



LBS  
LBS.PR.A

VALUE  
INTEGRITY  
PERFORMANCE

– THE FOUNDATION FOR EXCELLENCE

Equal-weight portfolio of major Canadian life insurance companies and banks.  
Preferred shares of the Fund are rated Pfd-3 by DBRS.

### Management Report of Fund Performance

August 7, 2019

This interim management report of fund performance for Life & Banc 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](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.

*All figures in this management report of fund performance, unless otherwise noted, are based on the Fund’s Net Asset Value, which is calculated in accordance with the terms of the Fund’s constating documents.*

### THE FUND

Life & Banc 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 LBS and LBS.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIIF, RESP and TFSA 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 are usually in the form of eligible Canadian dividends which are taxed at a lower rate to individuals than interest income. 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 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.”

## INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objectives are:

- i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions in the amount of \$0.13625 per share and to return the original issue price of \$10.00 per Preferred share to shareholders at maturity; and
- ii) to provide holders of Class A shares with regular monthly cash distributions, targeted to be \$0.10 per share, and the opportunity for growth in Net Asset Value per share.

To achieve these objectives, the Fund invests in a common share portfolio composed of the following six Canadian banks and four Canadian life insurance companies on an equally weighted basis at the time of investment and on any subsequent rebalancing:

|                                    |                                 |
|------------------------------------|---------------------------------|
| <b>Banks</b>                       | <b>Life Insurance Companies</b> |
| Bank of Montreal                   | Great-West Lifeco Inc.          |
| Canadian Imperial Bank of Commerce | iA Financial Group              |
| National Bank of Canada            | Manulife Financial Corporation  |
| Royal Bank of Canada               | Sun Life Financial Inc.         |
| The Bank of Nova Scotia            |                                 |
| The Toronto-Dominion Bank          |                                 |

The portfolio is rebalanced at least annually to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the banks or life insurance companies. The Fund may write covered call options and cash-covered put options 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 April 4, 2019, the Fund completed a treasury offering (the "Treasury Offering") of Class A shares and Preferred shares for aggregate gross proceeds of approximately \$25.5 million. The Class A shares were offered at a price of \$8.10 per Class A share and the Preferred shares were offered at a price of \$10.00 per Preferred share.

## RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2018 annual information form, which is available on the Fund's website at [www.bromptongroup.com](http://www.bromptongroup.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). There were no changes during the period ended June 30, 2019 that materially affected the risks associated with an investment in the shares of the Fund as they were discussed in the annual information form.

## RESULTS OF OPERATIONS

### Distributions

For the first six months of 2019, distributions to Class A shareholders were \$0.60 per share, unchanged from the same period in 2018, reflecting monthly distributions of \$0.10 per Class A share. Preferred share distributions were \$0.2725 per share, an increase from \$0.2375 in 2018. Since inception, the Fund has distributed \$14.25 per Class A share and \$6.43 per Preferred share. Based on the June 30, 2019 closing market price of the Fund, the current distribution rate represented a yield of 15.6% on Class A shares and 5.3% on Preferred shares. 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. During the first six months of 2019, 64,939 Class A shares were acquired in the market pursuant to this plan at an average price of \$7.82 per share.

### Revenues and Expenses

The Fund's investment portfolio generated revenue of \$0.37 per Class A share during the first six months of 2019, unchanged from the same period of 2018. Total expenses were \$0.10 per Class A share for the first six months of 2019, compared to \$0.09 per Class A share in the same period of 2018.

## Net Asset Value

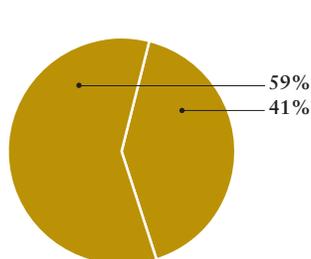
At June 30, 2019, the Net Asset Value per Class A share was \$7.23, up from \$5.91 at December 31, 2018, a 22.3% increase due to portfolio performance. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The aggregate Net Asset Value of the Fund was \$470.4 million at June 30, 2019, up from \$412.0 million at December 31, 2018. The \$58.4 million increase reflected a net investment gain of \$56.7 million, \$14.1 million in proceeds from the Preferred share Treasury Offering and \$11.4 million in proceeds from the Class A share Treasury Offering, partially offset by \$16.0 million in Class A share distributions, \$7.2 million of Preferred share distributions and \$0.6 million of agents' fees and issuance costs related to the Treasury Offering.

## Investment Portfolio

At June 30, 2019 and December 31, 2018, the Fund's investments included common shares of six banks and four insurance companies as indicated in the Investment Objectives and Strategies section.

