Partners | QUARTERLY PROFILE

4th Quarter 2020

BRISTOLGATE CAPITAL PARTNERS

US DIVIDEND GROWER

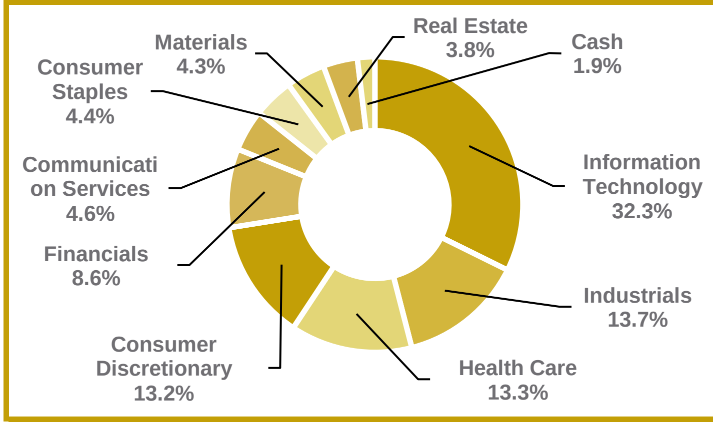
PORTFOLIO OBJECTIVE

A concentrated portfolio of the US's highest dividend growth stocks to provide growing income.

PORTFOLIO REVIEW

It was a year like no other. Following a good start, rising 5% to mid February, the S&P 500 fell 34% between February 19 and March 23 as COVID-19 began wreaking havoc with markets and economies globally. Recognizing the significant economic risk

ASSET ALLOCATION



MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
STARBUCKS CORP	5.16%
BROADCOM INC	4.90%
INTUIT INC	4.85%
UNITEDHEALTH GRP INC	4.83%
ALLEGION PUBLIC LTD CO ORD	4.80%
TEXAS INSTRS INC	4.79%
BROADRIDGE FNCL SOLNS INC	4.70%
ACTIVISION BLIZZARD INC	4.55%
ROPER TECHS INC	4.45%
CME GRP INC	4.43%

4th Quarter 2020	QTD	1YR	3YR	5YR	10YR
Bristol Gate US Dividend Grower*	**4.0%**	**9.0%**	**15.8%**	**11.6%**	**19.3%**
S&P 500	7.0%	16.3%	14.8%	13.2%	16.7%
Bristol Gate US Dividend Grower (USD)*	**8.7%**	**11.8%**	**14.8%**	**13.4%**	**16.3%**
S&P 500 (USD)	12.1%	18.4%	14.2%	15.2%	13.9%

*Return Data Source: Inception to October 2018 returns are from eVestment which are linked thereafter to RJ Partners Program composite, gross returns. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 100% S&P 500.

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and with the memory of the damage the financial crisis caused still relatively vibrant, governments and central banks responded aggressively with historic monetary and fiscal stimulus. Markets reacted and the S&P 500 rallied 61% from the March 23 low to the beginning of September. From there returns seesawed; down 10%, up 9%, and down 7% over a two-month period before the market finished the year off with a 15% run over the final two months, discounting a potential economic recovery with the arrival of COVID vaccines, the conclusion of the US election (removing uncertainty) and the impact of the earlier, unprecedented stimulus. When all was said and done, the S&P 500 rose 18% for the year, including a 70% gain from the bottom in March.

The Bristol Gate US Equity Strategy underperformed compared to the S&P 500 Total Return Index in the fourth quarter as the positive vaccine news in early November and the conclusion of the US election led to a significant trend reversal with some of the most beaten-up US equity segments posting strong gains into year end.

Starbucks, Broadcom and Intuit were the three largest relative contributors to returns, each benefiting from improved sentiment around an economic recovery following vaccine news. Moody's, American Tower and CME Group were the three largest relative detractors in the quarter. Moody's struggled as investors questioned the strength of issuance volumes in 2021 following a robust 2020. American Tower lagged as investors digested the impact of higher customer churn following the merger of T-Mobile and the potential for higher rates led to the real estate sector overall lagging the broader market. CME was a drag as interest rate derivative volumes remain subdued with interest rate volatility supressed due to government stimulus.

