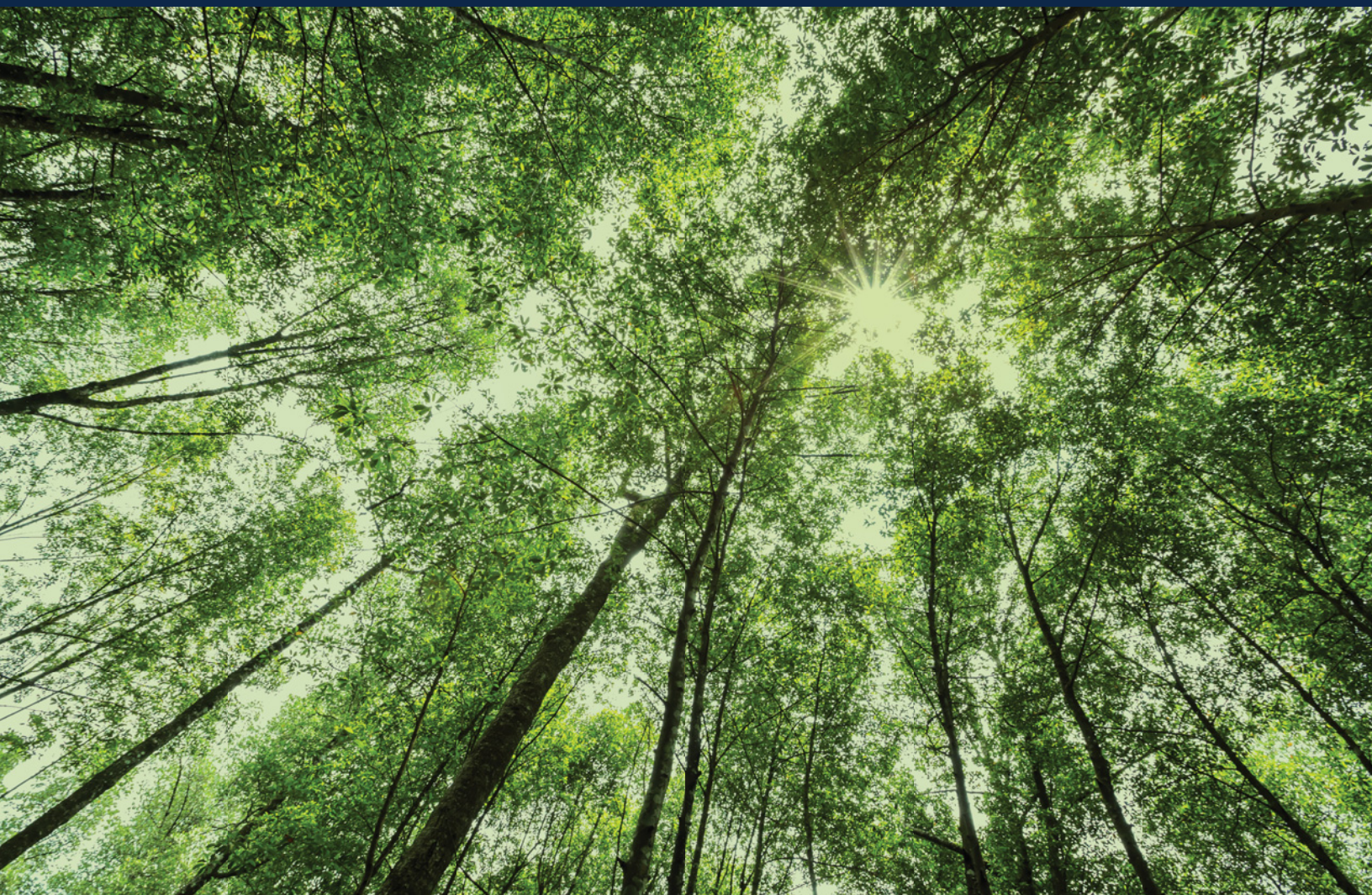
BRISTOLGATE
CAPITAL PARTNERS

Bristol Gate Owner's Manual



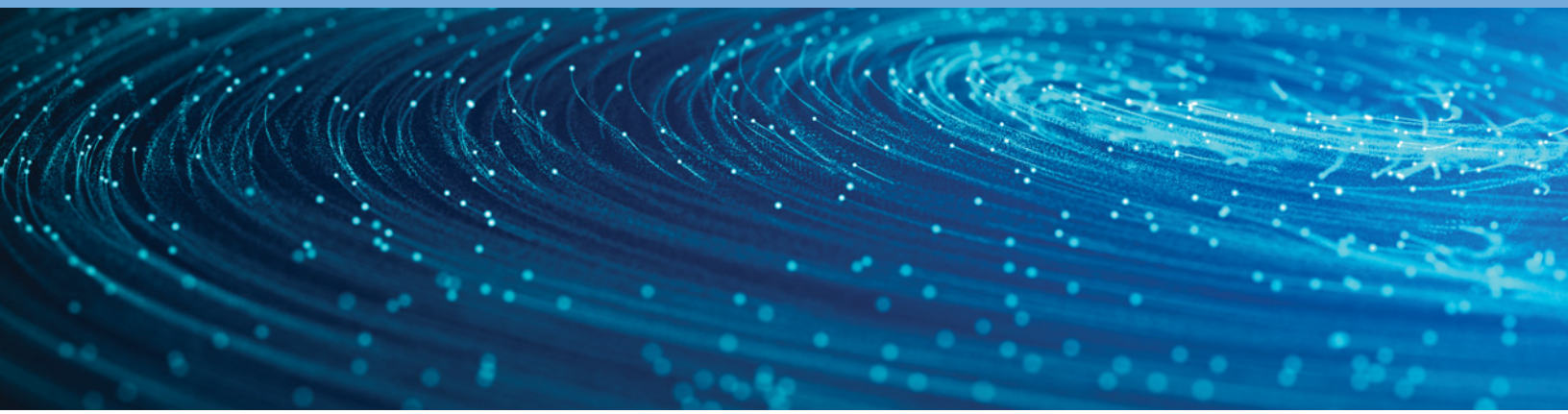
Why an Owner's Manual?

