TSX: BPRF

BROMPTON FUNDS

Brompton Flaherty & Crumrine Investment Grade Preferred ETF

Annual Report 2019

Portfolio of preferred and income-producing corporate securities.

VALUE INTEGRITY PERFORMANCE

- THE FOUNDATION FOR EXCELLENCE -

MANAGEMENT REPORT OF FUND PERFORMANCE

March 18, 2020

This annual management report of fund performance for Brompton Flaherty & Crumrine Investment Grade Preferred ETF (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. Unitholders 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

Brompton Flaherty & Crumrine Investment Grade Preferred ETF is an exchange-traded investment fund managed by Brompton Funds Limited (the "Manager"). The Canadian dollar denominated units ("CAD units") of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol BPRF and the U.S. dollar denominated ("USD Units") units of the Fund trade on the TSX under the symbol BPRF.U. USD units are designed for investors wishing to hold their investments in US dollars. The units of the are RRSP, DPSP, RRIF, RESP and TFSA eligible.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund is designed to provide unitholders with (i) stable monthly cash distributions; and (ii) a stable Net Asset Value. The Fund seeks to achieve its investment objectives by investing in an actively managed portfolio consisting primarily of preferred and income-producing corporate securities, including traditional preferred stocks, trust preferred securities, hybrid securities that have characteristics of both equity and debt securities, contingent-capital securities, subordinated debt, and senior debt of North American issuers or of Canadian or U.S. dollar-denominated securities of global issuers. The portfolio will primarily invest in securities of issuers that are rated investment grade; however, the portfolio may also invest in securities that are not rated investment grade if after investment in such securities at least 75% of the portfolio (by market weight, as measured at the time of investment) consists of securities of issuers that are rated investment grade.

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.

RISKS

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus, 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 units of the Fund as they were discussed in the Fund's prospectus.

RESULTS OF OPERATIONS

Distributions

Cash distributions amounted to $1.25 per CAD unit during the year ended December 31, 2019, reflecting monthly payments of $0.10417 per CAD unit. Since inception on October 15, 2018, the Fund has paid a total of $1.51 per CAD unit in cash distributions. Cash distributions amounted to US$0.48 per USD unit for the period since inception on August 12, 2019 to December 31, 2019, reflecting monthly payments of US$0.10417 per USD unit. The Fund has a distribution reinvestment plan that allows unitholders of CAD units to automatically reinvest monthly distributions, commission free, in additional CAD units of the Fund. In 2019, 740 CAD Units of the Fund were acquired in market for reinvestment at an average price of $26.42 per unit pursuant to this plan.

Changes in Net Assets from Operations (see Financial Highlights)

The Fund received revenue from preferred shares and corporate debt share holdings of $1.38 per CAD unit in 2019 and US$0.54 per USD unit since inception date in August 2019 to December 31, 2019. As of December 31, 2019, the Fund's per unit expenses is $0.30 per CAD unit for the year and US$0.11 per USD unit since inception date in August 2019 to December 31, 2019.

Net Asset Value

The Net Asset Value per CAD unit of the Fund was $26.78 at December 31, 2019, up from $23.83 at December 31, 2018. This represented a $2.95 per unit or 12.4% increase. The Net Asset Value per USD unit of the Fund was US$25.89 at December 31, 2019, up from inception price on August 12, 2019 at US$25 per unit, representing a US$0.89 per unit or 3.6% increase. The Net Asset Value increase across both CAD and USD units in 2019 reflected strong positive portfolio performance. The aggregate Net Asset Value of the Fund was $40.8 million at December 31, 2019 compared to $4.8 million at December 31, 2018, reflecting $33.8 million of CAD unitholder subscriptions, $1.2 million of USD unitholder subscriptions, and $2.5 million of net investment income, partially offset by $1.0 million of distributions and $0.5 million of CAD unitholder redemptions.

Investment Portfolio

At December 31, 2019, the Fund’s investment portfolio included 87 preferred securities and 4 corporate debt securities. During 2019 the Fund had cash inflow of $34.5 million from net creations, which was used to buy portfolio constituents. Hence the number of constituents in the portfolio increased from 27 as of December 31, 2018 to 91 as of December 31, 2019. At December 31, 2019, the Fund's portfolio consisted of 98.9% preferred securities and 1.1% corporate debt securities. The portfolio’s average duration at December 31, 2019 was 4.9 years compared to 7.1 years at December 31, 2018 and the portfolio current yield was 5.7% compared to 6.4% at December 31, 2018. The portfolio’s investment weighting (excluding cash and short-term investments) is shown in the following table, and detailed listing of the Fund’s security holdings is provided in the financial statements. The Fund’s portfolio recorded a net realized and change in unrealized gain of $0.3 in 2019.

The Fund’s portfolio is comprised primarily of US-dollar-denominated securities. At December 31, 2019, the Fund’s exposure of its CAD units to the US dollar of US$37.7 million was substantially hedged through its foreign currency forward contract of US$30.0 million notional. The Fund had a realized and unrealized gain of $0.9 from foreign currency forward contracts during the year ended December 31, 2019.

Portfolio Sectors

Net Gains (Losses) by Sector (000s)	% of Portfolio as of 31-Dec-19	Realized $	Change in Unrealized $	Total $
Banking	33.3	-	0.3	0.3
Communications	0.6	-	-	-
Energy	12.7	-	-	-
Finance	3.7	-	0.1	0.1
Insurance	25.9	-	0.3	0.3
Utilities	21.0	0.1	0.1	0.2
Miscellaneous industries	2.8	-	0.1	0.1
Foreign currency forward contracts	-	0.2	0.7	0.9
Total	**100.0**	**0.3**	**1.6**	**1.9**

Portfolio by Security Type	% of Portfolio as of 31-Dec-19
Corporate debt	1.1
Preferred securities	98.9
Total	**100.0**

Credit Quality

At December 31, 2019 the Fund was invested in debt and preferred securities with the following credit ratings. Credit ratings represent the best rating from Standard & Poor's Moody's and Fitch Ratings.

	As at December 31	
(% of Portfolio)	**2019**	2018
Cash	**6.3**	56.4
A-	**0.8**	0.3
BBB- to BBB+	**68.3**	41.3
BB- to BB+	**24.0**	1.7
B+	**0.5**	0.3
Unrated	**0.1**	-
Total	**100.0**	100.0

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol BPRF for CAD units and BPRF.U for USD units. As an ETF, the Fund has a designated broker who has an active bid/ask offer approximating Net Asset Value per unit to provide significant daily trading liquidity for the Fund's units. During the year ended December 31, 2019, total cash subscriptions were 1,300,000 CAD units at an average price of $26.01 per CAD unit. Also, for the period ended December 31, 2019 total cash subscriptions were 35,000 USD units at an average price of US$25 per USD unit. No USD units were redeemed in 2019. There were no in-kind subscriptions in 2019. Investors also may redeem their units in accordance with the Fund's daily redemption provisions. In 2019, 20,000 CAD units were redeemed at an average price of $26.13 per CAD unit.

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

The Manager provides investment management and administrative services to the Fund, for which it is paid a management fee equal to 0.75% per annum of the Net Asset Value of the Fund, plus applicable taxes. For the year ended December 31, 2019, management fees were $157,430. The Manager has agreed to waive a portion of the management fees and/or reimburse the Fund to ensure that the management expense ratio is limited to approximately 0.95% (inclusive of GST/HST). For the year ended December 31, 2019, the Manager waived fees/reimbursed expenses of $122,397.

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 Class A share.* 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.