As reported in the table below, the Fund had a net realized and net change in unrealized gain of \$49.4 million during the first six months of 2019. Insurance companies had total realized and net change in unrealized gains of \$29.1 million, while banks accounted for the remaining gain. During the first six months of 2019, the Fund selectively wrote call options on the insurance companies and banks in the portfolio to generate premiums of \$1.4 million and had a net realized loss on the options of \$0.1 million. The realized loss represents the premiums received, less the amount paid to close out the options. During the first six months of 2019, the Fund wrote call options on an average notional value of 6.9% of the Fund's portfolio. At June 30, 2019, there were seven option contracts outstanding, with a notional value representing 7.6% of the portfolio.

## Portfolio Sectors



| Net Gains (Losses) by Sector (millions) | Realized      | Change in Unrealized | Total          |
|---|---------------|----------------------|----------------|
| Banks                                   | \$ 1.5        | \$ 19.0              | \$ 20.5        |
| Insurance                               | 0.1           | 29.0                 | 29.1           |
| Options                                 | (0.1)         | (0.1)                | (0.2)          |
| <b>Total</b>                            | <b>\$ 1.5</b> | <b>\$ 47.9</b>       | <b>\$ 49.4</b> |

## Liquidity

To provide liquidity for shareholders, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols LBS and LBS.PR.A, respectively. Investors may 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 0.60% per annum of the Net Asset Value 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. The Fund also pays the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Class A shares held by clients of each dealer at the end of each calendar quarter. For the first six months of 2019, management and service fees amounted to \$1.5 million and \$0.4 million, respectively.

## 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 Share<sup>(1)</sup>

| For the period/year ended                                      | June 30, 2019  | December 31      |                 |                |                  |                |
|--|----------------|------------------|-----------------|----------------|------------------|----------------|
|  |                | 2018             | 2017            | 2016           | 2015             | 2014           |
| Net Assets, beginning of period/year <sup>(2)</sup>            | \$ 5.91        | \$ 10.06         | \$ 9.74         | \$ 7.46        | \$ 9.58          | \$ 9.29        |
| Increase (decrease) from operations: <sup>(3)</sup>            |                |                  |                 |                |                  |                |
| Total revenue  | 0.37           | 0.74             | 0.72            | 0.72           | 0.73             | 0.70           |
| Total expenses   | (0.10)         | (0.27)           | (0.26)          | (0.17)         | (0.24)           | (0.19)         |
| Preferred share distributions                                  | (0.27)         | (0.50)           | (0.47)          | (0.47)         | (0.47)           | (0.47)         |
| Realized gains (losses)  | 0.06           | 0.35             | 0.51            | 0.23           | 0.32             | 0.38           |
| Unrealized gains (losses)                                      | 1.80           | (3.48)           | 1.13            | 3.17           | (1.32)           | 1.08           |
| <b>Total increase (decrease) in Net Assets from operations</b> | <b>\$ 1.86</b> | <b>\$ (3.16)</b> | <b>\$ 1.63</b>  | <b>\$ 3.48</b> | <b>\$ (0.98)</b> | <b>\$ 1.50</b> |
| Distributions to Class A shareholders: <sup>(2)(4)</sup>       |                |                  |                 |                |                  |                |
| Dividends  | \$ n/a         | \$ 0.18          | \$ 0.25         | \$ 0.14        | \$ 0.12          | \$ —           |
| Return of capital  | n/a            | 1.02             | 0.95            | 1.06           | 1.08             | 1.20           |
| <b>Total distributions to Class A shareholders</b>             | <b>\$ 0.60</b> | <b>\$ 1.20</b>   | <b>\$ 1.20</b>  | <b>\$ 1.20</b> | <b>\$ 1.20</b>   | <b>\$ 1.20</b> |
| <b>Net Assets, end of period/year<sup>(2)</sup></b>            | <b>\$ 7.23</b> | <b>\$ 5.91</b>   | <b>\$ 10.06</b> | <b>\$ 9.74</b> | <b>\$ 7.46</b>   | <b>\$ 9.58</b> |

<sup>(1)</sup> The financial information was prepared in accordance with International Financial Reporting Standards.

<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 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>(4)</sup> Allocations for tax purposes for the period ended June 30, 2019 are not available until year end.