Bristol Gate wants to help every one of our clients reach their financial goals. In a world full of noise and distractions, we want our owners to understand exactly who we are.

At Bristol Gate, we believe the best ideas can be communicated simply, even if the world of investing seems to be increasingly complex.

This manual captures our approach to investing. We believe it will help our clients and partners understand what we are working towards and, in turn, lead to greater confidence in our process and your investment.





Why we are here

We understand being entrusted to manage investments for others is a privilege. We have established core principles to support our commitment to our clients:

ALWAYS REMEMBER WHY OUR INVESTORS ARE HERE.
Our investors trust us to make a difference in their financial situation without exposing them to a worrying degree of risk.

OUR REPUTATION AND EARNED TRUST ARE OUR GREATEST ASSETS.
Our behaviours, actions and attitudes all impact our standing. If we hold ourselves to the highest standard in everything we do, we can manage to do a lot of good.

WE BELIEVE IN "ACTIVE" INVESTING.
Our long-term strategy seeks to own the highest dividend growth companies in the index rather than simply buying an index that is made up of both the good companies and the bad. We concentrate on this cohort of quality companies with the goal of mitigating risk, and improving investor outcomes.

WE BRING A DIFFERENCE TO DIVIDENDS.
It is imperative to continuously advance our discipline and analytical skills to ensure we are a progressive alternative in dividend investing. We have embraced technology and data science since our beginning to help us find the fastest dividend growers. We believe our edge is in being different.

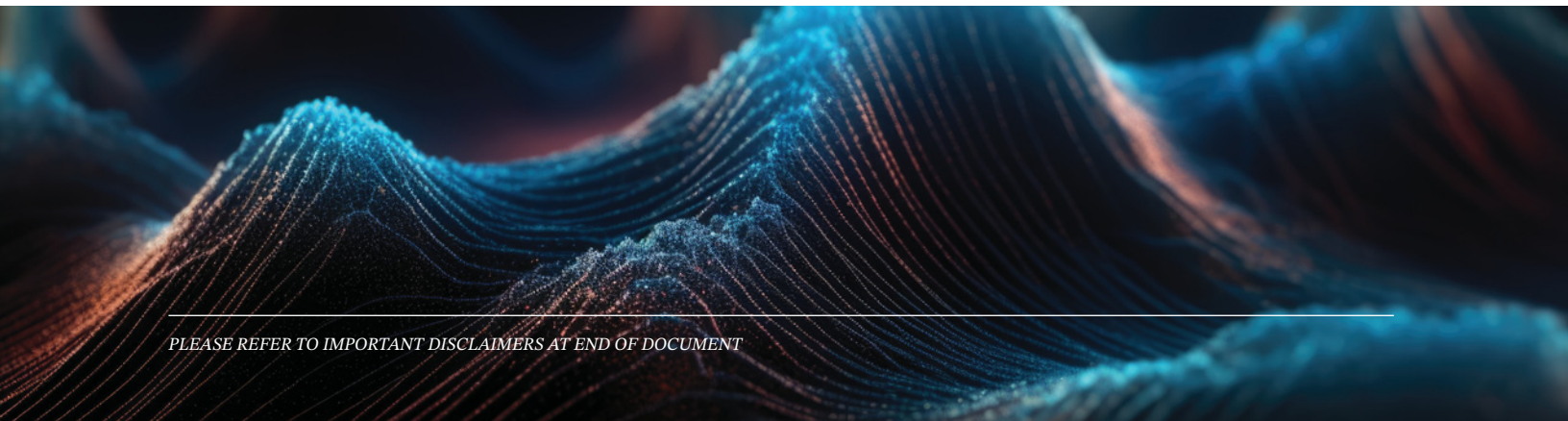
WE PROMOTE A CULTURE OF THOUGHTFUL CREATIVITY.
To be a company of insightful innovation requires a workplace that encourages original thoughts and practices. At all levels of the company there must be a frequent examination of our approach and processes and a culture of continuous improvement.

BUILD EVERYTHING TO LAST.
Our intention is to take our investors and our business into a long-term secure future. By investing in quality companies and employees and by providing our clients with high quality service, we believe we will get there. Quality has that rare attribute of lasting.

We are specialists. We don't build products to fill a gap in a shelf – we build products where we believe we have a competitive advantage. We are committed to direct alignment with our investors: As an independent, employee-owned firm, our people invest their own capital alongside our clients, on the same terms. Because we are consistently invested together, our future is shared with the people we serve.

Alignment goes beyond co-investment. We work continually to make sure our objectives match those of our investors. Our most important principle is simple: we put our investors' interests ahead of our own, acting in good faith and with full transparency. Trust is earned through how we manage our clients' money, and we aim to earn it every day.

Thank you for your support of Bristol Gate.



As investors, we share core beliefs.

We believe in the Importance of Dividends.

Our portfolios are built to look different from the benchmark. We run concentrated portfolios of our highest-conviction ideas, because we believe meaningful differentiation is essential for any manager seeking to add value over time.

A passive index fund gives you full market exposure, which means you get all of the index's upside and all of its downside. Bristol Gate takes a different approach: we hold a concentrated portfolio of the companies within the index that we expect to deliver the highest dividend growth.

Advocates of passive investing often point to the difficulty many active managers have in outperforming their benchmarks. Research suggests, however, that a subset of managers who share certain characteristics has historically been more likely to deliver strong long-term results. Those characteristics include high active share, a disciplined investment process and a long-term horizon, all of which are central to how we invest.

