



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	1.4%	3.7%
Div Growth est. +12M	11.1%	5.1%
Return on Equity (ROE)	39.5%	15.2%
Payout Ratio	34.0%	61.1%
Sustainable Div Growth ¹	26.1%	5.9%
Net Debt/EBITDA	1.3x	1.5x
Free Cash Flow Yield	3.4%	5.7%
Revenue per Share Growth	13%	3.1%

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
Novo Nordisk A/S	Health Care	Pharmaceuticals	DE	4.2%
Stantec Inc	Industrials	Construction & Engineering	CA	4.1%
Costco Wholesale Corp	Consumer Sta	Consumer Staples Merchanc	US	3.8%
ASML Holding NV	Information T	Semiconductor Materials &	NE	3.4%
Alimentation Couche-Tard Ir	Consumer Sta	Food Retail	CA	3.3%
Microsoft Corp	Information T	Systems Software	US	3.2%
Stella-Jones Inc	Materials	Forest Products	CA	3.1%
Quanta Services Inc	Industrials	Construction & Engineering	US	3.0%
Taiwan Semiconductor Man	Information T	Semiconductors	TA	2.8%
American Express Co	Financials	Consumer Finance	US	2.7%
Top 10 Total				33.7%

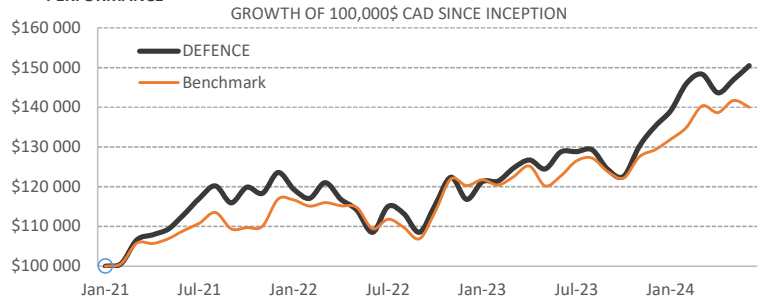
TOP SECTORS	Defence	MSCI World High Div
Industrials	26%	10%
Information Technology	21%	6%
Consumer Staples	13%	20%
Financials	13%	14%
Materials	11%	6%

MARKET CAP	Defence	MSCI World High Div
< \$500M	0%	0%
\$500M - \$1B	0%	0%
\$1B - \$5B	2%	0%
> \$5B	97%	100%
Cash	1%	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	39%
Inception	January 26th, 2021
Growth of \$100K Since Inception	\$150,452
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	1.46%	11.27%	16.88%	17.74%	10.01%	11.27%	12.70%
Benchmark	-0.27%	8.23%	14.08%	13.10%	8.69%	8.23%	10.34%

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%	-3.15%	2.33%	2.37%							11.27%
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.

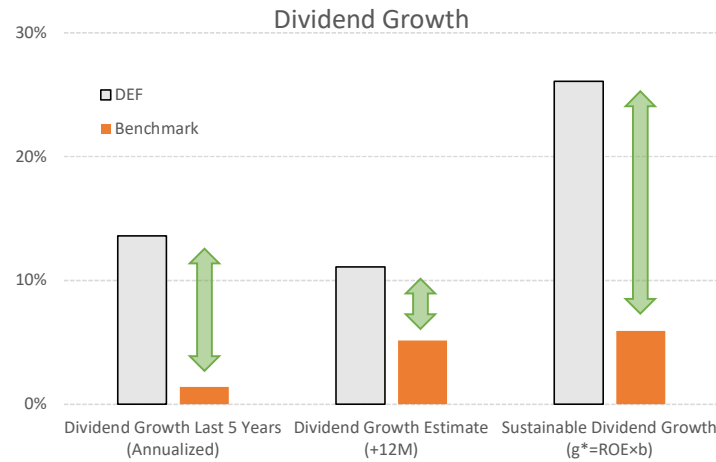
Source: Bloomberg and B-CAP calculations based on information as provided by the custodian and portfolio administration system. As of the end of the period analyzed.