Net Assets per Unit

CAD Units[1]

For the period/year ended December 31[2]	**2019 $**	2018 $
Net Assets, beginning of period/year[3]	**23.83**	25.00
Increase (decrease) from operations:[4]		
Total revenue	**1.38**	0.27
Total expenses	**(0.30)**	(0.11)
Realized gains (losses)	**0.25**	0.45
Unrealized gains (losses)	**2.19**	(1.00)
Total increase (decrease) in Net Assets from operations	**3.52**	(0.39)
Distributions to unitholders:[3]		
Cash distributions:		
Investment income	**1.07**	0.06
Capital gains	**-**	0.19
Return of capital	**0.18**	-
Unit distributions:		
From net investment income	**-**	0.06
Total distributions to unitholders	**1.25**	0.31
Net Assets per unit, end of period/year[3]	**26.78**	23.83

1 The financial information was prepared in accordance with International Financial Reporting Standards.
2 Period from October 15, 2018 (commencement of operations) to December 31, 2018.
3 Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.
4 The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

Net Assets per Unit

USD Units (USD)[1]

For the period ended December 31[2]	**2019 $**
Net Assets per unit, beginning of period[3]	**25.00**
Increase (decrease) from operations:[4]	
Total revenue	**0.54**
Total expenses	**(0.11)**
Realized gains (losses)	**-**
Unrealized gains (losses)	**0.32**
Total increase (decrease) in Net Assets from operations	**0.75**
Distributions to unitholders:[3]	
Cash distributions:	
Investment income	**0.44**
Return of capital	**0.04**
Total distributions to unitholders	**0.48**
Net Assets per unit, end of period[3]	**25.89**

1 The financial information was prepared in accordance with International Financial Reporting Standards.
2 Period from August 12, 2019 (commencement of USD units) to December 31, 2019.
3 Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.
4 The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

Ratios and Supplemental Data (Based on Net Asset Value)

CAD Units

As at December 31	2019	2018
Net Asset Value ($) (000s)	**39,631**	4,766
Number of units outstanding (000s)	**1,480**	200
Management expense ratio ("MER")[1]	**0.97%**	0.95%
MER before expense absorption	**1.61%**	21.37%
Trading expense ratio[2]	**0.01%**	1.17%
Portfolio turnover rate[3]	**15.85%**	n/a
Net Asset Value per unit ($)	**26.78**	23.83
Closing market price – units ($)	**26.80**	24.11

USD Units (USD)

As at December 31	2019
Net Asset Value ($) (000s)	**906**
Number of units outstanding (000s)	**35**
Management expense ratio ("MER")[1]	**0.93%**
MER before expense absorption	**1.28%**
Trading expense ratio[2]	**0.01%**
Portfolio turnover rate[3]	**15.85%**
Net Asset Value per unit ($)	**25.89**
Closing market price – units ($)	**26.05**

1 MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of 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 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. The portfolio turnover rate is not provided when the Fund is less than a year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of such investments during the period.

Expense Ratio

After absorption, the MER for CAD units for the year ended December 31, 2019 was 0.97% compared to 0.95% annualized MER for the period from inception to December 31, 2018. The annualized MER for USD units for the period from August 12, 2019 to December 31, 2019 was 0.93%. The MER after fee absorption was higher than the capped MER of approximately 0.95% (inclusive of GST/HST) for CAD units due to certain governing expenses paid by the Fund. At this time, the management expense ratio is capped at approximately 0.95% (inclusive of GST/HST).

PAST PERFORMANCE

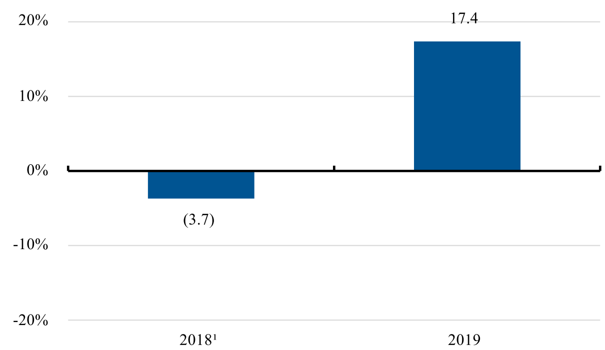
The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per CAD and USD unit and assumes that cash distributions made by the Fund on its on its units in the period shown were reinvested (at Net Asset Value per CAD or USD unit) in additional units of the Fund.

Past performance for the USD unit has not been presented. The USD units commenced operations on August 12, 2019 and therefore has been in existence for less than one year.

The bar chart shows the Fund's return in each period since inception through December 31, 2019. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns - CAD Units

Returns (%)



1 Period from October 15, 2018 (commencement of operations) to December 31, 2018.

The following table shows the Fund's compound return for each period indicated compared with the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index ("Preferred & Jr Subordinated Securities Index") and the S&P/TSX Preferred Share Index ("Preferred Index") (together the "Indices"). The Preferred & Jr Subordinated Index tracks the performance of US dollar denominated high grade and high yield preferred securities and deeply subordinated corporate debt issued in the US domestic market. Qualifying securities must be rated at least B3, based on an average of Moody's, Standard & Poor's and Fitch and have a country of risk of either the U.S. or a Western European country. The Preferred Index tracks the performance, on a market-weight basis, of preferred shares listed on the TSX that meet the criteria relating to size, liquidity and issuer rating. 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.

Annual Compound Returns

	1-Year %	Since Inception %[1]
Brompton Flaherty & Crumrine Investment Grade Preferred ETF - CAD units	17.4	10.8
ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index	18.2	14.4
S&P/TSX Preferred Share Index	3.5	(5.4)

1 Period from October 15, 2018 (commencement of operations) to December 31, 2019.

Past performance for the USD unit has not been presented. The USD units commenced operations on August 12, 2019 and therefore has been in existence for less than one year.

Before taking into consideration the Fund's MER, the CAD units performed in line with the Preferred Index in 2019. Please see the Portfolio Manager's report for further details.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2019

Total Net Asset Value	**$**	**40,807,367**

Portfolio Composition	% of Portfolio	% of Net Asset Value
Preferred Securities:		
Banking	31.0	30.6
Insurance	24.2	23.9
Utilities	19.6	19.4
Energy	12.0	11.8
Finance	3.5	3.4
Miscellaneous industries	1.8	1.8
Communications	0.6	0.6
	92.7	**91.5**
Corporate Debt:		
Miscellaneous industries	0.9	0.8
Banking	0.1	0.1
	1.0	**0.9**
Cash and short-term investments	6.3	6.2
Total investment portfolio	100.0	98.6
Currency forward contracts		1.5
Other net liabilities		(0.1)
Total Net Asset Value		**100.0**

Top 25 Holdings	% of Portfolio	% of Net Asset Value
Cash and short-term investments	6.3	6.2
Enbridge Inc., 6.00% due January 15, 2077	3.8	3.7
Capital One Financial, 5.00% due December 31, 2049	3.6	3.5
Sempra Energy, 5.75% due July 01, 2079	3.3	3.2
Nextera Energy Capital, 5.65% due May 01, 2079	3.1	3.1
ING Groep NV, 6.75% due December 31, 2049	2.8	2.8
Axis Capital Holdings, 5.50% due December 31, 2049	2.8	2.7
Lloyds Banking Group PLC, 7.50% due December 31, 2049	2.7	2.7
HSBC Holdings PLC, 6.50% due December 31, 2049	2.7	2.7
Barclays PLC, 8.00% due December 31, 2049	2.3	2.3
Spire Inc., 5.90% due December 31, 2049	2.3	2.3
Energy Transfer Operating, 7.60% due December 31, 2049	2.3	2.3
Emera Incorporated, 6.75% due June 15, 2076	2.2	2.1
Arch Capital Group Ltd., 5.45% due December 31, 2049	2.1	2.1
Metlife Inc., 9.25% due April 08, 2038	1.9	1.9
Apollo Management Holdings, 4.95% due January 14, 2050	1.8	1.8
JPMorgan Chase & Co, floating rate due December 31, 2049	1.8	1.8
Credit Suisse Group Ag, 6.375% due December 31, 2049	1.7	1.7
SCE Trust V, 5.45% due December 31, 2049	1.7	1.6
Athene Holding Ltd., 6.35% due December 31, 2049	1.6	1.5
Transcanada Pipelines Limited, 5.50% due September 15, 2079	1.5	1.5
BBVA Bancomer SA Texas, 5.875% due September 13, 2034	1.5	1.5
Metlife Cap Trust IV, 7.875% due December 15, 2037	1.5	1.5

SUMMARY OF INVESTMENT PORTFOLIO (cont'd)

Top 25 Holdings (cont'd)	% of Portfolio	% of Net Asset Value
MPLX LP, 6.875% due December 31, 2049	1.5	1.5
Banco Santander, 7.50% due December 31, 2049	1.4	1.4
Total	**60.2**	**59.4**

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. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the Fund will indicate Other Income (Investment Income and Non-Investment Income) in Box 26, Foreign Non-Business Income in Box 25, Capital Gains in Box 21 and Eligible Dividend Income in Box 49. 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 units and is reported on the T3 supplementary slips in Box 42.

The following table outlines the breakdown in the Fund's distributions declared in 2019 on a per unit basis.

