MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM SELECT INCOME FUND

2015 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 7.65%. The weighted average current cash yield on the Fund's equity portfolio was 5.95% as at December 31, 2015, 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

Fund Merger

On October 23, 2015 the Fund took part in a taxable merger with Bloom Income & Growth Canadian Fund ("BIG"). The merger was approved by unitholders of both funds at adjourned unitholder meetings held on October 8, 2015 and was also referred to the funds' Independent Review Committee ("IRC") for their recommendation. On July 20, 2015 the IRC recommended that Bloom implement the merger as planned and was of the opinion that the merger would achieve a fair and reasonable result for both funds.

As part of the merger, the Fund issued 1,237,099 units to BIG at the Fund's net asset value, in exchange for net assets valued at $11.8 million. These units were then transferred to the remaining unitholders of BIG in settlement of the redemption of their units of BIG. BIG was de-listed from the TSX and terminated. The Fund is the continuing fund.

Prior to the merger, BIG unitholders were given the opportunity to take part in a special redemption for cash, instead of redeeming their units for units of the Fund.

The Fund's stated investment restrictions provide that the Fund will not acquire a security that has a Beta equal to or greater than 1.0 at the time of investment. In connection with the merger, unitholders of the Fund approved an amendment to the Fund's declaration of trust to allow the Fund to acquire from BIG, as part of the merger, securities with a Beta (measurement of volatility) of equal to or greater than 1.0 but less than 1.5, that were identical to securities owned by the Fund. The value of such securities acquired from BIG, included in the value of net assets acquired, was $1.6 million.

Removal of Service Fee

As of end of day September 30, 2015, the obligation of the Manager to pay the service fee of 0.50% of the Fund's net asset value per annum to registered dealers was removed. Consequently, the component of the management fee paid by the Fund equal to the service fee was also removed, reducing the management fee from an aggregate amount of 1.75% to 1.25% of net asset value per annum.

The Manager made this change in recognition of: a) an industry trend, exhibited both by the actions of fund managers when launching new funds and by comments from securities regulators, away from the historical practice of paying service fees; and b) the increasingly common restrictions on investment advisors' ability to hold securities for their clients where the Manager pays a service fee in respect of such securities.

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, 2016

The Canadian Economy
Canadian GDP for the month of October, the most recent figure released, came in below consensus expectations, posting no growth. This came on the heels of a 0.5 percent decline in September, also worse than economists' expectations. Aside from predicted weakness in resource sectors, the biggest surprise was the decline in manufacturing.

GDP growth in the fourth quarter is now on track to be approximately 1.0%, below the Bank of Canada's forecast of 1.5%. For Canada to achieve meaningful growth in the first quarter, there remains significant reliance on the health of the U.S. economy and the corresponding lift through Canadian non-energy exports. We remain somewhat cautious on this front, as retail sales posted only a 0.1% gain in October (driven by price increases as volumes were actually down 0.3%), after falling 0.5% in September, highlighting the concern over the Canadian consumer's record debt burden.

November headline inflation came in at 1.4%, up from the 1.0% that was seen in October, still restrained by a sharp 11% drop in gasoline prices. Core CPI inflation, the Bank of Canada's operational target for monetary policy, came in higher at 2.0% in November, but down slightly from the 2.1% observed in October. This is the sixteenth consecutive month that core inflation has been at or above the Bank of Canada's 2% target. However, the outlook for inflation appears mixed, as the combination of the drop in gas prices and a weak Canadian dollar continue to drive a gap between headline consumer prices and the core measure of inflation.

Canadian housing starts continued to show strength in November, rising 7% from October and 10% from the prior year. However, a large part of this growth is being driven by the multi-residential or 'condo' market that has seen higher demand as a result of further urbanization and rising single home prices (especially in Toronto and Vancouver). While demand for housing has partially been bolstered by two rate cuts in the year, policy-makers modestly increased equity requirements for homebuyers in an effort to 'pull back the reins' on the market. Moreover, the slowdown in housing market activity in oil-producing provinces such as Alberta and Saskatchewan is expected to offset any increased activity in provinces that are seeing the positive impacts of low oil prices, such as Ontario and B.C.

In addition to the cost of financing, another key variable for the broader housing market is job growth and general unemployment levels, the latter sitting at 7.1% as of November, compared to 6.6% the year before. While this figure is up only marginally, the broader trend of job losses, including 36,000 losses in November, and the outlook for more weakness in resource-heavy regions (i.e. Alberta and the East Coast) leaves us with a cautious view.

