2018 ANNUAL REPORT

BROMPTON FUNDS

VALUE

INTEGRITY

PERFORMANCE

BROMPTON LIFECO SPLIT CORP.

LCS

LCS.PR.A

– THE FOUNDATION FOR EXCELLENCE

Equal-weight portfolio of major Canadian life insurance companies.
Preferred shares of the Fund are rated Pfd-3 (low) by DBRS.

Management Report of Fund Performance

March 12, 2019

This annual management report of fund performance for Brompton Lifeco Split Corp. (the "Fund") contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of the audited annual or unaudited interim financial statements, at no cost, by calling 1-866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www. bromptongroup.com or SEDAR at www.sedar.com. Shareholders may also contact us by using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, Independent Review Committee's report, or quarterly portfolio disclosure.

All figures in this management report of fund performance, unless otherwise noted, are based on the Fund's Net Asset Value, which is calculated in accordance with the terms of the Fund's constating documents.

The Fund

Brompton Lifeco Split Corp. is a mutual fund corporation managed by Brompton Funds Limited (the "Manager"). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange ("TSX") under the symbols LCS and LCS.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF, RESP and TFSA eligible. The Preferred shares are rated Pfd-3 (low) by Dominion Bond Rating Service Limited ("DBRS").

Preferred shares of the Fund receive fixed, cumulative quarterly payments. Payments are usually in the form of eligible Canadian dividends, which are taxed at a lower rate to individuals than interest income. Preferred shares have a priority claim ahead of the Class A shares on the Fund's assets in the event of termination. However, the Net Asset Value of Preferred shares does not benefit from growth in value of the underlying stocks. Class A shares capture the movement of the underlying stocks but in a more magnified way than if an investor owned the underlying portfolio of securities directly. This magnification of return is commonly known as "leverage."

Investment Objectives and Strategies

The Fund's investment objectives are:

i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions in the amount of $0.14375 per share (until April 29, 2019) and to return the original issue price of $10.00 per Preferred share to Preferred shareholders at maturity; and

ii) to provide holders of Class A shares with regular monthly cash distributions, targeted to be $0.075 per share, and the opportunity for growth in Net Asset Value per share.

To achieve these objectives, the Fund invests in a common share portfolio of the following Canadian life insurance companies on an equally weighted basis at the time of investment and any subsequent rebalancing:

Great-West Lifeco Inc.
iA Financial Corporation
Manulife Financial Corporation
Sun Life Financial Inc.

The Fund's portfolio is rebalanced at least annually to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the life insurance companies. Covered call options and cash-covered put options may be written in respect of the portfolio to generate additional distributable income for the Fund and/or to reduce the volatility of the Fund. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written.

Recent Developments

Treasury Offering

The Fund completed a treasury offering of Class A shares and Preferred shares for aggregate gross proceeds of approximately $38.6 million on February 6, 2018.

Extension of Term and New Preferred Share Distribution Rate

On March 2, 2018, the Fund approved an extension of the maturity date of the Class A and Preferred shares of the Fund for an additional 5-year term to April 29, 2024. The term extension allows Class A shareholders to continue their investment in Canadian life insurance companies while offering an attractive distribution rate and the opportunity for capital appreciation. On February 28, 2019, the Fund announced that the annual distribution rate will change to $0.625 per Preferred share for the term from April 30, 2019 to April 29, 2024. The annual distribution rate for the Class A shares will not change.

Risks

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2018 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes during the period ended December 31, 2018 that materially affected the risks associated with an investment in the shares of the Fund as they were discussed.

Results of Operations

Distributions

The Fund declared distributions of $0.68 per Class A share for the year ended December 31, 2018 compared to $0.90 per share for the year ended December 31, 2017. For the record dates of October 31, 2018, November 30, 2018 and December 31, 2018, monthly distributions of $0.075 per Class A share were suspended for Class A shareholders as the Net Asset Value per unit (consisting of one Class A share and one Preferred share) was below the minimum threshold of $15.00. This accounted for the year-over-year decline in Class A distributions of $0.23 per share. Preferred share distributions were $0.58 per share in 2018, unchanged from 2017. The current distribution rate represented a rate of 5.7% on Preferred shares, based on the December 31, 2018 closing market price of the Fund. Since inception, the Fund has declared distributions of $5.73 per Class A share and $6.28 per Preferred share. The Fund has a distribution reinvestment plan which allows participating Class A shareholders to automatically reinvest monthly distributions, commission free, in additional Class A shares of the Fund. During 2018, 6,765 shares were acquired in the market pursuant to this plan at an average cost of $6.32 per share.

Revenues and Expenses

The Fund's investment portfolio generated revenue of $0.60 per Class A share in 2018 compared to $0.56 in 2017 due to dividend rate increases across all portfolio issuers averaging 9.3%. Total expenses were $0.25 per Class A share in 2018, up from $0.18 per share in 2017 due to the agent fees and issuance costs associated with the offering in February 2018.

Net Asset Value

The Net Asset Value per Class A share was $2.71 at December 31, 2018, down from $6.82 at December 31, 2017. This decrease reflected distributions paid to Class A shareholders and Preferred shareholders in excess of the net increase in Net Assets from operations, the costs associated with the offering of Preferred shares in February 2018 and portfolio performance. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The aggregate Net Asset Value of the Fund was $92.4 million at December 31, 2018, compared to $85.6 million at December 31, 2017, as proceeds of the Class A share offering of $16.7 million and proceeds of the Preferred share offering of $21.8 million more than offset net investment loss of $22.2 million, $4.7 million of Class A share distributions and $4.0 million of Preferred share distributions and $0.8 million of issuance costs and agents' fees.

