

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2019

Portfolio Review

During the third quarter of 2019, Brompton European Dividend Growth ETF (the "Fund") gained 4.3%, outperforming the STOXX Europe 600 Index, which was up 2.7%.

The Fund outperformed as a result of our overweight positions in the Health Care and Information Technology sectors. Solid returns from Medtronic (up 12.7%), AstraZeneca (up 9.1%) and Sanofi (up 7.1%) were among the top contributors to the outperformance within the Health Care industry. We continue to overweight Health Care given its superior growth trajectory driven by product innovation and R&D productivity. Particularly, we believe Medical Devices is the subsector with high growth verticals given the companies' new product cycles. We also have a positive view on the large European pharmaceutical names that are exposed to secular growth themes in immuno-oncology, cardiovascular health, and diabetes. As for the Information Technology sector, rising demand for digitalization continues to fuel growth of IT services companies like Capgemini and the push for next generation chips will drive long term growth for chip lithography equipment maker ASML.

Our underweight position in Financials also contributed to the Fund's outperformance. Subsequent to the European Central Bank cutting interest rates by 10 bps to -0.50% during the quarter, revenue pressure for banks is intensifying, and we see no signs of margin pressure abating in the near term; this combined with a highly uncertain economic environment with Brexit, we pivoted towards owning stock exchanges, whose performance is positively correlated to increases in volatility. We continue to avoid Eurozone banks in the portfolio.

In August, we decreased the Fund's exposure to Real Estate by removing Vonovia and increased exposure to Information Technology through the addition of Capgemini. We have also sold Alcon as it was as a result of a spin-off from Novartis. Overall, the total number of holdings decreased from 23 to 22. We believe trimming the exposure to Real Estate was prudent given the amount of regulatory uncertainty German residential operators face with potential rent caps.

The Fund continues to hold no positions in Materials and Energy, which was a positive contributor to the Fund's performance. Trade uncertainty between the U.S. and China remains an overhang for the Materials sector overall and we do not believe the risk-reward is justified. We continue to underweight the Energy sector due to limited foreseeable revenue growth opportunities in Q4 2019 as Brent crude oil prices hover around the mid US\$50s to high US\$60s range. Margin pressure faced by European refineries is expected to continue heading into the next quarter, which is keeping us on the sidelines for now.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

Annual Compound Returns ¹	YTD	1-YR	Since Inception
Brompton European Dividend Growth ETF	29.1%	12.2%	8.3%
STOXX Europe 600 Index	20.3%	6.4%	4.5%

⁽¹⁾ Returns are for the periods ended September 30, 2019. The table shows the ETF's compound return for each period indicated compared with the STOXX Europe 600 Total Return Index ("Stoxx Index"). 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, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Since the ETF is actively managed, the sector weightings may differ from those of the Stoxx Index. The Stoxx Index is calculated without the deduction of management fees, Fund expenses and trading commissions, whereas the performance of the ETF is calculated after deducting such fees and expenses.

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Commissions, trailing commissions, management fees and expenses all may be associated with exchange-traded fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Exchange-traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

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