BOUTHILLIER CAPITAL (B-CAP)
GLOBAL QUALITY INVESTMENT STRATEGY

INVESTMENT POLICY STATEMENT (IPS)

Investment Philosophy and Objectives

Since launching the Global Quality ("GQ") investment strategy, formerly named "Defence", in January 2021, we have prioritized dividend growth over yield, recognizing its superior long-term potential. This approach is based on a combined analysis of quantitative and qualitative factors to identify resilient large-cap leaders in developed markets, positioned for durable expansion within a robust, all-weather investment framework.

Our primary objective is to achieve capital appreciation for clients through a disciplined and prudent investment approach. Our philosophy is rooted in time-tested fundamental principles and emphasizes high-quality, well-managed companies with strong financials to limit overall portfolio risk. We believe that exposure to high-quality companies represents a key driver of long-term growth, and we integrate sustainability and rigorous risk management into our investment selection process.

Our approach, grounded in in-depth bottom-up analysis, is reflected in a diversified yet concentrated portfolio of approximately 40 holdings, characterized by low turnover (10–15% per year). Designed to preserve and enhance real purchasing power while avoiding speculative investments, the GQ strategy targets global industry leaders exhibiting resilient growth, strong balance sheets and high returns on invested capital, while demonstrating a strong commitment to innovation. We favor companies exposed to industries with durable growth, supported by secular trends independent of management decisions, whose trajectory exceeds that of global GDP and supports long-term capital compounding.

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Investment Selection Criteria

We employ a rigorous research and screening process, integrating proprietary quantitative analysis with qualitative assessments. The key selection criteria include:

1. **Financial Strength** – Preference for companies with robust balance sheets and strong cash flow per share generation.
2. **Industry Attractiveness** – Focus on sectors with long-term profitability and above-average economic growth.
3. **Competitive Position** – Prioritization of market leaders with sustainable competitive advantages and high return on equity.
4. **Dynamic Innovation** – Emphasis on continuous innovation as a driver of sustainability and future opportunities.
5. **Quality and Reputation of Management** – Identification of companies with a strong track record of shareholder-oriented management.

Portfolio Construction and Risk Management

Our bottom-up approach ensures diversification, strategy alignment, and deep company insight as key risk controls. Country and sector allocations are driven by opportunities rather than benchmarks. Investments are screened for historical and projected growth, resilient corporate payout expansion, financial stability, margins, and leverage.

We prioritize companies in oligopolistic industries with high barriers to entry and strong pricing power. Sustainable dividend growth is rooted in business model resilience, assessed through competitive positioning, product quality, consumer relevance, and cost control. Innovation must be integral to a company's mission, ensuring adaptability and long-term viability. Our framework upholds a reputable, shareholder-first approach, emphasizing long-term sustainability and corporate integrity. To maintain prudent diversification and mitigate concentration risk, the following strict exposure limits are applied:

- Minimum market capitalization: 5 billion USD;
- Maximum security weight: 8%;
- Maximum sector weight: 50%;
- Maximum country weight: 75%;
- Maximum Emerging Markets exposure: 10%.

Investment Process

1. Research analysts, portfolio managers, or the Investment Strategy Committee (ISC) identify potential investment opportunities.
2. Candidates undergo rigorous screening through proprietary ranking models and fundamental analysis.
3. A comprehensive evaluation assesses financial strength, competitive positioning, and innovation capacity.
4. The research team reviews findings and presents recommendations to the ISC.
5. The ISC deliberates and determines whether to add, pass, or monitor the stock on a watch list.
6. Once investment criteria are met, the stock is purchased at the discretion of the portfolio manager.
7. Positions are monitored continuously, with exit decisions triggered by fundamental deterioration or other qualitative factors. The strategy remains generally agnostic to valuation, and the exact timing of buy and sell decisions, including price, falls under the discretionary judgment of the portfolio manager. Transactions, once approved, are executed in a reasonably timely fashion, incorporating technical considerations where appropriate.

