

**PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2020****Canadian Markets Review**

2020 was a tumultuous year and surely a year for the history books. The 2020 stock market crash marked the fastest correction in market history; yet numerous stock markets defied expectations and closed at all-time highs. All in all, global markets finished the year with stellar performance, especially when taking into account the major correction that took place in March. The MSCI World Index gained 16.5% with the Information Technology sector as the best performing sector, gaining 44.3% during the year; Consumer Discretionary was the second-best performing sector, outperforming the MSCI World Index by 20.5%. In North America, the S&P 500 was up 18.4%, while the S&P/TSX Composite was up 5.6%, both of which were led by strong performance from the Information Technology sector. In Europe, the STOXX 600 was down 1.4% for the year. Germany and Switzerland had the best performance, where the DAX and SMI were up 3.5% and 4.3%, respectively. France's CAC 40 Index declined 5.0%. Spain and U.K. also finished the year in negative territory as the IBEX 35 and FTSE 100 declined 12.7% and 11.4%, respectively.

During the fourth quarter, global economies continued the path to recovery while certain parts of the world combated a resurgence of COVID-19. In general, Asian countries have been able to control the spread of COVID-19 much better than North America and Europe. In November, significant progress was made with the development and the rollout of COVID-19 vaccines. Pfizer and Moderna's vaccines both showed efficacy rates above 90%. AstraZeneca's vaccine also showed efficacy rate above the 50% threshold set by the World Health Organization. Several countries have granted emergency approval for these vaccines and are undergoing the inoculation process. At the same time, we saw sequential improvement in manufacturing production and sequential declines in the unemployment rate after peaking out in April. In the U.S., Democratic presidential nominee Joe Biden was elected the 45th president of the United States and was inaugurated on January 20, 2021. The two Georgia Senate runoff elections in January 2021 resulted in Democratic control of the Senate. Democrats gained control of both the Congress and the White House for the first time since 2011. A Democratic win in combination with vaccine news pushed stock markets to new highs in November. The more cyclical parts of the economy benefited the most, including Energy, Financials, Materials and Industrials. Performance of Information Technology stocks remained robust, as the work from home theme continue to be a secular tailwind for the sector. In December, equity markets rallied further despite the implementation of lock down measures in certain countries. Risk appetites continue to favor pro-cyclical stocks as additional coronavirus relief get passes by the U.S. congress.

Effective central bank policies played an essential role in the recovery of global equities. In Canada, following three rate cuts in the first quarter, the Bank of Canada (BoC) has kept interest rates unchanged at 0.25% for the remainder of the year to combat the impact of COVID-19 on the economy. At the same time, the rate is expected to remain at the effective lower bound until the 2% inflation target is sustainably achieved, which is not expected to happen until into 2023. Record high cases of COVID-19 in parts of Canada caused the re-imposition of restrictions during the fourth quarter. The BoC will continue to offer market support through its quantitative easing program at the current pace of at least \$4 billion per week.

At the end of 2020, the number of confirmed infections worldwide exceeded 84 million, with cumulative deaths approaching 2 million- more than double the number of infections at the end of the third quarter. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in October 2020, global gross domestic product is projected to contract 4.4% this year, a less severe contraction than the previous forecast in June as activity began to improve sooner than expected after lockdowns were scaled back in May and June. The IMF projected the global growth rate for 2021 to be 5.2%. The path to recovery will follow a choppy trajectory as it is predicated upon a confluence of factors including public health response, progress with vaccines rollouts and the size and effectiveness of the policy response. The intricacy of interactions between multiple factors at play makes forecasting a difficult exercise.

Looking forward to 2021, the rollout of COVID-19 vaccines should allow societies to ease restriction in the coming year and thus push equity prices higher. The appreciation of the Canadian dollar against the US dollar and the recovery of commodity prices should serve as tailwinds for Canadian equities. In terms of central bank policy, we expect the Bank of Canada to remain on hold in 2021 as the current policy remains accommodative and supportive of healthy growth in Canada.

Portfolio Review

Brompton Split Banc Corp. (the "Fund") invests in a portfolio consisting primarily of the six largest Canadian banks as well as up to 10% of the portfolio can be invested, from time to time, in global financial companies through an investment in the Brompton North American Financials Dividend ETF ("BFIN"). BFIN is an exchange-traded fund that invests in the equity securities of North American financial services companies with a market capitalization of at least \$5 billion.

In 2020 the Fund was up 1.1% versus the S&P/TSX Financials Index, up 1.6%, and the S&P/TSX Banks Index, which up 3.6%. We continue to have a positive view of Canadian banks as a COVID-19 vaccine provides a line of sight for economic recovery but this is weighted towards the back half of 2021 given reemergence of lockdowns in Q1. Until then, we believe core banking revenue will be pressured. We expect provisions for credit losses at Canadian banks will moderate in 2021, as provisioning for performing commercial and retail credit is largely behind. Canadian banks remain well capitalized which provides material cushions against loan losses (Canada's six biggest banks' strong capital levels of 12-13% CET1). Suspension of dividend hikes and share repurchases have also served to shore up capital ratios at Canadian banks. Larger, diversified banks, Royal Bank of Canada, Toronto Dominion and Scotiabank have a bit more capital and earnings backup.

The Fund modestly benefited from its holdings in BFIN, which was up 0.6%. BFIN's performance was driven by its overweight exposure in Investment Banking, Data Processing and Exchanges partially offset by exposure in Diversified and Regional Banks.

Laura Lau, SVP & CIO

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Annual Compound Returns ¹	1-YR	3-YR	5-YR	10-YR	Since Inception ²
Brompton Split Banc Corp. - Class A	(0.4%)	0.7%	13.0%	12.0%	9.9%
S&P/TSX Capped Financials Index	1.6%	3.8%	9.5%	9.4%	7.7%
Brompton Split Banc Corp. - Preferred	5.1%	5.1%	4.9%	4.9%	5.1%
S&P/TSX Preferred Share Index	6.1%	0.4%	4.2%	2.0%	2.1%
Brompton Split Banc Corp. - Unit	1.1%	2.2%	9.4%	8.8%	7.7%

⁽¹⁾ Returns are for the periods ended December 31, 2020. 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 Financials Index ("Financials Index") and the S&P/TSX Preferred Share Index ("Preferred Index") (together the "Indices"). The Financials Index is derived from the Composite Index based on the financials sector of the Global Industry Classification Standard. The Preferred 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 passively invests on an approximately equal weight basis in a portfolio comprised of six Canadian banks which are in both the Financials Index and the Composite Index but may hold up to 10% of its assets in global financial services companies. Since the Indices have more diversified portfolios, it is not expected that the Fund's performance will mirror that of the Indices. The Indices are calculated without the impact 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 November 16, 2005.

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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.

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