BLOOM FUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM SELECT INCOME FUND

2014 ANNUAL REPORT

BLB.UN

FORWARD-LOOKING STATEMENTS

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof, unless otherwise indicated, and we assume no obligation to update or revise them to reflect new events or circumstances.

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Bloom Select Income Fund (the "Fund") contains financial information but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of any of the Fund's annual or interim reports, at no cost, by calling 1-855-BLOOM18 or by sending a request to Investor Relations, Bloom Investment Counsel, Inc., Suite 1710, 150 York Street, Toronto, Ontario, M5H 3S5, or by visiting our website at **www.bloomfunds.ca** or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, Independent Review Committee's report, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust and annual information form, and is based on closing market prices of investments. Figures presented in the financial statements and certain figures presented in the Financial Highlights section of this management report of fund performance are based on Net Assets calculated using International Financial Reporting Standards which require the use of a price between the last bid and ask prices for investment valuation, which may differ from the closing market price. The remaining figures presented in the Financial Highlights section are based on Net Assets calculated using previously applicable Canadian generally accepted accounting principles which required the use of the last bid price for investment valuation, which differed from the closing market price.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

THE FUND

Bloom Select Income Fund is a closed-end investment trust managed by Bloom Investment Counsel, Inc. ("Bloom" or the "Manager"). Bloom provides administrative services to the Fund and actively manages the Fund's portfolio. The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol BLB.UN. The units of the Fund are RRSP, DPSP, RRIF, RESP, RDSP and TFSA eligible. This Fund has a distribution reinvestment plan ("DRIP") allowing unitholders to automatically reinvest their monthly distributions in additional units of the Fund.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objectives are to provide unitholders with an investment in an actively managed portfolio comprised primarily of Canadian equity securities that exhibit low volatility at the time of investment, monthly cash distributions that have a large component of Canadian eligible dividends, and the opportunity for capital appreciation.

RISK

Risks associated with an investment in units of the Fund are discussed in the Fund's Annual Information Form, which is available on the Fund's website at www.bloomfunds.ca or on SEDAR at www.sedar.com. Changes to the Fund which have affected certain of these risks are discussed below.

No Assurances on Achieving Objectives

Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 7.6%. The weighted average current cash yield on the Fund's equity portfolio was 5.1% as at December 31, 2014, and thus the Fund is required to generate more than expected in additional returns (for instance, capital gains and securities lending income) and/or to return capital in order for the Fund to achieve its targeted monthly distributions to Unitholders.

RECENT DEVELOPMENTS

The Fund adopted International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously the Fund had prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook ("Canadian GAAP"). The Fund has consistently applied IFRS in the preparation of its opening IFRS statement of financial position as at January 1, 2013 and throughout all periods presented, as if IFRS had always been in effect.

In the Financial Highlights presented below as part of this Management Report of Fund Performance, the information for the years ended December 31, 2014 and December 31, 2013 derived from the Fund's IFRS financial statements. Information presented for periods prior to January 1, 2013 is based on the Fund's prior Canadian GAAP financial statements.

INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

The manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, the Manager currently manages specialty high-income equity portfolios comprised of dividend paying common equity securities, income trusts and real estate investment trusts.

INVESTMENT MANAGER'S REPORT

January 6, 2015

The Canadian Economy

Canadian GDP for the month of October, the most recent figure released, came in slightly ahead of consensus expectations, posting growth of 0.3% maintaining September's positive trend. Growth in the fourth quarter is now on track for a 3% rise, a full half-point ahead of consensus expectations. Manufacturing output was responsible for much of the upside. Forecasts of a further weakening in the Canadian dollar along with continued improvements in the U.S. economy bode well for further GDP upside. Weak oil prices in the quarter have so far been slightly off-set by increased oil production volumes, pushing out the impact to GDP growth until later in 2015.

Headline inflation in the month of November, the most current data available, eased back to the 2.0% level, after a string of higher than expected results. Core CPI inflation, the Bank of Canada's operational target for monetary policy, advanced at a slightly faster pace, up 2.1% in November, but well down from the 2.3% observed in October. This is the fourth consecutive month that core inflation has been at or above the Bank of Canada's 2% target. The outlook for inflation appears muted as the falling price of oil is expected to bring down gasoline and fuel oil prices further into the New Year. A warmer winter than last year should also help drive natural gas prices lower.

Canadian housing starts recovered slightly in November, posting an annualized rate of 196,500 versus the 183,700 pace of the previous month. Although well below the post-recession peak of 212,000 units, November's rate is enough to meet existing demographic demands. Multi-unit starts continue to rise and more than offset the falling single-house build rate. Regionally, only a minority of the provinces saw activity increase, but that list included the big three provinces of Ontario, Quebec and British Columbia.

After strong September and October results, November employment fell by 10,000 bringing the annualized job growth rate back below 1%. Given the huge decline in oil prices, the markets will be watching for significant cutbacks in the energy sector, especially Alberta which accounted for almost one third of the job gains in 2014. The November unemployment rate continues to sit at 6.6%, well below a year ago but is trending in the wrong direction.

During the last quarter, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, fell by 33.7% from $99.68 to $66.11. The oil price fell 35.1% from $101.87 to $66.11 for the year. The Canadian AECO natural gas 12-month forward strip price also fell significantly, falling by 30.7% from $3.87 to $2.68/GL for the quarter. For the year, gas fell by 27.4% from $3.69 to $2.68. Canadian spot oil and gas prices at quarter-end stood at $61.82/barrel and $3.19/GL respectively.

Market Performance

The S&P/TSX Composite Total Return Index for the last year returned 10.6%. The best performing sectors last quarter were Consumer Staples (up 49.1%), Information technology (up 35.1%), and Health Care (up 30.3%). The worst performing sectors for the quarter were Energy (down 4.8%), Materials (down 2.6%) and Financials (up 13.8%).

Outlook

We believe that the first quarter of 2015 will be a difficult period for Canadian equities. There will be continued volatility until the market settles on the appropriate values for commodity and commodity related securities. However, with the prospects for a firming U.S. economy and a weaker Canadian dollar a number of our industry sectors will thrive. Offsetting this is the risk of an increasing Canadian unemployment rate due to the weakness in the oil and natural gas sector.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2014 distributions totaled $0.50 per unit. The 2014 distribution reflects a monthly rate per unit of $0.041666, in accordance with the targeted distribution rate of 5% per annum on the subscription price of $10 per unit as disclosed in the Fund's Prospectus. Since inception on April 20, 2012 the Fund has paid total cash and reinvested distributions of $1.348606 per unit.

