

Q3 Summary

During the third quarter, the Canadian Equity Strategy lagged the S&P/TSX Composite Total Return Index in a market led by a handful of large stocks.

In this note, we cover:

[A narrow quarter](#)

[Key contributors and detractors](#)

[Portfolio activity for the quarter](#)

[Outlook](#)

The S&P/TSX Composite Total Return Index rose 1.6% in the third quarter. It set a number of record closes in August before momentum faded. September was the first monthly decline of the index since March.

On the first day of the quarter, the United States declined to renew CUSMA in its current form, leaving the agreement in force while the parties continue to review it. On July 20, Washington announced 50% tariffs under Section 338 on nearly US\$20 billion of Canadian goods. After a three-day postponement, and with no agreement reached, the tariffs took effect on August 22, and Canada's counter-tariffs followed on September 8. Relations deteriorated further in September: the U.S. directed that Canadian-origin products be removed from federal procurement schedules, and bans on certain Canadian alcohol, dairy, and motor-vehicle products took effect on September 29. Faced with trade uncertainty, the federal government introduced Bill C-39 in September, which aims to complete federal reviews of major projects within one year. On September 28 the LNG Canada partners took a final investment decision on a second phase that will double the Kitimat terminal's capacity to 28 million tonnes a year.

Beyond questions of trade, commodity and bond markets provided volatility. WTI crude rose from about US\$70 a barrel at the end of June to above US\$90 on July 23, as hopes for a diplomatic end to the U.S.-Iran conflict faded after attacks on shipping in the Strait of Hormuz and disruption in the Red Sea, and Brent crude was back above US\$100 in late September. Gold climbed from about US\$4,058 an ounce at the end of June to about US\$4,565 on August 20, then fell to a seven-week low on September 29, with futures near US\$4,180.

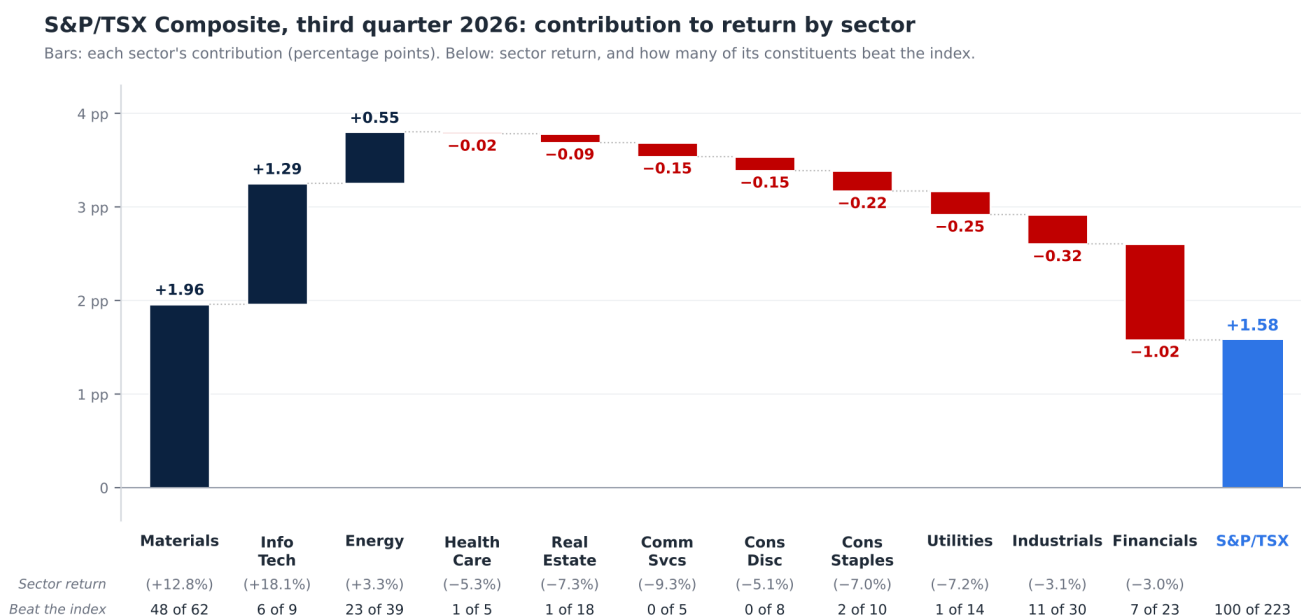
While the Bank of Canada held its policy rate at 2.25%, headline inflation moved back up, from 2.8% in June to 3.0% in July and August, as gasoline prices rose 25.7% from a year earlier in July. The U.S. 10-year Treasury yield reached 5.24%, its highest level since 2007, compared with 3.96% for the Government of Canada 10-year bond yield. Rate-sensitive and defensive sectors bore the brunt.

