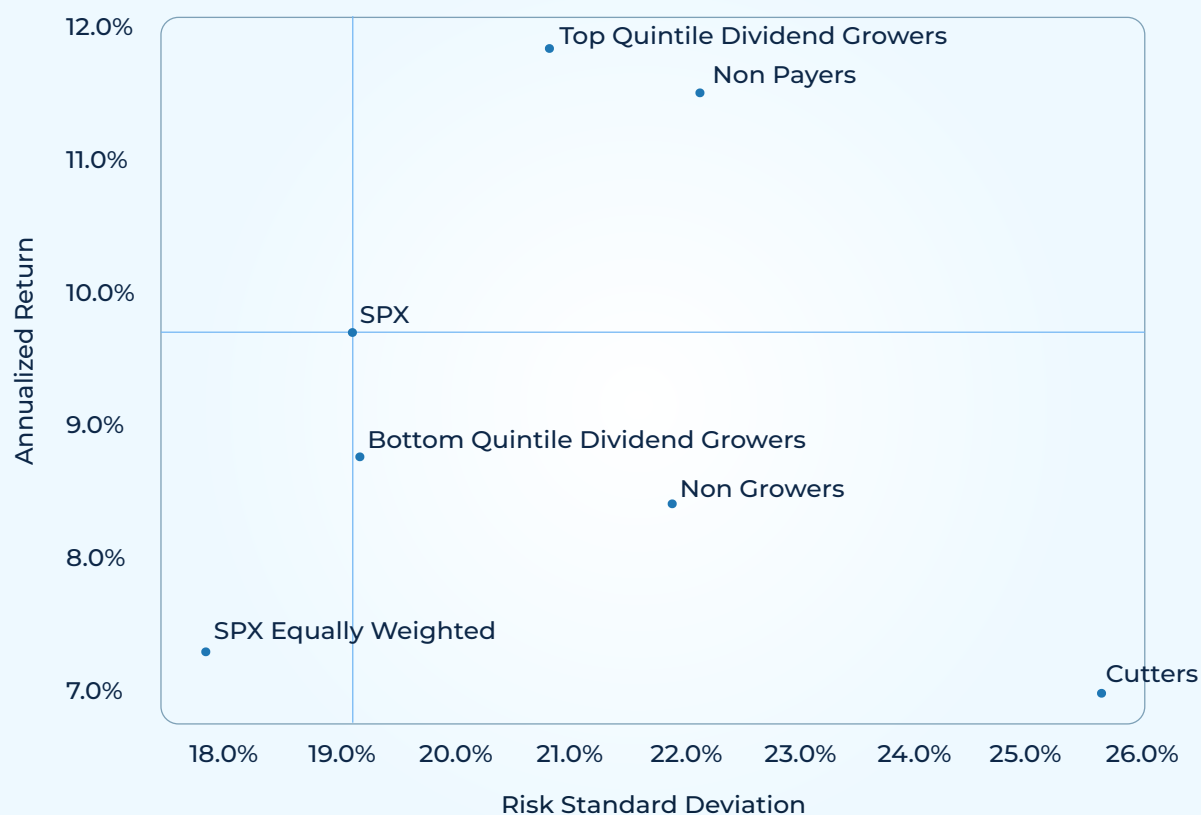


Why High Dividend Growth?

Dividend Growth has been an area of the market that has historically performed well despite periodic market volatility. When establishing Bristol Gate Capital Partners in 2006, we asked the question – What within dividend growth investing works better than dividend growth investing? Historical market data has shown that a basket of the highest dividend growers provided very attractive risk adjusted returns through all market cycles.

As a result of this evidence, our investment thesis was born; “We believe that if you can build a portfolio by predicting the best dividend growers for the coming 12 months, over time the portfolio will outperform the market with less downside risk”.



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 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 you would outperform the market over the past 20 years with lower volatility.

With hindsight, the top quintile of dividend growth stocks has proven to be resilient and attractive investments historically and we believe will continue to be in the future. Our proprietary machine learning model, which predicts dividend growth looking forward over the next 12 months in conjunction with fundamental analysis, helps provide us with foresight and confidence in finding great dividend growers.

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% on average for our portfolio holdings since inception

B) Average dividend payout ratio: ~30%

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

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

E) Dividend yield: ~1-2%

F) Other: ~1% (quarterly rebalancing, buying at attractive multiples, etc.)

D+E+F = ~17% portfolio Compound Annual Growth Rate (CAGR)

** For illustrative purposes only*

While some of our tools are complex, our primary goal of providing higher income in the future is easy to understand. We believe our returns will ultimately be driven by the returns our companies' operations generate plus or minus 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 results in a compounding of the business' intrinsic value that leads to high long-term investment returns.

Since day one, we have focused on delivering more income for investors each year.

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Why High Dividend Growth?

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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A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements including, but not limited to, statements about the Bristol Gate strategies, 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, uncertainties and assumptions about the investment strategies, 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 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. Bristol Gate Capital Partners Inc. 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.