MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

# BLOOM SELECT INCOME FUND

# INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2020

**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 (1-855-256-6618) or by sending a request to Unitholder Information, 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 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.*

## 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.

### RECENT DEVELOPMENTS

The ongoing spread of the novel coronavirus causing COVID 19 continues to negatively impact global stock markets and may do so for some time, affecting the valuation of the Fund's investment portfolio and consequently the net asset value and net asset value per unit of the Fund. The negative effects on the Fund of this coronavirus and any other epidemics and pandemics that may arise in the future could be complex and cannot necessarily be foreseen at the present time. The Manager continues to monitor events as they unfold and has successfully implemented an enhanced business continuity plan to ensure the seamless operation of the Manager in its roles as manager and portfolio advisor of the Fund during a period of pandemic related lockdown, by facilitating uninterrupted work and communication from home as well as addressing the various service providers.

### INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

The Manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, foundations, 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, for four TSX listed closed end funds.

### INVESTMENT MANAGER'S REPORT

July 2, 2020

**Fund performance**

For the first six months of the year, the Fund outperformed the S&P/TSX High Dividend Total Return Index; however, performance lagged behind the broader S&P/TSX Composite Total Return Index. In a challenging first half for Canadian dividend paying stocks, positions in Northland Power Inc., Boralex Inc. and Choice Properties REIT were the greatest contributors to performance. The strongest performing sectors for the Fund were Utilities, Industrials and Health Care.

The most recent measure of Active Share for Bloom Select Income Fund was a very high 85%. Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. We believe this high Active Share gives the Fund a greater ability to take advantage of upside opportunities or protect against downside risk very distinctly in comparison to the great number of less active manager's with performance that closely follows the benchmark.

Since the Fund is actively managed, the sector weightings differ from those of the indices mentioned above (the "Indices"). The Fund's portfolio contains predominantly high dividend paying securities, whereas the S&P/TSX Composite Total Return Index does not necessarily focus on this type of investment. Also, the investment objectives of the Fund dictate that the Fund invest only in stocks displaying a low volatility at the time of purchase, and therefore the Fund is unable to purchase a significant number of stocks included in the Indices. As well, the Fund may invest in issuers that are not included in the Indices. Further, the Indices are calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses. For these reasons it is not expected that the Fund's performance will mirror those of the Indices.

**The Canadian Economy**

Consensus economic forecasts for Canada have shown a slight improvement in the past month with the average forecast now predicting a 6.6% GDP decline this year and a 5.1% rebound next year.

A key topic that has emerged is the gap that exists between private sector economic forecasts and those from official or government bodies. Forecasts from official bodies and governments have been much more negative. Some observers attribute this to government officials especially in central banks and on the monetary side maintaining this stance to ensure the needed fiscal stimulus is enacted by government politicians and bureaucrats. The key point to keep in mind is that not only is economic data being released during a period of virtually unprecedented volatility but the data is also highly unreliable in some cases given the difficulties imposed by COVID-19 on collection and measurement.

The housing sector data being released is surprising to the upside in relation to what official bodies were expecting. CMHC recently estimated home prices could fall as much as 12% in the next 18 months, whereas they predicted an 18% decline over 12 months just weeks prior. Since listings and sales (supply and demand) have been trending together, the impact on price of the steep declines in volume thus far has been minor. The housing shortage that existed prior to March could return when conditions normalize, but a significant consideration will be the timing and resumption of strong immigration trends.

The direction of interest rates received a great deal of attention until recently. The reality of current circumstances surrounding COVID-19 will put this conversation on hold for some time as central banks will not be required to contemplate rate increases in the near-term. Economic realities brought on by this current crisis will increase deflationary risks. Stay-at-home and decreased travel caused a steep drop in fuel prices, but May saw a 20% surge as the economy began to re-open and prices continued to rise in June. Retail items such as apparel are pressuring prices down while food prices and alcohol remain strong. Retail sales dropped 26.4% in April but are expected to be sharply higher in June as phased economic re-openings began. Supply chains adjusting to source more goods domestically could be a factor in upward price pressure in the medium-term.

Another topic that had been receiving much attention was Canada's trade with China and the United States. This appears to be receiving much less attention for the time-being or has been de-prioritized. This is most likely a structural issue and as conditions normalize should regain prominence.

The consumer indebtedness of Canadians was high going into this recession and increased unemployment and lower incomes will put further adverse pressure on this metric. The risk of rising interest rates and therefore decreased debt affordability is likely to be lessened considerably if rates, as expected, continue to be lower for longer, providing some offset.

Reminiscent of the financial crisis in 2008-2009, economists and market participants are grappling with the shape of an economic recovery. The same language and symbols are being used — "V-shaped", "L", "U", "W" and square root. Also, the often used phrase of green-shoots meaning any positive sign of a recovery has made a return. Taking this into consideration would seem prudent: better to be approximately right and acknowledge heightened uncertainty (and position accordingly) with regard to the economic recovery rather than be precisely wrong in trying to achieve pinpoint accuracy.

