

TSX: PWI, PWI.PR.A

BROMPTON
FUNDS



SUSTAINABLE
POWER & INFRASTRUCTURE
SPLIT CORP.

Sustainable Power & Infrastructure Split Corp. Interim Report 2022

*Actively managed global portfolio of sustainable
power & infrastructure companies.*

**VALUE
INTEGRITY
PERFORMANCE**

THE FOUNDATION FOR EXCELLENCE

MANAGEMENT REPORT OF FUND PERFORMANCE

August 17, 2022

This interim management report of Fund performance for Sustainable Power & Infrastructure Split Corp. (the “Fund”) contains financial highlights but does not contain the unaudited interim financial statements of the Fund. The unaudited interim financial statements follow this report. You may obtain a copy of the audited annual or unaudited interim financial statements, at no cost, by calling 1-866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.bromptongroup.com or SEDAR at www.sedar.com. Shareholders may also contact us by using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, Independent Review Committee’s report, or quarterly portfolio disclosure.

THE FUND

Sustainable Power & Infrastructure Split Corp. is a mutual fund corporation managed by Brompton Funds Limited (the “Manager”). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange (“TSX”) under the symbols PWI and PWI.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF, RESP and TFSA eligible. The Preferred shares are rated Pfd-3 (high) by Dominion Bond Rating Service Limited (“DBRS”).

Preferred shares of the Fund receive fixed, cumulative quarterly payments. Payments may consist of ordinary dividends, capital gains dividends or returns of capital. Preferred shares have a priority claim ahead of the Class A shares on the Fund’s assets in the event of termination. However, the Net Asset Value of Preferred shares generally does not benefit from growth in value of the underlying stocks. Class A shares capture the movement of the underlying stocks but in a more magnified way than if an investor owned the underlying portfolio of securities directly. This magnification of return is commonly known as “leverage”, which is provided by the Preferred shares.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund’s investment objectives are:

- i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions of \$0.1250 per Preferred share and to return the original issue price of \$10.00 per Preferred share to Preferred shareholders at maturity; and
- ii) to provide holders of Class A shares with regular monthly non-cumulative cash distributions, targeted to be \$0.06667 per share, and the opportunity for growth in Net Asset Value per share through exposure to the Portfolio.

To achieve these objectives, the Fund will invest in a globally diversified and actively managed portfolio (the “Portfolio”) consisting primarily of dividend-paying securities of power and infrastructure companies, whose assets, products and services the Manager believes are facilitating the multi-decade transition toward decarbonization and environmental sustainability. The Portfolio will include investments in companies operating in the areas of renewable power, green transportation, energy efficiency, and communications, among others (“Sustainable Power and Infrastructure Companies”). In seeking to achieve its investment objectives, the Fund intends to target investments in Sustainable Power and Infrastructure Companies that have positive and/or improving environmental, social and governance (“ESG”) characteristics as identified by the Manager.

The Manager will integrate ESG considerations to complement fundamental analysis in its security selection process. The qualitative ESG policies and practices considered may include, but are not limited to, a company’s environmental sustainability, diversity of employees, and corporate governance. The Manager reviews ESG ratings from third party data providers such as Bloomberg, MSCI, S&P Global, Sustainalytics, Refinitiv, ISS, and others that provide independent and objective ratings as an input to the overall investment analysis and risk assessment of a company. The Fund will only invest in issuers with a market capitalization of at least \$2 billion and the Manager expects that at least 15 Sustainable Power and Infrastructure Companies will comprise the Portfolio. In addition, up to 25% of the Portfolio may be invested indirectly through exchange-traded funds (“ETF”), including funds managed by the Manager, for the purposes of enhanced diversification and return potential, at the discretion of the Manager. Covered call options and cash-covered put options may be written in respect of the portfolio to generate additional distributable income for the Fund and/or to reduce the volatility of the Fund. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written.

RECENT DEVELOPMENTS

Treasury Offering

On August 17, 2022, the Fund completed a treasury offering of Class A shares and Preferred shares for an aggregate gross proceeds of approximately \$9.7 million. Class A shares were offered at \$8.95 per share and Preferred shares were offered at a price of \$10.00 per share.