Within the TSX Composite, Communication Services fell 9.3%, Real Estate 7.3%, Utilities 7.2%, and Consumer Staples 7.0%.

A Narrow Quarter

The index's gain came from very few places. Only three of 11 sectors rose: Information Technology gained 18.1%, Materials 12.8%, and Energy 3.3%. Information Technology and Materials alone added about 3.3 percentage points, roughly twice the index's entire return, while the eight sectors that fell together subtracted 2.2 points (Exhibit 1). Shopify rose 30.0% and contributed 1.2 points, about three-quarters of the index's gain, after reporting second-quarter revenue of US\$3.58 billion, up 34% year over year. The five largest contributors (Shopify, Suncor, Canadian Natural Resources, Agnico Eagle, and Wheaton Precious Metals) added 2.8 points combined, so the rest of the index subtracted about 1.2 points. Only 100 of its 223 constituents outperformed it.

Exhibit 1. What drove the S&P/TSX Composite in Q3 2026. Bars show each sector's contribution to the index's return; below each bar, the sector's return and how many of its constituents beat the index. Only 100 of the 223 securities held in the index during the quarter did. Source: Bloomberg, XIC as proxy.



Source: Bloomberg, iShares Core S&P/TSX Capped Composite Index ETF (XIC) as proxy, June 30 to September 30, 2026; GICS sectors. Contributions sum to +1.58 pp; the S&P/TSX Composite Total Return Index returned +1.62% (Morningstar Direct). Counts: 223 classified constituents; "beat the index" = return above XIC's +1.58%. Cash and unclassified items (0.00 pp) omitted.

These were difficult conditions for the strategy. Neither source of leadership fits our process: Shopify pays no dividend, and our research seldom identifies precious-metals miners as durable dividend growers. The strategy's only precious-metals exposure is OR Royalties, a royalty company we purchased early in the quarter, whose shares rose 8.9% over the period; the strategy owns no gold miners and no Information Technology companies. At the same time, the defensive and rate-

Please see important disclosures at end of document

sensitive areas where dividend payers cluster fell as bond yields rose. Telus, which the strategy does not own, cut its dividend by 55%, and its shares fell 19.1% over the quarter.

From our perspective, the businesses we own had a solid quarter. Of our 16 holdings which have quarterly results measured against consensus estimates, 13 beat analysts' earnings expectations. Notably, Cenovus raised its production guidance and now returns about 75% of excess free funds flow to shareholders, and Toromont ended June with a backlog of C\$2.9 billion, about double a year earlier. The strategy's lag reflects where index leadership sat; the results of the companies we own held up.

Key Contributors and Detractors

Sector allocation and stock selection detracted in roughly equal measure. Having no Information Technology holdings, in a sector that rose 18.1%, was the largest allocation drag, costing about as much as our largest detractor, Stella-Jones. The overweight to Consumer Staples, which fell 7.0%, also cost in allocation, although selection within the sector was strong, led by Jamieson Wellness. Selection was weakest in Materials, where our holdings could not keep pace with a sector driven by gold, and in Industrials, through Element Fleet Management and Waste Connections. The underweight to Financials helped, as did having no exposure to Utilities and Communication Services, while Intact Financial and Brookfield weighed on selection within Financials, partly offset by TMX Group. Energy was close to neutral, with the gain in Cenovus offsetting declines in Cameco and TerraVest.