**Market Performance**

The S&P/TSX Composite Total Return Index year-to-date returned negative 7.5% at the end of June. The comparative return for the S&P/TSX High Dividend Total Return Index was negative 21.3%. The Financials and Energy sectors remain two of the largest sectors in both the Composite and High Dividend Index despite the fact that the non-dividend paying technology stock, Shopify, represents roughly 6% of the Composite Index.

Insights that can be inferred from sector weights are that capitalization has been a more significant contributor to performance than sector. Going forward, we expect that smaller and mid-capitalization companies could have relative outperformance upside. The High Dividend Index's performance is generally supported in low interest rate environments such as the one we are in now as investors seek alternative forms of income. The fact that this Index has underperformed recently in the short-term would also suggest the potential for a relative performance opportunity. Precious metals and gold (Materials) have been particularly strong with low real interest rates and weakening government credit worthiness due to higher projected deficits and debt.

Increased volatility returned to the markets on June 11th following a negative outlook from the Federal Reserve in the United States. Consistent with this, the Fed indicated interest rates would remain near zero through 2022. High reported cases globally of COVID-19 and concerns over a second wave also contributed to weakness. By the end of the week the U.S. market had fallen 7%. Much of this pullback was attributed to the rally in the preceding weeks and markets being overbought on positive sentiment concerning monetary stimulus, fiscal stimulus and economic re-opening. However, on June 16th markets reversed course and resumed their ascent on positive news that the Fed would buy individual corporate bonds having previously only purchased corporate credit Exchange Traded Funds (ETFs) under a secondary market facility. This was further supported by news of a U.S. administration $1 trillion infrastructure spending program. The U.S. Labor Department reporting employers adding 2.5 million jobs in May against an expectation for a loss of 8 million jobs was also a catalyst. We expect this volatility to continue for some time.

A fair amount of repositioning in investment portfolios has also characterized this market. Money has flowed to stocks that were the most obvious beneficiaries of the current environment with investors trying to determine what is more short-term in nature and what changes are more structural. Examples of areas expected to benefit include an acceleration of the trend towards eCommerce, cloud-related technology, the wide range of work-from-home (WFH) related businesses in addition to outdoor home improvement, personal sports, and in-home leisure businesses as people spend an increased amount of time around their homes. At other times money rushes to other areas that are considered recovery or re-opening trades, which include some of the hardest hit businesses such as energy, travel, entertainment and hospitality.

The Canadian dollar depreciated against the U.S. dollar during the period by 4.3%, but during the last quarter has appreciated by 3.6%. The Loonie has fallen against the U.S. dollar by 3.6% over the trailing 12-months.

**Outlook**
At present, reactionary and short-term actions continue to guide the investments of many market participants with their investment orientation solely chasing certain recovery stocks or beneficiaries from the current crisis. Though changes must be understood and incorporated and we have taken such actions, we think that most aspects of our approach are enduring and should be adhered to. Considerations like fundamentals, valuation and a history that has shown higher yielding stocks to outperform remain core to our discipline and should not be lost sight of during challenging markets like the ones we are currently navigating on behalf of the Fund.

**RESULTS OF OPERATIONS**
**Distributions**
During the six months ended June 30, 2020 distributions totaled $0.25 per unit. The 2020 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 $4.098602 per unit.

**Decrease in Net Assets from Operations**
The Fund's net investment loss was $2.6 million ($1.64 per unit) for the six months ended June 30, 2020, arising from average portfolio investments during the period of $11.3 million. The loss was comprised primarily of $3.4 million negative net change in unrealized appreciation/depreciation during the period, offset by $0.6 million in net realized gains on sales of investments and $0.2 million in dividend and distribution income during the period.

Expenses were $0.2 million ($0.12 per unit) for the period, the major components being management fees of $91,927 and other administrative expenses of $39,810.

**Net Asset Value**
The net asset value per unit of the Fund was $7.95 at June 30, 2020, down by 20.2% from $9.96 at December 31, 2019. The aggregate net asset value of the Fund decreased from $15.6 million at December 31, 2019 to $12.5 million as at June 30, 2020, due to net investment loss of $2.6 million, cash distributions to unitholders of $0.4 million (net of reinvested distributions) and expenses of $0.2 million.

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

**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.

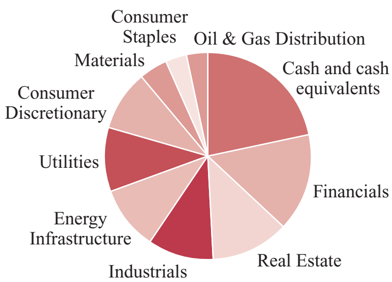
Over the six months to June 30, 2020 the Fund's investment in the Real Estate sector has increased from 9.5% of the portfolio (equities, cash and cash equivalents) to 12.0%, due to the purchase of positions in Canadian Apartment Properties RIET and Choice Properties REIT and an increase in the value of Altus Group Ltd shares (some of which were sold to take advantage of price strength). Mainly due to the purchase of a position in Morneau Sheppell Inc., the Industrials sector holdings increased from 8.1% of the portfolio to 10.3%. The Materials sector has decreased from 8.0%

to 4.4% of the portfolio, due to greater than average price weakness in this sector over the period. The Fund's position in the Health Care sector has decreased from 3.2% to zero, due to the sale of the Fund's position in Extendicare Inc. The Consumer Staples sector has decreased from 5.7% to 3.3% due to the sale of part of the Fund's position in Premium Brands Holdings Corporation at an advantageous price. Largely as a result of the decision to increase the Fund's cash position through the sales of certain stocks in addition to the general reduction in values over the period, the Fund's cash and cash equivalents position increased in the six month period from 12.2% to 21.9%.

