

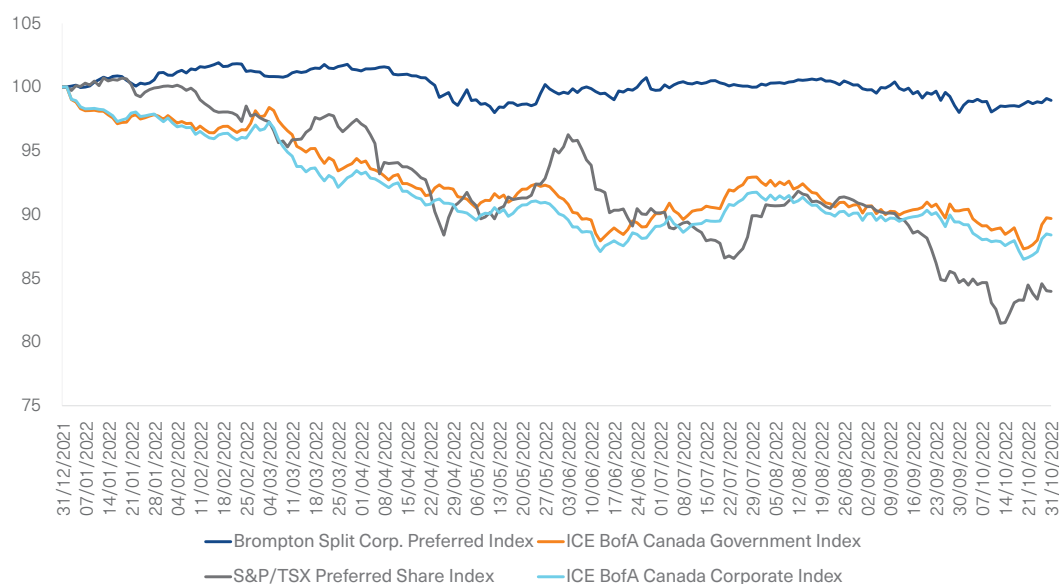
**Funds in focus:** Brompton Split Corp. preferred shares: [Dividend Growth Split Corp. \(DGS.PR.A\)](#), [Life & Banc Split Corp. \(LBS.PR.A\)](#), [Brompton Lifeco Split Corp. \(LCS.PR.A\)](#), [Global Dividend Growth Split Corp. \(GDV.PR.A\)](#), [Brompton Oil Split Corp. \(OSP.PR.A\)](#), [Sustainable Power and Infrastructure Split Corp. \(PWI.PR.A\)](#), [Brompton Split Banc Corp. \(SBC.PR.A\)](#)

On October 26, 2022, the Bank of Canada announced another 50 basis points increase to the overnight rate in an attempt to control inflation, increasing the target overnight rate to 3.75%. As a result of the sharp rate hikes this year, all major Canadian fixed income indices are down significantly, and fixed income investors may want to look for alternative investment opportunities for income and capital preservation.

Brompton Split Corp. preferred shares have outperformed the broad fixed income markets year-to-date, including the disappointing Canadian corporate preferred share index, due to their stable quarterly dividends and the ability to realize cash liquidity at the end of their term.

See details in: [Brompton Insights - Brompton Split Corp. Preferred Shares: Investor-Friendly Features, Significant Outperformance.](#)

**Total Return Comparison - YTD (Rebased to 100)**



Source: Refinitiv Datastream, January 1, 2022 to October 31, 2022. Brompton Split Corp. Preferred Index tracks the market-capitalization-weighted total return performance of Brompton Split Corp Preferred Shares included ticker symbols: DGS.PR.A, GDV.PR.A, LBS.PR.A, LCS.PR.A, OSP.PR.A, SBC.PR.A and PWI.PR.A.

Guaranteed Investment Certificates (GICs) are one of the few investment vehicles that have benefited from 2022's rising interest rate environment. The current average non-redeemable GIC rate in Canada is 4% or higher for all maturity terms with 5-Year GIC rate reaching close to the 5% range.

Average GIC Rate <sup>1</sup>	Term in Years				
	1	2	3	4	5
	4.2%	4.4%	4.4%	4.5%	4.6%

Source: Cannex GIC/Term Deposit database, as of November 7, 2022.

Higher rates and the principal guarantee feature makes GICs appear to be attractive for investors who are looking for higher income and capital protection in volatile markets. According to ISS Market Intelligence, fixed-term deposits finished the first half of the year at a new record high of \$657.8 billion led by a 13% increase in GICs. The advisor channels have outpaced the banks' branch networks and online platforms, with full-service brokerages adding \$20.5 billion to lead deposit growth<sup>2</sup>. GIC investors have faced paltry returns over the past decade and it is enticing to focus on the current yields in the 4%+ range, however like bonds, this income is fully taxable at the investor's marginal rate as other income if the GICs are held outside of a registered account. Split Corp. preferred shares offer investors tax efficient, eligible Canadian dividends which are taxed at a lower marginal tax rate. Additionally, although Brompton Split Corp. preferred shares outperformed both Canadian fixed income and preferred shares indices year to date, Split Corp. preferred share prices have declined due to rising interest rates. A number of Split Corp. Preferred shares are trading at a modest discount to NAV currently, creating an opportunity for capital appreciation at maturity. Capital gains are even more tax efficient than dividends, taxed at 50% inclusion. Eligible dividends and capital appreciation opportunity mean that Split Corp. preferred shares provide a potential tax efficient alternative to GIC's interest income.