Oil prices have continued to fluctuate owing to concerns of oversupply. During the last quarter, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, decreased by 10.5% from $64.06 to $57.31, compared to $66.11 a year ago. Furthermore, the Canadian AECO natural gas 12-month forward strip price declined from $2.66 to $2.40/GL for the quarter, and from $2.68/GL over the year. Canadian spot oil and gas prices at quarter-end stood at $51.26/barrel and $2.13/GL respectively, compared to $61.82/barrel and $3.19/GL at the end of 2014. A combination of a strong U.S. dollar, higher U.S. interest rates, increased tension in the Middle East and subdued global growth may keep commodity prices in check for much of the new year.

Market Performance
While it has been a difficult year for global equities, a slowdown in global growth is weighing particularly heavily on Canadian equities owing to its larger correlation with global output. The S&P/TSX Composite's resource-oriented sectors have been impacted by softer demand for commodities, while the country's trade reliance on oil has caused a significant depreciation in the Canadian dollar. This resulted in the S&P/TSX's currency-adjusted returns being one of the lowest amongst numerous major indices over the past year.

The S&P/TSX Composite Total Return Index for the last year returned negative 8.3%. The best performing sectors last year were Information technology (up 15.6%), Consumer Staples (up 12.4%) and Telecommunication Services (up 3.6%) while the worst performing sectors for the year were Energy (down 22.9%), Materials (down 21.0%) and Health Care (down 15.6%).

Outlook
In 2015 common equity income securities remained weaker than the broader market, mainly driven by continued weakness in oil and natural gas securities. The market weakness has been driven by the current balance between global supply and demand of oil, that we do not believe is sustainable. Oil prices will likely need to remain low for long enough to significantly reduce the supply from the U.S. (and other non-OPEC nations) from where it is today. Subsequently, those conditions should begin to lead to a modest recovery in oil prices which could start towards the end of this year.

We still believe one of the best strategies in this type of environment is to own stable, dividend paying and resilient companies with strong balance sheets and an inherent competitive advantage that are able to grow and thrive in any macro environment. As we maintain this stance for the longer-term, we again expect to see common equity income securities resume their dominant performance position that they held over the broader market for most of the last twenty years or longer. However, over the short-to-medium term, some of these securities are expected to remain volatile as the potential for further reductions to dividend payouts and capital budgets are traded off against a slowly improving medium-term commodities outlook.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2015 distributions totaled $0.50 per unit. The 2015 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 $1.848606 per unit.

Increase in Net Assets from Operations

The Fund's net investment loss was $1.7 million ($0.66 per unit) for the year ended December 31, 2015, arising from average portfolio investments during the year of $22.6 million. Income was comprised primarily of $1.2 million in dividend and distribution income and $1.3 million in net realized gains on sales of investments during the year, offset by a net unrealized loss for the year of $4.2 million.

Expenses were $0.7 million ($0.25 per unit) for the year, the major components being management fees of $434,767 and other administrative expenses of $64,312. Management fees, as a percentage of net asset value of the Fund, for the last quarter of the year, were lower due to the removal of the service fee as of end of day September 30, 2015 as described under "Recent Developments".

Net Asset Value

The net asset value per unit of the Fund was $8.98 at December 31, 2015, down by 12.6% from $10.28 at December 31, 2014. The aggregate net asset value of the Fund increased from $25.9 million at December 31, 2014 to $28.3 million as at December 31, 2015, primarily due to the acquisition of net assets of BIG in the fund merger of $11.8 million offset by the redemption of units of $5.0 million, net investment loss of $1.7 million, cash distributions to unitholders of $1.3 million (net of reinvested distributions) and the repurchase and cancellation of units under the normal course issuer bid of $0.8 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 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. 26,900 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2015 at a cost of $267,364 or $9.94 per unit.

The Fund received approval from the TSX on May 20, 2015 for a normal course issuer bid program from May 22, 2015 to May 21, 2016, allowing the Fund to purchase for cancellation up to 238,732 units on the TSX if they trade below net asset value per unit. 55,200 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2015 at a cost of $501,709 or $9.09 per unit.

Investment Portfolio

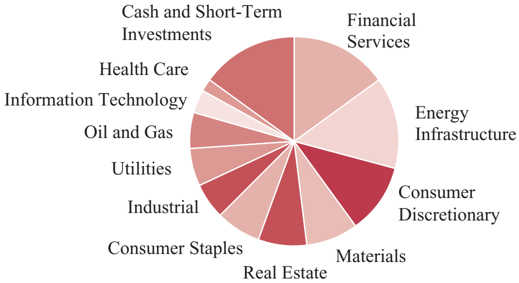
The Fund has established a portfolio comprised primarily of Canadian equities, income trusts and real estate investment trusts (REITs), each of which was selected to achieve the investment objectives of the Fund. The investment objectives of the Fund include the requirement that the Fund only invests 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 and short-term investments), cash and short-term investments has increased from 3.4% to 14.8% due to the Manager's more conservative stance on Canadian equities in the immediate term. Investment in the consumer discretionary sector has fallen from 19.1% to 10.9%, resulting primarily from the trimming of the Fund's holdings in Transcontinental Inc. and Enercare Inc. as these stocks had come to represent too large a percentage of the overall portfolio, due to their price appreciation.