Investment Portfolio

The Fund's investments remained unchanged since inception and produced $24.6 million of losses in 2018. In 2018, the Fund's insurance holdings all experienced negative performance. In response to market conditions in 2018, the Fund selectively wrote covered call options on the four insurance companies in the portfolio and had a net realized gain on the options of $0.1 million, which represented premium income, less amounts paid to close out the options at expiry. During 2018, the Fund wrote call options on an average notional value of 3.3% of the Fund's portfolio. There were no option contracts outstanding at December 31, 2018.

Liquidity

To provide liquidity for shareholders, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols LCS and LCS.PR.A, respectively. Investors also have the right to retract their shares in accordance with the Fund's retraction provisions for each class of share.

Related Party Transactions

Related party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

Management Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.60% per annum of the Net Asset Value of the Fund. The management fee is used by the Manager to cover its costs to obtain the Fund's assets, the cost to administer the Fund, the cost of investment management services and for profit. The Fund also pays the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Class A shares held by clients of each dealer at the end of each calendar quarter. In 2018, management and service fees amounted to $0.7 million and $0.1 million, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual financial statements. *The information in the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per Class A share.* The increase (decrease) in Net Assets from operations is based on average shares outstanding during the period, and all other numbers are based on actual shares outstanding at the relevant point in time.

Net Assets per Class A Share(1)

For the year ended December 31	2018	2017	2016	2015	2014
Net Assets, beginning of year(2)	$ **6.82**	$ 7.00	$ 5.34	$ 6.36	$ 7.00
Increase (decrease) from operations:(3)					
Total revenue	**0.60**	0.56	0.52	0.51	0.50
Total expenses	**(0.25)**	(0.18)	(0.16)	(0.16)	(0.68)
Preferred share distributions	**(0.57)**	(0.58)	(0.56)	(0.57)	(0.57)
Realized gains (losses)	**0.12**	0.12	0.06	0.08	(0.07)
Unrealized gains (losses)	**(3.61)**	0.80	1.93	(0.06)	0.64
Total increase (decrease) in Net Assets from operations	$ **(3.71)**	$ 0.72	$ 1.79	$ (0.20)	$ (0.18)
Distributions to Class A shareholders:(2)					
Return of capital	$ **0.68**	$ 0.90	$ 0.23	$ 0.83	$ 0.90
Total distributions to Class A shareholders	$ **0.68**	$ 0.90	$ 0.23	$ 0.83	$ 0.90
Net Assets, end of year(2)	$ **2.71**	$ 6.82	$ 7.00	$ 5.34	$ 6.36

(1) The financial information was prepared using International Financial Reporting Standards.

(2) Net Assets per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

(3) The increase (decrease) in Net Assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

Ratios and Supplemental Data (Based on Net Asset Value)

As at December 31	2018	2017	2016	2015	2014
Net Asset Value (000s) – including Preferred shares	$ **92,358**	$ 85,587	$ 86,486	$ 86,177	$ 92,078
Number of Class A shares outstanding (000s)	**7,268**	5,078	5,087	5,618	5,628
Management expense ratio ("MER")(1) – Class A shares	**18.27%**	11.28%	14.49%	12.68%	27.13%
Trading expense ratio(2)	**0.02%**	0.01%	0.02%	0.01%	0.15%
Portfolio turnover rate(3)	**7.20%**	2.63%	6.42%	3.96%	6.05%
Net Asset Value per unit(4)	$ **12.80**	$ 16.92	$ 17.10	$ 15.43	$ 16.46
Net Asset Value per Class A share	$ **2.71**	$ 6.82	$ 7.00	$ 5.34	$ 6.36
Net Asset Value per Preferred share(5)	$ **10.00**	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Closing market price – Class A shares	$ **2.74**	$ 7.15	$ 6.75	$ 5.80	$ 6.95
Closing market price – Preferred shares	$ **10.08**	$ 10.45	$ 10.23	$ 10.20	$ 10.18

(1) MER for Class A shares is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including distributions on Preferred shares and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average Net Asset Value of the Fund for Class A shares over the period. Please see the Expense Ratio section following this table for further discussion of the calculation.

(2) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of such investments during the period.

(4) A unit includes one Class A share and one Preferred share. Net Asset Value per unit is determined by the Net Asset Value of the Fund, for which the Preferred shares are not treated as liabilities.

(5) Net Asset Value per Preferred share does not include the accrued Preferred share distributions.

Expense Ratio

The MER per Class A share noted in the table above, which includes Preferred share distributions, was 18.27% at December 31, 2018 compared to 11.28% at December 31, 2017. The increase in the MER per Class A share in 2018 was primarily due to the costs related to the offering of Class A and Preferred shares in February 2018. Preferred share distributions as a percentage of average Class A share Net Asset Value were 11.1% in 2018 compared to 8.65% in 2017. The MER per Class A share, excluding Preferred share distributions, was 2.89% in 2018 compared to 2.63% in 2017.

