BLOOM FUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM SELECT INCOME FUND

2013 ANNUAL REPORT

BLB.UN

FORWARD-LOOKING STATEMENTS

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

MANAGEMENT REPORT OF FUND PERFORMANCE

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

In accordance with National Instrument 81-106, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust and annual information form, and is based on closing market prices of investments. Figures presented in the financial statements and certain figures presented in the Financial Highlights section of this management report of fund performance are based on Net Assets calculated using Canadian generally accepted accounting principles which require the use of the last bid price for investment valuation.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

2012 comparative results are for the period from commencement of operations on April 20, 2012 to December 31, 2012

THE FUND

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

INVESTMENT OBJECTIVES AND STRATEGIES

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

RISK

Risks associated with an investment in units of the Fund are discussed in the Fund's 2013 Annual Information Form, which is available on the Fund's website at **www.bloomfunds.ca** or on SEDAR at www.sedar.com. Changes to the Fund which have affected certain of these risks are discussed below.

Composition of Portfolio

The composition of the Fund's investment portfolio has changed over the period ended December 31, 2013, due to the continuing investment of the proceeds of the initial public offering, sales and purchases during the period and market gains and losses. This affects the risks associated with the composition of the portfolio in terms of diversification.

Trading at a Discount

During the year ended December 31, 2013 the Fund's units have generally traded at a discount to net asset value.

No Assurances on Achieving Objectives

Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 7.5%. The weighted average current cash yield on the Fund's equity portfolio was 5.8% as at December 31, 2013, and thus the Fund is required to generate more than expected in additional returns (for instance, capital gains and securities lending income) in order for the Fund to achieve its targeted monthly distributions to Unitholders.

INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

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

INVESTMENT MANAGER'S REPORT

January 6, 2014

The Canadian Economy

The current economic focus is on how quickly the U.S. Federal Reserve will continue to implement the tapering of quantitative easing policies initiated during the last down-turn. The "Fed" has been able to contemplate these changes after recent U.S. economic data has finally shown signs of decent and sustainable growth. Reducing economic intervention is also the course the Bank of Canada would like to pursue but it is facing a tougher task as GDP, while also improving, has been tracking slightly below desired levels, as has the rate of inflation.

Canadian GDP grew by 0.3% in October, the most recent data available, slightly ahead of consensus. This suggests that the fourth quarter had a decent start following a 2.7% rise in Q3. Manufacturing was a key driver of growth in October, accounting for about one third of the move. Wholesale trade was also a significant contributor, with smaller gains from transportation and warehousing, retailing, and the public sector.

November inflation rates, the latest data available, came in below consensus, with overall CPI up 0.9% and Core CPI up 1.1% year over year. This is below the Bank of Canada's target of 2.0% causing further weakness in the Canadian Dollar. While the Bank of Canada targets overall CPI, it uses Core CPI as evidence of the underlying trend in inflation. These weak inflation numbers likely will have muted any thoughts of near-term interest rate hikes, possibly pushing any increases out to 2015.

Employment figures for the month of November jumped by 21,600, well above consensus, and enough to keep the jobless rate steady at 6.9%. Broadly speaking, hiring occurred across the goods and services sectors with construction employment falling, primarily due to softer residential home building. Retail, health care and the public sector showed job declines. The Public sector saw a drop of 29,000 jobs, in-line with the previous 12 month trend, reflecting ongoing fiscal restraint.

Canadian housing market sales are on track for a nominal gain in 2013 after rising by 0.2% for the first 11 months, a positive surprise to the majority of forecasters who were expecting some weakness. National sales for the month of November, the most recent release, have held up quite well, with only a slight decline, down 0.1% versus the prior month. Pricing has been even better than expected, jumping by 9.8% over last year. Of note, 25 of the 26 major cities have posted single digit price increases, the median increase being 3.6% year-to-date. Barring any major calamity, the 2014 outlook for the Canadian housing market appears to be quite stable and tracking in-line with the previous decade's norms.