The Fund had net unrealized appreciation of $0.6 million in its portfolio as at June 30, 2020, with significant unrealized gains of $0.5 million in the Real Estate sector and $0.6 million in the Utilities sector. There were unrealized losses of $1.2 million and $0.6 million in the Materials and Consumer Discretionary sectors respectively.

Despite the market downturn in the period, the Fund had net realized gains of $0.6 million primarily from the sale of holdings in Altus Group Limited, Premium Brands Holdings Corporation, Northland Power Inc. and Boralex Inc. These gains were offset by losses on the sale of holdings in Cineplex Inc. and Chemtrade Logistics Income Fund along with the Fund's position in Extendicare Inc.

**Portfolio Sectors**




| Sector | | Value (thousands) | % of Total |
|---|---|---|---|
| Cash and cash equivalents | $ | 2,751 | 21.9% |
| Financials | | 1,921 | 15.3% |
| Real Estate | | 1,504 | 12.0% |
| Industrials | | 1,289 | 10.3% |
| Energy Infrastructure | | 1,281 | 10.2% |
| Utilities | | 1,257 | 10.0% |
| Consumer Discretionary | | 1,171 | 9.4% |
| Materials | | 553 | 4.4% |
| Consumer Staples | | 416 | 3.3% |
| Oil & Gas Distribution | | 401 | 3.2% |
| **Total** | **$** | **12,543** | **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 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, 2020, management fees amounted to $91,927.

Services received by the Fund in consideration of the management fee, as an approximate percentage of the management fee, comprise portfolio advisory services (70%) and administrative services (30%). 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; regulatory reporting; and maintenance of the information on the Fund's website.

**Other expenses recharged to the Fund**

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.

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain of these expenses of the Fund. For the six months ended June 30, 2020 the Fund expensed IRC fees of $13,610, filing fees of $221, wire service fees of $288, unitholder information costs of $3,384 and premiums for insurance coverage for members of the IRC of $416, which were paid and recharged by the Manager.

## 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, 2020 the IRC consisted of three members, all of whom are independent of the Manager.

The Manager has received three 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.

**Redemption of Units Held or Controlled by Access Persons**

The standing instruction requires that the Manager follow its policy and procedures concerning the redemption of units held or controlled by Access Persons of the Manager, which will, in the IRC's opinion, result in a fair and reasonable result for the Fund. Access Persons include employees, their spouses, life partners, and family members (including minor and adult children) sharing a home with an employee, as well as any others for whose accounts the employee can exercise control. 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.

All past performance for periods prior to the Fund's merger with Bloom Income & Growth Canadian Fund on October 23, 2015 are for the Fund only.

**Annual Compound Returns**

The following table shows the Fund's annual compound return for the one, three and five year periods ended June 30, 2020 and the period since inception, compared with the S&P/TSX Composite Total Return Index ("TR Index") and the S&P/TSX Composite High Dividend Total Return Index ("HD Index"). The TR 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. The HD Index is a more narrowly-based strategy index consisting of 50 to 75 stocks selected from the S&P/TSX Composite Index focusing on divided income, and is included as it reflects the Fund's strategy of investing in dividend paying stocks.

Since the Fund is actively managed, the sector weightings differ from those of the TR Index and the HD Index (together, the "Indices"). The Fund's portfolio contains predominantly high dividend paying securities, whereas the TR Index does not necessarily focus on this type of investment. Also, the investment objectives of the Fund dictate that the Fund invest only in stocks displaying a low volatility at the time of purchase, and therefore the Fund is unable to purchase a significant number of stocks included in the Indices. As well, the Fund may invest in issuers that are not included in the Indices Further, the Indices are calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses. For these reasons it is not expected that the Fund's performance will mirror those of the Indices.

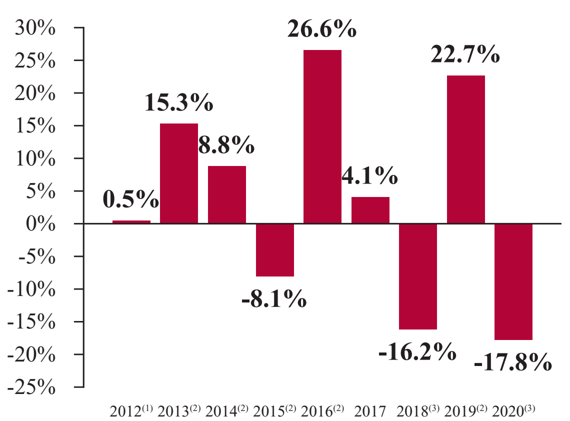
| | One year | Three years | Five years | Since inception[1] |
|---|---|---|---|---|
| **Bloom Select Income Fund (net of fees and expenses)** | −12.5% | −4.6% | 0.9% | 3.2% |
| **S&P/TSX Composite Total Return Index** | −2.2% | 3.9% | 4.5% | 6.2% |
| **S&P/TSX Composite High Dividend Total Return Index** | −14.4% | −2.1% | 1.4% | 3.6% |