Contributors

Jamieson Wellness was the largest relative contributor, with its shares up 9.6%. On August 6 the company agreed to be acquired by Kirin Holdings for C\$45.75 a share in cash, an enterprise value of about C\$2.5 billion, concluding the sale process it confirmed in June. It also reported second-quarter adjusted earnings per share of C\$0.46, ahead of the C\$0.41 consensus, and raised its quarterly dividend 8.7% to C\$0.25. The transaction is expected to close in the fourth quarter.

Cenovus Energy rose 26.3%. Second-quarter adjusted funds flow per share of C\$2.66 beat the C\$2.41 consensus, and management raised full-year production guidance by 25,000 barrels of oil equivalent a day, to 970,000 to 1,010,000, while lowering unit operating-cost guidance for most of its businesses. Net debt fell by C\$2.7 billion in the second quarter to C\$5.4 billion, and with net debt now between C\$4 billion and C\$6 billion, the company returns about 75% of excess free funds flow to shareholders. That is the path from deleveraging to rising capital returns we described when we purchased the shares in the second quarter.

TMX Group rose 13.1%, more than recovering its second-quarter decline. Second-quarter adjusted earnings per share of C\$0.62 and revenue of C\$487.5 million, up 16%, both beat expectations, and the company raised its quarterly dividend 8% to C\$0.26. Trading activity stayed high, with value traded across TMX's equities marketplaces in June of C\$478.9 billion, against C\$318.0 billion a year earlier. TMX also agreed to combine BOX, in which it holds a stake, with U.S. exchange operator MEMX, investing about US\$800 million for roughly 59% of a combined group valued at about US\$2.3 billion; closing is expected in the second half of 2027.

Detractors

Stella-Jones was the largest relative detractor, falling 13.5%. Second-quarter adjusted earnings per share of C\$1.59 missed the C\$1.76 consensus. Site-specific environmental and maintenance costs, along with higher fuel costs and a lag in passing through price increases, cut the adjusted EBITDA margin to 16.0% from 18.3% a year earlier, and management now expects the full-year margin to fall below its 17.5% to 18.5% target range. Demand held up better than costs. Management expects mid-single-digit volume growth in utility poles this year, kept its three-year margin target, and expects savings from its network optimization program to begin in 2027. The shares fell 5.8% on the release, and analysts lowered their price targets through the quarter.

CCL Industries rose 1.9% after reporting record second-quarter sales and earnings ahead of expectations, yet it also detracted on a relative basis because it trailed a Materials sector led by gold.

Element Fleet Management was the largest detractor on an absolute basis, falling 22.1%. Second-quarter results, reported August 5, reaffirmed all full-year 2026 guidance and included an 8% workforce reduction expected to save about US\$20 million a year from 2027, but analysts pointed to stalling growth in vehicles under management and weak originations and trimmed their estimates.

Portfolio Activity

We made two changes to the portfolio during the quarter. Early in the quarter we sold Pet Valu Holdings and purchased OR Royalties. At the end of the quarter we sold TerraVest Industries and purchased Great-West Lifeco.

Purchases

OR Royalties (OR)

We reallocated capital into OR Royalties to capture an attractive entry point created by a pullback of more than 25% in gold from its January peak. OR operates a cash-generative, capital-light royalty model levered to precious metals, backed by a peer-leading cash margin of approximately 97% and minimal debt, and management takes a disciplined, value-over-volume approach to new royalties.

The company has the industry's highest concentration of assets in Tier-1 jurisdictions and expects gold-equivalent ounces to grow by approximately 50% by 2030 with no contingent capital required. With a long record of dividend growth and a payout ratio of approximately 15%, we believe OR is well positioned to compound its dividend.