Market Conditions

Fiscal and monetary policy responses to increased levels of inflation have led to higher interest rates and to fluctuations in securities prices. In addition, global political tension and military events in Ukraine and Russia have also caused increased volatility and disruptions in global financial markets. The Fund's Net Asset Value reflecting the value of the Fund's portfolio based on the most recent valuation date can be found on the Fund's webpage at www.bromptongroup.com.

RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2021 Annual Information Form, which is available at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes during the period ended June 30, 2022 that materially affected the risks associated with an investment in the shares of the Fund as they were discussed.

RESULTS OF OPERATIONS

Distributions

Cash distributions for the first six months of 2022 were \$0.40 per unit, reflecting a monthly distribution rate of \$0.06667, compared to \$0.06667 per unit for the period from May 21, 2021 (commencement of operations) to June 30, 2021. Preferred share distributions for the first six months of 2022 were \$0.25 per share compared to \$0.05632 per Preferred share prorated from the commencement of operations to June 30, 2021. Since inception, the Fund has distributed \$0.87 per Class A share and \$0.56 per Preferred share.

The Fund has a distribution reinvestment plan which allows participating Class A shareholders to automatically reinvest monthly distributions, commission free, in additional Class A shares of the Fund. Pursuant to this plan, during the six months ended June 30, 2022, 2,159 Class A shares were acquired in the market at an average price of \$9.34 per Class A share.

Income and Expenses

The Fund's investment portfolio generated total income of \$0.29 per Class A share for the first six months of 2022. Total expenses were \$0.13 per Class A share during the period.

Net Asset Value

The Net Asset Value per Class A share was \$6.44 at June 30, 2022, compared to \$10.09 at December 31, 2021. This reflects 36.2% or \$3.65 per class A share decrease, which was contributed by the Fund's performance of its portfolio constituents during the period. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For the purpose of calculating the Net Asset Value of the Fund as a whole, the Preferred shares are not considered a liability of the Fund. The aggregate Net Asset Value of the Fund was \$53.0 million at June 30, 2022 compared to \$64.7 million at December 31, 2021 reflecting a decrease of 18.1% or \$11.7 million. The decrease was due to the net investment loss of \$9.7 million, \$1.3 million Class A share distributions, and \$0.8 million Preferred share distributions. These were partially offset by the \$0.1 million related to Class A share and Preferred shares agents' fees and issuance costs reimbursement in connection with the 2021 initial public offering.

Investment Portfolio

At June 30, 2022, the Fund's investment portfolio included 30 securities across 8 sectors and 1 exchange-traded fund investment which is managed by the same Manager and unchanged from December 31, 2021. During the period, the Fund purchased 5 new securities and sold 5 securities. The exchange-traded fund is Brompton Sustainable Real Assets Dividend ETF and this investment provides exposure to global real asset companies. As of June 30, 2022, the underlying ETF represented 5.4% of the Fund's Net Asset Value. The Fund's total percentage of ownership interest in the underlying ETF is approximately 41.7%. The portfolio's investment weighting (excluding cash and short-term investments) and a detailed listing of the Fund's holdings is provided in the financial statements.

Sustainable Power & Infrastructure Split Corp. - Interim Report 2022

To achieve the investment objectives, the Manager uses a multi-disciplinary investment process that includes fundamental, qualitative, and technical research to construct the portfolio. As a part of this process, the Manager has integrated ESG considerations into the fundamental analysis and has targeted investments in companies that have positive and/or improving environmental, social and governance (“ESG”) characteristics. The qualitative ESG considerations include reviewing a company's policies and practices in regards to environmental sustainability, diversity of employees, and corporate governance. The Manager also reviews ESG ratings from third party data providers such as Bloomberg, MSCI, S&P Global, Sustainalytics, Refinitiv, ISS, and others that provide independent and objective ratings as an input to the overall investment analysis and risk assessment of a company.

For the period ended June 30, 2022, the Fund’s portfolio recorded a net realized and change in unrealized loss of \$10.2 million. The Fund's investments in the Energy sector contributed to \$0.3 million in net realized and change in unrealized gains. This gain was offset by the losses from the investments in the Industrials and Materials sectors, which between them contributed to approximately \$7.1 million in net realized and change in unrealized losses.

