



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 | 2.3% | 3.8% |
| Div Growth est. +12M | 10.0% | 2.2% |
| Return on Equity (ROE) | 26.7% | 19.1% |
| Payout Ratio | 41.3% | 49.3% |
| Sustainable Div Growth ¹ | 15.7% | 9.7% |
| Net Debt/EBITDA | 2.0x | 1.4x |
| Free Cash Flow Yield | 5.1% | 7.4% |
| Revenue per Share Growth | 14% | 2.4% |

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 |
|-----------------------------|--|---------|--------|
| Quanta Services Inc | Industrials Construction & Engineering | US | 3.1% |
| Automatic Data Processing I | Information T Data Processing & Outsourc | US | 3.0% |
| Costco Wholesale Corp | Consumer Sta Hypermarkets & Super Cent | US | 2.9% |
| Alimentation Couche-Tard Ir | Consumer Sta Food Retail | CA | 2.9% |
| L3Harris Technologies Inc | Industrials Aerospace & Defense | US | 2.9% |
| Stantec Inc | Industrials Research & Consulting Servi | CA | 2.9% |
| Apple Inc | Information T Technology Hardware, Stora | US | 2.8% |
| Canadian National Railway C | Industrials Railroads | CA | 2.8% |
| Metro Inc/CN | Consumer Sta Food Retail | CA | 2.7% |
| Enbridge Inc | Energy Oil & Gas Storage & Transpo | CA | 2.7% |
| Top 10 Total | | | 28.6% |

| TOP SECTORS | Defence | MSCI World High Div |
|------------------------|---------|---------------------|
| Industrials | 20% | 11% |
| Information Technology | 15% | 9% |
| Consumer Staples | 11% | 19% |
| Financials | 11% | 13% |
| Health Care | 10% | 22% |

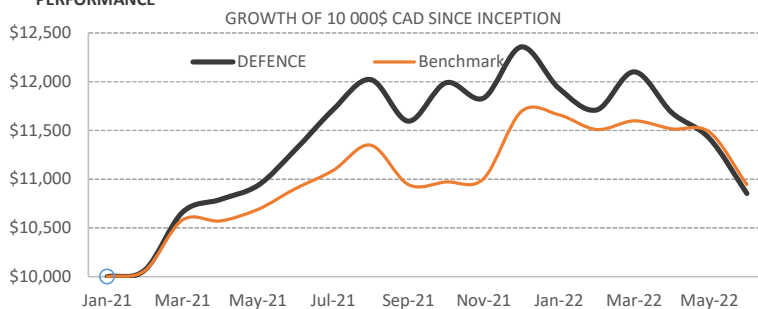
MARKET CAP

| | | |
|---------------|-----|-----|
| < \$500M | 0% | 0% |
| \$500M - \$1B | 0% | 0% |
| \$1B - \$5B | 7% | 0% |
| > \$5B | 91% | 99% |
| 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 | 50% |
| Inception | January 26th, 2021 |
| Growth of \$10K Since Inception | \$10,854 |
| 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 |
| | 0.9% < \$1M, 0.75% thereafter. Global fee 0.60% > \$5M |
| Custodian | NBIN |

PERFORMANCE



| | 1 month | 3 months | 6 months | 1 year | Inception |
|--------------------|---------|----------|----------|--------|-----------|
| Adventurer (B-CAP) | -4.95% | -10.32% | -12.17% | -3.96% | 8.54% |
| Benchmark | -4.71% | -5.64% | -6.41% | 0.37% | 9.43% |

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% | -3.45% | -2.28% | -4.95% | | | | | | | -12.17% |
| 2021 | inception | 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

Q2 was negative on all horizons around the world, with the MSCI World losing 15.5%, or \$14 billion in market value. The Low Volatility factor performed the best but still lost 7%; the Dividend attribute did not shine especially bright, for example the Aristocrats indices down 10%. The Defensive investment model was down 10% in the quarter, dragged down the most by the Financials, Tech and Industrials sectors (each accounting for a loss of around 2%); only Health Care has moved in the right direction. The underweight in this sector vs the benchmark (by 2,300 basis points) subtracted allocation points, as did the underweight in Consumer Staples as well as the overweight in Tech. In fact, B-CAP's Defense underperformed the MSCI World High Dividend by 400 bps in the last quarter. From a Stock Selection perspective, the strategy did the worst in the Real Estate sector, due to its lack of exposure to Asian companies. Positions in TGT and CWB fell the most (approximately -30% each), deducting Selection points from their respective sectors. The selection of stocks stood out favorably in the Materials sector, as evidenced by those two stocks up over the period (while the sector lost more than 15%): CCL and APD. The manager did not execute any trades during the period; adjustments aimed at reducing cyclical exposure had been made in March. The manager is of the opinion that current constituents boasts financial solidity attributes and an ability to not only pay but to grow their dividend. For the entire portfolio, the distribution has the potential to be increased at a faster pace than inflation, but also significantly quicker than its benchmark.

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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>