Increase in Net Assets from Operations

The Fund's net investment income was $4.5 million ($1.24 per unit) for the year ended December 31, 2014, arising from average portfolio investments during the year of $35.3 million. Income was comprised primarily of $1.6 million in dividend and distribution income and $2.6 million in net realized gains on sales of investments during the year.

Expenses were $1.0 million ($0.27 per unit) for the year, the major components being management fees of $705,921 and other administrative expenses of $91,589.

Net Asset Value

The Net Asset Value per unit of the Fund was $10.28 at December 31, 2014, up by 3.7% from $9.91 at December 31, 2013. The aggregate Net Asset Value of the Fund decreased from $38.1 million at December 31, 2013 to $25.9 million as of December 31, 2014, primarily due to redemption of units of $13.2 million, cash distributions to unitholders of $1.6 million (net of reinvested distributions) and the repurchase and cancellation of units under the normal course issuer bid of $1.0 million, offset by total income net of expenses of $3.5 million.

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol BLB.UN.

The Fund received approval from the TSX on May 10, 2013 for a normal course issuer bid program from May 14, 2013 to May 13, 2014, allowing the Fund to purchase for cancellation up to 516,641 units on the TSX if they trade below Net Asset Value per unit. 34,400 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2014 at a cost of $335,565 or $9.75 per unit.

The Fund received approval from the TSX on May 20, 2014 for a normal course issuer bid program from May 22, 2014 to May 21, 2015, allowing the Fund to purchase for cancellation up to 371,326 units on the TSX if they trade below Net Asset Value per unit. 64,800 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2014 at a cost of $662,851 or $10.23 per unit.

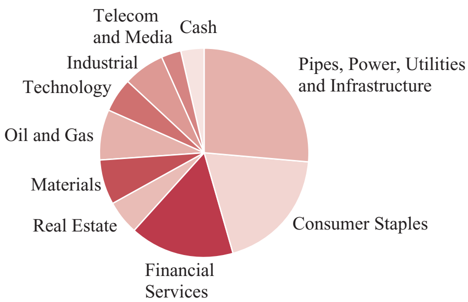
Investment Portfolio

The Fund has established a portfolio comprised primarily of Canadian equities, income trusts and real estate investment trusts (REITs), each of which was selected to achieve the investment objectives of the Fund. The investment objectives of the Fund include the requirement that the Fund only invests in stocks with a Beta (measurement of volatility) of less than 1.0 at the time of purchase, which affects the selection of investments.

It should be noted that, as a percentage of the portfolio (equities and cash), the investment in the real estate sector has fallen from 12.3% to 5.5%, resulting primarily from the sale of the Fund's holdings in Cominar REIT and Retrocomm Mid-Market REIT. Similarly the percentage of the portfolio invested in the materials sector has fallen from 10.5% to 6.9% due to the sale of part of the Fund's holdings in Chemtrade Logistics Income Fund and Noranda Income Fund Priority Units coupled with a fall in the value per unit of Noranda. Conversely, the proportion of the market value of the portfolio invested in the industrial sector has risen from 3.0% to 6.4%, due to additions to the Fund's holding in Transcontinental Inc.

The Fund had unrealized appreciation of $5.7 million in its portfolio as at December 31, 2014, with pipes, power, utilities and infrastructure sector, financial services sector and technology sector holdings contributing $4.1 million of the total gain, with additional gains in all other sectors except for materials. The Fund also had net realized gains of $2.6 million primarily from the sale of holdings in DH Corporation, Keyera Corp. and Superior Plus Corp.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Pipes, Power, Utilities and Infrastructure	$	6,880	26.5%
Consumer Staples and Discretionary		5,015	19.3%
Financial Services		4,133	15.9%
Oil and Gas		1,984	7.6%
Materials		1,801	6.9%
Industrial		1,656	6.4%
Real Estate		1,435	5.5%
Technology		1,393	5.4%
Telecom and Media		801	3.1%
Cash		878	3.4%
Total	$	25,976	100.0%

RELATED PARTY TRANSACTIONS

Related party transactions consist of administrative and investment management services provided by the Manager pursuant to the Fund's Declaration of Trust, and Fund expenses paid by the Manager and recharged to the Fund.

Administration and Investment Management Fees

Pursuant to the Fund's Declaration of Trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.75% per annum of the Net Asset Value of the Fund. The management fee is comprised of 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.50% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. A portion of this fee, equal to the service fee, is paid by the Manager to the registered investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. During the year ended December 31, 2014, management fees amounted to $705,921 including service fees of $197,211.

Other expenses recharged to the Fund

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2014 the Fund expensed Independent Review Committee ("IRC") fees of $34,000, investor relations costs of $18,409 and insurance premiums of $999 which were paid and recharged by the Manager.

The Fund pays for all other ordinary expenses incurred in connection with the operation and administration of the Fund, including: all costs of portfolio transactions, fees payable to third party services providers, custodial fees, legal, accounting, audit and valuation fees and expenses, expenses of the members of the IRC, expenses related to compliance with National Instrument 81-107 ("NI 81-107"), fees and expenses relating to the voting of proxies by a third party, costs of reporting to unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, taxes, brokerage commissions, costs and expenses relating to the issue of units of the Fund, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness.

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund's launch, the IRC for the Fund was established pursuant to NI 81-107 and became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107. Costs and expenses, including the remuneration of IRC members, the costs of legal and other advisors to, and legal and other services for, IRC members, and insurance costs are chargeable to the Fund. As at December 31, 2014 the IRC consisted of three members, all of whom are independent of the Manager.

The Manager has received two standing instruction from the IRC with respect to related party transactions:

Allocation of Fund Expenses and Charging Expenses of Related Entities to the Funds

The standing instruction requires that the Manager follow its policy regarding the charging of expenses of related parties to the Fund, which will, in the IRC's opinion, result in a fair and reasonable result for the Fund. The Manager reports any instances of reliance on the standing instruction to the IRC and the IRC reviews the transactions to confirm compliance with the standing instruction. The Manager relies on the standing instruction on an ongoing basis in charging to the Fund expenses which are payable by the Fund as per the Fund's Declaration of Trust and Annual Information Form, but which have been paid by the Manager. These expense charges are measured on an accrual basis at the monetary value of the expenses incurred.

The Decision to Re-open a Fund

The standing instruction requires that the Manager follow its policy and procedures concerning fund re-openings, which will, in the IRC's opinion, result in a fair and reasonable result for the Fund. The Manager will report any instances of reliance on the standing instruction to the IRC, but has not yet relied on this standing instruction.