HIGH ACTIVE SHARE

Bristol Gate's concentrated portfolios have consistently had a high Active Share, (above 85% in our US equity strategy) a metric that measures how different a portfolio is from its benchmark.

DISCIPLINE

We are committed to a disciplined, repeatable investment process. It guides how we identify strong dividend growers that we believe can sustain their growth over time, and it helps us recognize when it's time to move on. Applying the same process consistently keeps us focused on our goal of seeking attractive long-term, risk-adjusted returns for our clients.

LONG-TERM OUTLOOK

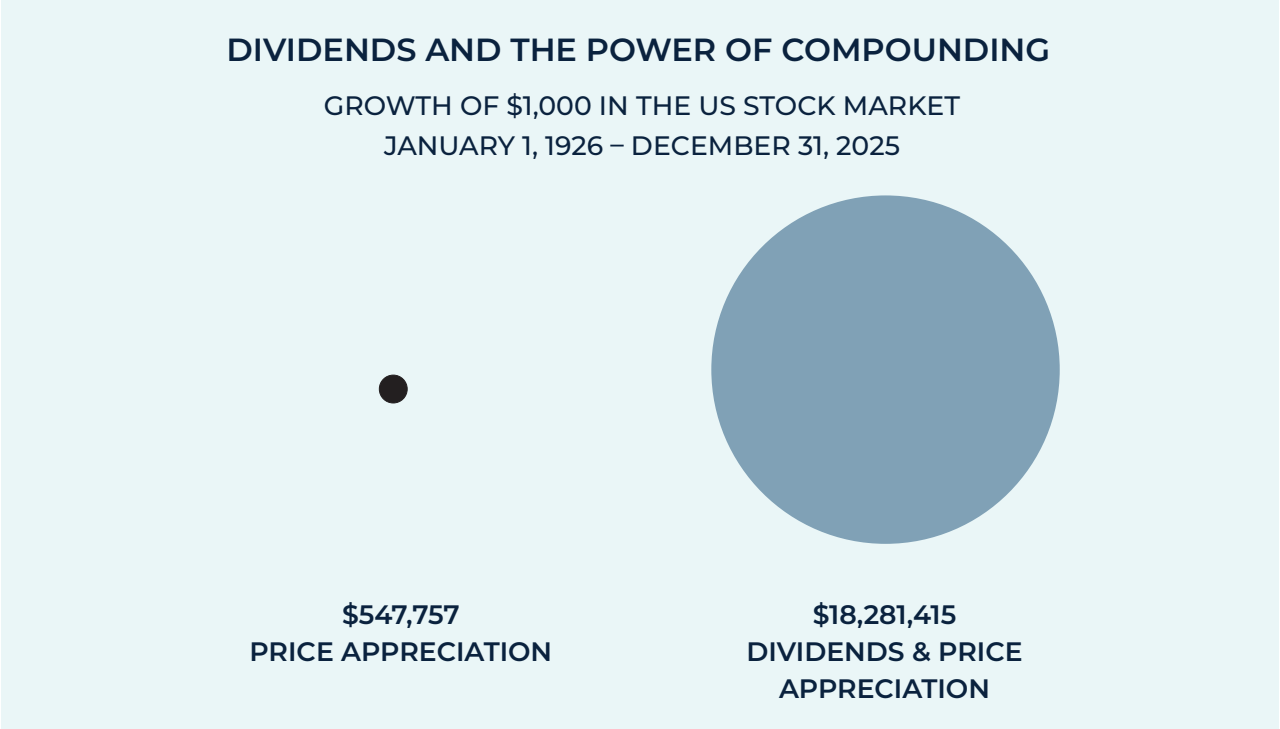
When our clients share our belief in the value of active management, they understand that investing is a long-term venture, and remain focused on long-term outcomes. While short-term returns may be different from a benchmark, academic research suggests differentiated performance is necessary to deliver long-term outperformance. [1]



We understand the importance of dividends and believe growing dividends matter.

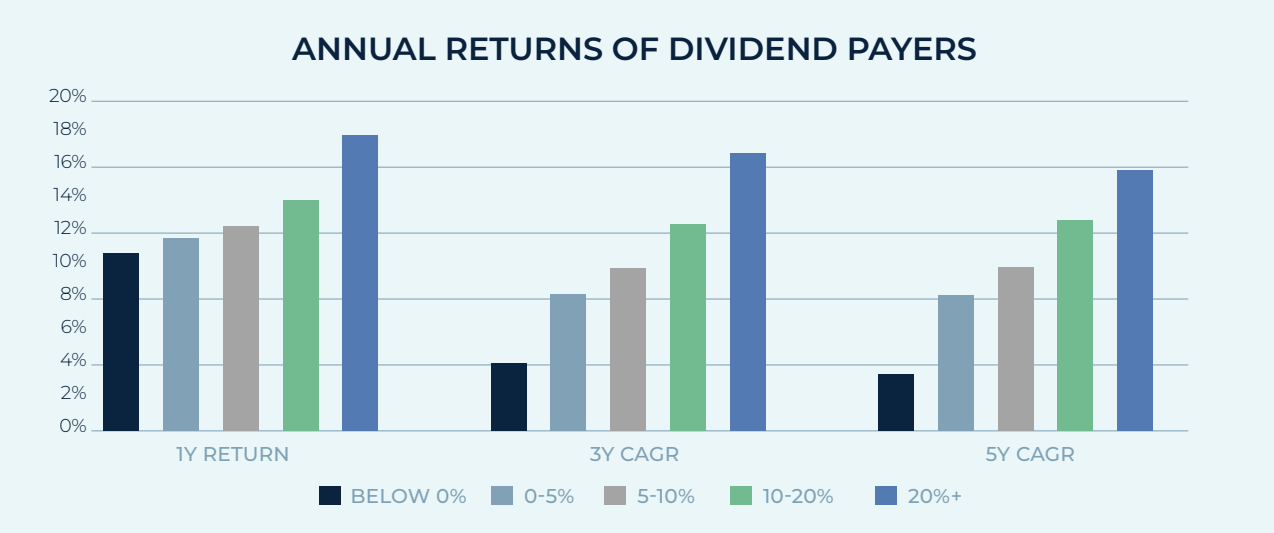
At Bristol Gate, we aspire to be a world leader in dividend growth investing. This vision corresponds with our mission of providing our clients with more income every year. Over time, we believe the value of a business is linked to the income it generates.

