



PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2020

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 Q3 the Fund was up 5.9% versus the S&P/TSX Capped Financials Index, which was up 4%. Canadian banks remain well capitalized which provides material cushion against loan losses, which may mar retail and commercial portfolios amid the COVID-19 pandemic. While timing of economic recovery remains unclear, we note commercial loan growth could weigh on overall bank loan growth as demand from these borrowers tends to lag the economic recovery. We continue to believe the current pandemic will be an earnings issue for the banks, rather than a balance sheet issue. Canadian banks’ expense growth may moderate, yet the promise of positive operating leverage is likely out of reach as revenue risks rise. Banks are prudently managing costs and working to improve efficiency ratios, despite higher technology spending, yet near-term operational uncertainty may pressure goals. Canadian bank valuations remain attractive (1.2x book value) which suggests the potential for further upside from here once the market becomes more confident around the outlook for credit losses.

The Fund benefited from its holdings in BFIN, which was up 3.7%. BFIN’s performance was driven by its overweight exposure in Diversified and Regional banks, Life and Health Insurance as well as Data Processing and Outsourced Services.

Laura Lau, SVP & CIO

Michael D. Clare, VP & PM

| Annual Compound Returns ¹ | YTD | 1-YR | 3-YR | 5-YR | 10-YR | Since Inception ² |
|---------------------------------------|---------|---------|--------|------|-------|------------------------------|
| Brompton Split Banc Corp. - Class A | (26.3%) | (25.8%) | (5.9%) | 6.6% | 8.8% | 7.9% |
| S&P/TSX Capped Financials Index | (12.9%) | (12.0%) | 0.5% | 6.5% | 8.3% | 6.8% |
| S&P/TSX Composite Index | (3.1%) | 0.0% | 4.2% | 7.1% | 5.8% | 5.9% |
| Brompton Split Banc Corp. - Preferred | 3.8% | 5.1% | 5.1% | 4.9% | 4.9% | 5.1% |
| S&P/TSX Preferred Share Index | (1.1%) | 2.8% | (1.1%) | 4.1% | 1.4% | 1.7% |
| Brompton Split Banc Corp. - Unit | (14.3%) | (13.5%) | (1.2%) | 6.0% | 7.1% | 6.6% |

⁽¹⁾ Returns are for the periods ended September 30, 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"), 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 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.

This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. The opinions contained in this report are solely those of Brompton Funds Limited ("BFL") and are subject to change without notice. BFL makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, BFL assumes no responsibility for any losses or damages, whether direct or indirect which arise from the use of this information. BFL is under no obligation to update the information contained herein. The information should not be regarded as a substitute for the exercise of your own judgment. Please read the Fund's annual information form before investing.

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.



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

Address

Bay Wellington Tower,
Brookfield Place
181 Bay Street
Suite 2930, Box 793
Toronto, Ontario M5J 2T3

Website

www.bromptongroup.com