



## 2021 ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

### BRISTOL GATE CONCENTRATED CANADIAN EQUITY ETF (BGC) (the "ETF")

For the 12-month period ended December 31, 2021 (the "Period")

Manager: Bristol Gate Capital Partners Inc. (the "Manager" and "Portfolio Manager")

This Annual Management Report of Fund Performance (the "MRFP") contains financial highlights but does not contain the annual financial report of the ETF. You can get a copy of the annual financial report at your request at no cost, by calling 416-921-7076, by writing to us at Bristol Gate Capital Partners Inc., 45 St. Clair Avenue West, Suite 601, Toronto, ON, M4V 1K9 or by visiting our website at [www.bristolgate.com](http://www.bristolgate.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Investment Objective and Strategies

The ETF seeks to generate long-term growth of income and capital by investing primarily in a concentrated portfolio of publicly-traded equity securities of Canadian companies that pay a dividend.

In order to achieve its investment objective, the ETF invests in dividend-paying equity securities selected primarily from the S&P/TSX Composite Index<sup>®</sup>. The ETF may also invest up to 10% of its NAV, at the time of purchase, in dividend-paying equity securities that are part of the MSCI ACWI Index, a recognized global equity index. The ETF invests in a concentrated portfolio of securities. The number of portfolio holdings usually ranges between 20 and 30 different securities. The securities held in the portfolio are actively managed by the Portfolio Manager. Approximately every three months, subject to market conditions and Manager discretion with respect to specific timing, the portfolio is rebalanced so that all of the securities in the portfolio are approximately equally weighted at that time. The Manager has implemented thresholds around equal weighted rebalancing in order to reduce trading volumes.

The ETF typically invests in securities of companies in six or more industry sectors. The Portfolio Manager uses its proprietary quantitative methodology (the "Methodology") to identify investment opportunities that exhibit the largest expected dividend growth over the next year. Fundamental analysis is performed to confirm the results of the quantitative

methodology and to make the final selection of the portfolio holdings.

#### Risk

The risks of investing in the ETF remain as discussed in the Prospectus. There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period.

#### Results of Operations

The ETF's net assets increased from \$17.30 million at the end of 2020, to \$17.75 million as of December 31, 2021. The increase was due to investment appreciation partially offset by net redemptions.

For the year, the portfolio companies delivered median dividend growth of 9.7%, well ahead of the S&P/TSX Composite constituent median increase of 3.3% and actual cash dividend increase of 5.0%. Over the next 12 months, the Manager's dividend prediction model is predicting median dividend growth of 11.1% for the portfolio companies. This compares to the median 4.2% for the Index constituents as forecast by consensus. During the year, the ETF returned 18.4% compared to the 25.1% for the S&P/TSX Composite Index<sup>®</sup>. The underperformance was a split between sector allocation and security selection. Underweights in Financials and Energy were significant detractors. Stock selection within the Information Technology sector was also a detractor, while it was additive in Industrials and Health Care. Zoetis Inc., Thomson Reuters Corp. and Brookfield Asset Management Inc. were the largest absolute contributors. Enghouse Systems Ltd., Stella-Jones Inc. and Quebecor Inc. were the largest detractors. On a relative basis to the Index, Zoetis Inc., Thomson Reuters Corp. and CCL Industries Inc. led the way, while Enghouse Systems Ltd., TMX Group Ltd. and Quebecor Inc. weighed on relative results.

Four changes were made to the portfolio during the first half of the year. In January, Enbridge Inc. was sold and replaced with Thomson Reuters Corp. The Manager also added Zoetis Inc. to the portfolio, funding it with the sale of UnitedHealth Group Inc. In February, two additional changes were made. Toronto-Dominion Bank and the Royal Bank of Canada were sold and replaced with Jamieson Wellness Inc. and InterRent



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REIT. All changes were driven by better forecasted dividend growth for the acquired companies.

All stocks were brought back to approximately equal weights in early January and April. The Manager introduced a threshold based rebalancing process departing from strict equal weighting during the third quarter.

No further position changes took place in 2021.

#### Recent Developments

Real yields on many government and corporate bonds are negative and general market risks remain elevated (valuations, Federal Reserve tightening, inflation, etc.). The Manager believes their high dividend growth strategy is increasingly attractive to investors with income requirements, particularly those who can withstand some of the daily volatility of public stock prices and stay focused on compounding income over long periods of time.

#### Related-Party Transactions

##### *Manager, Trustee and Portfolio Manager*

Bristol Gate Capital Partners Inc. (“Bristol Gate”) is registered as a portfolio manager and exempt market dealer in the provinces of Ontario, Quebec, Alberta, British Columbia and Manitoba and is also registered as an investment fund manager in the Provinces of Ontario and Quebec.

Bristol Gate is also registered with U.S. Securities and Exchange Commission as an investment advisor under the Investment Advisors Act of 1940. Bristol Gate is the Manager, Trustee and Portfolio Manager of the ETF. Bristol Gate is responsible for the ETF’s day-to-day operations and provides investment advice and portfolio management services to the ETF. Bristol Gate is only paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued daily and is based on a percentage of the net asset value of the ETF.