In response to market conditions during the first six months of 2022, the Fund selectively wrote covered call options on the companies in the portfolio and generated premiums of \$0.1 million. The Fund had a net realized and change in unrealized gain on options of \$0.1 million, which represented premium income, less amounts paid to close out the options at expiry. During the first six months of 2022, the Fund wrote call options on an average notional value of 3.9% of the Fund’s portfolio. There were 257 option contracts outstanding at June 30, 2022 with a notional value representing 5.2% of the portfolio.

The Fund’s portfolio is comprised of US dollar, Euro, and to a lesser extent British pound, Swiss franc, Japanese yen and Hong Kong dollar denominated securities. At June 30, 2022, the Fund’s exposure to foreign currencies was substantially hedged through foreign currency forward contracts and had a net realized and change in unrealized gain of \$0.3 million from foreign currency forward contracts during the six months ended June 30, 2022. The gain was largely offset by the foreign currency loss of the respective foreign currency denominated securities in the investment portfolio.

Portfolio Sectors

Net Gains (Losses) by Sector (millions)	% of Portfolio as of 30-Jun-22	Realized \$	Change in Unrealized \$	Total \$
Communication services	8.0	-	(0.2)	(0.2)
Consumer discretionary	2.2	-	(0.3)	(0.3)
Energy	11.6	0.1	0.2	0.3
Industrials	21.6	(1.1)	(3.9)	(5.0)
Information technology	3.3	-	(0.6)	(0.6)
Materials	13.0	-	(2.1)	(2.1)
Real estate	7.9	0.1	(1.3)	(1.2)
Utilities	27.0	-	(1.2)	(1.2)
Sustainable real assets dividend exchange-traded fund	5.4	(0.1)	(0.2)	(0.3)
Options	-	0.1	0.0	0.1
Foreign currency forward contracts	-	0.9	(0.6)	0.3
Total	100.0	0.0	(10.2)	(10.2)

Geographic Split	% of Portfolio as of 30-Jun-22
United States	42.6
Canada	26.2
Great Britain	6.8
Germany	6.7
France	5.6
Ireland	3.8
Japan	3.6
Switzerland	2.9
Hong Kong	1.8
Total	100.0

Liquidity

To provide liquidity for shareholders, the Class A shares and Preferred shares of the Fund are listed on the TSX. Investors also have the right to retract their shares in accordance with the Fund’s retraction provisions for each class of share.

RELATED PARTY TRANSACTIONS

Related party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

MANAGEMENT FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.75% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears. The Fund does not pay any management fees on investments in funds managed by the Manager. The management fee is used by the Manager to cover its costs to obtain the Fund’s assets, the cost to administer the Fund, the cost of investment management services and for profit. For the six months ended June 30, 2022, management fees amounted to \$0.2 million.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund’s financial performance for the fiscal periods indicated. This information is derived from the Fund’s unaudited interim and audited annual financial statements. *The information in the following tables is presented in accordance with National Instrument (“NI”) 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per Class A share.* The increase (decrease) in Net Assets from operations is based on average shares outstanding during the period, and all other numbers are based on actual shares outstanding at the relevant point in time.

Net Assets per Class A Share¹

For the period ended	June 30, 2022	December 31, 2021 ²
	\$	\$
Net Assets, beginning of period ^{3,4}	10.09	9.29
Increase (decrease) from operations:⁵		
Total revenue	0.29	0.46
Total expenses ⁴	(0.13)	(0.48)
Preferred share distributions	(0.25)	(0.31)
Realized gains (losses)	(0.02)	(0.85)
Unrealized gains (losses)	(3.16)	2.17
Total increase (decrease) in Net Assets from operations	(3.27)	0.99
Distributions to Class A shareholders:^{3,6}		
Return of capital	n/a	0.47
Total distributions to Class A shareholders	0.40	0.47
Net Assets, end of period²	6.44	10.09

¹ The financial information was prepared using International Financial Reporting Standards.

² Period from May 21, 2021 (commencement of operations) to December 31, 2021.

³ Net Assets per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

⁴ The opening Net Assets per Class A share is net of agents' fees and issuance costs on Class A shares and Preferred shares. For financial reporting purposes, the costs related to Preferred shares, in the amount of \$0.28 per share, have also been reported as an expense during the period from May 21, 2021 to December 31, 2021. Total expenses, excluding the agents' fees and issuance costs on Preferred shares, were \$0.20 per share.

