

**TSX: PWI, PWI.PR.A**

**BROMPTON**  
FUNDS

**Sustainable Power &  
Infrastructure Split Corp.  
Annual Report 2023**

**VALUE  
INTEGRITY  
PERFORMANCE**

**THE FOUNDATION FOR EXCELLENCE**

## MANAGEMENT REPORT OF FUND PERFORMANCE

March 18, 2024

This annual management report of Fund performance for Sustainable Power & Infrastructure Split Corp. (the “Fund”) contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual 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](http://www.bromptongroup.com) or SEDAR at [www.sedar.com](http://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 are traded 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, TFSA and FHSA eligible. The Preferred shares are rated Pfd-3 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 liquidation. However, the Net Asset Value of Preferred shares generally does not benefit from growth in value of the underlying investments. Generally, the Class A shares capture the price movement of the underlying investments 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 and to return the original issue price of \$10.00 per Preferred share to holders; 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 invests in a globally diversified and actively managed 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 includes 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 targets 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 integrates ESG considerations to complement fundamental analysis in its security selection process. The qualitative ESG policies and practices considered 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. 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.

The Manager, at its discretion, selectively writes covered call options from time to time on the portfolio, to generate additional distributable cash for the Fund and to reduce volatility. The Fund hedges substantially all of its foreign currency exposure back to the Canadian dollar.

## RECENT DEVELOPMENTS

### Market Conditions

Monetary policy response to persistently higher levels of inflation over the Bank of Canada's 2% target rate has led to higher interest rates and fluctuations in securities prices. 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](http://www.bromptongroup.com).

### RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2023 Annual Information Form, which is available at [www.bromptongroup.com](http://www.bromptongroup.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). There were no changes to the risks during the year ended December 31, 2023 that could materially affect an investment in the shares of the Fund as they were discussed.

## RESULTS OF OPERATIONS

### Distributions

Class A share cash distributions for the year ended December 31, 2023 amounted to \$0.73 per share, down from \$0.80 for the year ended December 31, 2022, reflecting eleven monthly cash distributions of \$0.06667 per Class A share in 2023 in comparison to twelve monthly payments in 2022. The terms of the Fund's distribution plan state that no distributions will be paid on the Class A shares if, after the payment of a cash distribution by the Fund, the Net Asset Value per unit (each unit includes one Class A share and one Preferred share) would be less than \$15.00. Preferred share cash distributions declared were \$0.50 per share in 2023, unchanged from 2022. Since its inception date of May 21, 2021, the Fund has paid total cash distributions of \$2.00 per Class A share and \$1.31 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 year ended December 31, 2023, 10,072 Class A shares were acquired in the market at an average price of \$6.45 per Class A share.

### Revenue and Expenses

The Fund earned revenue of \$0.46 per Class A share in 2023, compared to \$0.51 per Class A in 2022. The \$0.05 decrease was a result of the Fund's re-allocation of sector weightings which decreased dividend payment from various holdings.

Expenses in 2023, amounted to \$0.26 per Class A share compared to \$0.31 per class A share in 2022. Expenses included issue costs, agents' fees and Preferred share premium/discount amortization as a result of issuing Preferred shares. Any issuance related costs were borne by the new subscribing shareholders through the payment of a premium issue price over the Net Asset Value at the time of issuance. Excluding these expenses, Class A share expense was \$0.25 per share in 2023, compared to \$0.26 per Class A share in 2022.

### Net Asset Value

The Net Asset Value per Class A share was \$6.47 at December 31, 2023, up 3.0% from \$6.28 at December 31, 2022. 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 \$58.4 million at December 31, 2023, down from \$60.8 million at December 31, 2022.