According to S&P Global Indices, Apple, Amazon and Microsoft accounted for 53% of the SPX's total return. Excluding those three stocks, the Index would have returned 8.6%. If the list were expanded to include the next seven largest contributors (only one of which paid a dividend and had no dividend growth), 77% of the Index's total return was generated by the top ten holdings. Put another way, the other 495 stocks in the Index collectively returned 4.3%. All ten of the top contributors were technology or technology related stocks. The IT sector alone accounted for 64% of the Index's return. Simply put, diversification hurt returns in 2020.

Relative to other dividend focused strategies such as the S&P 500 Dividend Aristocrats and the Dow Jones US Select Dividend Index, the US Strategy continued to perform well.

The portfolio companies held at year end on average delivered 14.8% dividend growth (median 14.0%), well ahead of S&P 500's dividend increase of 0.1%. 2020 proved to be a more challenging year for dividend paying companies in the broader index, with the number of dividend payers at year end falling to 385 from 423 in 2019 and those having raised their dividends post COVID (Q2-Q4) averaging 8.3% vs. 9.8% in 2019 (source: S&P Global Indices).

Following year end, two changes were made to the portfolio along with all positions being rebalanced on January 7-8. Danaher was sold and replaced with Thermo Fischer Scientific. From its peak on November 6th at $527, Thermo underperformed the S&P 500 by approximately 20 percentage points to year end. Reasons for the poor relative performance include positive vaccine news, lower expectations on COVID-19 diagnostic testing, a rotation out of year-to-date winners and an expensive valuation relative to historical levels. We viewed the pullback as a good opportunity to add a historically great capital allocator that is ideally positioned over the next several years to capture the opportunity related to innovation in the bio/medtech space. We like Thermo's leading position in the global life sciences market, its scale, stability of its consumables focused business, its strong operating model and its opportunity to deploy capital via M&A.

While we continue to believe Danaher has great prospects as a business going forward, we get similar exposure to the life science and diagnostic tools market with Thermo but better forecasted dividend growth and a more reasonable valuation (25x forward earnings for TMO vs. 34x for DHR).

We also added Applied Materials to the portfolio, funding it with the sale of Tyson Foods. Applied Materials is one of the world's largest semiconductor equipment manufacturers (semicap). We believe the semicap industry is attractive with high barriers to entry. It is effectively an oligopoly with various competitors being leaders in their respective segments. Applied Materials is the largest by market share overall with dominant positions in several individual segments. The industry's semiconductor clients are highly profitable and have rising relevance due to several secular drivers such as cloud computing, machine learning and the internet of things. Capital intensity within semiconductor manufacturing is rising as leading technology nodes become more complex and require more processes. In our view, Applied Materials represents a compelling opportunity within the sector due to its discounted valuation compared to peers, improved profitability, a troughing flat panel display equipment market (10% of sales) and recent share gains in its core semicap segment.

Our investment thesis with Tyson did not work out as expected. While the company's beef and pork segments did meet our expectations, its chicken segment continued to struggle, and the company's challenges were compounded by COVID-19 throughout the year with consumers shifting consumption from restaurants to at home and several the company's plants experiencing higher absenteeism and shutdowns. Compared to Tyson, we believe we have added a much higher quality company in Applied, with superior secular growth opportunities, higher margins and much better forecasted dividend growth (high teens for Applied vs 10% for Tyson).

OUTLOOK

Looking forward and including the changes made to the portfolio after year end (discussed below), our expected dividend growth for the companies in the US Strategy is 14% in 2021. This compares to the near zero growth consensus estimates and dividend futures are implying for the Index.

At the end of 2009, like today, the concentration of market returns was high and aggregate dividend growth in the Index was low. As the economic recovery broadened, the subsequent dividend growth our Strategy achieved was amongst our best (2011-2015). If vaccines, stimulus and savings are the seeds for a broad economic recovery this time around, we believe the rally in tech stocks in 2020 will broaden in 2021 and our opportunities to produce higher dividend growth will also expand going forward.