DIVIDEND GROWTH Split Corp.

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - MARCH 31, 2019

Portfolio Review

Dividend Growth Split Corp (the "Fund") generated a total return of 12.9% during the first quarter of 2019. This compares to the S&P/TSX Composite Index, which was up 13.3% over the same period. The Fund is overweight Financials, Communication Services, Utilities, and Real Estate. Given the FOMC's dovish stance at the beginning of 2019, the market is pricing in a low probability of additional interest rate hikes in 2019; consequently, we have positioned the portfolio such that it can benefit from the shift of market sentiment into defensives.

In February, the portfolio was rebalanced and reconstituted which resulted in the removal of CI Financial Corp and Great-West Lifeco, and the addition of Loblaw, Intact Financial Corp, Algonquin Power & Utilities, Power Corp and Smartcentres REIT. The net result was an increase of our total holdings from 22 to 25, increasing the Fund's exposure to Consumer Staples and Real Estate, while decreasing the exposure to Financials. We removed CI given our negative view on Asset managers in 2019. CI has faced management-fee compression and margin compression as part of an industry wide trend. We have added Loblaw as we view the spin out of Choice Properties as a catalyst to management transforming Loblaws into a pure-play grocer and increasing the dividend yield. Both Intact Financial and Power Corp were trading at low multiples at the time of purchase while having solid fundamentals intact. Algonquin Power was added as we see the company being able to benefit from the secular growth themes in renewable assets. Lastly, we have added Smartcentres REIT given its portfolio of high-quality assets and densification projects as well as its track record of dividend growth.

During the last quarter of 2018, Financials underperformed as a result of a broader market selloff. Consistent with our expectation, the sector bounced back during the first quarter of 2019 as market sentiment improved. At current levels, valuations remain attractive on both a historical and relative basis. In our view, both Canadian banks and life insurers are well capitalized with strong balance sheets and we see continued dividend growth potential given their strong track records.

As for communication service companies, we currently hold Bell, Rogers and TELUS. We are optimistic about the large-scale roll-out of ultra fast internet and 5G in the coming years and we believe all three are well positioned to capitalize on these trends. Canada's network is robust with 99% coverage and telecommunications companies continue to see low churn rates at lesser than 1% for the 6th consecutive year. As demand and prices for internet and handsets steadily increase, telecommunication companies such as Roger and Bell are positioned to drive sustainable growth for years to come. We also see increased fiber build outs that is beginning to penetrate deeper into secondary markets, which should drive average revenue per user growth.

The Fund is currently overweight the Utilities sector. We favor the sector given its long-term cash flow visibility and consistent dividend growth. Renewables remain an area where we see secular growth. The Fund benefited from particularly strong performance in Brookfield Infrastructure during the first quarter, which was up 19.9%, as well as Fortis, which was up 9.6%. We believe Brookfield Infrastructure with its well-diversified profile both in terms of geographic footprint (with operations in South America, Europe, Asia Pacific and North America) and sector coverage (diversified into transmissions, distributions, rails, infrastructures, ports, toll roads, etc.) should continue to generate predictable cash flows and dividend growth.

Lastly, Real Estate sector is a sector that we have increased our exposure in. We were cautious in 2018 given market fear of potential interest rate increases during the year and have became more optimistic about the sector in 2019 given a more supportive macro environment. Mortgage rates are likely to remain low for the remainder of 2019. We currently hold Smart REIT and Canadian Apartment REIT. Smart REIT generates stable underlying cashflows from its Walmart-anchored shopping centers, combined with a growth component consisting of a pipeline of densification development projects on its existing properties. We see growth to reach an inflection point in 2020 as development projects complete. As for the residential sector, high employment rates in Canada, low supply and growing populations in major cities should drive higher rents and hence dividend growth.

The Fund is underweight Energy, Healthcare, Industrials, Information Technology and Materials. In Energy, the uncertainty around regulation on building pipelines in Canada will add volatility to the sector and keeps us on the sidelines for the most part. We currently do not hold any Health Care names due to the small size of the sector in the benchmark and the absence of dividends paid. As for the Industrials sector, strong demand and a tight trucking market has created tight capacity on the railroads. Canadian National Railway should continue to benefit from strong demands for the rest of 2019; its solid pricing power supports organic revenue growth. Though we are positive on Information Technology, we currently do not hold any stocks due to a lack of dividend paying stocks in the sector. Lastly, we are underweight Materials, as we believe global growth has peaked for this cycle; we see gold companies having difficulty generating earnings and base metal prices being challenging.

Annual Compound Returns[1]	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Since Inception**
Dividend Growth Split Corp. - Class A	4.3%	10.5%	5.5%	23.1%	7.0%
S&P/TSX Composite Index	8.1%	9.3%	5.4%	9.5%	4.5%
Dividend Growth Split Corp. - Preferred	5.4%	5.4%	5.4%	5.4%	5.4%
S&P/TSX Preferred Share Index	(6.8%)	6.2%	0.0%	4.0%	2.2%
Dividend Growth Split Corp. - Unit	5.1%	7.6%	5.4%	11.8%	5.9%

(1) Returns are for the periods ended March 31, 2019. The table shows the Fund's compound return on a Class A share, Preferred share and unit for each period indicated, compared with the S&P/TSX Composite Index ("Composite Index"). The Composite Index tracks the performance of a broad index of large-capitalization issuers listed on the TSX. The Fund invests in a passively managed portfolio of 20 companies that is rebalanced at least annually.. It is therefore not expected the Fund's performance will mirror that of the Composite Index, which has a more diversified portfolio. The Composite Index is calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund's performance is calculated after deducting such fees and expenses. Further, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares.

BROMPTON FUNDS

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