



**STRATEGY DESCRIPTION**

B-CAP's Defence strategy is designed to achieve long-term capital appreciation by investing directly in the equity of public companies carefully selected by the manager. The portfolio construction primarily relies on a bottom-up approach, wherein the manager applies quantitative filters to identify suitable large-cap listed companies. The management style places a strong emphasis on the sustainability of dividend growth. To ensure this sustainability, the manager considers various factors such as historical and projected growth in revenue per share, profit margins, free cash flow, return on equity, and maintaining a reasonable debt level. Additionally, the manager assigns significant importance to identifying companies with a strong competitive advantage within their respective industries. The Defence model adopts a long-term investment horizon of 5-10 years and focuses on stocks issued by large companies (minimum of \$1 billion, with the majority exceeding \$5B) that exhibit high potential for dividend growth. This approach is implemented without compromising on quality, taking into account factors such as creditworthiness, reputation, economic moat, and consideration of Environmental, Social, and Governance (ESG) aspects.

**INVESTMENT HORIZON**  
SHORT LONG

**ESTIMATED VOLATILITY**  
LOW HIGH

**SECTOR DIVERGENCE (vs benchmarks)**  
LOW HIGH

**SECURITIES ROTATION**  
LOW HIGH

**DECISION FACTORS**



FUNAMENTAL PROFILE	Defence	MSCI World High Div
Dividend Yield -12M	2.0%	4.0%
Div Growth est. +12M	10.4%	3.7%
Return on Equity (ROE)	23.9%	15.5%
Payout Ratio	40.5%	59.4%
Sustainable Div Growth <sup>1</sup>	14.2%	6.3%
Net Debt/EBITDA	1.9x	1.8x
Free Cash Flow Yield	4.1%	5.7%
Revenue per Share Growth	16%	1.8%

Source: Bloomberg et calculs B-CAP.

1) estimate based on formula  $g = ROE \times b$ , where  $b = 1 - \text{payout}$

TOP HOLDINGS	Sector	Industry	Country	Weight
Quanta Services Inc	Industrials	Construction & Engineering	US	4.0%
Stantec Inc	Industrials	Construction & Engineering	CA	3.7%
Alimentation Couche-Tard Inc	Consumer Sta	Food Retail	CA	3.2%
Constellation Software Inc/CI	Information T	Application Software	CA	3.1%
Microsoft Corp	Information T	Systems Software	US	2.8%
Novo Nordisk A/S	Health Care	Pharmaceuticals	DE	2.8%
GFL Environmental Inc	Industrials	Environmental & Facilities S	CA	2.8%
Stella-Jones Inc	Materials	Forest Products	CA	2.7%
Costco Wholesale Corp	Consumer Sta	Consumer Staples Merchan	US	2.7%
Automatic Data Processing I	Industrials	Human Resource & Employr	US	2.7%
<b>Top 10 Total</b>				<b>30.4%</b>

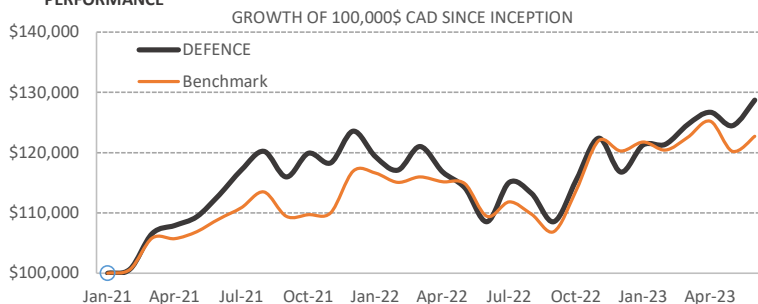
TOP SECTORS	Defence	MSCI World High Div
Industrials	24%	10%
Information Technology	17%	10%
Financials	13%	12%
Health Care	11%	17%
Consumer Staples	11%	18%

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	8%	0%
> \$5B	90%	99%
Cash	2%	0%

**SUMMARY PROFILE**

Primary Management Style	Sustainable Dividend 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 \$100K Since Inception	\$128,718
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**



	3 months	6 months	1 year	2 years*	YTD	Since Inception*
Defence (B-CAP)	3.24%	10.22%	18.60%	6.72%	10.22%	11.01%
Benchmark	0.11%	2.04%	12.13%	6.09%	2.04%	8.84%

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)
<b>2023</b>	3.85%	0.10%	2.70%	1.64%	-1.78%	3.42%							10.22%
<b>2022</b>	-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%
<b>2021</b>	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.



