



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM SELECT INCOME FUND

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

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 interim management report of fund performance for Bloom Select Income Fund (the "Fund") contains financial information but does not contain the interim or audited annual financial statements of the Fund. The interim 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, RRIIF, 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.

FUND MERGER AND REMOVAL OF SERVICE FEE

Two events took place in the year ended December 31, 2015 which have affected the Fund’s net assets and management expense ratio compared to prior periods.

On October 23, 2015 the Fund took part in a taxable merger with Bloom Income & Growth Canadian Fund (“BIG”). As part of the merger, the Fund issued 1,237,099 units to BIG in exchange for net assets valued at \$11.8 million. In line with the Manager’s expectations, the increase in net assets has allowed the Fund to invest in a more diverse portfolio and to operate more efficiently. The combination of increased net assets and largely similar operating expenses compared to prior periods has had a beneficial effect on the management expense ratio.

Furthermore, 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, and further reducing the management expense ratio. The Manager made this change in recognition of: a) an industry trend 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



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.

RECENT DEVELOPMENTS

Investment Manager’s Report

July 5, 2016

Fund performance

The Fund demonstrated a positive 12.9% return in the six months ended June 30, 2016, compared to 9.8% for its benchmark index, the S&P/TSX Composite Total Return Index. This continues the outperformance seen over the one year and three year periods to June 30, 2016 (see “Past Performance” below).

Positions in Premium Brands Holding Corporation, InnVest REIT and Boralex Inc. were the greatest contributors to performance since the beginning of the year. The holding in Extencicare Inc. was a marginal detractor to performance.

On a sector basis, the Fund’s holdings in the financial services and energy sectors were the greatest contributors to performance over the period, offset primarily by the Fund’s health care sector holdings.

The Canadian Economy

Canadian GDP for the month of April, the most recent figure released, was in line with consensus expectations, posting 0.1% growth. This followed the 2.4% annualized pace of growth in the first quarter of 2016. The manufacturing industry

and the public sector were once again strong contributors to this very modest growth figure, offsetting the weak resource sector. The consensus view for growth in the second quarter should show a contraction due to the tragic and devastating wildfires that wreaked havoc in Northern Alberta. This contraction and subsequent recovery in the third quarter are both expected, and many observers remain focused on the outlook for 2017 with federal infrastructure spending to start and anticipated stabilization in resource prices to provide some tailwinds for growth.

The direct economic consequences of Brexit will be unclear for some time due to the two-year negotiation period from the date the exit is formally triggered, however, the U.K. accounts for a modest 2.5% of Canadian trade, suggesting the direct risk to the Canadian economy is minimal. While investors have since realized this with the TSX Composite mostly recovering back to levels before the vote, the big concern in our view is the potential for more protectionist trade policies given rumblings of other European countries' desires to have a similar referendum.

While its formal update has yet to incorporate the short-term impact of the Alberta wildfires, the Bank of Canada (BoC), revised its GDP forecast higher after incorporating the Federal Government's \$30 billion deficit projected for 2017. While it was positive for the growth outlook, higher global uncertainty will likely lead the BoC to maintain its benchmark rate at 0.5% unless there is another significant downturn in financial and commodity markets. The economy will likely undergo a multi-year restructuring that will see the commodity sector make up a smaller share of economic activity, while the weak Canadian dollar should boost exports in other sectors.

Supporting our view of lower-for-longer interest rates are inflationary pressures that remain very subdued in Canada (as well as in the U.S.). The most recent headline inflation in May came in at 1.5%, down from 1.7% in April, dragged down by lower gasoline prices; a factor that should keep this rate well below 2% until the latter part of this year. Core CPI inflation, the BoC's operational target for monetary policy, remained relatively stable at 1.9%, modestly lower than April's 2.0%. We expect this figure to remain close to the BoC's target throughout the year, as the relatively low level of the Canadian dollar should continue to make imported goods more expensive.