### Investment Portfolio

As at December 31, 2023, the Fund's investment portfolio included 28 securities across 8 sectors and 1 exchange-traded fund investment which is managed by the same Manager, compared to 32 securities across 8 sectors and 1 exchange-traded fund investment at December 31, 2022. During the year-ended December 31, 2023, the Fund bought 15 new securities and sold 19 securities. The exchange-traded fund is Brompton Sustainable Real Assets Dividend ETF and this investment provides exposure to global real asset companies. As of December 31, 2023, the underlying ETF represented 4.8% of the Fund's Net Asset Value (the Net Asset Value includes the value of the preferred shares). The investment weightings and a detailed listing of the Fund's holdings are provided in the financial statements.

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.

## Sustainable Power & Infrastructure Split Corp. - Annual Report 2023

The Fund's portfolio continues to meet the Fund's ESG-related investment objectives and strategies. The securities that the Fund sold and purchased in 2023 were a result of many different factors, including re-allocation of sector weighting, fundamental analysis and technical analysis. None of the securities sold in 2023 were a result of them not meeting ESG characteristics. The new purchases in the Fund's portfolio all, in the Manager's view, have positive and/or improving ESG characteristics. Prysmian SpA, which produces cables that are key to enabling wind power and upgrading the electrical grid, was purchased because it is a key beneficiary of renewable energy spending. Siemens AG was also purchased for its role in enabling the development of renewable energy projects as well as the electrification solutions it offers for public transit and smart infrastructure to reduce energy usage. Linde PLC, which produces industrial gases for the production of green hydrogen, has a third of its energy consumption as low carbon, and plans to reduce GHG emissions by 35% by 2028. Air Liquide S.A. aims to triple its hydrogen sales by 2035. BMW was bought because the Manager believes that its electrification product offerings will provide energy saving solutions and reduce fossil fuel dependency. Trane Technologies PLC was purchased because it is a global climate innovator that brings efficient and sustainable climate solutions to buildings, homes and transportation. Cameco is benefiting from the nuclear renaissance to produce emission-free base load power. Enel SpA is one of the largest renewable developers in the world. General Electric produces the equipment that is critical for renewable energy production. Parker-Hannifin products go into end markets that enable clean technologies such as filtration fluid and smart HVACs. Parkland has invested in EV charging space at its new stations. Quanta Services builds out green energy generation and helps harden the grid to support the transmission of more electricity. Targa Resources is committed to reducing its emissions and provides important details on how it will minimize its impact on the environment.

For the year ended December 31, 2023, the Fund's portfolio recorded net realized loss of \$0.2 million and a change in unrealized gains of \$4.7 million. The Industrials sector contribution was most significant, contributing \$2.4 million of net gains, followed by the Information Technology sector with \$1.3 million.

During the year 2023, the Fund selectively wrote covered call options on the underlying securities in the portfolio and generated premiums of \$0.8 million. The net realized and change in unrealized gain on option writing was \$55.7 thousand which represents the premium received, less the amount paid to close out the options at expiry. As at December 31, 2023, there were 323 option contracts outstanding, with a notional value representing 7.4% of the portfolio.

As at December 31, 2023, the Fund had foreign currency exposure to the US dollar, Euro, Japanese yen, Swiss franc, British pound and Hong Kong dollar, which was substantially hedged through its foreign currency forward contracts. For the year ended December 31, 2023, the net realized and change in unrealized gain from foreign currency forward contracts was \$0.7 million. 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 31-Dec-23	Realized \$	Change in Unrealized \$	Total \$
Communication Services	6.8	0.1	0.1	0.2
Consumer Discretionary	2.7	-	-	-
Energy	17.9	0.6	(0.2)	0.4
Industrials	30.4	(0.6)	3.0	2.4
Information Technology	4.6	0.6	0.7	1.3
Materials	7.4	(0.7)	0.4	(0.3)
Real Estate	-	(0.1)	(0.2)	(0.3)
Utilities	25.3	(0.2)	0.1	(0.1)
Investment Funds	4.9	-	0.1	0.1
Options	-	0.1	-	0.1
Foreign currency forward contracts	-	-	0.7	0.7
<b>Total</b>	<b>100.0</b>	<b>(0.2)</b>	<b>4.7</b>	<b>4.5</b>

<b>Geographic Split</b>	<b>% of Portfolio as of 31-Dec-23</b>
United States	40.5
Canada	19.4
France	11.8
Italy	6.8
Germany	6.2
Great Britain	6.1
Japan	5.2
Ireland	4.0
<b>Total</b>	<b>100.0</b>

### 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. As at December 31, 2023, 3.3% of the Fund’s Preferred shares were held by an investment fund managed by the Manager (December 31, 2022 - 0.2%).