During the last quarter, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, rose by 0.8% from $101.08 to $101.87 and for the year rose by 9.3%. The Canadian AECO natural gas 12-month forward strip price significantly outperformed but after a long period of underperformance, rising by 13.9% from $3.24 to $3.69/GL for the quarter and by 23.7% for the year. Canadian spot oil and gas prices at quarter-end stood at $104.73/barrel and $3.71/GL respectively.

Market Performance

The S&P/TSX Composite Total Return Index for the last quarter returned 7.3% and year-to-date has returned 13.0%. The best performing sectors last quarter were Industrials (up 16.3%), Health Care (up 13.8%), and Financials (up 10.0%). The worst performing sectors for the quarter were Materials (down 2.0%), Utilities (up 3.1%) and Consumer Staples (up 4.1%). Year-to-date, the best performing sectors were Health Care (up 72.1%), Consumer Discretionary (up 43.0%) and Industrials (up 37.5%). The worst performing sectors for the year-to-date were Materials (down 29.1%), Utilities (down 4.1%) and Telecommunication Services (up 13.1%).

Outlook

Our outlook for the Canadian equity market for 2014 has become more constructive. We believe that further gains in the index this year are likely, but that there will be some rotation in the leadership of stocks. We expect that the U.S. economy will show reasonable growth this year which will positively influence our own economy and equities. Our focus remains on investments which provide both income and growth, but in an environment where we expect interest rates to eventually rise, we are seeking greater growth from our investments with a little less emphasis on income.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2013 distributions totaled $0.50 per unit (2012: $0.34861 per unit). The 2013 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 distributed $0.848598 per unit.

Increase in Net Assets from Operations

Total revenue from the Fund's portfolio was $2.7 million ($0.53 per unit) for the year ended December 31, 2013 (2012: $0.34 per unit), comprised primarily of dividend income. Expenses were $1.1 million ($0.22 per unit) for the year (2012: $0.16 per unit), the major components being management fees of $887,380 and other administrative expenses of $101,107.

In addition, the Fund had net realized losses of $1.6 million and net unrealized gains of $6.3 million during the year, totaling $0.92 per unit, from average portfolio investments during the year of $44.1 million (2012: net losses of $0.16 per unit from average portfolio investments of $33.5 million).

Net Asset Value

The Net Asset Value per unit of the Fund was $9.91 at December 31, 2013, up by 9.3% from $9.07 at December 31, 2012. The aggregate Net Asset Value of the Fund decreased from $49.0 million at December 31, 2012 to $38.1 million as of December 31, 2013, primarily due to redemption of units of $12.5 million, distributions to unitholders of $2.4 million and the repurchase and cancellation of units under the normal course issuer bid of $2.4 million, offset by net income of $1.6 million and net gains on the portfolio of $4.6 million.

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol BLB.UN. The Fund received approval from the TSX on May 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. 151,600 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2013 at a cost of $1,383,439, including commissions, or $9.13 per unit (2012: 80,600 units at a cost of $720,838, including commissions, or $8.94 per unit).

The Fund received approval from the TSX on May 10, 2013 for a normal course issuer bid program from May 14, 2013 to May 13, 2014, allowing the Fund to purchase for cancellation up to 516,641 units on the TSX if they trade below Net Asset Value per unit. 114,600 units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2013 at a cost of $1,028,310, including commissions, or $8.97 per unit.

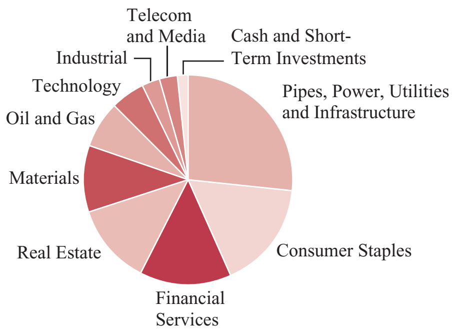
Investment Portfolio

The Fund has established a portfolio comprised primarily of Canadian equities and income trusts, 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. The Manager is pleased to have been able to invest 98% of the portfolio by market value as at December 31, 2013 in stocks displaying the requisite Beta at the time of purchase 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 pipes, power, utilities and infrastructure, consumer staples and financial services sectors. The Fund's largest individual holdings by market value as at December 31, 2013 are in Chemtrade Logistics Income Fund (materials), Premium Brands Holdings Corporation (consumer staples), Superior Plus Corp. (industrial), Altus Group Limited (financial services) and Veresen Inc. (pipes, power, utilities and infrastructure). The breakdown of the portfolio by market value is shown in the pie chart as well as in the Summary of Investment Portfolio below.

