



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%	3.9%
Div Growth est. +12M	10.0%	3.7%
Return on Equity (ROE)	25.5%	17.1%
Payout Ratio	42.4%	54.4%
Sustainable Div Growth ¹	14.7%	7.8%
Net Debt/EBITDA	1.7x	1.5x
Free Cash Flow Yield	4.1%	6.4%
Revenue per Share Growth	13%	2.3%

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
Stantec Inc	Industrials	Construction & Engineering	CA	4.0%
Quanta Services Inc	Industrials	Construction & Engineering	US	3.9%
Alimentation Couche-Tard Inc	Consumer Sta	Food Retail	CA	3.6%
Constellation Software Inc/	Information T	Application Software	CA	3.4%
Automatic Data Processing I	Industrials	Human Resource & Employr	US	3.2%
Costco Wholesale Corp	Consumer Sta	Consumer Staples Merchan	US	3.1%
Microsoft Corp	Information T	Systems Software	US	2.9%
Stella-Jones Inc	Materials	Forest Products	CA	2.8%
Toromont Industries Ltd	Industrials	Trading Companies & Distrik	CA	2.7%
Canadian National Railway C	Industrials	Rail Transportation	CA	2.5%
Top 10 Total				32.0%

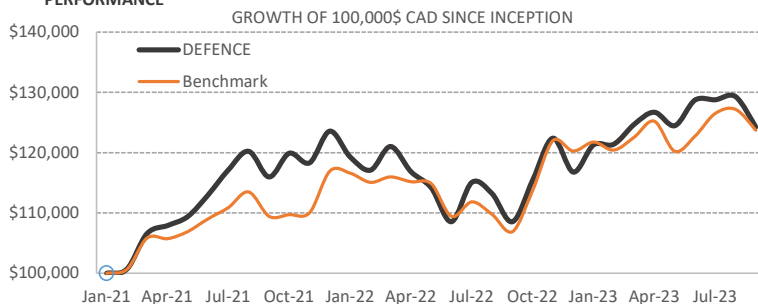
TOP SECTORS	Defence	MSCI World High Div
Industrials	24%	10%
Information Technology	18%	10%
Financials	13%	12%
Consumer Staples	11%	17%
Health Care	10%	17%

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	9%	0%
> \$5B	89%	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	50%
Inception	January 26th, 2021
Growth of \$100K Since Inception	\$124,288
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)	-3.44%	-0.31%	14.48%	3.53%	6.43%	8.50%
Benchmark	0.83%	0.94%	15.73%	6.33%	2.89%	8.31%

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%	1.64%	-1.78%	3.42%	0.07%	0.38%	-3.87%				6.43%
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.



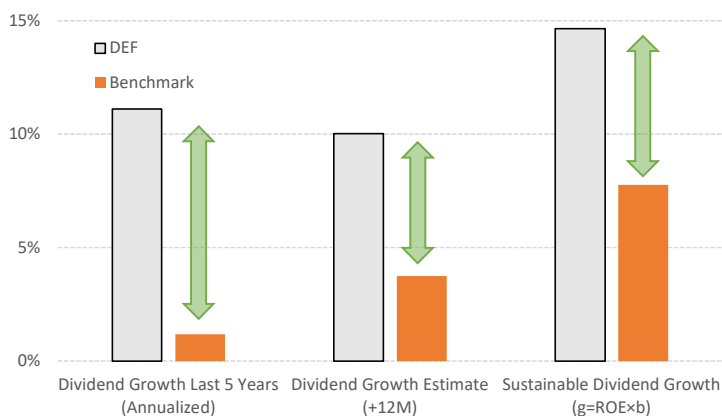
MISSION OF THE DEFENCE INVESTMENT STRATEGY (DEF):

