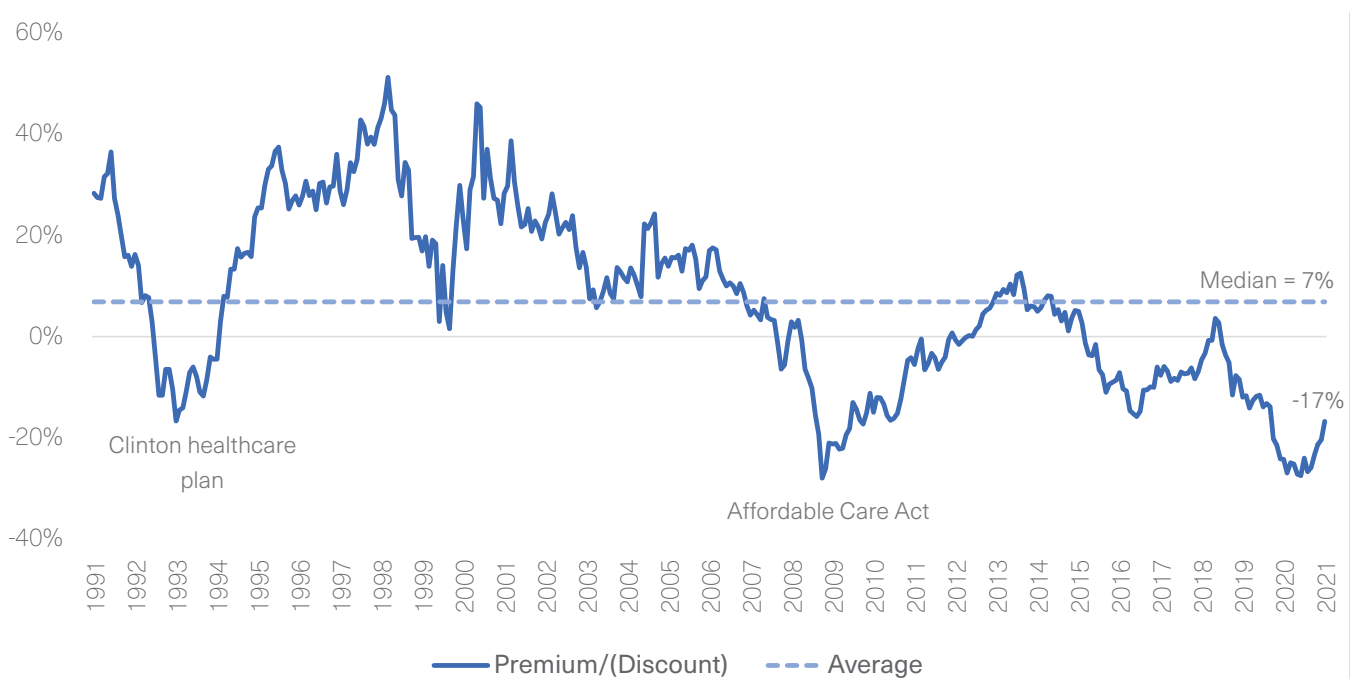


Fund in focus: Brompton Global Healthcare Income & Growth ETF

The Healthcare sector is coming off a multi-decade discount trough to the S&P 500 and as a result there is a substantial runway to narrow this gap. We believe the current environment provides an attractive entry point for investing in Healthcare. The cheap valuations already reflect the pricing pressures in the sector, which has been an ongoing debate for several years and the vaccine-driven recovery is expected to be a tailwind for the sector. We expect normalization of medical trends and increasing utilization as COVID-19 vaccinations progress. At the current vaccination rate, roughly 41 million doses a day, it would take another 5 months to cover 75% of the global population¹. Lockdowns, which hindered new drug launches over the past year as well as rates of diagnoses of diseases requiring regular doctor's visits, are becoming less of a problem as healthcare systems are returning to throughput normalcy, albeit with a massive backlog in place. Nevertheless, the pandemic has affected some treatments more than others which will require more investment to normalize patient care to pre-pandemic levels. For example, the cardiovascular market has largely recovered, however, oncology remains below pre-pandemic levels².

Healthcare Valuation vs. S&P 500³



Source: Bloomberg (July 31, 2021)

While the Healthcare sector has outpaced the S&P 500 performance year-to-date as shown in the table below, some subsectors such as Life Sciences and Tools had strong performance from early in the year, while the Pharmaceutical subsector started outperforming the broader sector and market in the past month.

	Year To Date Performance
Life Sciences Tools & Services	28.5%
Pharmaceuticals	21.1%
Healthcare Equipment	19.7%
Healthcare Providers	19.7%
Biotechnology	15.1%
Healthcare Sector	20.3%
S&P 500	18.4%

Source: Bloomberg (August 19, 2021)

The Life Sciences sector has benefited from pandemic related tailwinds given the outsized demand for virus-related work such as molecular testing and bioprocessing. Demand is expected to remain elevated, as the Delta variant renews focus on COVID-19 drug production and likely widens opportunities for cross-selling. In Life Sciences, liquid biopsy is a promising opportunity in the early cancer detection market. Liquid biopsies are non-invasive blood tests that search for cancer-related genetic signatures to diagnose early-stage patients prior to symptoms. The global next-generation sequencing oncology testing market (screening, therapy selection and monitoring) is expected to grow at a 27% compound annual growth rate reaching \$75 billion in 2035⁴.

We believe as we progress towards economic recovery, other subsectors in Healthcare such as Healthcare Providers (hospitals) and Medical Equipment will begin to perform as clearing of the massive backlog of procedures boosts utilization and drives meaningful uptick in procedures leading to earnings upside. In addition, delayed drug launches should begin to ramp up driving tailwinds for biotech and pharma.

Brompton's Approach

We believe the healthcare sector plays a defensive role in portfolios while offering solid return potential. Unlike more cyclical sectors tied to economic growth, increased spending on Healthcare is more secular in nature given the aging global population and increasingly longer life spans. We are cognizant of the structural changes in the Healthcare landscape, particularly as governments and payors attempt to contain costs. [Brompton Global Healthcare Income & Growth ETF \("HIG"\)](#) is actively managed and employs a barbell-approach i.e. overweighting subsectors that have structural tailwinds and underweighting subsectors with near-term challenges. We also use a covered call writing strategy to enhance risk-adjusted returns and distributions.

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¹ Source: Bloomberg as of August 30, 2021.

² Source: Bloomberg as of June 30, 2021.

³ Source: Bloomberg, as at July 31, 2021. Based on S&P 500 Health Care Sector Index forward Price-to-Earnings relative to the S&P 500 Index.

⁴ Source: Bloomberg as of September 21, 2020.

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