BLOOM FUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM SELECT INCOME FUND

INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2012

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 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 either interim or 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.

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 and TFSA eligible.

INVESTMENT OBJECTIVES AND STRATEGIES

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

RISK

Risks associated with an investment in units of the Fund are discussed in the Fund's prospectus, which is available on the Fund's website at www.bloomfunds.ca or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the Fund.

INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

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

INVESTMENT MANAGER'S REPORT

July 6, 2012

The Canadian Economy

Canadian Real GDP rose 0.3% in April, the most recent data available. This was slightly better than consensus expectations and leaves second quarter GDP on track to deliver approximately 2.5% growth. Mining and Oil & Gas extraction grew 2.7% in April reversing the two previous months' weak results. The Services sector grew marginally in March, 0.1%, driven primarily by the fifth sequential month of strength in the Wholesale Trade sector which grew 1.2%. There is no change to our view that 2012 is shaping up to be a transition year where the private sector will be the driver of future economic growth and the government's economic stimulation programs will be curtailed, but not fully eliminated.

Headline CPI fell by 0.1% and Core CPI readings rose slightly, by 0.2% for the month of May, both below expectations. Year-over-year, the inflation rates came in at 1.2% and 1.8% respectively, the Core rate trending well below the Bank of Canada's 2.0% annual target. At this point, given the weak global economy, the Bank will likely continue to refrain from interest rate changes as a market intervention tool. The Bank will more likely let the deflationary pressures of weaker oil prices offset the hot condominium markets, and therefore continue to remain on the sidelines.

In an effort to cool condo and other housing prices without raising interest rates, the Federal Government of Canada initiated a number of mortgage lending changes making it more difficult to use debt to finance property purchases. One of the more significant moves was to further reduce the maximum amortization period of CMHC-insured loans from 30 to 25 years. These actions were seen to be directed towards the very "hot" condo markets in Toronto and Vancouver and less so towards existing homeowners.

Canadian employment numbers released on the morning of July 6, 2012 revealed a 7.3% unemployment rate for June 2012, down 0.1% month-over-month. Compared with 12 months earlier, employment increased 1.0% or 181,000. These employment levels are expected to be maintained until the Fall.

During the last quarter, the price of oil, as measured by the one year forward strip for WTI in Canadian dollars, fell by 15.0% from $104.88 to $89.19. The Canadian AECO natural gas 12 month strip price recovered nearly all its previous quarter's decline, rising by 23.4% from $2.18 to $2.69. Canadian spot oil and gas prices at quarter-end stood at

$86.53/barrel and $1.90/GL respectively. A current hot topic is the potential of liquid natural gas (LNG) exports from western Canada, specifically Kitimat and Prince Rupert, B.C. The attraction for exporting Canadian LNG is to obtain the much higher prices for LNG available in Asian countries versus the currently depressed gas prices in North America. While all indications are that these terminals will get built, the reality is that the first LNG shipments won't occur until 2017 at the earliest. Investors need to temper their expectations.

Outlook

Our expectations for this year's performance of the Canadian equity market have changed from our mildly bullish frame of mind at the start of this year. At that time we believed that global economies would slowly begin to recover, and that equity markets would perform far better than in 2011. Six months into this year lets us see that while there was some economic recovery in the earlier part of this year this has given way to more softness especially in normally high growth areas such as the BRIC countries, as well as Europe and the U.S.A. that is correspondingly slowing our own economy. We have therefore reduced our optimism for Canadian equities this year and in general taken a more conservative approach to the portfolios.

Nevertheless, the outlook for Canadian high yield-paying stocks, where our firm specializes, continues to be relatively sound. Canadians, fearful of a reoccurrence of the 2009 stock market crash have continued to redeem equity holdings at a pace of roughly $3 billion a month since the start of the year. Their risk aversion to stocks is reflected by the high levels of cash being held despite a roughly 40% rise in equity markets since 2009. Once these cash positions, disproportionally held by those 50 years and older, are reinvested, it will likely not be towards low-paying GICs and bonds but in all probability towards the more attractive dividend yields provided by the high income equity sector where these portfolios are centered.