CAD Units

Record Date	Payment Date	Return of Capital $	Foreign Non-Business Income $	Foreign Non-Business Income Tax Paid $	Total Distributions $
31-Jan-19	14-Feb-19	0.01484	0.09270	(0.00337)	0.10417
28-Feb-19	14-Mar-19	0.01484	0.09270	(0.00337)	0.10417
29-Mar-19	12-Apr-19	0.01484	0.09270	(0.00337)	0.10417
30-Apr-19	14-May-19	0.01484	0.09270	(0.00337)	0.10417
31-May-19	14-Jun-19	0.01484	0.09270	(0.00337)	0.10417
28-Jun-19	15-Jul-19	0.01484	0.09270	(0.00337)	0.10417
31-Jul-19	15-Aug-19	0.01484	0.09270	(0.00337)	0.10417
30-Aug-19	16-Sep-19	0.01484	0.09270	(0.00337)	0.10417
30-Sep-19	15-Oct-19	0.01484	0.09270	(0.00337)	0.10417
31-Oct-19	14-Nov-19	0.01484	0.09270	(0.00337)	0.10417
29-Nov-19	13-Dec-19	0.01484	0.09270	(0.00337)	0.10417
31-Dec-19	15-Jan-20	0.01484	0.09270	(0.00337)	0.10417
		0.17808	**1.11240**	**(0.04044)**	**1.25004**

USD Units (USD)

Record Date	Payment Date	Return of Capital $	Foreign Non-Business Income $	Foreign Non-Business Income Tax Paid $	Total Distributions $
30-Aug-19	16-Sep-19	0.00608	0.06344	(0.00231)	0.06721
30-Sep-19	15-Oct-19	0.00943	0.09832	(0.00358)	0.10417
31-Oct-19	14-Nov-19	0.00943	0.09832	(0.00358)	0.10417
29-Nov-19	13-Dec-19	0.00943	0.09832	(0.00358)	0.10417
31-Dec-19	15-Jan-20	0.00943	0.09832	(0.00358)	0.10417
		0.04380	**0.45672**	**(0.01663)**	**0.48389**

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.

PORTFOLIO MANAGER

Flaherty & Crumrine Incorporated

Flaherty & Crumrine Incorporated was established in 1983, and it specializes in US-dollar-denominated preferred securities and corporate debt instruments. The firm uses intensive credit analysis, thorough analysis of securities' terms and structures, and active portfolio management, exploiting pricing inefficiencies in the fixed income markets to provide attractive rates of return on its funds.

INVESTMENT MANAGER'S REPORT

January 2020

U.S. Economic Conditions

The U.S. economy grew at a moderate pace in 2019. While fourth quarter numbers are not yet available, inflation-adjusted gross domestic product (real GDP) should be up about 2.3% in 2019. That would be modestly below economists' consensus forecast of 2.7% growth entering 2019 and our expectation for a 2.5–3.0% expansion. Looking ahead, economists expect another slowdown in growth to 1.8% in 2020 and 2021. We are more optimistic for 2020, when we look for real GDP to expand by 2.0–2.5% on continued strength in consumer spending, a gradual recovery in housing and a modest rebound in business investment – all of which support a favorable credit outlook for the coming year.

The labor market was a source of strength once again for consumers. Payrolls were up by 2.1 million jobs (1.4%) and average hourly earnings rose by 2.9% over 12 months ending in December 2019. That contributed to a 4.9% jump in personal income over 12 months ending in November (latest data available). In turn, personal consumption expenditures (PCE) rose 3.9% year-over-year (YoY) in November, or 2.4% after inflation, and the savings rate moved up to 7.9%, well above its 20-year average of about 6%. With savings elevated, jobs plentiful and income growth strong, we think personal spending in 2020 should equal or exceed 2019's pace.

The housing market began to recover in 2019's second half, with combined new and existing home sales consistently over 6 million units (at an annual rate) in each month since June. Residential investment turned positive in the third quarter after declining for six consecutive quarters, and we expect further gains in 2020. In contrast, business investment slowed to just 0.3% through the first nine months of 2019 after rising 5.9% in 2018. We are hopeful that a trade agreement between the U.S. and China signed in mid-January 2020 will help unleash investment that was deferred in 2019, although we expect only a modest rebound given lower capacity utilization rates in recent quarters. Finally, government spending rose a bit faster than overall GDP in 2019, and we expect a similar result in 2020.

Despite moderate economic growth, rising wages and higher import tariffs, inflation remained subdued. For 12 months ending in December, the consumer price index (CPI) was up 2.3% both overall and excluding food and energy prices. The Federal Reserve's preferred inflation gauge, the PCE deflator, was up 1.5% overall and 1.6% excluding food and energy over 12 months ending in November – 0.4% below year-ago levels and well below the Fed's 2% target for PCE excluding food and energy. We think inflation will edge up in 2020, but global excess capacity and some tariff rollbacks should prevent inflation from rising rapidly.

Monetary policy was active last year as the Fed shifted from rate hikes and a shrinking balance sheet in 2018 to rate cuts and a growing balance sheet in 2019. Financial conditions progressively loosened as the Federal Open Market Committee (FOMC) signaled a shift to significantly more accommodative monetary policy in January 2019; eliminated projections of additional rate hikes in March; delivered 25 bp rate cuts in July, September and October, bringing the fed funds rate target to 1.50–1.75%; ended balance sheet runoff in August; introduced stepped-up purchases of Treasury bills to address strains in money markets in September; and in December projected no rate hikes through the end of 2020. For now, the FOMC believes it has completed a "mid-cycle adjustment" to monetary policy that should help support economic growth and move inflation up toward its 2% target. These actions added up to considerably easier financial conditions, which propelled the preferred market but also reduced reinvestment yields as the year progressed.

Preferred Market Conditions

What a difference a year can make! The preferred market delivered a fantastic year of performance in 2019, a remarkable turnaround considering that just one year ago during the fourth quarter of 2018, markets produced dismal performance as investors worried about rate hikes and a possible recession. The Federal Reserve's unexpected pivot toward looser monetary policy, however, prompted a sudden and dramatic mood change in early 2019. As the year progressed and the Fed's shift from tighter to more accommodative monetary policy became clear, markets gradually became desensitized to macro headlines. While trade and political uncertainty was abundant, the U.S. economy continued to progress despite these uncertainties, and interest rates settled into a relatively narrow range in the second half of 2019.

The Fed's pivot was a strong signal to markets that it would be cautious on monetary policy, erring on the side of protecting a U.S. economy whose growth stood out among struggling global economies. With the Fed signaling that higher interest rates were unlikely near-term, markets began to price in lower rates as a dovish stance was in place for the foreseeable future. Indeed, interest rates moved substantially lower across the curve, and risk assets generally benefited from monetary policy easing. A global hunt for yield was once again in full effect.

Preferreds and contingent capital securities ("CoCos") offer a yield advantage compared to senior debt (and most other fixed-income alternatives), primarily because they are subordinated in an issuer's capital structure. Issuer credit quality in these markets has remained sound, partly due to a strong regulatory oversight regime for most financial issuers. Preferreds and CoCos have been a natural fit for investors searching for yield. While once very specialized, the preferred market has benefited from a substantial broadening of the investor base. Even traditional bond funds now regularly add a layer of preferreds and CoCos to their portfolios to enhance yield and total return.

While investor demand has been strong, net new issuance this year has been measured. Issuers have largely entered a maintenance phase, where they issue at the margin to facilitate modest balance sheet growth, but where most issuance reflects refinancing of older securities to take advantage of lower rates. We believe this trend likely continues near-term, although CoCo issuance could pick up in 2020. Broad-based demand combined with limited supply kept the preferred market well bid throughout this past year.

Portfolio Results

Over the six months ending December 31, 2019, the Fund's US dollar-denominated investment portfolio (before the impact of expenses and hedging currency risk between U.S. and Canadian dollars) outperformed the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index, which tracks the US dollar-denominated preferred securities market.

Over the full calendar year, the Fund's portfolio also outperformed the Index. Over both the trailing six months and full calendar year, the Fund portfolio benefitted from its overweight to securities with greater call protection. When rates are low, issuers have an incentive to call their outstanding securities and refinance them at lower coupons. This refinancing activity accelerated in the second half of 2019 as the outlook for lower rates became entrenched. Under this environment securities with greater call protection have generally outperformed. Securities with greater call protection can sustain higher prices since they have more time to amortize any price premium before eventually being called at par value. On the other hand, securities nearer to their call date haven't seen as much price appreciation since most are expected to be called at par.