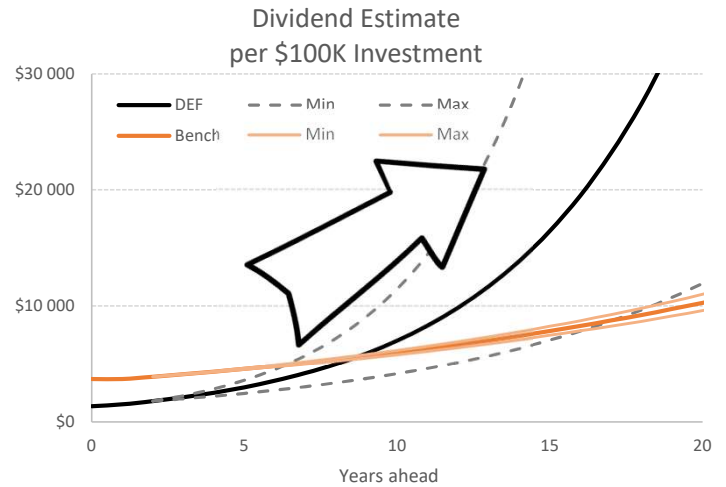
MISSION OF THE DEFENCE INVESTMENT STRATEGY (DEF): PROMOTING SUSTAINABLE DIVIDEND GROWTH

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.

RAPID DIVIDEND GROWTH

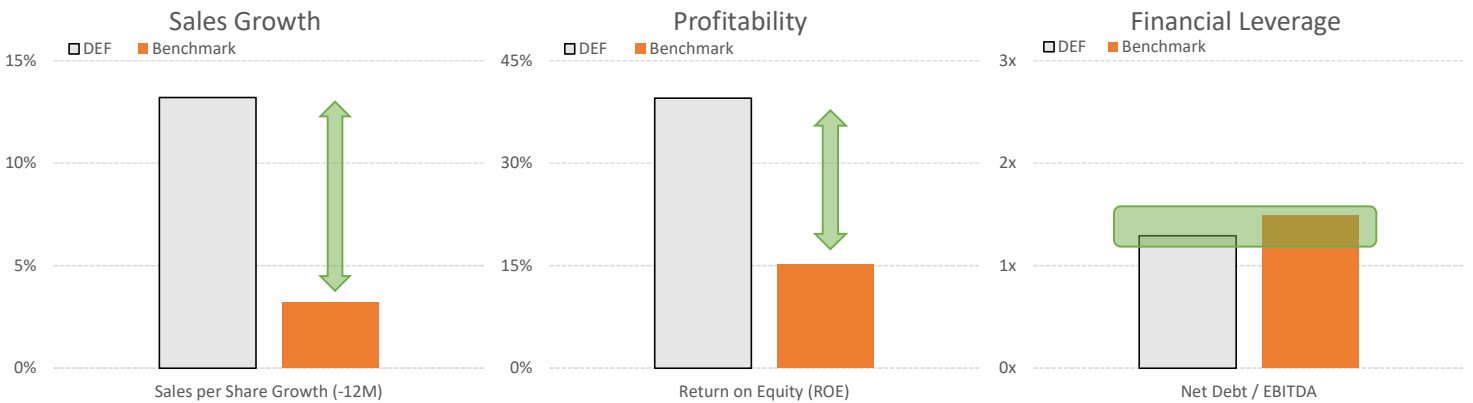


Source: Bloomberg and B-CAP calculations. As of 2024-06-30



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 2024-06-30

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.



Source: Morningstar and B-CAP. As of 2024-06-30



MANAGER'S QUARTERLY COMMENTS

The Defensive strategy posted its third consecutive positive quarter. The strategy managed by B-CAP has achieved 15 consecutive months with an annual return of at least 6%. The net total return for Q2 2024 was +1.5%, nearly 200 basis points above its benchmark, the MSCI World High Dividend Yield Index. The importance of innovation in evaluating the sustainable dividend growth (g*) profile of an issuer is central to the Defensive strategy. Given the Technology sector's strong association with innovation, it is unsurprising that this sector represents nearly 20% of the strategy, compared to just 7% for the benchmark. This favorable overweight explains half of the quarterly outperformance. Two stocks from this sector, initiated last quarter, gained over 20%, significantly contributing to the total return: AAPL and TSM. The near-absence of the Consumer Discretionary sector also proved beneficial. With regards to (stock) Selection, top contributors were COST in the U.S. and SJ in Canada, relative to their respective sector. The manager made several adjustments during the period, enhancing the overall portfolio quality. Three total disposals targeted companies with impaired dividend growth and declining sales per share: BMY, GRT.un, and OTEX. Additionally, half of the position in CSU was sold due to a weakened quantitative score, though partially retained for its attractive qualitative attributes. Three new U.S. positions were initiated, each with significant barriers to entry: 1) Global agricultural and construction equipment manufacturer Deere (DE), offering innovative solutions related to climate change and infrastructure needs; 2) Lam Research (LRCX), a leading supplier to semiconductor manufacturers like Samsung, Micron, and Intel; and 3) Sherwin-Williams, a specialist in paint and coatings for residential and industrial markets. The sustainable growth rate (g*) of the strategy increased last quarter, reaching a high of 26%, more than 4 times that of its benchmark.

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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>

