



**STRATEGY DESCRIPTION**

B-CAP's Defence strategy aims for long-term capital appreciation, via direct exposure in the share capital of public companies identified by the manager. The construction of the portfolio relies mostly on a bottom-up approach where the manager quantitatively filters the universe of large listed companies. The management style emphasizes dividend growth sustainability. For example, historical and estimated growth for revenue per share, profit margins, free cash flow, return on equity and a reasonable debt are favored. The manager also considers the competitive advantage of the issuer within its industry. The Defence model invests over a relatively long time horizon (5-10 years) in stocks exhibiting high dividend growth potential issued by large companies (minimum of 1 billion \$, vast majority >\$5B), without compromising on quality (credit, reputation, economic moat, ESG).

**INVESTMENT HORIZON**



**ESTIMATED VOLATILITY**



**SECTOR DIVERGENCE (vs benchmarks)**



**SECURITIES ROTATION**



**MANAGEMENT STYLE**



FUNADEMENTAL PROFILE	Defence	MSCI World Div Growers
Dividend Yield -12M	2.1%	2.9%
Div Growth est. +12M	12.1%	5.2%
Return on Equity (ROE)	24.6%	14.8%
Payout Ratio	43.3%	53.4%
Sustainable Div Growth <sup>1</sup>	13.9%	6.9%
Net Debt/EBITDA	1.9x	1.4x
Free Cash Flow Yield	7.2%	5.2%
Revenu per Share Growth	8%	2.0%

Source: Bloomberg et calculs B-CAP.

1) estimate based on formula  $g = ROE \times b$ , where  $b = 1 - \text{payout}$

TOP HOLDINGS	Industry	Country	Weight
Expeditors International of V Industrials	Air Freight & Logistics	US	2.8%
Target Corp	Consumer Dis General Merchandise Stores	US	2.8%
Stantec Inc	Industrials Research & Consulting Servi	CA	2.7%
Power Corp of Canada	Financials Life & Health Insurance	CA	2.6%
Alimentation Couche-Tard Ir	Consumer Sta Food Retail	CA	2.6%
Automatic Data Processing II	Information T Data Processing & Outsourc	US	2.6%
Apple Inc	Information T Technology Hardware, Stora	US	2.6%
Constellation Software Inc/C	Information T Application Software	CA	2.5%
Electronic Arts Inc	Communicat; Interactive Home Entertainn	US	2.5%
Emerson Electric Co	Industrials Electrical Components & Eq	US	2.5%
<b>Top 10 Total</b>			<b>26.1%</b>

TOP SECTORS	Defence	MSCI World Div Growers
Information Technology	17%	8%
Financials	16%	13%
Consumer Staples	13%	20%
Industrials	13%	10%
Materials	8%	7%

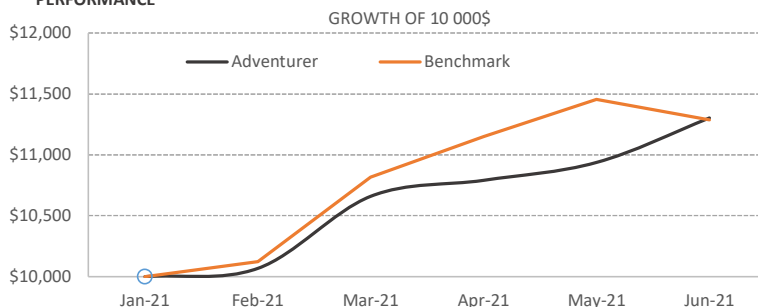
**MARKET CAP**

< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	7%	0%
> \$5B	91%	100%
Cash	2%	0%