### 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, plus applicable taxes. The Fund does not pay any management fees on investments in funds managed by the Manager. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund’s liabilities. For this purpose, the Preferred shares are not considered a liability of the Fund. 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 year ended December 31, 2023, management fees amounted to \$0.5 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 audited annual financial statements which have been prepared in accordance with IFRS Accounting Standards. *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 Share<sup>1</sup>**

<b>For the period/year ended December 31</b>	<b>2023</b>	2022	2021 <sup>2</sup>
	\$	\$	\$
Net Assets, beginning of period/year <sup>3,4</sup>	<b>6.28</b>	10.09	9.29
<b>Increase (decrease) from operations:<sup>5</sup></b>			
Total revenue	<b>0.46</b>	0.51	0.46
Total expenses <sup>4</sup>	<b>(0.26)</b>	(0.31)	(0.48)
Preferred share distributions	<b>(0.50)</b>	(0.50)	(0.31)
Realized gains (losses)	<b>(0.06)</b>	(1.68)	(0.85)
Unrealized gains (losses)	<b>1.26</b>	(1.15)	2.17
<b>Total increase (decrease) in Net Assets from operations</b>	<b>0.90</b>	(3.13)	0.99
<b>Distributions to Class A shareholders:<sup>3</sup></b>			
Return of capital	<b>0.73</b>	0.80	0.47
<b>Total distributions to Class A shareholders</b>	<b>0.73</b>	0.80	0.47
<b>Net Assets, end of period/year<sup>2</sup></b>	<b>6.47</b>	6.28	10.09

<sup>1</sup> The financial information was prepared in accordance with IFRS Accounting Standards.

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

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

**Ratios and Supplemental Data (Based on Net Asset Value)**

<b>As at December 31</b>	<b>2023</b>	2022	2021
Net Asset Value (\$) (000s) – including Preferred shares	<b>58,420</b>	60,771	64,720
Number of Class A shares outstanding (000s)	<b>3,546</b>	3,732	3,222
Management expense ratio (“MER”) - Class A shares <sup>1</sup>	<b>11.33%</b>	10.63%	15.06%
Trading expense ratio <sup>2</sup>	<b>0.16%</b>	0.09%	0.32%
Portfolio turnover rate <sup>3</sup>	<b>58.49%</b>	31.37%	n/a
Net Asset Value per unit (\$) <sup>4</sup>	<b>16.60</b>	16.41	20.21
Net Asset Value per Class A share (\$)	<b>6.47</b>	6.28	10.09
Net Asset Value per Preferred share (\$) <sup>5</sup>	<b>10.00</b>	10.00	10.00
Closing market price - Class A shares (\$)	<b>6.19</b>	7.55	9.87
Closing market price - Preferred shares (\$)	<b>9.98</b>	9.75	10.50

<sup>1</sup> 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, Preferred share premium/discount amortization, issuance costs and a proportionate share of any Underlying Funds’ expenses, 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.

<sup>2</sup> The trading expense ratio represents total commissions, transaction costs and a proportionate share of any Underlying Funds’ transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Net Asset Value per Preferred share does not include the accrued Preferred share distributions.

