BLUE RIBBON
INCOME FUND

BROMPTON
FUNDS

INVESTMENT MANAGER COMMENTARY - JUNE 30, 2018

The S&P/TSX Composite Index ("S&P/TSX") has delivered one of the worst year-to-date results in the G7 on a currency-adjusted basis. However, it has finally begun to narrow the performance gap with global markets over the past quarter, recently hitting a record high, pushing above levels last seen at the start of this year. This is all the more impressive given that it comes alongside news flow that is not particularly bullish for the Canadian economy and equity market. First, the escalation in trade tensions would hit Canada disproportionately hard, given its status as a small open economy strongly tied to the U.S. market, and the potential impact of tariffs on the auto sector could significantly hurt several industrial-related names. Second, we see continued evidence that soft housing market conditions are reducing credit growth more meaningfully, which could lead to less future overall consumer purchasing activity.

While this recent performance seems counter-intuitive, we note that the dominant sectors within the S&P/TSX are not especially vulnerable to protectionism. After last year's frustration - when Canada led the G7 in economic growth, but trailed on equity returns - this year is one of those occasions where it is actually not a bad thing that the S&P/TSX is not particularly representative of the Canadian economy.

Blue Ribbon Income Fund (the "Fund") performed in line with the S&P High Dividend Total Return Index in the first quarter. Despite this the Fund is currently underperforming that index year-to-date largely due to its lower weighting in the Energy sector in the most recent quarter. Furthermore, it holds Corus Entertainment Inc. which declined subsequent to reporting its latest quarterly results last month. However we do not believe that the results themselves nor the dividend cut confirmation, were responsible for the decline in Corus' share price. We believe this is largely owing to Shaw Communications Inc.'s recent indication that it wants to monetize its very large Corus shareholding sooner rather than later and to a lesser degree the increase in the short interest in the stock.

On a more positive note, positions in Transcontinental Inc., TFI International Inc., and Labrador Iron Ore Royalty Corporation, were the greatest contributors to performance last quarter.

As evidenced in the most recent quarter, the Canadian equity market's performance has improved regardless of economic challenges. We maintain our disciplined valuation approach, and we remain active on finding bright spots in the market that we believe will be able to prosper in most economic environments and maintain a positive outlook for the Canadian equity market for the remainder of the year.

Bloom Investment Counsel, Inc. July 5th, 2018

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INVESTMENT COUNSEL, INC.

You will usually pay brokerage fees to your dealer if you purchase or sell units of the Fund on the Toronto Stock Exchange or other alternative Canadian trading system (an "exchange"). If the units are purchased or sold on an exchange, investors may pay more than the current net asset value when buying units of the investment fund and may receive less than the current net asset value when selling them.

There are ongoing fees and expenses associated with owning units of an investment fund. An investment fund must prepare disclosure documents that contain key information about the Fund. You can find more detailed information about the fund in the public filings available at www.sedar.com. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Investor Relations
PHONE 416.642.6000
TOLL FREE 1.866.642.6001
FAX 416.642.6001
EMAIL info@bromptongroup.com

Website
www.blueribbonincomefund.com

Address
Bay Wellington Tower,
Brookfield Place
181 Bay Street
Suite 2930, Box 793
Toronto, Ontario M5J 2T3