



**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 grants importance to the issuer's strong competitive advantage 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 High Div
Dividend Yield -12M	2.1%	3.7%
Div Growth est. +12M	8.6%	0.3%
Return on Equity (ROE)	33.4%	15.9%
Payout Ratio	42.7%	69.3%
Sustainable Div Growth <sup>1</sup>	19.2%	4.9%
Net Debt/EBITDA	1.6x	1.6x
Free Cash Flow Yield	6.0%	6.6%
Revenue per Share Growth	14%	2.7%

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
Power Corp of Canada	Financials	CA	2.8%
Stantec Inc	Industrials	CA	2.8%
Novo Nordisk A/S	Health Care	DE	2.7%
Canadian Western Bank	Financials	CA	2.7%
Canadian National Railway C	Industrials	CA	2.7%
JPMorgan Chase & Co	Financials	US	2.6%
Automatic Data Processing I	Information T	US	2.6%
Electronic Arts Inc	Communicati	US	2.6%
Constellation Software Inc/C	Information T	CA	2.6%
Alimentation Couche-Tard Ir	Consumer Sta	CA	2.6%
<b>Top 10 Total</b>			<b>26.6%</b>

TOP SECTORS	Defence	MSCI World High Div
Financials	20%	14%
Information Technology	18%	8%
Consumer Staples	13%	20%
Industrials	13%	10%
Materials	8%	6%

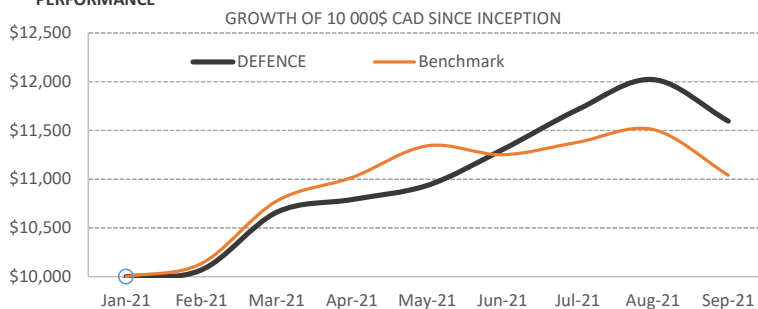
**MARKET CAP**

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	11%	0%
> \$5B	87%	100%
Cash	2%	0%

**SUMMARY PROFILE**

Primary Management Style	Dividend Sustainable Growth
Selection Process	Quantitative+
Eligible Securities	Large cap common shares
Number of Holdings	42
% of Portfolio in CAD	52%
Inception	January 26th, 2021
Growth of \$10K Since Inception	\$11,596
Min. Investment in Strategy	\$100,000
Min. Investment for B-CAP Clients	Yes
Investment Vehicle	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)	-3.56%	2.60%	8.78%	15.96%	15.96%
Benchmark	-4.07%	-1.85%	2.47%	10.42%	10.42%

Note: Benchmark is the MSCI World High Dividend Yield Index, in CAD.

	January	February	March	April	May	June	July	August	Sep	October	November	December	Year (YTD)
<b>2021</b>	<i>inception</i>	0.66%	5.89%	1.23%	1.34%	3.34%	3.65%	2.65%	-3.56%				15.96%

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.





## MANAGER'S QUARTERLY COMMENTS

High Dividend and Quality factors were generally shun away during Q3; it is with no surprise that the benchmark shed 1.9% over the period. However, B-CAP's Defence strategy managed to return a 2.6% total return net of fees over the quarter, generating alpha each of the three months. From a sector allocation point of view, overweights in Tech and Financials have been favorable. The strategy was underweight Consumer Staples, a sector that has moved sideways last quarter, but scored good selection points as it generated 7% thanks in part to gains in Costco and Kroger. The Real Estate sector generated the biggest return of all, up 8%. Again this quarter, pharma Novo Nordisk exhibits the strongest jump, at +18%, among the 42 portfolio constituents. The CP-to-CN share switch initiated in Q2 generated a (relative) return of 25% since inception. The manager has done a single substitution last quarter, bringing positive sensitivity to the direction of interest rates: Utilities (electricity) company Emera was sold and substituted with Canadian Western Bank. Among different reasons, the manager believes there is an underappreciated financial risk in the high share (85%) of energy it produces generated from fossil fuel, as prices of natural gas, oil and coal have increased strongly. This macro backdrop is a tailwind for the regional bank.

## LEGAL DISCLAIMER

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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://www1.ndexsystems.com>

Historical publications on this investment strategy are available on our website:

<https://b-cap.ca/en/conventional-strategies/#defence>

For more information on the benchmark index:

<https://www.msci.com/msci-high-dividend-yield>