**Expense Ratio**

In 2023, the MER per Class A share, which includes agents’ fees, issuance costs, Preferred share premium/discount amortization and Preferred share distributions, was 11.33%, up from 10.63% in the prior year ended 2022. The MER per Class A share excluding agent’s fees, issuance costs and Preferred share premium/discount amortization was 11.20% in 2023 compared to 9.35% in the prior year. Expenses for agents’ fees and issuance costs were borne by the new subscribing shareholders as the share issuances were priced at an amount higher than the Net Asset Value per unit plus these associated expenses; therefore, any share issuances are not dilutive for the existing shareholders. Pursuant to the prescribed regulatory formula, these costs must be included in the MER calculation. Excluding Preferred share distributions, the MER per Class A share was 3.13% in 2023 up from 2.78% in the prior year. The increase was reflective of a higher management fee calculated based on the Unit Net Asset Value; the growth rate of the Unit Net Asset Value surpassed that of the Class A Net Asset Value, resulting in an increase in the management fee as a proportion of the average Class A Net Asset Value.

The MER per unit (includes one Class A share and one Preferred share) of the Fund, excluding agents’ fees, issuance costs, Preferred share premium/discount amortization and Preferred share distributions, was 1.19% for the year ended 2023 compared to 1.20% from the year ended 2022. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

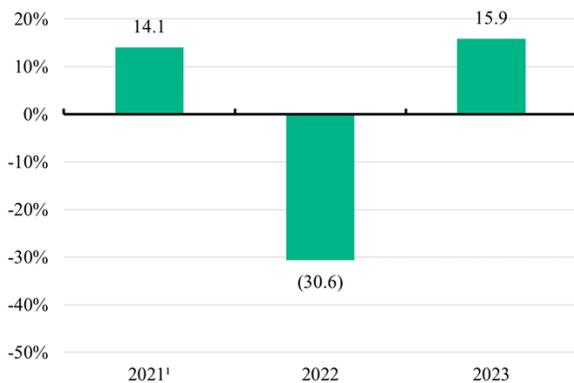
**PAST PERFORMANCE**

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 (each unit includes one Class A share and one Preferred share) 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 December 31, 2023. 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.

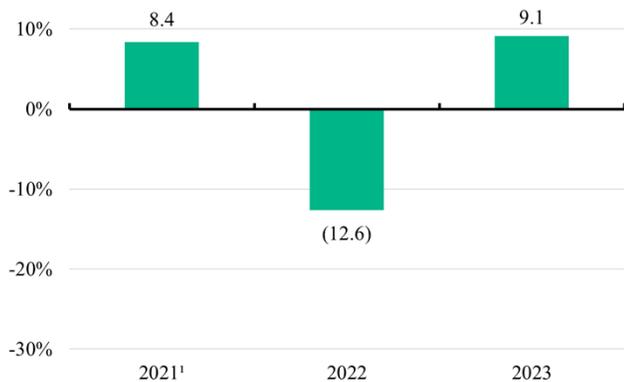
**Year-by-Year Return**

**Class A Share**



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

**PWI Unit**



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

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The following table shows the Fund's compound returns on a Class A share, Preferred share and unit for each period indicated, compared with the S&P Global Infrastructure Total Return Index ("Infrastructure Index"), the MSCI World Index ("MSCI Index"), and the S&P/TSX Preferred Share Index ("Preferred Share Index") (together the "Indices"). The Infrastructure Index tracks 75 companies from around the world, chosen to represent the listed infrastructure industry and related operations. The index includes three distinct infrastructure clusters: energy, transportation, and utilities. The MSCI Index captures large- and mid-cap representation across 23 developed markets countries and covers approximately 85% of the free float-adjusted market capitalization in each country. The Preferred Share Index tracks the performance, on a market weight basis, of a broad index of preferred shares trading on the TSX that met the criteria relating to size, liquidity and issuer rating. The Fund invests in an actively managed portfolio. It is therefore not expected the Fund's performance will mirror those of the Indices which have more diversified portfolios. The Indices are calculated without the deduction of management fees, fund expenses and trading commissions whereas the performance of the Fund is calculated after deducting such fees and expenses. Further, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares.

