

Funds in focus: Dividend Growth Split Corp. (DGS), Life & Banc Split Corp. (LBS), Brompton Lifeco Split Corp. (LCS), Brompton Split Banc Corp. (SBC)

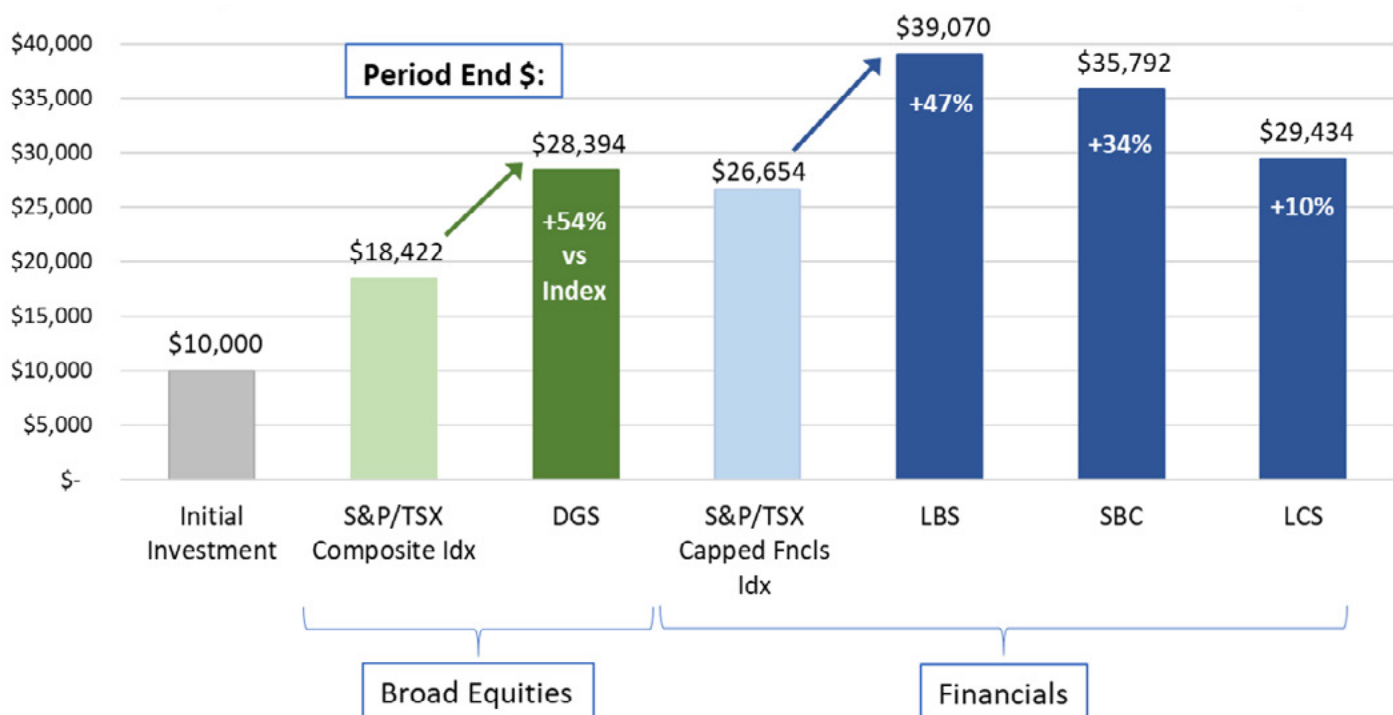
Brompton Funds is a leader in the Canadian Split Share market. Split Share corporations provide investors with an opportunity to enhance portfolio returns while investing in asset classes or sectors that are already in many investor accounts. Split share corporations offer two classes of shares which trade separately on their listing exchange: preferred shares and Class A shares.

Split Share preferred shares have a set coupon and fixed repayment obligations, much like traditional corporate preferred shares; additionally, they offer a fixed term to maturity, a desirable feature not available from traditional corporate preferred shares. Split share preferreds have delivered higher, more stable returns than S&P/TSX Preferred Share Index returns over time.