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

| As at  | June 30, 2019 | December 31 |            |            |            |            |
|--|---------------|-------------|------------|------------|------------|------------|
|  |               | 2018        | 2017       | 2016       | 2015       | 2014       |
| Net Asset Value (000s) – including Preferred shares              | \$ 470,416    | \$ 411,952  | \$ 445,160 | \$ 362,272 | \$ 320,469 | \$ 297,036 |
| Number of Class A shares outstanding (000s)                      | 27,296        | 25,888      | 22,194     | 18,348     | 18,350     | 15,169     |
| Management expense ratio (“MER”) <sup>(1)</sup> – Class A shares | 10.18%        | 9.75%       | 8.52%      | 8.37%      | 9.82%      | 6.93%      |
| Trading expense ratio <sup>(2)</sup>                             | 0.01%         | 0.01%       | 0.02%      | 0.01%      | 0.02%      | 0.01%      |
| Portfolio turnover rate <sup>(3)</sup>                           | 3.13%         | 5.75%       | 9.48%      | 6.06%      | 8.41%      | 1.61%      |
| Net Asset Value per unit <sup>(4)</sup>                          | \$ 17.37      | \$ 16.04    | \$ 20.17   | \$ 19.86   | \$ 17.58   | \$ 19.70   |
| Net Asset Value per Class A share                                | \$ 7.23       | \$ 5.91     | \$ 10.06   | \$ 9.74    | \$ 7.46    | \$ 9.58    |
| Net Asset Value per Preferred share <sup>(5)</sup>               | \$ 10.00      | \$ 10.00    | \$ 10.00   | \$ 10.00   | \$ 10.00   | \$ 10.00   |
| Closing market price – Class A shares                            | \$ 7.69       | \$ 6.68     | \$ 9.96    | \$ 9.72    | \$ 8.05    | \$ 9.97    |
| Closing market price – Preferred shares                          | \$ 10.20      | \$ 9.84     | \$ 10.11   | \$ 10.12   | \$ 9.92    | \$ 10.22   |

<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 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.

<sup>(2)</sup> The trading expense ratio represents total commissions and 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. 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.

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

## Expense Ratio

The MER per Class A share noted in the table for the first six months of 2019 was 10.18%, up from 9.75% in 2018, due to the higher cost of leverage and to issuance costs and agents’ fees incurred for the Fund’s Treasury Offering in April. The MER per Class A share also includes Preferred share distributions, which represent the cost of leverage. The MER per Class A share, excluding issue costs and Preferred share distributions, was 2.17% for the first six months of 2019, up from 1.97% for 2018.

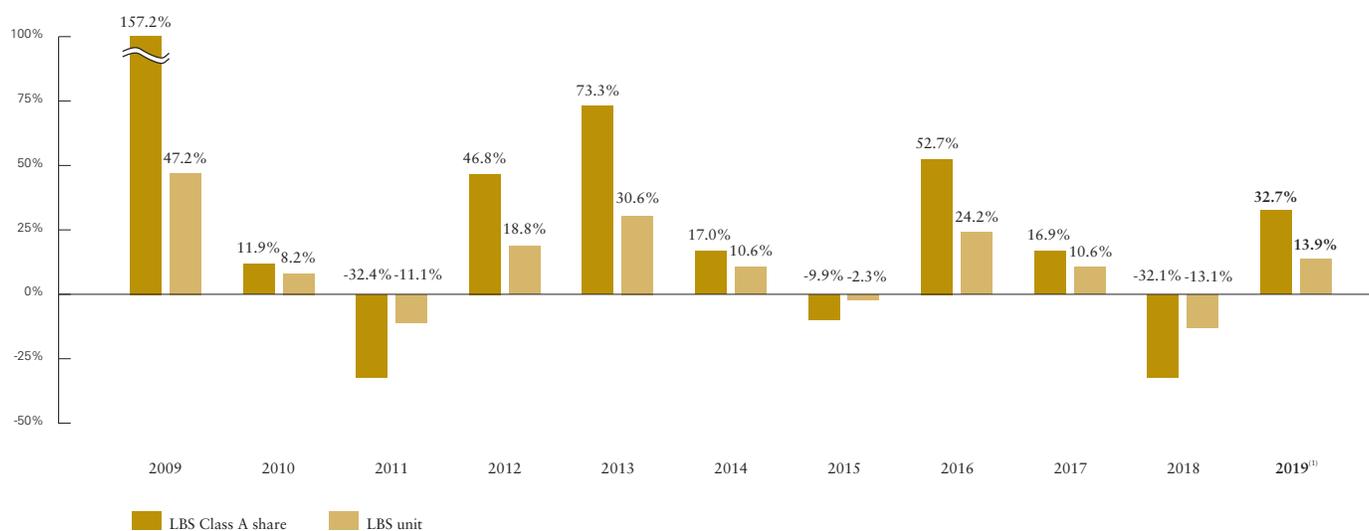
The MER per unit was 7.46% for the first six months of 2019 compared to 5.74% in 2018. The MER per unit, excluding Preferred share distributions (which were covered by the portfolio’s dividend income and issue costs), was 0.92% for the first six months of 2019, compared to 0.91% for 2018. This ratio 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 (each unit consists of one Class A share and one Preferred share) and assumes that distributions (including deemed distributions based on the intrinsic value of the warrants at approximately the exercise date of the warrants) 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 for the periods ended December 31, 2009 to June 30, 2019. The chart shows, in percentage terms, how investments held in a Class A share and a unit on the first day of each fiscal period would have changed by the last day of the fiscal period.