### Annual Compound Returns

	1-Year %	Since Inception <sup>1</sup> %
Sustainable Power & Infrastructure Split Corp. - Class A share <sup>2</sup>	15.9	(3.2)
S&P Global Infrastructure Total Return Index	6.8	3.9
MSCI World Index	24.4	5.0
Sustainable Power & Infrastructure Split Corp. - Preferred share <sup>2</sup>	5.1	5.1
S&P/TSX Preferred Share Index	5.9	(3.1)
Sustainable Power & Infrastructure Split Corp. - Unit <sup>3</sup>	9.1	1.3

<sup>1</sup> Period from May 21, 2021 (commencement of operations) to December 31, 2023.

<sup>2</sup> Based on the Net Asset Value per Class A share and Preferred share and assuming that distributions on the Class A shares and Preferred shares made by the Fund in the periods shown were reinvested (at Net Asset Value per Class A share and Preferred share) in additional Class A shares and Preferred shares of the Fund.

<sup>3</sup> Based on the Net Asset Value per unit (each unit includes one Class A share and one Preferred share) and assuming that distributions on the units made by the Fund were reinvested (at Net Asset Value per unit) in additional units of the Fund.

In 2023, the Fund's unit had a return of 9.1%, outperforming the Infrastructure Index. The Fund benefited from the Fund's shift of sector weighting as it increased its holdings in the Industrials, Information Technology and Energy sectors. The Fund's top performers included Hitachi, Schneider Electric and Roper Technologies. The Fund's Preferred shares continued to provide a steady 5.1% return in 2023. Please see the Portfolio Manager's report for more details.

**SUMMARY OF INVESTMENT PORTFOLIO**

As at December 31, 2023

Total Net Asset Value <sup>1</sup>	\$ 58,420,507	
Portfolio Composition	% of Portfolio	% of Net Asset Value
<b><u>Asia</u></b>		
<b>Japan</b>		
Industrials	5.1	5.1
<b>Total Asia</b>	<b>5.1</b>	<b>5.1</b>
<b><u>Europe</u></b>		
<b>France</b>		
Industrials	4.7	4.7
Materials	3.8	3.8
Utilities	3.2	3.1
<b>Germany</b>		
Industrials	3.5	3.5
Consumer Discretionary	2.7	2.7
<b>Great Britain</b>		
Materials	3.5	3.5
Utilities	2.5	2.5
<b>Ireland</b>		
Industrials	3.9	3.9
<b>Italy</b>		
Utilities	3.8	3.8
Industrials	3.0	3.0
<b>Total Europe</b>	<b>34.6</b>	<b>34.5</b>
<b><u>North America</u></b>		
<b>Canada</b>		
Energy	7.4	7.4
Investment Funds	4.8	4.8
Utilities	4.1	4.1
Communication Services	3.0	3.0

**SUMMARY OF INVESTMENT PORTFOLIO (cont'd)**

<b>Portfolio Composition (cont'd)</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
<b><u>North America (cont'd)</u></b>		
<b>United States</b>		
Utilities	11.7	11.6
Energy	10.4	10.4
Industrials	9.9	9.9
Information Technology	4.6	4.6
Communication Services	3.8	3.8
<b>Total North America</b>	<b>59.7</b>	<b>59.6</b>
<b>Total Investments</b>	<b>99.4</b>	<b>99.2</b>
Cash	0.6	0.6
Other net assets (liabilities)		0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<b>Top 25 Holdings</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
Hitachi Ltd.	5.1	5.1
Brompton Sustainable Real Assets Dividend ETF	4.8	4.8
Schneider Electric SE	4.7	4.7
Roper Technologies Inc.	4.6	4.6
Hydro One Ltd.	4.1	4.1
Trane Technologies PLC	3.9	3.9
ONEOK Inc.	3.9	3.9
T-Mobile US Inc.	3.8	3.8
Air Liquide S.A.	3.8	3.8
Enel SpA	3.8	3.8
Cameco Corp.	3.8	3.8
NextEra Energy Inc.	3.7	3.7
Parker-Hannifin Corp.	3.7	3.7
Parkland Corp.	3.6	3.6
Linde PLC	3.5	3.5
Siemens AG	3.5	3.5
Constellation Energy Corp.	3.5	3.4
Targa Resources Corp.	3.3	3.3
Williams Companies Inc.	3.2	3.2
Quanta Services Inc.	3.2	3.2

