

Brompton Split Corp. Preferred Share Primer

Brompton's Split Share Corporations are unique investment funds that typically invest in a basket of blue-chip dividend paying stocks, and offer two distinct classes of shares: 1) Class A or "capital" shares, and 2) preferred shares ("Brompton Preferred Shares"). This primer focuses on Brompton Preferred Shares. For more information on Split Share Corporations generally, click [here](#) for Brompton's Split Share Funds Primer.

Brompton Preferred Shares	Pref Ticker Symbol (TSX)	Years to Reset/ Maturity	Yield to Maturity	Current Yield	Downside Protection ¹
Brompton Split Banc Corp.	SBC.PR.A	3.9	6.9%	6.4%	46%
Life & Banc Split Corp.	LBS.PR.A	4.8	7.5%	6.7%	43%
Brompton Lifeco Split Corp.	LCS.PR.A	5.3	6.7% ²	6.2%	40%
Dividend Growth Split Corp.	DGS.PR.A	0.7	7.4%	5.5%	34%
Global Dividend Growth Split Corp.	GDV.PR.A	2.5	6.7%	5.2%	45%
Sustainable Power & Infrastructure Split Corp.	PWI.PR.A	2.4	5.1%	5.0%	39%
Brompton Energy Split Corp.	ESP.PR.A	1.2	9.1%	8.1%	23%

All data as of December 31, 2023. Source: LSEG Eikon, Brompton Funds. (1) Downside protection = Class A NAV / Unit NAV; (2) Based on the original April 29, 2024 maturity date. The Preferred share dividend rate for the extended term from April 30, 2024 to April 27, 2029 will be announced at least 60 days prior to the original maturity date.

Brompton Preferred Shares – Main Features:

- Up to 5-year terms, subject to extension
- Quarterly cumulative preferred dividends (generally eligible Canadian dividends)
- Dividend level is subject to full reset, at then-current market rates, at beginning of each term
- Investor has the option to hold for a new term, or to redeem, at the end of each successive term for cash redemption value
- Non-callable by issuer during the term – investors are not subject to reinvestment risk
- Highest priority claim on fund assets, ahead of Class A shareholders, in the event of termination

Preferred Share Comparison

Traditional corporate preferred shares offer fixed dividend rates and a perpetual term, features often associated with high sensitivity to market levels of interest rates.

Corporate fixed-rate-reset preferred shares were introduced to the Canadian market in 2008 to attempt to address interest rate risk. This type of preferred share also has a perpetual term, but typically offers a dividend reset every five years. The new rate is generally based on the then-current 5 year Government of Canada rate, plus a fixed spread. In theory this should protect holders against sudden increases in market interest rates, however, investors should be aware that declining interest rates can have a meaningful negative impact on trading prices and returns for fixed-rate-reset preferred shares.

Brompton Preferred Share dividends are reset by the Manager at the end of each term at competitive all-in market rates based on dividend yields observed in its comparable preferred share market at that time of reset. This simple process effectively resets BOTH the base rate AND the spread for the preferred shares offered by our funds, mitigating spread risk for investors. Brompton Preferred Shares are also redeemable at the investor's option at the end of term, a unique feature in the Canadian preferred share market which provides strong trading price support.

1. Brompton Preferred Shares protect investors from rate-reset-spread risk:

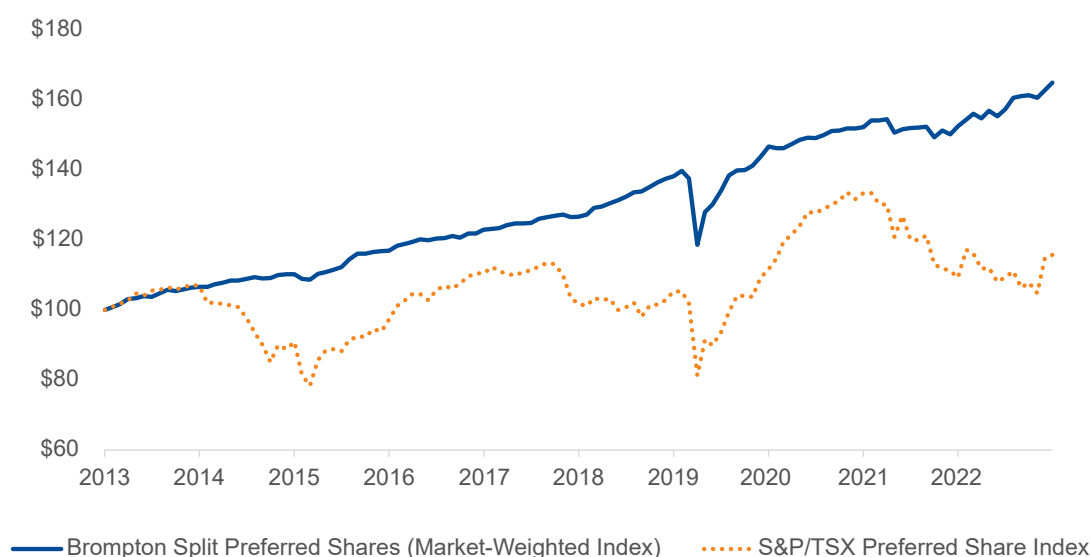
Corporate rate-reset preferred share dividend yields are reset periodically as the sum of: 1) the then-current base interest rate (usually the Gov't of Canada 5-yr bond yield); and 2) a "spread" to account for the issuer's credit risk. As at December 31, 2023, 77% of the market value of the Index was comprised of fixed rate-reset preferred shares.

