PORTFOLIO MANAGER COMMENTARY - MARCH 31, 2019

Portfolio Review

Brompton Oil Split Corp. (the "Fund") Units returned up 15.8% in the first quarter of 2019. This compares to the S&P/TSX Capped Energy Index and the S&P 500 Energy Index, which were up 12.2% and 16.4%, respectively, over the same period. While every name in the portfolio was up for the period, top performers included Hess, Devon Energy and Apache, which were up 49.4%, 40.4% and 33.1%, respectively. Subsequent to quarter end, Anadarko Petroleum received takeout offers from Chevron and Occidental. Several names in the portfolio rallied on the back of this news.

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 stronger oil prices in 2019, advancements in drilling and completion technologies continue to have a significant positive impact on the energy sector through rapid productivity gains. As 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$60-70 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.

The portfolio was rebalanced and reconstituted in March and is currently comprised of 19 North American oil companies – 9 in Canada and 10 in the U.S. – which we believe give investors exposure to the themes discussed above: rising oil prices, reduced cost structure, and improving returns. Until a longer term solution for Canadian oil price discounts is in place, we continue to favour the U.S. producers with a 55% target allocation. Additionally, some of the Canadian names in the portfolio – such as Encana and Enerplus – have significant exposure to U.S. assets. 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.

Given our positive long-term outlook for oil, our view that the sector is currently attractively valued, and the potential for a positive shift in investor sentiment on the back of the resolution of the issues described above, we believe that the current risk/reward proposition presents a buying opportunity for the oil producers.

Crude Oil Market Review

After a peak-to-trough decline of 44.9% in the fourth quarter of 2018, West Texas Intermediate (WTI) crude oil rallied alongside global risk markets in the first quarter of 2019 to close at US$60.14 per barrel, up 27.1% for the period. Oil has continued to rally in April as the U.S. government looks set to not extend waivers that had been granted to most buyers of Iranian crude oil when sanctions were re-imposed in late 2018. Brent oil prices continue to trade at a premium to WTI and closed the period at US$68.39 per barrel, while heavy oil spreads in Canada traded at an average discount of US$10.45 per barrel, significantly narrower than the trading range in 2018 after Alberta's mandatory production cuts went into effect.

We believe there are several reasons to remain bullish on crude oil in 2019. First, OPEC continues to support the market and has reversed the production ramp that occurred in the second half of 2018. The Vienna alliance between 26 OPEC and non-OPEC producers met last December and agreed to cut production by 1.2 million bpd. This brought first quarter production back to levels closer to the quotas that were in place prior to the 2018 Saudi-led supply surge and, in our view, has quickly rebalanced the market. We believe that OPEC will continue to lend some support to the market for the foreseeable future.

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 1.5 million barrels per day since mid-2015 due to their severe economic difficulties, and Mexico, which has lost over 900,000 barrels per day since 2010 due to underinvestment. As such, any increase in geopolitical tensions will likely introduce upside risks to the oil price. In the past, U.S. shale oil production was expected to fill the gap, but serious infrastructure bottlenecks (particularly in the Permian) are limiting production growth.

Third, 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. For example, China continues to import oil at record levels with imports of approximately 9.2 million barrels per day over the past 12 months compared to 3.4 million barrels per day over the same period 10 years ago. Additionally, in the U.S., which is the largest market for oil, vehicle miles travelled remain at all-time highs on a seasonally adjusted basis as the U.S. economy continues to do well and as consumers continue to purchase trucks and SUVs.

Last, despite the OPEC production surge in the fourth quarter of 2018, U.S. oil inventories remain well below their peak and continue to sit around the average of the prior five years. 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 with production of 12.2 million barrels per day as of the end of the period.

As a result of these factors, the global oil market is likely to remain undersupplied in the near term as there is likely not enough global investment in new production capacity at US$50 oil to meet rising demand. We believe that oil prices need to trade in the US$65 to US$75 range in order to bring the market into balance and that there is upside to this forecast should additional Iranian barrels come off the market or if geopolitical tensions escalate further in the Middle East.

Annual Compound Returns[1]	YTD	1-Year	3-Year	Since Inception[2]
Brompton Oil Split Corp. - Class A	3773.3%	(59.3%)	(35.8%)	(35.1%)
S&P/TSX Capped Energy Index	18.1%	(11.0%)	(1.4%)	(6.4%)
S&P/TSX Composite Index	16.9%	8.1%	9.3%	4.5%
Brompton Oil Split Corp. - Preferred	1.7%	5.1%	5.1%	5.1%
S&P/TSX Preferred Share Index	1.3%	(6.8%)	6.2%	0.1%
Brompton Oil Split Corp. - Unit	22.5%	(12.4%)	(6.7%)	(9.5%)

[1] Returns are for the periods ended March 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") and the S&P/TSX Composite Index ("Composite 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 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 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 Energy Index and the Composite Index 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.

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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.

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