Brompton Global Real Assets Dividend ETF (TSX: BREA)

BROMPTON FUNDS

PORTFOLIO MANAGER COMMENTARY - SEPTEMBER 30, 2020

Portfolio Review

Since inception on April 30, 2020, Brompton Global Real Asset Dividend ETF's (the "Fund") Net Asset Value plus distribution increased from $20.00 to $20.64.

The Fund benefitted from an overweight exposure to Utilities. Top performers include Orsted (+19.6%), Brookfield Infrastructure (+17.1%) and NextEra (+16.2%). Utilities exhibit defensive qualities and are relatively more immune to the impact of COVID-19 due to their ability to recover costs through rate case filings. In addition, the passage of the Next Generation EU stimulus in Europe and Biden's focus on green energy as part of his political agenda bode well for our current holdings. Our Utilities portfolio consist of names that are either pure-play renewable companies or companies that are undergoing clean energy transitions, such as Orsted, RWE, Enel, NextEra and American Water Works. We see renewable energy gaining momentum in 2020, especially given the increased regulatory support; gravitation towards clean energy is a multi-year trend that will continue to play out over the long term.

Underweight positions in the Real Estate and Energy sectors also contributed positively to the Fund's performance. Within the Real Estate complex, we pivot toward data center REITs and tower REITs as both segments have seen accelerated top line growth given the surge in data usage due to COVID-19. We are also bullish on industrial REITs. We believe Prologis, a leading industrials REIT, should continue to benefit from a sustainable surge in e-commerce demand as more tenants expand their warehouse footprint to meet the needs of their end consumers. On the other hand, we have a cautious view on retail REITs and office REITs. Rent collection rates are still under pressure in Q3 and we believe landlords face material rent renewal risks. Additionally, Energy stocks continue to trade at depressed levels as margin concerns have driven investor funds out of the sector.

During the quarter, we increased weight in Materials by adding Air Products, one of the world's largest industrial gas player and we shifted the Fund's Industrials allocation by trimming Transurban and adding Canadian Pacific Railway. Canadian Pacific Railway exhibits both defensive and cyclical qualities as it benefits from any pro-cyclical shift in the market while its industry-leading operating ratio buffers any COVID-19 related revenue impacts.

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