

Life & Banc Split Corp. Annual Report 2019

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

Preferred shares of the Fund are rated Pfd-3 by DBRS.

VALUE INTEGRITY PERFORMANCE

- THE FOUNDATION FOR EXCELLENCE -

MANAGEMENT REPORT OF FUND PERFORMANCE

March 18, 2020

This annual management report of fund performance for Life & Banc 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 or SEDAR at 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 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:

Banks	Life Insurance Companies
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

This annual management report of fund performance was prepared based on the market value of the Fund's portfolio as of December 31, 2019. Between January 1, 2020 to March 18, 2020 (date of the report), stock markets worldwide experienced significant price volatility, because of various concerns, including COVID-19 and a decline in price of oil. 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.

Termination of Service Fees

Effective January 1, 2020, the Fund discontinued paying service fees to dealers that have investors who hold Class A shares of the Fund. Ceasing to pay the service fees conforms with an increasing number of TSX-listed funds which have discontinued or did not offer service fees. Discontinuing the service fees will lower management expense ratios thereby improving returns of the Fund. The final service fee payment, which was in respect of the quarter ended December 31, 2019, was paid in January 2019.

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 or on SEDAR at www.sedar.com. There were no changes during the year ended December 31, 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 year ended December 31, 2019, distributions to Class A shareholders were \$1.20 per share, unchanged from the same period in 2018, reflecting monthly distributions of \$0.10 per Class A share. Preferred share distributions were \$0.545 per share in 2019, an increase from \$0.48109 in 2018, reflecting an increase in distribution rate beginning on November 30, 2018. Since inception, the Fund has distributed \$14.85 per Class A share and \$6.71 per Preferred share. Based on the December 31, 2019 closing market prices, the current distribution rates were 15.1% 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 2019, 138,831 Class A shares were acquired in the market at an average price of \$7.7506 pursuant to this plan.

Revenues and Expenses

The Fund's investment portfolio generated revenue of \$0.72 per Class A share in 2019, compared to \$0.74 per Class A share in 2018. Total expenses were \$0.18 per Class A share in 2019, compared to \$0.27 per Class A share in 2018. Expenses related to treasury offerings of Preferred shares were \$0.02 per unit in 2019 and \$0.07 per unit in 2018.

Net Asset Value

At December 31, 2019, the Net Asset Value per Class A share was \$7.95, up from \$5.91 at December 31, 2018, a 34.5% increase due to strong 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 \$490.0 million at December 31, 2019, up from \$412.0 million at December 31, 2018. The \$78.0 million increase reflected a net investment gain of \$100.1 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 \$32.2 million in Class A share distributions, \$14.2 million of Preferred share distributions and \$0.6 million of agents' fees and issuance costs related to the Treasury Offering.

Investment Portfolio

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

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As reported in the table below, the Fund had a net realized and net change in unrealized gain of \$85.5 million in 2019. The fund has generated significant unrealized gains in both the insurance and banks sectors. Primary drivers of the unrealized gains are iA Financial Group, Manulife Financial Corp. and Sun Life Financial Inc. Insurance companies had total realized and net change in unrealized gain of \$58.1 million, while banks accounted for the remaining gain. During 2019, the Fund selectively wrote call options on the insurance companies and banks in the portfolio to generate premiums of \$3.0 million and had a net realized loss on the options of \$2.9 million. The realized loss represents the premiums received, less the amount paid to close out the options. During 2019, the Fund wrote call options on an average notional value of 9.1% of the Fund's portfolio. At December 31, 2019, there were 2 option contracts outstanding, with a notional value representing 2.8% of the portfolio.

Portfolio Sectors

Net Gains (Losses) by Sector (millions)	% of Portfolio as of 31-Dec-19	Realized \$	Change in Unrealized \$	Total \$
Banks	58.0	2.6	27.6	30.2
Insurance	42.0	4.5	53.6	58.1
Options	-	(2.9)	(0.1)	(3.0)
Total	100.0	4.2	81.1	85.3

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. In 2019, management and service fees amounted to \$3.1 million and \$0.8 million, respectively. Beginning January 1, 2020, the Fund has discontinued the payment of its service fee.

