

Bristol Gate U.S. Equity Strategy

Dividend Growth Investing for the Digital Age

As at March 31, 2022

Full introduction to the firm - including GIPS®-verified performance information

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Bristol Gate Capital Partners



Our Thesis

We believe that if you can build a portfolio by predicting the best dividend growers for the coming 12 months, over time the portfolio will outperform the market with less downside risk.

Bristol Gate Principles

1. Remember why clients are here
2. Approach the future actively and together
3. Bring a difference to dividends
4. Cultivate a culture of constant creativity
5. Be of good standing
6. Build everything to last

Employee Owned

With Partner capital invested on same terms.

19.7% per year*

Average annual dividend growth since inception.

2006

Founded

To develop new product advice to a major Canadian chartered bank serving High Net Worth individual clients.

2009

GIPS® track record

US Equity Strategy, with focus on investing in S&P 500 dividend growth stocks.

2022

\$2.8B AUM & AUA**

Mix of institutional, Advisor-managed and private client assets.

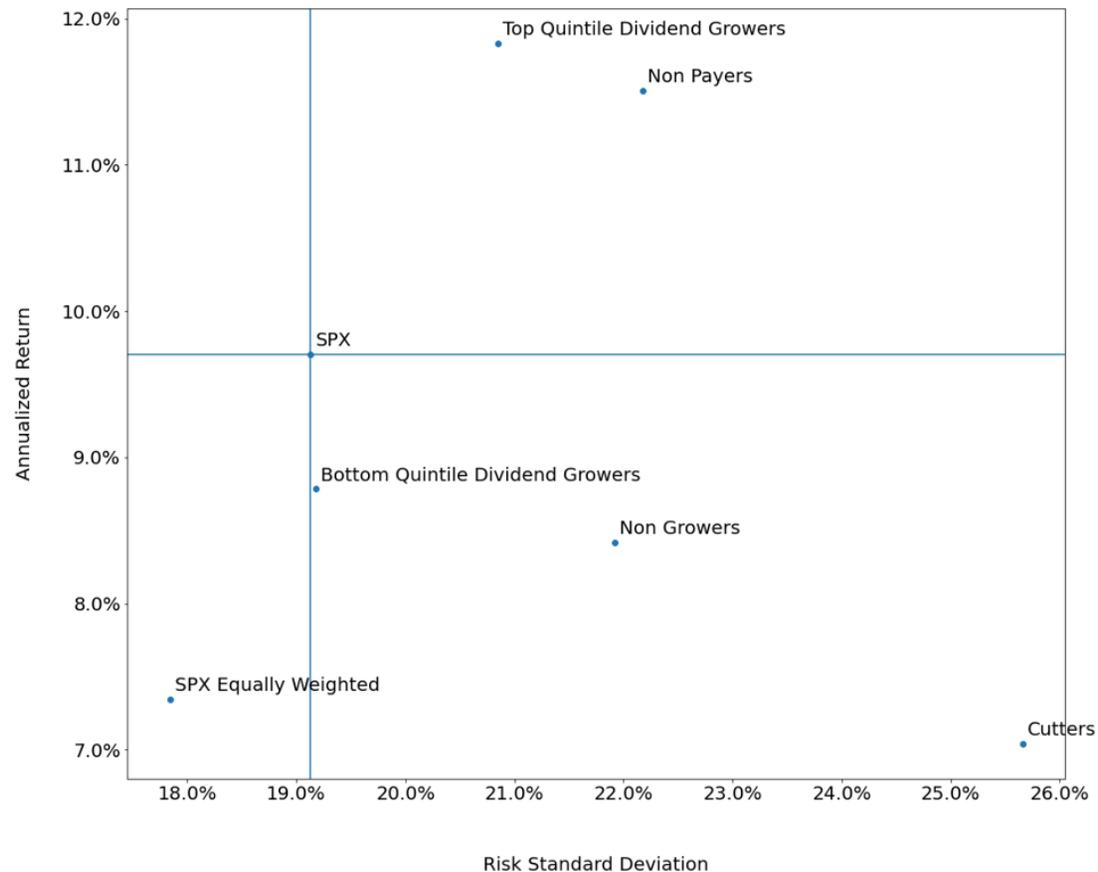
*US Equity Strategy inception date: May 15, 2009 **As at March 31, 2022 in CAD

Why Dividend Growth?

Why Predict Dividend Growth?

Although markets have been volatile over the last 20 years, investing in the best dividend growth companies each year would have resulted in the best risk-adjusted returns over the period.

Annualized Total Return of Different Portfolios



The chart above illustrates that if you had the foresight to invest in the best dividend growth stocks (“Top Quintile”) in the S&P 500 over the past 20 years then you would have the most attractive risk return profile. The 20-year period referenced is from Dec 31, 2001 to Dec 31, 2021 where each theoretical portfolio presented for the stated category was constructed from an equal weight basket of stocks selected from the S&P 500 universe and reconstituted annually.

Source: Bristol Gate, Bloomberg, Dec 31, 2001-Dec 31, 2021, in USD

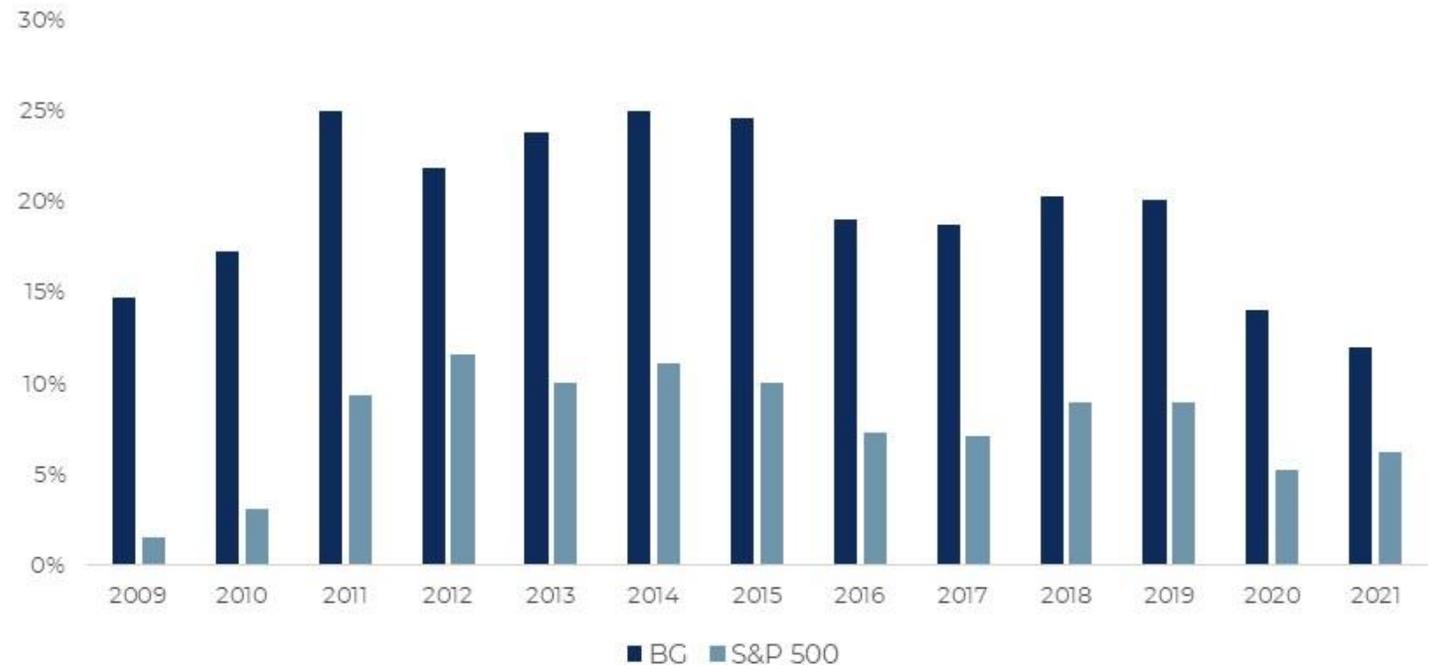
Higher Dividend Growth

Since inception, the approach has consistently been focused on finding companies that can grow dividends substantially