Concerns over Canada's overheated housing market continued to grow over the past quarter as home prices hit further all-time highs. Once again, Vancouver and Toronto posted the largest gains, driving up national home prices by 9% year over year in May. Warnings about the financial stability risk of rising home prices and elevated household debt were again raised by the OECD and were also recently highlighted by both the Prime Minister and Minister of Finance as growing areas of concerns. While we do not believe Canada to be close to the severely overheated housing market of 2007/08, we are growing more cautious, particularly as the Canadian economy has become more exposed to a downturn in jobs and economic shocks. With that said, housing starts have declined for each of the last three months to 188,500 as of May, down from 217,200 in January.

In addition to the already low cost of financing, another key variable for the broader housing market is job growth or general unemployment, the latter sitting at 6.9% as of May. The employment figure was up 14,000 from April, with full-time jobs offsetting part-time jobs, a positive development from the opposite trend we saw earlier in the year.

Oil prices have continued to fluctuate owing to lingering concerns of oversupply. Since the beginning of the year, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, increased by 14.8% from \$57.31 to \$65.80. Furthermore, the Canadian AECO natural gas 12-month forward strip price increased from \$2.40 to \$2.66/GL since January 1. Canadian spot oil and gas prices at the end of June stood at \$62.42/barrel and \$1.84/GL respectively. We believe that a return to long-term equilibrium prices will likely be a lengthy, two-part process as: 1) the daily oversupply must be erased; and 2) global storage inventories must return to normal levels.

Market Performance

Since the beginning of the year, the S&P/TSX has outperformed most developed-country markets, mainly owing to the significant rebound in resource prices. However our expectations are somewhat tempered given it is unlikely we will see the return of a booming commodity sector for some while.

We continue to believe that the performance of the S&P/TSX for the remainder of 2016 will likely depend upon the magnitude of recovery in global growth. As emerging market economies adjust to challenges brought by China's rebalancing coupled with the Eurozone and Japan's ongoing struggles, this growth remains fairly muted. With that said, the Brexit decision may lead central banks in most major economies to assist growth by keeping monetary policy highly accommodative.

On the earnings front, S&P/TSX forward estimates have decreased 8% since the beginning of the year, and are down 9% over the last 12 months. The market has decreased its expectations as consensus earnings growth for the next 12-18 months have fallen below 10%, from above 10% at the end of last year.

The S&P/TSX Composite Total Return Index since the beginning of the year returned positive 9.8%. The best performing sectors over the six months to the end of June were materials (up 52.3%), energy (up 19.3%) and utilities (up 17.3%). The worst performing sectors since the beginning of the year were health care (down 72.3%), information technology (down 5.7%) and consumer discretionary (up 0.1%).

Bond market returns since the beginning of the year mostly underperformed the S&P/TSX Composite Total Return Index. Long-Term (30-year) Government of Canada Bonds returned 10.2% since January 1, Mid-term (10-year) bonds provided a 4.6% return, short-term (5-year) bonds returned 1.7%, while 90-Day Treasury Bills returned 0.2% since the beginning of the year.

The Canadian dollar since the beginning of the year increased by 6.7% against the U.S. dollar but on a longer term basis, the trailing 12-month performance of the Loonie versus the U.S. dollar was negative 3.4%.

Outlook

Common equity income securities, in which our firm specializes, were generally stronger than the broader market since the beginning of the year aided by strength in oil and gas securities. While it is encouraging to see this improvement, the price of oil will likely not appreciate meaningfully from current levels in the near-term given that the supply from the U.S. (and other non-OPEC nations) has already declined significantly from the beginning of the year.

We continue to 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.

RESULTS OF OPERATIONS

Distributions

During the six months ended June 30, 2016 distributions totaled \$0.25 per unit. The 2016 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 \$2.098602 per unit.

Increase in Net Assets from Operations

The Fund's net investment gain was \$3.9 million (\$1.24 per unit) for the six months ended June 30, 2016, arising from average portfolio investments during the year of \$26.0 million. The gain was comprised primarily of \$0.7 million in dividend and distribution income and \$2.9 million in net unrealized gains on investments arising during the period.

Expenses were \$0.3 million (\$0.11 per unit) for the period, the major components being management fees of \$198,603 and other administrative expenses of \$38,990.

