

**TSX: LBS, LBS.PR.A**

**BROMPTON**  
FUNDS



# **Life & Banc Split Corp.**

## **Interim Report 2020**

*Equal-weight portfolio of major Canadian life  
insurance companies and banks.*

**VALUE  
INTEGRITY  
PERFORMANCE**

**THE FOUNDATION FOR EXCELLENCE**

## MANAGEMENT REPORT OF FUND PERFORMANCE

August 14, 2020

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.

## 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, RRIF, RESP and TFSA eligible. The Preferred shares are rated Pfd-3 (low) 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. 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.
Bank of Nova Scotia	iA Financial Corporation Inc.
Canadian Imperial Bank of Commerce	Manulife Financial Corp.
National Bank of Canada	Sun Life Financial Inc.
Royal Bank of Canada	
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

### Market Volatility and COVID-19

The recent outbreak of the respiratory disease designated as COVID-19 has caused increased volatility and disruptions in global financial markets, which has resulted in losses for investors and the market in general. The economic impact of COVID-19 may be short-term or may last for an extended period of time, and in either case, could result in a substantial downturn or recession. These risks could also adversely affect securities markets, inflation and other factors relating to the securities held in the portfolios of the Fund. 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).

### Independent Review Committee Members

In June 2020, Raj Kothari was appointed to the Independent Review Committee (IRC) of the Fund as a result of the passing of Arthur R.A. Scace. Raj was a Partner and Vice Chair of PwC Canada and served as Managing Partner for Greater Toronto at PwC until December 31, 2017. The IRC is comprised of a minimum of three members, each of whom must be independent of the Funds, the Manager and any affiliate companies of the Manager. The function of the IRC is to provide decisions on conflict of interest matters that the Manager has referred to the IRC and provide oversight on any conflict issues that IRC members identify in their own right.

## RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2019 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, 2020 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 2020, distributions to Class A shareholders were \$0.20 per share, down from \$0.60 per share from the same period in 2019, reflecting two monthly distributions of \$0.10 per Class A share for the months of January and February. The Net Asset Value per unit was less than \$15.00 for all other months and, consequently there were no distributions for those months. Preferred share distributions were \$0.2725 per share, unchanged from the same period in 2019. Since inception, the Fund has distributed \$15.05 per Class A share and \$6.98 per Preferred share. Based on the June 30, 2020 closing market prices, the current distribution rate was 5.7% 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 2020, 39,130 Class A shares were acquired in the market at an average price of \$7.67 pursuant to this plan.

### Changes in Net Assets from Operations (see Financial Highlights)

The Fund's investment portfolio generated revenue of \$0.38 per Class A share during the first six months of 2020, compared to \$0.37 per Class A share in the same period in 2019. Total expenses were \$0.06 per Class A share for the first six months of 2020, compared to \$0.10 per Class A share in the same period in 2019. A decrease in expenses per Class A share was a result of lower fees paid on lower Net Asset Value per Class A share in the first half of 2020.

### Net Asset Value

At June 30, 2020, the Net Asset Value per Class A share was \$3.83, down from \$7.95 at December 31, 2019, a 51.8% decrease due primarily to a decrease in prices of the security holdings in the Fund's portfolio. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For the purpose of calculating the Net Asset Value of the Fund as a whole, the Preferred shares are not considered a liability of the Fund. The aggregate Net Asset Value of the Fund was \$377.5 million at June 30, 2020, down from \$490.0 million at December 31, 2019. The \$112.5 million decrease reflected a decrease in net assets of \$99.6 million, \$5.5 million in Class A share distributions and \$7.4 million of Preferred share distributions.

### Investment Portfolio

At June 30, 2020 and December 31, 2019, 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 loss of \$108.4 million during the first six months of 2020. The Fund has generated unrealized losses in both the insurance and banks sectors. Insurance companies had total realized and net change in unrealized loss of \$54.9 million, while banks accounted for \$53.3 million loss. During the first six months of 2020, the Fund selectively wrote call options on the insurance companies and banks in the portfolio to generate premiums of \$0.9 million and had a net realized and change in unrealized loss on the options of \$0.2 million. The net loss represents the premiums received, less the amount paid to close out the options. During the first six months of 2020, the Fund wrote call options on an average notional value of 4.0% of the Fund's portfolio. At June 30, 2020, there were 5 option contracts outstanding, with a notional value representing 7.7% of the portfolio.