Great-West Lifeco (GWO)

We initiated a position in Great-West Lifeco, driven by its strong double-digit dividend growth outlook and continued upward momentum in our dividend growth prediction. The purchase adds a high-quality, diversified insurer that is undergoing a structural shift toward capital-light businesses with higher returns on equity. Its U.S. retirement and wealth management platform, Empower, has become a key growth driver, contributing approximately 30% of group base earnings, up from 10% in 2020. We expect Empower to benefit from secular growth in retirement savings and from operating leverage.

While the stock trades at a premium to its historical valuation, we believe its improving business mix and higher, more sustainable earnings support a structurally higher valuation multiple, and that Great-West Lifeco is well positioned to sustain double-digit dividend growth.

Sales

Pet Valu Holdings (PET)

We exited Pet Valu following a projected deceleration in dividend growth after the first quarter of 2026, compounded by flat same-store sales and stagnant guidance, along with slower franchise store turnover and elevated fuel and input costs.

TerraVest Industries (TVK)

We exited TerraVest Industries following a deterioration in its creditworthiness beyond our internal risk threshold. Heightened governance concerns and a decline in projected dividend growth below our minimum hurdle rate also weighed on the decision. In June, after media reports of a Quebec regulatory investigation into alleged insider tipping by the company's executive chairman, TerraVest said its board, excluding the chairman, had begun a review of the allegations, which remain unproven. The shares remained under pressure through the third quarter.

Outlook

In aggregate, the portfolio's fundamentals are attractive, with high expected dividend growth. Earnings durability and balance-sheet strength across our holdings, along with their dividend coverage, remain consistent with our thesis, and within the portfolio we continue to see earnings and dividends grow.

Our focus remains on businesses that fund growing dividends from growing cash flows. Several holdings are tied to the country's investment agenda, including Toromont, whose backlog reflects strong power-system orders that include its AVL enclosure business, and Cenovus, which raised its production outlook in July.

Looking ahead, we believe the portfolio's blend of fundamental quality and compounding dividend growth remains well suited to a wide range of outcomes. In a market where a single company produced about three-quarters of the index's quarterly return, a concentrated, cash-flow-focused approach is, in our view, well positioned to compound over the long term.

Firm Update

We are pleased to announce the expansion of Mo Vakil's responsibilities to include portfolio management for the Canadian Equity strategy. As a Senior Data Scientist with over five years at Bristol Gate, a CFA charterholder, and investment committee member since 2024, Mo brings a deep understanding of the firm's investment process and in particular the strategy's models, data infrastructure and portfolio-construction framework to his expanded role.

Mo's portfolio management responsibilities will be complemented by the fundamental research of our broader team of analysts and portfolio managers. This collaborative structure, a defining strength of Bristol Gate's investment process, will continue to deliver comprehensive research coverage across the portfolio.

We continue to build relationships across North America and are grateful for your continued support and trust

Yours sincerely,

The Bristol Gate Team

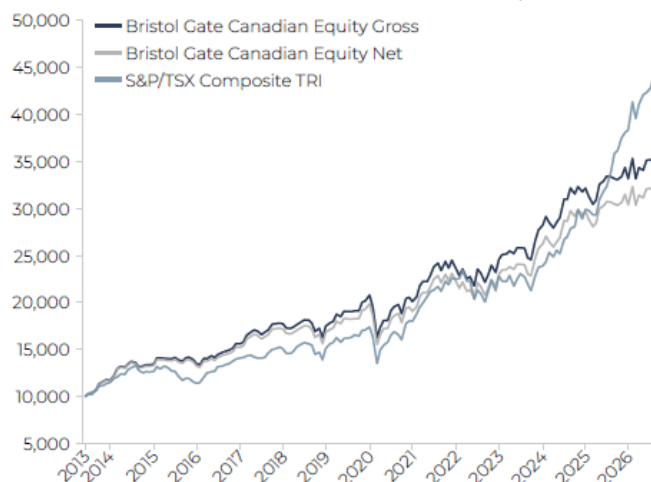
Bristol Gate Canadian Equity Strategy Returns & Characteristics

