

INVESTMENT MANAGER COMMENTARY - SEPTEMBER 2021

While inflation, tapering, the U.S. debt ceiling and troubles in China are all front and centre on investors' minds, there is also the concern over earnings sustainability. We have become more cautious on the outlook of the stock market and valuations in general and are not as optimistic on the inflation fears as the Fed appears to be. We are particularly concerned over the overvaluation of technology, bio-tech and healthcare stocks which represent a larger part of the U.S. market than the Canadian market. As a result of the lack of stocks that pay meaningful dividends in these sectors, the Fund does not hold any of these types of stocks. However, we cannot underestimate the effect that overvalued stocks in the U.S., should they start to show signs of weakness, will have on the Canadian market overall.

Inflation fears are not overly consuming us, but nevertheless we have reviewed our investments in an attempt to ensure that, on balance, we will not be too affected should the current levels of inflation not be "transitory". In general, dividend-paying common stock valuations should be somewhat impervious to inflationary pressure and act to some degree as a hedge against inflation. This is because inflation will cause nominal earnings of these companies to rise enabling them to increase their dividends which will produce a support level. In some instances this can occur fairly quickly and for other companies there is somewhat of a lag effect, but patient investors will see the benefits.

For the first nine months of the year Blue Ribbon Income Fund's (the "Fund") performance underperformed that of the S&P/TSX Composite Total Return index and the S&P/TSX High Dividend Total Return Index mainly due to its lack of oil & gas and technology holdings.

The best performing stocks in the Fund for the first nine months of the year were TFI International Inc., goeasy Ltd. and Keyera Corp. Sectors that contributed the greatest positive performance to the Fund were Financials, Industrials and Consumer Discretionary.

The most recent measure of Active Share for the Fund was a very high 81.7%. 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.

We believe that the fourth wave of the pandemic will not be as devastating to the economy as the prior waves, and this is being borne out by what we are witnessing in Canada. Considerably higher vaccination rates are assisting, and spikes in cases, while still concerning, have become less of a shock to the overall population. However, this wave has somewhat tempered the economic outlook. The uncertainty brought upon us by the Delta-led fourth wave combined with steep valuations in certain sectors of North American stock markets has led us to raise some cash in the Funds' portfolios during the quarter.

We remain cautiously optimistic heading into the fourth quarter and believe that the Funds are well positioned during these uncertain times.

Annual Compound Returns ¹	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception
Blue Ribbon Income Fund	15.1%	29.5%	4.7%	4.0%	5.4%	9.2%
S&P/TSX Composite High Dividend Index	26.7%	43.9%	10.4%	8.5%	8.1%	7.7%
S&P/TSX Composite Index	17.5%	28.0%	11.1%	9.6%	8.8%	7.9%

⁽¹⁾ Returns are for the periods ended September 30, 2021 and are unaudited. Inception date September 17, 1997. The following table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Index ("Composite Index") and the S&P/TSX Composite High Dividend Index ("Composite 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 TSX. The Composite 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. Further, 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.

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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. 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.



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