2014 TAX INFORMATION

The following information is applicable to unitholders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information. T3 supplementary slips for holdings of the Fund will indicate Other Income (Investment Income and Non-Investment Income) in Box 26, Foreign Non-Business Income in Box 25, Capital Gains in Box 21 and Eligible Dividend Income in Box 49. Dividend income is subject to the standard gross-up and federal dividend tax credit rules. The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42.

The following table outlines the breakdown of the Fund's distributions declared in 2014 on a per unit basis.

Record Date	Payment Date	Return of Capital	Total Distribution
Jan. 31, 2014	Feb. 17, 2014	$ 0.041666	$ 0.041666
Feb. 28, 2014	Mar. 17, 2014	$ 0.041666	$ 0.041666
Mar. 31, 2014	Apr. 15, 2014	$ 0.041666	$ 0.041666
Apr. 30, 2014	May 15, 2014	$ 0.041666	$ 0.041666
May 30, 2014	Jun. 16, 2014	$ 0.041666	$ 0.041666
Jun. 30, 2014	Jul. 15, 1014	$ 0.041666	$ 0.041666
Jul. 31, 2014	Aug. 15, 2014	$ 0.041666	$ 0.041666
Aug. 29, 2014	Sep. 15, 2014	$ 0.041666	$ 0.041666
Sep. 30, 2014	Oct. 15, 2014	$ 0.041666	$ 0.041666
Oct. 31, 2014	Nov. 17, 2014	$ 0.041666	$ 0.041666
Nov. 28, 2014	Dec. 15, 2014	$ 0.041666	$ 0.041666
Dec. 31, 2014	Jan. 15, 2015	$ 0.041674	$ 0.041674
Total		**$ 0.500000**	**$ 0.500000**

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

PAST PERFORMANCE

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the Fund in the period were reinvested at Net Asset Value per unit in additional units of the Fund.

Annual Compound Returns

The following table shows the Fund's annual compound return for the year ended December 31, 2014 and the period since inception, compared with the S&P/TSX Composite Total Return Index ("Index"). The 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, including common stocks, REITs and income trust units, and is an appropriate benchmark as the Fund invests in such common stocks, REITs and income trusts. Since the Fund is actively managed, the sector weightings differ from those of the Index. Also, the Fund's portfolio contains predominantly low volatility, high dividend paying securities, whereas the Index does not necessarily focus on this type of investment. As well, the Fund may invest in issuers that are not included in the Index. For these reasons it is not expected that the Fund's performance will mirror that of the Index. Further, the Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

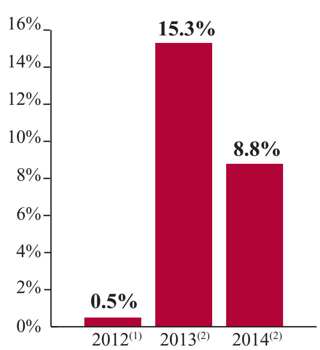
	One year	Since inception(1)
Bloom Select Income Fund (net of fees and expenses)	8.8%	8.9%
S&P/TSX Composite Total Return Index	10.6%	10.4%

(1) Period from April 20, 2012 (commencement of operations) to December 31, 2014

During both periods the Fund has underperformed relative to the Index, after taking into account the expenses of the Fund. In addition to the effect of the deduction of management fees and expenses inherent in the Fund's performance figures, this reflects the differences in average sector weightings between the Fund's portfolio and the Index over these periods; for example, over the year to December 31, 2014 the Fund was overweight compared to the Index in the consumer staples and industrials sectors, and was underweight compared to the Index in the materials and financials sectors. It also reflects differences in individual portfolio selections between the Fund's portfolio and the Index within each of the sectors, which result in different average sector returns.

Year-by-Year Returns

The bar chart shows the Fund's performance for each fiscal period since inception. It shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.



(1) Period from April 20, 2012 (commencement of operations) to December 31, 2012
(2) Year from January 1 to December 31 of the year indicated

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods indicated. *The information in the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit, because the increase in Net Assets from operations is based on weighted average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.*

Net Assets Per Unit(1)

	Year ended December 31, 2014	Year ended December 31, 2013	Period from April 20, 2012 to December 31, 2012
Net Assets per unit, beginning of period(1)(2)	$ 9.91	$ 9.07	$ 10.00
Unit issue expense(3)	–	–	(0.61)
Increase from operations:(2)			
Total revenue	0.46	0.53	0.34
Total expenses	(0.27)	(0.23)	(0.16)
Net realized gains (losses)	0.73	(0.31)	(0.03)
Net unrealized gains (losses)	0.05	1.24	(0.15)
Total increase in Net Assets from operations(1)	$ 0.97	$ 1.23	$ 0.00
Distributions to unitholders(2)(4)			
From net investment income	–	(0.07)	–
From return of capital	(0.50)	(0.43)	(0.35)
Total distributions to unitholders	$ (0.50)	$ (0.50)	$ (0.35)
Net Assets per unit, end of period(1)(2)	$ 10.28	$ 9.91	$ 9.04

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted International Financial Reporting Standards (IFRS) on January 1, 2014 and has applied IFRS to its comparative financial statements. Therefore the accounting principles applicable to the years ended December 31, 2014 and 2013 are IFRS, and those applicable to earlier periods are Canadian GAAP. Accordingly, the Net Assets per unit at December 31, 2012 was $9.04 calculated under Canadian GAAP, while the Net Assets per unit at January 1, 2013 was $9.07 calculated under IFRS. The Net Assets per unit presented prior to January 1, 2013 in the Canadian GAAP financial statements differs from the Net Asset Value per unit calculated for weekly Net Asset Value purposes, primarily due to investments being valued at bid prices for Canadian GAAP financial statement purposes and closing prices for weekly Net Asset Value purposes. Under IFRS, the Net Assets per unit present in the financial statements is generally the same as the Net Asset Value per unit calculated for weekly Net Asset Value purposes.

(2) Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(3) Unit issue expense of $3,340,911 were incurred in connection with the issuance of Fund units. Unit issue expense per unit is based on the number of units issued at the time the expenses were incurred.

(4) $186,465 (2013: $235,014; 2012: $98,622) of distributions were reinvested in units under the Fund's Distribution Reinvestment Plan. The remainder of the distributions were paid in cash.