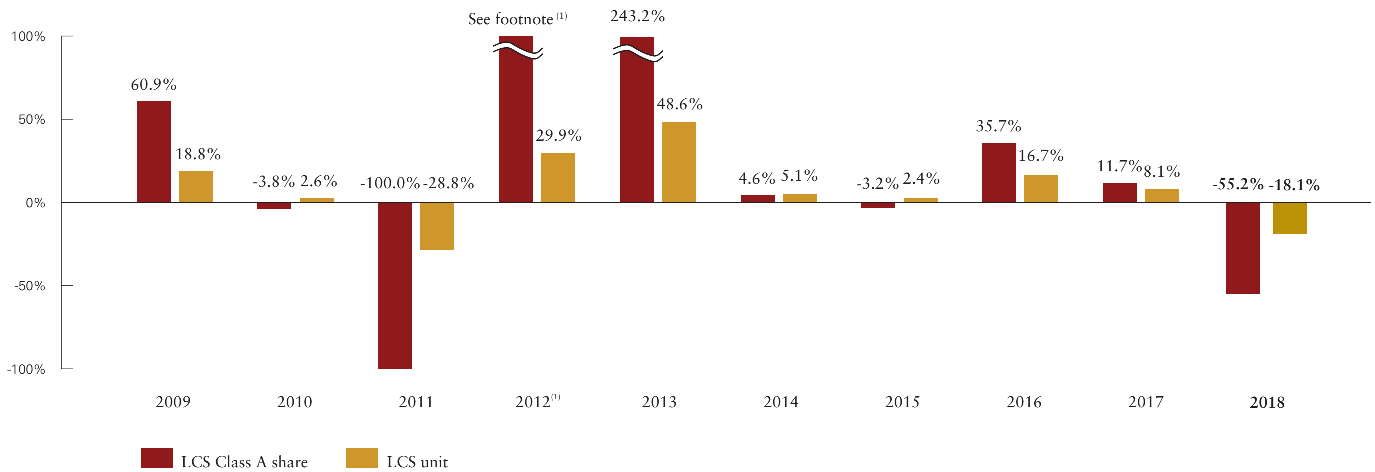
The MER per unit of the Fund, excluding Preferred share distributions (which were largely covered by the Fund's dividend income), was 0.98% in 2018, down from 1.05% in 2017 as a result of better fixed-cost absorption. This ratio is more representative of the ongoing efficiency of the administration of the Fund.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per Class A share and per unit (each unit includes one Class A share and one Preferred share) and assumes that distributions made by the Fund on the Class A shares and units in the periods shown were reinvested (at Net Asset Value per Class A share and unit, respectively) in additional Class A shares and units of the Fund.

The bar chart shows the Fund's returns for a Class A share and a unit for the periods ended December 31, 2009 to December 31, 2018. The chart shows, in percentage terms, how investments held in a Class A share and a unit on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



(1) Performance per Class A share during 2012 is not determinable as the opening Net Asset Value for the Class A shares was nil on January 1, 2012. The Net Asset Value per Class A share rose substantially during the year to $2.20 per Class A share on December 31, 2012.

The following table shows the Fund's compound returns on a Class A share, Preferred share and unit for each period indicated, compared with the S&P/TSX Capped Financials Index ("Financials Index"), the S&P/TSX Preferred Share Index ("Preferred Index") and the S&P/ TSX Composite Index ("Composite Index"). The Financials Index is derived from the Composite Index based on the financials sector of the Global Industry Classification Standard; the Composite Index tracks the performance, on a market-weight basis, of a broad index of large-capitalization issuers listed on the TSX. The Fund passively invests on an equal-weight basis in a portfolio comprised of four Canadian life insurance companies which are in both the Financials Index and the Composite Index. Since the indices have more diversified portfolios, it is not expected that the Fund's performance will mirror that of the indices. Further, the indices are calculated without the impact of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	1-Year	3-Year	5-Year	10-Year	Since Inception[1]
Brompton Lifeco Split Corp. – Class A share[2]	**(55.2%)**	(12.1%)	(7.2%)	6.2%	(6.2%)
Brompton Lifeco Split Corp. – Preferred share[2]	**5.9%**	5.9%	5.9%	5.6%	5.6%
Brompton Lifeco Split Corp. – unit[3]	**(18.1%)**	1.1%	2.2%	6.7%	1.5%
S&P/TSX Capped Financials Index	**(9.2%)**	8.5%	6.9%	12.2%	5.7%
S&P/TSX Preferred Share Index	**(7.9%)**	3.8%	0.3%	4.2%	1.3%
S&P/TSX Composite Index	**(8.9%)**	6.4%	4.1%	7.9%	3.4%

(1) Period from April 18, 2007 to December 31, 2018.

(2) Based on the Net Asset Value per Class A share and Preferred share and assuming that distributions on the Class A shares and Preferred shares made by the Fund in the periods shown were reinvested (at Net Asset Value per Class A share and Preferred share, respectively) in additional Class A shares and Preferred shares of the Fund.

(3) Based on the Net Asset Value per unit (each unit includes one Class A share and one Preferred share) and assuming that distributions on the units made by the Fund were reinvested (at Net Asset Value per unit) in additional units of the Fund.

The Fund's Class A shares underperformed in 2018 as the use of leverage exacerbated the negative performance of the insurance companies in the portfolio. Generally, insurance companies underperformed banks in 2018.

Summary of Investment Portfolio

As at December 31, 2018

Total Net Asset Value[1]		**$ 92,358,165**

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Insurance	98.8%	99.6%
Cash and short-term investments	1.2%	1.2%
Total investment portfolio	100.0%	100.8%
Other net liabilities		(0.8%)
Total Net Asset Value		**100.0%**

Holdings	**% of Portfolio**	**% of Net Asset Value**
Sun Life Financial Inc.	25.7%	25.9%
Great-West Lifeco Inc.	25.4%	25.6%
Manulife Financial Corporation	23.9%	24.1%
iA Financial Corporation	23.8%	24.0%
Cash and short-term investments	1.2%	1.2%
Total	**100.0%**	**100.8%**

(1) Net Asset Value of the Fund includes the value of the Preferred shares.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at www.bromptongroup.com within 60 days of each quarter end.

