PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2019

Crude Oil Market Review

After a rally during the first half of 2019, West Texas Intermediate (WTI) crude oil price mostly remained below US$60 per barrel during the third quarter, before experiencing a sharp rise to US$62.90 per barrel in September due to a shortage of global oil supplies caused by a surprise attack on one of Saudi Arabia's oil production facilities. Prices subsequently trended lower after the spike to close at US$54.70 a barrel on September 30th, down 7.5% from the beginning of the quarter. Brent oil prices continue to trade at a premium to WTI and closed the period at US$60.78 per barrel, while heavy oil spreads in Canada traded at an average discount of US$12.55 per barrel, significantly narrower than the trading range in 2018 after Alberta's mandatory production cuts went into effect at the beginning of the year.

After a volatile fourth quarter in 2018, West Texas Intermediate (WTI) crude oil prices enjoyed a steady climb up during the first half of 2019 and hovered near the US$50 to US$60 range for the remainder of the year before closing at US$61.06 per barrel, an increase of 34.5% for the full year. Brent oil prices continue to trade at a premium to WTI and closed the year at US$66.00 per barrel. Heavy oil spreads in Canada traded at an average discount of US$13.65 per barrel versus the WTI, significantly narrower than the trading range in 2018 after Alberta's mandatory production cuts went into effect at the beginning of the year. In November of 2019, the Alberta government said it will leave its oil production quotas of 3.82 million barrels per day unchanged for January 2020.

We believe there are several reasons to remain bullish on crude oil in 2020. First, OPEC continues to support the market and has reversed the production ramp that occurred in 2018. During the latest OPEC meeting in December of 2019, OPEC+ announced an additional oil production cut of 500,000 barrels a day to through March 2020 and Saudi Arabia was to stay committed to additional voluntary cuts of 400,000 barrels a day. These reductions are set to commence in January 2020, bringing the coalition's reduction to roughly 1.7 million barrels a day. OPEC helps to bridge the gap between what would otherwise be viewed as an oversupplied market in 2020 to a more balanced energy market. We believe OPEC will continue to lend market support when necessary, a positive for the energy sector.

Second, in addition to the OPEC cuts, certain oil-exporting countries have seen their production decline as a result of lower oil prices over the past few years. This includes Venezuela, which has lost 1.6 million barrels per day since mid-2015 due to their severe economic difficulties, and Mexico, which has lost over 1.0 million barrels per day since 2010 due to underinvestment. Additionally, Iran's production has declined significantly since sanctions were re-imposed by the U.S. late last year. As such, any increase in geopolitical tensions will likely introduce upside risks to the oil price.

Third, U.S. oil inventories remain well below their peak and finished the year at a level below its five-year average. The decline in inventories over the past 2 years has come in spite of U.S. production levels continuing to reach new all-time highs; production averaged 12.3 million barrels per day in 2019, before levelling off to 12.9 million barrels per day as of the end of the year.

Last, demand growth is strong and is expected to remain strong in light of a global economy that continues to grow in the 3-4% range. The International Energy Agency predicted an acceleration of demand in 2020 by 1.2 million barrels a day to an average of 101.5 million barrels a day. Moreover, China continues to import oil at record levels with imports of approximately 10.2 million barrels per day in 2019 (an increase of 9.5% from 2018) compared to 3.5 million barrels per day over the same period 10 years ago. Import growth in 2020 is expected to remain robust as Sinopec, China's largest refiner, expand its capacity by 200,000 barrels per day. Furthermore, as part of the phase one trade agreement signed between China and U.S., China's import of American crude oil is set to increase over the next 2 years.

As a result of these factors, the global oil market is likely to remain in balance in the near term. Additionally, given the continued rise in global oil demand, there would likely not be enough global investment in new production capacity at current prices to meet rising demand and we believe that oil prices need to trade in the US$65 to US$75 range in order to keep the market in balance. Furthermore, geopolitical tension between the U.S. and the Middle East have caused a surge in oil prices heading into 2020, any escalation could translate into further upside to our outlook.

Portfolio Review

Brompton Oil Split Corp. (the “Fund”) was up 12.7% in 2019, outperforming both the S&P/TSX Capped Energy Index and the S&P 500 Energy Index, which were up 9.8% and 11.8%, respectively.

Top performers for the year included Gibson Energy, Hess, and Crescent Point, all of which were up more than 40% for the period, while Vermillion and Enerplus partially offset the Fund’s gains. We remain bullish on the North American energy sector and believe that oil producers, which have lagged the price of oil over the past several quarters, are attractively valued and present a buying opportunity at this time. In addition to our projection for continued strength in oil prices, advancements in drilling and completion technologies continue to have a significant positive impact on the energy sector through rapid productivity gains. As a result, the industry’s cost structure is down significantly. This will benefit the sector as oil prices rise, since increasing cash flows can be reinvested into profitable projects providing strong shareholder returns. Our belief is that the best and lowest cost producers will be able to generate a rate of return on their capital investments at US$50-60 oil that is as good or better than the rates of return the industry previously generated at US$100 oil from 2011-2014. In our view, this scenario could result in significantly higher stock prices and strong returns for the energy investor.

We have made several changes to the portfolio during the last quarter and it is currently comprised of 17 North American oil companies – 12 in Canada and 5 in the U.S. – which we believe give investors exposure to the themes discussed above: rising oil prices, reduced cost structure, and improving returns. We have added midstream exposure to the portfolio with the purchase of Keyera and TC Energy. Pipeline capacity demand for egress out of the Western Canada Sedimentary Basin remains high and existing pipeline are operating at peak capacity, which should support strong earnings growth for the pipeline operators. We also like Parkland Fuel, a strong consolidator, and Imperial Oil with an improving free cash flow profile. Post the adjustment, 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.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

Note: This page is not complete without disclaimers on page 3. See reverse.

Annual Compound Returns[1]	1-YR	3-YR	Since Inception[2]
Brompton Oil Split Corp. - Class A	1377.6%	(53.5%)	(38.9%)
S&P/TSX Capped Energy Index	9.8%	(10.4%)	(5.9%)
S&P/TSX Composite Index	22.8%	6.9%	5.6%
Brompton Oil Split Corp. - Preferred	5.1%	5.1%	5.1%
S&P/TSX Preferred Share Index	3.5%	2.7%	0.6%
Brompton Oil Split Corp. - Unit	12.7%	(13.0%)	(8.6%)

(1) Returns are for the periods ended December 31, 2019. The table shows the Fund's compound return on a Class A share, Preferred share and unit for each period indicated compared with the S&P/TSX Capped Energy Index ("Energy Index"), the S&P/TSX Composite Index ("Composite Index") and the S&P/TSX Preferred Share Index ("Preferred Share Index") (together the "Indices"). 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 Composite Index tracks the performance, on a market-weight basis, 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 TSX that meet the criteria relating to size, liquidity and issuer rating. 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 Indices have more diversified portfolios that only include TSX-listed issuers, it is not expected that the Fund's performance will mirror that of the Indices. The Indices are 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.

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