<b>Top 25 Holdings (cont'd)</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
Veolia Environnement S.A.	3.2	3.1
Telus Corp.	3.0	3.0
General Electric Co.	3.0	3.0
Exelon Corp.	3.0	3.0
Prysmian SpA	3.0	3.0
<b>Total</b>	<b>92.7</b>	<b>92.5</b>

<sup>1</sup> Net Asset Value of the Fund includes the value of the Preferred shares and Class J 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](http://www.bromptongroup.com) within 60 days of each quarter end.*

## 2023 TAX INFORMATION

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold units as capital property outside of an RRSP, DPSP, RRIF, RESP, TFSA or FHSA. Shareholders should receive a T5 slip from their investment dealer providing this information.

T5 supplementary slips will indicate Capital Gains Dividends in Box 18 and Actual Amount of Eligible Dividends in Box 24. Dividend income is subject to the standard gross-up and federal dividend tax credit rules. The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund shares.

The following tables outline the breakdown in the Fund's distributions on Class A and Preferred shares paid in 2023 on a per share basis.

<b>Class A Shares</b>		<b>Return of Capital</b>	<b>Total Distributions</b>
<b>Record Date</b>	<b>Payment Date</b>	<b>\$</b>	<b>\$</b>
30-Dec-22	16-Jan-23	0.06667	0.06667
31-Jan-23	14-Feb-23	0.06667	0.06667
28-Feb-23	14-Mar-23	0.06667	0.06667
31-Mar-23	17-Apr-23	0.06667	0.06667
28-Apr-23	12-May-23	0.06667	0.06667
31-May-23	14-Jun-23	0.06667	0.06667
30-Jun-23	17-Jul-23	0.06667	0.06667
31-Jul-23	15-Aug-23	0.06667	0.06667
31-Aug-23	15-Sep-23	0.06667	0.06667
29-Sep-23	16-Oct-23	0.06667	0.06667
30-Nov-23	14-Dec-23	0.06667	0.06667
		<b>0.73337</b>	<b>0.73337</b>

Preferred Shares		Eligible Dividends	Return of Capital	Total Distributions
Record Date	Payment Date	\$	\$	\$
30-Dec-22	16-Jan-23	0.02672	0.09828	0.12500
31-Mar-23	17-Apr-23	0.02672	0.09828	0.12500
30-Jun-23	17-Jul-23	0.02672	0.09828	0.12500
29-Sep-23	16-Oct-23	0.02672	0.09828	0.12500
		<b>0.10688</b>	<b>0.39312</b>	<b>0.50000</b>

*This information is of a general nature and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.*

## 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 21 investment funds, which are listed on the TSX.



## PORTFOLIO MANAGER'S REPORT

### January 2024

#### Global Markets Review

Global Equity markets had a strong rally in 2023, bolstered by a combination of better-than-expected corporate earnings and resilient economies. Investors entered the year expecting a recession by the second half of the year. However, it did not play out as consensus expected. Inflation has receded, while the U.S. Federal Reserve finished its aggressive rate hike campaign without collapsing the economy. Technology was the best performing sector across major developed market indices. The MSCI World Index gained 24.4%. In North America, the S&P 500 rose 26.3%, with Technology (+57.8%), Communication Services (+55.8%), and Consumer Discretionary (+42.3%) significantly outperforming other sectors. The S&P/TSX Composite was up 11.8%, also supported by Technology. In Europe, the STOXX 600 registered 16.6% for the year. Italy FTSE MIB and Spain IBEX 35 surged 34.3% and 28.1%, respectively. Germany, France, U.K., and Switzerland all finished the period in the positive territory, up 20.3%, 20.1%, 7.7% and 7.1%, respectively.