Net Asset Value

The net asset value per unit of the Fund was \$9.88 at June 30, 2016, up by 10% from \$8.98 at December 31, 2015. The aggregate net asset value of the Fund increased from \$28.3 million at December 31, 2015 to \$30.6 million as at June 30, 2016, primarily due to an investment gain, net of expenses, of \$3.5 million offset by cash distributions to unitholders of \$0.7 million (net of reinvested distributions) and the repurchase and cancellation of units under the normal course issuer bid of \$0.6 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, 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 or alternative Canadian trading platforms if they trade below net asset value per unit. 57,300 units were purchased and cancelled by the Fund under this normal course issuer bid in the six months ended June 30, 2016 at a cost of \$501,783 or \$8.76 per unit.

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The Fund received approval from the TSX on May 19, 2016 for a normal course issuer bid program from May 24, 2016 to May 23, 2017, allowing the Fund to purchase for cancellation up to 292,752 units on the TSX if they trade below net asset value per unit. 10,200 units were purchased and cancelled by the Fund under this normal course issuer bid in the six months ended June 30, 2016 at a cost of \$95,934 or \$9.41 per unit.

Investment Portfolio

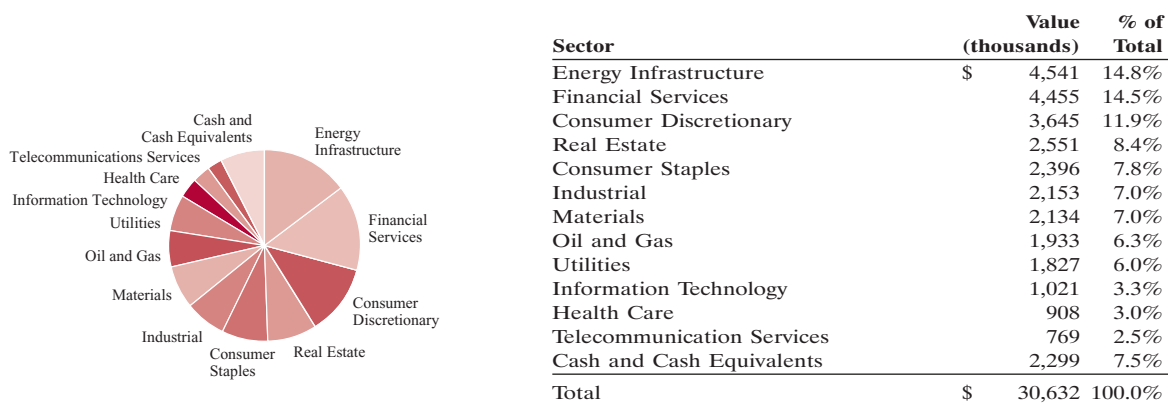
The Fund has established a portfolio comprised primarily of Canadian equities, income trusts and real estate investment trusts (REITs), each of which was selected to achieve the investment objectives of the Fund. The investment objectives of the Fund include the requirement that the Fund only invests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

Over the six months to June 30, 2016 the Fund has maintained a similar distribution of portfolio investments across the sectors, when expressed as a percentage of the portfolio (equities and cash and cash equivalents). The one exception is the telecommunication services sector which is new since December 31, 2015 due to the purchase of holdings in Shaw Communications. The proportion of the market value of the portfolio invested in cash and cash equivalents has decreased from 14.8% to 7.5% as the manager has been successful in identifying investment opportunities, adding new holdings in Corus Entertainment Inc., Sun Life Financial, Intertape Polymer Group and Shaw Communications, and adding to its holdings in Extencicare, Allied Properties REIT, Chemtrade Logistics Income Fund, Veresen Inc., EnerCare Inc. and Vermilion Energy Inc.

The Fund had net unrealized appreciation of \$4.4 million in its portfolio as at June 30, 2016, with significant unrealized gains totaling \$4.9 million displayed in the consumer staples, consumer discretionary, financial services, real estate and utilities sectors, being offset by unrealized losses of \$0.6 million in the oil and gas sector.

