

PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2020**Crude Oil Market Review**

Oil prices have been extremely volatile during 2020. At the beginning of the year, we had anticipated supply-demand for oil to be broadly balanced. A selloff in crude oil was triggered in March by a ramp up in production by Saudi Arabia of more than 20% to 12 million barrels per day. The production ramp occurred around the same time a COVID-19 pandemic swept across the globe. The dual shock from a global demand shock and increased supply caused West Texas Intermediate (WTI) crude oil prices to plummet from US\$61.18 at the beginning of 2020 to US\$20.48 at the end of the first quarter. WTI prices turned negative on April 20th for the first time in history as storage for crude oil ran close to full capacity amid a worldwide glut. Since then, WTI prices have recovered steadily through the rest of the year to close at US\$48.52 per barrel on December 31st, 2020. Brent oil prices continue to trade at a premium and closed the year at US\$51.80. In 2021, energy companies are expected to return to a more normalized oil price environment. In Canada, heavy oil spreads are trading at a discount of US\$15.35 per barrel at the end of the year.

During the fourth quarter, vaccine news drove a rotation into the Energy sector. Fundamentals in the sector are also improving. COVID-19 vaccine rollouts could trigger a boost in oil demand in the coming year. A successful rollout of the vaccine should effectively curb the spread of the virus and boost global aviation activity. The outlook for the oil market is predicated on the duration of the COVID-19 pandemic and the strength of the subsequent recovery of economic activity. According to the U.S. Energy Information Administration's forecasts, Brent oil price is expected to average US\$53 per barrel in 2021, compared to an average of US\$42 per barrel in 2020. Crude oil production from OPEC will average 27.2 million barrels per day in 2021, up from an estimated 25.6 million barrels per day in 2020.

During the OPEC+ meeting in December, OPEC+ raised production targets for its members by half a million barrels a day starting from January 1st, 2021. But subsequently in early January, Saudi Arabia made a surprise announcement to voluntarily and unilaterally cut supplies in the amount of 1 million barrels a day in February and March, this sent oil prices climbing over US\$50 per barrel. Prince Abdulaziz bin Salman said that the cut was a gift to an oil market that is facing near-term demand uncertainty because of the emergence of the new COVID-19 strain and cascading government lockdown restrictions. We believe Saudi Arabia's voluntary production cut over February and March will provide support to oil prices amid weak oil demand in the near term. The pace of shale expansion in the United States will remain tepid as producers cut spending and scale back drilling activities in the short term. However, 2021 should be a year of incremental improvements. A combination of better capital discipline, lower cost structures and OPEC+ support is why we are constructive on the sector heading into 2021. Over the short to medium term, the demand side of the equation is expected to improve as nations make progress on rolling out COVID-19 vaccines. Supply-demand should be more balanced, especially in the second half of 2021, on expectation of widespread inoculation. Free cash flow is poised to rebound on capex cuts.

Portfolio Review

Units (1 Class A share plus 1 Preferred share) of Brompton Oil Split Corp. (the "Fund") were down 37.2% in 2020 as crude oil sold off abruptly in March, recouped some losses in the second quarter and followed an upward trajectory in the fourth quarter. The S&P/TSX Capped Energy Index was down 34.6% while the S&P 500 Energy Index was down 33.7% over the same period. While the majority of holdings in the portfolio were down for the year, top performers included Tourmaline, Cabot Oil & Gas and Williams Co, which returned +17.2%, -4.3% and -7.6% respectively, considerably better than their peers. The weakest performers were Diamondback and Apache, who were more heavily impacted due to their oil exposure.

