

PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2019

Portfolio Review

In the first half of 2019, the Fund's NAV per share increased from \$17.04 to \$19.89 while the Fund also paid out \$0.50 of distributions.

The Fund benefitted from overweight positions in the Data Processing & Outsourced Services and Financial Exchanges & Data sub sectors with notable performance in holdings of MasterCard (up 41%), S&P Global (up 35%) and Broadridge (up 34%). We like MasterCard as it is operating in global duopoly with Visa in payment processing and transactions while continuing to drive top and bottom line growth. We also like S&P Global's positioning in the oligopolistic credit ratings business. Broadridge is a ubiquitous platform in financial services providing proxy related investor communication services and securities transaction processing services. We believe the company will continue to drive growth as broker-dealers are increasingly rationalizing back-end functions and outsourcing to Broadridge.

An overweight position in Regional and Diversified Banks also contributed positively to Fund performance. Top performing holdings include Citigroup (up 36%), Goldman Sachs (up 23%) and PNC Financial Services (up 19%). Despite the interest rate environment, strong economic growth should continue to drive loan growth while operating leverage and tax reform have improved profitability for banks in general. As noted above a strong capital position across the sector has also resulted in higher capital return programs through a combination of dividend growth and share buybacks.

Although the Fund was underweight the Insurance sub sector, holdings that contributed to performance include Progressive (up 38%) and Aon Plc (up 33%).

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June 30, 2019

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