The Fund had unrealized appreciation of $1.5 million in its portfolio as at December 31, 2015, with financial services and consumer discretionary sector holdings contributing $2.6 million of the total unrealized gain. Sectors with significant unrealized losses were materials and oil & gas, which contributed $1.5 million of unrealized losses as at the year end.

The Fund had net realized gains on sales of investments of $1.3 million during the year ended December 31, 2015, the most significant gain being from sales of the Fund's position in Transcontinental Inc., along with large gains on the sale of holdings in Premium Brands Holdings Corporation and DH Corporation. There was one significant realized loss, being that on the sale of the Fund's position in Colabor Group Inc.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Financial Services	$	4,327	15.2%
Energy Infrastructure		3,978	14.0%
Consumer Discretionary		3,105	10.9%
Materials		2,308	8.1%
Real Estate		2,087	7.4%
Consumer Staples		1,964	6.9%
Industrial		1,654	5.8%
Utilities		1,641	5.8%
Oil and Gas		1,543	5.4%
Information Technology		1,005	3.6%
Health Care		598	2.1%
Cash and Short-Term Investments		4,209	14.8%
Total	**$**	**28,419**	**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.

Prior to October 1, 2015 the Manager was 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.

As described under "Recent Developments", under the terms of the amended and restated declaration of trust dated October 23, 2015, the Manager ceased paying the service fee to registered dealers equal to 0.50% of the net asset value of the Fund and accordingly, effective October 1, 2015, the management fee payable to the Manager was reduced to 1.25% of the net asset value of the Fund.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. Prior to October 1, 2015, a portion of the management fee, equal to the service fee, was 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, 2015, management fees amounted to $434,767 including service fees of $95,456.

Services received by the Fund in consideration of the management fee, as an approximate percentage of the management fee, comprise portfolio advisory services (86%) and administrative services (14%). Administrative services include: appointment and monitoring of service providers; administration related to the payment of fund expenses and the deposit of fund receipts; payment of the service fee (prior to October 1, 2015); administrative services provided to the IRC; review and filing of tax returns; preparation, dissemination and filing of annual and interim reports; maintenance of proxy voting records and the voting of proxies; preparation of quarterly portfolio summaries; administration of the Fund's normal course issuer bid; regulatory reporting; and maintenance of the information on the Fund's website.

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, 2015 the Fund expensed Independent Review Committee ("IRC") fees of $36,200, audit fees of $315, investor relations costs of $12,855 and premiums for insurance coverage for members of the IRC of $499, 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 (“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, 2015 the IRC consisted of two members, both of whom are independent of the Manager.

The Manager has received two standing instructions 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.

2015 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 2015 on a per unit basis.

Record Date	Payment Date	Return of Capital	Total Distribution
Jan. 30, 2015	Feb. 16, 2015	$ 0.041666	$ 0.041666
Feb. 27, 2015	Mar. 16, 2015	$ 0.041666	$ 0.041666
Mar. 31, 2015	Apr. 15, 2015	$ 0.041666	$ 0.041666
Apr. 30, 2015	May 15, 2015	$ 0.041666	$ 0.041666
May 29, 2015	Jun. 15, 2015	$ 0.041666	$ 0.041666
Jun. 30, 2015	Jul. 15, 1015	$ 0.041666	$ 0.041666
Jul. 31, 2015	Aug. 17, 2015	$ 0.041666	$ 0.041666
Aug. 31, 2015	Sep. 15, 2015	$ 0.041666	$ 0.041666
Sep. 30, 2015	Oct. 15, 2015	$ 0.041666	$ 0.041666
Oct. 29, 2015	Nov. 16, 2015	$ 0.041666	$ 0.041666
Nov. 30, 2015	Dec. 15, 2015	$ 0.041666	$ 0.041666
Dec. 31, 2015	Jan. 15, 2016	$ 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, 2015 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.