19.7% per year

Average annual dividend growth since inception

Trailing Dividend Growth



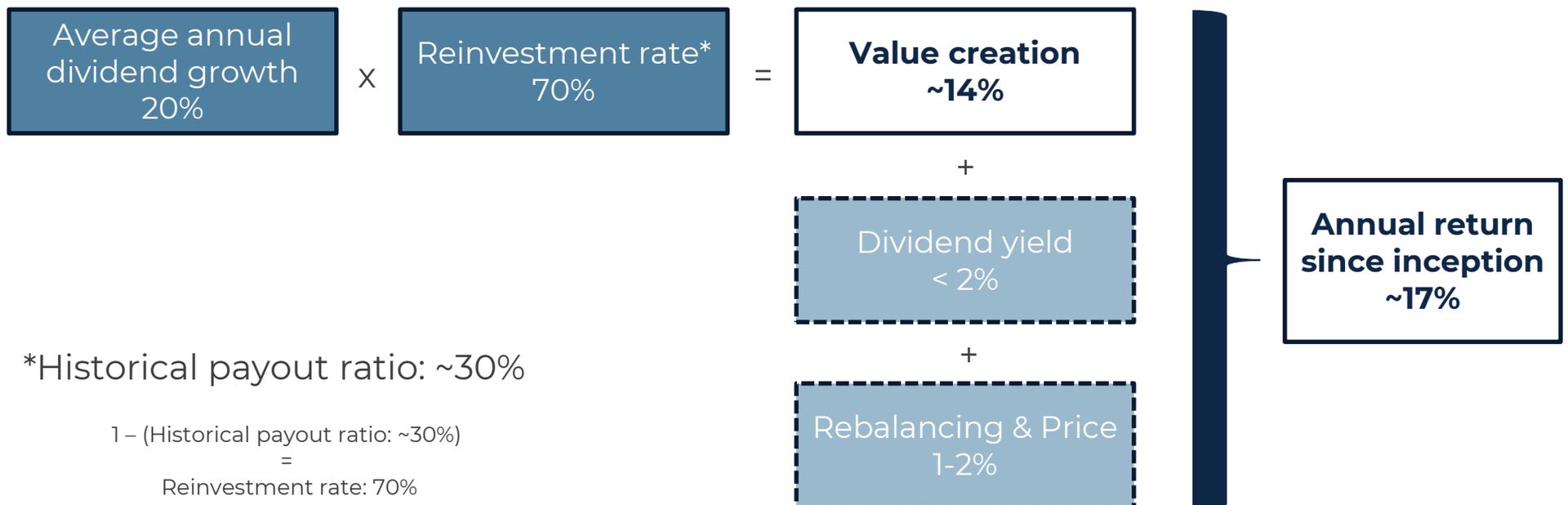
Annual Dividend Growth Rates	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bristol Gate U.S. Equity Strategy	14.7%	17.3%	25.0%	21.8%	23.8%	25.0%	24.6%	19.0%	18.7%	20.3%	20.1%	14.0%	12.0%
S&P 500 Total Return Index	1.5%	3.1%	9.4%	11.6%	10.0%	11.1%	10.0%	7.3%	7.1%	9.0%	9.0%	5.3%	6.2%

As at December 31, 2021 Source: Bloomberg. Median of the annual trailing 12 month dividend growth (as reported on Bloomberg) of the individual stocks held at the end of each calendar year. See important disclaimers on slides 23 and 25.

Our Returns: Conceptual

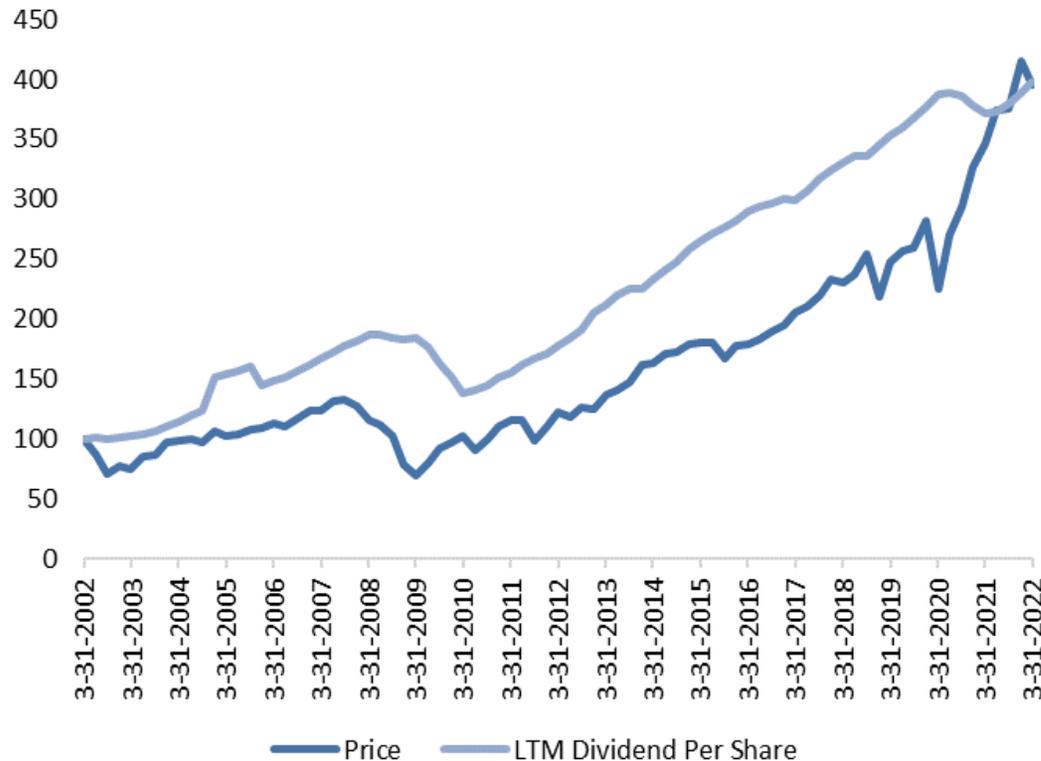
"Over the long term, it's hard for a stock to earn a much better return than the business which underlies it earns."

Charlie Munger



For illustration purposes only. Please refer to **Important Disclosures** section on slides 23 and 25.