⁵ The increase (decrease) in Net Assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

⁶ Allocations for tax purposes for the period ended June 30, 2022 are not available until year end.

Ratios and Supplemental Data (Based on Net Asset Value)

As at	June 30, 2022	December 31, 2021
Net Asset Value (\$) (000s) - including Preferred shares	52,968	64,720
Number of Class A shares outstanding (000s)	3,222	3,222
Management expense ratio (“MER”) - Class A shares ¹	8.17%	15.06%
Trading expense ratio ²	0.12%	0.32%
Portfolio turnover rate ³	11.99%	n/a
Net Asset Value per unit (\$) ⁴	16.57	20.21
Net Asset Value per Class A share (\$)	6.44	10.09
Net Asset Value per Preferred share (\$) ⁵	10.00	10.00
Closing market price - Class A shares (\$)	8.10	9.87
Closing market price - Preferred shares (\$)	10.60	10.50

¹ MER for Class A shares is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including distributions on Preferred shares and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average Net Asset Value of the Fund for Class A shares over the period. Please see the Expense Ratio section following this table for further discussion of the calculation.

² The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

³ The Fund’s portfolio turnover rate indicates how actively the Fund manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund’s portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not provided when the Fund is less than one year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of such investments during the period.

⁴ A unit includes one Class A share and one Preferred share. Net Asset Value per unit is determined by the Net Asset Value of the Fund, for which the Preferred shares are not treated as liabilities. Net Asset Value per unit includes any distributions declared and not paid that are payable to Shareholders.

⁵ Net Asset Value per Preferred share does not include the accrued Preferred share distributions.

Expense Ratio

At June 30, 2022, the MER per Class A share, which included Preferred share distributions and agents’ fees and issuance costs reimbursement, was 8.17%, down from 15.06% in 2021. The 2022 MER consisted of negative 0.46% of agents’ fees and issuance costs, compared to 7.44% in 2021. The negative value was due to the fund receiving a reimbursement of \$0.1 million for lower costs incurred in association with the 2021 initial public offering. The treasury issuances were priced at Net Asset Value plus fees and expenses and therefore, not to be dilutive for the existing shareholders, the agents’ fees and issuance costs from the treasury issuances were borne by the new subscribing shareholders. However, pursuant to the prescribed regulatory formula these costs were required to be included in the MER calculation.

The MER per Class A share, excluding agents’ fees and issuance fees, and Preferred share distributions, was 2.66% for the first six months ended June 30, 2022, compared to 2.45% in 2021.

The MER per unit of the Fund, excluding Preferred share distributions, issuance costs and agents’ fees, was 1.22% for the first six months of 2022, compared to 1.20% in 2021. This ratio is more representative of the ongoing efficiency of the administration of the Fund.

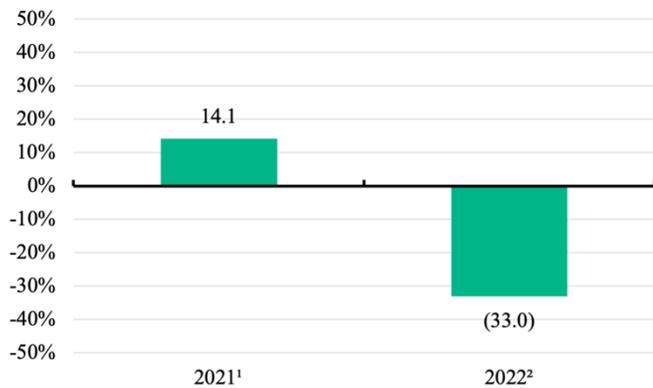
PAST PERFORMANCE

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per Class A share and per unit and assumes that distributions made by the Fund on the Class A shares and units in the periods shown were reinvested (at Net Asset Value per Class A share and per unit, respectively) in additional Class A shares and units of the Fund.