Greater call protection allows the Fund portfolio to have a more stable income profile over time as interest rates move up and down, and it is a feature we have always valued greatly. Of course, call protection is only one aspect that we consider in a preferred investment. Evaluation of spreads, trading patterns and ongoing credit monitoring are equally important to our investment process. So while nearly all market sectors ended the year in positive territory, the Fund portfolio benefitted from its careful selection of securities that had greater room for their credit spreads to narrow.

Outlook for the Preferred Market

A number of recent developments helped close 2019 on a positive note and should improve the outlook for 2020. U.K. elections provided a path to proceed finally with Brexit, and although much work remains over coming years, moving Brexit to resolution is positive for markets. China trade issues are much the same – a lot of work remains, but progress is being made and both sides appear to be seeking common ground. As 2020 is a presidential election year in the U.S., we would caution that a long-term investment view is always prudent regarding political events.

More specifically for the preferred market, credit conditions and economic growth should remain broadly favorable in 2020 and benefit preferred and contingent capital securities. Leverage at U.S. financial companies has continued to decline since the financial crisis, and most of those companies have historically strong balance sheets and rising earnings. U.S. banks continue to be better positioned than their foreign counterparts on both earnings and capital, but European bank CoCos have been some of the best performers recently as Brexit finally appears to be on-track. While not a near-term concern, rising leverage at nonfinancial companies is a longer-term risk we are monitoring.

Looking ahead, financial conditions are supportive, and U.S. fiscal policy is mildly expansionary. Risk is mostly for lower rates if growth falters, as we think the Fed is unlikely to raise rates if the economy does better than expected. Markets have to incorporate that risk, and forward rates look about right to us today. But if the Fed leaves rates steady as we expect, that means intermediate- and long-term rates should move modestly higher over the course of 2020. However, credit spreads have room to narrow further in this environment, which should help offset a rise in intermediate- and long-term interest rates if economic growth outpaces economists' subdued expectations for 2020.

We believe the preferred market continues to offer long-term investors an attractive combination of good credit quality, high income and moderate interest-rate risk. We have no doubt 2020 will be another interesting year – and we hope a good one for investors in preferred securities.

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.

MANAGEMENT RESPONSIBILITY STATEMENT

The financial statements of Brompton Flaherty & Crumrine Investment Grade Preferred ETF (the "Fund") have been prepared by Brompton Funds Limited (the ''Manager" of the Fund) and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of a majority of independent directors.

The Manager, with the approval of its Board of Directors, has appointed PricewaterhouseCoopers LLP as the auditor of the Fund. It has audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable it to express to unitholders its opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

(Signed) "Mark A. Caranci"

Mark A. Caranci
Chief Executive Officer
Brompton Funds Limited

(Signed) "Craig T. Kikuchi"

Craig T. Kikuchi
Chief Financial Officer
Brompton Funds Limited

March 18, 2020

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of Brompton Flaherty & Crumrine Investment Grade Preferred ETF (the Fund)

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018 and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from October 15, 2018 (commencement of operations) to December 31, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive income for the year ended December 31, 2019 and for the period from October 15, 2018 (commencement of operations) to December 31, 2018;
- the statements of cash flows for the year ended December 31, 2019 and for the period from October 15, 2018 (commencement of operations) to December 31, 2018;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2019 and for the period from October 15, 2018 (commencement of operations) to December 31, 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information of the Fund. The other information comprises the Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (cont'd)

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Derek Hatoum.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Ontario
March 18, 2020

STATEMENTS OF FINANCIAL POSITION

As at December 31		**2019**		2018
Assets				
Current assets				
Investments	**$**	**37,675,914**	$	2,139,783
Cash		**2,536,164**		2,772,122
Amounts receivable for investments sold		**2,888**		-
Unrealized gain on foreign currency forward contracts (note 9)		**625,344**		-
Income receivable		**311,731**		11,938
Receivable from Manager		**-**		25,794
Total assets		**41,152,041**		4,949,637
Liabilities				
Current liabilities				
Amounts payable for investments purchased		**118,654**		-
Unrealized loss on foreign currency forward contracts (note 9)		**-**		98,387
Distributions payable to holders of redeemable units (note 6)		**158,933**		20,834
Accounts payable and accrued liabilities		**67,087**		64,014
Total liabilities (excluding Net Assets attributable to holders of redeemable units)		**344,674**		183,235
Net Assets attributable to holders of redeemable units	**$**	**40,807,367**	$	4,766,402
Net Assets attributable to holders of redeemable units				
CAD Units ($)		**39,630,584**		4,766,402
USD Units ($) (December 31, 2019 - US $906,228)		**1,176,783**		-
Redeemable units outstanding (note 4)				
CAD Units		**1,480,000**		200,000
USD Units		**35,000**		-
Net Assets attributable to holders of redeemable units per unit				
CAD Units ($)		**26.78**		23.83
USD Units ($) (December 31, 2019 - US$25.89)		**33.62**		-

Approved on behalf of Brompton Flaherty & Crumrine Investment Grade Preferred ETF by the Board of Directors of Brompton Funds Limited, the Manager.

(Signed) "Christopher. S.L. Hoffman" | (Signed) "Mark A. Caranci"

Christopher S.L. Hoffmann
Director

Mark A. Caranci
Director

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the period/year ended December 31	2019	2018[1]
Income		
Net gain (loss) on foreign exchange on cash	$ **(133,918)**	$ 39,973
Net gain (loss) on investments and derivatives:		
Interest income for distribution purposes	**524,210**	68
Dividend income	**486,886**	17,919
Net realized gain (loss) on sale of investments (note 8)	**102,514**	-
Net change in unrealized gain (loss) on investments	**896,519**	21,708
Net realized gain (loss) on foreign currency forward contracts (note 9)	**174,962**	-
Net change in unrealized gain (loss) on foreign currency forward contracts (note 9)	**723,731**	(98,387)
Total net gain (loss) on investments and derivatives	**2,908,822**	(58,692)
Total income (loss), net	**2,774,904**	(18,719)
Expenses		
Management fees (note 7)	**157,430**	2,718
Audit fees	**23,361**	30,000
Independent Review Committee fees (note 7)	**3,138**	96
Custodial fees	**4,072**	481
Legal fees	**12,012**	566
Unitholder reporting costs	**20,894**	11,058
Other administrative expenses	**87,669**	25,108
Interest and bank charges	**19**	-
Transaction costs	**2,603**	3,846
Total expenses before recoveries from Manager and withholding taxes	**311,198**	73,873
Expenses recovered from Manager (note 7)	**(122,397)**	(66,755)
Total expenses before withholding taxes	**188,801**	7,118
Withholding taxes	**31,387**	-
Increase (decrease) in Net Assets attributable to holders of redeemable units	$ **2,554,716**	$ (25,837)

Increase (decrease) in Net Assets attributable to holders of redeemable units		
CAD Units ($)	**2,519,716**	(25,837)
USD Units ($)[2]	**35,000**	-
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit[3]		
CAD Units ($)	**3.52**	$(0.39)
USD Units ($) (December 31, 2019 - US$0.75)[2]	**1.00**	-

1 For the period from October 15, 2018 (commencement of operations) to December 31, 2018.
2 For the period from August 12, 2019 (commencement of USD units) to December 31, 2019.
3 Based on the weighted average number of redeemable units outstanding for the year (note 4).

