PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2021

Global Markets Review

The global economic reopening remains on track as the vaccine rollout gathers pace. All in all, global markets finished the quarter with solid performance, especially for pro-cyclical sectors, as several of them enjoyed double digit returns. The MSCI World Index gained 13.3% with the Energy sector being the best performer, gaining 33.2% during the first half of 2021; Financials was the second-best performing sector returning 21.1%, outperforming the MSCI World Index by 7.8%. In North America, the S&P 500 was up 15.2%, also led by the Energy sector, while the S&P/TSX Composite was up 17.3%, with Energy and Financials as the top performing sectors. In Europe, the STOXX 600 was up 15.8% for the first half of this year. France and Italy continued to be the best-performing countries, where CAC 40 and FTSE MIB were up 19.5% and 14.7%, respectively. Germany's DAX gained 13.2%. Spain and the U.K. also finished 1H21 with solid returns as the IBEX 35 and FTSE 100 increased 10.5% and 10.9%, respectively.

During the first half of 2021, global economies continued the path to recovery. U.S. Manufacturing PMI entered June at 60.6 after peaking at a record high of 64.7 in April, while the unemployment rate continued to decline, reaching 5.9% in June. In the U.S., Biden's sharp focus on immunization efforts in combination with unprecedented fiscal stimulus pushed stock markets to new highs by the end of 1H21. Global yield curves were mainly subdued in Q2 and flattening in June, with the U.S. 5 year to 30 year Treasury spreads narrowing to August 2020 levels. The U.K. yield curve also mirrored its U.S. peers. This has driven the sector rotation back from value to growth in the past month. Cyclical parts of the economy led the equity market rally during the first half of this year, with Energy, Industrials and Financials gaining the most, even though Financials were negatively affected by flattening yield curves in June. Performance of Information Technology stocks was lackluster during Q1, due to investor sentiment shifting away from large capitalization growth names, but they have had a big run since mid-May as investors took some profits and rotated back to high-growth names, sending both the S&P 500 and NASDAQ to new highs in June. Pro-cyclical stocks are still favored, while the risk-on mentality would keep sending growth stocks higher.

During the second quarter, several central banks in developed economies started to gradually shift their monetary policy stance amid growing concern over inflationary risks. During the June Federal Open Market Committee (FOMC) meeting, despite no policy rate hike, the Federal Reserve's dot-plot projections indicated at least two rate hikes in 2023, signaling an earlier than expected tightening. In response to inflation concerns, the Fed also lifted its inflation expectations to 3.4%, 100 bps above its previous estimate. Potential tapering of the bond-purchase program could commence late 2021 or early 2022. On the fiscal front, President Biden signed a US$1.9 trillion pandemic relief bill in March, titled the American Rescue Plan, into law. The plan includes additional stimulus cheques, enhanced unemployment aids, rental assistance, and childcare support among other assistance. In late June, a bipartisan group of senators and the White House reached a preliminary agreement on a potential $1.2 trillion infrastructure package. While the details are still under discussion, the bill would be another wave of robust fiscal stimulus.

In Canada, first quarter GDP grew by 1.4% year over year, making it the third consecutive quarter of growth. This was largely boosted by robust commodity prices, an improved labor market, as well as a heated housing market. The Bank of Canada (BoC) kept the overnight policy rate unchanged at 0.25% in the June statement and indicated that it would not raise rates until the damage from the pandemic is fully repaired. However, as the first central bank among advanced economies to shift to a less accommodative policy, the BoC reiterated a reduction in asset purchases, with another tapering expected on July 14.

The European Central Bank (ECB) kept the benchmark interest rate unchanged at -0.50%. President Christine Lagarde noted in June that rising inflation is temporary, largely on account of base effects, transitory factors, and an increase in energy prices. The Governing Council is continuing the current pace of purchases under the pandemic emergency purchase programme (PEPP) in the amount of EUR1.85 trillion until at least the end of March 2022. Purchases under the asset purchase programme (APP) will continue at a monthly pace of EUR20 billion. The ECB raised their projections on annual real GDP growth to 4.6% (4% in March assessment) and annual inflation rate to 1.9% (1.5% in March assessment) in 2021. The Bank of England (BoE) kept the policy rate unchanged at 0.1%, and raised the annual inflation forecast by 50 bps to 3%. The BoE announced tapering of bond purchases from £4.4 billion a week to £3.4 billion at its May meeting.