### Portfolio Sectors

Net Gains (Losses) by Sector (millions)	% of Portfolio as of 30-Jun-20	Realized \$	Change in Unrealized \$	Total \$
Banks	60.5	1.9	(55.2)	(53.3)
Insurance	39.5	2.7	(57.6)	(54.9)
Options	-	(0.4)	0.2	(0.2)
Total	100.0	4.2	(112.6)	(108.4)

### 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. Prior to January 1, 2020, the Fund also paid the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee was 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. During the period ended June 30, 2019, the Fund paid \$0.4 million in service fees. Beginning January 1, 2020, the Fund has discontinued the payment of the service fee. For the first six months of 2020, management fees amounted to \$1.4 million.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's unaudited interim and audited annual financial statements which have been prepared in accordance with International Financial Reporting 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>

For the period/year ended	June 30, 2020 \$	December 31				
		2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Net Assets, beginning of period/year <sup>2</sup>	7.95	5.91	10.06	9.74	7.46	9.58
<b>Increase (decrease) from operations:<sup>3</sup></b>						
Total revenue	0.38	0.72	0.74	0.72	0.72	0.73
Total expenses	(0.06)	(0.18)	(0.27)	(0.26)	(0.17)	(0.24)
Preferred share distributions	(0.27)	(0.54)	(0.50)	(0.47)	(0.47)	(0.47)
Realized gains (losses)	0.16	0.16	0.35	0.51	0.23	0.32
Unrealized gains (losses)	(4.13)	3.01	(3.48)	1.13	3.17	(1.32)
<b>Total increase (decrease) in Net Assets from operations</b>	<b>(3.92)</b>	3.17	(3.16)	1.63	3.48	(0.98)
<b>Distributions to Class A shareholders:<sup>2,4</sup></b>						
Dividends	n/a	0.02	0.18	0.25	0.14	0.12
Return of capital	n/a	1.18	1.02	0.95	1.06	1.08
<b>Total distributions to Class A shareholders</b>	<b>0.20</b>	1.20	1.20	1.20	1.20	1.20
<b>Net Assets, end of period/year<sup>2</sup></b>	<b>3.83</b>	7.95	5.91	10.06	9.74	7.46

<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 June 30, 2020 are not available until year end.

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

As at	June 30, 2020	December 31				
		2019	2018	2017	2016	2015
Net Asset Value (\$) (000s) - including Preferred shares	<b>377,531</b>	489,996	411,952	445,160	362,272	320,469
Number of Class A shares outstanding (000s)	<b>27,296</b>	27,296	25,888	22,194	18,348	18,350
Management expense ratio ("MER") – Class A shares <sup>1</sup>	<b>13.46%</b>	9.98%	9.75%	8.52%	8.37%	9.82%
Trading expense ratio <sup>2</sup>	<b>0.01%</b>	0.01%	0.01%	0.02%	0.01%	0.02%
Portfolio turnover rate <sup>3</sup>	<b>2.81%</b>	6.06%	5.75%	9.48%	6.06%	8.41%
Net Asset Value per unit (\$) <sup>4</sup>	<b>13.97</b>	18.09	16.04	20.17	19.86	17.58
Net Asset Value per Class A share (\$)	<b>3.83</b>	7.95	5.91	10.06	9.74	7.46
Net Asset Value per Preferred share (\$) <sup>5</sup>	<b>10.00</b>	10.00	10.00	10.00	10.00	10.00
Closing market price - Class A shares (\$)	<b>4.02</b>	7.97	6.68	9.96	9.72	8.05
Closing market price – Preferred shares (\$)	<b>9.52</b>	10.31	9.84	10.11	10.12	9.92

<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 2020 was 13.46%, up from 9.98% in 2019, due to the reduction in the Fund's NAV which resulted in a higher MER. Due to the termination of the Fund's services fees in 2019, the Fund benefited from a 0.40% reduction in total expenses as compared to the same period in 2019. The MER per Class A share includes Preferred share distributions, which represent the cost of leverage. The cost of leverage per Class A share increased in 2020 from 2019 with the decrease in Net Asset Value of Class A shares which resulted in a higher MER in 2020. The MER per Class A share, excluding Preferred share distributions and issue costs, was 2.29% for the first six months of 2020, up from 2.13% for 2019.

