

Investment Manager Commentary - December 2023

This past year was a challenging year for Canadian dividend paying equities with increased competition from rising interest rates and bond yields. Now, with a more favourable fundamental backdrop, this sector of the market has several catalysts. The key catalyst is the reversal of fund flows that had previously chased high yielding money market funds and short-term deposits such as Treasury bills and GICs. In particular, lower interest rates and a normalization of the yield curve are key drivers for this change. Not only do we expect dividend-paying equities to be the beneficiary of lower interest rates, but we also expect them to remain less volatile than the remainder of the market which has been the case over many decades.

Valuations for Canadian equities are much more compressed than their U.S. counterparts and, accordingly, yields on Canadian dividend-paying equities remain very attractive. This is particularly apparent in interest rate sensitive sectors such as Telecommunications and Utilities whose stock prices have been overly punished by the economic backdrop.

The best performing stocks in the Fund for the year were Parkland Corporation, goeasy Ltd. and TFI International Inc. Sectors that contributed the greatest positive performance to the Fund were Financials, Energy and Industrials.

The most recent measure of Active Share for Canadian High Income Equity Fund was a very high 82.0%. Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. We believe this high Active Share gives the Fund a greater ability to take advantage of upside opportunities or protect against downside risk very distinctly in comparison to the great number of less active managers with performance that closely follows the benchmark.

2023 proved to be a volatile and somewhat complicated market for investors. The year saw a continuation of the struggle between interest rate hikes and inflation which to many investors' surprise demonstrated more resiliency than expected for numerous companies' earnings. As we start 2024, inflation appears to be coming under control and administered interest rates should be at their peak. The expectation for a soft landing and a reduction in rates over the next couple of years is expected to be positive for the equity market and in particular dividend-paying equities. However, with current macroeconomic events and the uncertainty of the timing of rate cuts, 2024 could prove to be more challenging than many investors expect. We remain focused on quality dividend-paying stocks which have, as previously noted, proved over many decades to be less volatile than, and to outperform, non-dividend paying stocks. As always, we remain patient and prudent in our approach to investing and look forward to another rewarding year.

Bloom Investment Counsel, Inc.

January 2, 2024

| Annual Compound Returns ¹ | 1-YR | 3-YR | 5-YR | 10-YR |
|--|-------|-------|-------|-------|
| Canadian High Income Equity Fund | 4.3% | 5.0% | 6.3% | 1.9% |
| S&P/TSX Composite High Dividend Total Return Index | 7.0% | 13.6% | 11.3% | 6.6% |
| S&P/TSX Composite Total Return Index | 11.8% | 9.7% | 11.3% | 7.6% |

⁽¹⁾ Returns are for the periods ended December 31, 2023 and are unaudited. Inception date February 18, 2010. The table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Total Return Index ("Composite Index") and the S&P/TSX Composite High Dividend Total Return Index ("High Dividend Index") (together the "Indices"). The Composite Index tracks the performance, on a market-weight basis and a total return basis, of a broad index of large capitalization issuers listed on the Toronto Stock Exchange. The High Dividend Index tracks the performance, on a market-weight basis and a total return basis, of 50-75 highest dividend yielding securities within the Composite Index. Since the Fund is actively managed, the sector weightings differ from those of the Indices. Furthermore, 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. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on net asset value per unit and assumes that distributions made by the Fund on its units in the period shown were reinvested at net asset value per unit in additional units of the Fund.

This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. The opinions contained in this report are solely those of Bloom Investment Counsel Inc. ("Bloom") and are subject to change without notice. Bloom makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, Bloom assumes no responsibility for any losses or damages, whether direct or indirect which arise from the use of this information. Bloom is under no obligation to update the information contained herein. The information should not be regarded as a substitute for the exercise of your own judgment. Please read the Fund's annual information form before investing.

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.sedarplus.ca. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account certain fees such as redemption costs or income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

Certain statements contained herein constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to matters disclosed in this document and to other matters identified in public filings relating to the Fund, to the future outlook of the Fund and anticipated events or results and may include statements regarding the future financial performance of the Fund. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. 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.

BROMPTON
FUNDS

VALUE
INTEGRITY
PERFORMANCE
THE FOUNDATION FOR EXCELLENCE

Investor Relations

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

Website

www.bromptongroup.com

Address

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