



Brompton Flaherty & Crumrine Investment Grade Preferred ETF

TSX: BPRF

December 31, 2018

Overview

This actively managed ETF seeks to provide: (i) stable monthly cash distributions; and (ii) a stable net asset value. The ETF actively invests in a portfolio consisting primarily of U.S. dollar denominated corporate preferred securities, trust preferred securities and other corporate debt, and may also invest in Canadian preferred shares with foreign currency substantially hedged to the Canadian dollar. At least 75% of the ETF's portfolio (at the time of investment) consists of securities that are rated investment grade. The Sub-Advisor will select a portfolio of preferred investments for the ETF, giving consideration to the opportunity for income, issuer and security diversification, credit quality, and duration/interest rate sensitivity, among other factors.

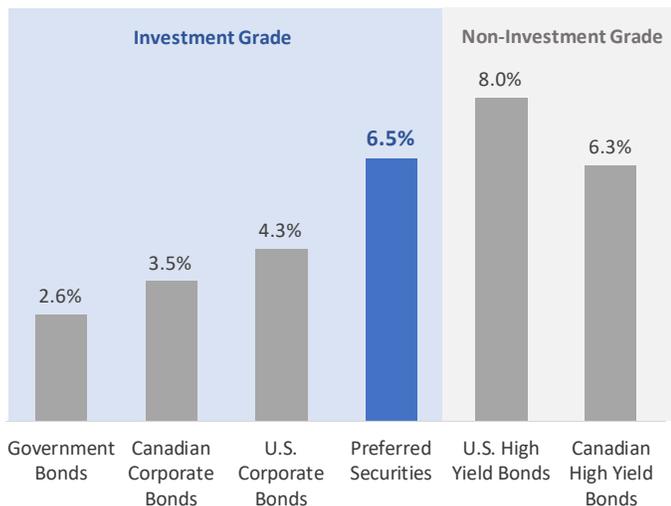
The Sub-Advisor, Flaherty & Crumrine Incorporated was established in 1983, and specializes in US-dollar-denominated preferred securities and corporate debt instruments. The firm uses 30 years of proprietary data on over 1500 preferred securities to carry out intensive credit analysis, thorough vetting of securities' terms and structures, and active portfolio management, with the goal of exploiting pricing inefficiencies in the fixed income markets to provide attractive rates of return on its funds. As of December 31, 2018, Flaherty & Crumrine AUM was approximately U.S. \$4.0 billion, primarily in preferred securities.

PREFERRED SECURITIES - INVESTMENT RATIONALE

1 High Quality, Attractive Income

Portfolio comprised primarily of investment grade preferred securities, which provide higher income than many investment grade fixed income categories.¹

Fixed-Income Yield Comparison¹

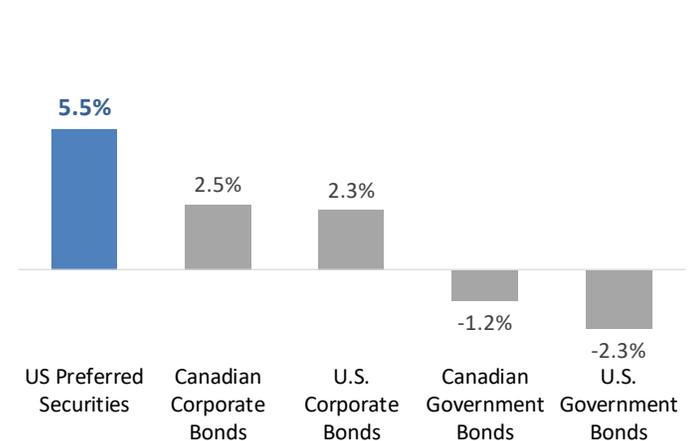


2 Protection from Rising Rates

Preferred Securities offer lower interest-rate sensitivity than many other classes of fixed income securities.

Historical outperformance of other fixed income instruments or investments during periods of rising long-term interest rates.²

Average Performance During Rising Rate Periods²



¹ Source: Bank of America Merrill Lynch as at December 31, 2018. Indices used were ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index, ICE BofAML Canadian Corporate Index, ICE BofAML US Corporate Index, ICE BofAML Canadian High Yield Index, ICE BofAML High Yield Master II Index, and ICE BofAML AAA US Treasury/Agency Master Index.