The MER per unit was 4.43% for the first six months of 2020 compared to 4.27% in 2019. The MER per unit, excluding Preferred share distributions (which were covered by the portfolio's dividend income), was 0.76% for the first six months of 2020, down from 0.91% in 2019. This ratio is more representative of the ongoing efficiency of the administration of the Fund.

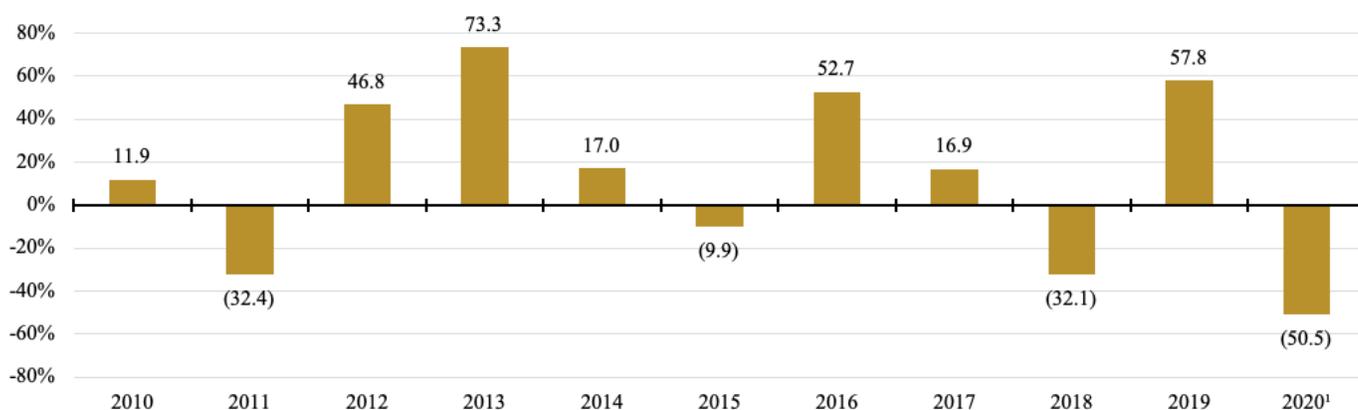
## PAST PERFORMANCE

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, 2010 to June 30, 2020. 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.