STATEMENTS OF CASH FLOWS

For the period/year ended December 31		2019		2018[1]
Cash flows from operating activities:				
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**2,554,716**	$	(25,837)
Adjustments for:				
Net (gain) loss on foreign exchange on cash		**133,918**		(39,973)
Net realized (gain) loss on sale of investments (note 8)		**(102,514)**		-
Net change in unrealized (gain) loss on investments		**(896,519)**		(21,708)
Net change in unrealized (gain) loss on foreign currency forward contracts (note 9)		**(723,731)**		98,387
Decrease (increase) in income receivable		**(299,793)**		(11,938)
Decrease (increase) in receivable from Manager		**25,794**		(25,794)
Increase (decrease) in accounts payable and accrued liabilities		**3,073**		64,014
Purchase of investments (note 8)		**(37,179,580)**		(2,118,075)
Proceeds from sale of investments (note 8)		**2,758,248**		-
Cash provided by (used in) operating activities		**(33,726,388)**		(2,080,924)
Cash flows from financing activities:				
Proceeds from issuance of redeemable units, net (note 4)		**34,974,992**		4,819,121
Amounts paid for redemptions of redeemable units (note 4)		**(522,602)**		-
Distributions paid to unitholders, net (note 6)		**(828,042)**		(6,048)
Cash provided by (used in) financing activities		**33,624,348**		4,813,073
Net increase (decrease) in cash		**(102,040)**		2,732,149
Net gain (loss) on foreign exchange on cash		**(133,918)**		39,973
Cash, beginning of period/year		**2,772,122**		-
Cash, end of year	**$**	**2,536,164**	$	2,772,122
Supplemental information:[2]				
Dividends received ($)		**399,594**		11,023
Interest received ($)		**280,322**		-
Interest paid ($)		**19**		4,974

1 For the period from October 15, 2018 (commencement of operations) to December 31, 2018.
2 Included in cash flows from operating activities.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the year ended December 31		CAD Units		USD Units[1]		2019 Total
Net Assets attributable to holders of redeemable units, beginning of year	**$**	**4,766,402**	**$**	**-**	**$**	**4,766,402**
Operations:						
Increase (decrease) in Net Assets attributable to holders of redeemable units		**2,519,716**		**35,000**		**2,554,716**
Distributions to holders of redeemable units (note 6):						
Net investment income		**(809,330)**		**(20,337)**		**(829,667)**
Return of capital		**(134,450)**		**(2,024)**		**(136,474)**
Total		**(943,780)**		**(22,361)**		**(966,141)**
Redeemable unit transactions:						
Proceeds from issuance of redeemable units, net (note 4)		**33,810,848**		**1,164,144**		**34,974,992**
Redemption of redeemable units		**(522,602)**		**-**		**(522,602)**
Net increase (decrease) from redeemable unit transactions		**33,288,246**		**1,164,144**		**34,452,390**
Net increase (decrease) in Net Assets attributable to holders of redeemable units		**34,864,182**		**1,176,783**		**36,040,965**
Net Assets attributable to holders of redeemable units, end of year	**$**	**39,630,584**	**$**	**1,176,783**	**$**	**40,807,367**
Distributions per unit (note 6)	**$**	**1.25**	**US$**	**0.48**		

1 For the period from August 12, 2019 (commencement of USD units) to December 31, 2019.

For the period ended December 31		2018 CAD Units[1]
Net Assets attributable to holders of redeemable units, beginning of period	$	-
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable units		(25,837)
Distributions to holders of redeemable units (note 6):		
Net investment income		(9,565)
Capital gains		(29,317)
Total		(38,882)
Redeemable unit transactions:		
Proceeds from issuance of redeemable units, net (note 4)		4,819,121
Reinvestments of distributions to holders of redeemable units (note 6)		12,000
Net increase (decrease) from redeemable unit transactions		4,831,121
Net increase (decrease) in Net Assets attributable to holders of redeemable units		4,766,402
Net Assets attributable to holders of redeemable units, end of period	$	4,766,402
Distributions per unit (note 6)	$	0.26

1 For the period from October 15, 2018 (commencement of operations) to December 31, 2018

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2019	Number of Shares/ Par Value US$	Cost CAD$	Carrying Value CAD$	% of Portfolio
Preferred Securities				
Banking				
Banco Bilbao Vizcaya Argentaria S.A., 6.50% due December 31, 2049	200,000	266,120	275,293	
Banco Santander, 7.50% due December 31, 2049	400,000	541,829	574,247	
Barclays PLC, 8.00% due December 31, 2049	650,000	902,876	944,893	
BBVA Bancomer SA Texas, 5.875% due September 13, 2034	450,000	605,890	612,893	
BNP Paribas, 7.375% due December 31, 2049	200,000	281,769	299,862	
Capital One Financial, 5.00% due December 31, 2049	44,000	1,447,183	1,433,547	
Citizens Financial Group, 6.35% due December 31, 2049	705	23,536	25,899	
Credit Suisse Group Ag, 6.375% due December 31, 2049	500,000	673,835	701,542	
Goldman Sachs Group, 4.95% due December 31, 2049	100,000	132,375	134,773	
Goldman Sachs Group, 5.50% due December 31, 2049	300,000	400,140	417,322	
HSBC Holdings PLC, 6.00% due December 31, 2049	200,000	266,765	276,986	
HSBC Holdings PLC, 6.50% due December 31, 2049	760,000	1,021,573	1,086,476	
ING Groep NV, 6.75% due December 31, 2049	800,000	1,115,476	1,129,323	
JPMorgan Chase & Co, 4.75% due December 31, 2049	10,500	345,739	351,095	
JPMorgan Chase & Co, floating rate due December 31, 2049	550,000	735,859	720,452	
Lloyds Banking Group PLC, 7.50% due December 31, 2049	750,000	1,069,791	1,092,832	
Merchants Bancorp., 6.00% due December 31, 2049	1,635	54,657	56,412	
Regions Financial Corporation, 5.70% due December 31,2049	13,000	444,366	470,815	
SVB Financial Group, 5.25% due December 31, 2049	14,000	465,448	469,945	
Synchrony Financial, 5.625% due December 31, 2049	11,000	362,505	364,957	
Synovus Financial Corporation, 5.875% due December 31, 2049	13,630	459,133	472,570	
UBS Group Funding Switzerland, 7.00% due December 31, 2049	400,000	544,822	568,116	
		12,161,687	**12,480,250**	**33.1**
Communications				
Vodafone Group PLC, 7.00% due April 04, 2079	150,000	201,608	229,000	
		201,608	**229,000**	**0.6**
Energy				
DCP Midstream LP, 7.875% due December 31, 2049	8,600	279,852	268,579	
Enbridge Inc., 6.00% due January 15, 2077	1,101,000	1,519,882	1,515,943	
Enbridge Inc., 6.375% due April 15, 2078	761	25,136	27,254	
Energy Transfer Operating, 7.375% due December 31, 2049	8,300	262,199	261,042	
Energy Transfer Operating, 7.60% due December 31, 2049	28,000	925,623	920,620	
MPLX LP, 6.875% due December 31, 2049	465,000	615,404	609,864	
Nustar Logistics L.P., floating rate due January 15, 2043	5,505	185,189	184,289	
Transcanada Pipelines Limited, 5.50% due September 15, 2079	450,000	591,930	614,734	
Transcanada Pipelines Limited, 5.875% due August 15, 2076	281,000	372,925	393,288	
		4,778,140	**4,795,613**	**12.7**
Finance				
Aercap Global Aviation Trust, 6.50% due June 15, 2045	400,000	552,021	574,011	
Aercap Holdings NV, 5.875% due October 10, 2079	150,000	200,048	208,874	
Affiliated Managers Group, 5.875% due March 30, 2059	5,000	173,808	175,499	
Legg Mason Incorporated, 6.375% due March 15, 2056	1,500	49,581	51,734	
National Rural Utilities CFC, 5.50% due May 15, 2064	9,000	302,569	321,975	
Stifel Financial Corp., 6.25% due December 31, 2049	1,750	58,015	61,311	
		1,336,042	**1,393,404**	**3.7**
Insurance				
Aegon Funding Company, 5.10% due December 15, 2049	11,000	363,110	370,671	