The Fund also had net realized gains of \$0.3 million primarily from the sale of the Fund's positions in Thomson Reuters and Great-West Lifeco Inc. and of holdings in Innvest REIT, offset by losses from the sale of holdings in Noranda Income Fund.

Portfolio Sectors



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 of 1.25% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus applicable taxes.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. During the six months ended June 30, 2016, management fees amounted to \$198,603.

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; administrative services provided to the Independent Review Committee (“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 six months ended June 30, 2016 the Fund expensed IRC fees of \$15,518, investor relations costs of \$7,596 and insurance premiums of \$149 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 June 30, 2016 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.

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 one year and three year periods ended June 30, 2016 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.

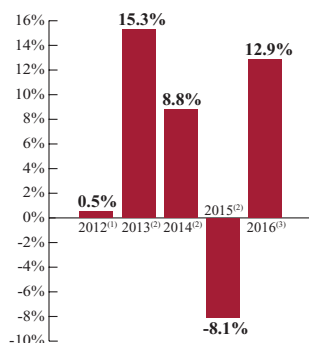
	One year	Three year	Since inception⁽¹⁾
Bloom Select Income Fund (net of fees and expenses)	6.0%	9.0%	6.6%
S&P/TSX Composite Total Return Index	-0.2%	8.2%	6.8%

⁽¹⁾ Period from April 20, 2012 (commencement of operations) to June 30, 2016

During the one year and three year periods ended June 30, 2016 the Fund has outperformed relative to the Index, and since inception 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 June 30, 2016 the Fund was overweight compared to the Index in the cash and energy infrastructure sectors, and was underweight compared to the Index in the materials, oil and gas 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

⁽³⁾ Six months from January 1 to June 30, 2016

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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⁾

	Six months ended June 30, 2016	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⁾	\$ 8.98	\$ 10.28	\$ 9.91	\$ 9.07	\$ 10.00
Unit issue expense⁽³⁾	–	–	–	–	(0.61)
Increase from operations:⁽²⁾					
Total revenue	0.21	0.46	0.46	0.53	0.34
Total expenses	(0.11)	(0.25)	(0.27)	(0.23)	(0.16)
Net realized gains (losses)	0.10	0.48	0.73	(0.31)	(0.03)
Net unrealized gains (losses)	0.93	(1.60)	0.05	1.24	(0.15)
Total increase in net assets from operations⁽¹⁾	\$ 1.13	\$ (0.91)	\$ 0.97	\$ 1.23	\$ 0.00
Distributions to unitholders⁽²⁾⁽⁴⁾					
From net investment income	–	–	–	(0.07)	–
From return of capital	(0.25)	(0.50)	(0.50)	(0.43)	(0.35)
Total distributions to unitholders	\$ (0.25)	\$ (0.50)	\$ (0.50)	\$ (0.50)	\$ (0.35)
Net assets per unit, end of period⁽¹⁾⁽²⁾	\$ 9.88	\$ 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 six months ended June 30, 2015 and 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⁾ \$58,316 (2015: \$134,344; 2014: \$186,465; 2013: \$235,014; 2012: \$98,622) of distributions were reinvested in units under the Fund's distribution reinvestment plan (DRIP). The remainder of the distributions were paid in cash.

Ratios and Supplemental Data

For the fiscal period ended	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012⁽¹⁾
Net asset value (000s) ⁽²⁾	\$ 30,567	\$ 28,343	\$ 25,864	\$ 38,114	\$ 49,012
Number of units outstanding ⁽²⁾	3,094,309	3,155,539	2,514,948	3,844,984	5,404,932
Management expense ratio ("MER") ⁽³⁾	2.17%	2.46%	2.44%	2.37%	9.22%
Trading expense ratio ⁽⁴⁾	0.08%	0.09%	0.11%	0.12%	0.32%
Portfolio turnover rate ⁽⁵⁾	9.24%	14.18%	3.42%	10.62%	2.91%
Net Asset Value per Unit ⁽²⁾	\$ 9.88	\$ 8.98	\$ 10.28	\$ 9.91	\$ 9.07
Closing market price ⁽²⁾	\$ 9.40	\$ 8.35	\$ 9.62	\$ 9.58	\$ 8.87