[1] Period from April 20, 2012 (commencement of operations) to June 30, 2020

During the one year period ended June 30, 2020 the Fund has outperformed the HD Index, whilst underperforming the TR Index, and for the three and five year periods ended June 30, 2020 and since inception, the Fund has underperformed relative to the Indices, 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 differences in individual portfolio selections between the Fund's portfolio and the Indices within each of the sectors, which result in different average sector returns. It may also reflect differences in average sector weightings between the Fund's portfolio and the Indices over these periods.

**Year-by-Year Returns Net of Fees**

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, 2020

**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)]**

| For the fiscal period ended | June 30, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|---|
| **Net assets per unit, beginning of period[(1)(2)]** | $ 9.96 | $ 8.55 | $ 10.74 | $ 10.81 | $ 8.98 |
| **Increase (decrease) from operations:[(2)]** | | | | | |
| Total revenue | 0.17 | 0.38 | 0.41 | 0.42 | 0.43 |
| Total expenses | (0.12) | (0.25) | (0.24) | (0.23) | (0.22) |
| Net realized gains (losses) | 0.38 | (0.59) | 0.70 | 0.40 | 1.19 |
| Net unrealized gains (losses) | (2.19) | 2.34 | (2.43) | (0.18) | 0.89 |
| **Total increase (decrease) in net assets from operations[(1)]** | $ (1.76) | $ 1.88 | $ (1.61) | $ 0.41 | $ 2.29 |
| **Distributions to unitholders[(2)(3)]** | | | | | |
| From net investment income | – | (0.07) | (0.12) | (0.03) | – |
| From return of capital | (0.25) | (0.43) | (0.38) | (0.47) | (0.50) |
| **Total distributions to unitholders** | $ (0.25) | $ (0.50) | $ (0.50) | $ (0.50) | $ (0.50) |
| **Net assets per unit, end of period[(1)(2)]** | $ 7.95 | $ 9.96 | $ 8.55 | $ 10.74 | $ 10.81 |

[(1)] This information is derived from the Fund's financial statements to which International Financial Reporting Standards apply.

[(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)] $36,210 (2019: $69,426; 2018: $72,515; 2017: $94,184; 2016: $112,769) 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, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|---|
| Net asset value (000s)[1] | $ 12,468 | $ 15,581 | $ 14,496 | $ 21,537 | $ 25,807 |
| Number of units outstanding[1] | 1,568,214 | 1,564,031 | 1,694,719 | 2,004,625 | 2,386,883 |
| Management expense ratio ("MER")[2] | 2.72% | 2.61% | 2.33% | 2.08% | 2.16% |
| Trading expense ratio[3] | 0.09% | 0.04% | 0.04% | 0.05% | 0.09% |
| Portfolio turnover rate[4] | 10.7% | 9.64% | 6.94% | 11.72% | 15.07% |
| Net Asset Value per Unit[1] | $ 7.95 | $ 9.96 | $ 8.55 | $ 10.74 | $ 10.81 |
| Closing market price[1] | $ 7.56 | $ 9.51 | $ 8.39 | $ 10.40 | $ 10.20 |

(1) As at the period end date shown

(2) 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. Total expenses are expressed as an annualized percentage of the average net asset value during the period.

(3) 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.

(4) 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 2.72% for the six months ended June 30, 2020, up from an MER of 2.61% in the year ended December 31, 2019. The increase is primarily due to the lower average net asset value in the six months ended June 30, 2020 compared to the year ended December 31, 2019, paired with certain costs which do not reduce with net asset value.

## SUMMARY OF INVESTMENT PORTFOLIO

**As at June 30, 2020**

| | |
|---|---|
| Total Net Assets (including Cash, Short Term Investments and Other Net Assets) | $12,467,796 |

| Portfolio Composition | % of Portfolio | % of Total Net Assets |
|---|---|---|
| Cash and cash equivalents | 21.9% | 22.1% |
| Financials | 15.3% | 15.4% |
| Real Estate | 12.0% | 12.1% |
| Industrials | 10.3% | 10.3% |
| Energy Infrastructure | 10.2% | 10.3% |
| Utilities | 10.0% | 10.1% |
| Consumer Discretionary | 9.4% | 9.4% |
| Materials | 4.4% | 4.4% |
| Consumer Staples | 3.3% | 3.3% |
| Oil & Gas Distribution | 3.2% | 3.2% |
| Total Investment Portfolio | 100.0% | 100.6% |
| Other Non-Debt Net Assets (Liabilities) | | (0.6%) |
| Total Net Assets | | 100.0% |