The bar chart shows the Fund’s returns for a Class A share and a unit since inception to June 30, 2022. The chart shows, in percentage terms, how investments held in a Class A share and a unit on the first day of the fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns

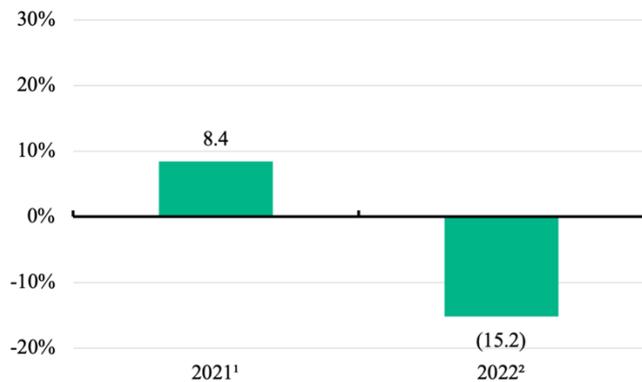
Class A Share



¹ Period from May 21, 2021 (commencement of operations) to December 31, 2021.

² Period from January 1, 2022 to June 30, 2022.

PWI Unit



¹ Period from May 21, 2021 (commencement of operations) to December 31, 2021.

² Period from January 1, 2022 to June 30, 2022.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2022

Total Net Asset Value¹	\$	52,968,319
Portfolio Composition	% of Portfolio	% of Net Asset Value
<u>Asia</u>		
Hong Kong		
Utilities	1.7	1.8
Japan		
Industrials	3.5	3.6
Total Asia	5.2	5.4
<u>Europe</u>		
France		
Industrials	2.9	3.0
Utilities	2.5	2.6
Germany		
Utilities	2.6	2.7
Consumer discretionary	2.1	2.2
Industrials	1.8	1.8
Great Britain		
Utilities	3.7	3.8
Materials	3.0	3.0
Ireland		
Materials	3.7	3.8
Switzerland		
Materials	2.8	2.9
Total Europe	25.1	25.8
<u>North America</u>		
Canada		
Communication services	7.8	8.0
Utilities	6.0	6.2
Sustainable Real Assets Dividend Exchange-traded Fund	5.2	5.4
Energy	3.5	3.6
Industrials	2.9	3.0
United States		
Industrials	10.0	10.2
Utilities	9.7	9.9

SUMMARY OF INVESTMENT PORTFOLIO (cont'd)

Portfolio Composition (cont'd)	% of Portfolio	% of Net Asset Value
North America (cont'd)		
United States (cont'd)		
Energy	7.8	8.0
Real estate	7.7	7.9
Information technology	3.3	3.3
Materials	3.2	3.3
Total North America	67.1	68.8
Cash and short-term investments	2.6	2.6
Other net liabilities		(2.6)
Total	100.0	100.0

Top 25 Holdings	% of Portfolio	% of Net Asset Value
Brompton Sustainable Real Assets Dividend ETF	5.2	5.4
SBA Communications Corp.	4.3	4.4
Brookfield Infrastructure Partners LP	4.1	4.2
Nextera Energy Inc.	4.1	4.2
ONEOK Inc.	4.0	4.1
Exelon Corp.	3.9	4.0
Telus Corp.	3.9	4.0
BCE Inc.	3.9	4.0
Williams Companies Inc.	3.8	3.9
Linde PLC	3.7	3.8
National Grid PLC	3.7	3.8
Hitachi Ltd.	3.5	3.6
Enbridge Inc.	3.5	3.6
Roper Technologies Inc.	3.5	3.5
Prologis Inc.	3.4	3.5
Jacobs Engineering Group Inc.	3.3	3.4
ON Semiconductor Corp.	3.3	3.3
Union Pacific Corp.	3.2	3.3
Albemarle Corp.	3.2	3.3
Anglo American PLC	3.0	3.0
Waste Connections Inc.	2.9	3.0
Schneider Electric SE	2.9	3.0
Sika AG	2.8	2.9

Top 25 Holdings (cont'd)	% of Portfolio	% of Net Asset Value
RWE AG	2.6	2.7
Cash and short-term investments	2.6	2.6
Total	88.3	90.5

¹ Net asset value of the fund includes the value of the Preferred shares

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at www.bromptongroup.com within 60 days of each quarter end.