2018 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Shareholders should receive a T5 slip from their investment dealer providing this information.

T5 supplementary slips will indicate Capital Gains Dividends in Box 18 and Actual Amount of Eligible Dividends in Box 24. Dividend income is subject to the standard gross-up and federal dividend tax credit rules. The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund shares.

The following tables outline the breakdown in the Fund's distributions on Class A and Preferred shares paid in 2018 on a per share basis.

Class A Shares

Record Date	Payment Date	Return of Capital	Total Distributions
December 29, 2017	January 15, 2018	$ 0.075	$ 0.075
January 31, 2018	February 14, 2018	0.075	0.075
February 28, 2018	March 14, 2018	0.075	0.075
March 29, 2018	April 13, 2018	0.075	0.075
April 30, 2018	May 14, 2018	0.075	0.075
May 31, 2018	June 14, 2018	0.075	0.075
June 29, 2018	July 16, 2018	0.075	0.075
July 31, 2018	August 15, 2018	0.075	0.075
August 31, 2018	September 17, 2018	0.075	0.075
September 28, 2018	October 15, 2018	0.075	0.075
		$ 0.750	**$ 0.750**

Preferred Shares

Record Date	Payment Date	Eligible Dividends	Total Distributions
January 31, 2018	February 14, 2018	$ 0.14375	$ 0.14375
April 30, 2018	May 14, 2018	0.14375	0.14375
July 31, 2018	August 15, 2018	0.14375	0.14375
October 31, 2018	November 14, 2018	0.14375	0.14375
		$ 0.57500	**$ 0.57500**

This information is of a general nature and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Management Responsibility Statement

The financial statements of Brompton Lifeco Split Corp. (the "Fund") have been prepared by Brompton Funds Limited (the "Manager" of the Fund) and approved by the Board of Directors of the Fund. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

The Board of Directors of the Fund is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of a majority of independent directors.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditor of the Fund. It has audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable it to express to shareholders its opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

(Signed) "Mark A. Caranci"

Mark A. Caranci
Chief Executive Officer
Brompton Funds Limited

(Signed) "Craig T. Kikuchi"

Craig T. Kikuchi
Chief Financial Officer
Brompton Funds Limited

March 12, 2019

Independent Auditor's Report

To the Shareholders of Brompton Lifeco Split Corp. (the Fund)

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable class A shares for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information of the Fund. The other information comprises the Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Derek Hatoum.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 12, 2019

Statements of Financial Position

As at December 31	2018	2017
Assets		
Current assets		
Investments	**$ 92,011,446**	$ 85,709,664
Cash	**1,124,410**	881,591
Prepaid expenses	**61,169**	23,499
Total assets	**93,197,025**	86,614,754
Liabilities		
Current liabilities		
Option contracts written, at fair value (note 9)	**—**	64,871
Distributions payable to shareholders (note 6)	**692,725**	866,385
Accounts payable and accrued liabilities	**121,700**	96,104
Class J shares (note 4)	**100**	100
Preferred shares (note 4)	**72,679,310**	50,870,310
Preferred share premiums (note 4)	**24,435**	—
Total liabilities (excluding Net Assets attributable to holders of redeemable Class A shares)	**73,518,270**	51,897,770
Net Assets attributable to holders of redeemable Class A shares	**$ 19,678,755**	$ 34,716,984
Redeemable shares outstanding (note 4)		
Preferred shares	**7,267,931**	5,087,031
Class A shares	**7,267,931**	5,087,031
Class J shares	**100**	100
Net Assets attributable to holders of redeemable shares per share		
Preferred share	**$ 10.00**	$ 10.00
Class A share	**$ 2.71**	$ 6.82
Class J share	**$ 1.00**	$ 1.00

Approved by the Board of Directors of Brompton Lifeco Split Corp.

(Signed) "Christopher S.L. Hoffmann"

Christopher S.L. Hoffmann
Director

(Signed) "Mark A. Caranci"

Mark A. Caranci
Director

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

For the years ended December 31	2018	2017
Income		
Securities lending income (note 10)	$ 4,085	$ 1,062
Net gain (loss) on investments and derivatives:		
Dividend income	4,245,624	2,864,743
Net realized gain (loss) on sale of investments (note 8)	735,238	418,037
Net change in unrealized gain (loss) on investments	(25,450,679)	4,050,271
Net realized gain (loss) on options (note 8)	100,550	183,725
Net change in unrealized gain (loss) on options	7,371	(21,571)
Total net gain (loss) on investments and derivatives	(20,361,896)	7,495,205
Total income (loss), net	(20,357,811)	7,496,267
Expenses		
Management fees (note 7)	710,537	564,232
Service fees (note 7)	132,770	135,486
Audit fees	42,397	34,961
Independent Review Committee fees (note 7)	21,539	9,999
Custodial fees	11,393	9,664
Legal fees	3,032	3,568
Shareholder reporting costs	22,495	23,318
Other administrative expenses	109,745	109,485
Agents' fees and issuance costs on Preferred shares, amortized	742,144	—
Transaction costs	21,980	10,537
Total expenses	1,818,032	901,250
Net investment income (loss) before distributions on Preferred shares	(22,175,843)	6,595,017
Distributions on Preferred shares (note 6)	(4,055,809)	(2,925,043)
Preferred shares premium amortization (note 4)	66,997	—
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	$ (26,164,655)	$ 3,669,974
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares per share[1]	$ (3.71)	$ 0.72

[1] Based on the weighted average number of Class A shares outstanding during the year (note 4).

