PORTFOLIO MANAGER COMMENTARY - JUNE 30, 2021

Global Markets Review

The global economic reopening remains on track as vaccine rollout has gathered pace. All in all, global markets finished the quarter with solid performance, especially 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% by 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 to growth from value 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. 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 hefty commodity prices, an improved labor market, as well as reheated housing investments. 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, BoC reiterated a reduction in asset purchase, with another tapering expected on July 14.

By the end of second quarter, the number of confirmed infections worldwide exceeded 183 million, about 2.15 times greater 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% 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 new COVID-19 strains are susceptible to current vaccines, capacity adjustments in the economy and effectiveness of global policies.

Looking forward to the rest of 2021, Canada's economy will continue to benefit from the fast vaccine rollout, tremendous fiscal stimulus, and abundant household savings. Canada is projected to have 80% of the population aged 12+ fully vaccinated by the end of August. Rising commodity prices should continue to boost the equity market. Given the BoC has started reducing bond purchases, if policymakers raise the benchmark rate ahead of the Fed, this should further support the Canadian dollar relative to the US dollar.

Portfolio Review:

Units (1 Class A share plus 1 Preferred share) of Dividend Growth Split Corp. (the "Fund") were up 17.9% during the first half of 2021. This compares to the S&P/TSX Composite High Dividend Index, which was up 25.6% over the same period.

Overweight positions in Consumer Discretionary and Materials sectors were the top contributing factor to the Fund's positive performance. Consumer Discretionary companies Magna International and Canadian Tire delivered strong stock performance during the six-month period. Auto demand continues to be robust coming out of the pandemic, this combined with the tailwind in vehicle electrification should support accelerating revenue growth for Magna. In the Materials sector, end user demand in conjunction with supply chain disruptions drove commodity prices to new highs during the second quarter. Base metals have a tendency to outperform during periods of investor optimism.

The portfolio's underweight positions in Utilities and Real Estate detracted from the Fund's gains. Investor optimism fueled the growth in renewables stocks during the first quarter, but renewables stocks lost steam in the second quarter as investors turned towards more cyclically exposed sectors. We are underweight both sectors heading into the third quarter. We see spots of attractiveness within the Real Estate sector including retail and residential REITs. Reopening should drive more foot traffic into shopping centers during summertime, translating into higher occupancy and rent growth. We continue to monitor the sector closely and remain opportunistic.

During the second quarter, we increased the Fund's cyclical exposure by increasing weights in Energy and decreasing weights in Utilities. We have a favourable view on E&P companies due to their operating leverage stemming from the recovery of WTI prices. We are more cautious on the Utilities sector overall as the lack of fund flow support will make stock price recovery slow.

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Annual Compound Returns[1]	YTD	1-YR	3-Yr	5-YR	10-YR	Since Inception[2]
Dividend Growth Split Corp. - Class A	55.7%	105.1%	13.9%	14.1%	11.8%	8.8%
S&P/TSX Composite High Dividend Index	25.6%	47.8%	10.1%	9.5%	7.1%	5.6%
Dividend Growth Split Corp. - Preferred	2.8%	5.6%	5.5%	5.5%	5.4%	5.4%
S&P/TSX Preferred Share Index	14.3%	36.6%	4.7%	7.7%	2.9%	3.5%
Dividend Growth Split Corp. - Unit	17.9%	29.2%	8.6%	8.8%	7.9%	6.5%

(1) Returns are for the periods ended June 30, 2021 and are unaudited. The table shows the Fund's compound return on a Class A share, Preferred share and unit for each period indicated, compared with the S&P/TSX Composite High Dividend Index (the "Composite High Dividend Index") and the S&P/TSX Preferred Share Index ("Preferred Index") (together the "Indices"). The Composite High Dividend Index tracks the performance, on a market weight basis and a total return basis, of 50-75 highest dividend yielding securities within the Composite Index. The Preferred Index tracks the performance, on a market weight basis, of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund invests in an actively managed portfolio and is rebalanced at least annually. It is therefore not expected that the Fund's performance will mirror that 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 Fund's performance is calculated after deducting such fees and expenses. Further, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares.

(2) Inception Date December 3, 2007.

BROMPTON FUNDS

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