S&P 500 Dividend & Price Growth



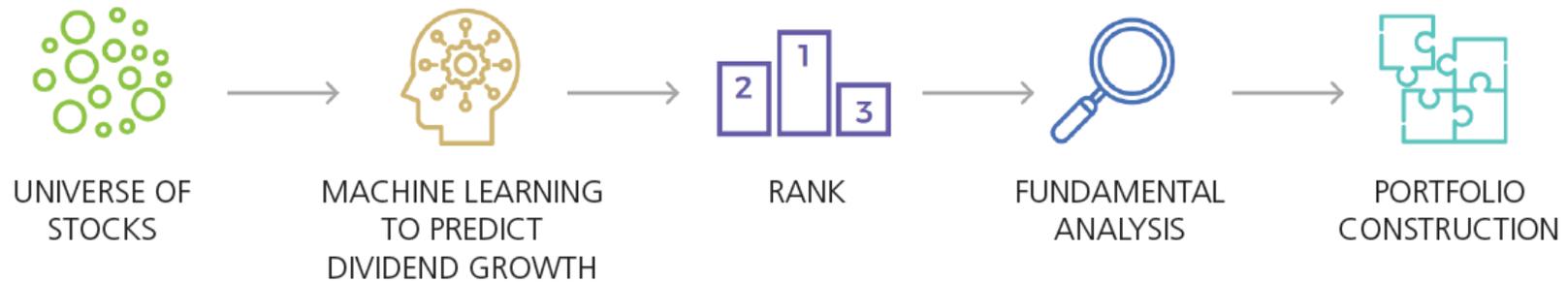
“Owners of stocks, however, too often let the capricious and often irrational behavior of their fellow owners cause them to behave irrationally as well. Because there is so much chatter about markets, the economy, interest rates, price behavior of stocks, etc., some investors believe it is important to listen to pundits – and, worse yet, important to consider acting upon their comments.

Those people who can sit quietly for decades when they own a farm or apartment house too often become frenetic when they are exposed to a stream of stock quotations and accompanying commentators delivering an implied message of “Don’t just sit there, do something.” For these investors, liquidity is transformed from the unqualified benefit it should be to a curse.”

Warren Buffett

Investment Process

Dividend Growth Investing Re-Imagined



Machines

- Instuction
- Calculation
- Tactics
- Memory
- Reason
- Unbiased

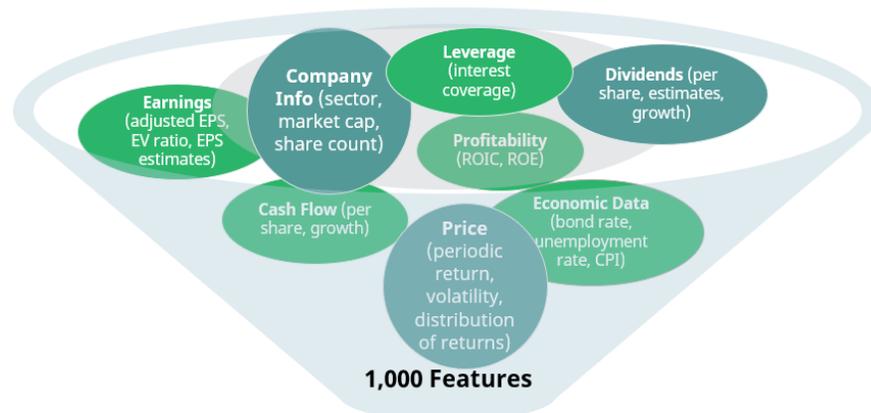


Humans

- Purpose
- Understanding
- Strategy
- Experience
- Intuition
- Emotional

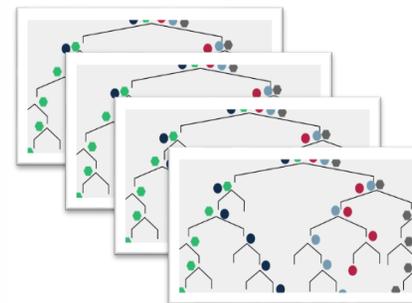
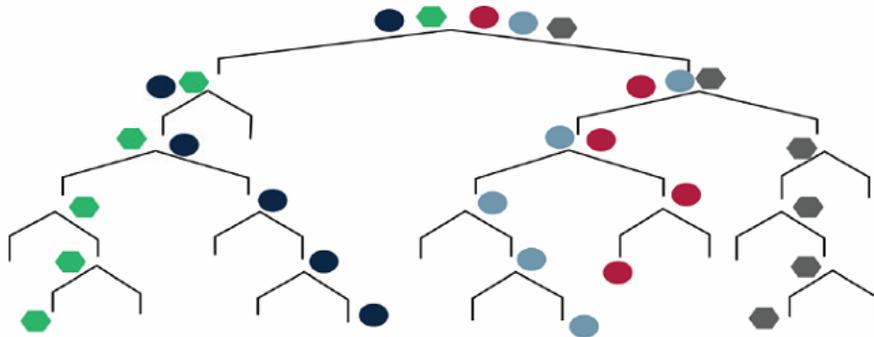
Process

Predicting Dividend Growth



Modeling Process

200 Significant Features

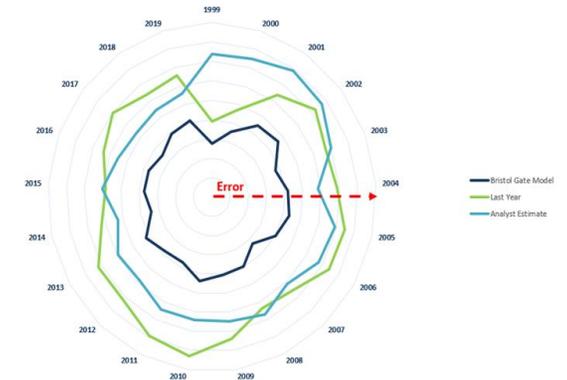


Tree-based algorithm

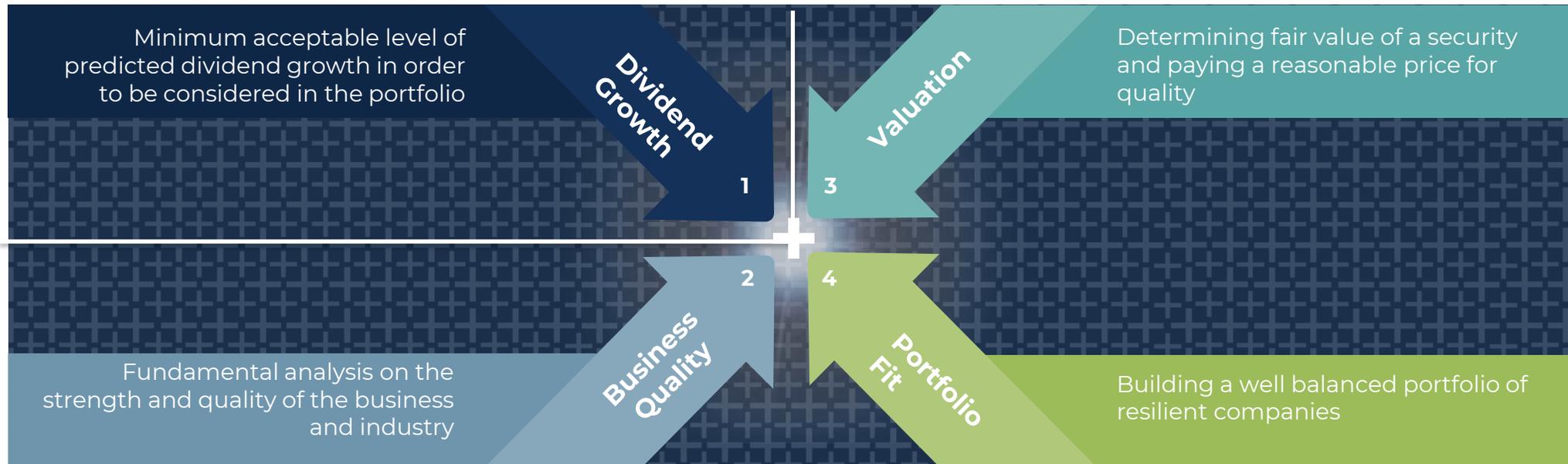
- *Input data*—around 1000 features consisting of fundamental, price and economic data over 20 years of history
- *Gradient Boosting*— average predictions from all trees results in more accurate predictions across the board