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 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 unit.* The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

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Net Assets per Class A Share¹

	2019	2018	2017	2016	2015
For the year ended December 31	\$	\$	\$	\$	\$
Net Assets, beginning of year ²	5.91	10.06	9.74	7.46	9.58
Increase (decrease) from operations:³					
Total revenue	0.72	0.74	0.72	0.72	0.73
Total expenses	(0.18)	(0.27)	(0.26)	(0.17)	(0.24)
Preferred share distributions	(0.54)	(0.50)	(0.47)	(0.47)	(0.47)
Realized gains (losses)	0.16	0.35	0.51	0.23	0.32
Unrealized gains (losses)	3.01	(3.48)	1.13	3.17	(1.32)
Total increase (decrease) in Net Assets from operations	3.17	(3.16)	1.63	3.48	(0.98)
Distributions to Class A shareholders:²					
Dividends	0.02	0.18	0.25	0.14	0.12
Return of capital	1.18	1.02	0.95	1.06	1.08
Total distributions to Class A shareholders	1.20	1.20	1.20	1.20	1.20
Net Assets, end of year²	7.95	5.91	10.06	9.74	7.46

1 The financial information was prepared in accordance with International Financial Reporting Standards.

2 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.

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

Ratios and Supplemental Data (Based on Net Asset Value)

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

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

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

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

4 A unit includes one Class A share and one Preferred share. Net Asset Value per unit is determined by the Net Asset Value of the Fund, for which the Preferred shares are not treated as liabilities.

5 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 in 2019 was 9.98%, 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 includes Preferred share distributions, which represent the cost of leverage. The MER per Class A share, excluding issue costs and Preferred share distributions, was 2.13% in 2019, up from 1.97% for 2018.

The MER per unit was 4.27% for 2019 compared to 4.51% in 2018. The MER per unit, excluding Preferred share distributions (which were covered by the portfolio's dividend income and issue costs), was 0.91% for 2019, unchanged from 2018. This ratio is more representative of the ongoing efficiency of the administration of the Fund.

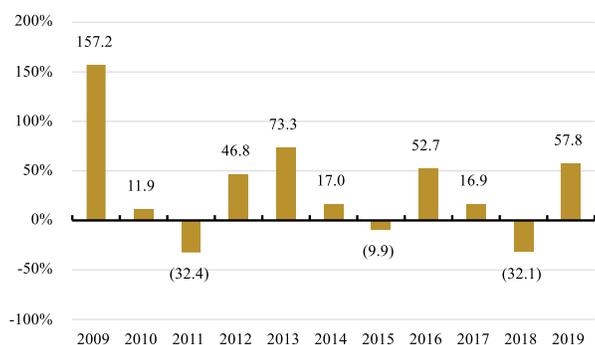
PAST PERFORMANCE

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.

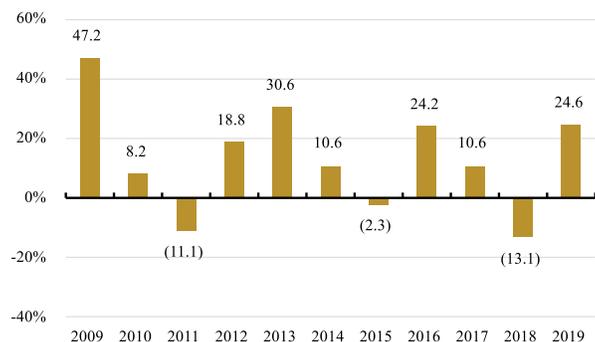
The bar chart shows the Fund’s returns for a Class A share and a unit for the periods ended December 31, 2009 to December 31, 2019. The chart shows, in percentage terms, how investments held in a Class A share and a unit on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year by Year Returns

LBS Class A share



LBS unit



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.