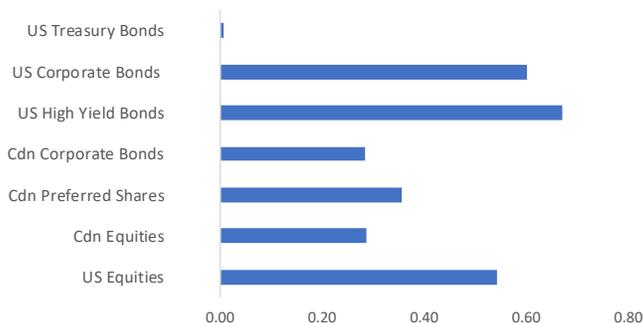
² Source: Bank of America Merrill Lynch, Thomson Reuters Datastream, as at December 31, 2018. Average performance of the Preferred Securities Index and certain bond indexes during all periods since 2008 in which the yield of the 10 Year U.S. Treasury increased by 100 basis points ("bps") or more. The Preferred Securities Index is represented by the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index since March, 2012 and prior to that by an equally weighted average of the performance of the ICE BofAML Hybrid Preferred Securities 8% Constrained Index and the ICE BofAML US Capital Securities 8% Constrained Index. Other indices used were the ICE BofAML Canadian Corporate Index, ICE BofAML US Corporate Index, ICE BofAML Canadian Government Index, and the ICE BofAML AAA US Treasury/Agency Master Index.

3 Diversification

Preferred Securities have low correlation of returns to traditional equity and fixed income categories, providing an effective tool to diversify portfolio returns and risk³

Preferred Securities - Low Correlation³

Diversification opportunity when correlation < 1



4 Benefits of Active Management

Unlike a passive index, an actively managed ETF can:

- Avoid premium-trading securities that are coming up to a call date, which could lead to loss of principal;
- Select high quality issuers and choose the most attractive Preferred Securities offered by that issuer;
- Access more choice by participating in Institutional Preferreds (which trade like bonds & are 64% of the market); Index ETFs are generally limited to Retail Preferreds (exchange-listed, 36% of the market).

Flaherty & Crumrine has a long track record of actively-managed outperformance of its index. For more information on Flaherty & Crumrine's track record: [click here](#)

Select Portfolio Holdings: December 31, 2018⁴



Sub-Advisor

Flaherty & Crumrine Incorporated was established in 1983, and it specializes in US-dollar-denominated preferred securities and corporate debt instruments. The firm uses intensive credit analysis, thorough analysis of securities' terms and structures, and active portfolio management, exploiting pricing inefficiencies in the fixed income markets to provide attractive rates of return on its funds.

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Manager

Brompton Funds, a division of Brompton Group which was founded in 2000, is an experienced investment fund manager with over \$2.0 billion in assets under management including Flaherty & Crumrine Investment Grade Preferred Income Fund.⁵ Brompton's investment solutions include TSX traded funds, mutual funds and flow-through limited partnerships.

BROMPTON
EXCHANGE TRADED FUNDS

³ Source: Bank of America Merrill Lynch, Thomson Reuters Datastream as at December 31, 2018. Reflects 10-year correlation of monthly total returns for the period ended December 31, 2018. The Preferred Securities Index is represented by the BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index since March, 2012 and prior to that by an equally-weighted average of the performance of the ICE BofAML Hybrid Preferred Securities 8% Constrained Index and the ICE BofAML US Capital Securities 8% Constrained Index. US Treasury Bonds are represented by ICE BofAML US Treasury Index; US Corporate Bonds are represented by ICE BofAML US Corporate Index; US High Yield Bonds are represented by ICE BofAML US High Yield Index; Cdn Corporate Bonds are represented by ICE BofAML Canada Corporate Index; Cdn Preferred Shares are represented by S&P/TSX Preferred Share Index; Cdn Equities are represented by S&P/TSX Composite Index; US Equities are represented by S&P 500 Composite Index.

⁴ Please visit www.bromptongroup.com for a portfolio summary.

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