

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2020

Technology Sector Review & Outlook

Worldwide IT spending is expected to decline 8% to \$3.4 trillion in 2020 given pandemic-driven headwinds. The recovery in technology spending is not expected to follow typical patterns given demand and supply shocks from recent lockdowns and some hard-hit industries (airlines, entertainment, retail) would take a longer time to recover. The pandemic has fueled demand for public cloud services, which is expected to grow 19% in 2020, remote conferencing (24% growth) and communications (9% growth). Given the demand for remote access during the pandemic, the nascent desktop-as-a-service opportunity is expected to double to \$1.2 billion in 2020 and expected to be worth \$2.5 billion by 2022 as work from home becomes more mainstream in a post COVID-19 world.

The global semiconductor market has remained largely resistant to global macroeconomic headwinds given mid-single digit growth year-to-date, a marked improvement from the 12% decline in 2019 according to Gartner. Semiconductors continue to lead cyclical recoveries and we believe we are on the cusp of the next leg of innovation. Semiconductor demand continues to be driven by datacenters, as a result of uptake in cloud computing as well as the 5G cycle. US Congress is considering legislation that calls for substantial investments in domestic semiconductor manufacturing and research grants ranging from \$20 billion to \$50 billion. While US-headquartered companies account for 48% of the world's chip sales, US-based fabricators – including those operated by companies headquartered abroad – account for only 12% of the world's semiconductor manufacturing capacity, down from 37% in 1990. Proposed legislation could drive a 27% increase in US-based fabrication plants and create up to 70,000 high paying jobs according to the Boston Consulting Group.

US Congress recently concluded a 16-month investigation into Amazon, Apple, Google and Facebook and has found that the tech giants hold “monopoly power” in key business segments and have abused their dominance in the marketplace. The House Judiciary Committee's antitrust panel argues that tech giants have maintained their monopoly position by using the vast amounts of data they've gathered on consumers and other businesses in order to muscle out rivals, gain an advantage in new product markets and reduce innovation by others; and that conduct is anti-competitive. Critics argue that legal precedent on antitrust cases are viewed through the lenses of price, choice and corporate collusion. The use of data in the digital economy is a novel argument in the antitrust paradigm.

Overall, the technology sector remains an attractive structural growth story. The digital transformation opportunity, which is underpinned by enabling technologies such as cloud, hyper connectivity (e.g. 5G), digital media, e-commerce, payments and intelligent automation, provides many avenues for growth both in the near and long term. Disruptive emerging technologies, such as artificial intelligence, are expected to reshape business models and drive economic value add in the global economy. Stocks in our portfolio are uniquely positioned to benefit from this growth given their respective market position in the products and services they offer as well as degree of innovation that enhances competitive moats.

Portfolio Review

Brompton Tech Leaders Income ETF (the “Fund”) was up 12.6% in Q3 2020 versus the S&P 500 Equal Weighted Information Technology Index, which was up 6.1%.

The Fund benefitted from an overweight position in the software subsector which contributed to an outperformance relative to the benchmark. Top performing holdings include Salesforce (up 34%), ServiceNow (up 20%) and Adobe (up 13%).

An underweight position in IT services also contributed to the Fund's outperformance relative to the benchmark. Top performing holdings include Mastercard (up 14%), PayPal (up 13%) and Accenture (up 5.6%).

The Fund's underweight position in the semiconductor subsector did not overly detract from overall performance. Top performing holdings include Nvidia (up 42%).

A relative market weight in the hardware subsector also contributed positively to the Fund's performance given holding in Apple (up 27%).

The Fund is overweight technology-related sub sectors such as interactive media and internet media given its holding in Facebook (up 15%), Amazon (up 14%) and Alphabet (up 4%).

Laura Lau, SVP & CIO

Michael D. Clare, VP & PM

Annual Compound Returns ⁴	YTD	1-Year	3-Year	5-Year	Since Inception ²	Since Inception ³
Brompton Tech Leaders Income ETF (CAD Hedged)	23.7%	35.2%	23.4%	21.2%	13.5%	-
Brompton Tech Leaders Income ETF	26.1%	37.9%	-	-	-	35.7%
S&P 500 Equal Weight Information Technology Index	8.0%	20.0%	17.8%	21.7%	16.5%	20.2%
S&P/TSX Composite Index	(3.1%)	0.0%	4.2%	7.1%	4.9%	2.2%

⁽¹⁾ Returns are for the periods ended September 30, 2020. Inception date May 20, 2011. The table shows the ETF's compound returns for each period indicated compared with the S&P/TSX Composite Index ("Composite Index") and the S&P 500 Equal Weight Information Technology Index ("Technology Index") (together the "Indices"). The Composite Index tracks the performance, on a market weight basis, of a broad index of large-capitalization issuers listed on the Toronto Stock Exchange. The Technology Index, a sub-index of the S&P 500 Index, tracks the performance of major North American information technology companies on an approximately equal weight basis. Since the Indices contain a substantially larger number of companies, it is not expected that the ETF's performance will mirror that of the Indices. The Indices are calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the ETF is calculated after deducting such fees and expenses.

⁽²⁾ Inception Date May 20, 2011.

⁽³⁾ Inception Date August 12, 2019.

The Fund has changed its technology benchmark from the S&P Information Technology Index to the S&P Equal Weight Technology Index. The S&P Equal Weight Technology Index tracks the performance of information technology companies included in the S&P 500 Index on an approximately equal weight basis. The S&P Information Technology Index, a sub-index of the S&P 500 Index, tracks the performance of information technology companies on a market cap weighted basis. Since the Fund also invests on an approximately equal weight basis the Manager believes that the S&P Equal Weight Technology Index provides a more comparable benchmark to assess relative performance of the Fund.

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 Brompton Funds Limited ("BFL") and are subject to change without notice. BFL makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, BFL assumes no responsibility for any losses or damages, whether direct or indirect which arise from the use of this information. BFL 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 prospectus before investing.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange-traded fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income tax payable by any securityholder that would have reduced returns. Exchange-traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

Certain statements contained in this document 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.