More accurate prediction than humans

Average Dividend Growth Prediction Error



Bristol Gate's Four Pillars of Portfolio Construction



Harnessing the power of technology

- We start quantitatively by predicting dividend growth and finish by assessing the overall portfolio fit using multi-dimensional risk analysis

Consistent & Repeatable Approach

- Our portfolios have consistently contained:
 - 1) Higher dividend growth
 - 2) Higher quality
 - 3) Reasonable valuations relative to prospects
 - 4) Better downside capture
- Sell discipline
 - When reviewing sell candidates, we follow the same pillars in the same order

Traits of Bristol Gate Dividend Growers



Structural Growth



Dominant Franchises



FCF Generation



Value Creating
Reinvestment



Effective
Management



Stakeholder Focused



Low Payout Ratios

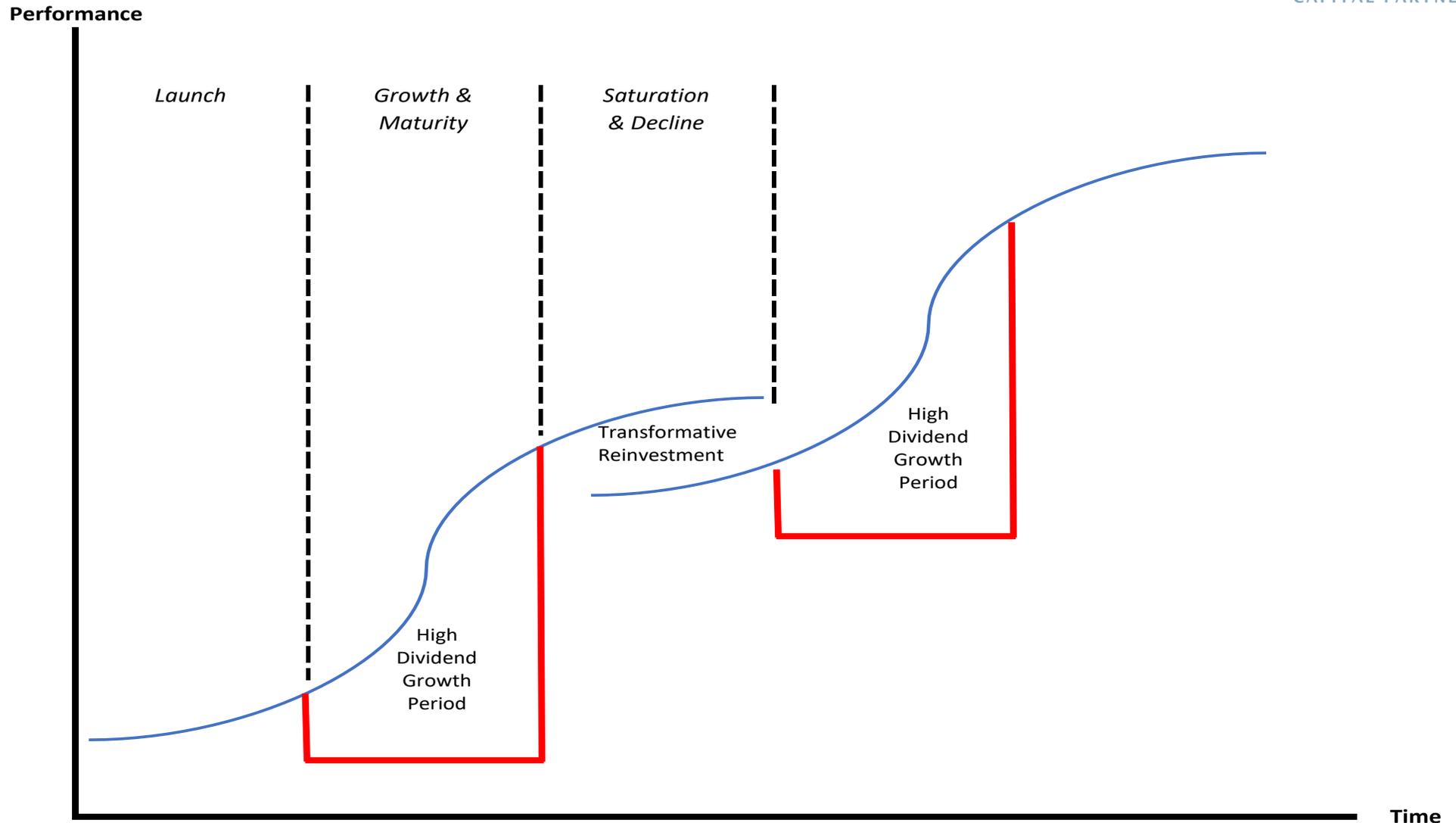


Strong Balance
Sheets



Consistency

Business Lifecycle & Dividend Growth



Growth & Maturity phase

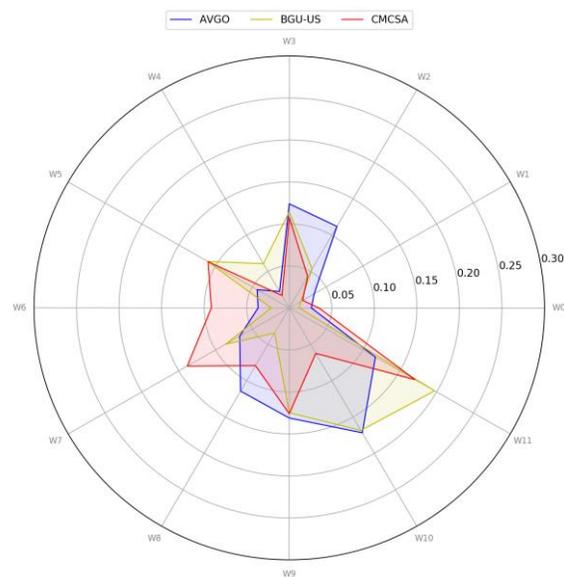
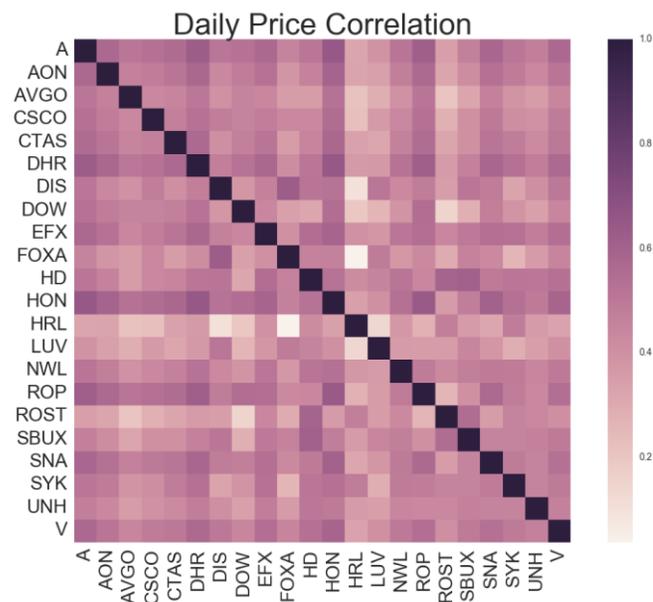
- Significant free cash generation
- Ample reinvestment opportunities with high rates of return
- Supports dividend initiation and high dividend growth

