

# 2024 Annual Report

## Sustainable Power & Infrastructure Split Corp.

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

**BROMPTON**  
FUNDS

**VALUE  
INTEGRITY  
PERFORMANCE**

THE FOUNDATION FOR EXCELLENCE

## MANAGEMENT REPORT OF FUND PERFORMANCE

March 14, 2025

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 Brompton Funds 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 have a low-to-medium risk rating and 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 usually 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, and the opportunity for capital appreciation 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 strong 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 and to reduce volatility. The Fund hedges substantially all of its foreign currency exposure back to the Canadian dollar.

## RECENT DEVELOPMENTS

### Market Conditions

In February 2025, U.S. President Trump issued executive orders directing the United States to impose new tariffs and greater restrictions on trade between the United States and certain of its trading partners including Canada, Mexico and China. There were then retaliatory announcements made by some of the United States' global trading partners including Canada. These events may result in changes to existing trade agreements and greater restrictions on global trade generally which may adversely affect global economic growth and increase geopolitical tensions. These events may also have an adverse effect on securities markets generally as well as a significant negative impact on certain issuers and their business operations. These risks could also adversely affect inflation and other factors relating to the securities held in the Fund's portfolio which either alone or together with the above-noted matters may result in volatility and decline in the Fund's Net Asset Value.

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).

### Increase in Distribution Rate

On October 24, 2024, the Fund announced an increase in the monthly Class A distribution rate to \$0.085 per Class A share. The new distribution rate represents an annualized distribution of \$1.02, reflecting a 27.5% increase from the previous rate.

## RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2024 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, 2024, 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, 2024, amounted to \$0.86 per share, compared to \$0.73 per share for the year ended December 31, 2023. This reflected nine monthly cash distributions of \$0.06667 per Class A share and three monthly cash distributions of \$0.085 per Class A share. Preferred share cash distributions declared were \$0.50 per share for the year ended December 31, 2024, unchanged from 2023. Since inception on May 21, 2021, the Fund has paid total cash distributions of \$2.86 per Class A share and \$1.81 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, 2024, 6,911 Class A shares were acquired in the market at an average price of \$7.84 per Class A share.

### Revenue and Expenses

The Fund earned revenue of \$0.43 per Class A share in 2024, compared to \$0.46 per Class A share in 2023.

Expenses in 2024 amounted to \$0.29 per Class A share compared to \$0.25 per class A share in 2023.

### Net Asset Value

The Net Asset Value per Class A share was \$9.42 at December 31, 2024, up 45.6% from \$6.47 at December 31, 2023. The aggregate Net Asset Value of the Fund was \$63.5 million at December 31, 2024, up from \$58.4 million at December 31, 2023. 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.

### Investment Portfolio

As at December 31, 2024, the Fund's investment portfolio included 24 securities across 6 sectors and 1 ETF managed by the Manager, compared to 28 securities across 8 sectors and 1 ETF at December 31, 2023. During 2024, the Fund bought 10 new securities (including a new security from a corporate action) and sold 14 securities. The ETF is Brompton Global Infrastructure ETF (formerly known as Brompton Sustainable Real Assets Dividend ETF) and this investment provides exposure to global real asset companies. The investment weightings and a detailed listing of the Fund's holdings are provided in the financial statements.

## Sustainable Power & Infrastructure Split Corp. - Annual Report 2024

The Fund's portfolio continues to meet its ESG related investment objectives and strategies. The securities sold and purchased in 2024 were a result of multiple different factors, including sector re-allocation, fundamental analysis and technical analysis. None of the securities sold in 2024 were a result of them not meeting ESG characteristics. In the Manager's view, all new purchases have positive and/or improving ESG characteristics. The 6 new purchases held in the Fund's portfolio as of December 31, 2024, are Eaton Corporation PLC, Motorola Solutions Inc., Shin-Etsu Chemical Co Ltd., Waste Connections Inc., Keyera Corp. and Iberdrola S.A. Please see the Portfolio Manager's report for more details on these new purchases.

