



**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.



**DECISION FACTORS**



FUNDAMENTAL PROFILE	Defence	MSCI World High Div
Dividend Yield -12M	1.5%	3.5%
Div Growth est. +12M	13.0%	5.2%
Return on Equity (ROE)	39.2%	15.5%
Payout Ratio	38.3%	59.3%
Sustainable Div Growth <sup>1</sup>	24.1%	6.3%
Net Debt/EBITDA	1.4x	1.6x
Free Cash Flow Yield	3.4%	5.8%
Revenue per Share Growth	12%	3.3%

Source: Bloomberg and B-CAP calculations.

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	4.1%
Novo Nordisk A/S	Health Care	Pharmaceuticals	DE	3.9%
Constellation Software Inc/C	Information T	Application Software	CA	3.6%
Costco Wholesale Corp	Consumer Sta	Consumer Staples Merchanc	US	3.3%
ASML Holding NV	Information T	Semiconductor Materials &	NE	3.3%
Alimentation Couche-Tard Ir	Consumer Sta	Food Retail	CA	3.2%
Microsoft Corp	Information T	Systems Software	US	3.1%
Quanta Services Inc	Industrials	Construction & Engineering	US	3.0%
Kinsale Capital Group Inc	Financials	Property & Casualty Insuran	US	2.8%
Stella-Jones Inc	Materials	Forest Products	CA	2.8%
Top 10 Total				33.0%

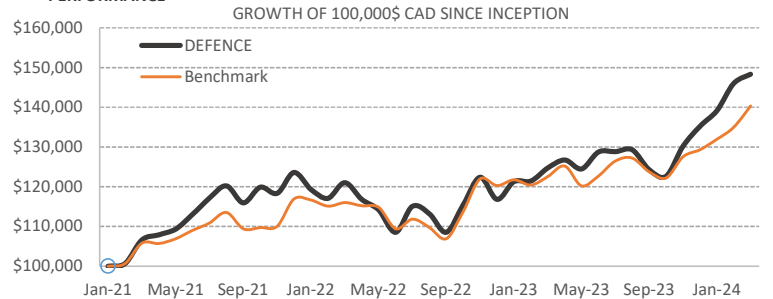
TOP SECTORS	Defence	MSCI World High Div
Industrials	26%	10%
Information Technology	23%	7%
Financials	13%	13%
Consumer Staples	13%	17%
Health Care	10%	15%

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	6%	0%
> \$5B	92%	99%
Cash	2%	1%

**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	44%
Inception	January 26th, 2021
Growth of \$100K Since Inception	\$148,294
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*	3 years*	YTD	Since Inception*
DEFENCE	9.67%	19.31%	18.94%	10.70%	11.63%	9.67%	13.25%
Benchmark	8.49%	13.37%	14.47%	9.99%	9.86%	8.49%	11.29%

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)
2024	2.90%	4.93%	1.59%										9.67%
2023	3.85%	0.10%	2.70%	1.64%	-1.78%	3.42%	0.07%	0.38%	-3.87%	-1.31%	6.14%	3.87%	15.78%
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.

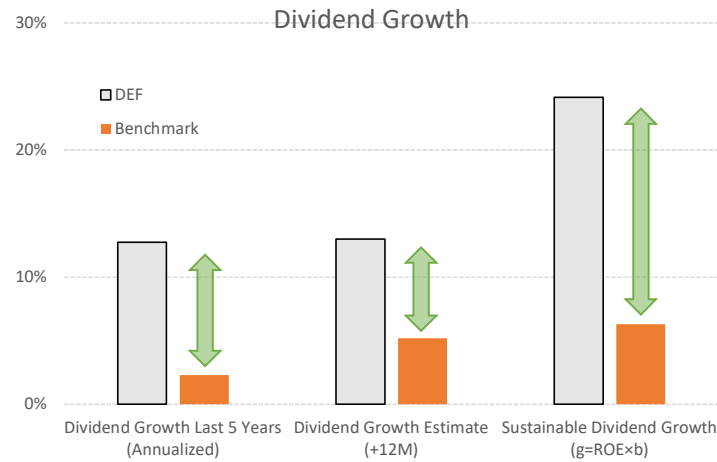


**MISSION OF THE DEFENCE INVESTMENT STRATEGY (DEF):**

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.

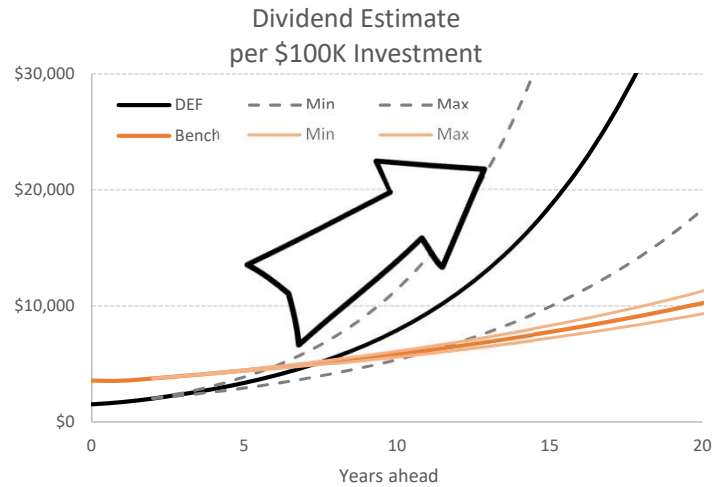
**PROMOTING SUSTAINABLE DIVIDEND GROWTH**