Saturation & Decline Phase

- Reinvestment opportunities slow and returns decline
- Dividend growth slows to mundane levels.

Great companies jump S-curves and become high dividend growers again

Using Data Science to Construct Better Portfolios



Sectors do not tell you much about risk

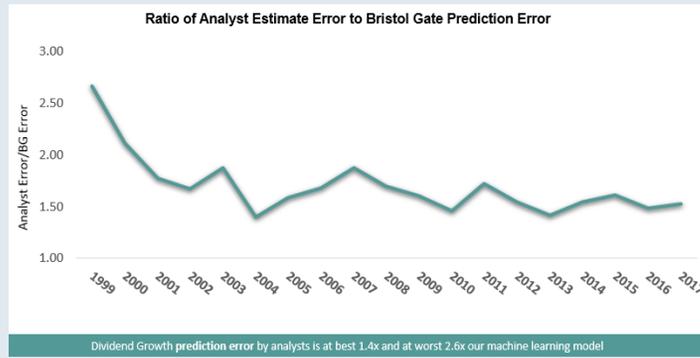
- Price correlation of holdings is a better measure of portfolio diversification
- Build a collection of independent risk vectors (W0-W11) and visualize the exposure of each stock to a specific risk factor
- Measure how a buy/sell affects the risk exposure profile

Our Competitive Edge

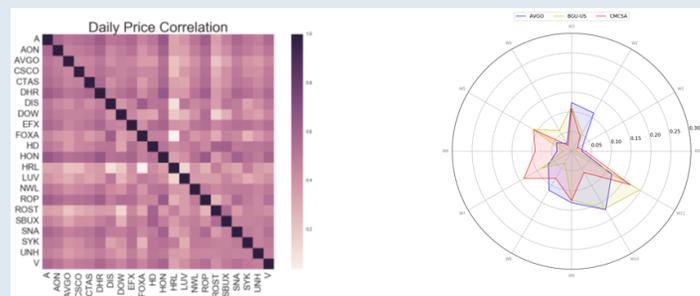
A systematic and repeatable process

Analytical

- **Scientific approach** to investment management
- Machine learning model produces **better accuracy and less bias** than others



- Unique view on **diversification**



Behavioural

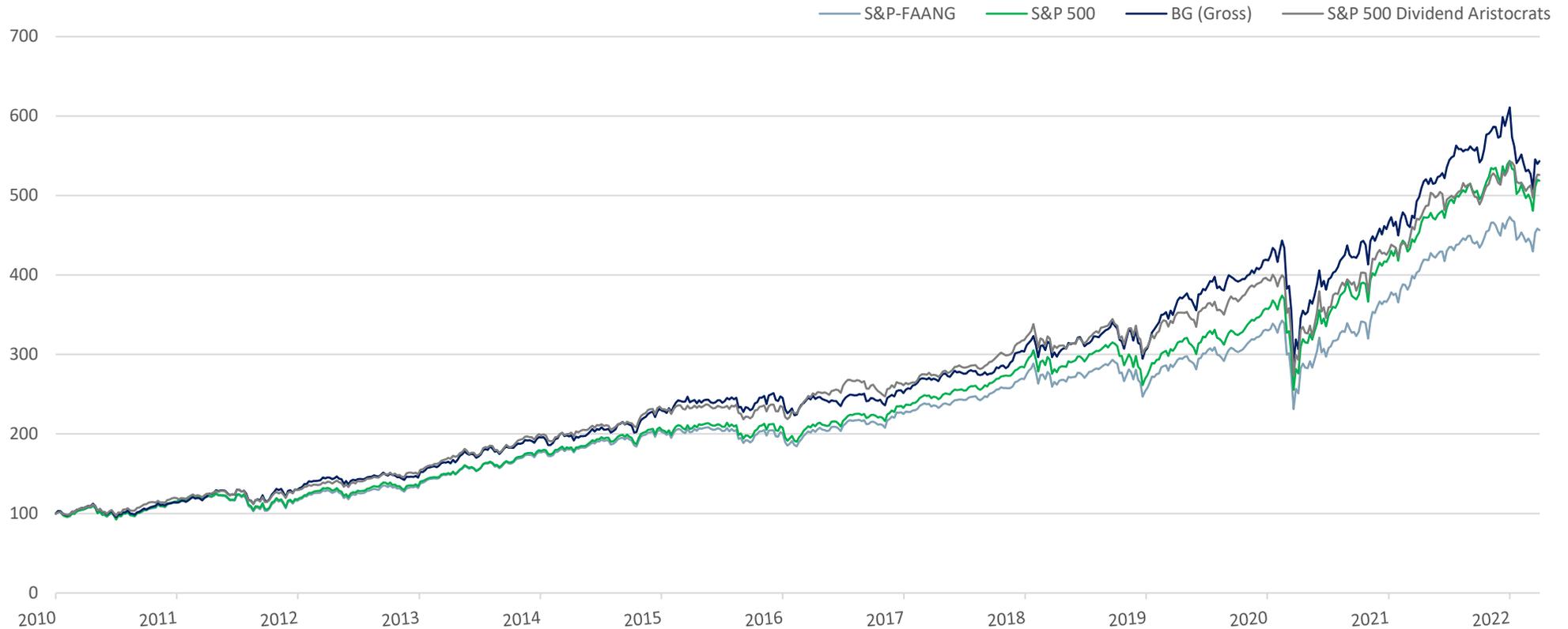
- **Concentrated** portfolio with high active share
- **Quarterly rebalancing** forces us to act



- **Dividend growth hurdle** instills unemotional sell discipline
- Complete **alignment** with investors

10 Years of Outperformance – No FAANGs

We have managed to outperform the S&P 500 over the last 10 years without ever owning any of the FAANGs

