GLOBAL DIVIDEND GROWTH Split Corp.

BROMPTON FUNDS

## PORTFOLIO MANAGER COMMENTARY - MARCH 31, 2019

### Portfolio Review

Global Dividend Growth Split Corp (the "Fund") increased the net asset value per unit from $18.99 to $20.77 during the first quarter of 2019 while paying total distributions of $0.425 per unit. All holdings within the portfolio apart from CME Group and UnitedHealth Group rallied in the first quarter of 2019 from the December 2018 lows, with the Fund benefitting from particularly strong performance in Cisco Systems, TransCanada Corp, and Apple, which were up 25.6%, 24.7% and 20.9%, respectively. UnitedHealth was down 0.4% due to headline risks surrounding Democrat's "Medicare for all" proposal during the quarter. We believe the selloff was overdone with the company trading below its 52-week low despite its strong fundamentals.

The Fund is overweight Health Care, Financials and Information Technology. In the Health Care sector, the Fund owns names that are exposed to secular growth themes in immune-oncology, cardiovascular health, diabetes and medical devices given an aging global population and increasingly longer life spans. For instance, Novartis with a focus on oncology and heart disease, was up 15.6% during the first quarter, and AstraZeneca, a developer of cancer, diabetes and asthma which gained 8.9% during the quarter. We continue to overweight Health Care given the high growth potential within the sector that is driven by product innovation and R&D productivity; particularly, we see Medical devices being the subsector with high growth verticals.

We remain overweight in Financials heading into the second quarter of 2019. During the last quarter of 2018, Financials underperformed as a result of a broader market selloff. Consistent with our expectations, the sector bounced back during the first quarter of 2019 as market sentiment improved. At current levels, valuations remain attractive on a both historical and relative basis. North American banks and life insurers are well capitalized with strong balance sheets; the Fund owns TD, JP Morgan, DNB, Sunlife, and Manulife, which we anticipate multiple expansions in Q2 and continued dividend growth given their strong track records.

Our overweight positions in Cisco, Broadcom and Apple within the Information Technology sector contributed positively to our performance against the MSCI World Index. Capital expenditures continue to rise within the sector driven by increased investments in machine learning, Internet of Things (IoT) and data security. Our holdings are positioned to have direct or indirect exposures to artificial intelligence and should benefit, to varying degrees, as the technology proliferates across industries and becomes more ubiquitous. Cisco was up 25.6% during the quarter; Cisco is a global leader in networks with more than 50% market share. The company's growing cloud and security business should allow it to generate healthy momentum, and with that, increased recurring sales and dividend growth. In our view, Apple's pivot away from a cyclical product sales-oriented business towards a subscription-based service-oriented model through its breath of new offerings including Apple TV+, Apple News+, Apple Card and Apple Arcade will provide long term sustainable revenue to Apple's business. Furthermore, the Fund's semiconductor holdings were also positive contributors. The portfolio currently holds Intel, a dominant player in the server and PC market also entering into higher growth end markets such as cloud and autonomous vehicles, and Texas Instrument, a diversified semiconductor design and manufacturing company that gained 13.1% during the quarter. Semiconductor companies serve at the upper end of the artificial intelligence value chain by providing the hardware in computing devices to power AI software.

The Fund is underweight Utilities, Real Estate, Industrials, Consumer Staples and Consumer Discretionary. The Fund currently holds no positions in Utilities and Real Estate given the small size of the sectors in the MSCI World Index, we will continue to monitor the state of these two sectors as market sentiments shift throughout the year. The Fund also has underweight positions in Industrials and consumers as macro uncertainty surrounding global growth and U.S China trade concerns adds volatility to these sectors. Consumer Discretionary and Consumer Staples are facing growing competition from e-commerce as well as growing labour costs, which pressures their margins. We remain cautious on these sectors heading into the second quarter; we will continue to monitor the state of global economic health, trade negotiations and competitive environments.

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*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. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.*

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