BROMPTON SPLIT BANC CORP.

BROMPTON FUNDS

## PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2019

### Portfolio Review

SBC 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 SBC'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.

For the first half of 2019, the Fund was up 18.7% ahead of the S&P/TSX Capped Financials Index which was up 14.3%. All six Canadian banks were up in the first half of 2019 following the market sell-off in Q4 2018. On average the Canadian Banks returned 10.8% with TD being the top performer (up 15%) and CIBC the bottom performer (up 4%). We remain positive on the Canadian banks. Even though mortgage growth has slowed with a softening of the Canadian housing market, higher interest rates have driven net interest margins higher, while positive operating leverage have improved profitability. Commercial real estate has also been an area of strength for the Canadian banks. We believe that the Canadian housing market remains on stable ground, the banks are well positioned to capitalize on regulatory changes in the sector, and valuations are attractive considering strong ROEs and high capital positions.

The Fund also benefited from its holdings in BFIN, which was up 19.7% given overweight positions in Data Processing & Outsourced Services and both Regional and Diversified Banks. While the banking sector is notable for return of capital to shareholders, it faces potential headwinds associated with the interest rate environment, trade and tariff noise that could impact commercial borrowers' appetite and potential credit normalization. On the non-bank side, insurers are expected to see tailwinds driven by productivity gains and capital management. Payment and financial exchanges/data continue to benefit from digital transformation tailwinds.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

June 30, 2019

Note: This page is not complete without disclaimers on page 2. See reverse.

| Annual Compound Returns[1] | YTD | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception |
|---|---|---|---|---|---|---|
| Brompton Split Banc Corp. - Class A | 18.7% | (1.4%) | 15.3% | 9.7% | 15.5% | 10.6% |
| S&P/TSX Capped Financials Index | 14.3% | 5.3% | 11.8% | 8.0% | 10.7% | 8.0% |
| S&P/TSX Composite Index | 16.2% | 3.9% | 8.4% | 4.7% | 7.8% | 6.3% |
| Brompton Split Banc Corp. - Preferred | 2.5% | 5.1% | 4.9% | 4.8% | 4.9% | 5.1% |
| S&P/TSX Preferred Share Index | (0.9%) | (9.4%) | 4.5% | (0.9%) | 2.6% | 1.6% |
| Brompton Split Banc Corp. - Unit | 11.7% | 1.1% | 10.9% | 7.6% | 10.6% | 8.1% |

*(1)Returns are for the periods ended June 30, 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'') and the S&P/TSX Composite Index (''Composite Index'') and the S&P/TSX Preferred Share Index ("Preferred Share Index"). 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 TSX. The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the Toronto Stock Exchange. The Fund passively invests on an equal weight basis in a portfolio comprised of six Canadian banks which are in both the Financials Index and the Composite Index. Since the indices have more diversified portfolios, it is not expected that the Fund's performance will mirror that of the indices. The Financials Index and Composite Index returns are calculated without the impact of management fees, fund expenses and trading commissions, whereas the performance of the Fund's Class A shares and units are 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.*



BROMPTON FUNDS

VALUE
INTEGRITY
PERFORMANCE
THE FOUNDATION FOR EXCELLENCE

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