Brompton Global Dividend Growth ETF (TSX: BDIV)

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2019

Portfolio Review

The Fund's Net Asset Value per unit increased to $20.65 as of September 30, 2019 from $20.17 as of June 28, 2019. The Fund also paid total distributions of $0.30 per unit for the quarter ending September 30, 2019.

The Fund benefited from being defensively positioned in the third quarter, with its overweight positions in Real Estate and Utilities and underweight position in Financials. Our positive view on Real Estate and Utilities in an increasingly uncertain macro environment propelled us to overweight the two sectors. Continued strength in E-commerce and the implementation of 5G offer attractive secular growth opportunities for the Fund. We believe Crown Castle's small cell technology will proliferate within the coming years as 5G adoption accelerates, whereas Equinix, the leader in data center facilities, and Prologis, the leader in industrial facilities, should benefit from the secular growth trend in E-commerce. REITs and Utilities typically outperform in a low interest rate environment; thus, a falling 10-year treasury yield and policy rate should support further growth in our holdings in these two sectors.

In May, we decreased the portfolio's exposure to Financials in anticipation of interest rate cuts. The Federal Reserve cut the policy rate by 50 bps during the quarter, to which the banks reacted negatively given the expectation of net interest margin compression. We continue to favor exchanges and payment companies given the continued headwind the banks face over policy rate cuts. Stock and derivative exchanges typically outperform when markets are volatile. Our holding in London Stock Exchange was a major contributor of our outperformance within the Financials sector, the stock was boosted by an accretive acquisition deal with Refinitiv during the quarter.

In September, we added ASML into the portfolio, increasing the Fund's exposure to the Information Technology sector. Consequently, the total number of holdings increased from 39 to 40. We believe additional exposure to the Semiconductors sub sector was prudent given ASML's unique position as the only maker of extreme ultraviolet lithography machines for the next generation chips for 5G and AI.

We remain cautious on the Energy and Communication Services sectors. Trade concerns and oversupply of resources continue to dominate headlines in the energy sector. Attack of a vital Saudi Arabia oil production facility caused the oil price to spike before returning to normalized levels in September, increasing the level of volatility within the sector. In Communications, competitive pressure remains at elevated levels in Europe, Canada and the U.S. We remain cognizant to these risks and will continue to monitor their impact heading into Q4.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

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EXCHANGE TRADED FUNDS

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