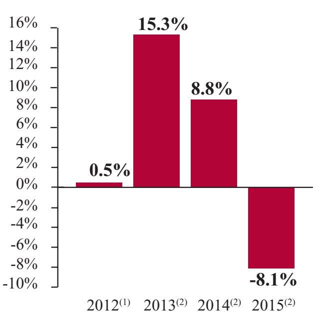
	One year	Three years	Since inception(1)
Bloom Select Income Fund (net of fees and expenses)	−8.1%	4.9%	4.1%
S&P/TSX Composite Total Return Index	−8.3%	4.6%	5.0%

(1) Period from April 20, 2012 (commencement of operations) to December 31, 2015

During the one and three year periods ended December 31, 2015, the Fund has outperformed the Index, after taking into account the expenses of the Fund, despite underperforming relative to the Index over the period since inception. 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, 2015 the Fund was overweight compared to the Index in the cash and short term investments and consumer discretionary sectors, and was underweight compared to the Index in the telecommunications, financials, health care and industrials 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 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, 2015	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)]	$ 10.28	$ 9.91	$ 9.07	$ 10.00
Unit issue expense[(3)]	–	–	–	(0.61)
Increase from operations:[(2)]				
Total revenue	0.46	0.46	0.53	0.34
Total expenses	(0.25)	(0.27)	(0.23)	(0.16)
Net realized gains (losses)	0.48	0.73	(0.31)	(0.03)
Net unrealized gains (losses)	(1.60)	0.05	1.24	(0.15)
Total increase in net assets from operations[(1)]	$ (0.91)	$ 0.97	$ 1.23	$ 0.00
Distributions to unitholders[(2)(4)]				
From net investment income	–	–	(0.07)	–
From return of capital	(0.50)	(0.50)	(0.43)	(0.35)
Total distributions to unitholders	$ (0.50)	$ (0.50)	$ (0.50)	$ (0.35)
Net assets per unit, end of period[(1)(2)]	$ 8.98	$ 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) $134,344 (2014: $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	2015	2014	2013	2012[1]
Net asset value (000s)[2]	$ 28,343	$ 25,864	$ 38,114	$ 49,012
Number of units outstanding[2]	3,155,539	2,514,948	3,844,984	5,404,932
Management expense ratio ("MER")[3]	2.46%	2.44%	2.37%	9.22%
Trading expense ratio[4]	0.09%	0.11%	0.12%	0.32%
Portfolio turnover rate[5]	14.18%	3.42%	10.62%	2.91%
Net asset value per Unit[2]	$ 8.98	$ 10.28	$ 9.91	$ 9.07
Closing market price[2]	$ 8.35	$ 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 2.46% for the year ended December 31, 2015, up from an MER of 2.44% in the period ended December 31, 2014. The increase is primarily due to the decrease in net asset value over the first ten months of the year through the annual redemption of units and market decreases, which, when paired with fixed costs, caused the MER to increase. This was offset by the acquisition of the net assets of BIG as part of the fund merger on October 23, 2015 and the termination of the payment of service fees as of September 30, 2015, both of which had the effect of reducing the MER. This reduction will continue into 2016.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2015

Total Net Assets (including Cash, Short-Term Investments and Other Net Assets)	$28,343,284

Portfolio Composition	% of Portfolio	% of Total Net Assets
Financial Services	15.2%	15.3%
Energy Infrastructure	14.0%	14.0%
Consumer Discretionary	10.9%	11.0%
Materials	8.1%	8.1%
Real Estate	7.4%	7.4%
Consumer Staples	6.9%	6.9%
Industrial	5.8%	5.8%
Utilities	5.8%	5.8%
Oil and Gas	5.4%	5.4%
Information Technology	3.6%	3.6%
Health Care	2.1%	2.1%
Cash and Short-Term Investments	14.8%	14.9%
Total Investment Portfolio	100.0%	100.3%
Other Non-Debt Net Assets (Liabilities)		(0.3%)
Total Net Assets		100.0%

Top 25 Holdings	% of Portfolio	% of Total Net Assets
Cash and Short-Term Investments	14.8%	14.9%
Superior Plus Corp.	5.8%	5.8%
Keyera Corp.	5.0%	5.1%
TD Bank Group	5.0%	5.0%
Chemtrade Logistics Income Fund	4.9%	4.9%
Scotiabank	4.8%	4.9%
InnVest REIT	4.8%	4.9%
Altus Group Limited	4.2%	4.2%
Vermilion Energy Inc.	4.0%	4.1%
Premium Brands Holdings Corporation	4.0%	4.0%
EnerCare Inc.	3.6%	3.6%
AltaGas Ltd.	3.5%	3.6%
DH Corporation	3.5%	3.6%
Pizza Pizza Royalty Corp.	3.5%	3.5%
Noranda Income Fund Priority Units	3.2%	3.2%
Northland Power Inc.	3.0%	3.0%
Loblaw Companies Limited	2.9%	2.9%
Veresen Inc.	2.9%	2.9%
Boralex Inc.	2.8%	2.8%
Thomson Reuters Corporation	2.6%	2.6%
Gibson Energy Inc.	2.6%	2.6%
Allied Properties REIT	2.5%	2.5%
Extendicare Inc.	2.1%	2.1%
Bonterra Energy Corp.	1.4%	1.4%
Transcontinental Inc.	1.3%	1.3%