than the number of infections at the end of 2020. On the other hand, global vaccination efforts are well underway, with 47% of the population fully vaccinated in the U.S. and 31% in Canada. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in April 2021, the global economy is projected to grow 6.0% in 2021, up from the previous forecast of 5.2%. The contraction of 2020 was also smaller than the previous projection due to outsized growth in the second half of 2020, driven by the easing of lockdown measures. However, there still remains a high degree of uncertainty surrounding the global economic outlook, such as whether the current vaccines are effective again new COVID-19 strain, capacity adjustments in the economy, and effectiveness of global policies.

Looking forward to the rest of 2021, we have constructed a barbell portfolio with a pro-cyclical tilt. A barbell approach allows us to better position in such a volatile environment, where leadership would likely oscillate between cyclical and defensive, or between value and growth. We expect to have clearer visibility once the market has a better sense of whether inflation is transitory and how global central banks will react. The portfolio is positioned pro-cyclically. We believe wide COVID-19 vaccine coverage should allow societies to gradually normalize over the course of the year. Second, the Biden administration is laser-focused on boosting the economy through the American Rescue Plan, which should be supportive of further economic recovery. Third, the personal savings rate is sitting at the highest rate in the past decade. Consumers have a strong propensity to spend, which in turn should fuel economic growth.

Portfolio Review

Brompton Global Dividend Growth ETF (the "Fund") was up 10.9% during the first half of 2021, slightly outperforming with the MSCI World High Dividend Yield Index, which was up 10.5% during the period.

The Fund benefited from its overweight positions in Information Technology and Consumer Discretionary. Within the Information Technology sector, recent semiconductor shortages created unprecedented pricing power for industry constituents. Consequently, ASML (+46.2%) and KLA Corp (+25.9%) both enjoyed solid returns during the first half of the year. Consumer Discretionary names such as Target and LVMH delivered strong performance during the period, partly driven by spikes in e-commerce shopping and an acceleration in demand from re-opening.

Offsetting some of the gains from our Information Technology and Consumer Discretionary holdings were our positions in Health Care and Consumer Staples. We continue to underweight both sectors heading into the second half of the year. U.S. large-cap pharma companies are entering into the second half of the year with uncertainty related to drug pricing and organic sales growth. Within Consumer Staples, we prefer beverage and personal care products companies over grocers. As customers return to on-premise venues as vaccination rates increase, we expect sales to strengthen for beverage producers in the second half of the year.

Alongside the rapid rollout of COVID-19 vaccines, we increased positions in Real Estate and Energy. Exposure to Materials, Industrials and Information Technology were trimmed. Overall, the Fund is overweight pro-cyclical sectors and underweight more defensive sectors in the stock market. The Industrials sector was the third best performing sector during the first quarter and its performance has moderated since then. As prospects for reopening drove many of the sector's constituents to trade at valuation premiums. We see better risk-reward in the Real Estate sector and have shifted allocation out of Industrials and into Real Estate. We see attractive opportunities within residential, tower and industrials REITs. We have trimmed our allocation to Information Technology while remaining overweight. Our procyclical view led us to add more cyclical and value technology companies through the addition of Corning and Motorola Solutions, while trimming more growth-oriented names including Taiwan Semiconductors and KLA Corp.

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Annual Compound Returns[1]	YTD	1-YR	Since Inception[2]
Brompton Global Dividend Growth ETF	10.9%	24.4%	8.7%
MSCI World High Dividend Yield Index	10.5%	27.2%	9.6%

(1) Returns are for the periods ended June 30, 2021 and are unaudited. The following table shows the Fund's compound return for each period indicated compared with the MSCI World High Dividend Yield Index (the "MSCI High Dividend Index") . The MSCI High Dividend Index targets companies from the MSCI Index (excluding Real Estate Investment Trusts) with high dividend income and quality characteristics and includes companies that have higher than average dividend yields that are expected to be both sustainable and persistent. The Fund invests in global dividend growth companies with market capitalization of at least $10 billion. It is therefore not expected the Fund's performance will mirror that of the MSCI High Dividend Index which has a more diversified portfolio. Further, the MSCI High Dividend Index is 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.

(2) Inception Date October 17, 2018.

BROMPTON FUNDS

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