Inflation has continued to fall, and many central banks expect it to decline more rapidly. It became apparent that a peak in interest rates was coming on the horizon over Q4. November CPI came in at 3.1%, the second lowest reading since its peak in June 2022. The labour market remains tight, supported by the historically low unemployment rate (3.7% in November), despite an increase in the labour force participation rate. The most recent economic data releases suggest that the U.S. economy was on its way to fulfilling the Fed's goals of low inflation and low unemployment. Meanwhile, manufacturing PMI entered November at 46.7, an indication of contraction when the number is below 50. The bond market was volatile during the year, with the U.S. 10-year treasury yield plummeting below 4% in December from nearly 5% in October. However, the yield did not move much on an annual basis. The spread between 10-year and 2-year treasury yields narrowed during the fourth quarter, while remaining negative. Other global bond performances such as U.K. Gilt and German Bund also mirrored the U.S. treasury. When looking at value versus growth throughout 2023, growth outperformed value for both large cap and small cap, on the back of the AI hype and peak interest rates. The Technology sector was the clear winner.

During the fourth quarter, global central banks in developed economies gradually delivered more dovish stances of their monetary policy amid cooling inflation. The Federal Reserve left interest rates unchanged at 5.25%-5.5% range in November and December Federal Open Market Committee (“FOMC”) meetings. In the December FOMC meeting, the Fed Chair Jerome Powell signaled that the central bank was finished raising interest rates and is “just at beginning of discussion on policy easing”. Encouraged by the likely peak inflation and rate cuts on the horizon, the Fed funds futures market is pricing in total rate cuts of 150 basis points in 2024 starting in May. In an optimistic sign heading into the new year, the Fed pivot saw a significant rise in equity flows. Current debates are focused on whether the Fed will cut rates as aggressively as the market anticipates and whether inflation will stay on its moderating path, resulting in a soft landing.

The Bank of Canada (BoC) kept the overnight policy rate at 5% in October and December meetings. The BoC communicated that the policymakers will consider cutting interest rates when inflation is clearly on the path to the 2% target and it is still too early to consider easing. The central bank also acknowledged that the rate hikes are one of the main contributors to headline inflation in Canada. However, the Canadian economy appears to be downshifting, evidenced by consecutive months without posting a single month-over-month economic growth. Also, activities in wholesale trade, manufacturing, and real estate were contracting so household debt should see temporary relief if inflation keeps moderating and rate cuts are in sight.

The European Central Bank (ECB) left the benchmark interest rate unchanged at 4.5% at the October and December meetings. The Governing Council was not yet convinced that the outlook for underlying inflation has improved sustainably and reiterated that policy rates “will be set at sufficiently restrictive levels for as long as necessary”. Recent inflation readings in the Euro Area suggest that Energy and food costs have dropped. However, price pressure remains elevated given ongoing strong labour cost growth. Furthermore, the Council also announced the plan to phase out the Pandemic Emergency Purchase Program (PEPP): the ECB will reduce PEPP holdings in the second half of 2024 and end reinvestments at year end. Meanwhile, the Bank of England (BoE) also held the policy rate unchanged at 5.25% and emphasized that rates need to remain restrictive for an extended period given its forecast. Like the Euro Area, core inflation in the U.K. has decelerated notably in recent months, but wage pressure showed sequential slowing, meaning that the BoE could shift to a more dovish direction faster than expected.

Investor sentiment improved during 2023. Despite uncertainties surrounding U.S. regional bank failures, slower China recovery, and Israel-Hamas conflict, plenty of good news fueled the market rally, namely slowing inflation, peaked policy rates, and Artificial Intelligence hype. At the same time, U.S. corporate earnings appear to have bottomed in the second quarter of 2023. Powered by the solid performance of Magnificent Seven (Meta, Nvidia, Amazon, Apple, Alphabet, Microsoft, Tesla), which comprises more than 25% of the market value of the S&P 500, the index finished the year with robust returns. As U.S. equity valuations become even more expensive compared to major global equity markets, investors have sought opportunities in markets with low valuations. For instance, Japan’s TOPIX Index posted 28.3% return in 2023 (in JPY terms). We have seen increasing global fund flow into this market, especially first-time Japanese equity investors overseas. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in October 2023, the global economy is projected to grow 3.0% in 2023 and 2.9% in 2024, with the former unchanged and the latter revised down by 0.1 percentage point from the July forecast. Global inflation is forecast to decline to 6.9% in 2023 and further to 5.8% in 2024.