The impact dividends have on long-term performance is significant. It is widely recognized that stocks tend to outperform bonds and cash over the long term. Dividends, rather than capital gains, contribute significantly to the excess returns that stocks have historically offered. Going back to 1926, over 97% of the total return of the S&P Composite (after 1957, the S&P 500) can be attributed to reinvested dividends and the power of compounding, as illustrated here:



See Note 3

The connection between superior long-term performance and dividend growth becomes clear when comparing companies based on their dividend growth rates. While dividend strategies with higher current yields may offer a sense of stability, they often sacrifice total return potential. Conversely, our research suggests that companies in the S&P 500 that grew their dividends the most since 1990 have consistently delivered higher total returns, rewarding investors willing to embrace slightly higher risk.



The chart illustrates the total return for dividend paying securities in the S&P 500 based on their dividend growth rate over the relevant periods. The period referenced is from January 1, 1990, to December 31, 2025, and observations are made on a monthly basis. Source: Bristol Gate Capital Partners, FactSet. See note 4.

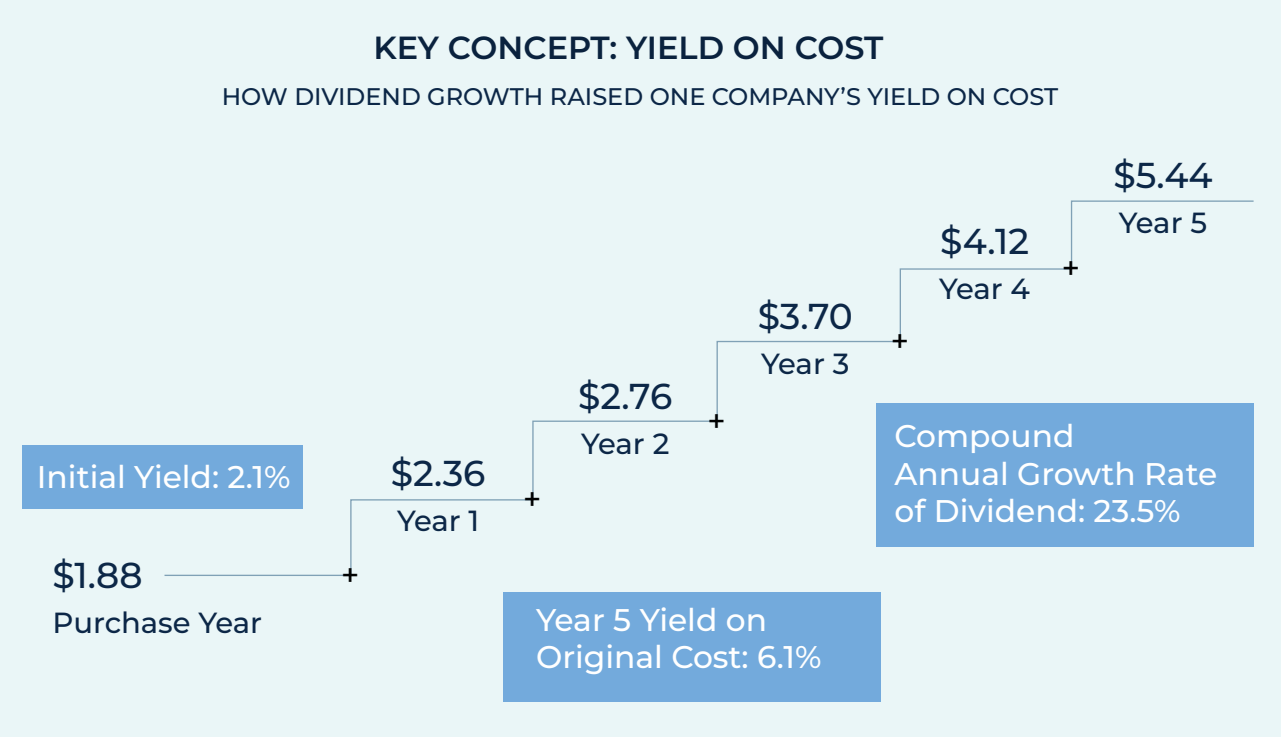
Our research suggests that, historically, the companies in the S&P 500 that grew their dividends the most in a given year have tended to see stronger share price performance over that same period. Of course, no investor knows in advance which companies those will be. That is why we invest so heavily in forecasting dividend growth: the better we can anticipate which companies will raise their dividends the most, the better positioned we believe we are to identify attractive investment opportunities.