| Top 25 Holdings* | % of Portfolio | % of Total Net Assets |
|---|---|---|
| Cash and cash equivalents | 21.9% | 22.1% |
| Transcontinental Inc. Class A | 5.5% | 5.5% |
| Boralex Inc. | 5.4% | 5.5% |
| Superior Plus Corp. | 5.0% | 5.1% |
| Northland Power Inc. | 4.6% | 4.6% |
| Enbridge Inc. | 4.3% | 4.3% |
| Sun Life Financial Inc. | 4.2% | 4.2% |
| Bank of Nova Scotia | 4.1% | 4.2% |
| Manulife Financial Corporation | 3.9% | 4.0% |
| Premium Brands Holdings Corporation | 3.3% | 3.3% |
| Intertape Polymer Group Inc. | 3.2% | 3.2% |
| Parkland Corporation | 3.2% | 3.2% |
| Altus Group Limited | 3.2% | 3.2% |
| TD Bank Group | 3.0% | 3.1% |
| Allied Properties REIT | 3.0% | 3.0% |
| Gibson Energy Inc. | 3.0% | 3.0% |
| Keyera Corp. | 3.0% | 3.0% |
| Canadian Apartment Properties Real Estate Income Trust | 2.9% | 2.9% |
| Choice Properties Real Estate Income Trust | 2.9% | 2.9% |
| Park Lawn Corporation | 2.7% | 2.7% |
| Noranda Income Fund Class A | 2.5% | 2.5% |
| Morneau Shepell Inc. | 2.0% | 2.0% |
| Chemtrade Logistics Income Fund | 2.0% | 2.0% |
| Cineplex Inc. | 1.1% | 1.1% |

*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.*

* Securities legislation requires the Fund's top 25 holdings to be presented. However, the Fund currently has less than 25 holdings.

## 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.*

Signed

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

August 10, 2020

## STATEMENTS OF FINANCIAL POSITION (unaudited)

| As at | | **June 30, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Investments at fair value | **$** | **9,792,288** | $ | 13,751,916 |
| Cash and cash equivalents (note 5) | | **2,750,546** | | 1,913,702 |
| Dividends and distributions receivable | | **26,665** | | 45,907 |
| Prepaid expenses and other assets | | **23,585** | | 15,978 |
| **Total assets** | | **12,593,084** | | 15,727,503 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Distributions payable to unitholders | | **65,341** | | 65,179 |
| Accrued liabilities (note 10) | | **59,947** | | 81,667 |
| **Total liabilities** | | **125,288** | | 146,846 |
| **Unitholders' equity (note 6)** | | | | |
| Unitholders' capital | | **9,766,623** | | 10,121,992 |
| Retained earnings | | **2,701,173** | | 5,458,665 |
| **Net assets representing unitholders' equity** | **$** | **12,467,796** | $ | 15,580,657 |
| **Net assets per unit** | **$** | **7.95** | $ | 9.96 |

*The accompanying notes are an integral part of these financial statements*

## STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

| For the six months ended | June 30, 2020 | June 30, 2019 |
|---|---|---|
| **Income** | | |
| Net gain (loss) on investments | | |
| Dividend and distribution income | $ **248,125** | $ 316,414 |
| Interest for distribution purposes | **12,145** | 12,073 |
| Net realized gain (loss) on sale of investments | **601,271** | (1,055,467) |
| Net change in unrealized appreciation or depreciation on investments | **(3,431,022)** | 3,154,540 |
| **Total net gain (loss) on investments** | **(2,569,481)** | 2,427,560 |
| Other income | | |
| Securities lending income (note 12) | **384** | 1,193 |
| **Total other income** | **384** | 1,193 |
| **Total income (loss)** | **(2,569,097)** | 2,428,753 |
| **Expenses (note 9)** | | |
| Management fees (note 10) | **91,927** | 108,506 |
| Unitholder reporting costs | **14,973** | 13,452 |
| Audit fees | **14,395** | 14,347 |
| Independent Review Committee fees (note 10) | **13,610** | 14,049 |
| Portfolio transaction costs (note 11) | **5,748** | 3,100 |
| Custody fees | **5,114** | 5,590 |
| Legal fees | **2,818** | 2,193 |
| Other administrative expenses | **39,810** | 47,212 |
| **Total expenses** | **188,395** | 208,449 |
| **Increase (decrease) in net assets from operations** | $ **(2,757,492)** | $ 2,220,304 |
| **Weighted average units outstanding during the period** | **1,566,007** | 1,696,636 |
| **Increase (Decrease) in net assets from operations per unit (note 3(i))** | $ **(1.76)** | $ 1.31 |

## STATEMENTS OF CHANGES IN NET ASSETS (unaudited)

| For the six months ended June 30, 2020 and 2019 | Unitholders' capital | Retained earnings | Total |
|---|---|---|---|
| Balance at January 1, 2019 | $ 11,670,689 | $ 2,825,320 | $ 14,496,009 |
| Increase in net assets from operations | – | 2,220,304 | 2,220,304 |
| Distributions to unitholders | (424,225) | – | (424,225) |
| Reinvestment of distributions | 34,464 | – | 34,464 |
| Balance at June 30, 2019 | $ 11,280,928 | $ 5,045,624 | $ 16,326,552 |
| **Balance at January 1, 2020** | **$ 10,121,992** | **$ 5,458,665** | **$ 15,580,657** |
| **Decrease in net assets from operations** | **–** | **(2,757,492)** | **(2,757,492)** |
| **Distributions to unitholders** | **(391,579)** | **–** | **(391,579)** |
| **Reinvestment of distributions** | **36,210** | **–** | **36,210** |
| **Balance at June 30, 2020** | **$ 9,766,623** | **$ 2,701,173** | **$ 12,467,796** |