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Annual Compound Returns

	1-Year %	3-Year %	5-Year %	10-Year %	Since Inception % ¹
Life & Banc Split Corp. - Class A shares ²	57.8	7.8	11.5	14.5	9.7
S&P / TSX Capped Financials Index	21.4	7.7	8.5	10.1	7.7
S&P / TSX Composite Index	22.8	6.9	6.3	6.9	5.7
Life & Banc Split Corp. - Preferred shares ²	5.6	5.1	5.0	5.1	5.2
S&P / TSX Preferred Share Index	3.5	2.7	(0.3)	2.1	1.6
Life & Banc Split Corp. - Unit ³	24.6	6.2	7.8	9.5	7.2

1 Period from October 17, 2006 (commencement of operations) to December 31, 2019.

2 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.

3 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.

The Fund's units outperformed both the S&P/TSX Capped Financials Index and S&P/TSX Composite Index in 2019. The Fund benefited from strong performances from both the bank sector and the insurance sector. The Fund's Class A shares' 57.8% return in 2019 reflected the enhancement of the positive return by the leverage provided by the preferred shares. The Fund's preferred shares continue to outperform the S&P/TSX Preferred Share Index and is also partly due to the increase in the preferred share distribution rate per annum.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2019

Total Net Asset Value¹	\$	489,996,476
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Portfolio Composition	% of Portfolio	% of Net Asset Value
Banks	58.1	58.9
Insurance	41.5	41.9
Cash and short-term investments	0.4	0.4
Total investment portfolio	100.0	101.2
Other net liabilities	-	(1.2)
Total Net Asset Value	-	100.0

Holdings	% of Portfolio	% of Net Asset Value
iA Financial Corporation Inc.	11.0	11.3
Manulife Financial Corp.	10.7	10.8
National Bank of Canada	10.6	10.7
Sun Life Financial Inc.	10.1	10.2
Bank of Nova Scotia	9.7	9.8
Great-West Lifeco Inc.	9.7	9.8
Canadian Imperial Bank of Commerce	9.6	9.7
Royal Bank of Canada	9.6	9.7
Toronto-Dominion Bank	9.4	9.5
Bank of Montreal	9.2	9.3
Cash and short-term investments	0.4	0.4
Total	100.0	101.2

¹ Net Asset Value of the Fund includes the value of the Preferred shares

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

2019 TAX INFORMATION

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold units as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. 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 2019 on a per share basis.

Class A Shares

Record Date	Payment Date	Return of Capital \$	Eligible Dividends \$	Total Distributions \$
31-Dec-18	15-Jan-19	0.09851	0.00149	0.10000
31-Jan-19	14-Feb-19	0.09851	0.00149	0.10000
28-Feb-19	14-Mar-19	0.09851	0.00149	0.10000

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Class A Shares (cont'd)

Record Date	Payment Date	Return of Capital \$	Eligible Dividends \$	Total Distributions \$
29-Mar-19	12-Apr-19	0.09851	0.00149	0.10000
30-Apr-19	14-May-19	0.09851	0.00149	0.10000
31-May-19	14-Jun-19	0.09851	0.00149	0.10000
28-Jun-19	15-Jul-19	0.09851	0.00149	0.10000
31-Jul-19	15-Aug-19	0.09851	0.00149	0.10000
30-Aug-19	16-Sep-19	0.09851	0.00149	0.10000
30-Sep-19	15-Oct-19	0.09851	0.00149	0.10000
31-Oct-19	14-Nov-19	0.09851	0.00149	0.10000
29-Nov-19	13-Dec-19	0.09851	0.00149	0.10000
		1.18212	0.01788	1.20000

Preferred Shares

Record Date	Payment Date	Eligible Dividends \$	Total Distributions \$
31-Dec-18	15-Jan-19	0.12484	0.12484
29-Mar-19	12-Apr-19	0.13625	0.13625
28-Jun-19	15-Jul-19	0.13625	0.13625
30-Sep-19	15-Oct-19	0.13625	0.13625
		0.53359	0.53359

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.

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.