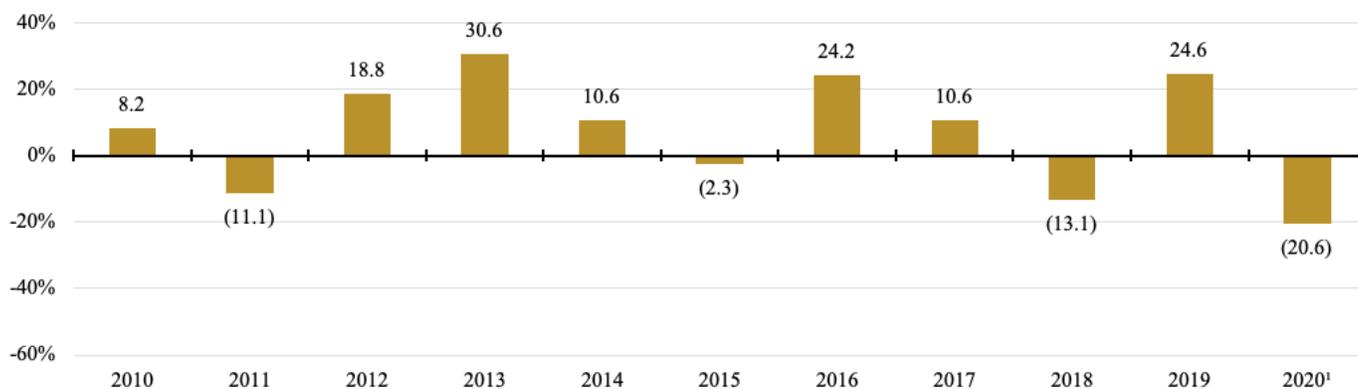
### Year by Year Returns

#### LBS Class A share



<sup>1</sup> Period from January 1, 2020 to June 30, 2020.

#### LBS unit



<sup>1</sup> Period from January 1, 2020 to June 30, 2020.

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") (together the "Indices"). 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 tracks the performance, on a market-weight basis, of preferred shares listed on the TSX that meet criteria relating to size, liquidity and issuer rating. The Fund invests in a passively managed portfolio of four Canadian insurance companies and six Canadian banks. The Fund is 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. Further, the performance of the Fund's Class A shares is impacted by the leverage provided by the Fund's preferred shares.

### Compound Returns

	Six Months Ended June 30, 2020 %	Since Inception <sup>1</sup> %
Life & Banc Split Corp. - Class A shares <sup>2</sup>	(50.5)	3.9
S&P / TSX Capped Financials Index	(16.2)	6.1
S&P / TSX Composite Index	(7.5)	4.9
Life & Banc Split Corp. - Preferred shares <sup>2</sup>	2.8	5.2
S&P / TSX Preferred Share Index	(11.2)	4.9
Life & Banc Split Corp. - Unit <sup>3</sup>	(20.6)	5.2

<sup>1</sup> Period from October 17, 2006 (commencement of operations) to June 30, 2020 (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.

In the first half of 2020, the Fund's units underperformed both the S&P/TSX Financial Index and S&P/TSX Composite Index due to weaker performances from both the bank sector and the insurance sector in comparison to other sectors in the indices. The Fund's Class A shares' return reflected the exacerbation of the negative performance of the portfolio by the leverage provided by the Preferred shares. The Fund's Preferred shares continue to outperform the S&P/TSX Preferred Share index both in the first half of 2020 and since inception.

Macroeconomic headwinds as a result of COVID-19 continues to pressure earnings growth for banks and insurance companies. In addition, credit losses and loan loss provisions as well as low interest rates continues to be a headwind in the near-term. As a result the share price performance of banks and insurance companies have been negatively impacted. We continue to believe the current pandemic will be an earnings issue rather than a balance sheet issue for financial institutions. Unprecedented fiscal and monetary stimulus and businesses coming back on-line following the passing of COVID-19 is expected to drive a sustained recovery over time and correspondingly insurance and bank valuation levels is expected to recover in our view.

**SUMMARY OF INVESTMENT PORTFOLIO**

**As at June 30, 2020**

**Total Net Asset Value<sup>1</sup> \$ 377,530,840**

<b>Portfolio Composition</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
Banks	59.7	60.2
Insurance	39.0	39.3
Cash and short-term investments	1.3	1.3
Total investment portfolio	100.0	100.8
Other net liabilities		(0.8)
<b>Total Net Asset Value</b>		<b>100.0</b>

<b>Holdings</b>	<b>% of Portfolio</b>	<b>% of Net Asset Value</b>
National Bank of Canada	10.7	10.8
Canadian Imperial Bank of Commerce	10.5	10.6
Sun Life Financial Inc.	10.3	10.3
Royal Bank of Canada	10.0	10.1
Manulife Financial Corp.	9.9	10.0
iA Financial Corporation Inc.	9.8	9.8
Bank of Montreal	9.7	9.8
Toronto-Dominion Bank	9.5	9.6
Bank of Nova Scotia	9.3	9.4
Great-West Lifeco Inc.	9.0	9.1
Cash and short-term investments	1.3	1.3
<b>Total</b>	<b>100.0</b>	<b>100.8</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.*