*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 10, 2016

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, 2015 and 2014 and the statements of comprehensive income, changes in net assets and cash flows for the years then ended, 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 (IFRS), 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, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

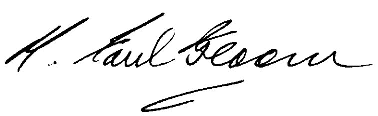
March 10, 2016

STATEMENTS OF FINANCIAL POSITION

As at		**December 31, 2015**		December 31, 2014
Assets				
Current assets				
Investments	**$**	**24,210,584**	$	25,099,274
Cash and cash equivalents (note 7)		**4,211,191**		877,543
Dividends and distributions receivable		**142,065**		127,770
Prepaid expenses and other assets		**43,882**		29,018
Total assets		**28,607,722**		26,133,605
Liabilities				
Current liabilities				
Distributions payable to unitholders		**131,504**		104,808
Accrued liabilities (note 12)		**132,934**		165,264
Total liabilities		**264,438**		270,072
Unitholders' equity (note 8)				
Unitholders' capital		**25,922,746**		20,417,094
Retained earnings		**2,420,538**		5,446,439
Net assets representing unitholders' equity	**$**	**28,343,284**	$	25,863,533
Net assets per unit	**$**	**8.98**	$	10.28

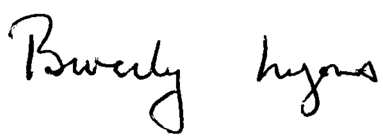
Approved on behalf of Bloom Select Income Fund by the Board of Directors of Bloom Investment Counsel, Inc., the Manager

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, 2015		December 31, 2014
Income				
Net gain (loss) on investments				
Dividend and distribution income	**$**	**1,196,959**	$	1,616,816
Interest for distribution purposes		**11,592**		19,570
Net realized gain on sale of investments		**1,262,760**		2,646,188
Net change in unrealized appreciation or depreciation on investments		**(4,185,225)**		171,759
Total net gain (loss) on investments		**(1,713,914)**		4,454,333
Other income				
Securities lending income (note 14)		**4,983**		7,444
Total other income		**4,983**		7,444
Total income (loss)		**(1,708,931)**		4,461,777
Expenses (Note 11)				
Management fees (note 12)		**434,767**		705,921
Independent Review Committee fees (note 12)		**36,200**		34,000
Unitholder reporting costs		**36,138**		28,246
Audit fees		**27,129**		37,446
Custody fees		**15,320**		13,026
Legal fees		**15,958**		7,599
Transaction costs (note 13)		**23,919**		39,882
Other administrative expenses		**64,312**		91,589
Total expenses		**653,743**		957,709
Increase (decrease) in net assets from operations	**$**	**(2,362,674)**	$	3,504,068
Weighted average units outstanding during the year		**2,623,718**		3,597,345
Increase (decrease) in net assets from operations per unit (note 3(i))	**$**	**(0.90)**	$	0.97

