

TSX: LBS, LBS.PR.A

BROMPTON
FUNDS



Life & Banc Split Corp.

Interim Report 2021

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

**VALUE
INTEGRITY
PERFORMANCE**

THE FOUNDATION FOR EXCELLENCE

MANAGEMENT REPORT OF FUND PERFORMANCE

August 18, 2021

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 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”, 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 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 and COVID-19

The outbreak of the respiratory disease designated as COVID-19 had caused increased volatility and a major sell-off of equities in 2020. With the development of effective vaccines, major stock market indices substantially recovered their losses by the end of the 2020 after hitting their lowest point in March 2020. During the first half of 2021, governments of various countries have been easing restrictions gradually. Until the pandemic is under control, there may still be continued volatility in the securities markets which would impact the prices of the securities held in the portfolio 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.

RISKS

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2020 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 period ended June 30, 2021 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 2021, distributions to Class A shareholders were \$0.60 per share, which reflected monthly distributions of \$0.10 per Class A share for the period, up from \$0.20 per share from the same period in 2020, which reflected two monthly distributions for the months of January and February. During the first six months of 2020, the Net Asset Value per unit was less than \$15.00 for all other months and, consequently there were no distributions declared for those months. Preferred share distributions were \$0.27 per share, unchanged from the same period in 2020. Since inception, the Fund has distributed \$15.85 per Class A share and \$7.52 per Preferred share. Based on the June 30, 2021 closing market prices, the current distribution rate was 5.4% 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 2021, 74,685 Class A shares were acquired in the market at an average price of \$8.25 pursuant to this plan.

Changes in Net Assets from Operations

The Fund's investment portfolio generated revenue of \$0.37 per Class A share during the first six months of 2021, compared to \$0.38 per Class A share in the same period in 2020. Total expenses were \$0.10 per Class A share for the first six months of 2021, compared to \$0.06 per Class A share in the same period in 2020. In the first six months of 2021, Class A per share expense increased by \$0.04, which was contributed by the costs of issuance and agents' fees associated with the Fund's treasury offering completed in January 2021. These costs were borne by the new subscribing shareholders through the premium on issue price over the current Net Asset Value paid by the new Class A shareholders.

Net Asset Value

At June 30, 2021, the Net Asset Value per Class A share was \$9.40, up from \$6.49 at December 31, 2020, a \$2.91 or 44.8% increase was contributed by the 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 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 \$578.5 million at June 30, 2021, up from \$442.3 million at December 31, 2020. The \$136.2 million increase reflected an increase in net investment income of \$110.6 million, \$23.4 million in proceeds from a treasury offering for Class A shares and \$30.0 million proceeds from a treasury offering for Preferred shares, offset by \$17.9 million in Class A share distributions, \$8.0 million in Preferred share distributions and \$1.9 million agents' fees and issuance costs in connection with the treasury offering.

Investment Portfolio

At June 30, 2021 and December 31, 2020, 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 change in unrealized gain of \$101.8 million during the first six months of 2021. The Fund has generated unrealized gains in both the insurance and banks sectors. Insurance companies had total net realized and change in unrealized gain of \$31.1 million, while banks accounted for \$72.7 million gain. During the first six months of 2021, the Fund selectively wrote call options on the insurance companies and banks in the portfolio to generate premiums of \$0.8 million and had a net realized and change in unrealized loss on the options of \$2 million. The net loss represents the premiums received, less the amount paid to close out the options. During the first six months of 2021, the Fund wrote call options on an average notional value of 3.6% of the Fund's portfolio. At June 30, 2021, there were 4 option contracts outstanding, with a notional value representing 4.2% of the portfolio.

Portfolio Sectors

| Net Gains (Losses) by Sector (millions) | % of Portfolio as of 30-Jun-21 | Realized \$ | Change in Unrealized \$ | Total \$ |
|---|-----------------------------------|----------------|-------------------------------|--------------|
| Banks | 62.0 | 2.9 | 69.8 | 72.7 |
| Insurance | 38.0 | 1.6 | 29.5 | 31.1 |
| Options | - | (2.0) | - | (2.0) |
| Total | 100.0 | 2.5 | 99.3 | 101.8 |

