



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	13.1%	3.4%
Return on Equity (ROE)	27.1%	16.6%
Payout Ratio	40.9%	57.1%
Sustainable Div Growth ¹	16.0%	7.1%
Net Debt/EBITDA	1.7x	1.7x
Free Cash Flow Yield	4.7%	5.8%
Revenue per Share Growth	12%	3.5%

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	3.5%
Stantec Inc	Industrials Construction & Engineering	CA	3.4%
Alimentation Couche-Tard Ir	Consumer Sta Food Retail	CA	3.3%
Constellation Software Inc/C	Information T Application Software	CA	3.0%
Novo Nordisk A/S	Health Care Pharmaceuticals	DE	3.0%
Apple Inc	Information T Technology Hardware, Stora	US	2.8%
Canadian National Railway C	Industrials Rail Transportation	CA	2.7%
Automatic Data Processing I	Industrials Human Resource & Employ	US	2.7%
Costco Wholesale Corp	Consumer Sta Consumer Staples Merchanc	US	2.6%
GFL Environmental Inc	Industrials Environmental & Facilities Se	CA	2.6%
Top 10 Total			29.8%

TOP SECTORS	Defence	MSCI World High Div
Industrials	23%	10%
Information Technology	18%	10%
Financials	13%	12%
Consumer Staples	11%	20%
Health Care	9%	20%

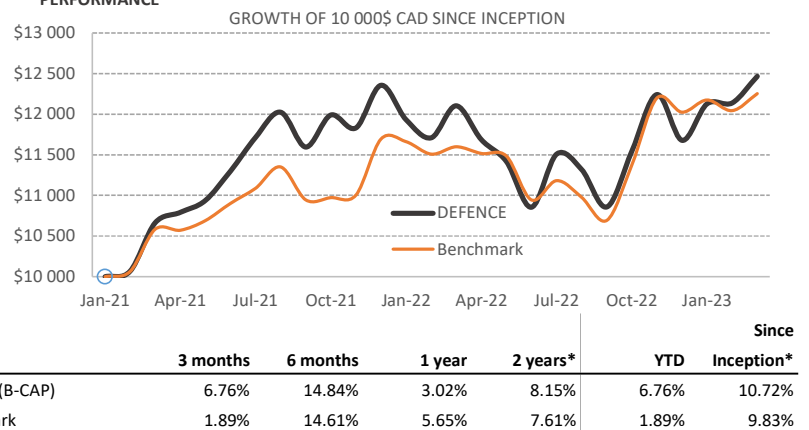
MARKET CAP

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	5%	0%
> \$5B	93%	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	51%
Inception	January 26th, 2021
Growth of \$10K Since Inception	\$12,468
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



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

	January	February	March	April	May	June	July	August	Sep	Octobre	November	December	Year (YTD)
2023	3.85%	0.10%	2.70%										6.76%
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	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 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 and portfolio administration system. As of the end of the period analyzed.





MANAGER'S QUARTERLY COMMENTS

The Defensive strategy set a new all-time high in the 1st quarter of 2023, thanks to a total return of 6.8%, net of fees. That's 500 basis points higher than its benchmark. Indeed, the profile of the mandate was favored by the stock market preference during Q1, namely the Quality and Growth factors (each +9%), unlike the High Dividend factor which fell by 3%. The large overweight in the Industrials sector generated the highest allocation score. Most of the quarterly alpha, however, came from stock selection, especially within the Info Tech sector. The latter was the best performer among all S&P 500 sectors with a gain of 22%, but 4/6 tech stocks in the strategy outperformed, including OTEX (+31%) and AAPL (+27%). The Healthcare sector was another source of outperformance: it remains underweight in the Defensive (the sector was in retreat in Q1), but includes some stocks that were performing well such as NVO (+18%, trading at historical highs). Satisfied with the current positioning, the manager has not carried out any transactions during the period analysed. For informational purposes only, the Top 3 fundamental quantitative scores were more recently made up of the "AAA" group: AAPL, ASML and AXP. Together, on average, their cash flow per share 5-year growth rate is relatively high at 25% annualized, their balance sheet is "net cash", their dividend payout ratio on free cash flow is low at 18%, their ROE is elevated at 55%, and their dividend per share is expected grow by 10% in each of the next three years. Their competitive advantage (against their peers) is considered broad and sustainable. Two other "A"s, ATD and APD, rank in the Top 10. B-CAP's Defensive strategy annualizes a total return, net of fees, of almost 11% in CAD since inception in early 2021.

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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>