The portfolio was rebalanced and reconstituted in early October and the number of holdings decreased from 20 to 16 North American oil companies – 7 in Canada and 9 in the U.S. We currently favour oil producers that also have meaningful natural gas production. Natural gas prices recovered quickly from its June low of US\$1.48 per million BTU to a high of US\$3.35 on October 30th. Low cost structures and recovering North American natural gas prices should help drive meaningful accelerations in free cash flow over the next few years. Cabot Oil and Gas operates in the natural gas development, exploitation, exploration and production segment. ConocoPhillips has approximately 30% of their revenue tied to natural gas; and Williams gathers, stores and processes natural gas and natural gas liquids. Subsequent to the U.S. election in November, energy stocks have seen a meaningful rally off their lows. WTI prices broke above US\$50 a barrel in January 2021. We believe the portfolio is well positioned to benefit from a rebound as extreme energy price pressure abates. The portfolio holdings are spread across several sub-sectors including integrated oils, exploration & production, and pipelines/storage, and provide investors with exposure to key resource plays that we believe have the strongest return potential.

Looking out to 2021, we expect oil prices to stabilize on improving market fundamentals. Over the years, the industry's cost structure has come down significantly, which grants high quality oil producers the ability to cope with the current crisis. At current prices, oil producers are exercising capital discipline. Recently we have seen a wave of consolidation underway in Canada's energy sector highlighted by the merger of Cenovus Energy and Husky Energy. We see the potential for further consolidation within the industry given the market's focus on free cash flow. In the long term, demand is expected to recover. The demand for transportation fuels has been disproportionately impacted by the pandemic as countries closed borders, but we believe the demand for leisure travel will return rapidly on a broader vaccine adoption. Moreover, on-road transportation fuels (gasoline and diesel fuel) should provide a solid baseline for oil prices once people resume domestic travelling. Given our constructive long-term outlook for oil, our view is that the sector is currently attractively valued. We see potential for oil prices to continue its climb in 2021 given positive shifts in investor sentiment as COVID-19 related risks begin to wane. We believe that the current risk/reward proposition presents a buying opportunity for the oil producers.

Laura Lau, SVP & CIO

Michael D. Clare, VP & PM

Annual Compound Returns ¹	1-YR	3-YR	5-YR	Since Inception ²
Brompton Oil Split Corp. - Unit	(37.2%)	(21.2%)	(12.2%)	(14.3%)
S&P/TSX Capped Energy Index	(34.6%)	(19.2%)	(8.0%)	(11.6%)

⁽¹⁾ Returns are for the periods ended December 31, 2020. The table shows the Fund's compound return on a unit for each period indicated compared with the S&P/TSX Capped Energy Index ("Energy Index"). The Energy Index is derived from the Composite Index and tracks the performance of equity securities that are in the energy sector of the Toronto Stock Exchange (the "TSX"). The Fund invests, on an approximately equal-weight basis, in a portfolio comprised of at least 15 large-capitalization North American oil and gas companies. Since the Energy Index has more diversified portfolios that only include TSX-listed issuers, it is not expected that the Fund's performance will mirror that of the Energy Index. The Energy Index is calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund 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 February 24, 2015.

This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. The opinions contained in this report are solely those of Brompton Funds Limited ("BFL") and are subject to change without notice. BFL makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, BFL assumes no responsibility for any losses or damages, whether direct or indirect which arise from the use of this information. BFL is under no obligation to update the information contained herein. The information should not be regarded as a substitute for the exercise of your own judgment. Please read the Fund's annual information form before investing.

You will usually pay brokerage fees to your dealer if you purchase or sell shares of the Fund on the Toronto Stock Exchange or other alternative Canadian trading system (an "exchange"). If the shares are purchased or sold on an exchange, investors may pay more than the current net asset value when buying shares of the investment fund and may receive less than the current net asset value when selling them.

There are ongoing fees and expenses associated with owning shares of an investment fund. An investment fund must prepare disclosure documents that contain key information about the Fund. You can find more detailed information about the Fund in the public filings available at www.sedar.com. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all distributions and do not take into account certain fees such as redemption costs or income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

Certain statements contained in this document constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to matters disclosed in this document and to other matters identified in public filings relating to the Fund, to the future outlook of the Fund and anticipated events or results and may include statements regarding the future financial performance of the Fund. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

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