**SUMMARY PROFILE**

Primary Management Style	Dividend Sustainable Growth
Selection Process	Quantitative+
Eligible Securities	Listed Common Shares and Cash
Number of Holdings	42
% of Portfolio in CAD	51%
Inception	January 26th, 2021
Growth of \$10K Since Inception	\$11,301
Min. Investment in Strategy	\$100,000
Min. Investment for B-CAP Clients	Yes
Investment Vehicule	Segregated Accounts
Complete Transparency	Yes
Portfolio Manager	B-CAP
B-CAP Management Fee	Degressive
	1% < \$1M, 0.80% thereafter. Global fee 0.60% > \$5M
Custodian	NBIN

**PERFORMANCE**



	1 month	3 months	6 months	1 year	Inception
Adventurer (B-CAP)	3.34%	6.02% next month!			13.01%
Benchmark	-1.48%	4.34% next month!			12.86%

Note: Benchmark is comprised of S&P TSX (50%) and S&P 500 in CAD (50%).

	January	February	March	April	May	June	July	August	Sep	Octobre	November	December	Year (YTD)
<b>2021</b>	<i>inception</i>	0.66%	5.89%	1.23%	1.34%	3.34%							13.01%

Note: Strategy launched on January 26th, 2021. Performance data is presented net of fees and represent total return inclusive of distribution, in CAD. Past performance may not be repeated and is no guarantee of future results. The content is provided for information only and should not be considered as a sale of recommendation. Consult the back to read the complete legal notice.

Source: Bloomberg and B-CAP calculations based on information as provided by the custodian NBIN and portfolio administration system Ndex.

As of 2021-06-30





## MANAGER'S QUARTERLY COMMENTS

For 2021, the sector overweighting in Information Technology contributed to the outperformance of the Defence strategy, notably from the part of Microsoft and Apple. Interestingly, the only international position (outside of North America), Danish pharmaceutical company Novo Nordisk, posted the strongest performance of the quarter. The dividend rate offered by the strategy is 2.1%, below the level of 2.9% posted by the benchmark. However, its growth potential is almost double, as assessed by its top-line dynamism (revenue per share growth 3x faster vs benchmark), its high free cash flow yield (as a % of market capitalisation, 40 % higher) and a lower dividend payout ratio (20% lower). Transaction-wise, the manager changed the Canadian rail exposure from CP to CN following an underperformance of around 1,500 basis points in connection with its KSC acquisition offer. Also, the manager realized material profit in BSR REIT (US multi-family rental real estate), proceeds which were deployed in Atco Canada (Canadian utilities co). Small rebalancing has also taken place, generally in favor of companies offering technology-enabled innovative solutions, to the detriment of the Financial sector.

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### About the Custodian:

Committed to this business for more than 25 years, National Bank Independent Network is one of Canada's leading providers of custodial, trading, clearing, settlement and record keeping services to independent registered portfolio managers and introducing brokers through innovative product development, expert client care and leading technology. National Bank Independent Network is a division of National Bank Financial Inc., and is also a registered trademark of National Bank of Canada and a wholly owned subsidiary of National Bank of Canada, which is a public company listed on Canadian stock exchanges. National Bank Financial Inc. is a Member of the Canadian Investor Protection Fund (CIPF) and the Investment Industry Regulatory Organization of Canada (IIROC).

NBIN <https://www.nbin.ca>

CIPF <https://www.cipf.ca>

IIROC <https://www.iiroc.ca>

### About the Management Technology and Portfolio Administration System:

Ndex is the only fully independent, multi-custodian wealth management technology provider in Canada. Ndex has grown to support more than 1,300 companies managing more than \$200 billion in assets for more than 14 million customers. It interacts with over 200 custodians across North America. Its platform unique approach provides the flexibility and scalability needed to serve a diverse industry. Its clients range from independent brokers and family offices to large wealth management, brokerage and accounting firms. Ndex's fully integrated system supports both single and multi-custodian platforms. Its top-notch design supports portfolio management, CRM, securities management, trade order management, compliance, expense management, operations, reporting and tax reconciliation for our clients. Ndex's adaptable platform is well positioned for expansion and supports operations around the world.

Ndex <https://www.1ndexsystems.com>

