

Portfolio Manager Commentary - December 31, 2024**Canadian Market Review**

Global equity markets finished the year with another year of strong performance bolstered by a combination of moderating inflationary pressures, easing monetary policy, and resilient corporate earnings. Enthusiasm over the artificial intelligence (AI) theme drove significant gains in U.S. indices. Donald Trump's victory in the U.S. election also helped boost the domestic equity markets on the expectations of deregulation and a corporate tax cut despite uncertainties surrounding his proposed tariff and immigration policies. In global equity markets the MSCI World Total Return Index finished the full year with a 19.2% gain, while the S&P 500 Total Return Index rose 25.0%, climbing to all-time high in November. Communication Services (+40.2%) and Technology (+36.6%) were the best-performing sectors. Both sectors benefited from the development of AI themes. The S&P/TSX Composite Total Return Index was up 21.7% buoyed by Technology and Financials. In Europe, the STOXX 600 Total Return Index registered a 9.6% return for 2024. Spain, Italy, and Germany were the best-performing countries, gaining 20.0%, 18.9%, and 18.8%, respectively, while the U.K., Switzerland, and France all finished in positive territory, up 9.6%, 7.5%, and 0.9%, respectively.

Inflation continues to moderate, which has enabled global central banks to shift to accommodative monetary policies. In the U.S., inflation was 2.9% in 2024, while the unemployment rate remained relatively low at 4.1% as of the end of the year. The U.S. economy remains healthy and has managed to avoid a recession. However, the manufacturing PMI remained below 50 in the second half of 2024, which is an indicator of softness in the manufacturing sector. As the inflationary pressure meaningfully abated, the Federal Reserve started its long-awaited cutting cycle in September. The bond market was volatile in Q4 with the U.S. 10-year Treasury yield rising sharply from 3.6% in September (the lowest of the year) to approximately 4.6% by year end, which resulted in a steepening of the yield curve. The rebound in yields raised concerns over inflation returning due to President Trump's tariff and immigration policies, which has resulted in fewer rate cuts being priced into the market for 2025. Global bond markets, such as the U.K. Gilt and the German Bund, mirrored the sell off in U.S. Treasuries. In equities, growth outperformed value for both large cap and small cap, while large cap tech names were the primary contributors to the index performance even though they showed signs of losing momentum during the back half of the year. Strong performance was also seen from a broader group of stocks in 2024 relative to 2023, including strength Financials and Consumer Discretionary.

The Bank of Canada ("BoC") reduced its overnight policy rate to 3.25% after 50 bps cuts in both October and December in 2024. By year end of 2024, the BoC had made 175 bps cuts cumulatively since the start of its rate cutting cycle, which began in June. The BoC noted that the Canadian economy remains in excess supply, with labour market slack rising as population growth outpaced job creation. As for forward rate guidance, the BoC acknowledged that while further rate cuts in the future are expected, the timing and pace will still be guided by incoming data. The central bank signaled it would take a more gradual approach as the policy rate is now at the top end of its 2.25%-3.25% estimated range for the neutral rate. As the policy rates declined faster than in the U.S., the policy divergence resulted in Canadian dollar depreciation against the U.S. dollar. Moreover, rising unemployment rates, muted investment activities, and trade policy uncertainty from the Trump administration continue to weigh on the already fragile economic fundamentals.

We remain cautious on the Canadian economy into 2025 amid weak population growth and uncertain trade policy with the incoming administration in the U.S. In the upcoming months, we believe the divergence between Canada and the U.S. will persist as a result of a less resilient consumer and muted labour market in Canada. In addition, households have remained prudent as elevated interest rates and mortgage renewals weigh on discretionary spending, while business and residential investments have not recovered as economic uncertainty has slowed activity. In light of these factors, we expect the Canadian dollar to remain weak against the U.S. dollar. On the bright side, inflation has fallen meaningfully from its peak and the Bank of Canada will continue easing monetary policy in 2025. This should continue to favour Canadian banks, as their net interest margins are set to improve on steepening yield curve and loan growth, while we should see an improvement in

credit off elevated levels in the back half of 2025. An acceleration of capital markets activities will also be positive for the banks. With the S&P TSX Composite Total Return Index rising 21% in 2024, its forward P/E remains near its 10-year average, suggesting a reasonable valuation.