For the year ended December 31, 2024, the Fund recorded net realized gains of \$1.8 million and a change in unrealized gain of \$12.5 million. The Industrials sector contributed significantly to this gain, adding \$8.3 million and accounting for over half of the portfolio's total net gains for the period.

During 2024, the Fund selectively wrote covered call options on the underlying securities in the portfolio and generated premiums of \$0.1 million. The net realized and change in unrealized loss on option writing was \$0.4 million which represents the premium received, less the amount paid to close out the options at expiry. As at December 31, 2024, there were 259 option contracts outstanding, with a notional value representing 9.5% of the portfolio.

As at December 31, 2024, the Fund had foreign currency exposure to the US dollar, Euro, Japanese yen, British pound and Hong Kong dollar, which was substantially hedged through its foreign currency forward contracts. For the year ended December 31, 2024, the net realized and change in unrealized loss from foreign currency forward contracts was \$3.5 million. The loss was offset by the foreign currency gain of the respective foreign currency denominated securities in the investment portfolio.

<b>Net Gains (Losses) (millions)</b>	<b>% of Portfolio as of 31-Dec-24</b>	<b>Realized \$</b>	<b>Change in Unrealized \$</b>	<b>Total \$</b>
Communication Services	5.2	(0.2)	1.4	1.2
Consumer Discretionary	-	(0.1)	-	(0.1)
Energy	26.0	0.1	5.9	6.0
Industrials	36.2	2.8	5.5	8.3
Information Technology	7.4	0.4	0.8	1.2
Materials	5.4	0.3	(0.5)	(0.2)
Real Estate	-	(0.2)	-	(0.2)
Utilities	14.6	1.0	0.4	1.4
Investment Funds	5.2	-	0.6	0.6
Options	-	(0.4)	-	(0.4)
Foreign currency forward contracts	-	(1.9)	(1.6)	(3.5)
<b>Total</b>	<b>100.0</b>	<b>1.8</b>	<b>12.5</b>	<b>14.3</b>

<b>Geographic Split</b>	<b>% of Portfolio as of 31-Dec-24</b>
United States	56.6
Canada	17.7
Japan	6.9
Ireland	5.9
France	3.2
Spain	3.1
Italy	4.0
Great Britain	2.6
<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, 2024, 3.4% of the Fund’s Preferred shares were held by an investment fund managed by the Manager (December 31, 2023 - 3.3%).

### 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 average 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, 2024, 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

<b>For the year ended December 31</b>	<b>2024</b>	2023	2022	2021 <sup>1</sup>
	\$	\$	\$	\$
Net Assets, beginning of period/year <sup>2,3</sup>	6.47	6.28	10.09	9.29
<b>Increase (decrease) from operations:<sup>4</sup></b>				
Total revenue	0.43	0.46	0.51	0.46
Total expenses <sup>3,5</sup>	(0.29)	(0.25)	(0.26)	(0.20)
Preferred share premium/discount amortization, agents' fees and issuance costs	-	(0.01)	(0.05)	(0.28)
Preferred share distributions	(0.49)	(0.50)	(0.50)	(0.31)
Realized gains (losses)	0.55	(0.06)	(1.68)	(0.85)
Unrealized gains (losses)	3.67	1.26	(1.15)	2.17
<b>Total increase (decrease) in Net Assets from operations</b>	<b>3.87</b>	0.90	(3.13)	0.99
<b>Distributions to Class A shareholders:<sup>2</sup></b>				
Return of capital	0.86	0.73	0.80	0.47
<b>Total distributions to Class A shareholders</b>	<b>0.86</b>	0.73	0.80	0.47
<b>Net Assets, end of period/year<sup>2</sup></b>	<b>9.42</b>	6.47	6.28	10.09

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

<sup>2</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>3</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 have also been reported as an expense during the period from May 21, 2021, to December 31, 2021.

<sup>4</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.

<sup>5</sup> Prior years presentation has been amended to conform to the current year's format, separating Preferred share premium/discount amortization, agents' fees and issuance costs from total expenses. There is no impact to the total increase (decrease) in Net Assets from operations.