The Fund had unrealized gains of $5.5 million in its portfolio as at December 31, 2013, with the financial services sector and pipes, power, utilities and infrastructure sector holdings contributing $3.7 million of the total gain, with additional gains in all other sectors except for consumer staples and real estate. The Fund also had net realized losses of $1.6 million primarily from the sale of holdings in IBI Group Inc. and Just Energy Group Inc.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Pipes, Power, Utilities and Infrastructure	$	10,200	26.7%
Consumer Staples		6,437	16.8%
Financial Services		5,436	14.2%
Real Estate		4,699	12.3%
Materials		4,004	10.5%
Oil and Gas		2,747	7.2%
Technology		1,936	5.1%
Industrial		1,162	3.0%
Telecom and Media		1,004	2.6%
Cash and Short Term Investments		593	1.6%
Total	$	38,218	100.0%

RELATED PARTY TRANSACTIONS

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

Administration and Investment Management Fees

Pursuant to the Fund's Declaration of Trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.75% per annum of the Net Asset Value of the Fund. The management fee is comprised of 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.5% 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, including the management of the portfolio and the payment of service fees. The Manager pays the service 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 year ended December 31, 2013, management fees amounted to $887,380 including service fees of $248,480 (2012: management fees of $665,497 including service fees of $190,183).

Other expenses recharged to the Fund

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2013 the Fund expensed independent review committee fees of $34,000 (2012: $22,999), investor relations costs of $25,937 (2012: $22,001) and insurance premiums of $1,000 (2012: $5,077) which were paid and recharged by the Manager.

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund's launch, 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 December 31, 2013 the IRC consisted of three members, all of whom are independent of the Manager.

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

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

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

The Decision to Re-open a Fund

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

2013 TAX INFORMATION

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

The following table outlines the breakdown in the Fund's distributions declared in 2013 on a per unit basis.

Record Date	Payment Date	Eligible Dividend Income	Return of Capital	Total Distribution
Jan. 31, 2013	Feb. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Feb 28, 2013	Mar. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Mar. 29, 2013	Apr. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Apr. 30, 2013	May 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
May 31, 2013	Jun. 17, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Jun. 28, 2013	Jul. 15, 1013	$ 0.006096	$ 0.035570	$ 0.041666
Jul. 31, 2013	Aug. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Aug. 30, 2013	Sep. 16, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Sep. 30, 2013	Oct. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Oct. 31, 2013	Nov. 17, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Nov. 30, 2013	Dec. 15, 2013	$ 0.006096	$ 0.035570	$ 0.041666
Dec. 31, 2013	Jan. 15, 2014	$ 0.006097	$ 0.035577	$ 0.041674
Total		**$ 0.073150**	**$ 0.426850**	**$ 0.500000**

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

PAST PERFORMANCE

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

Annual Compound Returns

The following table shows the Fund's annual compound return for the period since inception, compared with the S&P/TSX Composite Total Return Index ("Index"). The Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the TSX, including common stocks, REITs and income trust units. Since the Fund is actively managed, the sector weightings differ from those of the Index. In addition, the Fund's portfolio contains predominantly low volatility, high dividend paying securities, whereas the Index does not necessarily focus on this type of investment. As well, the Fund may invest in issuers that are not included in the Index. For these reasons it is not expected that the Fund's performance will mirror that of the Index. Further, the Index is calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting all applicable fees and expenses.

