



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%	3.8%
Div Growth est. +12M	11.1%	3.5%
Return on Equity (ROE)	28.5%	19.0%
Payout Ratio	36.9%	52.4%
Sustainable Div Growth ¹	18.0%	9.0%
Net Debt/EBITDA	1.7x	1.5x
Free Cash Flow Yield	4.6%	6.4%
Revenue per Share Growth	16%	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	3.2%
Alimentation Couche-Tard Ir	Consumer Sta Food Retail	CA	3.2%
Automatic Data Processing II	Information T Data Processing & Outsourc	US	3.2%
Stantec Inc	Industrials Construction & Engineering	CA	3.1%
Canadian National Railway C	Industrials Railroads	CA	2.8%
Constellation Software Inc/C	Information T Application Software	CA	2.7%
Costco Wholesale Corp	Consumer Sta Hypermarkets & Super Cent	US	2.7%
ASML Holding NV	Information T Semiconductor Equipment	NE	2.6%
Toromont Industries Ltd	Industrials Trading Companies & Distrib	CA	2.6%
Metro Inc/CN	Consumer Sta Food Retail	CA	2.6%
Top 10 Total			28.6%

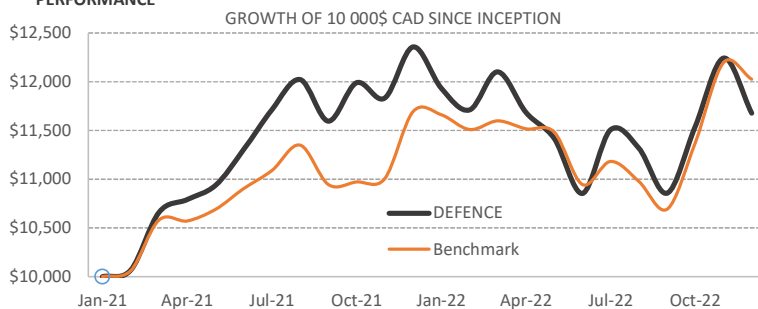
TOP SECTORS	Defence	MSCI World High Div
Industrials	24%	11%
Information Technology	17%	9%
Financials	14%	13%
Consumer Staples	11%	19%
Health Care	10%	22%

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	10%	0%
> \$5B	89%	99%
Cash	1%	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	\$11,678
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	YTD	Since Inception
Defence (B-CAP)	-4.60%	7.57%	7.60%	-5.49%	-5.49%	16.78%
Benchmark	-1.41%	12.48%	9.89%	2.85%	2.85%	20.25%

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

	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%	6.03%	-1.63%	-4.10%	6.33%	6.05%	-4.60%	-5.49%
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 or 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 Ndx.





MANAGER'S QUARTERLY COMMENTS

In Q4, B-CAP's Defence strategy recorded a total return net of fees of 7.6% expressed in CAD. Although satisfactory, it is 500 basis points less than its benchmark, the MSCI World High Dividend Index. The main reason is factor-based, as the biggest historical differentiation between the strategy and its benchmark is the 'High Dividend' factor, which was the strongest factor on the stock market last quarter. As a reminder, the Defence does not seek the highest dividend yield, but rather the long-term ability to increase it (and/or share buyback). Its underweight position in the Healthcare and Consumer Staples sectors proved a hindrance, from a relative perspective. In addition, B-CAP's strategy did not benefit from the strong rally in international stocks in the last quarter (including the favorable impact of currencies vs the CAD). The only European stock present at the start of the quarter, pharmaceutical giant Novo-Nordisk (+35%), performed the best within the strategy. After eight months without a single trade, the manager reshuffled the deck in December, which further lightened the strategy away from fossil fuel, to the benefit of strong companies in oligopolistic industries, thus generally improving the quality of the model. In the US, AES was sold as its fundamentals surprised negatively for two consecutive quarters (its quantitative score deteriorated) while its stock outperformed its sector and reached its target price. BIP (ref 1446(f)), CWB and ENB were also liquidated. The Dutch company ASML, a specialised semiconductor manufacturing equipment company, was added. The shares of BMO, Intact Financial and Toromont round out the additions for the quarter. Overall, Defence offers estimated growth in sales and dividend per share 7x and 3x faster than its benchmark, respectively, for the next year. The strategy shows a return of -5.5% in 2022, +17% since its launch in January 2021.

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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>