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

<b>As at December 31</b>	<b>2024</b>	2023	2022	2021
Net Asset Value (\$) (000s) – including Preferred shares	<b>63,511</b>	58,420	60,771	64,720
Number of Class A shares outstanding (000s)	<b>3,270</b>	3,546	3,732	3,222
Management expense ratio (“MER”) - Class A shares <sup>1</sup>	<b>8.29%</b>	11.20%	9.35%	15.06%
Trading expense ratio <sup>2</sup>	<b>0.11%</b>	0.16%	0.09%	0.32%
Portfolio turnover rate <sup>3</sup>	<b>42.59%</b>	58.49%	31.37%	n/a
Net Asset Value per unit (\$) <sup>4</sup>	<b>19.55</b>	16.60	16.41	20.21
Net Asset Value per Class A share (\$)	<b>9.42</b>	6.47	6.28	10.09
Net Asset Value per Preferred share (\$) <sup>5</sup>	<b>10.00</b>	10.00	10.00	10.00
Closing market price - Class A shares (\$)	<b>8.85</b>	6.19	7.55	9.87
Closing market price - Preferred shares (\$)	<b>10.37</b>	9.98	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 and a proportionate share of any Underlying Funds’ expenses, but excludes 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. Prior years presentation has been amended to conform to the current year’s format, excluding Preferred share premium/discount amortization and issuance costs from the calculation when share issuances under the treasury offerings were accretive to the Net Asset Value. The 2021 MER includes issuance costs from the initial public offering, which amounted to \$1,392,583 for Class A shares and \$909,333 for Preferred shares. 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 2024, the MER per Class A share, which includes Preferred share distributions, was 8.29%, down from 11.20% in 2023. Excluding Preferred share distributions, which are paid to Preferred shareholders to allow Class A shareholders to receive leveraged performance, the MER per Class A share was 2.63% in 2024 down from 3.13% in 2023.

The MER per unit (includes one Class A share and one Preferred share) of the Fund, excluding Preferred share distributions, was 1.23% in 2024, compared to 1.19% in 2023. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

## PAST PERFORMANCE

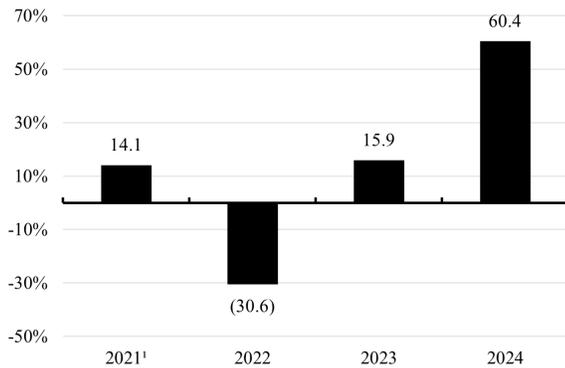
The performance information shown is based on Net Asset Value per Class A share and per unit (each unit consists of one Class A share and one Preferred share) and assumes that cash distributions made by the Fund during the periods shown were reinvested at Net Asset Value per Class A share and per unit in additional Class A shares and units of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future.

### Year-by-Year Return

The following charts show, 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.

#### Class A Share

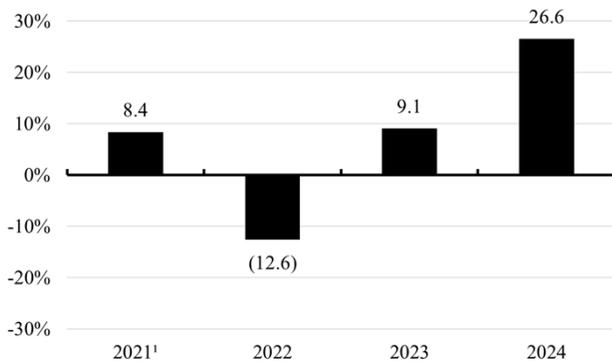
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<sup>1</sup> Period from May 21, 2021 (commencement of operations) to December 31, 2021.

#### Unit

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<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 Total Return Index ("MSCI Index"), and the S&P/TSX Preferred Share Total Return 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 and a total return basis, of a broad index of preferred shares trading on the TSX that meet the criteria relating to size, liquidity and issuer rating. The Fund is actively managed; therefore, its performance is not expected to mirror that of the Indices, which have more diversified portfolios and include a substantially larger number of companies. Furthermore, the Indices' performance is 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. Additionally, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's Preferred shares.