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

⁽²⁾ As at the period end date 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 2.17% for the six months ended June 30, 2016, down from an MER of 2.46% in the year ended December 31, 2015. The decrease is primarily due to the increase in net asset value through the merger with Bloom Income & Growth Canadian Fund in October 2015, which, when paired with largely fixed costs, caused the MER to decrease, and the cessation of the payment of service fees from October 1, 2015 onward.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2016

Total Net Assets (including Cash, Short Term Investments and Other Net Assets)	\$30,567,165
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Portfolio Composition	% of Portfolio	% of Total Net Assets
Energy Infrastructure	14.8%	14.9%
Financial Services	14.5%	14.6%
Consumer Discretionary	11.9%	11.9%
Real Estate	8.4%	8.3%
Consumer Staples	7.8%	7.8%
Industrial	7.0%	7.0%
Materials	7.0%	7.0%
Oil and Gas	6.3%	6.3%
Utilities	6.0%	6.0%
Information Technology	3.3%	3.4%
Health Care	3.0%	3.0%
Telecommunication Services	2.5%	2.5%
Cash	7.5%	7.5%
Total Investment Portfolio	100.0%	100.2%
Other Non-Debt Net Assets (Liabilities)		(0.2%)
Total Net Assets		100.0%

Top 25 Holdings	% of Portfolio	% of Total Net Assets
Cash	7.5%	7.5%
Superior Plus Corp.	5.4%	5.4%
Premium Brands Holdings Corporation	5.3%	5.3%
InnVest REIT	5.2%	5.2%
TD Bank Group	4.7%	4.7%
Chemtrade Logistics Income Fund	4.7%	4.7%
Keyera Corp.	4.6%	4.6%
Altus Group Limited	4.4%	4.4%
Veresen Inc.	4.3%	4.3%
Vermilion Energy Inc.	4.3%	4.3%
EnerCare Inc.	4.3%	4.3%
Scotiabank	3.9%	3.9%
Boralex Inc.	3.5%	3.5%
Pizza Pizza Royalty Corp.	3.5%	3.5%
AltaGas Ltd.	3.3%	3.4%
DH Corporation	3.3%	3.3%
Allied Properties REIT	3.1%	3.1%
Extendicare Inc.	3.0%	3.0%
Corus Entertainment Inc. Class B	2.9%	2.9%
Gibson Energy Inc.	2.6%	2.6%
Loblaw Companies Limited	2.6%	2.6%
Shaw Communications Class B	2.5%	2.5%
Northland Power Inc.	2.5%	2.5%
Noranda Income Fund Priority Units	2.3%	2.3%
Bonterra Energy Corp.	2.0%	2.0%

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.

BLOOM SELECT INCOME FUND – INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

NOTICE

The accompanying unaudited 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 statements have not been reviewed by the external auditors of the Fund.

Signed



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

August 8, 2016

Signed



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

BLOOM SELECT INCOME FUND – INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

STATEMENTS OF FINANCIAL POSITION (unaudited)

As at	June 30, 2016	December 31, 2015
Assets		
Current assets		
Investments	\$ 28,333,407	\$ 24,210,584
Cash and cash equivalents (note 7)	2,299,091	4,211,191
Dividends and distributions receivable	138,345	142,065
Prepaid expenses and other assets	28,311	43,882
Total assets	30,799,154	28,607,722
Liabilities		
Current liabilities		
Distributions payable to unitholders	128,927	131,504
Accrued liabilities (note 12)	103,062	132,934
Total liabilities	231,989	264,438
Unitholders' equity (note 8)		
Unitholders' capital	24,653,543	25,922,746
Retained earnings	5,913,622	2,420,538
Net assets representing unitholders' equity (note 16)	\$ 30,567,165	\$ 28,343,284
Net assets per unit	\$ 9.88	\$ 8.98

STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

See note 16 "Fund Merger on October 23, 2015"

