

Dividend Growth investing has been around for decades. It has proven to be an “all-weather” investment strategy. Bristol Gate has taken a timeless approach to investing and has engineered a modern method to adapt to a world that is becoming more and more digital.

Many of your clients who have made their wealth in technology can understand the vast and growing amounts of data created each day and the complexities that it brings.

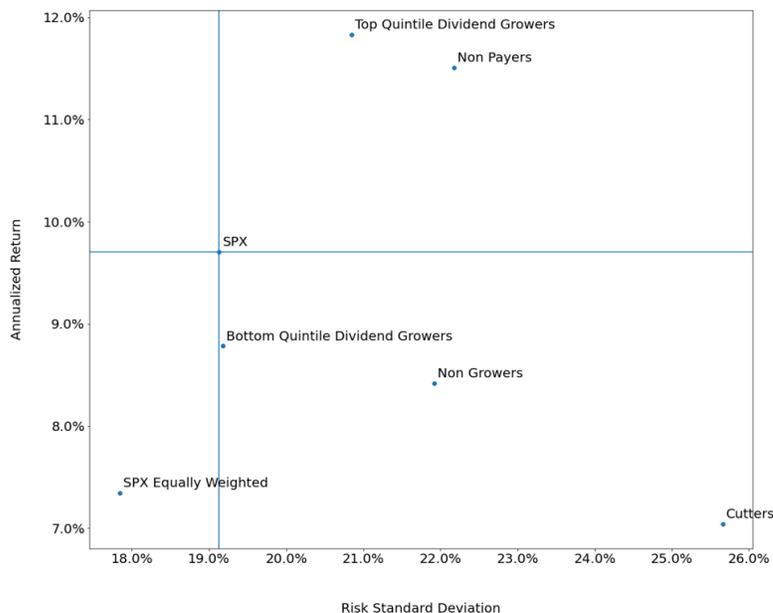
The [2020 UBS Billionaire Report](#) highlights Disruptors and Innovators in Technology as the fastest growing segment of billionaires. They are scientists, computer programmers and software engineers but more importantly they are becoming serial entrepreneurs that exploit novel technologies to develop new products, services, and business models.

The modern and disruptive approach that Bristol Gate applies to dividend growth leverages vast amounts of data to make better fundamental decisions. It is a methodology that is relatable to Disruptors and Innovators and fits well in their asset mix.

Our efforts in data science and machine learning are not restricted to dividend growth or one model, but pervasive throughout our process, including areas such as risk analysis, portfolio construction, and in operating our firm to improve efficiency. Continuous improvement and data science are fundamental components of our culture.

When Bristol Gate was founded in 2006, it was based on two unique insights:

- 1) **What within Dividend Growth performs better than Dividend Growth.** The evidence showed that focusing on companies that can deliver the highest dividend growth can provide better risk adjusted returns

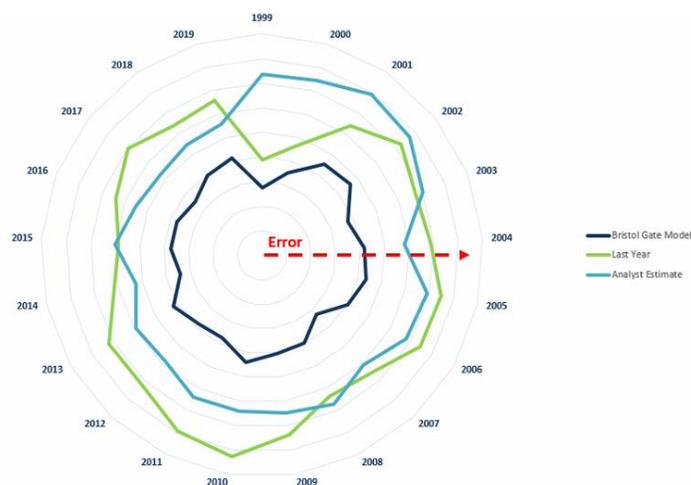


The 20-year period referenced is from Dec 31, 2001 to Dec 31, 2021 where each theoretical portfolio presented for the stated category was constructed from an equal weight basket of stocks selected from the S&P 500 universe and reconstituted annually.

Source: Bristol Gate, Bloomberg, Dec 31, 2001-Dec 31, 2021

The chart above plots the risk and return profiles of various baskets of stocks, including the top quintile dividend growers, over the previous 20 years. In what has been an eventful market period including everything from wars, rising and falling interest rates, the Great Financial Crisis and recovery, and most recently a global pandemic, as the chart shows, dividend growth is an area of the market that has performed well over time. If you had perfect foresight and invested in the top 20% (Top Quintile Dividend) of the highest dividend growth companies for the next twelve months at the beginning of each year it would provide competitive risk adjusted returns.

- 2) **What if we were able to identify tomorrow's best dividend growers today.** Bristol Gate uses Machine Learning to predict the best dividend growth over the coming 12-months. Wall St. analysts usually take a linear approach – essentially focusing on one factor - in forecasting dividends, utilizing the current payout ratio and multiplying it by their forecasted EPS growth at a one to one ratio (assuming a stable payout ratio which many of them do). In reality, the many variables that go into the decision on dividends make forecasting dividend growth accurately quite complex. We have over 1,000 features as inputs into our dividend prediction model. These are specific data points that we believe have some impact on dividends. Of these, 200-300 have some significant effect on our predictions and 20-30 really matter. Even processing the 20-30 highly relevant data points to produce a good prediction without the use of a machine learning model would be extremely difficult. We believe accounting for nonlinear relationships and leveraging technology within our predictions gives us a sustainable competitive advantage in accurately forecasting dividend growth. This can be seen below as our historical error rate is approximately 50% better on average than Wall Street Analysts or Last Year's Dividend Growth (Naïve Estimate).



Source: Bristol Gate

Mega-cap technology companies like the FAANG stocks (Meta Platforms, Amazon, Alphabet, Netflix, Apple) do not pay dividends or in the case of Apple does not grow its dividend, at a high enough rate to be considered in our portfolio. As a result, Bristol Gate has never owned any of them. The influence of the stocks on equity markets over the last 10+ years has been significant – both from the returns generated and the extent of their weightings on the index – be it the S&P 500 or the Russell 1000 Growth. Your clients that work in technology likely have a good portion of their wealth in these technology businesses or companies highly correlated to them. We are a complementary growth equity component to the [Longevity bucket](#) of your clients.

Correlation Matrix

Time Period: Since Common Inception (01/06/2012) to 31/12/2021

Source Data: Monthly Return

	1
1 FAANG	1.00
2 Bristol Gate US Equity U\$	0.59

Source: Morningstar, Monthly Returns, FAANG is an equal-weighted portfolio of Meta Platforms, Apple, Amazon, Netflix, Google

We believe that story telling is a critical in winning new business and our story is compelling one that and can resonate with your existing clients as well as provide differentiation in winning new clients particularly with those who have made their wealth in technology.

We work with advisory teams across the country and would welcome the opportunity to partner with you and help grow your business.

Disclaimer

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