RECENT DEVELOPMENTS

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Standards ("GAAP") for publicly accountable enterprises, including investment funds and other reporting issuers. Initial transition rules required adoption for fiscal periods beginning on or after January 1, 2011, which was deferred to January 1, 2013. In December 2011, the Canadian Accounting Standards Board announced that it will provide a further deferral of the transition to IFRS for investment funds to fiscal years beginning on or after January 1, 2014. The Fund has elected to defer adoption of IFRS to January 1, 2014. The Fund has developed a plan to meet the timetable published by the AcSB for changeover to IFRS. Key elements of the plan include the disclosure of qualitative and quantitative impacts, if any, in the Fund's 2013 annual financial statements.

RESULTS OF OPERATIONS

The Fund commenced operations on April 20, 2012 so there is no comparative information for the period ended June 30, 2012.

Distributions

During the period from inception on April 20, 2012 to June 30, 2012, distributions totaled $0.0986 per unit. The 2012 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.

Increase in Net Assets from Operations

Total revenue from the Fund's portfolio was $470,741 ($0.09 per unit) for the period ended June 30, 2012, comprised primarily of dividend income. Expenses were $229,059 ($0.04 per unit) for the period, the major components being management fees of $173,980, unitholder reporting costs of $10,507 and audit fees of $9,271.

Net Asset Value

The Net Asset Value per unit of the Fund was $8.91 at June 30, 2012, down from $9.38 (issue price per unit less issue costs per unit) at inception, reflecting the weakening of the equities market over the period. The aggregate Net Asset Value of the Fund increased from $46.9 million at April 20, 2012 to $48.8 million as of June 30, 2012, primarily due to a net increase in capital of $4.5 million through the overallotment option granted by the Fund to its Agents as part of its Initial Public Offering, offset by unrealized losses in the market value of the equity portfolio of $2.2 million and distributions to unitholders of $0.5 million. There were no redemptions during the period ended June 30, 2012.

Liquidity

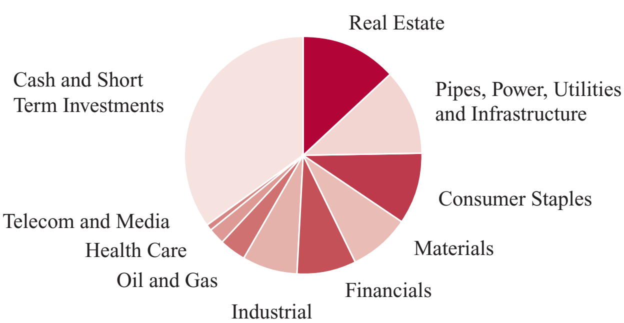
To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol BLB.UN. The Fund received approval from the TSX on May 10, 2012 for a normal course issuer bid program from May 14, 2012 to May 13, 2013, allowing the Fund to purchase for cancellation up to 537,281 units on the TSX if they trade below Net Asset Value per unit. No units were purchased by the Fund under the normal course issuer bid in the period ended June 30, 2012.

Investment Portfolio

Since inception, the Fund has established a portfolio of which 65% by market value at June 30, 2012 was invested in Canadian equities and income trusts, each of which was selected to achieve the investment objectives of the Fund. The remainder of the portfolio has been invested at various times in Canadian short term bank paper and provincial treasury bills, until other suitable investment opportunities present themselves.

The Fund has invested primarily in the real estate, pipes, power, utilities and infrastructure and consumer staples sectors. The Fund's largest individual holdings by market value are in Chemtrade Logistics Income Fund (materials), InnVest REIT and Retrocom Mid-Market REIT (real estate) and EnerCare Inc. (consumer staples and discretionary). There were no sales of equity portfolio investments during the period ended June 30, 2012. The breakdown of the portfolio, including cash and short-term investments, is shown in the pie chart below.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Real Estate	$	6,554	13.3%
Pipes, Power, Utilities and Infrastructure		5,691	11.6%
Consumer Staples		4,776	9.7%
Materials		4,045	8.2%
Financial		4,023	8.2%
Industrial		3,690	7.5%
Oil and Gas		1,788	3.7%
Health Care		960	2.0%
Telecom and Media		507	1.0%
Cash and Short Term Investments		17,117	34.8%
Total	$	49,151	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. See the Administration and Investment Management Fees section below.

