DIVIDEND GROWTH Split Corp.

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2019

Portfolio Review

Dividend Growth Split Corp was up 15.0% during the first half of 2019. This compares to the S&P/TSX Composite Index, which was up 16.2% over the same period.

The Fund benefitted from being overweight the Financials and Utilities sectors. Within the Financials sector, life insurers including Sun Life, Manulife and Great West were among the top performers which had double digit returns during the period. Over the past six months, the Canadian bond market has moved from expecting 2 rate hikes in 2019 to zero to a 32.5% chance for a rate cut. We expect a slight contraction in net interest margin for Canadian banks in 2019 and consequently favor life insurers over banks. The insurers trade at an average of 14% discount to the banks on a forward P/E basis yet earnings are expected to grow at the same rate as banks in 2019 (approximately 6%), while at the same time, they are demonstrating capital resilience. We continue to see strength in the clean energy/ renewable energy space and believe our utilities names including 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) can capitalize on this secular growth trend.

Our underweight position in Energy was a positive contributor to the Fund's performance. Given that the government mandated crude oil production cuts in Alberta in addition to the sector experiencing natural gas egress constraints, we believe the macro environment will remain challenging for the sector for the remainder of the year.

The portfolio's underweight positions in Materials and Industrials detracted from the Fund's strong performance. The sharp decline in global interest rates drove the rally in gold prices, especially during the month of June where Gold bullion posted the biggest monthly gain since 2016 spiking up from US$1,305.6/oz to US$1,409.55/oz. We don't expect the rally in gold prices to be sustainable, so we remain cautious on the sector. While the Industrials sector is heavily impacted by trade wars, we believe railway and waste companies are the two bright spots as they continue to have pricing power and the ability to drive sustainable revenue growth.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

June 30, 2019

Note: This page is not complete without disclaimers on page 2. See reverse.

Annual Compound Returns[1]	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Dividend Growth Split Corp. - Class A	49.7%	4.3%	11.0%	5.5%	14.6%	7.1%
S&P/TSX Composite Index	16.2%	3.9%	8.4%	4.7%	7.8%	4.6%
Dividend Growth Split Corp. - Preferred	2.7%	5.4%	5.4%	5.4%	5.4%	5.4%
S&P/TSX Preferred Share Index	(0.9%)	(9.4%)	4.5%	(0.9%)	2.6%	2.0%
Dividend Growth Split Corp. - Unit	15.0%	5.1%	7.7%	5.4%	9.2%	5.9%

(1) Returns are for the periods ended June 30, 2019. The tables show the Fund's year-by-year and compound returns 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 Share Index"). The Composite Index tracks the performance of a broad index of large-capitalization issuers listed on the TSX. The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the Toronto Stock Exchange. The Fund invests in a passively managed portfolio of 20 companies that are included in the Composite Index and the portfolio 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. Further, the Composite Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

BROMPTON FUNDS

VALUE
INTEGRITY
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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