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31	2018	2017
Cash flows from operating activities:		
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares from operations	**$ (26,164,655)**	$ 3,669,974
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 8)	**(735,238)**	(418,037)
Net change in unrealized (gain) loss on investments	**25,450,679**	(4,050,271)
Net realized (gain) loss on options (note 8)	**(100,550)**	(183,725)
Net change in unrealized (gain) loss on options	**(7,371)**	21,571
Increase (decrease) in distributions payable to Preferred shareholders	**207,867**	—
Preferred share premium amortization (note 4)	**24,435**	—
Decrease (increase) in prepaid expenses	**(37,670)**	(23,499)
Increase (decrease) in accounts payable and accrued liabilities	**25,596**	(14,254)
Purchase of investments and options (note 8)	**(38,536,334)**	(2,232,151)
Proceeds from sale of investments and options (note 8)	**7,562,161**	6,666,922
Cash provided by (used in) operating activities	**(32,311,080)**	3,436,530
Cash flows from financing activities:		
Proceeds from issuance of redeemable Class A shares (note 4)	**16,683,885**	—
Agents' fees and issue costs paid on issuance of redeemable Class A shares (note 4)	**(815,173)**	9,561
Proceeds from issuance of redeemable Preferred shares (note 4)	**21,809,000**	—
Distributions paid to holders of redeemable Class A shares (note 6)	**(5,123,813)**	(4,578,328)
Cash provided by (used in) financing activities	**32,553,899**	(4,568,767)
Net increase (decrease) in cash	**242,819**	(1,132,237)
Cash, beginning of year	**881,591**	2,013,828
Cash, end of year	**$ 1,124,410**	$ 881,591
Distributions paid on redeemable Preferred shares (note 6)	**$ 3,847,942**	$ 2,925,043
Supplemental information:[1]		
Dividends received	**$ 4,245,624**	$ 2,864,743

[1] Included in cash flows from operating activities.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Class A Shares

For the years ended December 31	2018	2017
Net Assets attributable to holders of redeemable Class A shares at beginning of year	**$ 34,716,984**	$ 35,615,777
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares from operations	**(26,164,655)**	3,669,974
Distributions to holders of redeemable shares:		
Distributions paid to redeemable Class A shareholders (note 6)		
Return of capital	**(4,742,286)**	(4,578,328)
Total	**(4,742,286)**	(4,578,328)
Redeemable Class A share transactions:		
Proceeds from issuance of redeemable Class A shares (note 4)	**16,683,885**	—
Agents' fees and issue costs paid on issuance of redeemable Class A shares (note 4)	**(815,173)**	9,561
Net increase (decrease) from redeemable Class A share transactions	**15,868,712**	9,561
Net increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	**(15,038,229)**	(898,793)
Net Assets attributable to holders of redeemable Class A shares at end of year	**$ 19,678,755**	$ 34,716,984

The accompanying notes are an integral part of these financial statements.

Schedule of Investment Portfolio

As at December 31, 2018		Cost	Carrying Value	% of Portfolio
No. of Shares	**Insurance**			
528,337	Sun Life Financial Inc.	$ 24,247,509	$ 23,928,383	
839,117	Great-West Lifeco Inc.	28,118,976	23,646,317	
1,147,394	Manulife Financial Corporation	27,487,846	22,225,022	
509,794	iA Financial Corporation	24,593,140	22,211,724	
		104,447,471	**92,011,446**	**100.0%**
	Embedded Broker Commission	(48,618)		
	Total Investments	**$ 104,398,853**	**$ 92,011,446**	**100.0%**

Notes to the Financial Statements

December 31, 2018 and 2017

1. GENERAL INFORMATION

Brompton Lifeco Split Corp. (the "Fund") is a mutual fund corporation established under the laws of the Province of Ontario on January 19, 2007. Brompton Funds Limited (the "Manager") is responsible for managing the affairs of the Fund and manages the Fund's portfolio and options program. The Fund is listed on the Toronto Stock Exchange and commenced operations on April 18, 2007. CIBC Mellon Trust Company is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The address of the Fund's registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The Fund invests in a portfolio comprised of common shares of four major publicly traded Canadian life insurance companies.

These financial statements were approved by the Board of Directors of Brompton Lifeco Split Corp. on March 5, 2019.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied, except as described in note 3(i).

a) Financial Instruments

The Fund's portfolio of investments is managed, and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income ("FVOCI"). The contractual cash flows of the Fund's debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss ("FVTPL"). Derivative assets and liabilities are also measured at FVTPL.

The Fund's obligation for Net Assets attributable to holders of redeemable Class A shares is measured assuming the redemption of shares at Net Asset Value on the valuation date. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its published Net Asset Value. The carrying values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their fair values due to their short-term nature.

b) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) is based on quoted market prices at the close of trading on the measurement date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, and others commonly used by market participants that make the maximum use of observable inputs. Refer to note 12 for further information about the Fund's fair value measurements.

c) Cash

Cash is comprised of demand deposits with financial institutions.

d) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Realized gain (loss) on sale of investments and change in unrealized gain (loss) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration, repurchase or exercise of the options are included in net realized gains or losses on options.

e) Transaction Costs

Transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as “Transaction costs” in the Statements of Comprehensive Income.

f) Income Taxes

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) (the “Act”) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 38⅓% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid by the Fund on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

g) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

h) Classification of Redeemable Shares by the Fund

As required under International Accounting Standard (“IAS”) 32, *Financial Instruments: Presentation*, shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset must be classified as financial liabilities. Under IFRS, the Fund’s Preferred shares remain as liabilities as they are not the most subordinate class of shares. The Fund’s Class A shares do not meet the criteria in IAS 32 for classification as equity. The Class A shares contain multiple redemption features and, therefore, have been reclassified as financial liabilities. Class J shares are redeemable at $1.00 per share.

i) Accounting Changes

IFRS 9, *Financial Instruments*

Effective January 1, 2018, the Fund retrospectively and without restatement adopted IFRS 9, *Financial Instruments* (“IFRS 9”). The new standard requires financial instruments to be either carried at amortized cost or at FVTPL or FVOCI, based on the Fund’s business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. IFRS 9 also introduced a new expected credit loss impairment model.

