share portfolio is additive to the mix, either increasing returns, reducing risk or sometimes doing both. We have done this by participating when markets are rising, capturing most of that upside, but protecting capital much better when markets are falling.

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10) How are you different from other Dividend Managers?

Our unique investment process combines data science and fundamental analysis in a repeatable process. Our use of machine learning to identify a focus list of the fastest dividend growers in the coming 12 months is unlike any other manger we are aware of. Amongst our dividend oriented peers, very few, if any, are using technology in the way we are and we have yet to find one that has delivered the level of dividend growth that we have been able to – over 20% annually in the US and 12% annually in Canada since inception. By comparison, the Dividend Aristocrats, the most famous dividend growth product which tracks the 50 companies in the S&P 500 that have increased their dividends for the last 25 years, has delivered dividend growth of around 8.7% annually[i] since 2005. We have historically had limited portfolio overlap with the Dividend Aristocrats and the same can be said of the rest of our dividend peers. Most dividend strategies are backwards looking, offering higher yield and lower dividend growth. We are forward looking with much higher dividend growth.

For more information, please contact one of our Relationship Managers:

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