Liquidity

To provide liquidity for shareholders, the Class A shares and Preferred shares of the Fund are listed on the TSX. 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. For the first six months of 2021, management fees amounted to \$1.8 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 Share¹

| For the period/year ended | June 30, 2021 | December 31 | | | | |
|--|---------------|---------------|-------------|---------------|--------------|-------------|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Net Assets, beginning of period/year ² | 6.49 | 7.95 | 5.91 | 10.06 | 9.74 | 7.46 |
| Increase (decrease) from operations:³ | | | | | | |
| Total revenue | 0.37 | 0.76 | 0.72 | 0.74 | 0.72 | 0.72 |
| Total expenses | (0.10) | (0.11) | (0.18) | (0.27) | (0.26) | (0.17) |
| Preferred share distributions | (0.27) | (0.54) | (0.54) | (0.50) | (0.47) | (0.47) |
| Realized gains (losses) | 0.08 | 0.14 | 0.16 | 0.35 | 0.51 | 0.23 |
| Unrealized gains (losses) | 3.37 | (1.31) | 3.01 | (3.48) | 1.13 | 3.17 |
| Total increase (decrease) in Net Assets from operations | 3.45 | (1.06) | 3.17 | (3.16) | 1.63 | 3.48 |
| Distributions to Class A shareholders:^{2,4} | | | | | | |
| Dividends | n/a | 0.07 | 0.02 | 0.18 | 0.25 | 0.14 |
| Return of capital | n/a | 0.33 | 1.18 | 1.02 | 0.95 | 1.06 |
| Total distributions to Class A shareholders | 0.60 | 0.40 | 1.20 | 1.20 | 1.20 | 1.20 |
| Net Assets, end of period/year² | 9.40 | 6.49 | 7.95 | 5.91 | 10.06 | 9.74 |

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.

⁴ Allocations for tax purposes for the period ended June 30, 2021 are not available until year end.

Ratios and Supplemental Data (Based on Net Asset Value)

| As at | June 30, 2021 | December 31 | | | | |
|--|----------------|-------------|---------|---------|---------|---------|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Asset Value (\$) (000s) - including Preferred shares | 578,539 | 442,266 | 489,996 | 411,952 | 445,160 | 362,272 |
| Number of Class A shares outstanding (000s) | 29,817 | 26,818 | 27,296 | 25,888 | 22,194 | 18,348 |
| Management expense ratio (“MER”) – Class A shares ¹ | 8.68% | 13.01% | 9.98% | 9.75% | 8.52% | 8.37% |
| Trading expense ratio ² | 0.01% | 0.01% | 0.01% | 0.01% | 0.02% | 0.01% |
| Portfolio turnover rate ³ | 3.05% | 3.16% | 6.06% | 5.75% | 9.48% | 6.06% |
| Net Asset Value per unit (\$) ⁴ | 19.54 | 16.63 | 18.09 | 16.04 | 20.17 | 19.86 |
| Net Asset Value per Class A share (\$) | 9.40 | 6.49 | 7.95 | 5.91 | 10.06 | 9.74 |
| Net Asset Value per Preferred share (\$) ⁵ | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Closing market price - Class A shares (\$) | 9.60 | 7.20 | 7.97 | 6.68 | 9.96 | 9.72 |
| Closing market price – Preferred shares (\$) | 10.25 | 10.35 | 10.31 | 9.84 | 10.11 | 10.12 |

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, which includes Preferred share distributions and issuance costs, was 8.68% in the first six months of 2021, down from 13.01% in 2020. The 4.33% decline was contributed by an increase in Class A share average Net Asset Value, which reduced the cost of leverage. Preferred share distributions as a percentage of average Class A shares was lower in 2021 in comparison to 2020.

Excluding Preferred share distributions and issuance costs, MER per Class A share was 1.58% in the first six months of 2021 compared to 2.22% in 2020, reflecting fixed operating costs over a higher average Class A Net Asset Value.

The MER per unit was 4.02% for the first six months of 2021 compared to 4.36% in 2020. The MER per unit, excluding Preferred share distributions (which were covered by the portfolio’s dividend income) and issue costs, was 0.73% for the first six months of 2021, down from 0.74% in 2020. This ratio is more representative of the ongoing efficiency of the administration of the Fund.

