Insights and News.

Investment Commentary

Report to Investors 2nd Quarter 2024

July 15, 2024

Performance Summary

During the quarter, the US Equity Portfolio underperformed the S&P 500 Index while the Canadian Equity strategy outperformed the S&P/TSX Composite. Both the strategies also continued to outpace their respective benchmarks over the trailing 12 month period. For a more detailed discussion on performance see each Strategy's respective section below.

Portfolio Dividend Growth - Trailing and consensus forward 12 months.

Note: Last 12 months (LTM) Dividend Growth is the median of the actual trailing 12 month dividend growth of the individual stocks held by Strategies or Index constituents as reported by Bloomberg as of June 30, 2024. Forward 12 months (FTM) Dividend Growth is the median of the Street Consensus forward 12 month dividend growth estimate of the individual stocks held by Strategies or Index constituents. Index constituents are those constituents of the Indices as of quarter end. Companies without a consensus dividend forecast were excluded.

Source: Bloomberg, Factset, Brand Cable Capital Partners.

10 Years Back and 10 Years Forward

In May 2014, Brand Cable celebrated its 1st year anniversary of our US Equity Strategy. As we did when we reached our 5 year anniversary, we felt it was time to look back and review what we had accomplished over the first 10 years and why we believe this approach will continue to offer opportunities for clients going-to-come.

Our approach is one of high conviction. We hold concentrated portfolios of 20 stocks. Our conviction is based on evidence. History tells us that investing in the highest dividend growers results in attractive long-term results. Consensus earnings revision ratios confirm that we have the most attractive revision momentum our clients and our peers enjoy.

Exhibit 1 The Opportunity

The chart above illustrates if you would have had the foresight to invest in the next dividend growth stocks (Top Dividend Growers) 10 years ago, you would have outperformed the S&P 500 Index. The S&P 500 Index is an equal weight index that portrays the performance of the 500 largest stocks in the US. The Top Dividend Growers are an equal weight basket of stocks selected from the S&P 500 universe and recirculated annually. Our illustration assumes only, past performance is not indicative of future results. Source Brand Cable Capital Partners, Bloomberg.

Everything we do begins with finding and predicting high dividend growth Exhibit 1demonstrates the theoretical outcome if one could have had the foresight to invest in the next dividend growth stocks. Our process is a practical proxy for that. Our process is different than other investment processes we have followed and our current & further improve our process to make the portfolio better suited to our clients. These have not changed since our inception and are listed below.

Keys To Our Successful Investment Strategy

- Investing in high return businesses Companies capable of growing and returning excess free cash flow through dividends.
- Avoiding obstacles like: Steering clear of companies with limited operating history, poor balance sheets, or poor revision ratios.
- Reducing valuation risk using equal weighting and quarterly rebalancing to improve an investor's return on each holding, particularly for high quality companies.
- Using Technical Analysis and Quantitative Analysis tools to produce lower downside capture.

Our Investment Results The outcome of our process.

As process driven investors, we firmly believe our results are the ultimate outcome of our investment process. The chart below plots our performance against our peers in the dividend and income universe over the last 15 years.

Exhibit 2 Our 15 Year Returns in Dividend & Income Peer Group

Morningstar Dividend & Income Peer Group
Brand Cable Capital Partners
Morningstar
Dividend & Income
Peer Group
Brand Cable

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 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® Capped Composite Index, net of expenses.

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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.

News & Insights

Report to Investors 1st Quarter 2025

April 16, 2025

Annual Letter to Investors – 2024

January 21, 2025

Report to Investors 3rd Quarter 2024

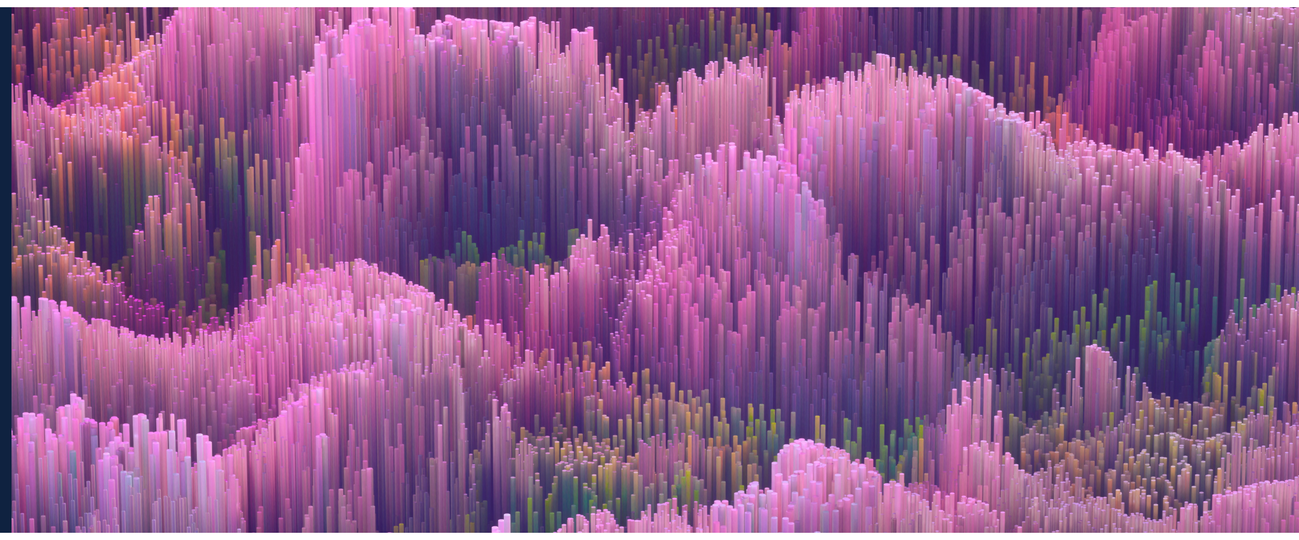
October 18, 2024

How much do you know about dividends?

Take our quick 10-question quiz and find out!

Take the Quiz >

Takes 2 minutes



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