Ratios and Supplemental Data

For the fiscal period ended December 31	2014	2013	2012[1]
Net Asset Value (000s)[2]	$ 25,864	$ 38,114	$ 49,012
Number of units outstanding[2]	2,514,948	3,844,984	5,404,932
Management expense ratio ("MER")[3]	2.44%	2.37%	9.22%
Trading expense ratio[4]	0.11%	0.12%	0.32%
Portfolio turnover rate[5]	3.42%	10.62%	2.91%
Net Asset Value per Unit[2]	$ 10.28	$ 9.91	$ 9.07
Closing market price[2]	$ 9.62	$ 9.58	$ 8.87

(1) Period from inception on April 20, 2012 to December 31, 2012

(2) As at December 31 of the year shown

(3) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the period, including, in 2012, one-time unit issue expense relating to the Fund's initial public offering (not annualized). Total expenses are expressed as an annualized percentage of the average Net Asset Value during the period.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average Net Asset Value of the Fund during the period.

(5) The Fund's portfolio turnover rate indicates how actively the Manager manages the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

Management Expense Ratio

The MER of the Fund was 2.44% for the year ended December 31, 2014, up from an MER of 2.37% in the period ended December 31, 2013. The increase is primarily due to the decrease in Net Asset Value through the annual redemption of units, which, when paired with fixed costs, caused the MER to increase.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2014

Net Assets (including Cash and Other Net Assets)	$25,863,533

Portfolio Composition	% of Portfolio	% of Net Assets
Pipes, Power, Utilities and Infrastructure	26.5%	26.6%
Consumer Staples and Discretionary	19.3%	19.4%
Financial Services	15.9%	16.0%
Oil and Gas	7.6%	7.7%
Materials	6.9%	6.9%
Industrial	6.4%	6.4%
Real Estate	5.5%	5.5%
Technology	5.4%	5.4%
Telecom and Media	3.1%	3.1%
Cash	3.4%	3.4%
Total Investment Portfolio	100.0%	100.4%
Other Non-Debt Net Assets (Liabilities)		(0.4%)
Total Net Asset Value		100.0%

Top 25 Holdings	% of Portfolio	% of Net Assets
Transcontinental Inc.	6.4%	6.4%
InnVest REIT	5.5%	5.6%
DH Corporation	5.4%	5.4%
EnerCare Inc.	5.3%	5.3%
Veresen Inc.	5.3%	5.3%
Altus Group Limited	5.2%	5.2%
Premium Brands Holdings Corporation	5.2%	5.2%
Innergex Renewable Energy Inc.	5.0%	5.1%
Chemtrade Logistics Income Fund	4.4%	4.4%
Pizza Pizza Royalty Corp.	4.3%	4.3%
TD Bank Group	4.3%	4.3%
AltaGas Ltd.	4.2%	4.2%
Superior Plus Corp.	4.2%	4.2%
Vermilion Energy Inc.	4.0%	4.0%
Bonterra Energy Corp.	3.7%	3.7%
Great-West Lifeco Inc.	3.6%	3.6%
Cash	3.4%	3.4%
Keyera Corp.	3.3%	3.3%
Gibson Energy Inc.	3.1%	3.2%
Thomson Reuters Corporation	3.1%	3.1%
Scotiabank	2.8%	2.8%
Noranda Income Fund Priority Units	2.6%	2.6%
Loblaw Companies Limited	2.4%	2.4%
Colabor Group Inc.	2.1%	2.1%
Northland Power Inc.	1.4%	1.4%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at ***www.bloomfunds.ca*** *within 60 days of each quarter end.*

MANAGEMENT RESPONSIBILITY STATEMENT

The financial statements of Bloom Select Income Fund (the "Fund") have been prepared by Bloom Investment Counsel, Inc. (the "Manager" of the Fund) and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditor has had full and unrestricted access to the Board of Directors to discuss their findings.

Signed

M. Paul Bloom
President and Chief Executive Officer
Bloom Investment Counsel, Inc.

Signed

Fiona E. Mitra
Chief Financial Officer
Bloom Investment Counsel, Inc.

March 4, 2015

Independent Auditor's Report

To the Unitholders of Bloom Select Income Fund (the Fund)
We have audited the accompanying financial statements of the Fund, which comprise of the statements of financial position as at December 31, 2014, December 31, 2013, and January 1, 2013 and the statements of comprehensive income, changes in net assets and cash flows for the years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014, December 31, 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

March 4, 2015

STATEMENTS OF FINANCIAL POSITION

As at	December 31, 2014	December 31, 2013	January 1, 2013
Assets			
Current assets			
Investments	**$ 25,099,274**	$ 37,625,378	$ 44,362,350
Cash and cash equivalents (note 7)	**877,543**	593,368	5,202,669
Dividends and distributions receivable	**127,770**	222,784	304,683
Prepaid expenses and other assets	**29,018**	24,220	31,913
Total Assets	**26,133,605**	38,465,750	49,901,615
Liabilities			
Current liabilities			
Payable for investments purchased	**–**	–	467,316
Distributions payable to unitholders	**104,808**	160,236	225,202
Accrued liabilities (note 12)	**165,264**	191,311	196,755
Total Liabilities	**270,072**	351,547	889,273
Unitholders' equity (note 8)			
Unitholders' capital	**20,417,094**	33,095,830	48,818,077
Contributed surplus	**–**	–	68,891
Retained earnings	**5,446,439**	5,018,373	125,374
Net assets representing unitholders' equity	**$ 25,863,533**	$ 38,114,203	$ 49,012,342
Net assets per unit	**$ 10.28**	$ 9.91	$ 9.07

Approved on behalf of Bloom Select Income Fund by the Board of Directors of Bloom Investment Counsel, Inc., the Manager

Signed

M. Paul Bloom
Director

Signed

Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended		**December 31, 2014**		December 31, 2013
Income				
Net gain (loss) on investments				
Dividend and distribution income	**$**	**1,616,816**	$	2,573,212
Interest for distribution purposes		**19,570**		20,861
Net realized gain (loss) on sale of investments		**2,646,188**		(1,553,372)
Net change in unrealized appreciation or depreciation on investments		**171,759**		6,241,874
Total net gain on investments		**4,454,333**		7,282,575
Other income				
Securities lending income (note 14)		**7,444**		59,596
Total other income		**7,444**		59,596
Total income		**4,461,777**		7,342,171
Expenses (Note 11)				
Management fees (note 12)		**705,921**		887,380
Audit fees		**37,446**		23,627
Independent review committee fees (note 12)		**34,000**		34,000
Unitholder reporting costs		**28,246**		33,707
Custody fees		**13,026**		13,188
Legal fees		**7,599**		9,892
Transaction costs (note 13)		**39,882**		54,827
Other administrative expenses		**91,589**		101,107
Total expenses		**957,709**		1,157,728
Increase in net assets from operations	**$**	**3,504,068**	$	6,184,443
Weighted average units outstanding during the year		**3,597,345**		5,013,207
Increase in net assets from operations per unit (note 3(i))	**$**	**0.97**	$	1.23

