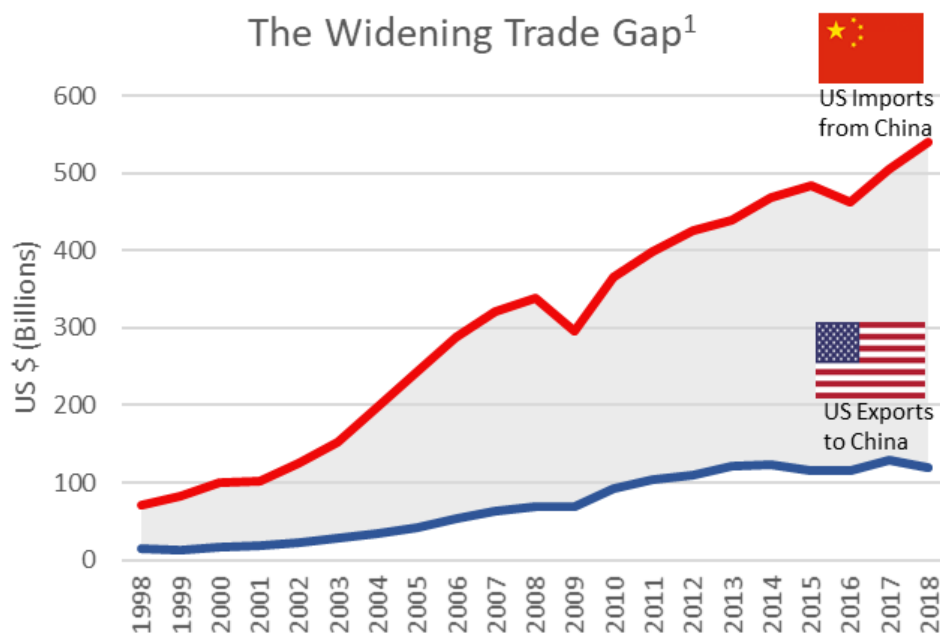


TARIFFS

It's a wait and see game for China and several U.S. trading partners, at least until the G20 summit which will be held June 28 - 29, 2019 in Osaka, Japan. If you're a long-term investor, one who also hopes to benefit from short-term tactical shifts, how do you cope in this ever-changing environment?

It's important to understand the trade imbalances the U.S. has with countries around the world. Very simply, if the U.S. has a trade deficit with a country, that country might be more vulnerable to the impact of increasing U.S. tariffs. As a net exporter to the U.S., there could be lower demand for Chinese products if prices rise due to tariffs which could, in turn, have a significant adverse impact on their Gross Domestic Product (GDP).

As you can see from the chart below, Chinese exports to the U.S. are around U.S.\$540 billion, whereas U.S. exports to China are only around U.S.\$120 billion, resulting in a trade deficit of U.S.\$420 billion, by far the largest in the world. To put this number into context, the next highest deficit is with Mexico at approximately \$81 billion. Since China's imports of U.S. products are so low on a relative basis, their ability to retaliate through escalating tariffs is limited.¹



U.S. President Donald J. Trump has indicated that he wants a “fair” playing field to decrease the U.S.’s trade deficit with China and halt practices that allegedly result in the theft of U.S. intellectual property and the forced transfer of American technology to Chinese companies. Trump also wants to implement agreements on currency manipulation, access to financial services, and technology with enforcement mechanisms. Beyond tariffs, he has blacklisted technology companies such as Huawei and ZTE. He has already expanded the banned entities in the technology sector and may move to ban more in other industries such as pharmaceuticals and defense.

Brompton believes that the earliest date we can expect any breakthroughs for a deal is the G20 Summit at the end of June which is the next time the Presidents of the U.S. and China will meet.

⁽¹⁾ United States Census Bureau as at Dec 31, 2018.

Below is a table which outlines some of our views that have been implemented in Brompton Global Dividend Growth ETF (TSX: BDIV), Global Dividend Growth Split Corp. (TSX: GDV), and Brompton European Dividend Growth ETF (TSX: EDGF):

| Overweight | Underweight | Why | Example |
|--|------------------|--|--|
| Service Companies | Good Companies | Service-focused companies are not charged tariffs | Software may outperform semiconductors |
| U.S. Domestically Focused Companies | Exporters | U.S. domestically focused companies earn the majority of their revenues from the U.S., limiting the direct impact from tariffs | Healthcare may outperform exported goods such as semiconductors, machinery, planes |
| Defensive Sectors | Cyclical Sectors | Investors tend to prefer defensive sectors during times of uncertainty | Utilities may outperform materials |

Laura Lau
June, 2019

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You will usually pay brokerage fees to your dealer if you purchase or sell shares of the investment 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.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange-traded fund investments. Please read the prospectus before investing. 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.