Upon transition to IFRS 9, the Fund’s financial assets and financial liabilities previously designated at FVTPL at inception or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”) continue to be measured as FVTPL under IFRS 9. As at December 31, 2018, the Fund holds equity securities of $92 million (December 31, 2017 – $85.7 million) and debt securities of nil (December 31, 2017 – nil), which had previously been designated at FVTPL at inception and are mandatorily classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for the Fund’s financial assets and financial liabilities upon transition to IFRS 9. There was no material impact on adoption from the application of the new impairment model.

Notes to the Financial Statements (continued)

December 31, 2018 and 2017

4. REDEEMABLE SHARES

Units

A unit means a notional unit consisting of one Preferred share and one Class A share. Net Asset Value per unit is determined by (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred shares will not be treated as liabilities), including any distributions declared and not paid that are payable to shareholders, less (iii) the stated capital of Class J shares ($100).

Class J Shares

The Fund is authorized to issue an unlimited number of Class J shares.

As of December 31, 2018, 100 (December 31, 2017 – 100) Class J shares were outstanding.

Class J shares are not entitled to receive dividends but are entitled to one vote per share. The Class J shares are redeemable and retractable at a price of $1.00 per share.

Redeemable Class A Shares

Authorized

The Fund is authorized to issue an unlimited number of Class A shares.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) after the payment of the distributions by the Fund, the Net Asset Value per unit is less than $15.00.

The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters.

The maturity date of the Class A shares was extended from April 29, 2019 to April 29, 2024. All Class A shares outstanding on April 29, 2024 are scheduled to be redeemed by the Fund on that date unless the term of the Class A shares is extended. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date, minus the sum of $10.00, plus any accrued and unpaid distributions on the Preferred shares, and (ii) nil.

Class A shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the relevant Retraction Date and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund's portfolio required to fund such purchase. If the Net Asset Value per unit is less than $10.00, the retraction price of a Class A share will be nil.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the April Retraction Date of each year, at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the April Retraction Date.

As a result of the extension of the maturity date to April 29, 2024, holders of Class A shares may retract their Class A shares on April 29, 2019 by providing notice by March 29, 2019. This special retraction right does not require the surrender of both Class A shares and Preferred shares.

The Fund's Class A shares are classified as financial liabilities on the Statements of Financial Position.

Issued

	2018	2017
	Number of Shares	Number of Shares
Redeemable Class A shares, outstanding at January 1	**5,087,031**	5,087,031
Issuance of redeemable Class A shares	**2,180,900**	—
Redeemable Class A shares, outstanding at December 31	**7,267,931**	5,087,031
Weighted average number of redeemable Class A shares outstanding	**7,058,229**	5,087,031

On February 6, 2018, the Fund completed an offering of 2,180,900 Class A shares at a price of $7.65 per Class A share for gross proceeds of $16.7 million. Agents' fees and issue costs accounted for $815,173.

During the year ended December 31, 2018, pursuant to the monthly and annual retraction options, no Class A shares were retracted (year ended December 31, 2017 – nil).

On December 31, 2018, the Class A shares' closing market price was $2.74 per share (December 31, 2017 – $7.15).

Redeemable Preferred Shares

Authorized

The Fund is authorized to issue an unlimited number of Preferred shares.

Holders of Preferred shares are entitled to receive fixed, cumulative, preferential quarterly cash distributions of $0.14375 per share for the term ending April 29, 2019. Commencing April 30, 2019, the annual distribution rate will change to $0.625 per Preferred share for the term ending April 29, 2024. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

The maturity date of the Preferred shares was extended from April 29, 2019 to April 29, 2024. All Preferred shares outstanding on April 29, 2024 are scheduled to be redeemed by the Fund on that date unless the term of the Preferred shares is extended. The redemption price payable by the Fund for a Preferred share on that date will be equal to the lesser of (i) $10.00, plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the number of Preferred shares then outstanding.

Preferred shares may be surrendered at any time for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date, less the cost to the Fund of the purchase of a Class A share for cancellation, and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the April Retraction Date of each year, at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the April Retraction Date.

As a result of the extension of the maturity date to April 29, 2024, holders of Preferred shares may retract their Preferred shares on April 29, 2019 by providing notice by March 29, 2019. This special retraction right does not require the surrender of both Class A shares and Preferred shares.

Issued

	2018	2017
	Number of Shares	Number of Shares
Redeemable Preferred shares, outstanding at January 1	**5,087,031**	5,087,031
Issuance of redeemable Preferred shares	**2,180,900**	—
Redeemable Preferred shares, outstanding at December 31	**7,267,931**	5,087,031

On February 6, 2018, the Fund completed an offering of 2,180,900 Preferred shares at a price of $10.05 per Preferred share for proceeds of $21.9 million. The difference between the issue price and redemption value, plus accrued dividends, is treated as premium received. The premium of $91,432 received from the February 6, 2018 issuance is amortized over the life of the Preferred shares. During the year ended December 31, 2018, $66,997 (December 31, 2017 – nil) was amortized and the premium balance as at December 31, 2018 was $24,435 (December 31, 2017 – nil).

