

**PORTFOLIO MANAGER COMMENTARY - DECEMBER 31, 2019****Canadian Markets Review**

Global markets finished the year with strong performance. Almost all stock markets and asset classes enjoyed double digit returns for 2019. The MSCI World Index gained 28.4% with the Information Technology sector as the best performing sector, gaining 48.1% during the year. In Canada, the S&P/TSX Composite was up 22.8%, also led by strong performance from the Information Technology sector. In terms of sector performance, 10 of the 11 sectors in the S&P/TSX Composite finished the year with double digit returns, with the exception being Health Care, a sector that is largely comprised of cannabis stocks in Canada. Generally speaking, cyclical sectors gained strength in the last quarter as trade war concerns subsided. Information Technology and Utilities were the top performing sectors, gaining 64.1% and 37.5%, respectively. Communication Services underperformed, relatively speaking, earning a total return of 13.0% due to disruption caused by the introduction of unlimited cell phone plans during the latter half of the year.

According to the latest forecast by the International Monetary Fund, the global economy is expected to grow 3.4% in 2020, a modest pickup from 2019's projected growth rate of 3.0%. Growth expectations were driven by a few topical issues. At the top of the list is progress on the U.S.- China trade war. During the month of December, expectation of a phase-one trade deal between the U.S. and China partially alleviated long standing trade tensions between the two nations. As part of the trade deal, tariffs that were set to take effect on December 15th on about US\$160 billion of consumer goods were averted; in exchange, China was expected to increase its purchases of American farm goods. The trade deal demonstrated compelling evidence of progress made by both sides and renewed market participants' confidence in global growth. Second, employment numbers and jobless claims are being closely monitored by investors for any signs of weakness. Employment and consumption continue to be robust and jobless claims remain at decade lows as service sectors across the globe kept labour markets buoyant and wage growth healthy. Lastly, Brexit-related fears subsided towards the end of 2019 after the U.K. held its third general election in four years in December, which resulted in Boris Johnson's Conservative party securing a parliamentary majority. We expect progress to be made on Brexit negotiations before the January 31st deadline and we anticipate 2020 to be a year of transition for the U.K.

Market performance and sentiment were also driven by central bank policies in 2019. The Bank of Canada kept its benchmark rate unchanged at 1.75% throughout the year. At the most recent policy meeting, Bank of Canada Governor Stephen S. Poloz noted nascent evidence of stabilization of the global economy, while growth is still expected to edge higher over the next couple of years. The Consumer Price Index (CPI), a measure of inflation, remains near the Bank of Canada's target of around 2% with robust consumer spending, strong wage growth and solid housing market as main sources of strength. On the other hand, ongoing U.S.- China trade related uncertainty was highlighted as the biggest source of risk.

Looking forward, we expect positive investor sentiment to continue to drive strong equity performance in 2020. On the U.S.- China trade front, we expect the U.S. and China to discuss the potential of a phase two trade deal after the signing of the phase one deal in January. In terms of central bank policy, we expect the Bank of Canada to remain on hold in 2020 as the current policy remains accommodative and supportive of healthy growth in Canada. Lastly, in terms of volatility, we anticipate the 2020 U.S. federal election to be accompanied by higher volatility during the year. Geopolitical tension between the U.S. and the Middle East could also be a source of volatility that we will be paying close attention to.

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 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. Last year the Fund's mandate was modernized to allow the Manager to rebalance and/or reconstitute the portfolio more frequently than annually, at its discretion, for reasons other than mergers or fundamental corporate actions, so that the Fund may respond to security or market developments on a timely basis.

In 2019 the Fund was up 17.5% versus the S&P/TSX Financials Index, which was up 21.4%, and the S&P/TSX Banks Index, which was up 14.6%. On average the Canadian Banks returned 16.9%. We note that 2019 marked the first time since 2010 that the Canadian bank index underperformed the S&P/TSX Composite Index (after outperforming for eight consecutive years). Amongst the Canadian Banks, National Bank was the top performer (up 34%), which benefitted from its leverage to the Quebec economy as well as prudent expense management and higher trading revenues. TD was the bottom performer (up 11.6%) given its exposure to the US (declining rate environment) and elimination of online trading commissions affecting the contribution from Ameritrade. We remain positive on the Canadian banks, although mortgage growth has slowed with a softening of the Canadian housing market, commercial real estate has been an area of strength. We believe Canadian banks are well positioned to capitalize on regulatory changes in the sector, and valuations are still attractive considering strong ROEs and high capital positions.

The Fund also benefited from its holdings in BFIN, which was up 29.8% given overweight positions in Data Processing & Outsourced Services, Regional and Investment Banks partially offset by an underweight position in Diversified Banks which detracted from performance. A key challenge for the banks would be the ability to drive reasonable levels of revenue growth in a less favourable interest rate environment particularly as a gradual climb in credit costs and investment spend continues. Competitive intensity favors financial institutions with greater scale and more tech enabled operations.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

Annual Compound Returns ¹	1-YR	3-YR	5-YR	10-YR	Since Inception ²
Brompton Split Banc Corp. - Class A	27.1%	7.3%	10.1%	13.1%	10.7%
S&P/TSX Capped Financials Index	21.4%	7.7%	8.5%	10.1%	8.2%
S&P/TSX Composite Index	22.8%	6.9%	6.3%	6.9%	6.4%
Brompton Split Banc Corp. - Preferred	5.1%	5.0%	4.8%	4.9%	5.1%
S&P/TSX Preferred Share Index	3.5%	2.7%	(0.3%)	2.1%	1.8%
Brompton Split Banc Corp. - Unit	17.5%	6.4%	7.9%	9.5%	8.2%

⁽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 Financials Index ("Financials Index"), the S&P/TSX Composite Index ("Composite 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 Composite Index tracks the performance, on a market weight basis, of a broad index of large-capitalization issuers listed on the Toronto Stock Exchange ("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 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 Index returns 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.

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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