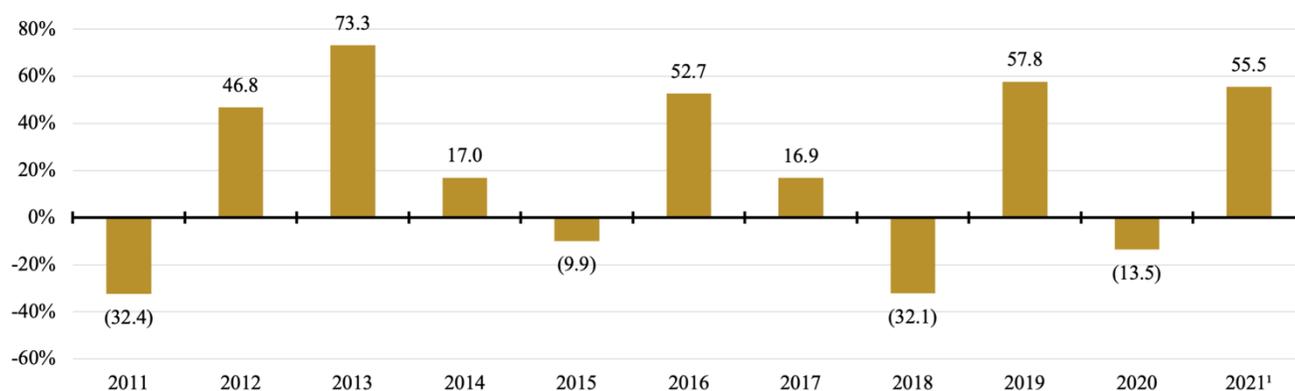
PAST PERFORMANCE

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, 2011 to June 30, 2021. 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.

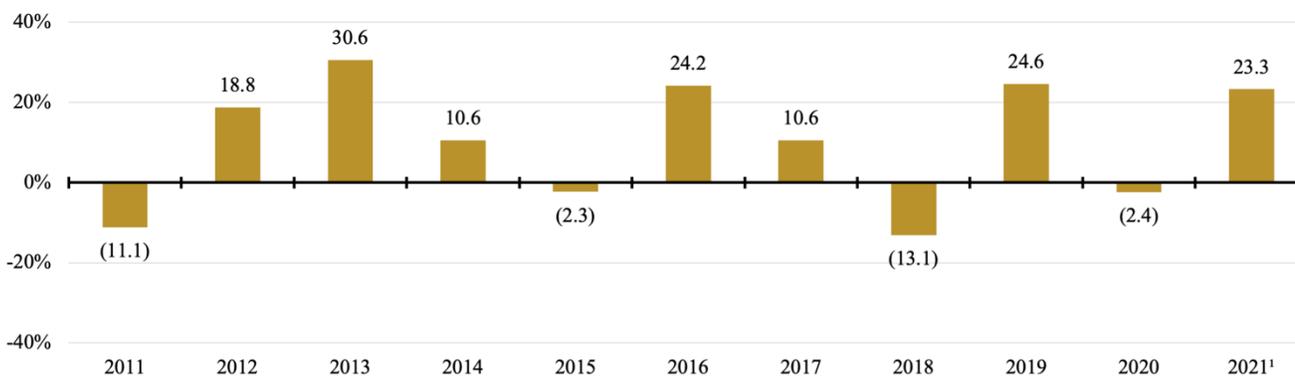
Year by Year Returns

LBS Class A share



¹ Period from January 1, 2021 to June 30, 2021.

LBS unit



¹ Period from January 1, 2021 to June 30, 2021.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2021

| | | |
|--|-----------------------|-----------------------------|
| Total Net Asset Value¹ | | \$ 578,538,637 |
| Portfolio Composition | % of Portfolio | % of Net Asset Value |
| Banks | 61.8 | 62.4 |
| Insurance | 37.8 | 38.4 |
| Cash and short-term investments | 0.4 | 0.4 |
| Other net liabilities | | (1.2) |
| Total | 100.0 | 100.0 |
| Holdings | | % of Net Asset Value |
| Bank of Montreal | 10.9 | 11.0 |
| National Bank of Canada | 10.5 | 10.6 |
| Canadian Imperial Bank of Commerce | 10.5 | 10.6 |
| Great-West Lifeco Inc. | 10.4 | 10.5 |
| Royal Bank of Canada | 10.2 | 10.3 |
| Toronto-Dominion Bank | 10.0 | 10.1 |
| Bank of Nova Scotia | 9.7 | 9.8 |
| iA Financial Corporation Inc. | 9.4 | 9.6 |
| Sun Life Financial Inc. | 9.2 | 9.3 |
| Manulife Financial Corp. | 8.8 | 9.0 |
| 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.

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.