During the year ended December 31, 2018, pursuant to the monthly and annual retraction options, no Preferred shares were retracted (year ended December 31, 2017 – nil).

On December 31, 2018, the Preferred shares' closing market price was $10.08 per share (December 31, 2017 – $10.45).

5. CAPITAL MANAGEMENT

The Fund's capital is comprised of its Net Assets attributable to holders of redeemable units. The Fund's objectives in managing its capital are:

i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions in the amount of $0.14375 per share up to April 29, 2019 and $0.015625 per share thereafter to April 29, 2024 and to return the original issue price to the holders of the shares on April 29, 2024, the terms of which may be extended for periods of up to five years as determined by the Board of Directors, and

ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.075 per share and the opportunity for growth in Net Asset Value per share.

The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

6. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the year ended December 31, 2018, the Fund declared distributions of $0.68 (year ended December 31, 2017 – $0.90) per Class A share and accrued distributions of $0.575 (year ended December 31, 2017 – $0.575) per Preferred share, which amounted to $4,742,286 (year ended December 31, 2017 – $4,578,328) and $4,055,809 (year ended December 31, 2017 – $2,925,043), respectively.

Notes to the Financial Statements (continued)

December 31, 2018 and 2017

Following December 31, 2018, the Fund declared distributions of $0.14375 per Preferred share for record date January 31, 2019.

7. RELATED PARTY TRANSACTIONS

a) Management and Service Fees

Pursuant to a management agreement, the Manager provides management and administrative services, including key management personnel, to the Fund. In consideration for these services, the Fund pays a management fee equal to 0.60% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. This fee is calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of Class A shares held by clients of each dealer at the end of each calendar quarter.

For the year ended December 31, 2018, the management fee amounted to $710,537 (year ended December 31, 2017 – $564,232), of which $1,876 was prepaid as of December 31, 2018 (December 31, 2017 – $84 prepaid). For the year ended December 31, 2018, the service fee amounted to $132,770 (year ended December 31, 2017 – $135,486), with $19,746 payable as of December 31, 2018 (December 31, 2017 – $34,795). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2018 was $21,539 (year ended December 31, 2017 – $9,999) and consisted only of fees. As at December 31, 2018, there were no (December 31, 2017 – nil) Independent Review Committee fees payable.

8. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2018	2017
Proceeds from sale of investments and options	$ 7,562,161	$ 6,666,922
Less cost of investments and options sold:		
Investments and options at cost, beginning of year	72,588,892	76,421,901
Investments purchased and options written during the year	38,536,334	2,232,151
Investments and options at cost, end of year	(104,398,853)	(72,588,892)
Cost of investments sold and options written during the year	6,726,373	6,065,160
Net realized gain (loss) on sale of investments and options	$ 835,788	$ 601,762

There were no soft dollar commissions paid by the Fund for the years ended December 31, 2018 and 2017.

9. OPTION CONTRACTS

The Fund may write covered call or cash-covered put options to generate additional income for the Fund. As at December 31, 2018, the Fund had no option contracts outstanding.

As at December 31, 2017:

Underlying Interest	No. of Contracts[1]	Option Type	Expiration Date	Strike Price per Contract	Current Price per Contract	Premium Received	Fair Value	Unrealized Gain (Loss)
Manulife Financial Corp.	900	Call	January 19, 2018	$ 27.50	$ 0.02913	$ 31,500	$ (2,621)	$ 28,879
Sun Life Financial Inc.	500	Call	January 19, 2018	51.50	0.77000	15,000	(38,500)	(23,500)
Sun Life Financial Inc.	500	Call	January 19, 2018	52.00	0.47500	11,000	(23,750)	(12,750)
						$ 57,500	$ (64,871)	$ (7,371)

[1] Each contract was written for 100 shares of the underlying security.

10. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Trust Company (and certain of its affiliates). The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in National Instrument 81-102. The market values of the securities on loan and the related collateral at December 31, 2018 were $4.9 million (December 31, 2017 – nil) and $5.1 million (December 31, 2017 – nil), respectively.

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, CIBC Mellon Trust Company (and certain of its affiliates), is entitled to receive.

For the years ended December 31, securities lending income was as follows:

		2018		2017
Gross securities lending income	$	**5,835**	$	1,517
Securities lending charges		**(1,750)**		(455)
Net securities lending income received by the Fund	$	**4,085**	$	1,062

During the year ended December 31, 2018, securities lending charges represented 30% (year ended December 31, 2017 – 30.0%) of the gross securities lending income.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2018, and groups the securities by market segment. The following summary represents the investment sectors held by the Fund as at December 31, 2017. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2017
Investment Sector	% of Portfolio
Life insurance	100.0%

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by regular rebalancing of the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of Canadian-dollar-denominated, exchange-listed equity securities. There is no exposure to currency risk.

a) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities and derivatives present a risk of loss of capital. The Manager attempts to moderate this risk through the careful selection of derivatives within the parameters of the investment strategy. Except for options written, the maximum risk of loss resulting from financial instruments is equivalent to their fair value. There were no cash-covered put options outstanding as at December 31, 2018 and December 31, 2017. No additional risk is introduced by covered call options written.