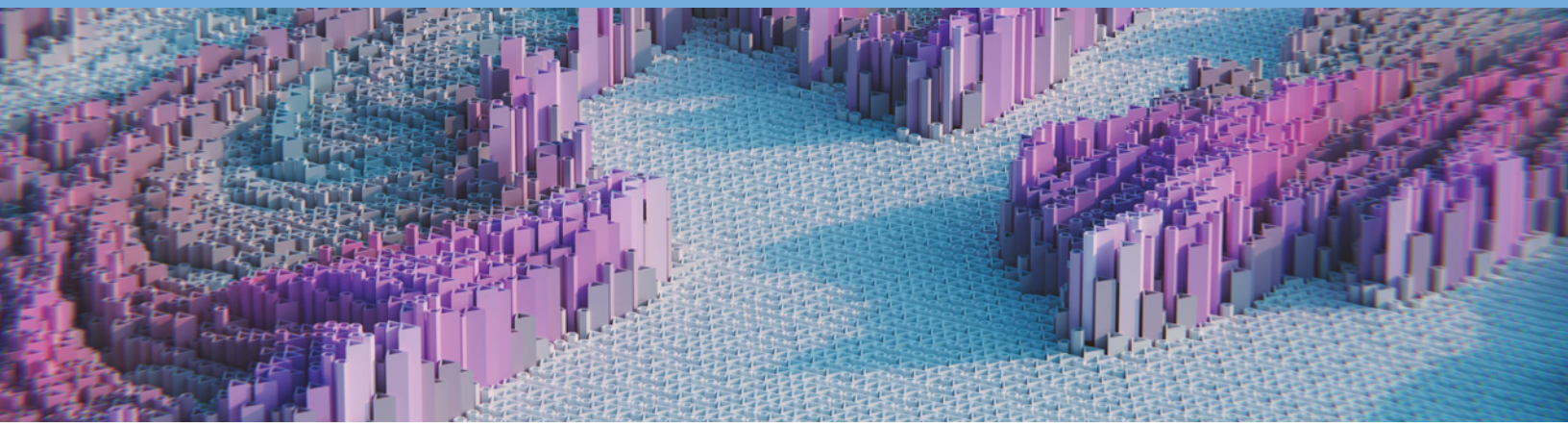
We believe in yield on cost.

Many dividend investors focus on finding the highest current yield. We focus instead on how much more income an investor can receive each year over time. One way to measure this is yield on cost: the annual dividends an investor receives, divided by the price they originally paid for the investment. For dividend growth investors, it's a particularly meaningful measure. As a company raises its dividend, the income generated by the original investment rises too, so yield on cost grows year after year even though the initial investment stays the same. Reinvesting those growing dividends can add to this effect, helping compounding work harder over time.

Focusing on dividend growth, rather than current yield alone, can also say more about the health of a business. A high current yield can be misleading: a company may be paying out more than its earnings can sustain to keep its yield attractive, or its yield may be high simply because its share price has fallen. Companies that can steadily increase their dividends, by contrast, are often showing the underlying earnings strength needed to support them. Our internal research has also found that dividend growers have historically delivered attractive returns relative to the risk taken.