For the six months ended	June 30, 2016	June 30, 2015
Income		
Net gain (loss) on investments		
Dividend and distribution income	\$ 652,758	\$ 597,362
Interest for distribution purposes	12,465	324
Net realized gain (loss) on sale of investments	309,612	(100,076)
Net change in unrealized appreciation or depreciation on investments	2,893,160	(697,678)
Total net gain (loss) on investments	3,867,995	(200,068)
Other income		
Securities lending income (note 14)	3,764	2,432
Total other income	3,764	2,432
Total income (loss)	3,871,759	(197,636)
Expenses (Note 11)		
Management fees (note 12)	198,603	225,498
Legal fees	21,264	5,205
Unitholder reporting costs	17,812	15,244
Independent Review Committee fees (note 12)	15,518	17,169
Audit fees	14,073	10,992
Custody fees	9,958	6,345
Transaction costs (note 13)	12,293	11,186
Other administrative expenses	38,990	35,679
Total expenses	328,511	327,318
Increase (decrease) in net assets from operations	\$ 3,543,248	\$ (524,954)
Weighted average units outstanding during the period	3,128,043	2,504,174
Increase (decrease) in net assets from operations per unit (note 3(i))	\$ 1.13	\$ (0.21)

The accompanying notes are an integral part of these financial statements

BLOOM SELECT INCOME FUND – INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

STATEMENTS OF CHANGES IN NET ASSETS (unaudited)

See note 16 “Fund Merger on October 23, 2015”

For the six months ended June 30, 2016 and 2015	Unitholders’ capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2015	\$ 20,417,094	\$ –	\$ 5,446,439	\$ 25,863,533
Decrease in net assets from operations	–	–	(524,954)	(524,954)
Distributions to unitholders from return of capital	(624,523)	–	–	(624,523)
Reinvestment of distributions	69,045	–	–	69,045
Repurchase and cancellation of units	(328,714)	–	(77,529)	(406,243)
Balance at June 30, 2015	\$ 19,532,902	–	\$ 4,843,956	\$ 24,376,858
Balance at January 1, 2016 (note 16)	\$ 25,922,746	\$ –	\$ 2,420,538	\$ 28,343,284
Increase in net assets from operations	–	–	3,543,248	3,543,248
Distributions to unitholders from return of capital	(779,966)	–	–	(779,966)
Reinvestment of distributions	58,316	–	–	58,316
Repurchase and cancellation of units	(547,553)	–	(50,164)	(597,717)
Balance at June 30, 2016	\$ 24,653,543	\$ –	\$ 5,913,622	\$ 30,567,165

STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended	June 30, 2016	June 30, 2015
Cash flows from operating activities		
Increase (decrease) in net assets from operations	\$ 3,543,248	\$ (524,954)
Adjustment for:		
Net realized (gain) loss on sale of investments	(309,612)	100,076
Net change in unrealized appreciation or depreciation on investments	(2,893,160)	697,678
Decrease in dividends and distributions receivable	3,720	29,069
Decrease (increase) in prepaid expenses and other assets	15,571	(13,473)
Decrease in accrued liabilities	(29,872)	(26,499)
Operating cash flows:		
Purchases of investments	(3,369,419)	(965,108)
Proceeds from sale of investments	2,400,338	4,506,679
Return of capital received	49,030	4,123
Capital gains distributions received	–	7,675
Net cash from (used in) operating activities	(590,156)	3,815,265
Cash flows used in financing activities		
Repurchase of units for cancellation	(597,717)	(406,243)
Distributions paid to holders of redeemable units, net of reinvestments	(724,227)	(556,931)
Net cash used in financing activities	(1,321,944)	(963,174)
Net increase (decrease) in cash and cash equivalents	(1,912,100)	2,852,091
Cash and cash equivalents at beginning of period (note 7)	4,211,191	877,543
Cash and cash equivalents at end of period (note 7)	\$ 2,299,091	\$ 3,729,634
Interest received	\$ 10,476	\$ –
Dividends and distributions received	\$ 656,478	\$ 626,431

The accompanying notes are an integral part of these financial statements

BLOOM SELECT INCOME FUND – INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)

