Brompton Global Healthcare Income & Growth ETF (TSX:HIG)

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2019

Portfolio Review

Brompton Global Healthcare Income & Growth ETF (the "Fund") was down 1.1% in Q3 in tandem with the MSCI World Health Care Index.

The Fund benefitted from being overweight the Healthcare Equipment & Services sub-sector, which we believe is relatively defensive in-light of the headline risks. Notable performance contributions include solid returns from holdings in Edwards Life Sciences (up 19%), Medtronic (up 13%) and Koninklijke Phillips (up 6%). During the quarter we added small positions in Zimmer Biomet, Smith & Nephew and DexCom as recent pullbacks provided an attractive risk/reward setup.

An underweight position in the Pharmaceuticals and Biotech subsectors provided an incremental benefit to the Fund's performance. We believe our position weighting is prudent given the continued political attention on drug pricing as well as pricing pressures seen as a result of increased generic competition. Holdings in our portfolio performed well, with top performers including Zoetis (up 10%) and Astrazeneca (up 9%). During the quarter we exited our position in Amgen.

Our overweight exposure to Life Sciences negatively impacted the Fund's performance during the quarter largely due to weaker than expected quarterly results which does not alter our investment thesis in a meaningful way. For example IQVIA, one of the world's largest contract resource companies, remains well positioned to benefit from increased R&D spend from large pharma. Additionally Illumina, a global leader in gene sequencing that generates 90% of all DNA sequence data, should continue to benefit over the long run as less than 1% of world's population has been sequenced so far. As a result, there is a long-tail opportunity as genetic tests become more mainstream in diagnosing and treating disease.

The Fund has a market weight in the Managed Care sub sector, which did not overly detract from performance relative to the benchmark. While policy proposals have created headline risk in this space, lack of congressional support for Medicare For All makes it less likely to be passed. The outcome of the 2020 Presidential elections could alter our view; however, such sweeping changes in healthcare are very challenging. We continue to own marquee companies like UnitedHealth Group, given its positioning as the #1 health insurer in the U.S., and Humana, given its exposure to strong trends in Medicare Advantage enrollment

Laura Lau, SVP & Sr. PM

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Note: This page is not complete without disclaimers on page 2. See reverse.

Annual Compound Returns[1]	YTD	1-Year	3-Year	Since Inception
Brompton Global Healthcare Income & Growth ETF	13.3%	2.9%	7.4%	6.3%
MSCI World Health Care Index	8.9%	(1.3%)	8.6%	6.8%
S&P/TSX Composite Index	19.1%	7.1%	7.4%	8.9%

[1] Returns are for the periods ended September 30, 2019. Inception date September 24, 2015. The following table shows the Fund's compound return for each period indicated compared with the MSCI World Health Care Index ("Health Care Index") and the S&P/TSX Composite Index ("Composite Index"). The Health Care Index represents the healthcare industry group of the MSCI World Index. The Composite Index tracks the performance, on a market weight basis, of a broad index of large-capitalization issuers listed on the TSX. The Fund's portfolio is expected to invest in at least 15 healthcare companies. It is not expected that the Fund's performance will mirror that of the benchmark indices, since the Health Care Index contains a substantially larger number of companies and the Composite Index is more diversified across multiple industries. Further, the benchmark indices are 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.

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