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

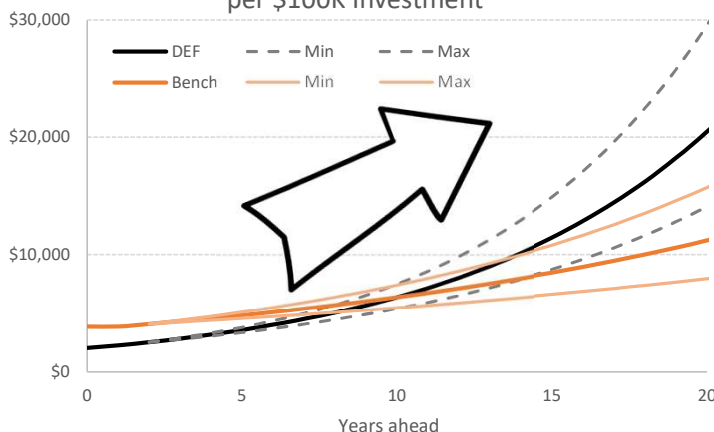
Dividend Growth



Source: Bloomberg and B-CAP calculations.

As of 2023-09-30

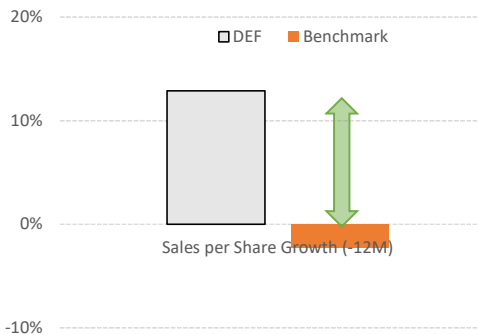
Dividend Estimate per \$100K Investment



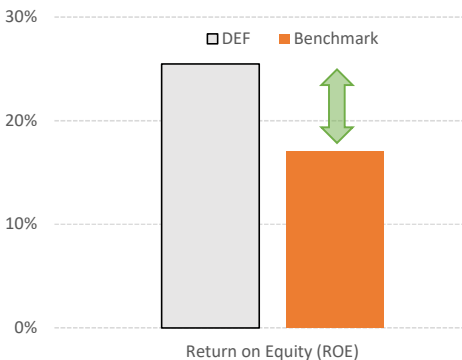
Note: Represents a hypothetical scenario based on analysts' estimated dividend growth followed by sustainable dividend growth (formula $g=ROE \times b$).

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

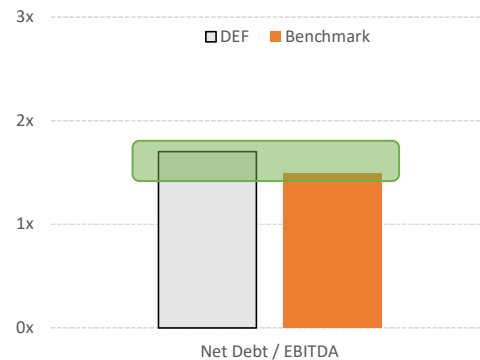
Sales Growth



Profitability



Financial Leverage



Source: Bloomberg and B-CAP calculations.

As of 2023-09-30

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 2023-09-30



MANAGER'S QUARTERLY COMMENTS

The Defence strategy established a new historic high for a 3rd consecutive quarter in Q3 2023. That said, the 2nd half of September was negative and weighed on the quarterly performance, which was -3.4% in the end. This is an underperformance of around 400 basis points compared to its benchmark. The complete absence of the Energy sector in the strategy alone explains 110 unfavorable basis points at the Allocation level. Recall that the MSCI World High Dividend Index has approximately 10% exposure to this sector and that its largest position is XOM-US with a weight of 3.5%. Specific stock selection was most detrimental within the Finance (e.g. AXP-US) and Materials (e.g. CCL-b-T) sectors. Overall, the most positive points came from the Consumer Staples sector: its significant underweight proved profitable and certain stocks such as CSCO-US and ATD-T performed relatively well. Since the start of the year, this strategy has posted a total return of 6.4%, or 350bps more than its benchmark index. There were no transactions during the quarter, but we can note here that the three substitutions of the previous quarter each, on average, generated a favorable net return of 400bps.

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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>

