Brompton Global Dividend Growth ETF (TSX: BDIV)

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2019

Portfolio Review

The Fund's Net Asset Value per unit increased to $20.17 as of June 28, 2019 from $18.15 as of December 31, 2018. The Fund also paid total distribution of $0.60 per unit for the six-month period ending June 30, 2019.

In May, the portfolio was rebalanced and reconstituted to decrease the Fund's exposure to Healthcare and Financials while increasing exposure to defensive sectors including Utilities, Communication Services, and Consumer Staples. Overall, the total number of holdings increased to 39 from 33. We believe additional exposure to defensive sectors including Utilities, Real Estate and Consumer Staples was prudent as supported by a favourable low interest rate macro environment.

The Fund is underweight Financials. Macro concerns over slowing global growth and looming interest rate cuts are weighing on the Financials sector. Within the sector, we favor insurers over banks given cheaper valuations at relatively similar growth profiles. We continue to own stock and derivative exchanges whose performance is positively correlated to increases in volatility.

Our positive view on Consumer Staples and Real Estate supports our overweight positions in the two sectors. Pockets of growth in the beverage industry including coffee and flavored seltzer should more than offset cost inflation pressures. We see global brands like Pepsi (with Bubly) and Nestle (with Starbucks deal) leveraging their global scale to gain market share and expand their product lines. REITs typically perform well in a low interest rate environment, thus a falling 10-year treasury yield and interest rate cut expectations should support growth in our Real Estate names. Tower REIT Crown Castle (up 22%), one of the largest tower REITs in the U.S., is well positioned for the 5G network buildouts. Rising cloud demand continues to drive IT spending, which should benefit our data center REIT name Equinix (up 44.6%).

We increased the Fund's exposure to the Communication Services sector during the May rebalancing while remaining underweight the sector overall. Though Telecom gained on interest rate cut expectations, declining legacy wireline service revenue and intensifying competitive pressure weigh in on our outlook for the sector. We remain cautious of these risks heading into the second half of 2019.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

June 30, 2019

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