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2019	Number of Shares/ Par Value US$	Cost CAD$	Carrying Value CAD$	% of Portfolio
Insurance (cont'd)				
Allstate Corporation, 5.10% due December 31, 2049	10,400	343,707	353,019	
American Equity Investment Life Holding, 5.95% due December 31, 2049	12,000	397,500	401,252	
American Financial Group, 5.875% due March 30, 2059	1,700	56,957	60,531	
American International Group, 8.175% due May 15, 2058	172,000	266,519	301,863	
Arch Capital Group Ltd., 5.45% due December 31, 2049	25,087	815,353	840,154	
Aspen Insurance Holdings Ltd., 5.95% due December 31, 2049	3,060	101,408	110,703	
Athene Holding Ltd., 6.35% due December 31, 2049	17,000	581,381	623,629	
Axis Capital Holdings, 5.50% due December 31, 2049	2,000	65,628	64,953	
Axis Capital Holdings, 5.50% due December 31, 2049	33,479	1,101,536	1,121,198	
Axis Specialty Finance, 4.90% due January 15, 2040	225,000	299,205	296,724	
Delphi Financial Group, floating rate due May 15, 2037	9,774	281,488	285,253	
Enstar Group Limited, 7.00% due December 31, 2049	7,574	263,509	274,599	
Everest Reinsurance Holdings, floating rate due May 15, 2037	150,000	180,232	183,406	
Globe Life Inc., 6.125% due June 15, 2056	2,700	89,758	92,596	
Liberty Mutual Group, 7.80% due March 15, 2037	70,000	108,166	120,131	
Metlife Cap Trust IV, 7.875% due December 15, 2037	353,000	596,215	612,679	
Metlife Inc., 9.25% due April 08, 2038	395,000	734,776	756,104	
Partnerre Ltd., 5.875% due December 31, 2049	1,500	47,863	50,195	
Partnerre Ltd., 6.50% due December 31, 2049	1,223	41,881	41,895	
Provident Financing TR I, 7.405% due March 15, 2038	198,000	275,972	310,231	
Prudential Financial Inc., 5.625% due August 15, 2058	6,250	200,941	221,322	
Reinsurance Group Of America, 5.75% due June 15, 2056	3,000	97,046	109,779	
Renaissancere Holdings Ltd., 5.75% due December 31, 2049	15,000	513,474	526,497	
Unum Group, 6.25% due June 15, 2058	7,000	243,569	245,426	
Voya Financial, 5.35% due December 31, 2049	16,000	542,470	560,766	
W.R. Berkley Corporation, 5.10% due December 30, 2059	5,000	165,280	163,552	
W.R. Berkley Corporation, 5.70% due March 30, 2058	12,500	430,949	429,495	
W.R. Berkley Corporation, 5.75% due June 01, 2056	6,200	198,481	210,936	
		9,404,374	**9,739,559**	**25.9**
Miscellaneous Industries				
Apollo Management Holdings, 4.95% due January 14, 2050	550,000	727,815	724,359	
		727,815	**724,359**	**1.9**
Utilities				
Algonquin Power & Utilities Corp., 6.20% due July 01, 2079	3,500	117,779	128,167	
Algonquin Power & Utilities Corp., 6.875% due October 17, 2078	5,422	187,674	198,478	
CMS Energy Corp., 5.875% due March 01, 2079	8,000	275,733	283,707	
Comed Financing III, 6.35% due March 15, 2033	15,000	20,941	20,866	
Dominion Energy Inc., 5.25% due July 30, 2076	1,200	35,730	40,795	
Duke Energy Corporation, 4.875% due December 31, 2049	375,000	493,613	511,389	
Duke Energy Corporation, 5.625% due September 15, 2078	3,000	97,605	105,377	
Emera Incorporated, 6.75% due June 15, 2076	594,000	850,840	872,785	
Integrys Energy Group, 6.00% due August 01, 2073	3,032	100,480	106,797	
Nextera Energy Capital, 5.65% due March 01, 2079	1,500	50,303	53,429	
Nextera Energy Capital, 5.65% due May 01, 2079	875,000	1,253,932	1,260,319	
Nextera Energy Capital, floating rate due October 01, 2066	100,000	111,872	114,470	
PPL Capital Funding Inc., 5.90% due April 30, 2073	5,800	188,599	194,466	
SCE Trust V, 5.45% due December 31, 2049	20,824	663,040	667,102	
Sempra Energy, 5.75% due July 01, 2079	38,183	1,316,079	1,317,408	
Southern Cal Edison, 6.25% due December 31, 2049	345,000	467,110	459,377	

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2019	Number of Shares/ Par Value US$	Cost CAD$	Carrying Value CAD$	% of Portfolio
Utilities (cont'd)				
Southern Company, 5.25% due October 01, 2076	3,000	89,983	102,611	
Southern Company, 5.50% due March 15, 2057	390,000	531,112	530,889	
Spire Inc., 5.90% due December 31, 2049	26,002	897,751	932,586	
		7,750,176	**7,901,018**	**21.0**
Total Preferred Securities		**36,359,842**	**37,263,203**	**98.9**
Corporate Debt Securities				
Banking				
Texas Capital Bancshares, 6.50% due September 21, 2042	1,577	52,176	52,977	
		52,176	**52,977**	**0.1**
Communications				
AT&T Inc., 5.625% due August 01, 2067	400	12,538	14,319	
		12,538	**14,319**	**0.1**
Miscellaneous Industries				
Ford Motor Company, 6.00% due December 01, 2059	5,000	164,738	172,253	
Ford Motor Company, 6.20% due June 01, 2059	5,000	168,393	173,162	
		333,131	**345,415**	**0.9**
Total Corporate Debt Securities		**397,845**	**412,711**	**1.1**
Total Investments		**36,757,687**	**37,675,914**	**100.0**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

1. GENERAL INFORMATION

Brompton Flaherty & Crumrine Investment Grade Preferred ETF (the ‘‘Fund’’) is an exchange-traded fund (“ETF”) established under the laws of the Province of Ontario on October 5, 2018. Brompton Funds Limited (the ‘‘Manager’’) is the manager, trustee, and portfolio manager of the Fund and is responsible for managing the affairs of the Fund. CIBC Mellon Trust Company is the custodian of the Fund’s assets and prepares the daily valuations of the Fund. The Fund commenced operations on October 15, 2018. The address of the Fund’s registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The redeemable units of the Fund are Canadian dollar denominated (“CAD units”) and are publicly listed on the Toronto Stock Exchange under the symbol BPRF. On August 12, 2019, the Fund launched U.S. dollar denominated units (“USD units”) which commenced trading on the Toronto Stock Exchange under the symbol BPRF.U. The Fund invests in an actively managed portfolio consisting primarily of preferred and income-producing corporate securities, including traditional preferred stock, trust preferred securities, hybrid securities that have characteristics of both equity and debt securities, contingent-capital securities, subordinated debt, and senior debt of North American issuers or of Canadian- or US-dollar-denominated securities of global issuers. The Fund will primarily invest in securities of issuers that are rated investment grade; however the Fund may also invest in securities that are not rated investment grade if, after investment in such securities, at least 75% of the Fund’s portfolio (by market weight, as measured at the time of investment) consists of securities of issuers that are rated investment grade.

These financial statements were approved on behalf of Brompton Flaherty & Crumrine Investment Grade Preferred ETF by the Board of Directors of Brompton Funds Limited, the Manager, on March 10, 2020.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

a) Financial Instruments

The Fund’s portfolio of investments is managed, and performance is evaluated, on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (“FVOCI”). The contractual cash flows of the Fund’s debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss (“FVTPL”). Derivative assets and liabilities are also measured at FVTPL.

The Fund’s obligation for Net Assets attributable to holders of redeemable units is measured assuming the redemption of units at Net Asset Value on the valuation date. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument’s effective interest rate. The Fund’s accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its published Net Asset Value. The carrying values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their fair values due to their short-term nature.

b) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) is based on quoted market prices at the close of trading on the measurement date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and others commonly used by market participants that make the maximum use of observable inputs. Refer to note 12 for further information about the Fund's fair value measurements.

d) Cash

Cash is comprised of demand deposits with financial institutions.

e) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Net realized gain (loss) on sale of investments and unrealized gain (loss) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Dividend income is recognized on the ex-dividend date.

f) Transaction Costs

Transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction costs" in the Statements of Comprehensive Income.

g) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). The Fund distributes to its unitholders sufficient net income and net capital gains so that it is not subject to income taxes and, in substance, is exempt from Canadian taxes on these sources of income. Accordingly, the Fund does not record any Canadian income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

h) Foreign Currency Translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as "Net gain (loss) on foreign exchange on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss)" and "Net change in unrealized gain (loss)" in the Statements of Comprehensive Income.

i) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

j) Classification of Redeemable Units by the Fund

Under International Accounting Standard ("IAS") 32, *Financial Instruments: Presentation*, the Fund classifies its redeemable units as liabilities. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity as the Fund has more than one contractual obligation to its unitholders.

4. REDEEMABLE UNITS

Authorized

The Fund is authorized to issue an unlimited number of classes or series of redeemable, transferable Units, each of which represents an equal, undivided interest in the Net Asset Value of the Fund. The Fund offers unlimited number of CAD units and USD units. The USD units of the Fund are identical to the CAD units of the Fund, except that (a) the USD units are denominated in U.S. dollars whereas the CAD units are denominated in Canadian dollars and (b) any exposure that the portion of the Fund's portfolio which is allocable to the USD units foreign currencies will not be hedged back to the Canadian dollar. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Unitholders may sell units on the TSX; in addition, unitholders may redeem (i) units of the Fund for cash at a redemption price per unit equal to 95% of the closing price for the applicable units on the TSX on the effective day of redemption, less any applicable Administration Fee determined by the Manager in its sole discretion, or (ii) a prescribed number of units for the constituent securities of the portfolio and cash, or for cash only.