The Fund is exposed to other price risk from its investment in equity securities and option contracts. As at December 31, 2018, had the prices on the respective stock exchanges for these securities increased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have increased by approximately $9.2 million or 46.8% (December 31, 2017 – approximately $8.0 million or 23.0%). Similarly, had the prices on the respective stock exchanges for these securities decreased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have decreased by approximately $9.2 million or 46.8% (December 31, 2017 – $8.5 million or 24.5%). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund did not have significant credit risk exposure as at December 31, 2018 and 2017. The carrying amount of income receivable represents the maximum credit risk exposure as it will be settled in the short term.

All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its monthly and annual retractions of Class A shares and Preferred shares. For the annual retractions of Class A shares and Preferred shares, the Fund receives notice at least 10 business days prior to the Retraction Date and has up to 10 business days after the Retraction Date to settle the retractions, which gives the Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price. All Class A shares and Preferred shares outstanding on April 29, 2024 are scheduled to be redeemed by the Fund on that date unless the term of the Fund is extended.

Notes to the Financial Statements (continued)

December 31, 2018 and 2017

The tables below list the Fund's financial liabilities by relevant maturity groupings based on the remaining period between the financial statement date and the contractual maturity date.

As at December 31, 2018	Less Than 3 Months	3 Months to 1 Year	Greater Than 1 Year	Total
Accounts payable and accrued liabilities	$ 121,700	$ —	$ —	$ 121,700
Distributions payable to shareholders	692,725	—	—	692,725
Total	**$ 814,425**	**$ —**	**$ —**	**$ 814,425**

As at December 31, 2017	Less Than 3 Months	3 Months to 1 Year	Greater Than 1 Year	Total
Option contracts written, at fair value	$ 64,871	$ —	$ —	$ 64,871
Accounts payable and accrued liabilities	96,104	—	—	96,104
Distributions payable to shareholders	866,385	—	—	866,385
Total	$ 1,027,360	$ —	$ —	$ 1,027,360

d) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2018 and 2017, the Fund had no exposure to currency risk.

12. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

Level l: Inputs that reflect unadjusted quoted prices, in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets and liabilities at fair value as at December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	$ 92,011,446	$ —	$ —	$ 92,011,446
Total	**$ 92,011,446**	**$ —**	**$ —**	**$ 92,011,446**

Assets and liabilities at fair value as at December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	$ 85,709,664	$ —	$ —	$ 85,709,664
Option contracts written	(64,871)	—	—	(64,871)
Total	$ 85,644,793	$ —	$ —	$ 85,644,793

The Preferred shares issued and outstanding as at December 31, 2018 had a retraction price per share of $10.00 (December 31, 2017 – $10.00) and a traded price per share of $10.08 (December 31, 2017 – $10.45).

There were no transfers of financial assets and liabilities between the levels during the years ended December 31, 2018 and 2017.

All fair value measurements above are recurring. The carrying values of cash, prepaid expenses, distributions payable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, the instrument is reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3.

a) Equities

The Fund's equity positions are classified as level 1 as the securities are actively traded and a reliable price is observable. The net realized and net change in unrealized loss from equity securities during the year ended December 31, 2018 was $24,715,441 (year ended December 31, 2017 – gain of $4,468,308).

b) Option Contracts

The Fund's option contracts written are classified as level 1, as the options are based on unadjusted quoted prices in active markets. The net realized and net change in unrealized gain from option contracts during the year ended December 31, 2018 was $107,921 (year ended December 31, 2017 – gain of $162,154).

13. INCOME TAX

As at December 31, 2018, the Fund had non-capital loss carry-forwards for income tax purposes of $11,693,602 (December 31, 2017 – $10,440,777). The non-capital loss carry-forwards will expire as follows.

	2018
2028	$ 765,550
2029	925,841
2030	1,219,759
2031	1,133,683
2032	329,142
2033	346,227
2034	1,288,562
2035	1,525,133
2036	1,312,897
2037	1,213,915
2038	1,632,893
	$ 11,693,602

The Fund also had a capital loss carry-forward of $6,131,304 (December 31, 2017 – $6,131,304), which can be carried forward for an indefinite period.

Corporate Information

Independent Review Committee

Patricia Meredith, BMath, MBA, PhD, FCPA/FCA

Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

Directors and Officers of the Manager

Mark A. Caranci, BComm, CPA, CA
Director, President and
Chief Executive Officer

Christopher S.L. Hoffmann, LLB, MS
Director

Craig T. Kikuchi, BA, CPA, CA, CFA
Director and Chief Financial Officer

Raymond R. Pether, BA, MBA
Director

Christopher Cullen, BASc, MBA, CFA
Senior Vice President

Laura Lau, BASc (Hons), CFA, DMS
Senior Vice President and
Senior Portfolio Manager

Michael D. Clare, BComm (Hons), CPA, CA, CFA
Vice President and Portfolio Manager

Michelle L. Tiraborelli, BSc, MBA
Vice President

Ann P. Wong, BA, MAcc, CPA, CA, CPA (Delaware), CFA
Vice President and Controller

Kathryn A.H. Banner, BA, MA
Vice President and Corporate Secretary

Transfer Agent

TSX Trust Company

Custodian

CIBC Mellon Trust Company

Auditor

PricewaterhouseCoopers LLP

Website

www.bromptongroup.com

Designed by **Bryan Mills Ltd.** www.bryanmills.com

BROMPTON FUNDS

Mailing Address
Bay Wellington Tower, Brookfield Place
181 Bay Street
Suite 2930, Box 793
Toronto, ON M5J 2T3

Investor Relations: 416-642-6000
General Inquiries: 416-642-9061
Fax: 416-642-6001
Toll Free: 866-642-6001
Website: www.bromptongroup.com