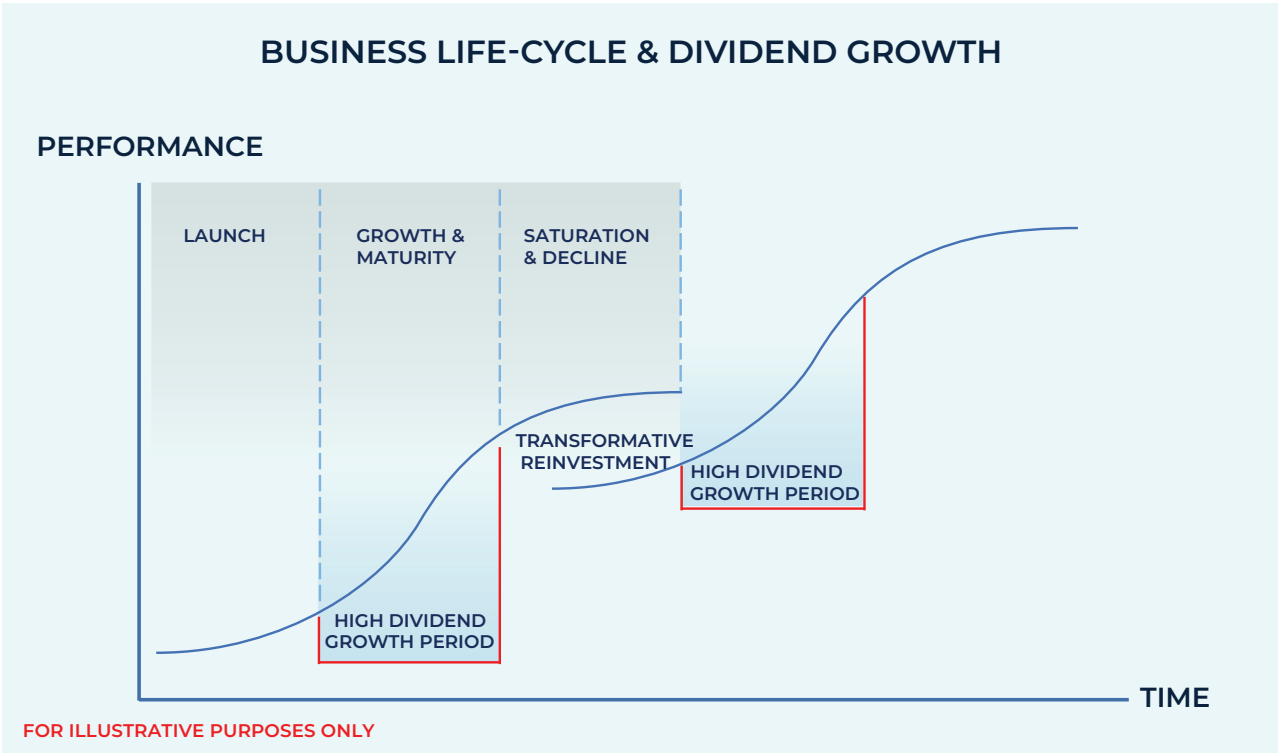


See Note 2



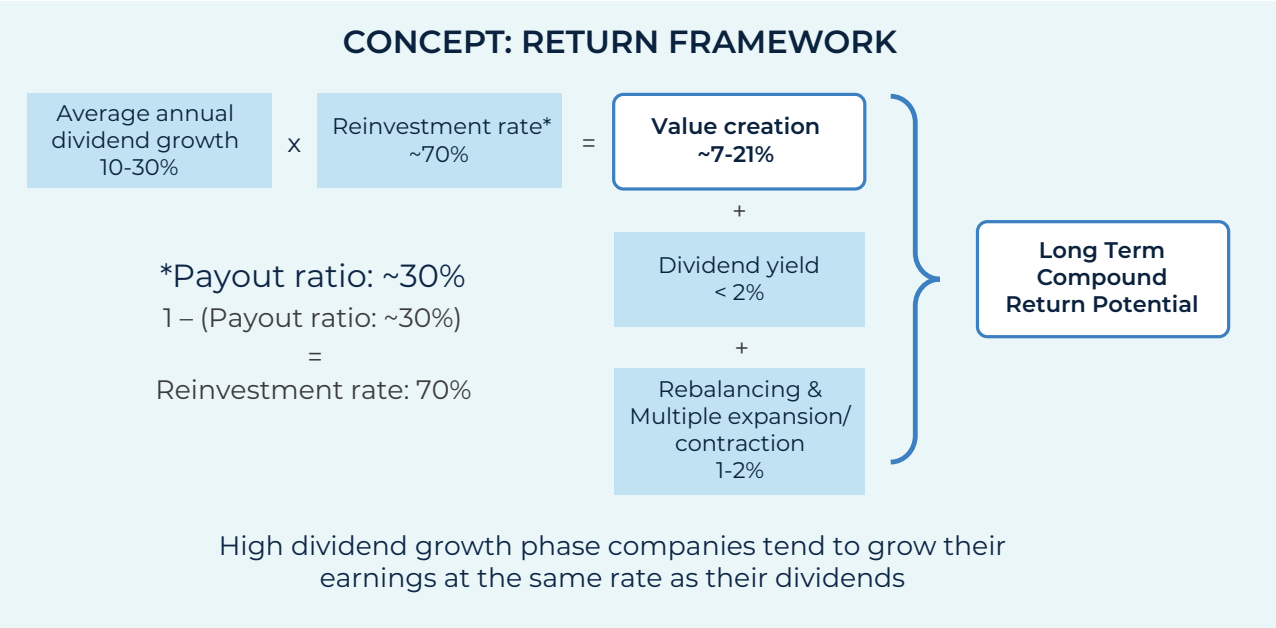
We believe in an understandable and sustainable return framework.

The history of our strategy's investments tells us that over the long term, share prices and dividend growth go hand in hand. Companies grow and mature over time and have different phases in their lives. We seek to own companies when they are in their 'high dividend growth phase', when their earnings are growing at high rates and are reflected by the accompanied growth in the dividends paid to their shareholders which we believe can lead to capital appreciation over time.



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. This compounding is what can lead to high long-term investment returns.

High dividend growth and ample reinvestment opportunities provide key inputs into our conceptual framework. If we are able to own a concentrated portfolio of businesses with these characteristics, we believe we are well positioned to pursue our long-term objectives.



For illustration purposes only. The above is not a targeted return nor a projected return; it is an application of the Gordon Growth model and how we believe we have generated historical returns for the Bristol Gate US Equity Strategy. There is a risk of loss inherent in any investment; past performance is not indicative of future results.

We believe a focused and consistent strategy is preferable to chasing market fads or timing the market.

We often compare our investment approach to owning a building with a fixed number of rental units. One of the benefits of our real estate analogy is that it keeps us, and our investors, focused on what we believe drives long term value creation: the growing income stream and the underlying free cash flow that drives it, not the latest investment trend or daily market movements that can swing wildly.

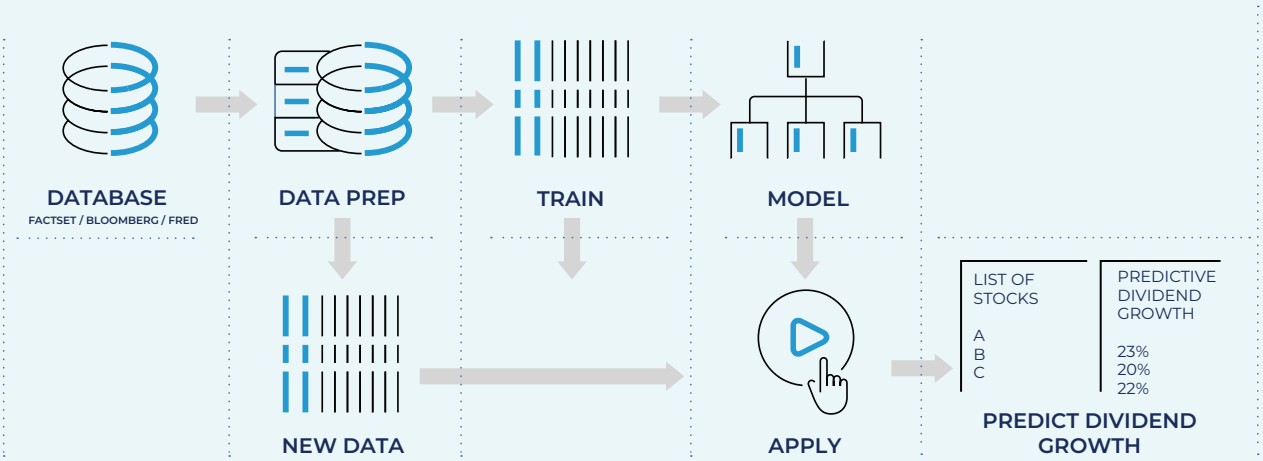
We believe in the power of technology to help us make better decisions.