PORTFOLIO CHARACTERISTICS

	Portfolio		Index
	Gross	Net	Gross
Number of Securities	20	20	216
Dividend Yield	1.5%	1.5%	2.1%
TTM Dividend Growth	10.5%	10.5%	4.5%
P/E	22.6	22.6	20.5
Forward P/E	17.2	17.2	16.8
Standard Deviation	11.3%	11.3%	12.0%
Sharpe Ratio	0.39	0.32	0.51
Sortino Ratio	0.77	0.66	0.98
Information Ratio	(0.27)	(0.38)	-
Up Capture	80.2%	78.1%	100%
Down Capture	75.7%	77.9%	100%
Tracking Error	6.79	6.79	-
Portfolio Alpha	(0.10)	(0.80)	-
Portfolio Beta	0.85	0.85	-
Active Share	78.2%	78.2%	-

GROWTH OF \$10,000 [CAD]

As at September 30, 2026



The table shown above is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Strategy or returns on investment in the Strategy.

PERFORMANCE RESULTS [CAD] - Inception: July 1, 2013

Trailing Returns	ANNUALIZED							
	1M	3M	YTD	1YR	3YR	5YR	10YR	Since Inception
Bristol Gate Canadian Equity Gross	-2.7%	-3.1%	-1.0%	2.5%	11.2%	7.8%	8.7%	9.7%
Bristol Gate Canadian Equity Net	-2.8%	-3.3%	-1.5%	1.8%	10.4%	7.0%	7.9%	8.9%
S&P/TSX Composite TRI	-2.6%	1.6%	13.0%	20.0%	25.1%	15.2%	12.4%	11.6%

Calendar Returns	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bristol Gate Canadian Equity Gross	4.3%	12.1%	13.9%	-8.8%	24.3%	1.8%	19.2%	-5.2%	19.4%	14.7%	8.1%
Bristol Gate Canadian Equity Net	3.6%	11.4%	13.1%	-9.4%	23.4%	1.1%	18.4%	-5.9%	18.6%	13.9%	7.4%
S&P/TSX Composite TRI	-8.3%	21.1%	9.1%	-8.9%	22.9%	5.6%	25.1%	-5.8%	11.8%	21.7%	31.7%

TOP 10

Toromont Industries Ltd.	5.76%
CCL Industries Inc.	5.59%
Royal Bank of Canada	5.52%
Canadian Pacific Kansas City Ltd.	5.46%
Canadian Imperial Bank Of Commerce	5.17%
Dollarama Inc.	5.13%
Waste Connections Inc.	5.10%
Jamieson Wellness Inc.	5.03%
FirstService Corp.	5.03%
Cenovus Energy Incorporation	4.99%

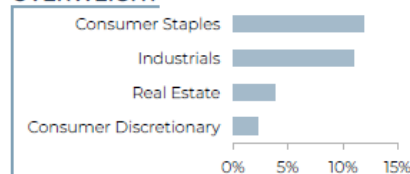
SECTOR ALLOCATIONS (%)

Financials	29.1%
Industrials	21.1%
Consumer Staples	14.9%
Materials	14.6%
Energy	10.0%
Consumer Discretionary	5.1%
Real Estate	5.0%
Health Care	0.0%
Communication Services	0.0%
Utilities	0.0%
Information Technology	0.0%

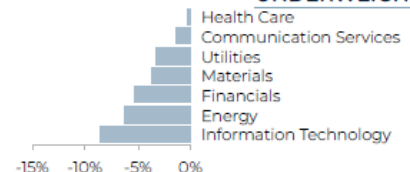
RELATIVE TO BENCHMARK

Sector Exposure vs. S&P/TSX Composite TRI at September 30, 2026

OVERWEIGHT



UNDERWEIGHT



Source: Bristol Gate Capital Partners. There is a risk of loss inherent in any investment; past performance is not indicative of future results. Please see important disclosures at end of document.

Please see important disclosures at end of document

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.

