Brompton European Dividend Growth ETF (TSX: EDGF)

BROMPTON FUNDS

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. The European Central Bank (ECB) kept the benchmark interest rate unchanged at -0.50%. President Christine Lagarde noted in June that the 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 purchase 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 annual inflation forecast by 50 bps to 3%. Following the BoC, the BoE also commenced tapering the bond purchases from £4.4 billion a week to £3.4 billion, announced in their May meeting.

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, we continue to believe European recovery is on track, evidenced by June Manufacturing PMI readings at all-time high. Despite concerns over the Delta variation, the medical evidence suggest vaccines are still highly effective. The region's exposure to cyclical sectors means it will potentially outperform during the post-vaccine phase of reopening. U.K. in particular has recovered strongly from both COVID-19 and Brexit, while its broad market index FTSE 100 is still cheap among major developed equity indices.

Portfolio Review

During the first half of 2021, Brompton European Dividend Growth ETF (the "Fund") gained 12.4%. This compares to the STOXX Europe 600 Index, which was up 15.8% over the same period.

The Fund benefitted from overweight positions in Industrials and Information Technology during the period. Johnson Controls, DSV Panalpina and Schneider Electric were the top three performance contributors among the Industrials constituents. We favor companies that are exposed to industrial automation, building efficiency and transportation trends. The emphasis placed on infrastructure spending and energy efficiency by regulators should bode well for the Fund's Industrials companies. We continue to overweight Information Technology heading into the second half of 2021 given the supply shortage within the semiconductor complex as well as secular growth opportunities in digitization.

The Fund's underweight positions in Financials offset some of the gains in the aforementioned sectors. We remain underweight Financials heading into the third quarter, as negative rates and a fragmented market continue to pressure returns and margins for European banks. We believe the European banks will be long-term underperformers until we see meaningful consolidation across the space. Market weight positions in the Utilities sector was also a deterrence to the Fund's performance. Renewables stocks started the year with solid performance but weakened over the course of the quarter as investors shifted away from defensive sectors and into pro-cyclical sectors.

Alongside the rollout of COVID-19 vaccines in Europe, we increased positions in Consumer Staples, Industrials and Communication Services. Exposure to Materials and Information Technology were trimmed. Our bullish outlook for 2021 led us to overweight pro-cyclical sectors and underweight more defensive sectors in the stock market. While we have increased exposure to the Consumer Staples during the second quarter, we remain underweight the sector overall and tilted to owning beverage companies, who have higher betas to reopening. Although Communication Serves, Real Estate and Materials are market weight post-adjustments, we have repositioned within each sector such that the holdings are more cyclically oriented.

Laura Lau, SVP & CIO

Michael D. Clare, VP & PM

Annual Compound Returns[1]	YTD	1-YR	3-YR	Since Inception[2]
Brompton European Dividend Growth ETF	12.4%	25.4%	11.0%	9.0%
STOXX Europe 600 Index	15.8%	29.3%	9.4%	7.7%

1) Returns are for the periods ended June 30, 2021 and are unaudited. The table shows the Fund's compound return for each period indicated compared with the STOXX Europe 600 Index ("Stoxx Index"). The STOXX Index is a subset of the STOXX Global 1800 Index. With a fixed number of components, the STOXX Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Demark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Since the Fund is actively managed, the sector weightings may differ from those of the STOXX Index. The STOXX Index is calculated without the deduction of management fees, expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses.

2) Inception Date July 21, 2017.

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 Fund's prospectus before investing.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange-traded fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Exchange-traded 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 Fund, to the future outlook of the Fund and anticipated events or results and may include statements regarding the future financial performance of the Fund. 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.

BROMPTON FUNDS

VALUE
INTEGRITY
PERFORMANCE
THE FOUNDATION FOR EXCELLENCE

Investor Relations
PHONE 416.642.6000
TOLL FREE 1.866.642.6001
FAX 416.642.6001
EMAIL info@bromptongroup.com

Website
www.bromptongroup.com

Address
Bay Wellington Tower,
Brookfield Place
181 Bay Street
Suite 2930, Box 793
Toronto, Ontario M5J 2T3