

## Investment Manager Commentary - June 2022

After hitting an all-time high in late March, the S&P/TSX Index has since declined 14.6%. Markets are of the expectation that economic growth will slow, an expectation which is reinforced by a drop in a wide variety of commodity prices including oil. With the Canadian market's strong reliance on commodities, in addition to rising bond yields and early signs of slowing earnings growth, this pullback combined with the weaker global growth outlook has somewhat dampened the outlook in general for the Canadian market.

For markets to resume their upward trend, more confidence is needed that inflation has peaked. With multiple rate hikes expected for the remainder of the year, confidence is not quite at the level needed to translate into renewed strength in equities. In addition, increased confidence that both the Canadian and U.S. economies can avoid a recession in the near future would be a positive catalyst for markets.

Both the BoC and the Fed have a difficult task ahead of them to avoid a recession and instead to orchestrate a soft landing. Historically the Fed has managed to do this in each of 1965, 1984 and 1994 and Canada had a similar outcome in 1984/85 and in 1994/95. At this point Bloom is not convinced that a recession will be totally avoided.

While the market remains volatile, it is important to remember that over the long term, stocks have always been and continue to be the best asset class to help investment portfolios tolerate such high levels of inflation. Bloom continues to believe that dividend paying companies, especially ones that have the ability to offset rising costs with price increases to protect their margins, have a strong competitive advantage.

For the first half of the year, Blue Ribbon Income Fund (the "Fund") outperformed 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 first part of the year as a result of the Eastern European conflict.

The best performing stocks in the Fund for the first half of the year were Intertape Polymer Group Inc., Boralex Inc. and LifeWorks Inc.. Sectors that contributed the greatest positive performance to the Fund were Financials, Consumer Discretionary and Real Estate.

The most recent measure of Active Share for Blue Ribbon Income Fund was a very high 81.9%. 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 distinctly in comparison to the great number of less active manager's with performance that closely follows the benchmark.

Despite these volatile markets Bloom's investment philosophy remains the same with a focus on quality dividend companies in sectors that Bloom believes can withstand the current economic environment. Bloom remains sensitive to valuations despite some stocks on the TSX experiencing material declines from their highs. Now, more than ever, both prudence and patience are required – both of which are basic tenets of Bloom's long-term

investment philosophy. With close to 40 years of investment experience, Bloom Investment Counsel has successfully managed investment portfolios through all market cycles and remains cautious yet optimistic for the remainder of the year.

Bloom Investment Counsel, Inc.

July 1, 2022

Annual Compound Returns <sup>1</sup>	YTD	1-YR	3-YR	5-YR	10-YR
Blue Ribbon Income Fund	(7.2%)	(6.4%)	3.6%	2.3%	4.0%
S&P/TSX Composite High Dividend Index	1.3%	9.8%	11.6%	8.8%	8.4%
S&P/TSX Composite Index	(9.8%)	(3.8%)	8.0%	7.6%	8.2%

<sup>(1)</sup> Returns are for the periods ended June 30, 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](http://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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