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Units (1 Class A share plus 1 Preferred share) of Dividend Growth Split Corp. (the “Fund”) were up 21.8% in 2024, beating the S&P/TSX Composite High Dividend Total Return Index (up 15.6%). The S&P/TSX Composite Total Return Index was up 21.6% over the same period.

An underweight position in Real Estate and an overweight position in Financials were the largest contributors to the Fund’s outperformance. Overweight positions in Manulife and CIBC vs the benchmark were the top two sources of gains. We continue to have a constructive view on Canadian Financials given their strong capital positions, although we are selective within the sector due to the idiosyncratic risks seen in some of the large banks. We hold a cautious view on Real Estate due to uncertainties surrounding population growth. We see bright spots within this sector and have a favorable outlook on Senior Housing and Retail REITs.

An overweight position in Industrials and an underweight position in Utilities offset some of the Fund’s gains relative to the benchmark. During the year, we trimmed the Fund’s allocation to Industrials, Communication Services and Utilities, while we increased exposure to Information Technology and Financials. We continue to underweight Communication Services heading into 2025 due to a combination of headwinds facing the sector, including pricing pressure and weak consumer spending.

Annual Compound Returns ³	1-YR	3-YR	5-YR	10-YR	Since Inception ⁴
Dividend Growth Split Corp. - Class A	54.6%	15.9%	19.0%	12.8%	11.1%
S&P/TSX Composite Total Return Index	21.6%	8.6%	11.1%	8.7%	6.7%
S&P/TSX Composite High Dividend Total Return Index	15.6%	7.6%	9.5%	7.6%	6.3%
Dividend Growth Split Corp. - Unit	21.8%	9.4%	10.5%	8.1%	7.3%
Dividend Growth Split Corp. - Preferred	6.0%	5.7%	5.7%	5.5%	5.4%
S&P/TSX Preferred Share Total Return Index	24.6%	2.7%	6.5%	3.0%	3.5%

(1) Returns are for the periods ended December 31, 2024 and are unaudited. The table shows the Fund's compound return on a Class A share, Preferred share and unit (which consists of one Class A share and one Preferred share) for each period indicated, compared with the S&P/TSX Composite High Dividend Total Return Index ("High Dividend Index"), the S&P/TSX Composite Total Return Index ("the Composite Index"), and the S&P/TSX Preferred Share Total Return Index ("Preferred Index") (together the "Indices"). The High Dividend Index tracks the performance, on a market weight basis and a total return basis, of 50-75 highest dividend yielding securities within the Composite Index. The Composite Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the Toronto Stock Exchange ("TSX"). The Preferred Index tracks the performance, on a market weight basis and a total return basis, of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund is actively managed and is rebalanced at least annually; therefore, its performance is not expected to mirror that of the Indices, which have more diversified portfolios and include a substantially larger number of companies. Furthermore, the Indices' performance is calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses. Additionally, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares. The performance information shown is based on net asset value per Class A share and per unit and the redemption price per Preferred share, and assumes that cash distributions made by the Fund during the periods shown were reinvested at net asset value per Class A share and per unit, and the redemption price per Preferred share in additional Class A shares, units and Preferred shares of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future.

(2) Inception Date December 3, 2007.

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You will usually pay brokerage fees to your dealer if you purchase or sell shares of the Fund on the TSX or other alternative Canadian trading system (an "exchange"). If the shares are purchased or sold on an exchange, investors may pay more than the current net asset value when buying shares of the investment fund and may receive less than the current net asset value when selling them.

There are ongoing fees and expenses associated with owning shares of an investment fund. An investment fund must prepare disclosure documents that contain key information about the Fund. You can find more detailed information about the Fund in the public filings available at www.sedarplus.ca. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income tax payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Investor Relations

PHONE 416.642.6000
TOLL FREE 1.866.642.6001
FAX 416.642.6001
EMAIL info@bromptongroup.com

Website

www.bromptongroup.com

Address

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