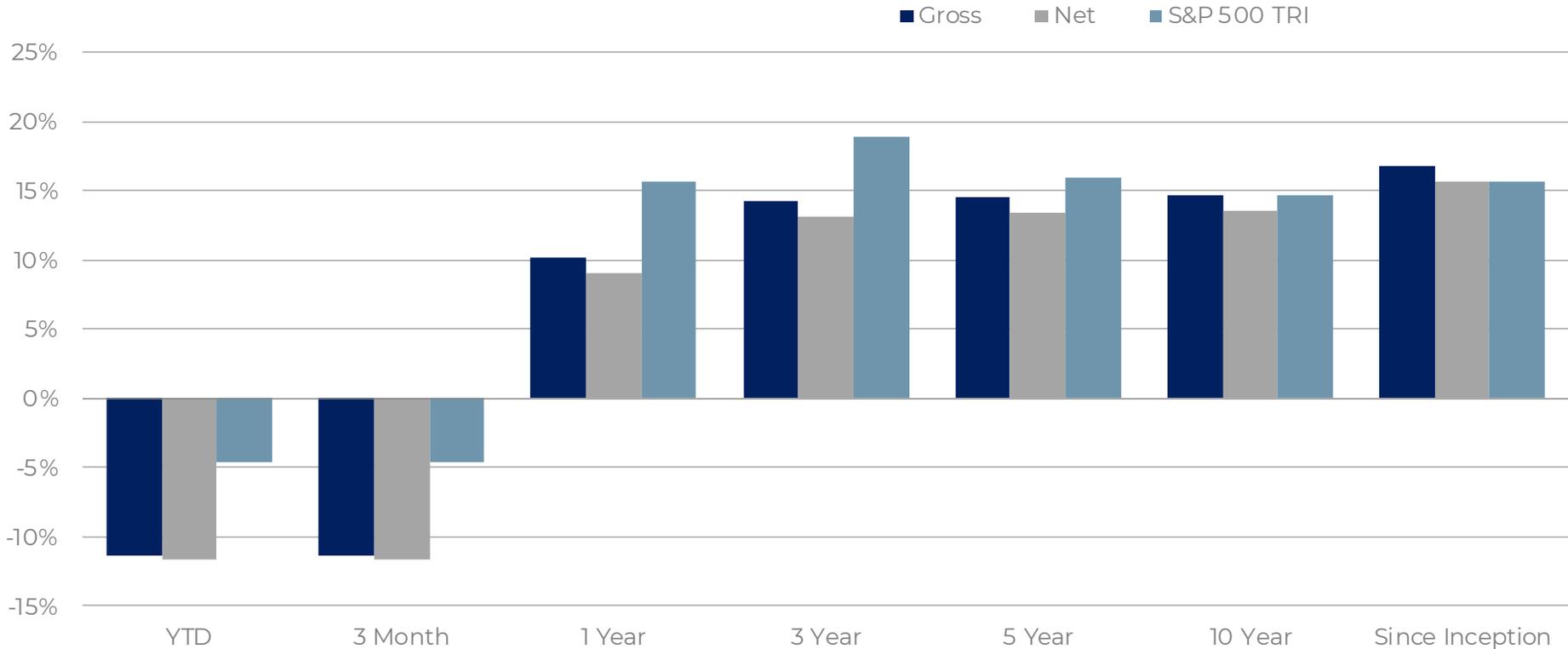


	YTD	1 Year	3 Year	5 Year	10 Year
Bristol Gate U.S. Equity Strategy (Gross)	-11.4%	10.1%	14.3%	14.5%	14.7%
Bristol Gate U.S. Equity Strategy (Net)	-11.6%	9.0%	13.2%	13.4%	13.5%
S&P 500 TRI without FAANGs	-3.6%	13.8%	16.5%	14.1%	13.4%
S&P 500 Dividend Aristocrats	-3.0%	12.6%	14.8%	13.9%	14.2%
S&P 500 Total Return Index	-4.6%	15.6%	18.9%	16.0%	14.6%

Source: Bloomberg, Morningstar from Mar 31, 2012-Mar 31, 2022 in USD – please see slide 17 for full performance history and important disclosures on slides 23 and 25. FAANG = Facebook, Apple, Amazon, Netflix, Google

Annualized Performance

Annualized total gross and net returns since inception in USD



Performance from May 15, 2009 to March 31, 2022 – in USD

		YTD	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception
Bristol Gate U.S. Equity Strategy	Gross	-11.4%	-11.4%	10.1%	14.3%	14.5%	14.7%	16.8%
	Net	-11.6%	-11.6%	9.0%	13.2%	13.4%	13.5%	15.6%
S&P 500 Total Return Index		-4.6%	-4.6%	15.6%	18.9%	16.0%	14.6%	15.7%

Gross and Net Returns USD – see important disclosures on slide 23 and 25 .

Exposure and Characteristics

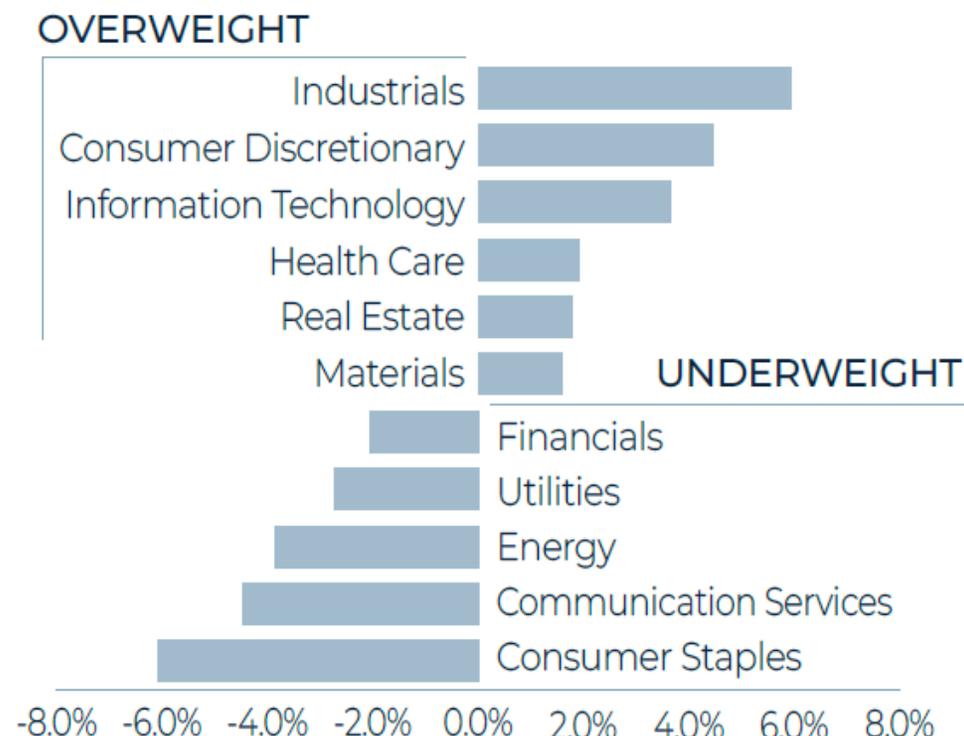
US Equity Strategy

As of March 31, 2022	Bristol Gate Gross	S&P 500
Dividend Yield	1.0%	1.4%
TTM Median Dividend Growth	14.8%	7.5%
Forward P/E	23.48x	19.55x
P/E Trailing	29.84x	24.56x
Median Market Cap (US\$B)	\$96.8	\$31.7
Min Market Cap (US\$B)	\$9.7	\$3.2
Max Market Cap (US\$B)	\$2,311.4	\$2,849.5
ROA	12.9%	6.5%
ROE	38.1%	18.7%
Active Share	87.6%	-