MANAGER/PORTFOLIO MANAGER

Founded in 2000, Brompton is an experienced investment fund manager with income focused investment solutions including exchange-traded funds (ETFs) and other TSX traded investment funds. Brompton's Portfolio Management team specializes in Canadian and global equity investments and is a leading manager of covered call writing strategies in Canada. Brompton actively manages 19 investment funds, which are listed on the TSX.



PORTFOLIO MANAGER'S REPORT

July 2022

Global Markets Review

The first half of 2022 was undoubtedly a difficult start for most global equity indices, with some of them entering a bear market during the period. The Russia-Ukraine war, global monetary tightening, and rampant inflation fueled a rise in recessionary concerns. For the six-month period ended June 30, 2022, the MSCI World Index fell by 20.3%. Energy was the only sector that registered positive returns (+24.7%), while Consumer Discretionary was the bottom-performing sector (-31.8%). In North America, the S&P 500 slumped 20.0%, while the S&P/TSX Composite lost 9.9%. Energy, again, was the best contributor to both markets. In Europe, the STOXX 600 was down 14.4% for the first half of this year. The U.K. FTSE 100 was the best-performing index (-1.0%). Spain and Switzerland were down by 5.3% and 14.3%, respectively. France, Germany, and Italy all finished the period in negative territory (CAC 40 -15.2%, DAX -19.5%, FTSE MIB -19.6%).

Global economic growth has been challenged by rising inflation. Exogenous shocks, such as the Russia/Ukraine war since the end of February and a two-month lockdown in Shanghai, have exacerbated the already-high inflationary pressure. Elevated energy prices are weighing on every aspect of industrial and consumer activities, while inventory levels are accumulating as both pandemic-induced supply shortages and avid demand start to ease. Major economic indicators in the U.S. confirmed an economic slowdown. May CPI surged to 8.6%, the highest reading since December 1981. Food and gasoline price increases have been the main drivers of inflation accelerating. Rising inflation is eroding real wage growth, while unemployment rates continued to see sequential decline so far this year. Manufacturing PMI entered May at 56.1, ticking up from the April low, but the gauge has largely trended down since its peak in March 2021. Global yields rose in response to the inflation overshoot and monetary tightening. The U.S. Treasury market suffered from one of its worst selloffs on record during the first half of 2022, while the 2-year and 10-year Treasury spread narrowed and dipped twice below zero during the period. Bond market selloffs also deepened in Europe on the expectation of a more aggressive pace of tightening from the European Central Bank. With the tight oil market and inflation on the rise, energy stocks showed robust performance, with many enjoying double-digit returns. The sector has become one of the few places to hide in this turbulent market. In addition, quality names which offer decent dividend yields in defensive sectors such as Consumer Staples and Utilities generally showed better resilience than cyclical and growth peers such as Consumer Discretionary and Technology sectors during the 6-month period.

During the second quarter, central banks in developed economies continued to deliver more hawkish stances of their monetary policy to combat inflationary risks. At the June Federal Open Market Committee (“FOMC”) meeting, the Federal Reserve raised interest rates by 75 basis points to the 1.5%-1.75% range, representing the biggest increase in a single meeting since 1994. As the Fed signaled further hikes at all remaining meetings this year, the Fed Fund Futures market is pricing in another 165 basis points of tightening to 3.3% by year-end, including another possible 0.75% hike at the July meeting. The Committee also reiterated the balance sheet reduction at a pace of \$47.5 billion a month starting from June 1 and will ramp up to \$95 billion in September. GDP forecasts were also sharply revised down to 1.7% in 2022, down from 2.8% in the March estimates.

The Bank of Canada (BoC) also stressed the importance of taming inflation by delivering back-to-back 50-basis-point policy rate increases at the April and June meetings, respectively. This brought Canada’s overnight policy rate from 0.5% at March meeting to 1.5%. The statement communicated explicitly that the central bank may act more aggressively if the commitment to achieve the 2% inflation target needs to be met. Higher interest rate will test Canadian households’ ability to service their debts, as the housing market cooled in Q2, which is expected to slow further amid the rate hike cycle.

