

BLOV

Brompton North American Low Volatility Dividend ETF

4.6%Distribution Rate¹

June 30, 2024

Investment Highlights

- Low volatility portfolio of large-cap North American equities
- Stable monthly income plus growth potential
- Covered call writing to enhance income and lower portfolio volatility
- Low volatility strategies have historically offered higher risk-adjusted returns than U.S. or Canadian broad equity markets

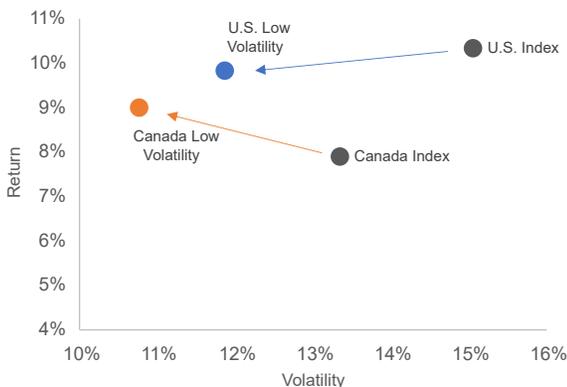
Overview

Brompton North American Low Volatility Dividend ETF (BLOV) is designed to provide the opportunity for capital appreciation and low overall volatility by investing in a diversified blend of equities from North American issuers with a minimum market cap of \$5 billion. An active covered call writing program is used to generate additional income and reduce overall portfolio volatility.

Higher risk-adjusted returns

Over the past 20 years, a period which includes two of the highest-volatility equity market sell-offs on record, low volatility strategies have offered greater portfolio stability and higher risk-adjusted returns than U.S. or Canadian broad equity markets.

Low Volatility: Attractive Returns, Lower Risk²



For Investors Who



Are looking for regular income



Are looking for the opportunity for capital appreciation with lower overall volatility of portfolio returns



Can handle the ups and downs of the stock market

'Low-Volatility Effect' explained

Low Volatility equity strategies have attracted investor interest. Why does this approach produce high levels of risk-adjusted returns?

Modern Portfolio Theory suggests investors should:

- construct an optimal risk/return portfolio; and
- borrow to achieve the desired risk/return profile.

In reality, many funds and individual investors are restricted from borrowing; performance-seeking investors instead pursue higher-volatility equities in an attempt to capture outsized returns. As investors crowd into higher-risk equities, this may have the result of driving up valuation for these equities, lowering future potential return.

This investor behaviour has created the Low-Volatility Effect: many low-volatility equities may be attractively valued, to the point where low volatility equity portfolios are observed to consistently outperform on both an absolute and a risk-adjusted basis.³

A better approach to low volatility investing

Market participants today typically offer one of two low volatility strategies: buying the lowest volatility equities in an index, or selecting securities with the objective of minimizing volatility at the portfolio level while keeping sector weights close to those of an underlying index.

Brompton employs a more sophisticated process. By combining quantitative modelling with years of investment experience, we construct a portfolio with lower volatility than the market while also generating a reasonable dividend yield. Importantly, the portfolio's sector weights are not limited by a benchmark, as research shows that these types of constraints increase the risk and reduce the returns of low volatility portfolios. Instead, sector weightings are actively managed as a part of our portfolio construction process to ensure an appropriate amount of diversification.

Our Portfolio Managers also have discretion to write covered calls on the portfolio holdings. We use an active approach to call writing in order to enhance monthly income while further reducing portfolio volatility.

Select Portfolio Holdings⁴

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|---|---|---|--|---|---|
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¹ Annualized distribution rate based on June 30, 2024 closing market price. Source: LSEG Eikon.

² Source: LSEG Datastream. Based on monthly returns for the period 2004-06-30 - 2024-06-28. U.S. Low Volatility is represented by the MSCI USA Minimum Volatility Total Return Index, U.S. Index is represented by the MSCI USA Total Return Index, Canada Low Volatility is represented by the MSCI Canada Minimum Volatility Total Return Index, and Canada Index is represented by the MSCI Canada Total Return Index.

³ Blitz, van Vliet and Baltussen (2019) - The Volatility Effect Revisited.

⁴ As of June 30, 2024. Please visit www.bromptongroup.com for a portfolio summary.

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