Since being founded, Bristol Gate has leveraged technology to help make better investment decisions. The technology has evolved significantly since then, but the principle remains the same: predict the highest dividend growers in order to access our preferred universe.

In 2017, Bristol Gate adopted an Artificial Intelligence ("AI") model to help predict dividend growth over the coming 12 months. After 5 years of committed work by our data scientists, we added an additional model to extend our prediction horizon. By combining data science and fundamental analysis, we feel we are in a better position to identify the fastest dividend growers of tomorrow, today.

HOW WE USE MACHINE LEARNING

40+ YEARS OF DIVERSE DATA, 1,000+ FEATURES, ~1 MILLION RECORDS

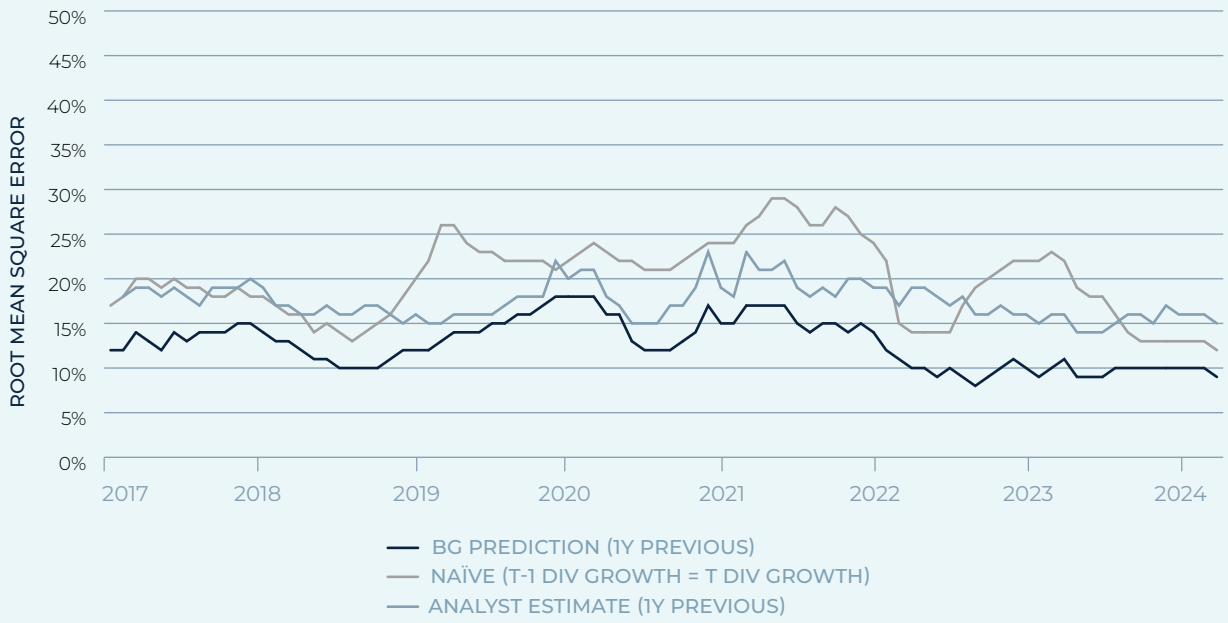


Artificial intelligence is changing how work gets done across many industries, largely because it can process vast amounts of information quickly and consistently. At Bristol Gate, we use machine learning to forecast dividend growth, and our research indicates it has been a valuable tool for this purpose. Our goal is for data science to be the best possible partner to our fundamental investment team. The model informs our decisions; our portfolio managers make them.

Our model can evaluate many variables at once, and it also shows us how each one affects its dividend forecasts. Rather than the "black box" that machine learning is often assumed to be, we think of it as a glass box: one we can look inside, understand and challenge, which gives us valuable insight into the companies we own.

HISTORICAL PREDICTION ERROR FOR S&P 500 DIVIDEND PAYERS

BG MODEL VS WALL STREET ANALYST ESTIMATES



Note 5

We believe in high-quality businesses.

We believe owning high-quality businesses is one of the best ways to preserve and grow capital over the long term. Within the high dividend growth space, we look for companies with key quality characteristics. Before we invest, our investment and data science teams work together to confirm that a business has:

- An enduring competitive advantage
- Sustainable dividend growth, supported by our forecasts
- A strong balance sheet
- A management team whose interests are aligned with shareholders



We believe in meaningful risk management.

We define risk not as volatility, but as the permanent loss of capital, and we don't believe a traditional approach to risk management is enough on its own. Instead, we take an evidence-based, data-driven approach.

A concentrated portfolio doesn't have to mean a lack of diversification. Rather than assuming that spreading holdings across a minimum number of sectors reduces risk, our data science team studies the correlations between the companies we own and those we're considering. This helps us understand how our holdings are likely to behave together across different market environments.

Every company we own is assessed from two angles: a fundamental view, to judge whether its dividend growth is sustainable, and a quantitative view, to understand how its share price moves relative to the hundreds of other companies in the market. Our data science team also applies modern portfolio theory to measure how adding or removing a company affects the portfolio's overall risk and return potential.

We see risk management as an essential part of every investment decision, and our data-driven approach is designed to help manage downside risk over time.

Conclusion

Since 2009, Bristol Gate has focused on one goal: delivering more income to investors each year. Rethinking both dividend investing and the role of technology has led us to a few foundational beliefs:

Quality compounds. We believe owning high-quality, dividend growth companies is one of the best ways to preserve and grow capital over the long term.

Dividend growth matters. Research has found that, historically, companies with the highest dividend growth have delivered attractive returns relative to the risk taken, across a range of market environments.