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### Annual Compound Returns

	1-Year %	3-Year %	Since Inception <sup>1</sup> %
Sustainable Power & Infrastructure Split Corp. - Class A share <sup>2</sup>	60.4	8.9	11.3
S&P Global Infrastructure Total Return Index	15.1	7.0	6.9
MSCI World Total Return Index	19.2	6.9	8.7
Sustainable Power & Infrastructure Split Corp. - Preferred share <sup>2</sup>	5.1	5.1	5.1
S&P/TSX Preferred Share Total Return Index	24.6	2.7	3.9
Sustainable Power & Infrastructure Split Corp. - Unit <sup>3</sup>	26.6	6.5	7.7

<sup>1</sup> Since inception date May 21, 2021.

<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 2024, the Fund's units had a return of 26.6%, outperforming the Indices. The Fund benefited from stock selections within the Industrials sector, driven primarily by thematic investment selections in generative AI, electrification, and the reshoring of manufacturing. The Fund's Class A share performance return was further enhanced by the leverage obtained from the Preferred Shares. Please see the Portfolio Manager's report for more details.

**SUMMARY OF INVESTMENT PORTFOLIO**

As at December 31, 2024

<b>Total Net Asset Value<sup>1</sup></b>	<b>\$ 63,511,513</b>	
<b>Portfolio Composition</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
<b><u>Asia</u></b>		
<b>Japan</b>		
Industrials	4.1	4.2
Materials	2.8	2.8
<b>Total Asia</b>	<b>6.9</b>	<b>7.0</b>
<b><u>Europe</u></b>		
<b>France</b>		
Industrials	3.2	3.3
<b>Great Britain</b>		
Materials	2.6	2.6
<b>Ireland</b>		
Industrials	5.8	5.9
<b>Italy</b>		
Industrials	4.1	4.1
<b>Spain</b>		
Utilities	3.1	3.1
<b>Total Europe</b>	<b>18.8</b>	<b>19.0</b>
<b><u>North America</u></b>		
<b>Canada</b>		
Energy	8.9	9.1
Investment Funds	5.2	5.3
Industrials	3.5	3.6
<b>United States</b>		
Energy	16.9	17.3
Industrials	15.3	15.7
Utilities	11.5	11.6
Information Technology	7.4	7.6
Communication Services	5.1	5.2
<b>Total North America</b>	<b>73.8</b>	<b>75.4</b>
<b>Total Investments</b>	<b>99.5</b>	<b>101.4</b>
Cash	0.5	0.5
Other net assets (liabilities)		(1.9)
<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>
Targa Resources Corp.	6.5	6.7
Trane Technologies PLC ADR	5.8	5.9
ONEOK Inc.	5.5	5.6
Brompton Global Infrastructure ETF	5.2	5.3
T-Mobile US Inc.	5.1	5.2
Williams Companies Inc.	4.9	5.0
Parker-Hannifin Corp.	4.7	4.8
Keyera Corp.	4.5	4.6
Cameco Corp.	4.4	4.5
Constellation Energy Corp.	4.4	4.5
Motorola Solutions Inc.	4.2	4.3
Eaton Corporation PLC	4.1	4.2
Hitachi Ltd.	4.1	4.2
Prysmian SpA	4.1	4.1
General Electric Co.	3.8	3.9
Southern Co.	3.7	3.7
Waste Connections Inc.	3.5	3.6
Nextera Energy Inc.	3.4	3.4
Schneider Electric SE	3.2	3.3
Roper Technologies Inc.	3.2	3.3
Iberdrola S.A.	3.1	3.1
Shin-Etsu Chemical Co Ltd.	2.8	2.8
Quanta Services Inc.	2.7	2.8
Linde PLC ADR	2.6	2.6
Cash	0.5	0.5
<b>Total</b>	<b>100.0</b>	<b>101.9</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.*

