EDGF

Brompton European Dividend Growth ETF

Portfolio Manager Commentary - March 31, 2025

European Markets Review

Looking forward to the rest of 2025, in our view, the U.S. tariff policy will inevitably weigh on the European economic outlook, as it complicates the ECB's monetary decisions, overshadows corporates earnings, and erodes consumer confidence. However, we believe that the tariff threat to Europe is not as bad as countries like Canada, Mexico, or China. A significant portion of revenues generated by European corporations in the U.S. are from goods that are both produced and consumed in the U.S. Additionally, some sectors and names remain relatively insulated from tariffs, such as telecoms and utilities. On the political front, Germany's fiscal stimulus is expected to drive demand for infrastructure and military spending over the medium and long term. Despite recent strong returns and valuation expansion, European stocks are still undervalued and under-owned relative to global benchmarks. With growing concerns about U.S. growth and trade tensions, Europe should continue to attract global fund inflows.

Portfolio Review

During the first quarter of 2025, Brompton European Dividend Growth ETF was up 5.0%. This compares to the STOXX Europe 600 Total Return Index, which was up 5.9% over the same period.

The Fund's performance was positively impacted by our stock selection in Financials. The announcement of the German fiscal package has increased loan growth expectations and driven a 40 bps steepening in the 2-10yr German yield curve. Increased confidence on European banks' net interest income growth and cheap valuations, along with recessionary concerns in the U.S., drove heavy rotation away from U.S. peers into European banks. Outside of Financials, BAE Systems was one of our top performers. European members of NATO are expected to sharply increase spending on defense with the US pulling back, with a large chunk of that going to European defense contractors.

Risk off sentiment, particularly relating to the AI trade, formed the core of our underachievers. This shift was triggered by the emergence of DeepSeek, a Chinese AI model that significantly reduced computing costs, leading to sharp declines in stocks tied to AI and data centers, including electricals, power producers, and technology companies. A broader global equity market selloff later in the quarter, particularly in stocks that had performed well over the last couple of years, compounded the downward pressure on those names.

During the quarter, we cut our exposure to Materials and Real Estate, while adding to our weight in Consumer Staples. We continue to monitor developments in the market and look for opportunities to reorient the portfolio to being more defensive as uncertainty around the economy continues to grow.

Annual Compound Returns[1]	YTD	1-YR	3-YR	5-YR	Since Inception[2]
Brompton European Dividend Growth ETF	5.0%	7.4%	5.8%	11.5%	6.8%
STOXX Europe 600 Total Return Index	5.9%	7.7%	9.0%	14.3%	7.8%
S&P/TSX Composite Total Return Index	1.5%	15.8%	7.8%	16.8%	9.9%

(1) Returns are for the periods ended March 31, 2025 and are unaudited. The table shows the Fund's compound return for each period indicated compared with the STOXX Europe 600 Total Return Index ("Stoxx Index") and the S&P/TSX Composite Total Return Index ("Composite Index"), (together the "Indices"). The STOXX Index is a subset of the STOXX Global 1800 Index. With a fixed number of components, the STOXX Index represents large-, mid- and small-capitalization companies across 17 countries of the European region: Austria, Belgium, Demark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom. 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. The Fund is actively managed; 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, expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses. The performance information shown is based on net asset value per unit and assumes that cash distributions made by the Fund during the periods shown were reinvested at net asset value per unit in additional units of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future.

(2) Inception Date July 21, 2017.

BROMPTON FUNDS

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