Administration And Investment Management Fees

Pursuant to the Fund's Declaration of Trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.75% per annum of the Net Asset Value of the Fund. The management fee is comprised of 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the Trailer Fee of 0.5% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

The management fee is used by the Manager to cover the cost to administer the Fund. The Manager pays the Trailer Fee to the registered investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. During the period ended June 30, 2012, management fees amounted to $173,980 including Trailer Fees of $41,352.

INDEPENDENT REVIEW COMMITTEE

On October 11, 2011, the Independent Review Committee ("IRC") for the Fund was established pursuant to National Instrument 81-107 ("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, 2012 the IRC consisted of three members, all of whom are independent of the Manager.

The Manager has received one standing instruction from the IRC with respect to related party transactions. 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, 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.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2012

Total Net Asset Value (including Cash, Short Term Investments and Other Net Assets)	$48,778,009

Portfolio Composition	**% of Equity Portfolio**	**% of Total Net Asset Value**
Real Estate	20.5%	13.4%
Pipes, Power, Utilities and Infrastructure	17.8%	11.7%
Consumer Staples	14.9%	9.8%
Materials	12.6%	8.3%
Financial	12.5%	8.2%
Industrial	11.5%	7.6%
Oil and Gas	5.6%	3.7%
Health Care	3.0%	2.0%
Telecom and Media	1.6%	1.0%
Total Investment Portfolio	100.0%	65.7%
Cash and Short Term Investments		35.1%
Other Non-Debt Net Assets (Liabilities)		(0.8%)
Total Net Asset Value		100.0%

Top 25 Holdings	**% of Equity Portfolio**	**% of Total Net Asset Value**
Chemtrade Logistics Income Fund	7.7%	5.1%
InnVest REIT	7.3%	4.8%
EnerCare Inc.	7.2%	4.7%
Retrocom Mid-Market REIT	7.1%	4.6%
Extendicare REIT	6.1%	4.0%
Veresen Inc.	6.0%	4.0%
Superior Plus Corp.	5.9%	3.9%
IBI Group Inc.	5.6%	3.7%
Just Energy Group Inc.	5.5%	3.6%
Noranda Income Fund Priority Units	4.9%	3.2%
Altus Group Limited	3.8%	2.5%
Premium Brands Holdings Corporation	3.5%	2.3%
Davis + Henderson Corporation	3.2%	2.1%
Bonterra Energy Corp.	3.0%	2.0%
CML HealthCare Inc.	3.0%	2.0%
Keyera Corp.	2.9%	1.9%
Vermilion Energy Inc.	2.6%	1.7%
Great-West Lifeco Inc.	2.4%	1.6%
CIBC	2.3%	1.5%
Reitmans (Canada) Ltd. Class A	2.3%	1.5%
AltaGas Ltd.	2.3%	1.5%
Colabor Group Inc.	1.9%	1.3%
TD Bank Group	0.8%	0.5%
Thomson Reuters Corporation	0.8%	0.5%
Manitoba Telecom Services Inc.	0.8%	0.5%

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.

NOTICE

The accompanying unaudited financial statements of Bloom Select Income Fund (the “Fund”) for the period from April 20, 2012 (commencement of operations of the Fund) to June 30, 2012 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 Director
Bloom Investment Counsel, Inc.

Signed

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

August 15, 2012

STATEMENT OF NET ASSETS (unaudited)

As at June 30		2012
Assets		
Investments at fair value (cost: $34,249,063)	**$**	**31,902,470**
Cash and short-term investments		**17,117,537**
Investment income receivable		**223,138**
Prepaid expenses and other assets		**25,489**
Total Assets		**49,268,634**
Liabilities		
Distributions payable to unitholders		**228,114**
Accrued liabilities		**168,177**
Amounts due to investment dealers		**225,390**
Total Liabilities		**621,681**
Unitholders' equity		
Unitholders' capital (note 5)		**50,833,981**
Deficit		**(2,187,028)**
Net Assets representing unitholders' equity	**$**	**48,646,953**
Net Assets per Unit (note 3)	**$**	**8.89**

The accompanying notes are an integral part of these financial statements

STATEMENT OF OPERATIONS AND DEFICIT (unaudited)