The ETF paid management fees to the Manager, inclusive of HST, of \$140,890 for the Period.

The Manager has chosen to absorb certain operating expenses for which the ETF is responsible.

The Manager has appointed the Independent Review Committee (IRC) established under the Canadian Securities Administrators’ National Instrument 81-107 Independent Review Committee for Investment Funds. The mandate of the IRC is to review and provide recommendations or approval, as required, regarding certain conflict of interest matters referred to it by the Manager on behalf of its managed ETFs. The IRC consists of three members, all of whom are independent of the Manager. Members of the IRC receive fees for services rendered. These fees and expenses, plus associated legal and insurance costs, are allocated among the ETFs managed by the Manager. During the period, the ETF did not rely on a positive recommendation, or approval, of the IRC with respect to any related party transactions.

#### Management Fees

The ETF pays a management fee, plus applicable taxes, to the Manager based on the annual rate of 0.70%, before GST/HST, of the net asset value of the ETF. This management fee is calculated and accrued daily and payable on the last Valuation Date of each month or on such date as the Manager may determine.

The management fee for the ETF compensates the Manager for providing portfolio advisory and investment management services to the ETF and for providing or arranging for other managerial and administrative services to the ETF including: arranging for payment of operating expenses; providing office space, facilities and personnel; preparing financial and tax information; preparing and providing financial statements, MRFPs and other required reports to unitholders; ensuring compliance with regulatory and exchange listing requirements; determining distributions; communicating with unitholders and calling meetings of unitholders; administering the purchase, exchange and redemptions of ETF units; and contracting with third party providers of services to the ETF.



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#### FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF’s financial performance for each of the fiscal periods presented below. For the period ended December 31, 2018 (the ETF was established in 2018), the “period” is from February 15 to December 31, 2018.

#### Net Assets Per Unit (in Canadian Dollars) <sup>1</sup>

	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net assets, beginning of period	\$23.07	\$22.87	\$18.56	\$20.00
<b>Increase (decrease) from operations:</b>				
Total revenue	\$0.45	\$0.50	\$0.51	\$ 0.41
Total expenses [excluding distributions]	(\$0.22)	(\$0.19)	(\$0.19)	(\$0.15)
Realized gains (losses) for the period	\$2.41	(\$1.16)	\$0.32	\$0.22
Unrealized gains (losses) for the period	\$1.57	\$1.51	\$3.87	(\$3.47)
<b>Total increase (decrease) from operations</b>	<b>\$4.21</b>	<b>\$0.66</b>	<b>\$4.51</b>	<b>(\$2.99)</b>
<b>Annual distributions:</b>				
From Income (Excluding Dividends)	\$0.00	\$0.00	\$0.00	\$0.00
From Dividends	\$0.21	\$0.26	\$0.21	\$0.10
From Capital Gains	\$0.00	\$0.00	\$0.22	\$0.14
Return of Capital	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total annual distributions <sup>2</sup></b>	<b>\$0.21</b>	<b>\$0.26</b>	<b>\$0.43</b>	<b>\$0.24</b>
Net assets, end of period <sup>3</sup>	\$27.31	\$23.07	\$22.87	\$18.56

- This information is derived from the ETF’s audited annual financial statements. The net assets per security presented in the financial statements may differ from the net asset value calculated for ETF pricing purposes. An explanation of any differences can be found in the notes to the financial statements.*
- The ETF made distributions on a notional basis. A notional distribution is when the units from a reinvested distribution are immediately consolidated with the units held prior to the distribution and the number of units held after the distribution is identical to the number of units held before the distribution.*
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.*



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#### Ratios and Supplemental Data (in Canadian Dollars)

	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Total net asset value (000's)	17,749	17,304	12,578	7,423
Number of units outstanding <sup>1</sup>	650,000	750,000	550,000	400,000
Management expense ratio <sup>2</sup>	0.85%	0.85%	0.85%	0.84%
Management expense ratio before waivers or absorptions <sup>2</sup>	1.69%	1.72%	2.86%	3.13%
Portfolio turnover rate <sup>3</sup>	54.74%	81.71%	64.58%	25.84%
Trading expense ratio <sup>4</sup>	0.01%	0.02%	0.01%	0.01%
Net asset value per unit	\$27.31	\$23.07	\$22.87	\$18.56
Closing market price – BGC	\$27.34	\$23.18	\$22.85	\$18.46

1. This information is as of December 31 for the year indicated.
2. The management expense ratio (“MER”) is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. The Manager may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption of certain operating expenses by the Manager, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by the Manager. Administration expenses for the first six months from the ETF launch date were waived by the ETF administrator.
3. The ETF’s portfolio turnover rate indicates how actively the ETF’s Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all the securities in its portfolio once in the course of the year. The higher the ETF’s portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.



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#### PAST PERFORMANCE

The performance information assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF. The past performance does not take into account sales, redemption, distribution or other optional charges or income taxes payable by the unitholders that, if applicable, would have reduced returns or performance. How the ETF performed in the past does not indicate how it will perform in the future.