Issued

		2019
	CAD Units	**USD Units[1]**
Redeemable units, outstanding at January 1	**200,000**	**-**
Issuance of redeemable units	**1,300,000**	**35,000**
Redemption of redeemable units	**(20,000)**	**-**
Redeemable units, outstanding at December 31	**1,480,000**	**35,000**
Weighted average number of redeemable units outstanding	**716,274**	**35,000**

1 For the period from August 12, 2019 (commencement of USD units) to December 31, 2019

	2018
	CAD Units[1]
Redeemable units, outstanding at October 15	-
Issuance of redeemable units	200,000
Distribution through issuance of units (note 7)	504
Consolidation of units (note 7)	(504)
Redeemable units, outstanding at December 31	200,000
Weighted average number of redeemable units outstanding	65,600

1 For the period from October 15, 2018 (commencement of operations) to December 31, 2019

On October 15, 2018, the Fund issued 40,000 CAD units at a price of $25.00 per unit for total proceeds of $1,000,000.

During 2018, the Fund issued an additional 160,000 CAD units at an average price of $23.87 per unit for total proceeds of $3,819,121.

Following the notional distributions paid on December 31, 2018, 504 CAD units were issued and subsequently consolidated.

On August 12, 2019, the Fund issued 35,000 USD units for proceeds of $1,164,144. During the year ended December 31, 2019, 1,300,000 CAD units were issued at an average price of $26.01 and redeemed 20,000 CAD units at an average price of $26.13.

At December 31, 2019, 10.5% (December 31, 2018 – 80%) of the Fund's CAD units were held by an investment fund managed by the Manager.

On December 31, 2019, the Fund's closing market price per CAD unit was $26.80 (December 31, 2018 - $24.11) and US$26.05 per USD unit.

5. CAPITAL MANAGEMENT

The Fund's capital is comprised of its Net Assets attributable to holders of redeemable units, which may change significantly subject to the amount and frequency of subscriptions and redemptions at the discretion of unitholders. The Fund's objectives in managing its capital are to provide unitholders with: (a) stable monthly cash distributions; and (b) a stable Net Asset Value. The Fund manages its capital taking into consideration the risk characteristics of its holdings.

6. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of the Fund. The Fund does not have a fixed distribution amount. The amount of distributions, if any, will be set at the Manager's sole discretion and may be based on the Manager's assessment of the prevailing market conditions, the Fund's ability to generate sufficient levels of distributable cash and any other factors that the Manager, at its discretion, may deem relevant.

For the period ended December 31, 2018, the Fund declared total monthly distributions of $0.32 per CAD unit. This included a special unit distribution of $0.06 per CAD unit. Total distributions amounted to $38,882. Total distributions included a notional distribution of $12,000 paid on December 31, 2018. Notional distributions are paid in additional units and subsequently consolidated so the number of units outstanding after the consolidation is identical to the number of units before the distribution. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder nor the Net Asset Value per unit of the Fund change as a result of the notional distributions.

For the year ended December 31, 2019, the Fund declared total monthly distributions of $1.25 per CAD unit, which amounted to $943,780. Also, for the period ended December 31, 2019, the Fund declared total distributions of US$0.48 per USD unit, which amounted to $22,361. Under the Fund's distribution reinvestment plan, unitholders of CAD units may elect to reinvest monthly distributions in purchasing additional CAD units of the Fund, which may be purchased from the open market.

On January 24, 2020, the Fund declared $0.10417 per CAD unit and US$0.10417 per USD unit of monthly distributions for record dates January 31, 2020, February 28, 2020, and March 31, 2020, respectively.

7. RELATED PARTY TRANSACTIONS

a) Management Fees

Pursuant to a management agreement, the Manager provides management, administrative and advisory services, including key management personnel, to the Fund. In consideration for these services, the Fund pays a management fee equal to 0.75% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. This fee is calculated and payable monthly.

The Manager may, at its discretion, waive a portion of the management fees and/or reimburse the Fund to ensure that the sum of management fees and certain normal-course operating expenses is limited to approximately 0.95% (inclusive of GST/HST) of Net Asset Value.

For the year ended December 31, 2019, the management fee amounted to $157,430 (period ended December 31, 2018 - $2,718), of which $7,243 was payable as of December 31, 2019 (December 31, 2018 – nil). For the year ended December 31, 2019, the Manager absorbed $122,397 (period ended $66,755) of costs. As at December 31, 2019, there was no receivable from the Manager (December 31, 2018 - $25,794). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2019 was $3,138 (period ended December 31, 2018 - $96) and consisted only of fees. As at December 31, 2019 and 2018, there were respectively, zero and $721 prepaid in Independent Review Committee fees.

8. INVESTMENT TRANSACTIONS

Investment transactions for the year ended December 31, 2019 and the period ended December 31, 2018 were as follows:

	2019 $	2018 $[1]
Proceeds from sale of investments	**2,761,136**	-
Less cost of investments sold:		
Investments at cost, beginning of period/year	**2,118,075**	-
Investments purchased during the period/year	**37,298,234**	2,118,075
Investments at cost, end of period/year	**(36,757,687)**	(2,118,075)
Cost of investments sold written during the period/year	**2,658,622**	-
Net realized gain (loss) on sale of investments	**102,514**	-

1 For the period from October 15, 2018 (commencement of operations) to December 31, 2018

For the year ended December 31, 2019 and the period ended December 31, 2018, there were no soft dollar amounts paid.

9. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund uses foreign currency forward contracts to hedge foreign exchange risks associated with its US dollar investment portfolio. During the year ended December 31, 2019, the Fund realized a gain in the amount of $174,962 (period ended December 31, 2018 – nil) on the close-out of certain contracts.

The Fund had entered into the following foreign currency forward contracts with a Canadian chartered bank with a DBRS rating of AA:

As at December 31, 2019:

Canadian Dollars Purchased (Sold)	**US Dollars Purchased (Sold)**	**Maturity Date**	**Forward Rate (USD/CAD)**	**Fair Value (CAD) $**
10,833,409	(8,136,000)	15-Jan-20	0.75101	269,090
544,063	(414,000)	15-Jan-20	0.76094	6,498
853,658	(648,000)	15-Jan-20	0.75909	12,252
3,133,641	(2,401,000)	15-Jan-20	0.76620	16,025
11,235,470	(8,550,000)	11-Feb-20	0.76098	134,868
853,594	(648,000)	11-Feb-20	0.75914	12,285
12,114,086	(9,197,000)	13-Mar-20	0.75920	174,326
39,567,921	**(29,994,000)**			**625,344**

As at December 31, 2018:

Canadian Dollars Purchased (Sold)	US Dollars Purchased (Sold)	Maturity Date	Forward Rate (USD/CAD)	Fair Value (CAD) $
1,000,000	(771,099)	15-Jan-19	0.77110	(52,356)
3,747,968	2,780,000	15-Jan-19	0.74174	(46,031)
4,747,968	(3,551,099)			(98,387)

10. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2019 and groups the securities by asset type and market segment. The following summary represents the investment sectors held by the Fund as at December 31, 2018. Significant risks that are relevant to the Fund are discussed below.

As at December 31, 2018	Preferred Securities %	Corporate Debt Securities %	% of Portfolio
Insurance	52.2	-	52.2
Utilities	25.4	-	25.4
Energy	14.4	-	14.4
Banking	1.6	3.5	5.1
Financial services	2.3	-	2.3
Communications	-	0.6	0.6
Total	95.9	4.1	100.0

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing a professional, experienced portfolio manager, by diversifying the investment portfolio within the constraints of the investment objectives, and by using financial instruments to hedge certain risk exposures. Securities purchased by the Fund are primarily rated investment grade at the time of investment. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of US-dollar-denominated corporate debt and preferred securities. It is the Manager's intention to hedge substantially all of the US-dollar foreign exchange exposure at all times.

a) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as corporate debt and preferred securities. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the negative effect that rising long-term interest rates can have on the value of a long-term duration portfolio, the Fund may employ a safety net hedge strategy to help mitigate this impact.

The Fund is also exposed to interest rate risk on its variable interest rate loans. Fluctuations in interest rates have a direct impact on the interest payments the Fund makes on its loans.

