Canadian High Income Equity Fund

BROMPTON FUNDS

INVESTMENT MANAGER COMMENTARY - Q1 2020

Looking back on 2019, the month of August was a pivotal one for markets. In that month a significant decrease in bond yields occurred as a result of the U.S. Federal Reserve interest rate cut at the end of July and pessimistic views on trade tensions. However, what was being referred to as “Phase 1” of a trade deal between the U.S. and China began to be anticipated and rallies in global markets ensued. With Canada’s economy being trade-oriented and quite open, our market reacts according to these events especially when considering our largest trading partner – the U.S. – is involved. Fortunately, the last four months of the year turned out to be the complete opposite and very good for the Canadian market, as prospects for a trade deal and better economic growth improved.

The Canadian market had a much better showing in relative performance to the U.S. in 2019 after having greater difficulty keeping up in most recent years. Being invested in Canadian stocks in 2019 was very rewarding and is borne out in the statistic that even the weakest sectors (excluding Healthcare) generated positive double-digit percentage returns. However, it is important to note that the low starting point at the beginning of the year did help. Above all, high income and dividend paying equities that are the focus of our investment approach performed very well supported by the continuing low interest rate environment.

Canadian High Income Equity Fund (the “Fund”) had strong absolute performance but slightly underperformed for the year against the very strong benchmark returns of the S&P/TSX High Dividend Total Return Index and the S&P/TSX Composite Total Return Index. However, the Fund did outperform the S&P/TSX Composite Total Return Index and was in line with the S&P/TSX High Dividend Total Return Index in the fourth quarter. Towards the end of the third quarter the Fund completely exited the Oil & Gas sector with its sale of Vermilion Energy which was a drag on performance. We believe this area of the Canadian market continues to struggle mostly due to pipeline egress issues and government policy.

Positions in Cineplex Inc. (which has agreed to be acquired), Gibson Energy Inc. and Enbridge Inc. were the greatest contributors to performance last quarter. For the past year, the greatest contributors to performance were Altus Group Limited, Manulife Financial Corporation and Boralex Inc.

In mid-December Cineplex Inc., a stock held in the Fund, announced that it had agreed to be acquired at a premium of 42% to its then market price, with the transaction expected to close in the first half of 2020. We have held Cineplex for some time with the belief that despite a lagging share price, an improvement in its results and further diversification of its revenue would result in an improved share price or a takeout given its attractive valuation.

The year 2019 was a strong one for the Canadian equity market with value investing showing an acceleration in performance relative to the popular momentum investing strategy since late August. We believe this is a result of a situation where some value stocks became so oversold, and in many cases unjustifiably, that investors are now paying more attention to them due to improved earnings. Bloom leans towards value investing when making our investment decisions. While we are not deep value investors, we are patient when it comes to our buy and sale prices of target investments. We have followed this investment style for over 30 years and have chosen to invest in stocks based on bottom-up fundamental analysis and not simply because they are “hot”. Cineplex is a good example of our firm’s long term value with yield strategy being eventually recognized and rewarded. We are hopeful for other portfolio positions to be likewise recognized, and the sooner the better! Heading into the new year we believe that higher yielding, income-oriented equities will continue to be a good approach for the Fund, further aided by a continued low interest rate environment.

Bloom Investment Counsel, Inc.

January 2, 2020

BLOOM
INVESTMENT COUNSEL, INC.

Annual Compound Returns[1]	1-Year	3-Year	5-Year	Since Inception
Canadian High Income Equity Fund	19.6%	(1.0%)	1.7%	4.3%
S&P/TSX Composite Index	22.8%	6.9%	6.3%	7.1%

(1)Returns are for the periods ended December 31, 2019. The table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Index ("Composite Index"). The Composite Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large capitalization issuers listed on the TSX. Since the Fund is actively managed, the sector weightings differ from those of the Composite Index. In addition, the Fund's portfolio contains predominantly higher dividend paying securities, whereas the Composite Index does not necessarily focus on this type of investment. For these reasons it is not expected that the Fund's performance will mirror that of the Composite Index. Further, the Composite Index is calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses.

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 Bloom Investment Counsel Inc. ("Bloom") and are subject to change without notice. Bloom makes every effort to ensure that the information has been derived from sources believed to reliable and accurate. However, Bloom assumes no responsibility for any losses or damages, whether direct or indirect which arise from the use of this information. Bloom 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 units of the Fund on the Toronto Stock Exchange or other alternative Canadian trading system (an "exchange"). If the units are purchased or sold on an exchange, investors may pay more than the current net asset value when buying units 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 units 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 unit 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 herein 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.

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