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2014 and 2013	**Unitholders' capital**	**Contributed surplus**	**Retained earnings**	**Total**
Balance at January 1, 2013	$ 48,818,077	$ 68,891	$ 125,374	$ 49,012,342
Increase in net assets from operations	–	–	6,184,443	6,184,443
Distributions to unitholders from return of capital	(2,097,824)	–	–	(2,097,824)
Distributions to unitholders from income	–	–	(359,508)	(359,508)
Reinvestment of distributions	235,014	–	–	235,014
Redemptions of units	(11,494,896)	(46,069)	(915,534)	(12,456,499)
Repurchase and cancellation of units	(2,364,541)	(22,822)	(16,402)	(2,403,765)
Balance at December 31, 2013	$ 33,095,830	$ –	$ 5,018,373	$ 38,114,203
Increase in net assets from operations	**–**	**–**	**3,504,068**	**3,504,068**
Distributions to unitholders from return of capital	**(1,746,704)**	**–**	**–**	**(1,746,704)**
Reinvestment of distributions	**186,465**	**–**	**–**	**186,465**
Redemptions of units	**(10,289,781)**	**–**	**(2,906,302)**	**(13,196,083)**
Repurchase and cancellation of units	**(828,716)**	**–**	**(169,700)**	**(998,416)**
Balance at December 31, 2014	**$ 20,417,094**	**$ –**	**$ 5,446,439**	**$ 25,863,533**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the years ended	December 31, 2014	December 31, 2013
Cash flows from operating activities		
Increase in net assets from operations	**$ 3,504,068**	$ 6,184,443
Adjustment for:		
Net realized (gain) loss on sale of investments	**(2,646,188)**	1,553,372
Net change in unrealized appreciation or depreciation on investments	**(171,759)**	(6,241,874)
Decrease in dividends and distributions receivable	**95,014**	81,899
Decrease (increase) in prepaid expenses and other assets	**(4,798)**	7,693
Increase in accrued liabilities	**(26,047)**	(5,444)
Operating cash flows:		
Purchases of investments	**(1,205,128)**	(5,142,564)
Proceeds from sale of investments	**16,308,660**	15,750,050
Return of capital received	**170,229**	350,672
Capital gains distributions received	**70,290**	–
Net cash from operating activities	**16,094,341**	12,538,247
Cash flows used in financing activities		
Repurchase of units for cancellation	**(998,416)**	(2,403,765)
Redemptions of redeemable units	**(13,196,083)**	(12,456,499)
Distributions paid to holders of redeemable units, net of reinvestments	**(1,615,667)**	(2,287,284)
Net cash used in financing activities	**(15,810,166)**	(17,147,548)
Net increase (decrease) in cash and cash equivalents	**284,175**	(4,609,301)
Cash and cash equivalents at beginning of year (note 7)	**593,368**	5,202,669
Cash and cash equivalents at end of year (note 7)	**$ 877,543**	$ 593,368
Interest received	**$ 20,150**	$ 28,081
Dividends and distributions received	**$ 1,952,349**	$ 3,005,783

The accompanying notes are an integral part of these financial statements

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014		Cost	Fair value
No. of Units/ Shares			
	Canadian Equities		
	Consumer Staples and Discretionary		
165,000	Colabor Group Inc.	$ 1,315,705	$ 552,750
95,000	EnerCare Inc.	924,134	1,377,500
10,000	Loblaw Companies Limited	470,258	621,700
80,000	Pizza Pizza Royalty Corp.	798,793	1,120,000
55,000	Premium Brands Holdings Corporation	961,759	1,343,100
		4,470,649	**5,015,050**
	Financial Services		
65,000	Altus Group Limited	490,026	1,352,650
28,000	Great-West Lifeco Inc.	675,201	940,520
11,000	Scotiabank	572,000	729,410
20,000	TD Bank Group	793,280	1,110,200
		2,530,507	**4,132,780**
	Industrial		
100,000	Transcontinental Inc.	1,123,641	1,656,000
		1,123,641	**1,656,000**
	Materials		
55,000	Chemtrade Logistics Income Fund	868,877	1,138,500
250,000	Noranda Income Fund Priority Units	1,224,020	662,500
		2,092,897	**1,801,000**
	Oil and Gas		
23,000	Bonterra Energy Corp.	1,062,724	957,950
18,000	Vermilion Energy Inc.	819,806	1,026,000
		1,882,530	**1,983,950**
	Pipes, Power, Utilities and Infrastructure		
25,000	AltaGas Ltd.	759,625	1,083,500
30,000	Gibson Energy Inc.	637,604	815,700
115,000	Innergex Renewable Energy Inc.	1,099,736	1,306,400
10,600	Keyera Corp.	442,555	859,342
23,500	Northland Power Inc.	365,817	359,315
90,000	Superior Plus Corp.	678,984	1,079,100
75,000	Veresen Inc.	1,032,843	1,377,000
		5,017,164	**6,880,357**
	Real Estate		
240,000	InnVest REIT	1,104,957	1,435,200
		1,104,957	**1,435,200**
	Technology		
38,000	DH Corporation	724,882	1,393,460
		724,882	**1,393,460**
	Telecom and Media		
17,100	Thomson Reuters Corporation	480,913	801,477
		480,913	**801,477**
	Total Canadian Equities	**$ 19,428,140**	**$ 25,099,274**
	Embedded commissions	**(40,093)**	
	Total investments	**$ 19,388,047**	**$ 25,099,274**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. GENERAL INFORMATION

Bloom Select Income Fund (the "Fund") is a closed-end investment trust established under the laws of the province of Ontario pursuant to a Declaration of Trust dated March 22, 2012. The Fund is listed on the Toronto Stock Exchange ("TSX") under the symbol BLB.UN and commenced operations on April 20, 2012. The address of the Fund's principal place of business is 150 York Street, Toronto, Ontario. The Fund invests in equity securities of Canadian companies. The financial statements are presented in Canadian dollars.

The Fund's investment objectives are to provide unitholders with an investment in an actively managed portfolio comprised primarily of Canadian equity securities that exhibit low volatility at the time of investment, monthly cash distributions that have a large component of Canadian eligible dividends, and the opportunity for capital appreciation.

The manager and trustee of the Fund is Bloom Investment Counsel, Inc. (the "Manager"). CIBC Mellon Trust Company is the custodian of the Fund and CIBC Mellon Global Securities Services Company is the administrator of the Fund.

