

### Fund in focus: Brompton Split Corp. Preferred Share ETF (SPLT)

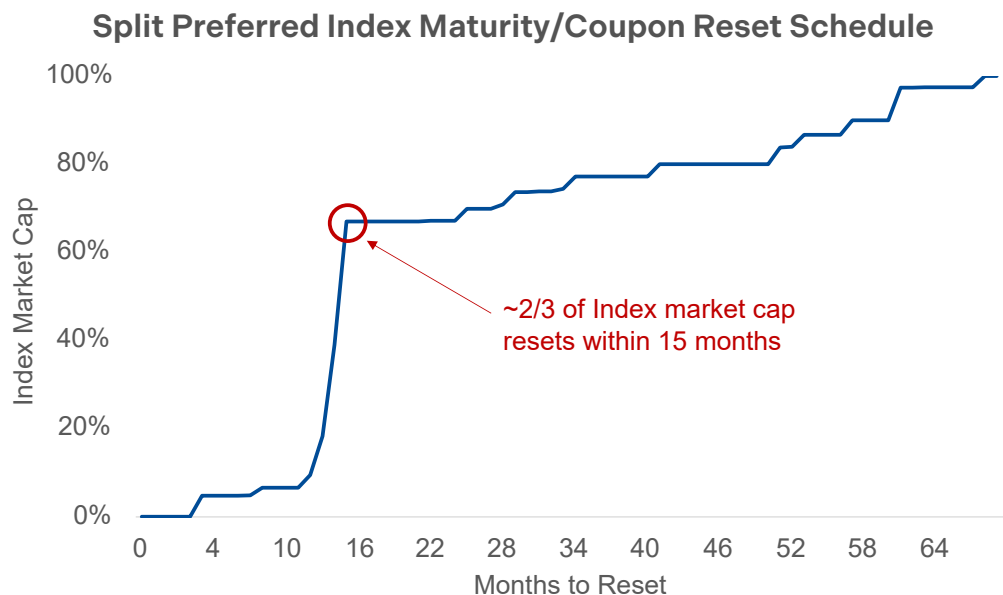
The demand for split corp. preferred shares is growing rapidly, with 63% market capitalization growth for this niche over the last 5 years<sup>1</sup>. Split corp. preferred shares offer attractive yields, relatively low volatility, and downside protection. In the new, higher-for-longer interest rate environment, dividend yields for split corp. preferred shares are moving higher due to ongoing coupon resets.

Since June 12, 2023 (the inception date of SPLT – Brompton Split Corp. Preferred Share ETF), the dividend levels of four preferred shares included in SPLT’s portfolio have been subject to reset at higher rates. On average, the new dividend rates are 1.76% higher than the rates for the previous term. These higher dividend rates are expected to add 0.62% to SPLT’s annual portfolio dividend yield over the course of Q4 2023, assuming no change in portfolio holdings from September 30, 2023.

Split corp. preferred shares typically pay eligible dividends, which offer investors tax advantaged distributions over traditional fixed income (bonds), making future dividend increases even more attractive to investors.

As at Sept. 30, 2023 <sup>2,3</sup>	SPLT portfolio yield <sup>4</sup>	SPLT portfolio yield, Pro-forma dividend increases <sup>5</sup>
Eligible dividends	6.3%	6.9%
Pretax interest equivalent	8.2%	9.0%

The Index One Split Preferred Share Index (Split Preferred Index) represents the Canadian split corp. preferred share universe on a market cap basis. Dividend investors should take note that 2/3 of the split corp. preferred market is scheduled to reset dividend rates within the next 15 months. We believe as a result that split preferred share dividend levels will continue increasing well into 2024, and in many cases the higher reset rate will be in effect for the following 5 years, providing attractive tax-efficient income to investors for an extended period.



Source: Index One, Bloomberg, as at September 30, 2023

SPLT’s portfolio is currently trading at ~96%<sup>2</sup> of par with a yield to maturity of 8.7%<sup>2</sup>. We expect a “pull-to-par” as split preferred shares approach the end of their current terms, at which time dividend rates will be reset at what we expect to be attractive market rates for a renewed term.

Brompton Split Corp. Preferred Share ETF (TSX: SPLT) is uniquely positioned for investors to benefit from the anticipated dividend and share price increases in the Canadian split preferred share asset class due to upcoming dividend resets. Since inception on June 12, 2023, SPLT has accumulated over \$50 million in assets (as at October 6, 2023). SPLT is designed to provide monthly distributions and the opportunity for capital preservation by investing in an actively managed portfolio of split corp. preferred shares. SPLT's investment strategy is actively managed, diversified, and is designed to achieve attractive tax efficient dividend yield, with less volatility historically than corporate preferreds, and with a competitive 0.50% management fee.

<sup>1</sup>Index One, Refinitiv Datastream, as at September 30, 2023.

<sup>2</sup>Bloomberg, Brompton Funds, as at September 30, 2023

<sup>3</sup>Based on combined Federal & Provincial (Ontario) highest marginal tax rates / tax credits (Source KPMG, 'Personal Tax Rates', 2023) assuming the Preferred Shares were purchased at September 30, 2023 closing NAV and all distributions from the Preferred Shares are eligible dividends. The calculation excludes the potential capital appreciation opportunities from purchasing the Preferred shares at a discount to NAV.

<sup>4</sup>SPLT portfolio yield is the gross portfolio yield and does not consider the MER of the ETF

<sup>5</sup>Based on September 30, 2023 portfolio weights. Dividend increases will take effect on October 31, 2023 and December 1, 2023.

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

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