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2015 and 2014	Unitholders' capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2014	$ 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
Decrease in net assets from operations	**–**	**–**	**(2,362,674)**	**(2,362,674)**
Distributions to unitholders from return of capital	**(1,329,809)**	**–**	**–**	**(1,329,809)**
Issued on fund merger (note 16)	**11,764,951**	**–**	**–**	**11,764,951**
Reinvestment of distributions	**134,344**	**–**	**–**	**134,344**
Redemptions of units	**(4,403,236)**	**–**	**(554,752)**	**(4,957,988)**
Repurchase and cancellation of units	**(660,598)**	**–**	**(108,475)**	**(769,073)**
Balance at December 31, 2015	**$ 25,922,746**	**$ –**	**$ 2,420,538**	**$ 28,343,284**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the years ended	**December 31, 2015**	December 31, 2014
Cash flows from operating activities		
Increase (decrease) in net assets from operations	**$ (2,362,674)**	$ 3,504,068
Adjustment for:		
Net realized gain on sale of investments	**(1,262,760)**	(2,646,188)
Net change in unrealized appreciation or depreciation on investments	**4,185,225**	(171,759)
Decrease (increase) in dividends and distributions receivable	**(14,295)**	95,014
Increase in prepaid expenses and other assets	**(14,864)**	(4,798)
Decrease in accrued liabilities	**(32,330)**	(26,047)
Operating cash flows:		
Purchases of investments	**(3,210,285)**	(1,205,128)
Proceeds from sale of investments	**9,342,613**	16,308,660
Return of capital received	**9,398**	170,229
Capital gains distributions received	**15,231**	70,290
Net cash from operating activities	**6,655,259**	16,094,341
Cash flows used in financing activities		
Repurchase of units for cancellation	**(769,073)**	(998,416)
Redemptions of redeemable units	**(4,957,988)**	(13,196,083)
Distributions paid to holders of redeemable units, net of reinvestments	**(1,168,769)**	(1,615,667)
Cash acquired on fund merger (note 16)	**5,182,572**	–
Adjustment for net liabilities acquired on fund merger (note 16)	**(1,608,353)**	–
Net cash used in financing activities	**(3,321,611)**	(15,810,166)
Net increase in cash and cash equivalents	**3,333,648**	284,175
Cash and cash equivalents at beginning of year (note 7)	**877,543**	593,368
Cash and cash equivalents at end of year (note 7)	**$ 4,211,191**	$ 877,543
Interest received	**$ 9,287**	$ 20,150
Dividends and distributions received	**$ 1,182,664**	$ 1,952,349

The accompanying notes are an integral part of these financial statements

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2015		Cost	Fair value
No. of Units/ Shares			
	Canadian Equities		
	Consumer Discretionary		
63,600	EnerCare Inc.	$ 728,404	$ 1,015,056
72,900	Pizza Pizza Royalty Corp.	727,901	995,085
14,000	Thomson Reuters Corporation	534,222	733,740
20,900	Transcontinental Inc.	310,001	360,734
		2,300,528	**3,104,615**
	Consumer Staples		
12,700	Loblaw Companies Limited	732,603	829,818
29,700	Premium Brands Holdings Corporation	519,350	1,134,243
		1,251,953	**1,964,061**
	Energy Infrastructure		
32,600	AltaGas Ltd.	1,044,907	1,007,340
52,400	Gibson Energy Inc.	1,023,493	724,168
35,600	Keyera Corp.	1,053,734	1,433,256
91,800	Veresen Inc.	1,210,256	813,348
		4,332,390	**3,978,112**
	Financial Services		
60,800	Altus Group Limited	458,363	1,178,912
24,600	Scotiabank	1,392,122	1,376,862
10,300	Great-West Lifeco Inc.	248,377	355,659
26,100	TD Bank Group	1,119,849	1,415,664
		3,218,711	**4,327,097**
	Health Care		
62,000	Extendicare Inc.	538,160	598,300
		538,160	**598,300**
	Industrial		
153,700	Superior Plus Corp.	1,400,068	1,653,812
		1,400,068	**1,653,812**
	Materials		
78,400	Chemtrade Logistics Income Fund	1,327,005	1,400,224
389,800	Noranda Income Fund Priority Units	1,583,691	908,234
		2,910,696	**2,308,458**
	Oil and Gas		
23,000	Bonterra Energy Corp.	1,062,724	395,600
30,500	Vermilion Energy Inc.	1,408,931	1,147,105
		2,471,655	**1,542,705**
	Real Estate		
22,500	Allied Properties REIT	726,385	710,325
268,300	InnVest REIT	1,284,682	1,376,379
		2,011,067	**2,086,704**
	Information Technology		
31,800	DH Corporation	798,608	1,005,516
		798,608	**1,005,516**
	Utilities		
55,300	Boralex Inc.	723,472	799,638
45,100	Northland Power Inc.	754,516	841,566
		1,477,988	**1,641,204**
	Total Canadian equities	**$ 22,711,824**	**$ 24,210,584**
	Embedded broker commissions	**(27,242)**	
	Total investments	**$ 22,684,582**	**$ 24,210,584**

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, amended and restated as of October 23, 2015. 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.

The Fund merged with Bloom Income & Growth Canadian Fund ("BIG") on October 23, 2015 (the "Merger") as described in note 16.

The Fund's Declaration of Trust was amended and restated on October 23, 2015 in respect of the following matters, which were approved by unitholders of the Fund at a special meeting held on October 8, 2015:

- to allow for the acquisition from BIG of certain securities in connection with the Merger which had a Beta of equal to or greater than 1.0 but less than 1.5 that were identical to securities owned by the Fund on the date of the Merger;
- to allow for conversion of the Fund to an open-ended mutual fund trust, including an exchange-traded fund, in certain circumstances; and
- to allow for termination of the Fund in the event that the Fund's net asset value falls beneath $15 million for 10 consecutive business days.