These financial statements were authorized for issue by the Manager on March 4, 2015.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS Statement of Financial Position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund's financial instruments include, where applicable, investments, cash and cash equivalents, dividends and distributions receivable, receivable for investments sold, payable for investments purchased, distributions payable to unitholders, accrued liabilities, and redemptions payable.

The Fund's investments are designated as financial assets to be measured at fair value through profit and loss ("FVTPL").

All other financial assets and liabilities of the Fund are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted where appropriate at the contract's effective interest rate. The carrying values of financial assets and liabilities at amortized cost approximate their fair values due to their short-term nature.

The Fund recognizes financial instruments at fair value on initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets (which includes the Fund's investments) is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for investment valuation where that price falls between the latest bid and ask prices. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 (continued)

The Fund classifies fair value measurements within a hierarchy as described in Note 15(h). The Fund recognizes transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

c) Impairment of financial assets at amortized cost

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

d) Derecognition of financial assets and liabilities

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred, or in which these risks and rewards are neither transferred nor retained but the Fund does not retain control of the asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is included in the Statements of Comprehensive Income. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Fund enters into securities lending transactions in which it lends investments to counterparties, but since the Fund retains all of the risks and rewards of ownership, the investments are not derecognized. Non-cash collateral pledged by the counterparty to a securities lending transactions is not recognized as the Fund does not accept the risks and rewards of ownership of that collateral.

e) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Fund has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, e.g. for gains and losses arising from a group of similar transactions, such as realized gains and losses on investments.

f) Cash and cash equivalents

Cash and cash equivalents consist of deposits with financial institutions and short-term debt instruments with maturities of less than three months from the date of acquisition that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

g) Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend and distribution income are recognized on the ex-dividend or ex-distribution date. Interest for distribution purposes shown on the Statements of Comprehensive Income represents the discount received by the Fund on its short-term debt instruments recognized on an accrual basis. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

h) Foreign exchange

The functional and presentation currency of the Fund is the Canadian dollar. Amounts received by the Fund on an offering of its units and amounts payable on redemption are received or paid in Canadian dollars. Any currency other than the Canadian dollar represents foreign currency to the Fund. Purchases and sales of investments in foreign currencies are translated into the Fund's functional currency using the exchange rate prevailing on the trade date. Income on foreign investments is translated at the prevailing exchange rate on the transaction date. The quoted fair value of investments and other assets and liabilities denominated in foreign currencies is translated at the year-end exchange rate.

i) Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit represents the increase (decrease) in net assets from operations for the year divided by the weighted average number of units outstanding during the year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 (continued)

j) Distributions

Income and net realized capital gains (reduced by loss carryforwards, if any) earned by the Fund are distributed to participants through a regular monthly distribution. Any excess income and net realized capital gains not so distributed during the year are distributed in December of each year to unitholders. Any excess of regular monthly distributions over actual income and net realized capital gains is characterized as a return of capital.

k) Transaction costs on investment transactions

Transaction costs on purchases and sales of investments are expensed and are included in 'Transaction costs' in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

l) Classification of redeemable units

The Manager is required by IAS 32, *Financial Instruments: Presentation* ("IAS 32") to assess whether the redeemable units represents a liability of the Fund or equity of the Fund. The Fund does not have any obligation, other than on redemption of the units, to deliver cash or other financial instruments to the unitholders, since the Fund may pay its regular monthly distributions and any distributions it is required by its Declaration of Trust to make so that it does not become liable for income tax, in units rather than cash. Total expected cash flows attributable to the units over each of their lives are based substantially on net income, the change in net assets or the change in the fair value of assets over that time. As a result of these facts, the redeemable units meet the criteria of IAS 32 to be classified as equity.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The final version of IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. IFRS 9 has not yet been adopted by the Fund but is expected to be relevant to the Fund. The Fund has not yet begun the process of assessing the impact that the standard will have on its financial statements and has not yet determined when it will adopt the new standard.

IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. In addition, the own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring the financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgment made is the determination that the fair value option can be applied to the Fund's investments.

6. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and accordingly is subject to income tax on its income, including net realized capital gains, which is not paid or payable to the Fund's unitholders. The Fund's taxation year end is December 31. No provision for income taxes has been recorded in the accompanying financial statements as all net income and net realized capital gains of the Fund for the year are distributed to the unitholders to the extent necessary to reduce income taxes payable to nil.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

Non-capital loss carryforwards may be applied against future years' taxable income, and may be carried forward for 20 years from the year in which they are realized. As at December 31, 2014, the Fund had no non-capital losses carried forward (December 31, 2013 and January 1, 2013 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at December 31, 2014, the Fund had $1,663,003 in capital losses available for carryforward (December 31, 2013 – $1,663,003; January 1, 2013 – $34,207).

7. CASH AND CASH EQUIVALENTS
The Fund's cash and cash equivalents as at December 31, 2014, December 31, 2013 and January 1, 2013 comprised the following:

	December 31, 2014	December 31, 2013	January 1, 2013
Cash	**877,543**	94,253	1,204,939
Cash equivalents	**–**	499,115	3,997,730
	877,543	593,368	5,202,669

Cash equivalents as at December 31, 2013 comprised:

Type	**Issuer**	**DBRS, Moody's credit rating of issuer**	**Par value $**	**Maturity date**	**Yield**	**Fair Value $**
Banker's acceptance	HSBC Bank Canada	AA/R-1/Stable Aa3/P-1/Negative	500,000	February 25, 2014	1.18%	499,115

Cash equivalents as at January 1, 2013 comprised:

Type	**Issuer**	**DBRS, Moody's credit rating of issuer**	**Par value $**	**Maturity date**	**Yield**	**Fair Value $**
Banker's acceptance	HSBC Bank Canada	AA/R-1/Stable Aa3/P-1/Negative	3,000,000	January 22, 2013	1.18%	2,997,968
Banker's acceptance	TD Bank	AA/R-1/Stable Aa1/P-1/Negative	1,000,000	January 9, 2013	1.09%	999,762
			4,000,000			3,997,730

8. UNITHOLDERS' EQUITY
The Fund is authorized to issue an unlimited number of a single class of transferable and redeemable units each of which represents an equal, undivided interest in the net asset value ("NAV") of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund.