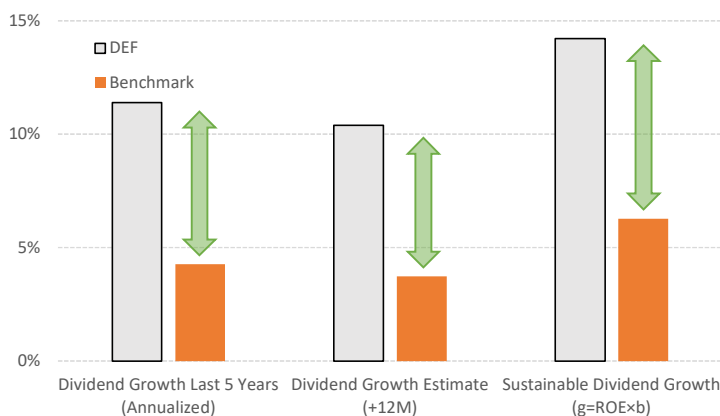
**MISSION OF THE DEFENCE INVESTMENT STRATEGY (DEF):**

The manager meticulously screens an expansive universe of securities, focusing on companies that exhibit robust financial fundamentals. This approach enables the anticipation of high growth rates in cash flows and a substantial return of capital to shareholders through dividends and share buybacks. Special emphasis is placed on evaluating the issuer's financial track record, including its resilience across economic cycles, particularly during periods of economic downturn. Key metrics such as sales per share, margins, financial leverage, and more are carefully scrutinized to ensure a comprehensive assessment of the issuer's financial history.

**PROMOTING SUSTAINABLE DIVIDEND GROWTH**

**RAPID DIVIDEND GROWTH**

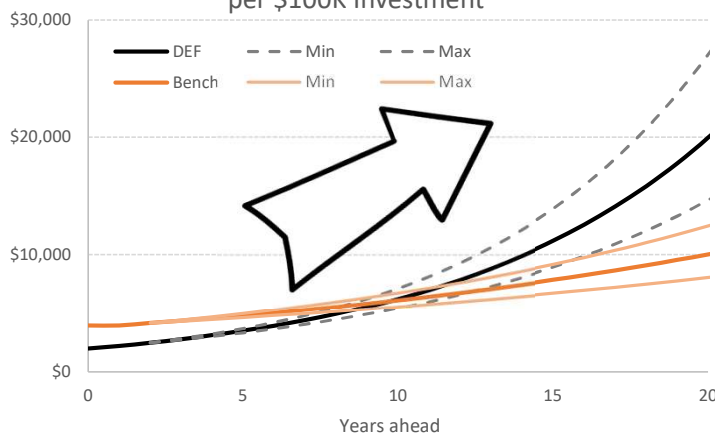
Dividend Growth



Source: Bloomberg and B-CAP calculations.

As of 2023-06-30

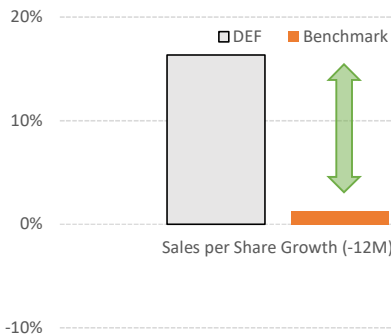
Dividend Estimate per \$100K Investment



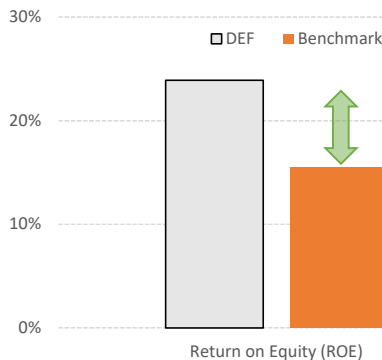
Note: Represents a hypothetical scenario based on analysts' estimated dividend growth followed by sustainable dividend growth (formula  $g=ROE \times b$ ).

**ACHIEVING INCREASED GROWTH AND PROFITABILITY... WITHOUT ASSUMING ADDITIONAL FINANCIAL LEVERAGE**

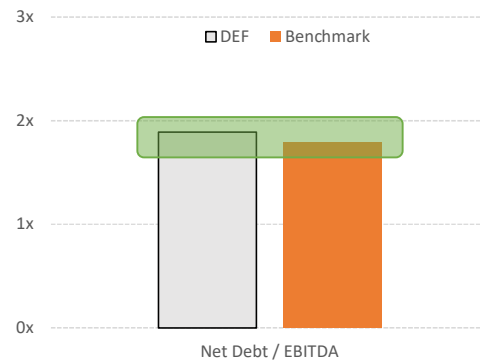
Sales Growth



Profitability



Financial Leverage



Source: Bloomberg and B-CAP calculations.

As of 2023-06-30

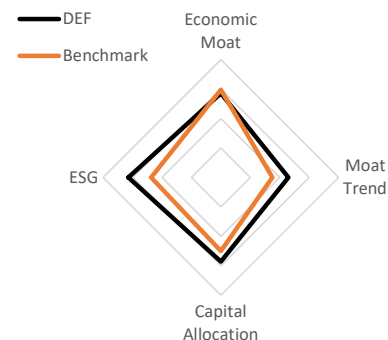
**ROBUST QUALITATIVE ATTRIBUTES**

The manager demonstrates a strong inclination towards companies operating within oligopolistic industries, characterized by higher barriers to entry and operating margins. The sustainable growth of dividends primarily hinges on the resilience of the business model, necessitating an evaluation that goes beyond numerical analysis. This evaluation involves an in-depth examination of the competitive landscape, the quality of the product being offered, its perceived necessity among consumers, the company's ability to manage pricing and cost structures, and various other factors. Furthermore, Environmental, Social, and Governance (ESG) factors are duly considered as they contribute to elucidating the sustainability of both the company and its brands.