*The accompanying notes are an integral part of these financial statements*

## STATEMENTS OF CASH FLOWS (unaudited)

| For the six months ended | | **June 30, 2020** | | June 30, 2019 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Increase (decrease) in net assets from operations | **$** | **(2,757,492)** | $ | 2,220,304 |
| Adjustment for: | | | | |
| Net realized loss (gain) on sale of investments | | **(601,271)** | | 1,055,467 |
| Net change in unrealized appreciation or depreciation on investments | | **3,431,022** | | (3,154,540) |
| Decrease in dividends and distributions receivable | | **19,242** | | 3,292 |
| (Increase) in prepaid expenses and other assets | | **(7,607)** | | (4,880) |
| (Increase) in accrued liabilities | | **(21,720)** | | (21,428) |
| Operating cash flows: | | | | |
| Purchases of investments | | **(1,210,114)** | | (638,896) |
| Proceeds from sale of investments | | **2,332,319** | | 1,097,281 |
| Return of capital received | | **7,510** | | 14,373 |
| Capital gains distributions received | | **162** | | – |
| **Net cash from operating activities** | | **1,192,051** | | 570,973 |
| **Cash flows used in financing activities** | | | | |
| Distributions paid to holders of redeemable units, net of reinvestments | | **(355,207)** | | (389,619) |
| **Net cash used in financing activities** | | **(355,207)** | | (389,619) |
| Net increase in cash and cash equivalents | | **836,844** | | 181,354 |
| Cash and cash equivalents at beginning of period (note 5) | | **1,913,702** | | 1,571,277 |
| **Cash and cash equivalents at end of period (note 5)** | **$** | **2,750,546** | $ | 1,752,631 |
| Interest received | **$** | **13,456** | $ | 10,966 |
| Dividends and distributions received | **$** | **267,367** | $ | 319,706 |

*The accompanying notes are an integral part of these financial statements*

## SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)

| No. of Units/ Shares | As at June 30, 2020 | Cost | Fair Value |
|---|---|---|---|
| | **Canadian Equities** | | |
| | **Consumer Discretionary** | | |
| 17,700 | Cineplex Inc. | $ 750,831 | $ 142,308 |
| 15,100 | Park Lawn Corporation | 332,780 | 338,542 |
| 45,700 | Transcontinental Inc. Class 'A' | 728,407 | 690,070 |
| | | **1,812,018** | **1,170,920** |
| | **Consumer Staples** | | |
| 4,800 | Premium Brands Holdings Corporation | 83,935 | 415,680 |
| | | **83,935** | **415,680** |
| | **Energy Infrastructure** | | |
| 13,000 | Enbridge Inc. | 584,505 | 536,640 |
| 17,700 | Gibson Energy Inc. | 345,722 | 374,001 |
| 17,900 | Keyera Corp. | 539,827 | 369,993 |
| | | **1,470,054** | **1,280,634** |
| | **Financial Services** | | |
| 9,200 | Bank of Nova Scotia | 520,631 | 516,856 |
| 26,700 | Manulife Financial Corporation | 668,706 | 493,149 |
| 10,600 | Sun Life Financial Inc. | 415,149 | 528,834 |
| 6,300 | TD Bank Group | 270,308 | 381,717 |
| | | **1,874,794** | **1,920,556** |
| | **Industrial** | | |
| 33,700 | Intertape Polymer Group Inc. | 642,879 | 403,726 |
| 8,000 | Morneau Shepell Inc. | 252,325 | 253,520 |
| 56,800 | Superior Plus Corp. | 519,218 | 631,616 |
| | | **1,414,422** | **1,288,862** |
| | **Materials** | | |
| 45,200 | Chemtrade Logistics Income Fund | 638,927 | 245,888 |
| 270,800 | Noranda Income Fund Class 'A' | 1,098,625 | 307,358 |
| | | **1,737,552** | **553,246** |
| | **Oil & Gas Distribution** | | |
| 11,900 | Parkland Corp. | 308,461 | 401,149 |
| | | **308,461** | **401,149** |
| | **Real Estate** | | |
| 9,200 | Allied Properties REIT | 244,146 | 376,832 |
| 9,800 | Altus Group Ltd. | 73,881 | 399,742 |
| 7,500 | Canadian Apartment Properties REIT | 368,660 | 364,425 |
| 28,500 | Choice Properties REIT | 351,548 | 363,090 |
| | | **1,038,235** | **1,504,089** |
| | **Utilities** | | |
| 22,100 | Boralex Inc. | 325,529 | 682,890 |
| 16,900 | Northland Power Inc. | 282,734 | 574,262 |
| | | **608,263** | **1,257,152** |
| | **Total Canadian equities** | **$ 10,347,734** | **$ 9,792,288** |
| | **Embedded broker commissions** | **(14,600)** | |
| | **Total investments** | **$ 10,333,134** | **$ 9,792,288** |

## NOTES TO FINANCIAL STATEMENTS (unaudited)
*June 30, 2020*

### 1. GENERAL INFORMATION
Bloom Select Income Fund (the "Fund") is a closed-end investment trust established under the laws of the province of Ontario pursuant to a declaration of trust dated March 22, 2012. The declaration of trust was amended and restated as of October 23, 2015 at the time of the Fund's merger with Bloom Income & Growth Canadian Fund. 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 10, 2020.