Units may be surrendered for redemption annually at the option of the unitholder during the period from September 15 until 5:00 p.m. (Toronto time) on the last business day in September, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption will be redeemed on the second last business day in October of each year (the Annual Redemption Date) and the redeeming unitholder will receive a redemption price per unit equal to 100% of the NAV per unit as determined on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption. For the purpose of calculating the NAV used in connection with the redemption of units, the value of the securities held by the Fund will be equal to the weighted average trading price of such securities over the last three business days preceding the Annual Redemption Date.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

If a significant number of units are redeemed, the trading liquidity of the units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer units resulting in a potentially lower distribution per unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the unitholders to do so. The Manager may also suspend the redemption of units in certain circumstances.

The 2014 annual redemption took place on October 30, 2014 and consisted of 1,248,710 units for redemption proceeds of $13,196,083 payable on November 20, 2014 (2013 – annual redemption on October 30, 2013 of 1,319,217 units for redemption proceeds of $12,456,499 payable on November 20, 2013).

The Fund has received approval from the TSX for normal course issuer bid ("NCIB") programs between specified dates, allowing the Fund to purchase units for cancellation on the TSX if they trade below NAV per unit. The maximum number of units which can be purchased and cancelled is specified for each NCIB. Units purchased and cancelled by the Fund for the years ended December 31, 2014 and December 31, 2013 were as follows:

				Units purchased and cancelled	
Approval date	**Start date**	**End date**	**Maximum units**	**2014**	**2013**
May 10, 2012	May 14, 2012	May 13, 2013	537,281	–	151,600
May 10, 2013	May 14, 2013	May 13, 2014	516,641	34,400	114,600
May 20, 2014	May 22, 2014	May 21, 2015	371,326	64,800	–
Total				99,200	266,200

When units of the Fund are redeemed or purchased for cancellation at a price per unit which is lower than the weighted average cost per unit, the difference is included in contributed surplus on the Statements of Financial Position. If the redemption or purchase price is greater than the weighted average cost per unit, the difference is first charged to contributed surplus until the entire account is eliminated, and the remaining amount is charged to retained earnings.

Unit transactions of the Fund for the years ended December 31, 2014 and 2013 were as follows:

	2014	**2013**
Units outstanding at beginning of year	3,844,984	5,404,932
Reinvestment of distributions	17,874	25,469
Redemption of units	(1,248,710)	(1,319,217)
Repurchase and cancellation of units	(99,200)	(266,200)
Units outstanding at end of year	2,514,948	3,844,984

9. CAPITAL MANAGEMENT

Units issued and outstanding are considered to be the capital of the Fund. The Fund's capital therefore comprises net assets of $25,863,533 (December 31, 2013 – $38,114,203; January 1, 2013 – $49,012,342). The Fund's objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing if applicable, or purchase units for cancellation.

10. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared on the Fund's behalf by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month, payable by the fifteenth business day of the following month. For the year ended, December 31, 2014, the Fund declared total distributions of $0.50 (2013 – $0.50) per unit, which amounted to $1,746,704 (2013 – $2,457,332). Under the Fund's distribution reinvestment plan ("DRIP"), unitholders may elect to reinvest monthly distributions in additional units of the Fund which are issued from treasury. In the year ended December 31, 2014, distributions of $186,465 were reinvested in 17,874 units of the Fund which were issued from treasury (year ended December 31, 2013 – distributions of $235,014 were reinvested in 25,469 units of the Fund which were issued from treasury).

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

11. EXPENSES

Management fees and other reasonable expenses incurred in the operations of the Fund are charged as expenses in the Statements of Comprehensive Income of the Fund, and include expenses paid by the manager on behalf of the Fund and subsequently recharged to the Fund as described in note 12.

The Fund pays for all other expenses incurred in connection with the operation and administration of the Fund, including: all costs of portfolio transactions, fees payable to third party services providers, custodial fees, legal, accounting, audit and valuation fees and expenses, expenses of the members of the independent review committee (“IRC”), expenses related to compliance with National Instrument 81-107, fees and expenses relating to the voting of proxies by a third party, costs of reporting to unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, taxes, brokerage commissions, costs and expenses relating to the issue of units of the Fund, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and all amounts paid on account of indebtedness.

12. RELATED PARTY TRANSACTIONS

In accordance with the Declaration of Trust, the Manager is entitled to an annual management fee aggregating to 1.75% per annum of the Net Asset Value of the Fund, comprised of 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and paid monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.50% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

For the year to December 31, 2014 the Fund expensed management fees of $705,921 (2013 – $887,380). As at December 31, 2014, the Fund had management fees payable of $63,618 (December 31, 2013 – $94,839; January 1, 2013 – $123,314) included in accrued liabilities.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2014 the Fund expensed IRC fees of $34,000 (2013 – $34,000), as well as investor relations costs of $18,408 (2013 – $25,927) and insurance premiums of $999 (2013 – $1,000) (both included in ‘other administrative expenses’) which were paid and recharged by the manager. As at December 31, 2014 the Fund owed the Manager $1,700 for recharged expenses (December 31, 2013 – $1,682; January 1, 2013 – $2,749) included in accrued liabilities.

Units held by the Manager and its affiliates represent 4.4% of the units outstanding at December 31, 2014 (December 31, 2013 – 2.9%, January 1, 2013 – 1.9%).

13. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2014 the Fund paid $39,882 (2013 – $54,827) in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

14. SECURITIES LENDING

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, which has a DBRS credit rating of AA / R-1 / Stable and a Moody’s credit rating of Aa3 / P-1 /Negative, as lending agent. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities and collateral on a specified future date. Income is earned in the form of fees paid by the counterparty and is recognised on the accrual basis in the Statements of Comprehensive Income. The Fund retains the risks and rewards of ownership of the securities loaned, and therefore these securities do not qualify for derecognition and therefore remain on the Statements of Financial Position of the Fund during the loan period. The risks and rewards of ownership include any gains or losses in market value of the securities, the ability to sell the securities, and any dividends or distributions on the securities for which the ex-dividend dates fall within the loan period.

The Fund receives collateral of at least 102% of the value of securities on loan. Should a borrower default on a securities loan, the Fund is entitled to the associated collateral. The Fund is not exposed to the risks and rewards of ownership of the collateral therefore the collateral is not included on the Fund’s Statements of Financial Position. Collateral may comprise: cash; debt that is issued or guaranteed by the Government of Canada or a province thereof, by the Government of the United States of America or of one of the states of the United States of America or of a sovereign state of the

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

G7 countries, or of Austria, Belgium, Denmark, Finland, Netherlands, Sweden or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers acceptances, banker bearer deposit notes, or irrevocable letters of credit; corporate debt or corporate commercial paper; or convertible securities.

