PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2019

Canadian Markets Review

Global markets finished the year with strong performance. Almost all stock markets and asset classes enjoyed double digit returns for 2019. The MSCI World Index gained 28.4% with the Information Technology sector as the best performing sector, gaining 48.1% during the year. In Canada, the S&P/TSX Composite was up 22.8%, also led by strong performance from the Information Technology sector. In terms of sector performance, 10 of the 11 sectors in the S&P/TSX Composite finished the year with double digit returns, with the exception being Health Care, a sector that is largely comprised of cannabis stocks in Canada. Generally speaking, cyclical sectors gained strength in the last quarter as trade war concerns subsided. Information Technology and Utilities were the top performing sectors, gaining 64.1% and 37.5%, respectively. Communication Services underperformed, relatively speaking, earning a total return of 13.0% due to disruption caused by the introduction of unlimited cell phone plans during the latter half of the year.

According to the latest forecast by the International Monetary Fund, the global economy is expected to grow 3.4% in 2020, a modest pickup from 2019's projected growth rate of 3.0%. Growth expectations were driven by a few topical issues. At the top of the list is progress on the U.S.- China trade war. During the month of December, expectation of a phase-one trade deal between the U.S. and China partially alleviated long standing trade tensions between the two nations. As part of the trade deal, tariffs that were set to take effect on December 15th on about US$160 billion of consumer goods were averted; in exchange, China was expected to increase its purchases of American farm goods. The trade deal demonstrated compelling evidence of progress made by both sides and renewed market participants' confidence in global growth. Second, employment numbers and jobless claims are being closely monitored by investors for any signs of weakness. Employment and consumption continue to be robust and jobless claims remain at decade lows as service sectors across the globe kept labour markets buoyant and wage growth healthy. Lastly, Brexit-related fears subsided towards the end of 2019 after the U.K. held its third general election in four years in December, which resulted in Boris Johnson's Conservative party securing a parliamentary majority. We expect progress to be made on Brexit negotiations before the January 31st deadline and we anticipate 2020 to be a year of transition for the U.K.

Market performance and sentiment were also driven by central bank policies in 2019. The Bank of Canada kept its benchmark rate unchanged at 1.75% throughout the year. At the most recent policy meeting, Bank of Canada Governor Stephen S. Poloz noted nascent evidence of stabilization of the global economy, while growth is still expected to edge higher over the next couple of years. The Consumer Price Index ("CPI"), a measure of inflation, remains near the Bank of Canada's target of around 2% with robust consumer spending, strong wage growth and solid housing market as main sources of strength. On the other hand, ongoing U.S.- China trade related uncertainty was highlighted as the biggest source of risk.

Looking forward, we expect positive investor sentiment to continue to drive strong equity performance in 2020. On the U.S.- China trade front, we expect the U.S. and China to discuss the potential of a phase two trade deal after the signing of the phase one deal in January. In terms of central bank policy, we expect the Bank of Canada to remain on hold in 2020 as the current policy remains accommodative and supportive of healthy growth in Canada. Lastly, in terms of volatility, we anticipate the 2020 U.S. federal election to be accompanied by higher volatility during the year. Geopolitical tension between the U.S. and the Middle East could also be a source of volatility that we will be paying close attention to.

Portfolio Review

Dividend Growth Split Corp (the "Fund") was up 22.4% during 2019, in-line with the S&P/TSX Composite Index, which was up 22.8% over the same period.

The Fund benefitted from being overweight the Utilities sectors for most of the year as it was the second best-performing sector in the S&P/TSX Composite in 2019. We own utilities that are exposed to secular tailwinds in clean/renewable energy including Brookfield Renewable Partners (electricity exclusively generated from hydroelectric resources), Algonquin Power & Utilities (owns 1.5 GW of renewable energy facilities in the U.S. and Canada) and Fortis (currently undergoing clean energy transition from 11% renewables in 2018 to 30% in 2023). We believe the gravitation towards clean energy is a multi-year trend that will continue to play out in 2020.

Stock selection in the Financials sector also enhanced the Fund's return. Insurers including Sun Life (up 35.9%), Manulife (up 42.0%) and Intact Financial (up 45.1%) were among the top contributors. We maintain market weight Canadian Financials as Canadian banks are still in the midst of navigating a more challenging macro environment with flat net interest margins and slowing loan growth. Given this backdrop, we favor banks with disciplined expense management. Most Canadian banks are trading at below average multiples, which we view as appropriate.

The portfolio's underweight positions in Materials and Industrials detracted from the Fund's strong performance. The sharp decline in global interest rates drove major rallies in gold prices, especially since the month of June where Gold bullion rose from US$1,305.6/oz to a peak of US$1,552.6/oz in September. We remain cautious on Gold due to a lack of sustained macro volatility in the market to support current price levels. We also see additional risk to the downside as major Asian gold hubs go through a period of dishoarding. While the Industrials sector is heavily impacted by the trade war, we believe railway and waste companies are bright spots as they continue to exercise solid pricing power to drive sustainable revenue growth.

Annual Compound Returns[1]	**1-YR**	**3-Yr**	**5-YR**	**10-YR**	**Since Inception[2]**
Dividend Growth Split Corp. - Class A	70.5%	5.9%	6.9%	12.7%	7.9%
S&P/TSX Composite Index	22.8%	6.9%	6.3%	6.9%	4.9%
Dividend Growth Split Corp. - Preferred	5.4%	5.4%	5.4%	5.4%	5.4%
S&P/TSX Preferred Share Index	3.5%	2.7%	(0.3%)	2.1%	2.3%
Dividend Growth Split Corp. - Unit	22.4%	5.6%	5.8%	8.4%	6.2%

(1) Returns are for the periods ended December 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'') and the S&P/TSX Preferred Share Index ("Preferred Index") (together the "Indices"). The Composite Index tracks the performance of a broad index of large-capitalization issuers listed on the Toronto Stock Exchange ("TSX"). The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund invests in a actively managed portfolio and is rebalanced at least annually. It is therefore not expected that the Fund's performance will mirror that of the Indices, which have a more diversified portfolios. The Indices are 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.

(2) Inception Date December 3, 2007.

BROMPTON FUNDS

VALUE
INTEGRITY
PERFORMANCE
THE FOUNDATION FOR EXCELLENCE

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