The Fund's Declaration of Trust was also amended and restated on October 23, 2015 in respect of the following matters, which did not require unitholder approval:

- to reflect the removal, as of end of day September 30, 2015, the obligation of the Manager to pay the service fee of 0.50% of the Fund's net asset value per annum to registered dealers, and to remove the component of the management fee paid by the Fund equal to the service fee, reducing the management fee to 1.25% of net asset value per annum; and
- certain other changes as deemed appropriate to comply with changes to applicable law.

These financial statements were authorized for issue by the Manager on March 3, 2016.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

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").

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

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 in 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 period-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 period divided by the weighted average number of units outstanding during the period.

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.

m) Net assets per unit
The net assets per unit is calculated by dividing the net assets representing unitholders' equity by the total number of units outstanding at the end of the period.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

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.

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, 2015, the Fund had no non-capital losses carried forward (December 31, 2014 – 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, 2015, the Fund had $1,633,003 in capital losses available for carryforward (December 31, 2014 – $1,663,003).

7. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as at December 31, 2015 and 2014 comprised the following:

	2015	**2014**
Cash	**311,886**	877,543
Cash equivalents	**3,899,305**	–
	4,211,191	877,543

Cash equivalents as at December 31, 2015 comprised:

Type	**Issuer**	**DBRS, credit rating of issuer**	**Par value $**	**Maturity date**	**Yield**	**Fair Value $**
Banker's acceptance	TD Bank	AA/R-1/Negative	2,900,000	January 08, 2016	0.76%	2,899,578
Banker's acceptance	Royal Bank of Canada	AA/R-1/Negative	1,000,000	January 14, 2016	0.77%	999,727
			3,900,000			3,899,305

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

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.

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 2015 annual redemption took place on October 29, 2015 and consisted of 528,050 units for redemption proceeds of $4,957,988 payable on November 19, 2015 (2014 – annual redemption on October 30, 2014 of 1,248,710 units for redemption proceeds of $13,196,083 payable on November 20, 2014).

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, 2015 and 2014 were as follows:

				Units purchased and cancelled	
Approval date	**Start date**	**End date**	**Maximum units**	**2015**	**2014**
May 10, 2013	May 14, 2013	May 13, 2014	516,641	**–**	34,400
May 20, 2014	May 22, 2014	May 21, 2015	371,326	**26,900**	64,800
May 20, 2015	May 22, 2015	May 21, 2016	238,732	**55,200**	–
Total				**82,100**	99,200

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 in 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, 2015 and 2014 were as follows:

	2015	**2014**
Units outstanding at beginning of year	**2,514,948**	3,844,984
Reinvestment of distributions	**13,642**	17,874
Redemption of units	**(528,050)**	(1,248,710)
Repurchase and cancellation of units	**(82,100)**	(99,200)
Issued on fund merger (note 16)	**1,237,099**	–
Units outstanding at end of year	**3,155,539**	2,514,948

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 $28,343,284 (December 31, 2014 – $25,863,533). 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

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, 2015, the Fund declared total distributions of $0.50 (2014 – $0.50) per unit, which amounted to $1,329,809 (2014 – $1,746,704). 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, 2015, distributions of $134,344 were reinvested in 13,642 units of the Fund which were issued from treasury (year ended December 31, 2014 – distributions of $186,465 were reinvested in 17,874 units of the Fund which were issued from treasury).

In conjunction with the annual redemption described in note 8, the Fund made distributions of capital gains to redeeming unitholders in the amount of $1,226,086 (2014 – nil).

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
Prior to October 1, 2015 the Manager was entitled to an annual management fee aggregating to 1.75% per annum of the NAV of the Fund, comprised of 1.25% per annum of the NAV 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 NAV of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

As described in note 1, under the terms of the amended and restated declaration of trust dated October 23, 2015, the Manager ceased paying the service fee to registered dealers equal to 0.50% of the NAV of the Fund and accordingly, effective October 1, 2015, the management fee payable to the Manager was reduced to 1.25% of the NAV of the Fund.