As of March 31, 2022	Bristol Gate Gross	S&P 500 TRI
Current returns [since inception]		
Total gross return	641.1%	556.7%
Compound annualized gross return	16.8%	15.7%
Average monthly gross return	1.3%	1.2%
Market risk [since inception]		
Correlation to S&P 500 Total Return Index	0.94	1.00
Standard deviation	14.4%	13.7%
Sharpe ratio	1.13	1.10
Sortino ratio	1.92	1.86
Calmar ratio	0.72	0.80
Portfolio risk [since inception]		
Best month's return	12.9%	12.8%
Worst Month's return	-16.2%	-12.4%
Upside capture	99.5%	100%
Downside capture	90.2%	100%
Tracking error	4.85	-
Information ratio	0.22	-
Portfolio alpha (annualized)	1.29	-
Portfolio beta	0.98	-

Sector Exposure

vs S&P 500 at March 31, 2022



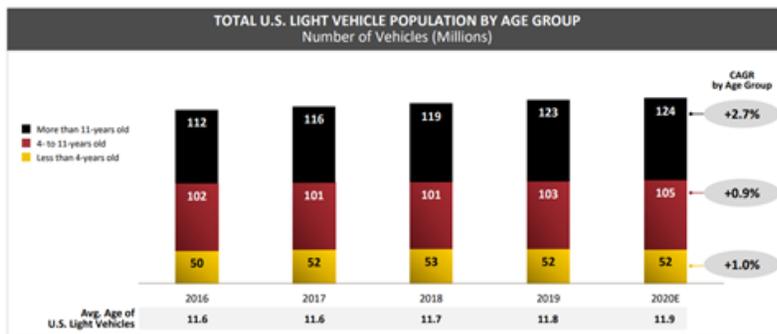
Example: 



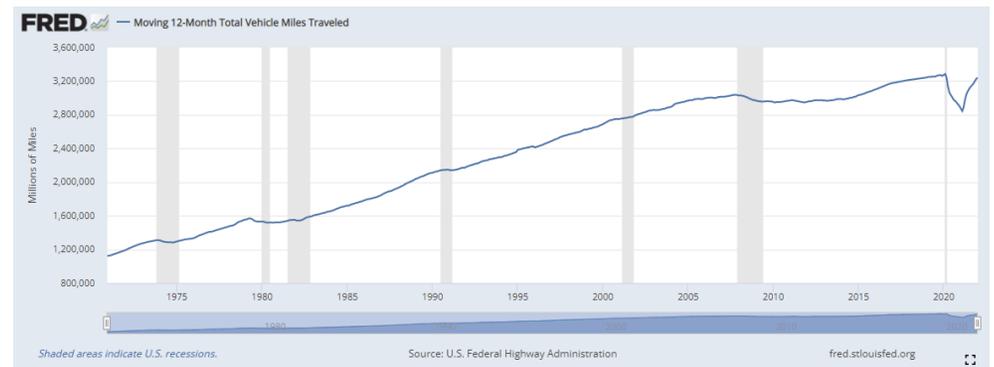


Attractive Industry

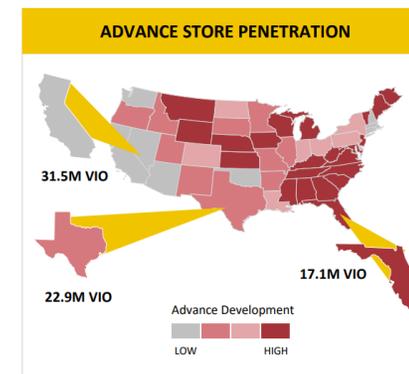
- Industry grew ~4% prior to COVID
- Growth driven by installed base, average age of the fleet and miles driven



Source: 2021 Auto Care Factsbook



- Industry is stable and performs well even during cyclical downturns
- Fragmented competitors providing a long runway of potential share gains

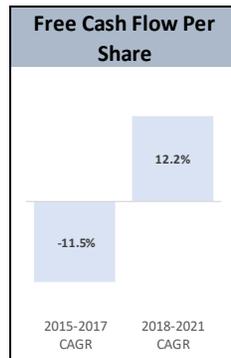
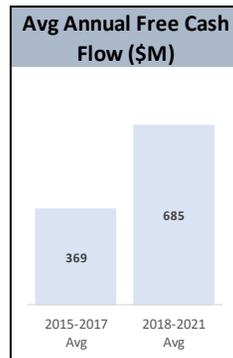
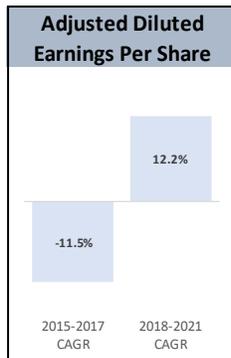
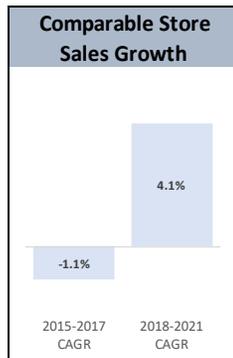
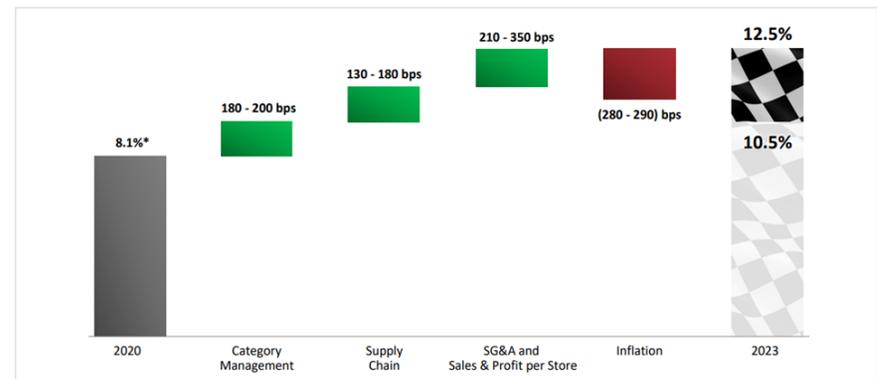
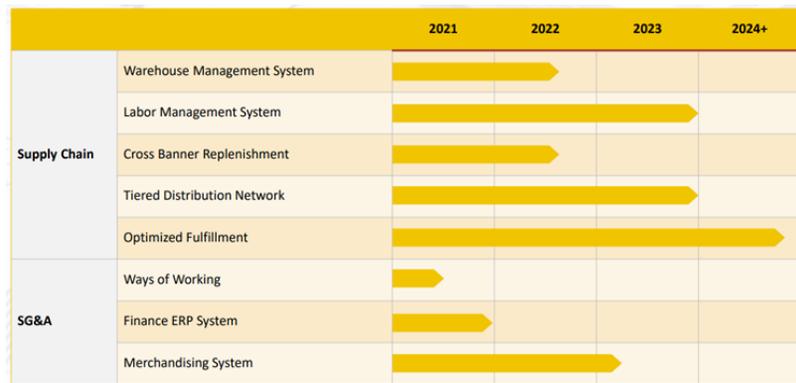


Source: Company reports, FRED.