For the period from April 20 (commencement of operations) to June 30		2012
Investment income		
Dividend income	$	412,730
Interest income		57,252
Securities lending income		759
		470,741
Expenses (Note 8)		
Management fees (note 9)		173,980
Unitholder reporting costs		10,507
Audit fees		9,271
Independent review committee fees		6,468
Custody fees		3,401
Legal fees		2,163
Other administrative expenses		23,270
		229,060
Net investment income		241,681
Transaction costs		(82,116)
Unrealized depreciation of investments		(2,346,593)
Decrease in net assets from operations		(2,187,028)
Retained earnings, beginning of period		–
Accumulated deficit, end of period	$	(2,187,028)
Decrease in net assets from operations per unit	$	(0.41)

STATEMENT OF CHANGES IN NET ASSETS (unaudited)

For the period from April 20 (commencement of operations) to June 30		2012
Net assets, beginning of period	$	–
Decrease in net assets from operations		(2,187,028)
Unitholder transactions:		
Distribution to unitholders		(539,871)
		(539,871)
Capital unit transactions		
Proceeds from units issued (net of issuance costs of $3,374,277) (note 5)		51,373,852
		51,373,852
Increase in net assets for the period		48,646,953
Net assets, end of period	$	48,646,953

The accompanying notes are an integral part of these financial statements

STATEMENT OF INVESTMENTS (unaudited)

As at June 30, 2012		Cost	Fair Value	% of net assets
No. of Units/ Shares				
	Canadian Equities			
	Oil and Gas			
21,000	Bonterra Energy Corp.	$ 1,016,548	$ 950,670	
18,000	Vermilion Energy Inc.	819,806	822,060	
		1,836,354	**1,772,730**	3.64%
	Materials			
160,000	Chemtrade Logistics Income Fund	2,527,643	2,472,000	
350,000	Noranda Income Fund, Priority Units	1,948,845	1,568,000	
		4,476,488	**4,040,000**	8.31%
	Pipes, Power, Utilities and Infrastructure			
25,000	AltaGas Ltd.	759,625	722,750	
12,000	Gibson Energy Inc.	246,230	246,960	
158,700	Just Energy Group Inc.	1,838,726	1,774,266	
21,600	Keyera Corp.	901,811	910,872	
4,400	Mullen Group Ltd.	90,816	95,920	
160,000	Veresen Inc.	2,278,487	1,931,200	
		6,115,695	**5,681,968**	11.68%
	Industrial			
160,000	IBI Group Inc.	2,282,688	1,785,600	
310,000	Superior Plus Corp.	2,338,724	1,881,700	
		4,621,412	**3,667,300**	7.54%
	Consumer Staples and Discretionary			
79,700	Colabor Group Inc.	617,308	612,096	
250,000	EnerCare Inc.	2,431,932	2,287,500	
61,800	Premium Brands Holdings Corporation	1,090,776	1,129,704	
60,000	Reitmans (Canada) Ltd. Class A	813,151	732,600	
		4,953,167	**4,761,900**	9.79%
	Financial Services			
159,500	Altus Group Limited	1,154,251	1,193,060	
10,500	CIBC	759,826	751,800	
60,000	Davis + Henderson Corporation	1,083,468	1,035,000	
35,000	Great-West Lifeco Inc.	870,044	771,400	
3,200	TD Bank Group	250,236	254,720	
		4,117,825	**4,005,980**	8.23%
	Health Care			
100,000	CML Healthcare Inc.	1,011,320	956,000	
		1,011,320	**956,000**	1.97%
	Real Estate			
266,700	Extendicare REIT	2,104,604	1,920,240	
500,000	InnVest REIT	2,341,936	2,345,000	
431,700	Retrocom Mid-Market REIT	2,255,028	2,244,840	
		6,701,568	**6,510,080**	13.38%
	Telecom and Media			
7,600	Manitoba Telecom Services Inc.	248,064	252,016	
8,800	Thomson Reuters Corporation	249,286	254,496	
		497,350	**506,512**	1.04%
	Total Canadian Equities	**$ 34,331,179**	**$ 31,902,470**	65.58%
	Embedded Broker Commissions	**(82,116)**		
	Total Portfolio	**$ 34,249,063**	**$ 31,902,470**	
	Short-term Investments[1]		**15,892,533**	32.67%
	Other Assets, Net of Liabilties		**851,950**	1.75%
	Total		**$ 48,646,953**	100.00%

[1] Short-term investments comprise of a discount note issued by the Province of Alberta and a banker's acceptance issued by a Canadian chartered bank with a Standard & Poor's credit rating of A or higher which mature between July 16th and July 19th, 2012. These short-term investments bear yields of between 1.07% and 1.12%.