### Year-by-Year Returns



<sup>(1)</sup> Period from January 1, 2019 to June 30, 2019.

The following table shows the Fund's compound return on a Class A share, Preferred share and unit for each period indicated, compared with the S&P/TSX Capped Financials Index ("Financials Index"), the S&P/TSX Composite Index ("Composite Index") and the S&P/TSX Preferred Share Index ("Preferred Index"). The Financials Index is derived from the Composite Index based on the financials sector of the Global Industry Classification Standard. The Composite Index tracks the performance, on a market-weight basis, of a broad index of large-capitalization issuers listed on the TSX. The Preferred Index is comprised of preferred shares listed and trading on the Toronto Stock Exchange that meet criteria relating to size, liquidity and issuer rating. The Fund invests in a passively managed portfolio of four insurance companies and six banks. The Fund is therefore not expected to mirror the performance of indices, which have more diversified portfolios. Further, 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.

### Compound Returns

|   | Six Months Ended<br>June 30, 2019 | Since<br>Inception <sup>(1)</sup> |
|---|-----------------------------------|-----------------------------------|
| Life & Banc Split Corp. – Class A shares <sup>(2)</sup>   | 32.7%                             | 8.6%                              |
| S&P/TSX Capped Financials Index                           | 14.3%                             | 7.5%                              |
| S&P/TSX Composite Index                                   | 16.2%                             | 5.5%                              |
| Life & Banc Split Corp. – Preferred shares <sup>(2)</sup> | 2.8%                              | 5.2%                              |
| S&P/TSX Preferred Share Index                             | (0.9%)                            | 1.3%                              |
| Life & Banc Split Corp. – units <sup>(3)</sup>            | 13.9%                             | 6.7%                              |

<sup>(1)</sup> Period from October 17, 2006 (commencement of operations) to June 30, 2019 (annualized return).

<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.

Since inception, and during the first six months of 2019, the Class A shares have outperformed the relative benchmark indices as a result of the strong appreciation of the banks and insurance companies in the portfolio, which was enhanced by the use of leverage provided by the Preferred shares.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2019

|  |                       |                             |
|--|-----------------------|-----------------------------|
| <b>Total Net Asset Value<sup>(1)</sup></b> |                       | <b>\$ 470,415,633</b>       |
| <b>Portfolio Composition</b>               | <b>% of Portfolio</b> | <b>% of Net Asset Value</b> |
| Banks                                      | 59.1%                 | 59.9%                       |
| Insurance                                  | 40.4%                 | 40.8%                       |
| Cash and short-term investments            | 0.5%                  | 0.5%                        |
| Total investment portfolio                 | 100.0%                | 101.2%                      |
| Other net liabilities                      |                       | (1.2%)                      |
| <b>Total Net Asset Value</b>               |                       | <b>100.0%</b>               |

|                                    |                       |                             |
|------------------------------------|-----------------------|-----------------------------|
| <b>Holdings</b>                    | <b>% of Portfolio</b> | <b>% of Net Asset Value</b> |
| iA Financial Group                 | 10.5%                 | 10.7%                       |
| Sun Life Financial Inc.            | 10.5%                 | 10.5%                       |
| Manulife Financial Corporation     | 10.3%                 | 10.4%                       |
| Toronto-Dominion Bank (The)        | 10.2%                 | 10.4%                       |
| Royal Bank of Canada               | 10.1%                 | 10.2%                       |
| National Bank of Canada            | 10.1%                 | 10.2%                       |
| Bank of Nova Scotia (The)          | 9.7%                  | 9.8%                        |
| Canadian Imperial Bank of Commerce | 9.5%                  | 9.7%                        |
| Bank of Montreal                   | 9.4%                  | 9.6%                        |
| Great-West Lifeco Inc.             | 9.2%                  | 9.2%                        |
| Cash and short-term investments    | 0.5%                  | 0.5%                        |
| <b>Total</b>                       | <b>100.0%</b>         | <b>101.2%</b>               |

<sup>(1)</sup> 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](http://www.bromptongroup.com) within 60 days of each quarter end.

## 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.