Looking forward to 2024, in our view, we believe global central banks will keep short-term interest rates higher to ensure inflation is under control. Markets are complacent about how quickly central banks, especially the U.S. Federal Reserve, will cut rates in 2024. But it is worth remembering that even if they did, policy would remain restrictive into 2025. We expect interest rates to come down from the elevated post-COVID levels, but the “last mile” to get closer to 2% inflation will be a slow grind. As a result, yields will continue to play an important role in dictating leadership between value and growth. Companies with long duration assets such as Telecommunications, Utilities, and Real Estate should benefit from the long-term rate decline thesis. Furthermore, geopolitical turmoil in the Gaza Strip and China’s stimulus could also fuel market uncertainty. Stock picking will remain an important driver of alpha, and we continue favoring a barbell approach as our portfolio strategy. Brompton also expects volatility and believes that investors will be well-served by strategies that have historically demonstrated lower volatility than the market, such as dividend growth and covered call strategies.

### **Portfolio Review**

Units (1 Class A share plus 1 Preferred share) of Sustainable Power & Infrastructure Split Corp were up 9.1% during 2023.

The Fund was positively impacted by our selections within Industrials and Technology. Our top performers were Hitachi, Schneider Electric and Roper Technologies, all of which were up over 25% each. We positioned our portfolio to take advantage of several important themes such as government subsidies on infrastructure and de-carbonization, demand for Electric Vehicles and building materials to name a few.

Our positions in Real Estate partially detracted from our positive performance. Our worst performers were SBA Communication, Glencore and Exelon. Real Estate was weak for most of the year as rising interest rates put pressure on companies with high debt loads. The transactions market for real estate also ground to a halt due to the increasing cost of financing.

During Q4, we increased our exposure to Utilities and Materials, funding them through sales in Industrials, Real Estate and Technology. With rates likely having peaked and potentially being cut next year, we believe that interest rate sensitive sectors such as Utilities are positioned for a reversal.

The Fund's portfolio continues to meet the Fund's ESG related investment objectives and strategies. The securities that the Fund sold and purchased in 2023 were a result of many different factors, including re-allocation of sector weighting, fundamental analysis and technical analysis. None of the securities sold in 2023 were a result of them not meeting ESG characteristics. The new purchases in the Fund's portfolio all, in the Manager's view, have positive and/or improving ESG characteristics.

Prismian, which produces cables that are key to enabling wind power and upgrading the electrical grid, was purchased because it is a key beneficiary of renewable energy spending. Siemens was also purchased for its role in enabling the development of renewable energy projects as well as the electrification solutions it offers for public transit and smart infrastructure to reduce energy usage. Linde, which produces industrial gases for the production of green hydrogen, has a third of its energy consumption as low carbon, and plans to reduce GHG emissions by 35% by 2028. Air Liquide aims to triple its hydrogen sales by 2035. BMW was bought because the Manager believes that its electrification product offerings will provide energy saving solutions and reduce fossil fuel dependency. Trane Technologies was purchased because it is a global climate innovator that brings efficient and sustainable climate solutions to buildings, homes and transportation. Cameco is benefiting from the nuclear renaissance to produce emission-free base load power. Enel is one of the largest renewable developers in the world. General Electric produces the equipment that is critical for renewable energy production. Parker Hannifin products go into end markets that enable clean technologies such as filtration fluid and smart HVACs. Parkland has invested in EV charging space at its new stations. Quanta Services builds out green energy generation and helps harden the grid to support the transmission of more electricity. Targa Resources is committed to reducing its emissions and provides important details on how it will minimize its impact on the environment.

### 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.*