

Funds in focus: [Brompton Tech Leaders Income ETF \(TLF\)](#)

Recent artificial intelligence breakthroughs, particularly generative AI and large language models, have the potential to redefine how software is built, priced, and consumed. While AI promises long-term productivity gains and new revenue pools, the transition has driven meaningful intra-sector dispersion within technology. Year to date the S&P 500 Software Index is down 21% versus the PHLX Semiconductor Index up 14% and the S&P 500 is essentially flat.¹ This divergence reflects a cyclical AI tailwind for semiconductors – where infrastructure buildout and GPU demand translate directly into revenue – versus deeper structural uncertainty in software around monetization, pricing models, and long-term economics.

We believe the software sector is undergoing its most profound structural shift since the emergence of cloud computing and software-as-a-service. The S&P 500 Software Index is currently trading at roughly a 0.5x forward P/E premium to the broader market (14th percentile), well below the historical median premium of 7.7x. The last comparable valuation reset occurred during the early cloud migration cycle, when business models were repriced amid platform transition risk. Unlike prior cycles, today's compression is not purely macro-driven – it reflects a reassessment of competitive moats, pricing durability, margin structure and AI monetization credibility.

Figure 1 – S&P 500 Software vs S&P 500 Index Forward P/E Ratio



Source: Bloomberg (February 19, 2026)

AI is reshaping the software value chain and compressing the traditional software stack. Historically, application software companies captured value through proprietary workflows, data lock-in, and seat-based licensing. Today, foundational AI models are enabling horizontal capabilities—automation, copilots, search, and content generation—that can be embedded across products. AI can replicate features that once differentiated SaaS platforms leading to commoditization of features. In addition, AI could drive lower switching costs as workflow automation and API-based integration reduce customer stickiness. We believe software vendors could see pricing pressures as customers increasingly expect AI capabilities to be bundled rather than sold as premium add-ons. AI workloads are compute-intensive, aligning pricing with consumption rather than licenses thus shifting the economic model from seat-based to usage-based.

AI does not necessarily mean the death of software but a paradigm shift that will result in winners and losers. Infrastructure and platform enablers will capture AI-related compute demand directly. Data-rich vertical software companies with proprietary, domain-specific datasets (healthcare, financial services, industrial automation) can defensibly layer AI on top of unique data assets. Software is transitioning from a growth-at-any-price paradigm to a capital discipline and AI monetization cycle. Near-term volatility is likely to persist as earnings revisions reflect margin resets and uncertain AI return on investment. However, long-term productivity gains from AI integration could ultimately expand total addressable markets for differentiated vendors.

We believe active investing is important given significant dispersion in the tech sector. Investors must navigate between concentration risk at the top and be disciplined in capital rotation to second-order beneficiaries and emerging diffusion opportunities downstream. Investors should avoid broad sector exposure and instead focus on companies with defensible data assets, scalable distribution, and credible AI monetization pathways. The AI era will not eliminate software—but it will meaningfully reshape where value accrues within the stack.

Brompton's Approach

Brompton takes an active approach to investing in technology companies, particularly in our technology fund, Brompton Tech Leaders Income ETF (TLF, TLF.U) and in the technology holdings in Brompton Global Dividend Growth ETF (BDIV). We prefer to invest in companies that have market leading positions, a combination of revenue growth and free cash flow generation and expanding pipeline of opportunities. In TLF we actively manage our weights to software, semiconductor, IT services and hardware stocks. In addition, we use an active call writing overlay in order to earn option premiums and lower the overall volatility of returns associated with owning a portfolio of equity securities. This has enabled TLF to be awarded the LSEG Lipper Fund Award for Best Sector Equity Fund over 10 years.²

As of February 28, 2026 ³	1-Year	3-Years	5-Years	10-Years	Since Inception TLF (20/05/2011)	Since inception TLF.U (08/08/2019)
Brompton Tech Leaders Income ETF – CAD-hedged (TLF)	17.9%	25.0%	13.4%	19.4%	14.2%	-
Brompton Tech Leaders Income ETF - USD (TLF.U)	20.7%	27.0%	14.9%	-	-	19.8%

¹Bloomberg, as of February 27, 2026

²LSEG Lipper Fund Awards, © 2025 LSEG. All rights reserved. Used under license. LSEG Lipper Fund Awards Canada 2025 Winner, Brompton Tech Leaders Income ETF, Best Sector Equity Fund over ten years, out of a total of 17 funds. The corresponding Lipper Leader ratings of TLF for the period ending July 31, 2025 were as follows: 3 (3 years), 5 (5 years), 4 (10 years). The LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is an objective, quantitative, risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the LSEG Lipper Fund Award. For more information, see lipperfundawards.com. Although LSEG Lipper makes reasonable efforts to ensure the accuracy and reliability of the data used to calculate the awards, their accuracy is not guaranteed.

³Returns are for the periods ended February 28, 2026 and are unaudited. TLF inception date May 20, 2011. TLFU inception date August 8, 2019. The table shows the ETF's compound return for each period indicated. Past performance does not necessarily indicate how the ETF will perform in the future. The information shown is based on net asset value per unit and assumes that distributions made by the ETF during the periods shown were reinvested at net asset value per unit in additional units of the ETF. Past performance does not necessarily indicate how the ETF will perform in the future.

This report 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 prospectus before investing.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange-traded fund investments. 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. Please read the prospectus before investing. Exchange-traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

Information contained in this document was published at a specific point in time. Upon publication, it is believed to be accurate and reliable, however, we cannot guarantee that it is complete or current at all times. 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 ETFs, to the future outlook of the ETFs and anticipated events or results and may include statements regarding the future financial performance of the ETFs. 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.