#### Year-by-Year Returns<sup>1</sup>

The chart shows you the ETF’s annual historical return since inception.



\* Return from inception date of February 15, 2018 to December 31, 2018

- Annual return is the percentage change in the value of an investment from January 1 to December 31, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of each financial year.

#### Annual Compound Returns

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2021, compared with the following benchmark:

S&P TSX Composite Total Return Index®

	Since Inception	Past 5 Years	Past 3 Years	Past 1 Year
ETF	8.4%	-	13.7%	18.4%
Benchmark	12.0%	-	17.5%	25.1%

#### Benchmark Description

The S&P/TSX Composite Total Return Index® measures the performance of the broad Canadian equity market, including dividend re-investment, in Canadian dollars.

A discussion of the performance of the ETF as compared to its benchmark is found in the Results of Operations section of this report.

#### SUMMARY OF INVESTMENT PORTFOLIO

##### Asset Allocation

	% of Net Asset Value
Equities	99.01%
Cash	0.79%
Other assets less liabilities	0.20%
<b>Total</b>	<b>100%</b>

##### Sector Allocation

	% of Net Asset Value
Industrials	21.84%
Consumer Staples	13.44%
Financials	13.06%
Information Technology	10.94%
Real Estate	9.50%
Materials	7.96%
Communication Services	7.84%
Health Care	6.04%
Consumer Discretionary	4.42%
Energy	3.97%
Other assets less liabilities	0.99%
<b>Total</b>	<b>100%</b>



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#### Geographic Allocation

	% of Net Asset Value
Canada	89.10%
United States	9.91%
Other assets less liabilities	0.99%
<b>Total</b>	<b>100%</b>

#### Top Holdings

	% of Net Asset Value
1 Zoetis Inc. Class A	6.04%
2 Brookfield Asset Management Inc. Class A	5.19%
3 Alimentation Couche-Tard Inc.	5.06%
4 FirstService Corp.	5.01%
5 Waste Connections Inc.	4.80%
6 Toromont Industries Ltd.	4.64%
7 TELUS Corp.	4.55%
8 InterRent Real Estate Investment Trust	4.49%
9 Dollarama Inc.	4.42%
10 Thomson Reuters Corp.	4.42%
11 Premium Brands Holdings Corp.	4.22%
12 Canadian National Railway Co.	4.17%
13 Jamieson Wellness Inc.	4.16%
14 Stella-Jones Inc.	4.13%
15 Intact Financial Corp.	4.10%
16 TC Energy Corp.	3.97%
17 Visa Inc. Class A	3.87%
18 Open Text Corp.	3.85%
19 CCL Industries Inc. Class B	3.83%
20 Canadian Pacific Railway Ltd	3.81%
21 TMX Group Ltd.	3.77%
22 Quebecor Inc.	3.29%
23 Enghouse Systems Ltd.	3.22%
<b>Total</b>	<b>99.01%</b>

The summary of investment portfolio may change due to the ETF’s ongoing portfolio transactions and a quarterly update is

available at [www.bristolgate.com](http://www.bristolgate.com).

The sectors referenced in the above Sector Allocation table are based on the Global Industry Classification Standard. The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and S&P Global Market Intelligence (“S&P”) and is licensed for use by Bristol Gate Capital Partners Inc. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

#### A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Management Report of Fund Performance may contain forward-looking statements including, but not limited to, statements about the ETF, its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events and conditions or include words such as “may”, “could”, “would”, “should”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate” and similar forward-looking expressions or negative versions thereof.

These forward-looking statements are subject to various risks and uncertainties, including the risks described in the Prospectus of the ETF, uncertainties and assumptions about the ETF, capital markets and economic factors, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed. Economic factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign



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exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

Readers are cautioned not to place undue reliance on forward-looking statements and consider the above-mentioned factors and other factors carefully before making any investment decisions. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith. Forward-looking statements are not guarantees of future performance, and actual results could differ materially from those expressed or implied in any forward-looking statements made by the ETF. The Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.

## **DISCLOSURES**

The S&P/TSX Total Return Index® measures the performance of the broad Canadian equity market, including dividend re-investment, in Canadian dollars. This index has been provided for information only and comparisons to the index has limitations. The benchmark is an appropriate standard against which the performance of the ETF can be measured over longer time periods as it represents the primary investment universe from which Bristol Gate selects securities. However, Bristol Gate’s portfolio construction process differs materially from that of the benchmark and the securities selected for inclusion in the ETF are not influenced by the composition of the benchmark. For example, the ETF is a concentrated portfolio of approximately equally weighted dividend-paying equity securities, rebalanced quarterly whereas the benchmark is a broad stock index (including both dividend and non-dividend paying equities) that is market capitalization weighted. As such, ETF performance deviations relative to the benchmark may be significant, particularly over shorter time periods. The ETF has concentrated investments in a limited number of companies; as a result, a change in one security’s value may have a more significant effect on the ETF’s value.