### 2. BASIS OF PRESENTATION
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Statements.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss ("FVTPL"). The preparation of financial statements in conformity with IFRS management to exercise its judgment in the process of applying the Fund's significant accounting policies. Actual results could differ from those estimates.

### 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 recognizes, classifies and measures financial instruments in accordance with IFRS 9. IFRS 9 requires financial instruments to be recognized initially at their fair value and then classified as subsequently as measured at amortized cost, measured at fair value with changes in fair value taken through other comprehensive income or measured at fair value with changes in fair value recognized in profit and loss ("FVTPL") based on the Fund's business model for managing financial assets in accordance with the Fund's documented investment strategy and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment.

The Fund recognizes financial instruments at fair value, plus transaction costs in the case of financial instruments measured at amortized cost, upon initial recognition. Purchases and sales of financial instruments are recognized on their respective trade dates.

The Fund's investments are measured at FVTPL. All other financial instruments are measured at amortized cost (which is the amount to be received or paid, discounted where appropriate at the contract's effective interest rate). Amortization and changes in fair value are recognized in the Statements of Comprehensive Income.

**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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

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 14. 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. 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 when the right to receive payment is established, which is generally on the ex-dividend or ex-distribution date. Interest for distribution purposes shown in the Statements of Comprehensive Income represents coupon interest received by the Fund and is recognized on a time-proportionate basis. Interest income includes interest from cash and cash equivalents. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

**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 unitholders 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. Any distributable net realized capital gains in a year may be allocated for tax purposes to redeeming unitholders in that year, as permitted by the Fund's declaration of trust.

**k) Portfolio transaction costs**
Commissions and other portfolio transaction costs on purchases and sales of investments are expensed and are included in 'Portfolio transaction costs' in the Statements of Comprehensive Income. Portfolio 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 sure that it does not become liable for income tax, in units rather than cash. Total expected cash flows attributable to the units over 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. 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, less any income that can be retained by the use of tax credits available to the Fund. The Fund's taxation year end is December 31. No provision for income taxes has been recorded in the accompanying financial statements as the Fund has determined that it is in substance not taxable since 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 assets or liabilities related to capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as a deferred income tax asset or liabilities.

Non-capital loss carry forwards 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, 2020, the Fund had no non-capital losses carried forward (December 31, 2019 – 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, 2020, the Fund had $1,924,829 capital losses available for carryforward (December 31, 2019 – $1,924,829).

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

### 5. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as at June 30, 2020 and December 31, 2019 comprised the following:

| | | June 30, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Cash | **$** | **311,487** | $ | 140,632 |
| Cash equivalents | | **2,439,059** | | 1,773,070 |
| | **$** | **2,750,546** | $ | 1,913,702 |

Cash equivalents at June 30, 2020 comprised:

| Type | Issuer | DBRS, credit rating of issuer | Par Value $ | Maturity date | Coupon | Fair value $ |
|---|---|---|---|---|---|---|
| Banker's acceptance | TD Bank Group | AA / R-1 / Stable | 1,000,000 | July 6, 2020 | 0.35% | 999,951 |
| Banker's acceptance | TD Bank Group | AA / R-1 / Stable | 200,000 | August 4, 2020 | 0.30% | 199,944 |
| Banker's acceptance | Royal Bank of Canada | AA / R-1 / Stable | 900,000 | September 16, 2020 | 0.32% | 899,392 |
| Banker's acceptance | Royal Bank of Canada | AA / R-1 / Stable | 340,000 | September 23, 2020 | 0.29% | 339,772 |

Cash equivalents at December 31, 2019 comprised:

| Type | Issuer | DBRS, credit rating of issuer | Par Value $ | Maturity date | Coupon | Fair value $ |
|---|---|---|---|---|---|---|
| Banker's acceptance | TD Bank Group | AA / R-1 / Stable | 1,400,000 | March 6, 2020 | 1.87% | 1,395,357 |
| Banker's acceptance | TD Bank Group | AA / R-1 / Stable | 380,000 | April 29, 2020 | 1.86% | 377,713 |

### 6. 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 2019 annual redemption took place on October 30, 2019 and consisted of 138,086 units for redemption proceeds of $1,302,815 payable on November 20, 2019.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

Unit transactions of the Fund for the six months ended June 30, 2020 and 2019 were as follows:

| | **2020** | 2019 |
|---|---|---|
| Units outstanding at beginning of period | **1,564,031** | 1,694,719 |
| Reinvestment of distributions | **4,183** | 3,735 |
| Units outstanding at end of period | **1,568,214** | 1,698,454 |

The closing market price of the Fund's units on June 30, 2020 was $7.56 (December 31, 2019: $9.51).