Technology sharpens the process. Machine learning allows us to analyze far more data, across far more companies, than a traditional research team could on its own. It lets us update our dividend forecasts as new information arrives, apply the same disciplined criteria to every company we evaluate, and see which factors drive each forecast. Combined with the judgment of our portfolio managers, we believe this helps us identify the most compelling dividend growth opportunities for our investors.

We hope this guide helps investors understand what we're working toward and builds greater confidence in our process. Long-term investing requires patience, and we look forward to partnering with our investors over the years ahead.

Note 1: See Sharpe, W.F. (1991), "The Arithmetic of Active Management," Financial Analysts Journal 47(1), which shows that a portfolio replicating its benchmark cannot outperform it after costs; Cremers, K.J.M. and Petajisto, A. (2009), "How Active Is Your Fund Manager? A New Measure That Predicts Performance," Review of Financial Studies 22(9); Petajisto, A. (2013), "Active Share and Mutual Fund Performance," Financial Analysts Journal 69(4); and Cremers, K.J.M. and Pareek, A. (2016), "Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently," Journal of Financial Economics 122(2). These studies found that funds whose holdings differed most from their benchmarks, particularly those with low turnover, outperformed on average over the periods studied. Other research has questioned whether active share predicts returns once benchmark differences are controlled for (Frazzini, A., Friedman, J. and Pomorski, L. (2016), "Deactivating Active Share," Financial Analysts Journal 72(2)). Many highly differentiated portfolios underperform their benchmarks, and differentiation alone does not ensure outperformance. There is no assurance the Strategy will outperform its benchmark.

Note 2: For illustrative purposes only. The example is based on the actual dividends per share paid by a company held in the Bristol Gate US Equity Strategy over a period, e.g., 2019–2024, and is intended solely to illustrate the concept of yield on cost. Yield on cost is calculated as annual dividends per share divided by the original purchase price and does not reflect changes in the company's share price, total return, fees or taxes. The example was selected to demonstrate the concept and is not representative of all companies held by Bristol Gate, many of which have experienced lower dividend growth. It is not a projection of future dividends or returns, nor a recommendation to buy, sell or hold any security. Past results are not indicative of future results. Source: Bristol Gate Capital Partners,

Note 3: Source: Robert J. Shiller, U.S. Stock Markets 1871–Present, http://www.econ.yale.edu/~shiller/data.htm; Bristol Gate Capital Partners calculations. Data represents the S&P Composite Index from January 1, 1926 to December 31, 1956 and the S&P 500 Index from January 1, 1957 to December 31, 2025. "Dividends & Price Appreciation" assumes all dividends were reinvested; "Price Appreciation" reflects changes in index level only. Values are in U.S. dollars and are not adjusted for inflation. The growth of $1,000 is shown for illustrative purposes only and does not represent the performance of any Bristol Gate strategy or account. Index returns do not reflect the deduction of management fees, transaction costs, taxes or other expenses, which would reduce returns. Indices are unmanaged, and it is not possible to invest directly in an index. Past performance is not indicative of future results.

Note 4: The chart shows the average total return of dividend-paying S&P 500 constituents, grouped by their dividend growth rate over each period, from January 1, 1990 to December 31, 2025, using monthly observations. Groupings are based on dividend growth over the same period as the returns shown and could not have been known in advance. The chart illustrates a historical relationship between dividend growth and returns. It does not represent the performance of any portfolio, strategy or account, and returns do not reflect fees, transaction costs or taxes. Source: Bristol Gate Capital Partners, FactSet.

Note 5: The Naïve prediction assumes that the dividend growth of a company for the next 12 months will be the same as it was for the last 12 months. The Consensus (Mean) prediction is the ratio of the average consensus dividend prediction (from Factset) for the next 12 months compared the actual dividend for the last 12 months at time of the prediction minus one. The Root Mean Square Error (RMSE) measures the average magnitude of the differences between predicted and observed values.

Disclaimers: 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and ETF investments. Please read the prospectus before investing. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

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. 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. Bristol Gate's strategies hold concentrated portfolios of a limited number of companies and may therefore be more volatile, and more affected by the performance of individual holdings or sectors, than more broadly diversified portfolios or their benchmarks. Returns may differ significantly from the benchmark over short and extended periods. Dividends are not guaranteed; companies may reduce, suspend or eliminate their dividends at any time.

Bristol Gate uses proprietary quantitative and machine learning models to help forecast dividend growth and inform portfolio decisions. Models rely on historical data and assumptions that may not hold in the future, and may contain errors or produce inaccurate forecasts. Model outputs are one input into the investment process; investment decisions are made by Bristol Gate's portfolio managers. There is no assurance that the use of models or technology will result in favourable investment outcomes.

This piece contains forward-looking statements, including statements about Bristol Gate's beliefs, objectives and strategies. Forward-looking statements are based on current views and assumptions, are not guarantees of future results, and involve risks and uncertainties that may cause actual results to differ materially. Bristol Gate does not undertake to update any forward-looking statement, except as required by applicable law.

Charts, examples and conceptual frameworks in this piece are for illustrative purposes only and do not represent the actual or projected performance of any Bristol Gate strategy, fund or account. References to specific companies are for illustration only and are not recommendations. Indices are unmanaged, do not reflect fees, expenses or taxes, and cannot be invested in directly. Certain information in this piece is obtained from third-party sources, including FactSet, Bloomberg, FRED and Robert J. Shiller, which Bristol Gate believes to be reliable but has not independently verified.

Information is current as of December 31, 2025 and is subject to change without notice.

Bristol Gate Capital Partners
45 St. Clair Ave. West Suite 601
Toronto ON M4V 1K9
info@bristolgate.com

bristolgate.com