As at June 30, 2016		Cost	Fair Value
No. of Units/ Shares			
	Canadian Equities		
	Consumer Discretionary		
76,800	EnerCare Inc.	\$ 930,757	\$ 1,313,280
72,900	Pizza Pizza Royalty Corp.	727,901	1,073,088
67,000	Corus Entertainment Inc. Class B	730,780	892,440
20,900	Transcontinental Inc.	310,001	365,959
		2,699,439	3,644,767
	Consumer Staples		
11,300	Loblaw Companies Limited	651,844	780,943
29,700	Premium Brands Holdings Corporation	519,350	1,615,680
		1,171,194	2,396,623
	Energy Infrastructure		
32,600	AltaGas Ltd.	1,044,908	1,023,640
52,400	Gibson Energy Inc.	1,023,493	785,476
35,600	Keyera Corp.	1,053,734	1,406,912
121,000	Veresen Inc.	1,444,813	1,324,950
		4,566,948	4,540,978
	Financial Services		
60,800	Altus Group Limited	458,363	1,354,016
19,000	Scotiabank	1,075,216	1,202,890
10,600	Sun Life Financial Inc.	415,149	449,864
26,100	TD Bank Group	1,119,849	1,448,028
		3,068,577	4,454,798
	Health Care		
111,600	Extendicare Inc.	945,417	908,424
		945,417	908,424
	Industrial		
153,700	Superior Plus Corp.	1,400,068	1,638,442
24,400	Intertape Polymer Group Inc.	451,810	514,352
		1,851,878	2,152,794
	Information Technology		
31,800	DH Corporation	798,608	1,021,098
		798,608	1,021,098
	Materials		
80,300	Chemtrade Logistics Income Fund	1,358,872	1,432,552
270,800	Noranda Income Fund Priority Units	1,104,307	701,372
		2,463,179	2,133,924
	Oil and Gas		
23,000	Bonterra Energy Corp.	1,062,724	612,030
32,100	Vermilion Energy Inc.	1,469,126	1,320,594
		2,531,850	1,932,624
	Real Estate		
24,700	Allied Properties REIT	781,363	955,396
229,000	InnVest REIT	1,003,068	1,596,130
		1,784,431	2,551,526
	Telecommunication Services		
31,000	Shaw Communications Inc. Class B	775,456	768,800
		775,456	768,800
	Utilities		
55,300	Borex Inc.	723,472	1,076,691
33,800	Northland Power Inc.	565,469	750,360
		1,288,941	1,827,051
	Total Canadian equities	\$ 23,945,918	\$ 28,333,407
	Embedded broker commissions	(31,673)	
	Total investments	\$ 23,914,245	\$ 28,333,407

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016

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.

These financial statements were authorized for issue by the Manager on August 8, 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”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Statements*.

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.

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.

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 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.

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 represent 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 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.

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 June 30, 2016, the Fund had no non-capital losses carried forward (December 31, 2015 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at June 30, 2016, the Fund had \$1,663,003 in capital losses available for carryforward (December 31, 2015 – \$1,663,003).

7. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as at June 30, 2016 and December 31, 2015 comprised the following:

	June 30, 2016	December 31, 2015
Cash	99,241	311,886
Cash equivalents	2,199,850	3,899,305
	<u>2,299,091</u>	<u>4,211,191</u>

Cash equivalents as at June 30, 2016 comprised:

Type	Issuer	DBRS credit rating of issuer	Par value \$	Maturity date	Yield	Fair value \$
Banker's acceptance	TD Bank	AA/R-1/Negative	<u>2,200,000</u>	July 04, 2016	0.83%	<u>2,199,850</u>

Cash equivalents 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	<u>1,000,000</u>	January 14, 2016	0.77%	<u>999,727</u>
			<u>3,900,000</u>			<u>3,899,305</u>

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.

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.

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

The fund merger described in note 16 resulted in the issuance of 1,237,099 units of the Fund on October 23, 2015.

