

PORTFOLIO MANAGER COMMENTARY - MARCH 31, 2020

Portfolio Review

During the first quarter of 2020, Brompton European Dividend Growth ETF (the “Fund”) declined 22.4%, in line with the STOXX Europe 600 Index, which was down 22.5%.

The Fund benefitted from underweight positions in Energy and Materials. We currently hold no position in the Energy sector and continue to underweight the sector due to limited foreseeable revenue growth opportunities in short term as Brent crude oil prices dip to the mid US\$20s to high US\$30s range. Margin pressure faced by refiners is especially acute this time and is expected to remain a headwind for the stocks heading into the next quarter. Within Materials, we favor industrial gas companies such as Air Liquide who tend to remain resilient through the cycle. Healthcare and medical gases demand have accelerated due a pandemic driven need for medical oxygen

Our position in Consumer Staples was also a positive contributor to the Fund’s performance. We own supermarket operator Koninklijke Ahold, whose operation is deemed essential during the COVID-19 crisis. We believe grocers and food manufacturers will benefit from a demand boost, as consumers will not only continue to shop for essential food items through the pandemic but also purchase larger quantities as they stock up supplies. Personal care and cleaning products are also areas experiencing strong demand trends during the pandemic. We continue to monitor the sector for attractive risk-reward opportunities.

Overweight positions in Industrials and Health Care offset some of the outperformance generated in the aforementioned sectors. COVID-19 has had a disproportionately large impact on the Industrials sector compared to others as consumers refrain from travelling and manufacturing activities comes to a halt. We believe industrial activities such as construction has been pushed out instead of being eliminated. As European countries relax their confinement measures, a pent-up demand will allow the sector to recover at a rapid pace. We continue to have a positive outlook for Health Care heading into the second quarter. The Fund currently holds several high-quality healthcare companies that are working towards a vaccine for COVID-19 including Sanofi and Glaxosmithkline, as well as Medtronic, who manufactures medical ventilators that are used for treatment of COVID-19. We believe market sentiment is heavily driven by the prospect of a vaccine and that Health Care companies will lead the economy towards the path to recovery.

Laura Lau, SVP & CIO

Michael D. Clare, VP & PM

Annual Compound Returns ¹	1-YR	Since Inception ²
Brompton European Dividend Growth ETF	(8.0%)	(1.3%)
STOXX Europe 600 Index	(12.5%)	(3.5%)

¹⁾ Returns are for the periods ended March 31, 2020. The table shows the Fund's compound return for each period indicated compared with the STOXX Europe 600 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 Fund 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, expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses.

²⁾ Inception Date July 21, 2017.

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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