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Blue Ribbon Income Fund

Portfolio Manager Commentary - December 31, 2024

Disinflationary interest rate cuts from high levels have historically provided fuel for equities, and this cycle appears to be no exception. As one may have expected, the real winners of the decline in inflation and the commencement of monetary easing have been the "older school" sectors such as Industrials, Financials and Materials and not the "new age" sectors like technology. Accordingly, the tech-heavy Nasdaq Composite Index has lagged in performance to both the S&P 500 Index and the S&P TSX Composite Index in Q3. Any weakness in the Energy sector has been more than offset by interest rate sensitive sectors such as Utilities, Financials and REITs.

Interest rate sensitive sectors of the stock market have been under pressure since the Bank of Canada commenced its tightening cycle at the beginning of 2022. The Real Estate and Utilities sectors underperformed the broader market during this period as their ability to finance acquisitions and the rates on their floating rate debt became more expensive. With the beginning of what we believe will be a series of interest rate cuts, we are seeing these sectors shine once again.

Dividend paying equities which have decent dividend yields did not garner as much attention from investors when the 10-year Government of Canada ("GoC") yields were in the 4% range a year ago. With GoC yields below the 3% level and continued rate cuts on the horizon, these dividend yields look extremely attractive. This has translated into strong performance in the quarter from the once lagging sector of the market.

Year-to-date, Blue Ribbon Income Fund (the "Fund") outperformed both the S&P/TSX Composite High Dividend Index and the S&P/TSX Composite Index but in the quarter it underperformed.

The best performing stocks in the quarter were Chemtrade Logistics Income Fund, Transcontinental Inc., Class A and Canadian Tire Corp., Class A. Sectors that contributed the greatest positive performance were Financials, Consumer Discretionary and Materials.

The most recent measure of Active Share for the Fund was a very high 84.2%. 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.

Strong equity performance earlier in the year was mainly driven by the technology sector and AI, which combined with higher interest rates had resulted in a more muted impact of dividend yields on investors' appetites. However, a rotation back into dividend paying equities started in the middle of the year with the commencement of monetary easing. Canadian dividend payers have a tax advantage over interest income and some other forms of investment income, due to the "dividend tax credit". This, combined with the benefit of cash flow and capital growth has made dividend paying equities especially appealing. These are just some of the reasons why Bloom has maintained its focus on investing in dividend paying equities for over 25 years. Our outlook is one of cautious optimism, and we believe that the Fund should be rewarded from investing in this area of the market, especially given the current market dynamics.

BLOOM
INVESTMENT COUNSEL, INC.

Bloom Investment Counsel, Inc.

October 1, 2024

Historical Performance

Annual Compound Returns[1]	1-YR	3-YR	5-YR	10-YR
Blue Ribbon Income Fund	26.2%	7.0%	7.2%	3.5%
S&P/TSX High Dividend Total Return Index	23.2%	10.0%	10.2%	7.0%
S&P/TSX Composite Total Return Index	26.7%	9.6%	11.0%	8.1%

(1) Returns are for the periods ended September 30, 2024 and are unaudited. Inception date September 17, 1997. 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 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. For these reasons, it is not expected that the Fund's performance will mirror that 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.

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