## 2024 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 shares 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 2024 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>
29-Dec-23	15-Jan-24	0.06667	0.06667
31-Jan-24	14-Feb-24	0.06667	0.06667
29-Feb-24	14-Mar-24	0.06667	0.06667
28-Mar-24	12-Apr-24	0.06667	0.06667
30-Apr-24	14-May-24	0.06667	0.06667
31-May-24	14-Jun-24	0.06667	0.06667
28-Jun-24	15-Jul-24	0.06667	0.06667
31-Jul-24	15-Aug-24	0.06667	0.06667
30-Aug-24	16-Sep-24	0.06667	0.06667
30-Sep-24	15-Oct-24	0.06667	0.06667
31-Oct-24	14-Nov-24	0.08500	0.08500
29-Nov-24	13-Dec-24	0.08500	0.08500
		<b>0.83670</b>	<b>0.83670</b>

<b>Preferred Shares</b>		<b>Eligible Dividends</b>	<b>Return of Capital</b>	<b>Total Distributions</b>
<b>Record Date</b>	<b>Payment Date</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
29-Dec-23	15-Jan-24	0.01409	0.11091	0.12500
28-Mar-24	12-Apr-24	0.01409	0.11091	0.12500
28-Jun-24	15-Jul-24	0.01409	0.11091	0.12500
30-Sep-24	15-Oct-24	0.01409	0.11091	0.12500
		<b>0.05636</b>	<b>0.44364</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 and growth focused investment solutions including exchange-traded funds (ETFs) and other TSX traded investment funds. Our funds are designed to address investors' cash flow requirements and to provide them with value-added diversification strategies. Since inception, Brompton has paid out over \$3.8 billion in distributions. For the level of service provided, our funds are known for their low management fees and costs.

**BROMPTON**  
FUNDS

## PORTFOLIO MANAGER'S REPORT

January 2025

### Global Markets Review

Global equity markets finished the year with another year of strong performance bolstered by a combination of moderating inflationary pressures, easing monetary policy, and resilient corporate earnings. Enthusiasm over the artificial intelligence (AI) theme drove significant gains in U.S. indices. Donald Trump's victory in the U.S. election also helped boost the domestic equity markets on the expectations of deregulation and a corporate tax cut despite uncertainties surrounding his proposed tariff and immigration policies. In global equity markets the MSCI World Index finished the full year with a 19.2% gain, while the S&P 500 Total Return Index rose 25.0%, climbing to all-time high in November. Communication Services (+40.2%) and Technology (+36.6%) were the best-performing sectors. Both sectors benefited from the development of AI themes. The S&P/TSX Composite Total Return Index was up 21.7% buoyed by Technology and Financials. In Europe, the STOXX 600 Total Return Index registered a 9.6% return for 2024. Spain, Italy, and Germany were the best-performing countries, gaining 20.0%, 18.9%, and 18.8%, respectively, while the U.K., Switzerland, and France all finished in positive territory, up 9.6%, 7.5%, and 0.9%, respectively.

Inflation continues to moderate, which has enabled global central banks to shift to accommodative monetary policies. In the U.S., inflation was 2.9% in 2024, while the unemployment rate remained relatively low at 4.1% as of the end of the year. The U.S. economy remains healthy and has managed to avoid a recession. However, the manufacturing PMI remained below 50 in the second half of 2024, which is an indicator of softness in the manufacturing sector. As the inflationary pressure meaningfully abated, the Federal Reserve started its long-awaited cutting cycle in September. The bond market was volatile in Q4 with the U.S. 10-year Treasury yield rising sharply from 3.6% in September (the lowest of the year) to approximately 4.6% by year end, which resulted in a steepening of the yield curve. The rebound in yields raised concerns over inflation returning due to President Trump's tariff and immigration policies, which has resulted in fewer rate cuts being priced into the market for 2025. Global bond markets, such as the U.K. Gilt and the German Bund, mirrored the sell off in U.S. Treasuries. In equities, growth outperformed value for both large cap and small cap, while large cap tech names were the primary contributors to the index performance even though they showed signs of losing momentum during the back half of the year. Strong performance was also seen from a broader group of stocks in 2024 relative to 2023, including strength in Financials and Consumer Discretionary.