Significant Self-Help Opportunity

- AAP has materially underperformed peers over an extended period on almost any measure
- Since 2016 virtually the entire senior management team has been replaced, a culture of ownership has been initiated throughout the organization and a significant effort has been made to update legacy systems
- Substantial FCF improvement opportunity if able to achieve peer working capital efficiency



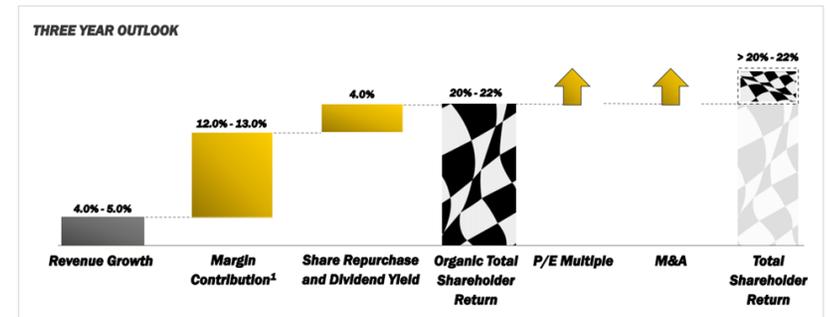
	Three-Year Financial Targets	
	Low	High
Estimated Industry Growth Rate	2.0%	4.0%
Advance Auto Parts		
Annual Net Sales Growth	3.0%	6.0%
Annual Comparable Store Sales Growth	2.0%	4.0%
2023 Adj. Operating Income Margin	10.5%	12.5%
Annual Free Cash Flow	\$575M	\$1,000M
Annual Capital Expenditures	\$275M	\$350M
2023 Adj. Diluted Earnings per Share	\$13.90	\$16.60

Source: Company reports, FactSet.



New Total Shareholder Return Focus

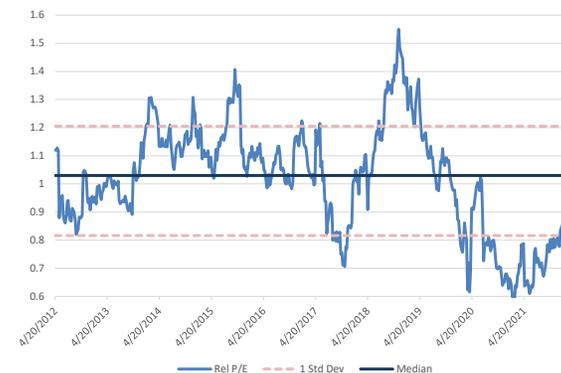
- Quarterly dividend has increased from \$0.06/share in 2019 to \$1.50 in 2022
 - Annualized 3-year CAGR of ~200%
 - Annualized payout ratio on FCF/share ~45%
 - Annualized dividend yield of 2.8%
- Targeting a 20-22% organic annual shareholder return profile over the next three years with potential upside from M&A and multiple expansion



1. Margin contribution to average annual Total Shareholder Return (TSR) is a 3 year CAGR that represents the improvement in AAP's adjusted operating income margin rate from 6.1% to 11.5% from 2020 to 2023. 11.5% adjusted operating income margin is the mid-point of the adjusted operating income margin target for 2023. The 3 year CAGR and contribution to average annual TSR is 12.4% and for display purposes we are showing this with a 12-13% range. Forecasted shareholder returns are estimated values based on performance forecasts.

Attractive Valuation

- Reverse DCF implies approximately 2% growth
- ~5% FCF yield on EV
- Trading at a 10% discount to FTM P/E median over the last 10 years and 20% discount on a market relative P/E



Source: Company reports, Bloomberg, Factset.

Important Disclosures



Bristol Gate US Equity Strategy

Gross returns in this report refer to the Bristol Gate US Equity Strategy Composite. No allowance has been made for custodial costs, taxes, operating costs or management and performance fees, which will reduce performance. The Net returns for the Bristol Gate US Equity Strategy Composite are reflective of the maximum management fee charged by Bristol Gate of 1%. Past performance is not indicative of future results. Allowance for withholding tax is partially reflected in the composite returns for periods commencing January 2017 and after.

The S&P 500® Total Return Index measures the performance of the broad US equity market, including dividend re-investment, in US dollars. This index is 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.

SPDR S&P 500 ETF Trust (SPY US) has been used as a proxy for the S&P 500® for the purpose of providing non-return based portfolio statistics and sector weightings in this presentation.

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 managed 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.

Composite Characteristics

Bristol Gate US Equity Strategy

Year	Firm Assets (USD \$M)	Composite Assets (USD \$M)	Number of Accounts in Composite	Composite Gross Return (USD)	S&P 500 Return (USD)	Gross Dispersion	Composite 3 Year Gross Standard Deviation	S&P 500 3 Year Standard Deviation
05/15/09 to 12/31/09	9.68	3.41	Fewer than 5	24.6%	22.8%			
2010	11.95	4.65	Fewer than 5	13.5%	15.1%			
2011	15.05	6.46	Fewer than 5	15.8%	2.1%			
2012	27.03	16.62	Fewer than 5	19.0%	16.0%		14.49	15.09
2013	53.06	33.77	Fewer than 5	39.8%	32.4%		11.81	11.94
2014	201.02	172.99	Fewer than 5	18.7%	13.7%		9.98	8.98
2015	515.69	493.90	7	5.3%	1.4%		11.17	10.47
2016	590.48	578.29	11	2.9%	12.0%	0.14	10.85	10.59
2017	718.18	681.14	8	20.3%	21.8%	0.09	9.51	9.92
2018	670.34	630.27	13	0.8%	-4.4%	0.11	10.22	10.80
2019	1,008.44	862.51	13	35.5%	31.5%	0.21	11.67	11.93
2020	1,529.68	1,154.38	17	11.4%	18.4%	0.56	18.88	18.53

GIPS® Disclosures – Bristol Gate US Equity Strategy

The Investment Advisor's objective is to select companies with positive dividend growth and which collectively will generate over the long term a growing income and capital appreciation for investors.

To determine the selection of stocks the Investment Advisor firstly analyzes each company's past and potential future dividend payments with its proprietary statistical methodology. Secondly, it examines the companies' sources and uses of cash to determine sustainable profit and dividend growth. Valuation and risk management metrics are applied which generate a focused portfolio with above average dividend growth, without above market valuations. The Investment Advisor does not attempt to match securities selection to any index. Turnover and trading are strictly limited.

Bristol Gate Capital Partners Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Bristol Gate Capital Partners Inc. has been independently verified for the periods May 2009 until December 2015 by Ashland Partners International PLLC and from January 1, 2016 – December 31, 2020 by ACA Group, Performance Services Division. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.

The Bristol Gate US Equity Strategy Composite has had a performance examination for the periods May 15, 2009 until December 31, 2020. The verification and performance examination reports are available upon request. The Advisor maintains a complete list and description of composites and they are available upon request. The firm's list of pooled fund descriptions for limited distribution pooled funds is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The US Dollar is the currency used to measure performance, which is presented on a gross basis and includes the reinvestment of investment income. There is the opportunity for the use of leverage up to 30% of the net asset value of the underlying investments using a margin account at the prime broker. Thus far no material leverage has been utilized. The composite's return is gross of withholding tax. 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 composite. The annual management fee is charged on accounts managed by Bristol Gate up to a maximum of 1% of assets depending on account size and other factors and is charged either daily or monthly in arrears. A performance fee may also be charged on some accounts and funds managed by the firm.

The Bristol Gate US Equity Strategy Composite was created and inceptioned on May 15, 2009.

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