## 7. CAPITAL MANAGEMENT

For operating purposes, redeemable units issued and outstanding are considered to be the capital of the Fund. As at June 30, 2020 the Fund's capital therefore comprised net assets of $12,467,796 (December 31, 2019 – $15,580,657). 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.

## 8. 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, 2020, the Fund declared total distributions of $0.25 (2019 – $0.25) per unit, which amounted to $391,579 (2019 – $424,225). 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, 2020, distributions of $36,210 were reinvested in 4,183 units of the Fund which were issued from treasury (six months ended June 30, 2019 – distributions of $34,464 were reinvested in 3,735 units of the Fund which were issued from treasury).

In conjunction with the annual redemption described in note 6, the Fund made no distributions of capital gains to redeeming unitholders.

## 9. 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 10.

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.

## 10. RELATED PARTY TRANSACTIONS

In accordance with the Declaration of Trust, the Manager is entitled to an annual management fee of 1.25% per annum of the NAV of the Fund, calculated weekly and paid monthly in arrears, plus applicable taxes.

For the six months ended June 30, 2020 the Fund expensed management fees of $91,927 (2019 – $108,506). As at June 30, 2020, the Fund had management fees payable of $14,294 (December 31, 2019 – $17,569) included in accrued liabilities.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

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, 2020 the Fund expensed IRC fees of $13,610 (2019 – $14,049), filing fees of $221 (2019 – $nil) and wire service fees of $288 (2019 – $nil) (both included in 'unitholder reporting costs'), and unitholder information costs of $3,384 (2019 – $9,918) and premiums for insurance coverage for members of the IRC of $416 (2019 – $209) (both included in 'other administrative expenses') which were paid and recharged by the Manager. As at June 30, 2020 the Fund owed the Manager $564 for recharged expenses (December 31, 2019 – $491) included in accrued liabilities.

Units held by the Manager and its affiliates represent 12.0% of the units outstanding at June 30, 2020 (December 31, 2019 – 12.0%).

## 11. PORTFOLIO TRANSACTION COSTS

During the six months ended June 30, 2020 the Fund paid $5,748 (2019 – $3,100) in brokerage commissions and other portfolio transaction costs. There are no soft dollar commissions.

## 12. 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 AA / R-1 / 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 Aa1 / P-1 / Stable. The Manager suspended the Fund's participation in the securities lending program during the six months ended June 30, 2020, but can reactivate the Fund's participation at any time.

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: 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, the 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 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, 2020 and December 31, 2019 are as follows:

| **June 30, 2020** | | December 31, 2019 | |
|---|---|---|---|
| **Fair value of securities loaned** | **Fair value of collateral** | Fair value of securities loaned | Fair value of collateral |
| **$ –** | **$ –** | $ 680,176 | $ 714,189 |

As at June 30, 2020, there were no securities loaned and therefore there was no collateral (December 31, 2019, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by government of Canada or a province of Canada.)

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

The table below sets out a reconciliation of the gross amounts generated from securities lending transactions to the securities lending income disclosed in the Statements of Comprehensive Income for the six months ended June 30, 2020 and 2019:

| | **June 30, 2020** | | June 30, 2019 | |
|---|---|---|---|---|
| | **$** | **% of gross income** | $ | % of gross income |
| Securities lending income | **384** | **70.0%** | 1,193 | 70.0% |
| Agent fees paid to the lending agent | **164** | **30.0%** | 511 | 30.0% |
| Gross securities lending income | **548** | | 1,704 | |

## 13. 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, 2020 and December 31, 2019.

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 5 and 12). 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

The Fund is exposed to price risk from its investment in income trusts and equity securities. As at June 30, 2020, 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 $979,229 (December 31, 2019 – $1,375,192) or 7.9% (December 31, 2019 – 8.8% of 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, 2020 and December 31, 2019, 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, 2020 and 2019, 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, 2020 and December 31, 2019:

| **Market Segment** | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Consumer Discretionary | **9.4%** | 10.3% |
| Consumer Staples | **3.3%** | 5.7% |
| Energy Infrastructure | **10.3%** | 12.1% |
| Financials | **15.4%** | 17.5% |
| Health Care | **–** | 3.2% |
| Industrials | **10.3%** | 8.2% |
| Materials | **4.4%** | 8.0% |
| Oil & Gas Distribution | **3.2%** | 4.4% |
| Real Estate | **12.1%** | 9.6% |
| Utilities | **10.1%** | 9.2% |

**NOTES TO FINANCIAL STATEMENTS (unaudited)**
*June 30, 2020 (continued)*

## 14. 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 at June 30, 2020 and December 31, 2019:

| **June 30, 2020** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Equities** | **$ 9,792,288** | **$ –** | **$ –** | **$ 9,792,288** |
| | **$ 9,792,288** | **$ –** | **$ –** | **$ 9,792,288** |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities | $ 13,751,916 | $ – | $ – | $ 13,751,916 |
| | $ 13,751,916 | $ – | $ – | $ 13,751,916 |

There were no transfers between the levels during the periods ended June 30, 2020 and December 31, 2019.

# CORPORATE INFORMATION



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