

INVESTMENT MANAGER COMMENTARY - DECEMBER 31, 2018

The start of 2018 saw the markets impacted in February by the outlook for interest rate increases and the return of volatility, which was very subdued throughout much of 2017. The Canadian energy sector continued to face significant challenges. Weakness into year-end was attributable to a confluence of factors which include: geopolitical issues; concerns over nearing the end of the economic cycle and the effect this will have on earnings; in addition to tax loss selling. While the year started with concern over rising interest rates there was a shift in the fourth quarter as central bank tightening is now expected to moderate and the long end of the yield curve continues to flatten.

The S&P/TSX Composite Total Return Index had negative performance for the last quarter and the year returning -10.1% and -8.9% respectively. Similarly, the S&P/TSX High Dividend Total Return Index returned -8.9% and -10.8% for the quarter and the year respectively. Blue Ribbon Income Fund outperformed in the third quarter, but in the last quarter and for the year underperformed the S&P TSX High Dividend Total Return Index and the S&P TSX/Composite Total Return Index. Correlations increased greatly in the quarter amongst weakening stocks. Therefore, stock-specific underperformance was not as notable. For the year, underperformance in certain individual holdings was more distinct, however, weakness in two of the five bottom contributors (Altus Group Ltd. and Premium Brands Holdings Corporation) was mitigated by these stocks being among the top five contributors in the prior year.

Positions in Noranda Income Fund, Corus Entertainment, Allied Properties REIT, Northland Power Inc. and Enercare were the greatest contributors to performance last quarter. For the past year, the greatest contributors to performance were Enercare Inc., Allied Properties REIT, Trinidad Drilling Ltd., Loblaw Companies Ltd. and TFI International Inc.

The year 2018 ended on a down note with particular weakness in oil and natural gas stocks in addition to small and mid-cap stocks. Common equity income securities that are the area of our investment focus underperformed relative to sectors and individual securities where we are typically less likely to be represented, such as the Financials sector which represents 34.2% of the S&P/TSX index and also some of the more prominent names in the index. We seek to add value and continue to believe that investment opportunities that are potentially not yet included in the index due to their size have the potential for more meaningful upside.

History has proven that dividend paying securities have significantly outperformed non-dividend payers over many years. We maintain our longer-term, patient stance while guiding our disciplined fundamental approach and focus on valuation. Capitalizing on such opportunities requires patience and resolve, as elevated volatility could continue in the near-term and as imbalances in energy prices adjust. However, we believe our focus on dividend paying common equities will prove to be a good strategy in such an environment.

Bloom Investment Counsel, Inc. January 2, 2019

Annual Compound Returns ¹	1-Year	3-Year	5-Year	10-Year	Since Inception
Blue Ribbon Income Fund	(16.6%)	3.6%	(1.2%)	8.0%	9.0%
S&P/TSX Composite Index	(8.9%)	6.4%	4.1%	7.9%	6.0%

⁽¹⁾ Returns are for the periods ended December 31, 2018. The table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Index ("Composite Index"). 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. Since the Fund is actively managed, the sector weightings differ from those of the Composite Index. In addition, the Fund's portfolio contains predominantly higher dividend paying securities, whereas the Composite Index does not necessarily focus on this type of investment. For these reasons it is not expected that the Fund's performance will mirror that of the Composite Index. Further, the Composite Index is 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.

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.

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