PORTFOLIO MANAGER COMMENTARY - MARCH 31, 2019

Portfolio Review

Brompton North American Financials Dividend ETF (the "Fund") increased the net asset value per unit from $17.04 to $18.79 during the first quarter of 2019 while paying total distribution of $0.25 per unit. All holdings within the portfolio except for CME Group rallied in the first quarter of 2019 from the December 2018 lows. Financials broadly sold off with the overall market in the fourth quarter of 2018 as the market began to price in a high probability of a U.S. recession in 2019, and bounced back during the first three month of 2019, which was consistent with our expectations.

For the period, the Fund benefitted from our overweight positions in Data Processing & Outsourced Services and Regional Banks, both of which outperformed. This includes particularly strong performance from Mastercard, which was up 25.0% during the quarter. The solid performance was supported by the continued shift towards electronic transactions, which Mastercard capitalized on given its duopoly position with Visa. Mastercard is well positioned to grow into the largely untapped market for electronic business transactions. We remain optimistic on the Financial Technology space. In addition to Mastercard, the Fund also owns Broadridge, an operator of financial services platforms that provide technology based outsourcing solutions including investor communications such as distribution of proxy materials, and trade processing. We believe the company will be able to drive topline growth as the adoption rate of its proprietary ProxyEdge system and back office functions accelerate.

Our Regional Banks holdings had strong performance during the quarter, including SVB Financial, First Republic and BOK Financial, which all generated double digit returns during the quarter. Solid loan growth reported by regional banks in the latest quarter suggest healthy underlying economic growth within the sector. Regional banks are direct beneficiaries of an improving domestic economy, as we've seen in the U.S. Midwest & Southwest markets. Credit remains a headwind as banks book higher than expected loan loss provisions. In our view, the credit environment has not deteriorated and remains benign despite valuations suggesting the end of the cycle is near. Even after the recent recovery, our Regional Banks holdings including SVB Financial, Comerica, BOK, and PNC continue to trade at attractive valuations that are below 1 standard deviation on a historical and relative basis in terms of P/BV and P/E .

The Fund has an overweight position in the Financial Exchanges & Data sector. We continue to favour and remain overweight this sector as we believe robust market data and clearing services demand will support organic growth. CME Group declined 12.1% on moderated trading volume in the first quarter amid a low volatility environment. However, in our view, we see multiple growth drivers for the company at play, the first one being its acquisition of NEX Group, which should generate synergies and support revenue growth by allowing CME to expand its derivatives clearance capabilities. Second, the structural shift towards electronic options trading should drive additional volume and top line growth. Lastly, exchanges tend to rally as volatility rise, and both our holdings, CME Group and S&P Global, should act as hedges against a high volatility environment should volatility spike later in the year.

The Fund is overweight Insurance Brokers and underweight Life & Health Insurers. Within the Insurance brokers subsector, the Fund owns AON, a top global insurance and reinsurance broker. We believe an improved global macroeconomic condition and stabilization in Property & Casualty Insurance pricing warrant margin expansion and top line growth for AON. On the other hand, in the Life & Health Insurance subsector, a low yield environment remains a headwind and pressure on ROEs will persist for the group. We are also cautious given the sector has faced continued pressure on fees and variable annuity demand.

We remain underweight Asset Management & Custody, as the sector has been experiencing fee compression and institutional fund outflows. As investors shift to passive products, large capitalization asset managers have experienced multiple compressions. Margin pressure remains a structural concern which keeps us on the sidelines until conditions improve.

BROMPTON
EXCHANGE TRADED FUNDS

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

Website
www.bromptongroup.com

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