For the year ended December 31, 2015 the Fund expensed management fees of $434,767 (2014 – $705,921) and prior to the Merger, BIG expensed management fees of $229,922 (2014 – $419,495). As at December 31, 2015, the Fund had management fees payable of $32,033 (December 31, 2014 – $63,618) 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, 2015 the Fund expensed IRC fees of $36,200 (2014 – $34,000) and audit fees of $315 (2014 – nil), as well as investor relations costs of $12,855 (2014 – $18,408) and insurance premiums of $499 (2014 – $999) (both included in 'other administrative expenses') which were paid and recharged by the Manager. Prior to the Merger, BIG expensed IRC fees of $31,585 (2014 – $34,000) and audit fees of $201 (2014 – nil), as well as investor relations costs of $4,067 (2014 – $19,732) and insurance premiums of $797 (2014 – 402) which were paid and recharged by the Manager. As at December 31, 2015 the Fund owed the Manager $1,252 for recharged expenses (December 31, 2014 – $1,700) included in accrued liabilities.

Units held by the Manager and its affiliates represent 5.9% of the units outstanding at December 31, 2015 (December 31, 2014 – 4.4%).

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

13. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2015 the Fund paid $23,919 (2014 – $39,882) 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, (as administrator), which has a DBRS credit rating of AAL / R-1M / Stable and a Moody's credit rating of A1 / P-1 / Stable, and BNY Mellon (as lending agent), which has a DBRS credit rating of AA / R-1 / Stable and a Moody's credit rating of A1 / P-1 / Stable. 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 in 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 in 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 G7 countries (except Japan and Italy), or of Austria, Denmark, or the Netherlands, 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, 2015 and 2014 are as follows:

2015		2014	
Fair value of securities loaned	**Fair value of collateral**	Fair value of securities loaned	Fair value of collateral
$3,938,456	**$4,139,120**	$3,564,447	$3,762,771

As at December 31, 2015, the collateral consists of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of a sovereign state of G7 countries (except Japan or Italy) or of Austria, Denmark or the Netherlands, and corporate debt (2014 – collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of a sovereign state of G7 countries or of Austria, Belgium, Denmark, the Netherlands, Sweden or Switzerland, 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (continued)

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, 2015 and December 31, 2014.

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.

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 portfolio securities. As at December 31, 2015, 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 $2,421,058 (December 31, 2014 – $2,509,927) or 8.5% (December 31, 2014 – 9.7%) 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, 2015 and 2014, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 (continued)

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, 2015 and 2014, 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, expressed in terms of percentage of net assets invested by sector, as at December 31:

Market Segment	2015	2014
Consumer Discretionary	**11.0%**	19.2%
Consumer Staples	**6.9%**	9.7%
Energy Infrastructure	**14.0%**	16.0%
Financial Services	**15.3%**	16.0%
Health Care	**2.1%**	–
Industrial	**5.8%**	4.2%
Materials	**8.1%**	7.0%
Oil and Gas	**5.4%**	7.7%
Real Estate	**7.4%**	5.5%
Information Technology	**3.6%**	5.4%
Utilities	**5.8%**	6.4%

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, 2015 and 2014:

December 31, 2015

	Level 1	Level 2	Level 3	Total
Equities	**$ 24,210,584**	**$ –**	**$ –**	**$ 24,210,584**
	$ 24,210,584	**$ –**	**$ –**	**$ 24,210,584**

December 31, 2014

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

There were no transfers between the levels during the years ended December 31, 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 (continued)

16. FUND MERGER

On October 23, 2015 (the "Effective Date"), a merger was completed between the Fund and Bloom Income & Growth Canadian Fund (the "Terminating Fund"). The Terminating Fund's units were redeemed by the Terminating Fund in exchange for units of the Fund at an exchange ratio calculated based on the relative NAV of the units of the Terminating Fund and the units of the Fund as at the close of trading on the TSX on the business day prior to the Effective Date. Unitholders of the Fund continued to hold the same number of units of the Fund as they held prior to the Merger and units of the Fund were issued to the Terminating Fund at a price equal to the NAV per unit of the Fund. The Manager obtained regulatory authority approval for the Merger. The acquisition method was used to record the Merger, and the Fund is regarded as the acquirer for accounting purposes. The Merger was performed on a taxable basis. No merger costs were charged to either the Terminating Fund, the Fund, or their unitholders.

The Fund acquired portfolio investments with a fair value of $8,190,732, cash of $5,182,572 and other net liabilities of $1,608,353. The Fund issued 1,237,099 units with a NAV of $11,764,951.

17. 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, 2015 and 2014, 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, 2015, net losses on financial instruments designated at FVTPL were $1,720,523 (2014 – gains of $4,442,207).

Corporate Information

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Lea M. Hill, BCom, FCSI

Cameron Goodnough, BCom, LLB, MBA (effective February 1, 2016)

Directors and Officers of Bloom Investment Counsel, Inc.

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