

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2019

Portfolio Review

Brompton Tech Leaders Income ETF (the "Fund") was up 2.3% in Q3 versus the S&P 500 Information Technology Index, which was up 3.3%, and the S&P 500 Index which was up 1.7%.

During Q3, the technology sector was affected by a market rotation away from growth/momentum stocks towards more value stocks. The magnitude of this momentum reversal ranks in the first percentile of historic moves. While these market rotations are impossible to predict, we believe our defensive approach to portfolio construction and disciplined risk management provide some insulation to these volatile swings.

The Fund benefitted from being overweight the electronic equipment and communications equipment sub sectors, through its holdings of CDW (up 11%), Keysight Technologies (up 8%) and Motorola (up 3%). We believe demand for sensors, electronic components, related test equipment and network equipment should continue to see solid growth (2x to 3x faster than global GDP) driven by trends in automotive markets (autonomous driving), industrial (IoT), data centers (increasing scale) and 5G. As a result, we have positioned the Fund to invest in stocks that are well suited to capture the benefits from these trends.

Although we are relatively market weight in IT services, the stocks we held outperformed the benchmark's holdings by 100 bps with solid performance in Fiserv (up 14%), Accenture (up 4%) and Mastercard (up 3%). The Fund also captured additional outperformance by being overweight the technology-related sub sector such as interactive media given its holding in Alphabet, which was up 13%. We believe marquee names such as Alphabet will continue to leverage their market position to consolidate power in cloud and digital, while growing its total addressable market.

Partially offsetting the Fund's performance, were underweight positions in technology hardware and software sub sectors. Our exposure to Apple (5.5% weight versus 16.5% in the benchmark) and Microsoft (6.5% weight versus 19.5% in the benchmark) impacted performance. We continue to have a favourable view of the software sub sector which offers both growth and defensive characteristics as its subscription-based model helps drive recurring revenues resulting in high earnings and cash flow visibility. We exited our position in Oracle after a decent performance contribution to the portfolio. We felt going forward the risk/return profile was not justified given the company's continued reliance on a license-based revenue model with cloud growth decelerating. We entered a position in ServiceNow, an enterprise IT cloud company that delivers SaaS-based applications to automate and standardize IT business processes. ServiceNow is one of the few SaaS companies with both revenue growth and solid FCF margin and given the pullback in the stock during Q3, we felt risk/reward was justified. As noted earlier the market rotation away from momentum/growth towards value impacted fund performance particularly in the software subsector with strength in Microsoft (up 4%) offset by underwhelming performance in our holdings in Adobe, Salesforce and ServiceNow.

Our underweight position in semiconductors also detracted from the fund's performance. We exited our position in Intel and entered positions in ASML Holdings, Marvell and Texas Instruments. The latter two both have well diversified product portfolios in the markets they serve and are well positioned to capture long-tail opportunities in emerging trends such as IoT, 5G and automation. ASML has a market leading position (80%+ market share) in the largest semiconductor wafer fab equipment segment and the company is the sole provider of extreme ultraviolet lithography systems which permits next generation semiconductor manufacturing in the sub 7 nanometer scale. We believe our holdings are well positioned to benefit as the semiconductor cycle bottoms out.

Laura Lau, SVP & Sr. PM

Michael D. Clare, VP & PM

Annual Compound Returns ¹	YTD	1-Year	3-Year	5-Year	Since Inception
Brompton Tech Leaders Income ETF	25.6%	5.9%	20.7%	12.2%	11.2%
S&P/TSX Composite Index	19.1%	7.1%	7.4%	5.3%	5.6%
S&P 500 Information Technology Index	31.4%	8.6%	22.5%	18.2%	17.3%

¹ Returns are for the periods ended September 30, 2019. Inception date May 20, 2011. The table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Index ("Composite Index") and the S&P Information Technology Index ("Technology 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 Technology Index, a sub-index of the S&P 500 Index, tracks the performance of major North American technology companies on a market-weight basis. The Fund's portfolio is comprised of technology companies and is rebalanced at least annually in accordance with the Fund's investment guidelines. Since the indices contain a substantially larger number of companies, it is not expected that the Funds performance will mirror that of the indices. 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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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.

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