



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	2.0%	3.4%
Div Growth est. +12M	12.1%	2.7%
Return on Equity (ROE)	30.4%	17.8%
Payout Ratio	41.2%	50.9%
Sustainable Div Growth ¹	17.9%	8.8%
Net Debt/EBITDA	2.0x	1.5x
Free Cash Flow Yield	5.3%	6.3%
Revenue per Share Growth	14%	2.3%

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
Costco Wholesale Corp	Consumer Sta Hypermarkets & Super Cent	US	3.0%
Apple Inc	Information T Technology Hardware, Stora	US	3.0%
Canadian National Railway C	Industrials Railroads	CA	2.9%
Alimentation Couche-Tard Ir	Consumer Sta Food Retail	CA	2.9%
Automatic Data Processing Ii	Information T Data Processing & Outsourc	US	2.8%
Quanta Services Inc	Industrials Construction & Engineering	US	2.7%
Stantec Inc	Industrials Research & Consulting Servi	CA	2.7%
L3Harris Technologies Inc	Industrials Aerospace & Defense	US	2.7%
Enbridge Inc	Energy Oil & Gas Storage & Transpo	CA	2.6%
Toronto-Dominion Bank/The Financials	Financials Diversified Banks	CA	2.6%
Top 10 Total			27.9%

TOP SECTORS	Defence	MSCI World High Div
Industrials	20%	9%
Information Technology	15%	7%
Financials	12%	13%
Consumer Staples	11%	20%
Health Care	9%	24%

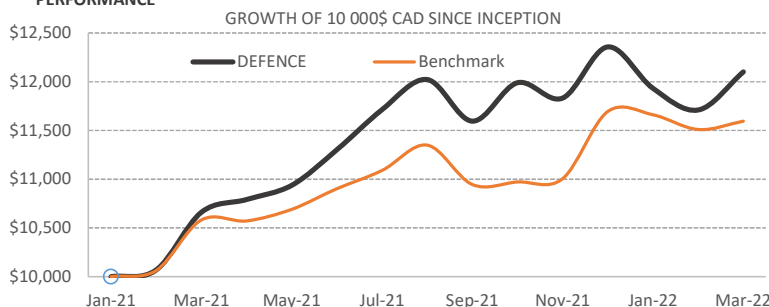
MARKET CAP

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	8%	0%
> \$5B	90%	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	51%
Inception	January 26th, 2021
Growth of \$10K Since Inception	\$12,102
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)	3.35%	-2.06%	4.37%	13.53%	21.02%
Benchmark	0.75%	-0.83%	5.96%	9.58%	15.95%

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

	January	February	March	April	May	June	July	August	Sep	Octobre	November	December	Year (YTD)
2022	-3.43%	-1.88%	3.35%										-2.06%
2021	<i>inception</i>	0.66%	5.89%	1.23%	1.34%	3.34%	3.65%	2.65%	-3.56%	3.39%	-1.30%	4.44%	23.57%

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

The first quarter of 2022 was generally difficult for the major equity indices, with the exception of commodity-exposed markets. The factor that stood out the most was undoubtedly High Dividend (+6%), which beat the Quality factor by more than 1,300 basis points. B-CAP's Defensive portfolio fell 2% over the quarter, dragged down by the Materials (mainly APD and CCL) and InfoTech (mainly ENGH and CSCO) sectors. Compared to the benchmark MSCI index, the strategy underperformed by 125 pts, mainly due to the underweight in the Healthcare and Consumer Staples sectors, which have been popular in these months of risk aversion. That said, Stock Selection within this last sector was very beneficial, putting more emphasis on food distribution rather than production. The Defensive strategy maintained an attractive one-year outperformance (400 bps) at the end of the quarter. The manager carried out a risk recalibration to the downside during the quarter, mainly affecting the Financial sector, with the sale of the alternative asset management co Brookfield AM, the insurer-investment manager Manulife and the bank J.P. Morgan. Kroger (target price reached) and Enghouse (B-CAP score down and lack of catalyst) were also sold. The new entrants all exhibit defensive attributes and a business ability to defend their margins in times of inflationary pressure: railroad CP, waste collection and management company GFL, commercial transportation and energy real-assets consortium Brookfield Infrastructure, electricity producer AES and pharmaceutical company Abbott Laboratories.

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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/strategies/#defence>

For more information on the benchmark index:

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