After kicking off the interest rate cutting cycle with a 50 bps cut in September, the Federal Reserve (Fed) cut interest rates by 25 bps each in the November and December meetings bringing the target range to 4.25%-4.5%. However, at the December meeting the Fed triggered a market sell-off after Fed Chair Jerome Powell emphasized a more cautious stance on the number of interest rate cuts expected in 2025. By the end of December, the Fed Funds Futures have priced in two additional 25 bps rate cuts in 2025, which was down from four cuts priced in as of September. Despite inflation coming down significantly, it remains slightly elevated relative to the Fed's 2% target. Therefore, we expect the Fed to tread lightly with interest rate cuts in 2025. On the political front, Donald Trump won the presidential election, and Republicans took control of Congress. The new administration's policies surrounding tariffs, immigration, regulation, and taxes will be the key to watch heading into 2025.

The Bank of Canada (BoC) reduced its overnight policy rate to 3.25% after 50 bps cuts in both October and December. By year end, the BoC had made 175 bps cuts cumulatively since the start of its rate cutting cycle, which began in June. The BoC noted that the Canadian economy remains in excess supply, with labour market slack rising as population growth outpaced job creation. As for forward rate guidance, the BoC acknowledged that while further rate cuts in the future are expected, the timing and pace will still be guided by incoming data. The central bank signaled it would take a more gradual approach as the policy rate is now at the top end of its 2.25%-3.25% estimated range for the neutral rate. As the policy rates declined faster than in the U.S., the policy divergence resulted in Canadian dollar depreciation against the U.S. dollar. Moreover, rising unemployment rates, muted investment activities, and trade policy uncertainty from the Trump administration continue to weigh on the already fragile economic fundamentals.

The European Central Bank (ECB) cut its benchmark interest rate by 25 bps in both October and December meetings, bringing the rate to 3.15%. President Christine Lagarde indicated more cuts are expected in 2025 saying current data suggest the direction of travel currently is very clear while also noting that data will still determine the pace and size of rate cuts, and that risks to inflation are not one-sided. Despite consecutive rate cuts, the European economy remains weak. Activity indicators such as eurozone manufacturing PMI finished the year in contraction territory. Meanwhile, the two major economic engines in the eurozone, France and Germany, experienced political instability during Q4. In France, Prime Minister Michel Barnier lost a no-confidence vote in December as other parties declined to back his budget, while no new parliamentary elections will be held until July 2025. In Germany, Chancellor Olaf Scholz dismissed Finance Minister in November causing the collapse of the three-party coalition government. In the U.K., the Bank of England (BoE) left the policy rate unchanged at 4.75% in December after delivering a 25 bps cut in November. The central bank highlighted a more balanced labour market and upside risks to inflation in the near term.

Artificial intelligence remained the year's dominant investment theme fueling market enthusiasm and a transformative industry shift. The "Magnificent Seven" mega cap tech stocks delivered outsized returns, boosting the S&P 500. The seven names added about \$6 trillion of market cap in 2024. Meanwhile, broader market breadth, indicated by the advance/decline line for the S&P 500, suggests wider participation in the rally beyond large-cap tech. Consecutive Fed rate cuts, durability of the U.S. consumer, and optimism around pro-business policies from the Trump administration bolstered equity performance in sectors such as Financials. Outside of the U.S., equity market performance was mixed. European equities lagged on the back of elevated energy costs, sluggish export demand, and political instability in major economies like Germany and France. Japan registered another stellar return this year with the Nikkei 225 Index rising 21.3% on the continuation of foreign investor interest, monetary policy normalization, healthy wage growth, and improving corporate earnings and governance. According to the latest World Economic Outlook update issued by the International Monetary Fund (IMF) in October 2024, the global economy is projected to grow 3.3% in 2025, revised up by 0.1 percentage points from the July forecast. The outlook also highlights that persistent services inflation is impeding overall disinflation efforts, complicating the path to monetary policy normalization.