Class A shares of a Split Corp pay sizeable monthly distributions, and they have allowed investors to enjoy enhanced returns in equity markets that have generally trended higher over time. The ability to provide enhanced returns is due to product design: the Split Share corporation's initial portfolio purchase is funded by issuance of an equal number of Class A and preferred shares, and after initial portfolio purchase, all of the capital returns from the portfolio accrue to the Class A shareholders. Preferred shareholders give up capital upside in exchange for an attractive quarterly dividend. For a Class A shareholder, this provides a leverage effect, meaning that if an investor intends to buy and hold an equity investment, because the investor's view is that markets or that particular sector will increase over time, then investing in a Class A share with similar investment focus will improve the potential upside.

Brompton has four Split Share corporations with track records longer than 10 years. Below we compare the 10-year performance for the more seasoned Brompton Split Share Class A shares, versus relevant indices. The returns below assume a reinvestment of monthly distributions and investors can achieve a similar result through participating in the dividend reinvestment plan, which is commission free to all investors. All of Brompton's seasoned Class A shares outperformed their respective indices by significant amounts, ranging from 10% to 54% cumulative outperformance.¹

Class A Shares: Significant Long-Term Outperformance vs. Indices (10 yrs)



For buy-and-hold investors over the past decade, the benefits of Class A shares have been significant. Class A shares will improve upside returns in “bull” markets, and they will also accentuate downside returns in down markets. For investors that have conviction in an investment approach that includes long-term equity holdings in a sector or theme covered by a Split Share corporation’s investment strategy, our conclusion is that these investors could benefit significantly by holding Class A shares for their enhanced return potential, compared to indices with similar holdings.

For more information on split share funds, please review the [Brompton Split Share Primer](#).

Fund/Index	Ticker	Annual Compound Return ²			
		1-YR	3-YR	5-YR	10-YR
Dividend Growth Split Corp. - Class A	DGS	100.5%	11.4%	12.2%	11.0%
S&P/TSX Composite Index	SPTSX	33.3%	10.4%	9.8%	6.3%
Life & Banc Split Corp. - Class A	LBS	208.3%	14.2%	17.5%	14.6%
Brompton Lifeco Split Corp. - Class A	LCS	437.0%	10.7%	15.3%	11.4%
Brompton Split Banc Corp. - Class A	SBC	127.5%	13.5%	16.5%	13.6%
S&P/TSX Capped Financials Index	SPTSFN	48.5%	10.6%	11.6%	10.3%

Brompton’s Approach

Brompton designs its split share funds to hold investments which are common in many Canadian investor accounts. Portfolio holdings generally focus on liquid, large capitalization investments with sound long-term return fundamentals, like banks, lifecos, teleco’s, asset managers and industrials. Brompton’s split share funds also bias each portfolio to investments with a history or expectation of dividend growth. For investors that wish to be “long” an asset class or sector, and which matches a strategy noted above, Class A shares can provide enhanced portfolio returns over time.



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1) Source: Reuters Eikon and Brompton Funds, April 30 2021.

2) Returns are for the period ended April 30, 2021. Dividend Growth Split Corp. - Class A 1-yr return: 100.5%. S&P/TSX Composite Index 1-yr return: 33.3%. Life & Banc Split Corp. - Class A 1-yr return: 208.3%. Bromton Lifeco Split Corp. - Class A 1-yr return: 437.0%. Brompton Split Banc Corp. - Class A 1-yr return: 127.5%. S&P/TSX Capped Financials Index 1-yr return: 48.5%. The table shows a Fund's compound return on a Class A share for each period indicated, compared with the S&P/TSX Capped Financials Index ("Financials Index") and the S&P/TSX Composite Index ("Composite Index") (together the "Indices"). The Financials Index is derived from the Composite Index based on the financials sector of the Global Industry Classification Standard. 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 ("TSX"). The Funds are not expected to mirror the performance of the Indices which have more diversified portfolios. The Indices are calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Funds is calculated after deducting such fees and expenses. Further, the performance of a Fund's Class A shares is impacted by the leverage provided by at Fund's preferred shares. 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 annual information form or prospectus before investing.

You will usually pay brokerage fees to your dealer if you purchase or sell shares of the investment funds 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 funds and may receive less than the current net asset value when selling them.

There are ongoing fees and expenses 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. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all distributions and do not take into account certain fees such as redemption costs or income taxes payable by a security holder that would have reduced returns. Investment 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 funds, to the future outlook of the funds and anticipated events or results and may include statements regarding the future financial performance of the funds. 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.