The Canadian Preferred Share Index has experienced high volatility and declines of more than 10% on multiple occasions in the last decade. In our view, the relatively high historical volatility of Canadian Preferreds are an unintended consequence of the fixed-rate reset approach. Falling GOC 5-yr interest rates in 2014, 2018 and again in 2020 caused investors to expect that upcoming dividend resets would result in an unacceptably low dividend rate for the next 5 year term, which triggered a sell-off of fixed-rate-reset preferred shares. Brompton Preferred Shares, which are reset at all-in market rates, are not affected by changing market spread requirements and have historically provided shareholders with more stable returns compared to corporate rate-reset preferred shares.

2. Brompton Preferred Shares are redeemable at the shareholder's option:

Typically, rate-reset preferred shares are only redeemable at the issuer's option; often this redemption is ideal for the issuer, but not for investors. For example, it is in the best interest of the issuer to redeem a preferred share if its spread is higher than the market demands. Conversely, the issuer will not redeem if its spread is lower than the market demands. Brompton Preferred Shares are redeemable at the shareholder's option at the end-of-term, providing support for the market price, and giving flexibility to shareholders.

Brompton Preferred Shares vs. Corporate Rate-Reset Preferred Shares – Total Return¹



— Brompton Split Preferred Shares (Market-Weighted Index) S&P/TSX Preferred Share Index

Annual Compound Returns ²	Inception	1-YR	3-YR	5-YR	10-YR	Since Inception
SBC.PR.A	Nov/05	6.4%	5.6%	5.4%	5.0%	5.1%
LBS.PR.A	Oct/06	5.9%	5.7%	5.6%	5.2%	5.3%
LCS.PR.A	Apr/07	6.4%	6.4%	6.4%	6.1%	5.8%
DGS.PR.A	Dec/07	5.6%	5.6%	5.6%	5.5%	5.4%
GDV.PR.A	Jun/18	5.1%	5.1%	5.1%	-	5.1%
PWI.PR.A	May/21	5.1%	-	-	-	5.1%
ESP.PR.A	Feb/15	7.8%	26.2%	7.7%	-	6.5%
S&P/TSX Preferred Share Index	Jun/07	5.9%	1.2%	2.6%	1.5%	-

¹Source: LSEG, Datastream, for the period from December 31, 2013 to December 29, 2023. Reflects total return based on market price. "Brompton Preferred Shares" depicts the market-capitalization-weighted total return performance of Brompton Split Corp. Preferred Shares with at least 10 years of performance history (included ticker symbols: DGS.PR.A, LBS.PR.A, LCS.PR.A, SBC.PR.A). Corporate Rate Reset Preferred Shares are represented by the S&P/TSX Preferred Share Index. As at December 31, 2023, 77% of the market value of the Index was comprised of fixed rate-reset preferred shares. (Source: BMO Capital Markets).

²Source: Brompton, Refinitiv. Returns are for the periods ended December 31, 2023, and are unaudited. The table shows the past performance of each Fund's Preferred share, compared with the S&P/TSX Preferred Share Index ("Preferred Share Index"). Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on the redemption price per Preferred share and assumes that distributions made by the Fund on the Preferred shares in the periods shown were reinvested (at the redemption price per Preferred share) in additional Preferred shares of the Fund. The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the Toronto Stock Exchange that meet the criteria relating to size, liquidity and issuer rating. It is therefore not expected the performance of the Preferred shares will mirror that of the Preferred Share Index which has a more diversified portfolio.

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

There are ongoing fees and expenses associated with owning shares of an investment fund. An investment fund must prepare disclosure documents that contain key information about the funds. You can find more detailed information about the funds in the public filings available at www.sedarplus.ca. 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 any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

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