Looking forward to 2025, in our view, we expect to continue to see a widening of breadth in the market. Returns over the past 3 years have been dominated by the "Magnificent Seven" mega cap stocks. This trend peaked in mid-2024, and we have recently seen outperformance from a broader group of stocks, including mid-caps, particularly on the back of the U.S. election results in November. While we are still bullish on the Technology sector, broadening participation is positive for stock pickers and active management. In terms of the economy, we believe that a soft landing has been achieved and that we remain on a path back to normal in terms of both inflation and interest rates. The U.S. economy will continue to benefit from a strong consumer and continued growth in private sector capex, particularly around the themes of re-shoring, electrification, and artificial intelligence. The incoming policies under the new Trump administration will be the key to drive the market sentiment. Tax reform and deregulation would stimulate growth and benefit in particular domestic and cyclical sectors, while tariffs and trade policy uncertainties could weigh on Europe and China and create headline risks. We also expect increased volatility in 2025 and believe 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 26.6% during 2024.

The past year has been marked by significant outperformance driven primarily by our stock selections in the Industrials sector. However, it's important to note that our success was not solely attributed to sector selection but rather to thematic selection. Key themes that contributed to our outperformance included the increased power demand stemming from generative AI and electrification, as well as the reshoring of manufacturing.

The rise of artificial intelligence has ushered in a generational increase in power demand, comparable to the advent of air conditioning. This trend has benefited stocks associated with the build-out of new generation and grid infrastructure, as well as power producers and natural gas producers. Concurrently, the process of de-globalization, triggered by supply chain shocks during the COVID-19 pandemic and the anticipated protectionism following Donald Trump's potential re-election, has led to increased demand for companies supporting the return of manufacturing to the United States. Electrical and automation companies have been particularly favored in this environment.

While our performance was strong in several areas, it's worth noting that companies in the Materials and Real Estate sectors detracted from our overall results. The continued economic weakness in China exerted pressure on companies within the Materials sector. Additionally, the persistence of high interest rates negatively impacted some of the more rate-sensitive real estate stocks, which were a very small weight in the portfolio.

During the year, we added weight to Industrials, Energy and Technology, funding them through sales in Utilities. We maintain a strong conviction that the secular growth themes of electrification and reshoring are in their nascent stages and are poised to evolve into multi-year trends. Given these emerging trends, coupled with the persistent high-interest rate environment, we determined that augmenting our positions in Industrials and Energy offered a more favorable risk-reward profile.

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 2024 were a result of many different factors, including re-allocation of sector weighting, fundamental analysis and technical analysis. None of the securities sold in 2024 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.

Eaton Corporation PLC - Eaton's products and services are leveraged to the "Electrification of Everything" megatrend as the world becomes increasingly more electrified and connected. As such, its four-part sustainability strategy includes creating sustainable solutions, reducing its own footprint, engaging its employees and communities, and doing business right and transparently.

Motorola Solutions Inc. - Motorola ESG programs center around six pillars: environmental impact, human capital management, community engagement, public safety, supply chain diversity, fair labor practice.

Shin-Etsu Chemical Co Ltd. - As critical components in manufacturing microchips and solar panel, silicon wafers help mitigate technology's environment impact. The company is the world's largest supplier of silicon wafers for integrated circuits. The company also makes silicon wafers and cells for solar panels and has patent that helps reduce light-induced degradation. The company has an ESG committee aimed to reduce GHG emissions, develop and manufacture eco-friendly products, promote renewable energy, and rationalize logistics.

Waste Connections Inc. - WCN has set goals of increasing offsets to emissions by at least 50%, increasing resources recovered by at least 50%, increasing biogas recovery by at least 40%, and processing at least 50% of leachate on site. The company continues to invest in landfill gas recovery systems in addition to electric and alternative fuel vehicles.

Keyera Corp. – Natural gas is a transition fuel which produces less CO2 than other fossil fuels. It has projects to capture gas instead of flaring.

Iberdrola S.A. – Developer of solar, wind, hydro generation. The company currently has 20 GW of renewable power out of 32 installed with a pipeline of another 70GW of renewables. EBITDA of renewables is expected to grow EUR ~5 billion between 2019-25.

## **FORWARD-LOOKING STATEMENTS**

*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 Fund, to the future outlook of the Fund and anticipated events or results and may include statements regarding the future financial performance of the Fund. 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.*