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 six months ended June 30, 2016 and 2015 were as follows:

Approval date	Start date	End date	Maximum units	Units purchased and cancelled	
				2016	2015
May 20, 2014	May 22, 2014	May 21, 2015	371,326	–	26,900
May 20, 2015	May 22, 2015	May 21, 2016	238,732	57,300	14,200
May 19, 2016	May 24, 2016	May 23, 2017	292,752	10,200	–
Total				67,500	41,100

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 six months ended June 30, 2016 and 2015 were as follows:

	2016	2015
Units outstanding at beginning of period	3,155,539	2,514,948
Reinvestment of distributions	6,270	6,721
Repurchase and cancellation of units	(67,500)	(41,100)
Units outstanding at end of period	3,094,309	2,480,569

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 \$30,567,165 (December 31, 2015 – \$28,343,284). 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 six months ended, June 30, 2016, the Fund declared total distributions of \$0.25 (2015 – \$0.25) per unit, which amounted to \$779,966 (2015 – \$624,523). 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 six months ended June 30, 2016, distributions of \$58,316 were reinvested in 6,720 units of the Fund which were issued from treasury (six months ended June 30, 2015 – distributions of \$69,045 were reinvested in 6,721 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.

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.

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and paid monthly in arrears. Prior to October 1, 2015 the Manager was entitled 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 six month ended June 30, 2016 the Fund expensed management fees of \$198,603 (2015 – \$225,498). As at June 30, 2016, the Fund had management fees payable of \$34,500 (December 31, 2015 – \$32,033) 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 six months ended June 30, 2016 the Fund expensed IRC fees of \$15,518 (2015 – \$17,169) and audit fees of nil (2015 – \$315), as well as investor relations costs of \$7,596 (2015 – \$7,865) and insurance premiums of \$149 (2015 – \$413) (both included in ‘other administrative expenses’) which were paid and recharged by the manager. As at June 30, 2016 the Fund owed the Manager \$1,404 for recharged expenses (December 31, 2015 – \$1,252) included in accrued liabilities.

Units held by the Manager and its affiliates represent 6.1% of the units outstanding at June 30, 2016 (December 31, 2015 – 5.9%).

13. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the six months ended June 30, 2016 the Fund paid \$12,293 (2015 – \$ 11,186) 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 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, or of Austria, Belgium, Denmark, Finland, Netherlands, Spain, Sweden, 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

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016		December 31, 2015	
Fair value of securities loaned	Fair value of collateral	Fair value of securities loaned	Fair value of collateral
\$ 4,565,905	\$ 4,802,150	\$ 3,938,456	\$ 4,139,120

As at June 30, 2016, 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 Italy) or of the Netherlands (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).

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 June 30, 2016 and December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 June 30, 2016, 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 \$2,833,341 (December 31, 2015 – \$2,421,058) or 9.3% (December 31, 2015 – 8.5%) 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 June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015:

Market Segment	June 30, 2016	December 31, 2015
Consumer Discretionary	11.9%	11.0%
Consumer Staples	7.8%	6.9%
Energy Infrastructure	14.9%	14.0%
Financial Services	14.6%	15.3%
Health Care	3.0%	2.1%
Industrial	7.0%	5.8%
Information Technology	3.4%	3.6%
Materials	7.0%	8.1%
Oil and Gas	6.3%	5.4%
Real Estate	8.3%	7.4%
Telecommunication Services	2.5%	–
Utilities	6.0%	5.8%

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2016 (continued)

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 June 30, 2016 and December 31, 2015:

June 30, 2016

	Level 1		Level 2		Level 3		Total
Equities	\$ 28,333,407	\$	–	\$	–	\$	28,333,407
	\$ 28,333,407	\$	–	\$	–	\$	28,333,407

December 31, 2015

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

There were no transfers between the levels during the six months ended June 30, 2016 and 2015.

16. FUND MERGER ON OCTOBER 23, 2015

On October 23, 2015 (the “Effective Date”), the merger was completed between the Fund and Bloom Income & Growth Canadian Fund (“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 net asset value (“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, because units of the Fund were issued to the Terminating Fund at a price equal to the NAV per unit of the Fund, the issuance was not dilutive to the Fund’s Unitholders. 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. No merger fees 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 June 30, 2016 and December 31, 2015, 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 six months ended June 30, 2016, net gains on financial instruments designated at FVTPL were \$3,859,294 (2015 – losses of \$197,960).

**CORPORATE
INFORMATION**

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