Canadian High Income Equity Fund

BROMPTON FUNDS

Investment Manager Commentary - September 2022

Unlike the S&P 500, which experienced a 17% rally in the two-month period from mid-June to mid-August, the S&P/TSX had a later and less profound rally of 10% from mid-July to mid-August while remaining ahead of the S&P 500 year to date. Investors' negative sentiment earlier in the year aided in moving back valuations and this combined with a strong second quarter earnings season provided support for this rally. It became apparent with these earnings releases that businesses seem to be managing the current inflationary environment well with minimal changes to management's guidance. More recently the equity markets have been increasingly volatile as they absorb the reality that there will be no retreat from fighting inflation and the increased likelihood of a global recession next year.

With interest rates on the rise, it must not be forgotten that rates continue to remain relatively low. Equities appear to be better positioned at these levels than earlier in the year with valuations remaining at reasonable levels. Accordingly, we continue to believe that stocks will outperform bonds until there is clear evidence of a significant slowdown in profitability or a material increase in long term interest rates. However, we cannot ignore geopolitical issues (the continued European war and increased tension between China and Taiwan) which remain a threat and could cause an extended period of high inflation and continued supply chain issues.

Bond yields which have been positively impacted by rising interest rates are now approaching dividend yields. While this may question some investors' appetites for equities, it is important to note that for most of the past 70 years, equity yields have been quite a bit lower than the yields offered by fixed income securities. However, equities and in particular dividend paying equities, have a significant step up from fixed income securities in that they provide growth from earnings and from dividends making them one of the few asset classes that can provide some level of inflation protection. Since 2000 dividend payers on the S&P/TSX have on average grown their dividends by 6.6% annually and this includes the Financial Crisis and COVID periods. Of particular significance is that approximately 90% of the dividends paid to Canadian investors are from companies with a consistent track record of dividend growth. We expect the current period to be no exception and are looking for growth in dividends providing further support to dividend paying equities over the next couple of years.

Year-to-date Canadian High Income Equity Fund (the "Fund") outperformed the S&P/TSX Composite Index but underperformed the S&P/TSX High Dividend Index mainly due to its lack of oil & gas holdings which were particularly strong in the first part of the year as a result of the Eastern European conflict.

The best performing stocks in the Fund for the first nine months of the year were Intertape Polymer Group Inc., Boralex Inc. and Enbridge Inc. Sectors that contributed the greatest positive performance to the Fund were Utilities, Industrials and Energy.

The most recent measure of Active Share for the Fund was a very high 81.4%. Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. Bloom believes this high Active Share gives the Fund a greater ability to take advantage of upside opportunities or protect against downside risk very Tdeliesctoimnmctly in comparison to the great number of less active managers with performance that closely follows the benchmark.

We expect markets for the remainder of this year and into the next to continue to see volatility fueled by rising rates, inflation, and recession fears. Our focus remains on investing in solid companies that pay meaningful dividends. Dividend paying equities have proven over many decades to outperform non-dividend paying equities and unlike fixed income securities can provide some protection against inflationary pressures through growth and an increase in dividends. Additionally, taxable Canadian investors receive the added benefit of the dividend tax credit which enhances their yields further.

We remain cautious but optimistic as we start the last quarter of the year. Together with our patient, prudent and capital preservation approach to investing we have successfully managed investment portfolios through all market cycles for close to 40 years.

Bloom Investment Counsel, Inc.

October 3, 2022

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Annual Compound Returns[1]	YTD	1-YR	3-YR	5-YR	10-YR
Canadian High Income Equity Fund	(11.8%)	(9.1%)	2.1%	(0.4%)	1.5%
S&P/TSX Composite High Dividend Index	(3.8%)	3.4%	8.1%	7.1%	7.2%
S&P/TSX Composite Index	(11.1%)	(5.3%)	6.6%	6.6%	7.3%

[1] Returns are for the periods ended September 30, 2022 and are unaudited. Inception date February 18, 2010. 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 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.

BROMPTON FUNDS

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