**RAPID DIVIDEND GROWTH**



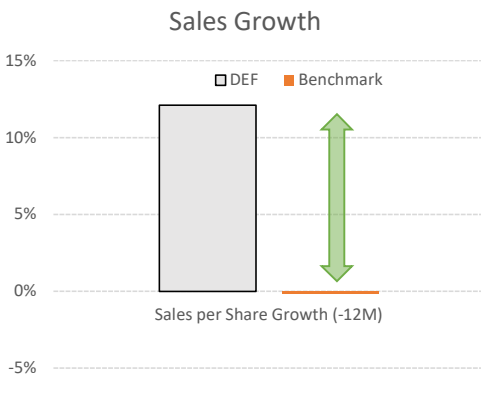
Source: Bloomberg and B-CAP calculations.

As of 2024-03-31



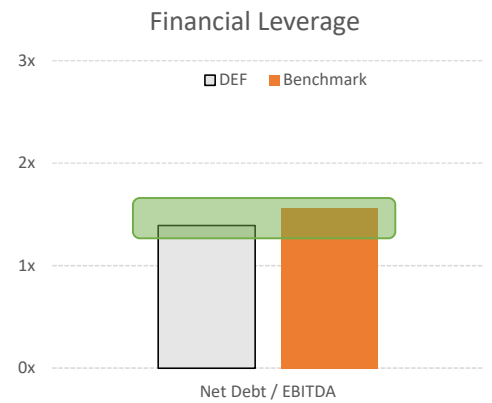
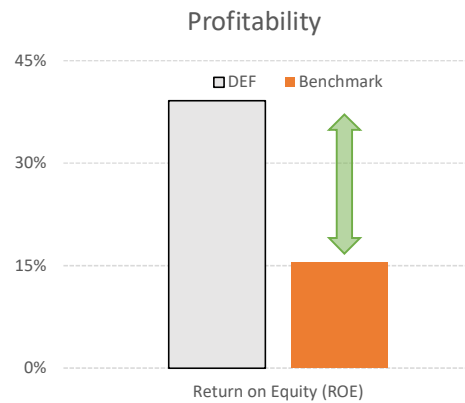
Note: Represents a hypothetical scenario based on analysts' estimated dividend growth followed by sustainable dividend growth (formula  $g=ROE \times b$ ).

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



Source: Bloomberg and B-CAP calculations.

As of 2024-03-31



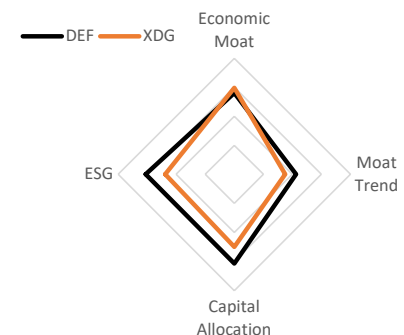
**ROBUST QUALITATIVE ATTRIBUTES**

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 2024-03-31



## MANAGER'S QUARTERLY COMMENTS

B-CAP Defence Investment Strategy has delivered a total return of almost 10% for the first quarter of the year, net of fees. Its outperformance of over 110 basis points against the benchmark index is entirely explained by the selection of securities: NVO within the Healthcare sector, as well as CCL and AEM among Materials, have stood out the most. However, the complete absence of the energy sector subtracted 50 basis points of allocation during the quarter. Here highlighting three securities that surged by more than 25% over the period: KNSL (+60% initiated in DEC23), ASML, and NVO. The manager executed transactions, overall enhancing the profile of sustainable dividend growth. Sold: ACO.x and CTC.a on the Canadian side, as well as ABT and EMR (post their financial results) in the U.S. Overall, the underlying theme of these dispositions is one of practically zero "economic value added", dividend slowdown, increased variability of free cash flows, weak sales growth, decline in competitive advantage, and increased financial leverage. Sale proceeds were deployed into four leaders displaying strong attributes, notably high margins and return on invested capital, solid dividend coverage and growth, as well as exemplary qualitative strengths. Thus initiated: Apple (AAPL), returning to the model after a period of absence, ResMed (RMD), specializing in sleep disorder treatment, Rollins, consolidating the pest control services industry in the U.S., and finally, Taiwan Semiconductor (TSM), the world's largest microchip foundry. The total return of the Defence mandate is +19% over one year, outperforming its benchmark by nearly 450 basis points, net of fees. Since its launch in January 2021, the net cumulative return has recently reached +50%, surpassing various dividend-focused indices, as well as several of its peers with global mandates focused on quality at a reasonable price. The estimated sustainable growth rate (g\*) of the strategy is currently over 22% compared to only 6% for its benchmark.

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### 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).

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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>