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2012

1. ESTABLISHMENT OF THE FUND

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

The Fund is listed on the Toronto Stock Exchange under the symbol BLB.UN and commenced operations on April 20, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and include estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results could vary from these estimates.

National Instrument 81-106 – "Investment Fund Continuous Disclosure" ("NI 81-106") requires all investment funds to calculate the net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net assets calculated based on Canadian GAAP ("Net Assets") and net asset value calculated based on NI 81-106 ("Net Asset Value"). A comparison of GAAP Net Assets per unit and Net Asset Value per unit is provided in Note 3.

a) Valuation of investments

For financial reporting purposes, investments are deemed held for trading and are valued at estimated fair value. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their bid prices. Investments held with no available bid or ask prices are valued at their closing sale prices.

Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs where possible, on such basis and in such manner established by the Manager.

b) Cash and short-term investments

Cash and short-term investments consist of cash and short-term debt instruments with original maturities of less than three months.

c) Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend income and distributions from underlying funds are recognized on the ex-dividend or ex-distribution date and interest income is recognized on an accrual basis. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

d) Foreign exchange

The functional currency of the Fund is the Canadian dollar. Any currency other than the Canadian dollar represents foreign currency to the Fund. The cost of investments purchased or sold in foreign currencies is translated into the Fund's reporting currency using the exchange rate prevailing on the trade date. Income on foreign investments is recorded net of withholding tax and is translated daily at the prevailing exchange rate. The quoted fair value of investments and other assets and liabilities denominated in foreign currencies is translated at the period-end exchange rate.

e) Increase (decrease) in net assets from operations

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

NOTES TO FINANCIAL STATEMENTS (unaudited)
June 30, 2012 (continued)

f) 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 participants. Any excess of regular monthly distributions over actual income and net realized capital gains is characterized as a return of capital.

g) Transaction costs

Transaction costs are expensed and are included in 'Transaction costs' in the statement of operations. 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.

h) Financial instruments

Investment income receivable and amounts due from investment dealers are designated as loans and receivables and recorded at amortized cost. Similarly, distributions payable, accrued liabilities and amounts due to investment dealers are designated as financial liabilities and are recorded at amortized cost. Given their short-term nature, amortized cost approximates fair value for these assets and liabilities.

i) Issuance costs

Issuance costs incurred in connection with the offering of units, which include agents' fees and other expenses of the offering, are charged to equity.

3. COMPARISON OF NET ASSETS PER UNIT AND NET ASSET VALUE PER UNIT

In accordance with NI 81-106, the Net Assets per unit and the Net Asset Value ("NAV") per unit as at June 30, 2012 are as follows:

Net Assets per unit	$ 8.89
Net Asset Value per unit	$ 8.91

4. INCOME TAXES

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.

5. 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.

Commencing in 2013, units may be surrendered for redemption annually at the option of the unitholder during the period from September 15 to the last business day in September at 5:00 p.m. (Toronto time), 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.

On April 20, 2012, the Fund issued 5,000,000 units at $10 per unit for proceeds, net of issuance costs of $3,125,000. On May 9, 2012, the Fund exercised its over-allotment option for the issuance of an additional 474,813 units at $10 per unit for proceeds, net of issuance costs of $249,277. Total issuance costs were $3,374,277.

NOTES TO FINANCIAL STATEMENTS (unaudited)
June 30, 2012 (continued)

The Fund received approval from the TSX on May 10, 2012 for a normal course issuer bid program from May 14, 2012 to May 13, 2013, allowing the Fund to purchase for cancellation up to 537,281 units on the TSX if they trade below Net Asset Value per unit.

