Investment Commentary

Report to Investors 1st Quarter 2024

April 18, 2024

Performance Summary

During the quarter, both the US Equity Strategy and Global Equity Strategy underperformed their respective benchmarks, net of fees. Both the strategies also continued to outpace their respective benchmarks in terms of total return since inception, annualized and cumulative, and have kept their strong track record in respective sectors intact.

Portfolio Dividend Growth, Yield Comparison and Leverage Forward 12 months.

Note: Last 12 months (LTM) Dividend Growth is the median of the actual dividend payment dividend growth of the individual stocks held by Strategies or Index constituents as reported by Bloomberg as at March 31, 2024. Forward Yield is the Forward Dividend Payment divided by the Current Market Price. Forward Dividend Payment is the individual stocks Yield by Bloomberg and the median of consensus estimates for the constituents of the indices at quarter end. Companies without a consensus dividend forecast were excluded.

Source: Bloomberg Portfolio Partners, Briarteck Capital Partners.

"Multiples are not valuation"

When it comes to valuing businesses (or portfolios), we strongly agree with Michael Mauboussin's statement that "Multiples are not valuation. They are shorthand for the valuation process. Importantly, multiples describe the market's current valuation of a business, but they do not tell you the intrinsic value (value). Both of the portfolios and company level, I feel just trading price by earnings.

The P/E ratio is possibly the most used measure to gauge the valuation of a stock. It represents the amount an investor is willing to pay for each dollar of earnings. The higher the ratio, the more expensive a stock is relative to its earnings.

When evaluating investment options, we believe comparing P/E ratios in a vacuum can result in substantial outcomes. We support some of the relative performance challenges we have experienced in the past, and we believe that the current P/E ratio of our portfolios is not a reliable indicator of the underlying market that drive differences in P/E ratios.

At the portfolio level, we believe that as the composition changes the make-in terms of sector weights and the cut of cyclical versus defensive stocks can have an impact. At the company level, growth and the sustainability of returns on capital employed (ROCE) and free cash flow (FCF) generation are key to valuation.

It is commonly understood that the value of a business is the cash that can be taken out of the business (FCF). Perhaps the most well known and easiest to calculate DCF is the Gordon Growth Model (GGM), named after Myron J. Gordon, who popularized it in the 1960s. Professor Damodaran's description of the GGM is a company's valuation is driven by its dividend per share, the future growth rate of the dividend (g) and the investor's required rate of return (r).

$$P = \frac{D_1}{r - g}$$

Although the model has certain limitations, you can understand our offering for it gives its simplicity, eloquence, and focus on dividend growth. It principles plainly our conceptual return framework.

Exhibit 1. Briarteck Conceptual Return Framework

Dividend yield
Dividend growth
Sustainable growth
Dividend Yield
Dividend Growth
Sustainable growth
Dividend yield
Growth
Sustainable growth
Dividend yield
Growth
Sustainable growth
Dividend yield

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

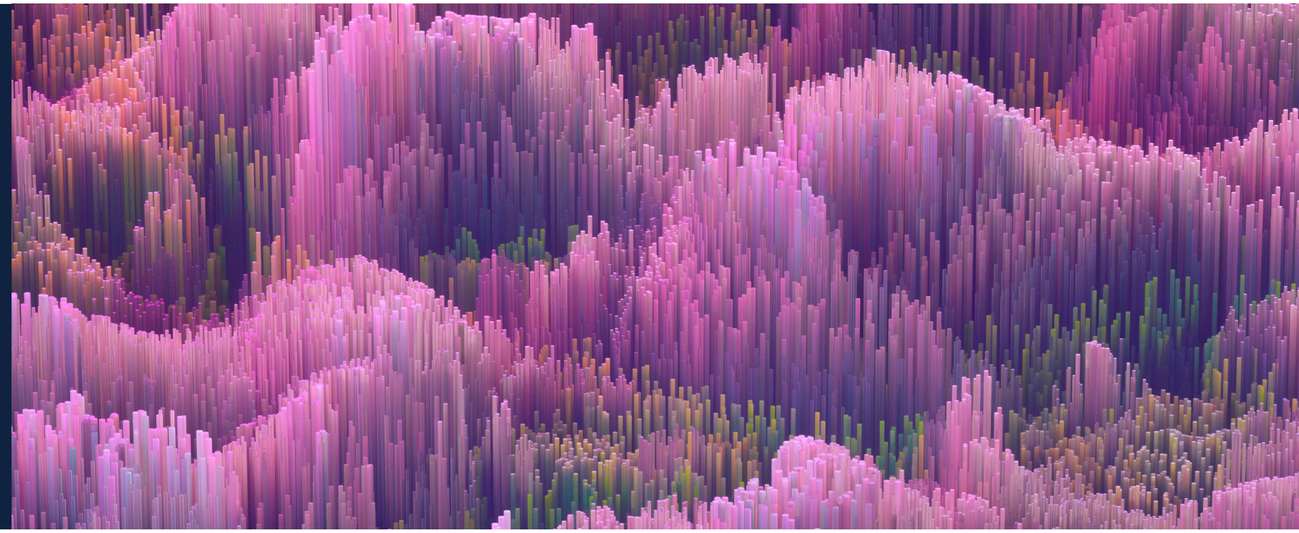
October 18, 2024

How much do you know about dividends?

Take our quick 10-question quiz and find out!

Take the Quiz >

Takes 2 minutes



Copyright 2025 Bristol Gate Capital Partners Inc. | All Rights Reserved | Legal | Privacy Policy | Regulatory Documents, Form ADV & Form CRS