One way to illustrate how attractive Split Corp. Preferred share income is relative to GICs is to calculate the "pre-tax interest equivalent" rate. This is the rate of interest that would need to be paid on a bond or a GIC, in order to produce the same after-tax income on a Split Corp. preferred share that pays tax-efficient, eligible Canadian dividends. As can be seen in the table below, in most cases Brompton's Split Corp. preferred shares offer pre-tax interest equivalent yields that are much higher than GIC rates, making them a potential attractive alternative.

Ticker	Price	Downside Protection*	Current Yield	YTM	DBRS Rating	Maturity Date	Pre-tax interest Equivalent Required by GIC <sup>4</sup>
SBC.PR.A	\$9.51	48%	6.6%	7.6% <sup>3</sup>	Pfd-3 (High)	Nov, 2027	9.0%
LBS.PR.A	\$9.90	41%	5.5%	7.1%	Pfd-3	Oct, 2023	7.3%
LCS.PR.A	\$9.75	28%	6.4%	8.1%	Pfd-3 (Low)	Apr, 2024	8.6%
GDV.PR.A	\$9.28	45%	5.4%	7.4%	Pfd-3 (High)	Jun, 2026	7.6%
DGS.PR.A	\$9.43	34%	5.8%	9.4%	Pfd-3	Sep, 2024	8.1%
OSP.PR.A	\$9.75	36%	6.7%	15.1%	-	Mar, 2023	8.9%
PWI.PR.A	\$9.23	39%	5.4%	7.7%	Pfd-3	May, 2026	7.7%

Current Yield and Yield to Maturity calculated based on November 7, 2022 closing market price on the TSX.

*\*Based on November 3, 2022 Unit NAV for SBC, LBS, LCS and DGS and November 7, 2022 Unit NAV for GDV, OSP and PWI; Downside Protection = Class A NAV / Unit NAV. Preferred Share NAV may be less than \$10.00 at maturity if the Class A NAV is below \$0 on maturity date.*

Moreover, certain non-redeemable GICs may have limited liquidity during their term when compared to market traded securities like Brompton's preferred shares that have daily liquidities on the TSX.

Brompton's Split Corp preferred share options include the following:

Ticker	Description	Inception Date
SBC.PR.A	Big 6 Canadian banks	Nov 16, 2005
LBS.PR.A	4 largest life insurance companies and the Big 6 banks in Canada	Oct 17, 2006
LCS.PR.A	Canada's 4 largest life insurance companies	Apr 18, 2007
GDV.PR.A	Large-cap global dividend growth companies	Jun 15, 2018
DGS.PR.A	Blue-chip Canadian dividend growth companies	Dec 03, 2007
OSP.PR.A	Large-cap North American oil and gas issuers	Feb 24, 2015
PWI.PR.A	Global portfolio of sustainable power & infrastructure companies	May 24, 2021

Brompton's Split Corp preferred share performance demonstrates consistency and stability across every reporting period. Since Brompton Split Corp preferred shares have maturity dates ranging from 2023 to 2027, investors can utilize a laddered approach to further reduce the future interest rate impact.

Preferred Share - Fund Info		Performance <sup>5</sup>					
Ticker	Maturity Date	YTD	1-YR	3-YR	5-YR	10-YR	S.I.
SBC.PR.A	Nov, 2027	4.2%	5.1%	5.1%	5.1%	4.8%	5.0%
LBS.PR.A	Oct, 2023	4.6%	5.6%	5.6%	5.4%	5.2%	5.2%
LCS.PR.A	Apr, 2024	5.3%	6.4%	6.4%	6.2%	6.0%	5.8%
GDV.PR.A	Jun, 2026	4.2%	5.1%	5.1%	-	-	5.1%
DGS.PR.A	Sep, 2024	4.7%	5.6%	5.6%	5.5%	5.4%	5.4%
OSP.PR.A	Mar, 2023	8.3%	7.2%	10.0%	7.1%	-	6.4%
PWI.PR.A	May, 2026	4.2%	5.1%	-	-	-	5.1%

<sup>1</sup> Source: Cannex GIC/Term Deposit Rates, as of November 07, 2022, <https://www.cannex.com/index.php/services/canada/banking-products/gics-term-deposits/>.

<sup>2</sup> Source: Investment Executive, "As rates rise, advisors flock to GICs", <https://www.investmentexecutive.com/news/research-and-markets/as-rates-rise-advisors-flock-to-gics/>.

<sup>3</sup> On September 26, 2022, Brompton Split Banc Corp. announced that the distribution rate for the Preferred Shares for the new 5-year term from November 30, 2022 to November 29, 2027 will be \$0.625 per annum.

<sup>4</sup> Based on combined Federal & Provincial (Ontario) highest marginal tax rates / tax credits (Source KPMG, 'Personal Tax Rates', 2022). 2022 Tax characteristics applied to current annualized distribution yield assuming the Preferred shares were purchased at November 7, 2022 closing market price and all distributions from the Split Corp Preferred shares are eligible dividends. The calculation excludes the potential capital appreciation opportunities from purchasing the Preferred shares at a discount to NAV.

<sup>5</sup> Returns are for the periods ended October 31, 2022 and are unaudited. The tables show the past performance of each Fund's Preferred Shares. 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.

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**Investor Relations**  
PHONE 416.642.6000  
TOLL FREE 1.866.642.6001  
FAX 416.642.6001  
EMAIL [info@bromptongroup.com](mailto:info@bromptongroup.com)

**Website**  
[www.bromptongroup.com](http://www.bromptongroup.com)

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