As at December 31, 2019:

	Less Than 1 Year $	**1 - 3 Years $**	**3 - 5 Years $**	**Greater Than 5 Years $**	**Total $**
Preferred securities and corporate debt	-	-	-	**37,675,914**	**37,675,914**

As at December 31, 2018:

	Less Than 1 Year $	1 - 3 Years $	3 - 5 Years $	Greater Than 5 Years $	Total $
Preferred securities and corporate debt	-	-	-	2,139,783	2,139,783

As at December 31, 2019, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets would have decreased by approximately $1.9 million or 4.7% (December 31, 2018 - approximately $0.2 million or 3.3%) of Net Asset Value. Similarly, had prevailing interest rates decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets would have increased by approximately $1.8 million or 4.4% (December 31, 2018 - approximately $0.1 million or 2.8%) of Net Asset Value. The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, the actual trading results may differ, and the difference could be material.

b) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The investment portfolio is comprised primarily of US-dollar-denominated corporate debt and preferred securities. The Fund's CAD units exposure to US dollar currency was substantially hedged through its US-dollar-denominated foreign currency forward contracts. The tables below indicate the foreign currency investment holdings in the Fund and the corresponding foreign currency hedges as at December 31, 2019 and 2018 in Canadian dollar terms. The tables also illustrate the potential impact to the Fund's Net Assets attributable to holders of redeemable units, with all other variables held constant, as a result of a 5% change in the foreign currency related to the Canadian dollar. In practice, the actual trading results may differ, and the difference could be material.

As at December 31, 2019:

	Investments	**Cash and Other Receivables/ Payables**	**Foreign Currency Forward Contracts (Note 9)**	**Total Currency Exposure**	**Impact on Net Assets**	**Impact on Net Assets**
	$	**$**	**$**	**$**	**$**	**(%)**
US Dollars	36,589,434	2,649,005	(38,942,578)	295,861	14,793	0.04
	36,589,434	**2,649,005**	**(38,942,578)**	**295,861**	**14,793**	**0.04**

As at December 31, 2018:

	Investments	Cash and Other Receivables/ Payables	Foreign Currency Forward Contracts (Note 9)	Total Currency Exposure	Impact on Net Assets	Impact on Net Assets
	$	$	$	$	$	(%)
US Dollars	2,139,783	2,726,196	(4,846,355)	19,624	981	0.02
	2,139,783	2,726,196	(4,846,355)	19,624	981	0.02

The Fund's USD units are redeemable in US dollars therefore they are not subject to the US dollar foreign currency exposure of the Fund.

c) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities such as corporate debt, preferred securities and derivatives. The fair value of corporate debt, preferred securities and derivatives includes consideration of the creditworthiness of the issuer. The carrying amount of investments, as presented on the Schedule of Investment Portfolio, represents the maximum credit risk exposure as at December 31, 2019. The carrying amount of the Fund's other assets also represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

Credit risk arising on debt and preferred securities is mitigated by investing in investment grade securities at the time of purchase. The Portfolio Manager evaluates the credit quality of the securities prior to purchase and performs ongoing monitoring of the credit quality of the securities. The Fund would not invest more than 10% of its total assets in the securities of any one issuer at the time of purchase in accordance with investment restrictions.

As at December 31, 2019 and 2018, the Fund invested in debt and preferred securities with the following credit ratings. Credit ratings represent the best rating of Standard & Poor's, Moody's or Fitch Ratings.

Portfolio by Rating Category	**2019 % of Portfolio**	2018 % of Portfolio
Cash	**6.3**	56.4
A-	**0.8**	0.3
BBB-to BBB+	**68.3**	41.3
BB-to BB+	**24.0**	1.7
B+	**0.5**	0.3
Unrated	**0.1**	-
Total	**100.0**	100.0

The Fund is also exposed to credit risk for the amount of unrealized gains under the foreign currency forward contracts (note 9) with a Canadian chartered bank with a DBRS rating of AA.

d) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Portfolio Manager attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to price risk from its investment in debt and equity securities. As at December 31, 2019, had the prices on the respective stock exchanges for these debt and equity securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $3.8 million or 9.2% (December 31, 2018 - approximately $0.2 million or 4.5%) of total Net Assets. In practice, the actual results may differ, and the difference could be material.

d) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is subject to the potential daily net redemptions of units. The Fund invests its Net Assets in securities that are traded on public exchanges and expects that the securities may be sold on a timely basis although there may not be sufficient time to sell the securities at a reasonable price. In addition, the Fund expects that most redemptions will be in-kind, which allows the Fund to deliver securities to meet its redemption obligations.

The tables below list the Fund's financial liabilities by relevant maturity groupings based on the remaining year between the financial statement date and the contractual maturity date.

As at December 31, 2019:

	Less Than 3 Months $	**3 Months to 1 Year $**	**Greater Than 1 Year $**	**Total $**
Accounts payable and accrued liabilities	67,087	-	-	67,087
Amounts payable for investments purchased	118,654	-	-	118,654
Distributions payable to unitholders	158,933	-	-	158,933
Total	**344,674**	**-**	**-**	**344,674**

As at December 31, 2018:

	Less Than 3 Months $	3 Months to 1 Year $	Greater Than 1 Year $	Total $
Unrealized loss on foreign currency forward contracts	98,387	-	-	98,387
Accounts payable and accrued liabilities	64,014	-	-	64,014
Distributions payable to unitholders	20,834	-	-	20,834
Total	183,235	-	-	183,235

11. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets and liabilities at fair value as at December 31, 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Preferred securities	17,206,887	20,056,316	-	37,263,203
Fixed Income	412,711	-	-	412,711
Foreign currency forward contracts gain	-	625,344	-	625,344
Total	**17,619,598**	**20,681,660**	**-**	**38,301,258**

Assets and liabilities at fair value as at December 31, 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Preferred Securities	1,791,121	261,035	-	2,052,156
Corporate debt	87,627	-	-	87,627
Foreign Currency forward contracts loss	-	(98,387)	-	(98,387)
Total	1,878,748	162,648	-	2,041,396

There were no transfers of financial assets and liabilities between the levels during the year ended December 31, 2019 and period ended December 31, 2018.

All fair value measurements above are recurring. The carrying values of cash, amounts receivable for units issued, income receivable, receivable from Manager, amounts payable for investments purchased, distributions payable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, the instrument is reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3.

a) Preferred Securities and Corporate Debt

The Fund's preferred securities are classified as level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's preferred securities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as level 2. Corporate debt includes corporate bonds, which are valued at the mean of the bid/ask price provided by recognized investment dealers. These prices are generally observable and therefore the Fund's corporate debt has been classified as level 2. The net realized and net change in unrealized gain from preferred securities and corporate debt during the year ended December 31, 2019 was $999,033 (period ended December 31, 2018 – gain of $21,708).

b) Foreign Currency Forward Contracts

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. The fair value of such contracts will fluctuate with changes in currency exchange rates. The forward contracts' value, which is based on current forward rates, is the value that could be realized if the forward contracts were closed out on the financial reporting date and the change in fair value is recorded as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract on the date it was opened and the value on the date it was closed. Foreign currency forward contracts are classified as level 2. The net realized and net change in unrealized gain from derivatives during the year ended December 31, 2019 was $898,693 (period ended December 31, 2018 – loss of $98,387).

12. OFFSETTING OF FINANCIAL INSTRUMENTS

The Fund has a foreign exchange settlement and novation netting agreement in place for its foreign currency forward contracts that does not meet the criteria for offsetting in the Statements of Financial Position but allows for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following tables present the Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements. The tables are presented by type of financial instruments, as at December 31, 2019 and 2018.

As at December 31, 2019

	Amounts eligible for offset			
Financial Assets and Liabilities	**Gross Amounts of Recognized Financial Assets/Liabilities $**	**Net Amounts of Financial Assets/ Liabilities Presented in the Statement of Financial Position $**	**Financial Instruments Eligible for Offset $**	**Net Amount $**
Derivative Assets	625,344	625,344	-	625,344
Derivative Liabilities	-	-	-	-
Total	**625,344**	**625,344**	**-**	**625,344**

As at December 31, 2018

	Amounts eligible for offset			
Financial Assets and Liabilities	Gross Amounts of Recognized Financial Assets/Liabilities $	Net Amounts of Financial Assets/ Liabilities Presented in the Statement of Financial Position $	Financial Instruments Eligible for Offset $	Net Amount $
Derivative Assets	-	-	-	-
Derivative Liabilities	(98,387)	98,387	-	(98,387)
Total	(98,387)	98,387	-	(98,387)

13. INCOME TAXES

The Fund had no accumulated capital and non-capital losses as at December 31, 2019 and 2018.

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