Canadian Equity Strategy returns in this report refer to the Bristol Gate Canadian Equity Strategy Composite (the "Canadian Composite"). The Canadian Composite consists primarily of equities of publicly traded, dividend paying Canadian companies. The Canadian Composite is valued in Canadian Dollars and for comparison purposes is measured against the S&P/TSX. The Canadian Composite's Investment Advisor, Bristol Gate Capital Partners Inc., defines itself as a portfolio manager, exempt market dealer and investment fund manager (as per its registration in Ontario, its principal regulator in Canada) and is also a Registered Investment Adviser with the U.S. Securities and Exchange Commission (the "SEC"). The Investment Advisor's objective is to select companies primarily from the S&P/TSX universe with positive dividend growth and which collectively will generate over the long term a growing income and capital appreciation for investors. The inception date of the Canadian Composite is July 1, 2013. Returns are presented gross and net of fees and include the reinvestment of all income. The Canadian composite's gross return is gross of withholding tax prior to January 1, 2017 and is net of withholding tax thereafter. Net returns are calculated by reducing the gross returns by the maximum management fee charged by Bristol Gate of 0.7%, applied monthly. Actual investment advisory fees incurred by clients may vary. An investor's actual returns may be reduced by management fees, performance fees, and other operating expenses that may be incurred because of the management of the Canadian Composite. A performance fee may be charged on some accounts and funds managed by the firm. Bristol Gate claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To obtain a GIPS Composite Report, please email us at info@bristolgate.com.

The returns have been converted into Canadian Dollars using the prevailing Canadian/United States dollar exchange rate.

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 strategy 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 strategy are not influenced by the composition of the benchmark. For example, the strategy 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, strategy performance deviations relative to the benchmark may be significant, particularly over shorter time periods. The strategy 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 strategy's value.

iShares Core S&P®/TSX® Capped Composite Index ETF (XIC CN) sourced from Bloomberg has been used as a proxy for the S&P®/TSX® Total Return Index for the purpose of providing some of the non-return-based portfolio statistics and sector weightings in this report. XIC CN is an ETF that seeks long-term capital growth by replicating the performance of the S&P®/TSX® Total Return Composite Index, net of expenses.

Attribution figures are calculated on a gross basis unless otherwise noted. Attribution data is calculated using a representative account. The gross returns of the representative account do not match exactly the gross returns of the Canadian Composite (which reflects the aggregate return of a number of underlying accounts). The resulting attribution is therefore indicative for analysis purposes but not identical to what the attribution of the Composite would be.

This Report is for information purposes and should not be construed under any circumstances as a public offering of securities in any jurisdiction in which an offer or solicitation is not authorized. Prospective investors in Bristol Gate's pooled funds or ETF funds should rely solely on the fund's offering documents, which outline the risk factors associated with a decision to invest. No representations or warranties of any kind are intended or should be inferred with respect to the economic return or the tax implications of any investment in a Bristol Gate fund.

This piece is presented for illustrative and discussion purposes only. It should not be considered as personal investment advice or an offer or solicitation to buy and/or sell securities and it does not consider unique objectives, constraints, or financial needs of the individual. Under no circumstances does this piece suggest that you should time the market in any way or make investment decisions based on the content. Investors are advised that their investments are not guaranteed, their values change frequently, and past performance may not be repeated. References to specific securities are presented to illustrate the application of our investment philosophy only, do not represent all of the securities purchased, sold or recommended for the portfolio, and it should not be assumed that investments in the securities identified were or will be profitable and should not be considered recommendations by Bristol Gate Capital Partners Inc. A full list of security holdings is available upon request. For more information contact Bristol Gate Capital Partners Inc. directly. The information contained in this piece is the opinion of Bristol Gate Capital Partners Inc. and/or its

employees as of the date of the piece and is subject to change without notice. Every effort has been made to ensure accuracy in this piece at the time of publication; however, accuracy cannot be guaranteed. Market conditions may change and Bristol Gate Capital Partners Inc. accepts no responsibility for individual investment decisions arising from the use of or reliance on the information contained herein. We strongly recommend you consult with a financial advisor prior to making any investment decisions. Please refer to the Legal section of Bristol Gate's website for additional information at bristolgate.com.

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.