The Defence strategy (DEF) exhibits robust ESG credentials and demonstrates a superior Capital Allocation score, surpassing the MSCI World High Dividend index, its benchmark.



Qualitative Strengths



Source: Morningstar and B-CAP calculations.

As of 2023-06-30



## MANAGER'S QUARTERLY COMMENTS

The Defensive strategy set a new all-time high for a 2nd consecutive quarter in Q2 2023. Total return over the three-month period was 3.3%, lifting 2023-to-date performance to 10.2%, net of fees. Both of these performance measures outperform its benchmark, the MSCI World High Dividend, by 310 and 820 basis points, respectively. The alpha was balanced between Allocation and Selection. Regarding the former, the overweight positions in the Industrials and Information Technology sectors generated the best returns. In reference to the second, stock picking proved to be the most efficient among the Materials (SJ-T gained 32% last quarter!) and Financials (thanks to SPGI, which appreciated by 14%) sectors. Furthermore, the 15% jumps of MSFT and PWR both contributed more than 40 pts each. Towards the end of the period, the manager made the first changes to its line-up of the year. These transactions have generally reduced the model's sensitivity to the economic cycle, in particular by reducing exposure to discretionary consumption. The shares of AAPL, EXPD and TGT were thus sold. A position in the technology consulting firm Accenture was initiated, allowing among other things to benefit from the secular adoption of artificial intelligence. Finally, two equipment manufacturers that stand out for their innovation and competitive advantage were added: Allegion (technology-enabled security of building access) and Thermo Fisher (measurement & analysis instruments for biotech and chemistry laboratories, certain industries including semiconductors). While the Defensive's 2% dividend yield is half that of its benchmark, its quantitative and qualitative profiles are stronger and more resilient. Among other things, its average Equity Return is 850bps higher and the estimated growth in sales per share is 8x faster, which allows for dividend growth rate estimates at least twice as fast.

## LEGAL DISCLAIMER

B-CAP strategies are offered exclusively by BOUTHILLIER CAPITAL INC., incorporated under the Canada Business Corporations Act and registered with the Autorité des marchés financiers (AMF). NRD # 69080. Commissions, management fees and expenses may be associated with investing in these strategies. Please contact B-CAP to learn more about how it operates, its fees, terms and conditions, etc. The securities that are part of the strategies are not insured by Canada Deposit Insurance Corporation nor by any other public deposit insurance agency. There can be no assurance that the full amount of your investment in a B-CAP strategy will be returned to you. The strategies are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future performance. Monthly performance is calculated as the average of the monthly total return in CAD, net of fees, from the strategy modeled in Bloomberg, and from performance data as calculated by the Ndex system for accounts held at BNRI. February, March, April and May 2021 performance numbers originate from Bloomberg and are based solely on the Defence model portfolio as constructed and circulated to prospect clients in January 2021; as such, these monthly figures are deemed hypothetical and for information purposes only. That same equity model was funded with client assets for the first time in May 2021. Quantitative+ describes a predominantly quantitative process, nevertheless confirmed by a qualitative assessment.

This Investor Presentation is for information purposes only and is not intended to form the basis of any investment decision. It does not constitute an offer or invitation for the sale or purchase of any securities, businesses and/or assets or any recommendation or commitment by B-CAP or any other person and neither this Investor Presentation, nor its contents nor any other written or oral information made available in connection with this Investor Presentation shall form the basis of any contract. This Investor Presentation has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs. Each recipient of the reports should make investigation as deemed necessary to arrive at an independent evaluation of an investment in the securities of companies/commodities referred to in such reports (including the merits and risks involved).

The views expressed therein are based solely on information available publicly/internal data/other reliable sources believed to be true. This Investor Presentation does not purport to be comprehensive or to contain all the information that a recipient may need relating to B-CAP. No representation or warranty, express or implied, is given and, so far as is permitted by law and no responsibility or liability is accepted by any person, with respect to the accuracy or completeness of the Investor Presentation or its contents or any oral or written communication in connection with the Investor Presentation. In particular, but without limitation, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this Investor Presentation. Information contained therein cannot be the basis for any claim, demand or cause of action. These data, reports and information do not constitute scientific publication and do not carry any evidentiary value whatsoever. In giving this Investor Presentation, B-CAP does not undertake any obligation to provide any additional information or to update this Investor Presentation or any additional information or to correct any inaccuracies which may become apparent.

### 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>

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>

