

Investment Manager Commentary - March 2022

While the word recession has been floated around as of late and there is no doubt that the risk of a recession has increased, it is expected that if the Russia-Ukraine conflict does not escalate further, commodity prices will level off and economic growth will be supported by high household savings. If this plays out as expected there will be a silver lining to the pandemic since worldwide restrictions forced consumers to increase their savings. However, how this plays out will depend on whether the BoC can delicately balance the current situation of higher inflation and weaker growth.

There is minimal doubt that risks to shorter term growth are increasing. The Eastern European conflict has the possibility of further increasing inflation, causing supply chain issues (which have already been affected recently by further COVID-related lockdowns in major industrial areas in China) and negatively impacting consumer confidence amidst weaker financial conditions. After a significant dip in the 10-year Treasury bond yield at the onset of the conflict, it has reversed its course and is now at levels not seen in nearly three years. The upswing in longer-term Canadian bond yields has now pushed above Treasuries after a nine year run of negative spreads indicating an overall decline in economic optimism.

Canadian equities have had a good run, but they continue to lag in performance to their U.S. counterparts over the past 5 years. While the S&P/TSX Composite Index has repeatedly underperformed the S&P 500 Index especially over the recent years given its lack of richly valued technology names, Canadian stocks appear to have fallen too far behind their U.S. counterparts. The S&P/TSX Composite Index's forward Price to Earnings multiple is currently at levels last seen pre-Covid whereas the S&P 500 Index has expanded roughly 4 points which, amongst other indicators, leads us to continue to believe that there is still room for growth in the Canadian market.

For the quarter Blue Ribbon Income Fund (the "Fund") had strong performance in line with the S&P/TSX Composite Total Return index but underperformed the S&P/TSX High Dividend Total Return Index mainly due to its lack of oil & gas holdings which were particularly strong in the quarter as a result of the Eastern European conflict.

The best performing stocks in the Fund for the year were Intertape Polymer Group Inc., Ag Growth International Inc. and Enbridge Inc. Sectors that contributed the greatest positive performance to the Fund were Industrials, Energy and Utilities.

The most recent measure of Active Share for Blue Ribbon Income Fund was a very high 81.1%. 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 manager's with performance that closely follows the benchmark.

Despite the BoC taking its first move on the rate front towards the end of the quarter, inflation and the hopefully more short-term impacts of the Russia-Ukraine conflict continue

to impact the market. We remain of the belief that despite these impacts on the overall market, our client portfolios are well positioned.

Political and economic uncertainty have resulted in tremendous stock market volatility since the beginning of the year. Canada's economic outlook largely relies on the BoC's ability to take actions that will appropriately balance current rates of inflation and slowing growth. While we remain cautiously optimistic, we believe the Canadian market this year should outperform the U.S. market, with dividend paying equities, in particular, performing well.

Annual Compound Returns ¹	YTD	1-YR	3-YR	5-YR	10-YR
Blue Ribbon Income Fund	3.7%	9.4%	8.7%	4.2%	4.8%
S&P/TSX Composite High Dividend Index	11.6%	32.7%	15.7%	10.7%	8.9%
S&P/TSX Composite Index	3.8%	20.3%	14.2%	10.4%	9.1%

⁽¹⁾ Returns are for the periods ended March 31, 2022 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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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