Unit transactions of the Fund for the period ended June 30, 2012 were as follows:

	2012	
	Number of Units	**Amount**
Units outstanding – beginning of period	–	–
Initial public offering, net	5,474,813	51,373,852
Distributions to unitholders	–	(539,871)
Units outstanding – end of period	5,474,813	50,833,981

Units held by the Manager and its affiliates represent 1.86% of the units outstanding at June 30, 2012.

6. CAPITAL MANAGEMENT

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's capital includes unitholder's equity of $48,646,953. 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, or purchase units for cancellation.

7. DISTRIBUTIONS PAYABLE 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 day of each month, payable by the fifteenth day of the following month. For the period ended June 30, 2012, the Fund declared total distributions of $0.0986 per unit, which amounted to $539,871.

8. EXPENSES

Management fees and other reasonable expenses incurred in the operations of the Fund are charged as expenses in the statement of operations of the Fund and include the costs of the Independent Review Committee and compliance with National Instrument 81-107, the costs of preparing and distributing financial statements and other reports to unitholders, accounting, valuation, custodial, transfer agent and registrar, audit, legal, regulatory and other professional fees, premiums for directors' and officers' insurance coverage, and other expenses as described in the declaration of trust.

9. RELATED PARTY TRANSACTIONS

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

For the period to June 30, 2012 the Fund expensed management fees of $173,980. As at June 30, 2012, the Fund had management fees payable of $97,228 included in accrued liabilities.

10. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

The Fund paid $82,116 in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

NOTES TO FINANCIAL STATEMENTS (unaudited)
June 30, 2012 (continued)

11. SECURITIES LENDING

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, which has an S&P credit rating of A+ / A− / Stable, as lending agent. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities and collateral on a specified future date. Income is earned in the form of fees paid by the counterparty and is recognised on the accrual basis in the Statement of Operations.

The Fund receives collateral of at least 102% of the value of securities on loan. 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 or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers acceptances, banker bearer deposit notes, or irrevocable letters of credit; corporate debt or corporate commercial paper; or convertible securities.

The aggregate market value of securities loaned and collateral held under securities lending transactions as at June 30, 2012 are as follows:

As at June 30, 2012	
Securities Loaned	**Collateral held**
$ 7,897,635	$ 8,321,076

12. FINANCIAL INSTRUMENTS

a) Risk management

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at June 30, 2012, and groups the securities by asset type and market segment. Significant risks that are relevant to the Fund are discussed below.

The Manager seek to minimize potential adverse effects of these risks on the Fund's performance by employing professional, 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.

The Fund's investment portfolio is comprised primarily of Canadian equities and income trusts.

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, 2012.

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.

NOTES TO FINANCIAL STATEMENTS (unaudited)
June 30, 2012 (continued)

The Fund limits its exposure to credit loss by dealing with counterparties, including the lending agent, of high credit quality. 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 maximum other price risk resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in income trusts and equity securities. As at June 30, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately $3,190,247 or 6.56% of total net assets. In practice, the actual trading results may differ and the impact could be material.

d) Liquidity risk
Liquidity is the risk that the investments held by the Fund cannot be readily converted into cash when required. The Fund is exposed to liquidity risk through the annual redemption of its units, because there maybe 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 10 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. 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 investments. Fluctuations in interest rates have a direct effect on the Fund's ability to earn interest income. As at June 30, 2012, the Fund had no significant exposure to interest rate risk due to the short term nature of its short-term investments, 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, 2012, the Fund had no direct exposure to currency risk since none of its financial instruments were denominated in foreign currencies

g) Fair value hierarchy
CICA Handbook Section 3862, "Financial Instruments – Disclosures" ("Section 3862") establishes 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 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are considered to be less active.

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

NOTES TO FINANCIAL STATEMENTS (unaudited)

June 30, 2012 (continued)

The Fund's investments and short-term investments recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund's investments and short-term investments measured at fair value as of June 30, 2012.

June 30, 2012

	Level 1	Level 2	Level 3	Total
Equities	$ 31,902,470	$ –	$ –	$ 31,902,470
Short-term investments	–	15,892,533	–	15,892,533
Total Investments	**$ 31,902,470**	**$ 15,892,533**	**$ –**	**$ 47,795,003**

There were no transfers between the levels during the period.

Corporate Information

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