Sell Decision

Companies that no longer meet our investment criteria are subject to removal from the portfolio. This includes firms experiencing a deterioration in financial strength, industry attractiveness, competitive positioning, innovation, or management quality. The decision to exit a position is made at the discretion of the portfolio manager, taking into account evolving fundamentals and market dynamics.

Conclusion

Since its inception in January 2021, the GQ strategy has prioritized sustainable dividend growth over yield, leveraging both quantitative and qualitative metrics to ensure long-term resilience. With a 5–10-year investment horizon, it targets liquid, large-cap dividend-paying companies with strong growth potential, durable competitive advantages, and a solid corporate reputation.

This benchmark-unconstrained strategy emphasizes total return through compounding dividend growth, reinforcing our belief that financially robust, innovation-driven market leaders are best positioned to expand shareholder value over time. B-CAP's disciplined, research-driven approach ensures alignment with its long-term capital growth objectives, underpinned by rigorous risk management and fundamental integrity.

Appendix 1 – Quantitative Scoring

B-CAP's proprietary quantitative model is the cornerstone of the Global Quality strategy, integrating over 50 financial metrics into a comprehensive score. This model was refined through internal research and extensive backtesting to ensure its robustness.
The data input into the scoring model can be categorized by both time and subject.

Temporal Weighting

- Historical data: 50%
- Present data: 35%
- Forward-looking data: 15% (including Street estimates and internal forecasts)

Scoring Breakdown by Subject:

- Distribution Analysis (55%) – Assessed from three perspectives:
    - Distribution growth (past & future): 30%
    - Payout capacity: 15%
    - Distribution yield: 10%
- Financial Growth (past & future): 25%
- Financial Variability (past): 10%
- Leverage: 5%
- Margins: 5%

Notably, fundamental valuation ratios are excluded from the ranking methodology.

Under certain scenarios or conditions, the score may require interpretation and alternate methodologies. For instance, the absence of a dividend history or the temporary distortion of select financial metrics due to a recent acquisition may result in a lower score for the issuer.

Appendix 2 – Qualitative Scoring

Our internal research process integrates a structured qualitative assessment to complement fundamental analysis. This evaluation focuses on two key attributes. First, the structural defenses that protect a company from competitive pressures, known as economic moat. Second, the company's historical and ongoing commitment to innovation as a driver of long-term growth.
We employ a structured, point-based methodology to assess these attributes, detailed below.

Economic Moat
A company's ability to sustain a competitive advantage is evaluated across the following dimensions:

- Barriers to Entry
    - Control of Scarce Resources or Inputs (e.g. ownership, exclusive contracts)
    - State-Granted Protections (e.g. regulations, charters, tariffs)
- Specialized Knowledge
    - Proprietary Trade Secrets
    - Tacit Expertise (e.g., experience curve, unique production knowledge)
- Scale Advantages
    - Network Effects – Increasing Value per User as adoption grows
    - Economies of Scale – Decreasing Unit Costs (e.g., sunk costs, supply discounts)
    - Variance Reduction (e.g. lower cost of capital, capacity for reinvestment)
- System Rigidity
    - Internal Factors (e.g. corporate culture, embracing disruption)
    - Ecosystem Factors (e.g. switching costs, bundling effects, brand strength)
    - Societal Factors (e.g. cultural and nationalistic barriers affecting competition)

Innovation
Innovation is a critical driver of long-term value creation. Our framework assesses:

- Overall Innovation Score – Proprietary classification based on wide-ranging internal research and external assessments
- Business Model Innovation
    - Industry Dynamics
    - Consumer Behavior: preference and trends regarding innovation
- Integration of Innovation — Historical commitment and capacity for innovation
- Disruptive Capability – Track record of introducing and distributing market-changing products or processes

This qualitative framework ensures a comprehensive evaluation of companies beyond financial metrics, reinforcing our investment strategy's focus on long-term competitive resilience and growth potential.