The aggregate fair value of securities loaned (which equals their carrying amount) and the aggregate fair value of the collateral under securities lending transactions as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

As at December 31, 2014		As at December 31, 2013		As at January 1, 2013	
Fair value of securities loaned	**Fair value of collateral**	Fair value of securities loaned	Fair value of collateral	Fair value of securities loaned	Fair value of collateral
$3,564,447	**$3,762,771**	$4,252,531	$4,483,759	$13,695,346	$14,453,487

The collateral consists of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada or a province of Canada, debt that is issued or guaranteed by a financial institution whose short term debt is rated A-1 or R-1 or equivalent, and corporate debt.

15. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

a) Risk factors

The Fund's investment activities expose it to a variety of risks associated with financial instruments.

The Manager seeks to maximize the returns derived for the level of risk to which the Fund is exposed and to minimize potential adverse effects on the Fund's performance by employing professional and experienced portfolio managers, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objectives and restrictions. The Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment objectives and restrictions, internal guidelines and securities regulations.

b) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's assets represents the maximum credit risk exposure as at December 31, 2014, December 31, 2013 and January 1, 2013.

All transactions in listed securities are settled upon delivery using approved brokers. The trade will fail if either party fails to meet its obligations. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities at a future date. All counterparties are subject to a stringent examination of creditworthiness which includes a financial assessment of the company, a review of qualitative factors including management and corporate governance, comparison to similar companies and consideration of ratings assigned by external ratings agencies, and the value of collateral must be at least 102% of the fair value of the securities loaned. Therefore credit risk associated with these transactions is considered minimal.

The Fund limits its exposure to credit loss by dealing with counterparties, including the lending agent and the issuers of short-term debt instruments, of high credit quality (see notes 7 and 14). To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information. Given that the Fund is primarily invested in equities, credit risk is not considered significant.

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December 31, 2014 (continued)

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The Manager aims to moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The Fund's investment objectives include the requirement that its portfolio securities must exhibit low price volatility at the time of purchase, which may further reduce other price risk. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to price risk from its investment in income trusts and equity securities. As at December 31, 2014, had the prices of these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately $2,509,927 (December 31, 2013 – $3,762,538, January 1, 2013 – $4,436,235) or 9.7% (December 31, 2013 – 9.9%; January 1, 2013 – 9.0%) of total net assets. In practice, the actual results may differ and the impact could be material.

d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities and its redeemable units. The Fund is exposed to liquidity risk through the annual redemption of its units, because there may be insufficient trade volumes in the markets for the securities of the Fund or because the securities may be subject to legal or contractual restrictions on their resale. The Fund receives notice of at least 22 business days prior to the date of redemption of units and has up to 15 business days after the redemption date to settle the redemptions, which provides the Manager time to liquidate securities to fund the redemptions, although there remains a risk that the required funds cannot be obtained. All of the liabilities of the Fund mature in six months or less. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of. The Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the Fund is considered minimal.

e) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. The Fund is exposed to interest rate risk on its short-term debt instruments. Fluctuations in interest rates have a direct effect on the Fund's ability to earn interest income. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no significant exposure to interest rate risk due to the short term nature of its short-term debt instruments, which had maturities of less than three months.

f) Currency risk

Currency risk arises on financial instruments denominated in foreign currencies. Fluctuations in foreign exchange rates impact the valuation of assets and liabilities denominated in foreign currencies. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no direct exposure to currency risk since none of its financial instruments were denominated in foreign currencies.

g) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk,

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December 31, 2014 (continued)

expressed in terms of percentage of net assets invested by sector, as at December 31, 2014, December 31, 2013 and January 1, 2013:

Market Segment	December 31, 2014	December 31, 2013	January 1, 2013
Consumer Staples and Discretionary	19.4%	16.9%	14.7%
Financial Services	16.0%	14.3%	15.1%
Healthcare	–	–	4.4%
Industrial	6.4%	3.1%	9.6%
Materials	7.0%	10.5%	9.4%
Oil and Gas	7.7%	7.2%	7.0%
Pipes, Power, Utilities and Infrastructure	26.6%	26.8%	15.1%
Real Estate	5.6%	12.3%	11.0%
Technology	5.4%	5.1%	–
Telecom and media	3.1%	2.6%	4.2%

h) Fair value hierarchy

The Fund classifies fair value measurements within a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are unobservable. The determination of fair value require significant management judgment or estimation.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as of December 31, 2014, December 31, 2013 and January 1, 2013:

December 31, 2014

	Level 1	Level 2	Level 3	Total
Equities	**$ 25,099,274**	**$ –**	**$ –**	**$ 25,099,274**
	$ 25,099,274	**$ –**	**$ –**	**$ 25,099,274**

December 31, 2013

	Level 1	Level 2	Level 3	Total
Equities	$ 37,625,378	$ –	$ –	$ 37,625,378
	$ 37,625,378	$ –	$ –	$ 37,625,378

January 1, 2013

	Level 1	Level 2	Level 3	Total
Equities	$ 44,362,350	$ –	$ –	$ 44,362,350
	$ 44,362,350	$ –	$ –	$ 44,362,350

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December 31, 2014 (continued)

There were no transfers between the levels during the years ended December 31, 2014 and 2013.

16. FINANCIAL INSTRUMENTS BY CATEGORY

All of the Fund's assets and liabilities other than prepaid expenses and other assets are financial instruments. As at December 31, 2014, December 31, 2013 and January 1, 2013, all of the Fund's financial instruments other than investments were carried at amortized cost, and investments were carried at FVTPL having been designated as such on transition to IFRS.

For the year ended December 31, 2014, net gains on financial instruments designated at FVTPL were $4,442,207 (2013 – $7,321,310).

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This note summarizes the effects of the Fund's transition to IFRS.

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at FVTPL upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP, as required by Accounting Guideline 18, *Investment Companies*.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. International Accounting Standard 1, *Presentation of Financial Statements* requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	**December 31, 2013**	**January 1, 2013**
Unitholders' equity as reported under Canadian GAAP	$ 38,064,316	$ 48,864,383
Revaluation of investments at FVTPL	49,887	147,959
Unitholders' equity	$ 38,114,203	$ 49,012,342

Comprehensive income	**Year ended December 31, 2013**
Comprehensive income as reported under Canadian GAAP	$ 6,282,515
Revaluation of investments at FVTPL	(98,072)
Increase in net assets from operations	$ 6,184,443

Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair value of its investments in accordance with Section 3855, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $147,959 as at January 1, 2013 and $49,887 as at December 31, 2013. The impact of this adjustment was to decrease the Fund's increase in net assets from operations by $98,072 for the year ended December 31, 2013.

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