The European Central Bank (ECB) kept the benchmark interest rate unchanged at -0.50%, while expecting its first policy rate hike at the July meeting. Surprisingly, the ECB held an unscheduled monetary policy meeting in June and subsequently announced it will create a new instrument to tackle the risk of fragmentation. However, the detail of the new instrument will remain uncertain until the July meeting, and whether it can alleviate the ongoing economic and geopolitical risks resulted from the war in Ukraine will remain in question. Meanwhile, the Bank of England (BoE) voted to lift the policy rate by two consecutive 25 basis points hikes in May and June to 1.25%. The BoE also revised up its forecast for peak of inflation this year to “slightly above” 11%. Even though energy shocks are larger in the U.K. than in the U.S., indicating a sharper consumer spending drop, the fiscal policy remains more growth supportive in the U.K., while the U.S. fiscal impulse has become a drag.

The geopolitical tensions have been on the center stage during the first half of 2022, where Russia surprised the world with full-scale military action on the Ukrainian border in late February, marking the first major military conflict in Europe in decades. As a result, the war, along with the consequent sanctions imposed by Western countries, sent commodity prices such as crude oil, natural gas, and wheat sharply higher, which exacerbated the already-high inflation and supply chain bottlenecks, especially in Europe. In response, the U.S. announced a release of 180 million barrels of crude oil over a six-month period from its Strategic Petroleum Reserve (SPR). The global oil supply had been tight even before the war. This has largely benefited commodity producers, resulting in Energy being the best-performing sector among most global equity indices. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in April 2022, the global economy is projected to grow 3.6% for both 2022 and 2023, revised down by 0.8 and 0.2 percentage points lower respectively from the January forecast. Due to the war-induced commodity price surge, the IMF also expected inflation in advanced economies to rise by 5.7%.

Looking forward to the back half of 2022, the global economic slowdown should persist, and broad equity markets should continue to experience high volatility driven by further monetary tightening, high inflation readings, and the unresolved Russia/Ukraine conflict. Inflation will stay elevated before it cools down. This, along with monetary hawkishness, is weighing on corporate profitability. Companies’ abilities to maintain stable margins and earnings growth become the key focus in the upcoming earnings season. However, we do not believe all negative earnings revisions have been priced in yet. Therefore, in response to the ongoing market turbulence and growing likelihood of a recession, we are positioning our portfolios tilted towards more defensive names. We continue to favor high quality companies that demonstrate strong balance sheets, sustainable earnings growth, and reasonable valuations. Regarding country exposure, some European and Asian equity markets have shown relatively cheap valuations, such as U.K. and Japan. In our stock selection process, we also carefully examine the candidate’s pricing power, cost management capabilities, and leverage risks to analyze their performance under this inflationary and monetarily restrictive environment. We have also increased our call options overwrite levels to generate additional yields while providing a cushion against further market decline.

Portfolio Review

Units (1 Class A share plus 1 Preferred share) of Sustainable Power & Infrastructure Split Corp were down 15.2% during the first half of 2022.

The Fund was positively impacted by stock selection in Energy. Williams and Enbridge were the top contributors to the Fund’s gains. Energy was the top performing sector in North America and Europe. The Energy sector benefited from geopolitical uncertainty brought on by the Russian-Ukraine war. Sanctions placed on Russia further restricted oil’s flow and enhanced oil prices. We see no quick resolution on the horizon, and we remain optimistic on Energy fundamentals.

Gains were more than offset by lagging performance from Industrials. High quality industrials automation players and global transportation giants including Schneider Electric, Siemens, ABB and Union Pacific have seen rotation out of their respective sub-sectors into defensives. We have trimmed allocation to this sector during the period to position the portfolio more defensively. Auto players saw weak returns due to production disruptions caused by supply chain issues. We believe supply chain challenges will take multiple quarters to resolve. We continue to monitor the sector closely for changes in our thesis.

During the period, we have pivoted the Fund more defensively by increasing the Fund's allocation to Communication Services and Utilities and trimming exposure to Industrials. Energy allocations were also increased. Unprecedented support for energy independence and greenhouse gas reduction should translate into capital expenditure and revenue growth opportunities for many of our Industrials, Energy and Utilities holdings in the long run. The portfolio currently consists of both defensive and cyclical names, with a bias towards defensives. We believe the Fund is appropriately positioned given our cautious outlook for the coming quarters.

FORWARD-LOOKING STATEMENTS

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. 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, except as required by law.