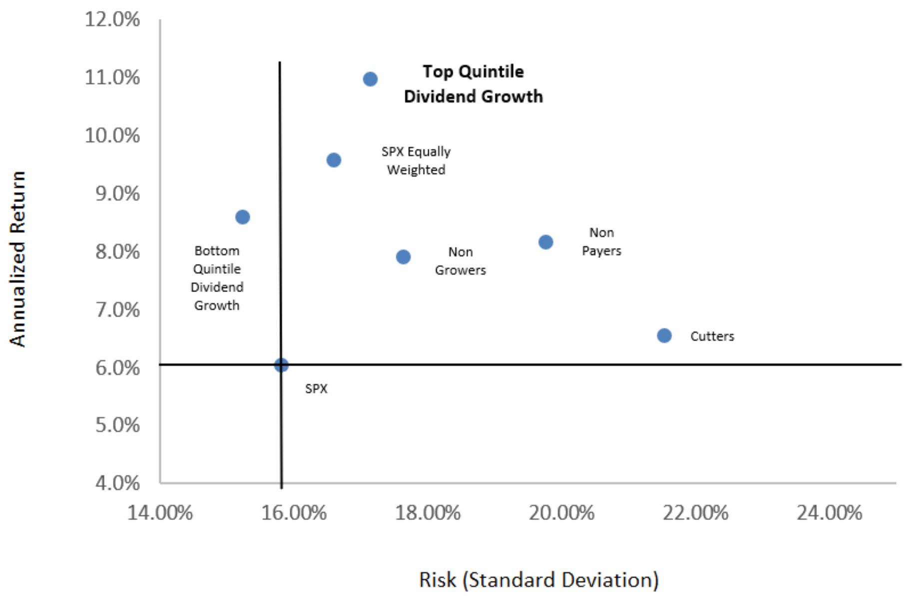
10 Years Back and 10 Years Forward.

BRISTOLGATE
CAPITAL PARTNERS

In May 2019, Bristol Gate celebrated its 10-year anniversary of our US Equity Strategy with investment results that we are very proud of. In looking back we have analyzed how each part of our investment process contributed to the strategy's results and believe this is repeatable and sustainable over the next 10 years.

Bristol Gate's US Equity Strategy is focused on finding companies whose dividend growth is among the highest in the S&P 500. Dividend Growth is an area of the market that has historically performed well over time and through market cycles. If you had perfect foresight and invested in the top 20% of the highest dividend growth companies for the next twelve months you would significantly outperform the market over the past 20 years with lower volatility.



Sourece: Bristol Gate (Jan 1, 2000-Dec 31, 2019)

Note: Each portfolio is constructed from an equal weight basket of stocks selected from the S&P 500 universe and reconstituted annually

A QUICK LOOK AT HOW DIVIDEND GROWTH CAN BE A GOOD PREDICTOR OF RETURN

A) Dividend growth (our proxy for the true earnings power of the business): 20%

B) Average dividend payout out ratio: ~30%

C) Reinvestment rate: ~70% (C=1-B)

D) Investment value compounding 14% (D=A*C)

E) Dividend yield: ~1-2%

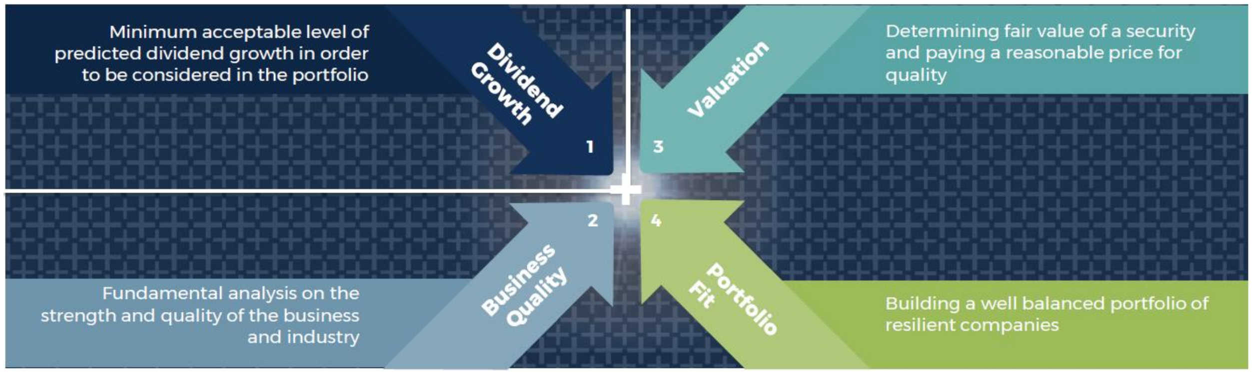
F) Other: 2% (quarterly rebalancing, buying at attractive multiples, etc.)

D+E+F = ~18% portfolio Compound Annual Growth Rate (CAGR) over 10 years

OUR INVESTMENT APPROACH

We believe our returns will ultimately be driven by the returns our companies' operations generate +/- the price we pay to acquire those earnings. The combination of high operating returns within the businesses plus the company's ability to reinvest at those same high returns result in a compounding of the business' intrinsic value that leads to high long-term investment returns. In our view, dividend growth is an effective signaling mechanism in this regard. In North America companies are severely punished for cutting their dividends. As such, when setting dividend policies, management teams take these consequences into consideration and only implement a dividend policy that is supportable by a conservative view of the true underlying earnings power of the business over the near to mid term. Secondly, by increasing a company's dividend, management is signalling that future Free Cash Flow (FCF) growth is expected to comfortably cover the dividend outlay.

This is why since day one, we have focused on predicting dividend growth. Through the years, the model we employ to do this has evolved as technology costs have decreased and tools that help us improve our accuracy have become broadly available. Today we employ advanced data analysis techniques, known as "machine learning" to generate our top idea list of dividend growers, the first pillar in our process. In the second and third pillar, we employ traditional fundamental analysis to corroborate the model's dividend growth prediction, confirm the high quality of the business and estimate its intrinsic value to reduce valuation risk. We are comfortable buying growing companies at prices below or close to their intrinsic value, as our equal weighting/rebalancing approach takes care of short-term mispricing/noise, improving our return or Internal Rate of Return (IRR) on each individual name. The fundamental work concludes by assessing the risk/drivers of each business as we strive to build a concentrated (22 holdings) but diversified and resilient portfolio. Quantitative analysis is once more incorporated as the fourth pillar in building the portfolio to help the portfolio managers assess risks and confirms that each company fits into the overall portfolio.



Our process allows the portfolio managers and analysts to focus on the fundamental analysis of a select few companies, as we save time that traditional discretionary managers spend on idea generation, holdings' weights and timing/trading or execution.

The investment process at Bristol Gate starts and concludes with the aim of lowering risks. At the beginning of the process, we filter out companies with non-investment grade debt, as well as companies that are beholden to the capital markets to fund their business models. Capital is free flowing when times are good but evaporates when things go bad. Avoiding companies with poor balance sheets ensures that none of our companies have any existential risk in the event that capital markets tighten, and the cost of funding increases dramatically. The process concludes with the portfolio holdings' price behavior analysis, as we strive to spread risks across the portfolio and build a resilient vehicle.

THE KEYS TO OUR SUCCESSFUL INVESTMENT STRATEGY

- Investing in high return businesses that have the ability to grow at similarly attractive levels, but also return excess FCF to shareholders in the form of growing dividends.
- Avoiding companies with excessive risk due to a limited operating history, poor balance sheets or bad business models.
- Reducing valuation risk, while at the same time increasing our IRR on each holding through equal-weighting and rebalancing. We believe that this contrarian execution strategy works much better with high quality companies (that tend to increase their intrinsic value over time), as there is higher conviction of prices converging to a higher intrinsic value point.
- Building a concentrated portfolio that allows us to be selective and balancing risks appropriately producing lower downside capture.

IS OUR PROCESS SUSTAINABLE AND/OR REPEATABLE

The answer is yes and yes. During the past decade our strategy has performed in the most efficient part of the global equity markets, the US large-cap space. We think that even in this hyper-competitive and efficient space, human and institutional behavioral biases will continue to create opportunities that our systematic and selective process can take advantage of. We continue to invest in our process (data, human capital, tools) to further advance our informational and analytical edge. We are excited about the opportunities that we are investigating in portfolio construction and risk management by using machine learning.

We are firm believers that the biggest opportunity in active management is creating a behavioral edge. This has been the long-standing reason for adopting technology as a core element of our investment process. Technology leads to a systematic process that helps eliminate the human behavioral biases that impair traditional discretionary investment managers. At the same time, we believe that we differ from fully quantitative strategies, by promoting a true "human & machine" model. This allows us to corroborate the quantitative process with fundamentals and build a concentrated solution.

Our longer-term view and systematic process of quarterly rebalancing our holdings to equal weights takes advantage of the market's short-term overreactions and our proprietary quantitative model allows us a significant analytical edge over our peers, analyzing decades of financial data efficiently and predicting dividend growth with better accuracy than Wall St. analysts.

While we believe these advantages will continue, we also know that we won't outperform every year. The biggest risks of the strategy are like its biggest drivers. Given the concentrated nature of our portfolio, security selection will have a large impact on returns and errors on our part in identifying attractively priced quality companies will negatively affect on our overall performance. Occasionally we will make mistakes, but we believe the scalability and systematic nature of our process allows us to minimize these by spending time where it matters, focusing on assessing the "quality" aspects of our businesses. Additionally, our high dividend growth focus helps to keep us from harms way, as dividend growth tends to slow down well in advance of business model and competitive position deterioration. Our annually set dividend growth hurdle rate ensures that if a portfolio company's predicted dividend growth rate falls below, it automatically triggers a review and may result in a sell.

By focusing on high dividend growth, we tend to underweight or exclude certain industries and sectors such as high-yielding areas, hyper cyclical/commodity related segments or earlier-maturity, non-dividend paying companies. Any given period that these areas outperform the broader market, it is not likely that we will outperform. Despite these known headwinds, we know consistently applying our process over time will give us the best opportunity to outperform the market over a full cycle.

Finally, while some of our tools are complex, we believe our process and goal of higher income in the future is easy to understand. We can continue executing what we have done in the past decade, namely:

A) Identify high dividend growth

B) Ensure that we buy high-quality businesses

C) Avoid overpaying

D) Build resilient portfolios by systematic diversification

Bristol Gate is an evidence driven firm that believes in the process of continual improvement and learning. As owners in the business our employees are aligned with our investors and are focussed on positioning the firm and our portfolios for a continuation of the success we have enjoyed for the first 10 Years.

Important Disclosures

There is a risk of loss inherent in any investment; past performance is not indicative of future results. Prospective and existing investors in Bristol Gate's pooled funds or ETF funds should refer to the fund's offering documents which outline the risk factors associated with a decision to invest. Separately managed account clients should refer to disclosure documents provided which outline risks of investing. Pursuant to SEC regulations, a description of risks associated with Bristol Gate's strategies is also contained in Bristol Gate's Form ADV Part 2A located at www.bristolgate.com/regulatory-documents.

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