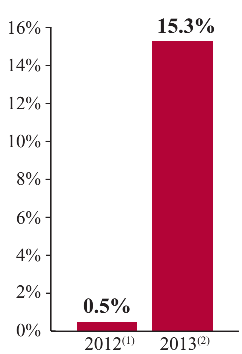
	One year	Since inception(1)
Bloom Select Income Fund	15.3%	9.1%
S&P/TSX Composite Total Return Index	13.0%	10.3%

(1) Period from April 20, 2012 (commencement of operations) to December 31, 2013

During the year ended December 31, 2013 the Fund has outperformed relative to the Index, after taking into account the expenses of the Fund. This reflects the differences in average sector weightings between the Fund's portfolio and the Index over the year, particularly in the consumer staples, utilities and industrials sectors, where the Fund was overweight compared to the Index and the materials and financials sectors, where the Fund was underweight compared to the Index. It also reflects differences in individual portfolio selections between the Fund's portfolio and the Index within each of the sectors, which result in different average sector returns.

Year-by-Year Returns

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

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 period. *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 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 year ended December 31, 2013	For the period from April 20, 2012 to December 31, 2012
Net Assets per unit, beginning of period[(1)(2)]	$ 9.04	$ 10.00
Unit issue expense[(3)]	–	(0.61)
Increase from operations:[(2)]		
Total revenue	0.53	0.34
Total expenses	(0.22)	(0.16)
Net realized losses	(0.32)	(0.03)
Net unrealized gains (losses)	1.26	(0.15)
Total increase in Net Assets from operations[(1)]	$ 1.25	$ 0.00
Distributions to unitholders[(2)(4)]		
From net investment income	(0.07)	–
From return of capital	(0.43)	(0.35)
Total distributions to unitholders	$ (0.50)	$ (0.35)
Net Assets per unit, end of period[(1)(2)]	$ 9.90	$ 9.04

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for weekly Net Asset Value purposes.

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

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

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

Ratios and Supplemental Data

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

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

(2) As at December 31 of the year shown

(3) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the period, including one-time unit issue expense relating to the Fund's initial public offering. Unit issue expense is added to annualized ongoing expenses and expressed as a percentage of the average Net Asset Value of the Fund during the period.

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

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

Management Expense Ratio

The MER of the Fund was 2.37% for the year ended December 31, 2013, down from an MER excluding unit issue expenses of 2.50% in the period ended December 31, 2012. The decrease is primarily due to the fact that 2012 was the first year of operation of the Fund and expenses tend to be higher in the initial period of a Fund's operation.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2013

Total Net Asset Value (including Cash, Short Term Investments and Other Net Assets)	$38,114,203

Portfolio Composition	% of Equity Portfolio	% of Total Net Asset Value
Pipes, Power, Utilities and Infrastructure	27.1%	26.7%
Consumer Staples	17.1%	16.9%
Financial	14.4%	14.3%
Real Estate	12.5%	12.3%
Materials	10.6%	10.5%
Oil and Gas	7.3%	7.2%
Technology	5.2%	5.1%
Industrial	3.1%	3.1%
Telecom and Media	2.7%	2.6%
Total Investment Portfolio	100.0%	98.7%
Cash and Short Term Investments		1.6%
Other Non-Debt Net Assets (Liabilities)		(0.3%)
Total Net Asset Value		100.0%

Top 25 Holdings	% of Equity Portfolio	% of Total Net Asset Value
Chemtrade Logistics Income Fund	5.5%	5.4%
Premium Brands Holdings Corporation	5.4%	5.4%
Superior Plus Corp.	5.4%	5.4%
Altus Group Limited	5.4%	5.3%
Veresen Inc.	5.3%	5.2%
InnVest REIT	5.2%	5.2%
Noranda Income Fund Priority Units	5.2%	5.1%
Davis + Henderson Corporation	5.2%	5.1%
EnerCare Inc.	4.8%	4.7%
Innergex Renewable Energy Inc.	4.5%	4.5%
Retrocom Mid-Market REIT	4.3%	4.3%
Bonterra Energy Corp.	4.3%	4.3%
Keyera Corp.	3.7%	3.6%
Capstone Infrastructure Corporation	3.3%	3.3%
Transcontinental Inc.	3.1%	3.1%
Colabor Group Inc.	3.0%	3.0%
Vermilion Energy Inc.	3.0%	2.9%
Cominar REIT	2.9%	2.9%
Pizza Pizza Royalty Corp.	2.8%	2.8%
AltaGas Ltd.	2.7%	2.7%
Thomson Reuters Corporation	2.7%	2.6%
TD Bank Group	2.7%	2.6%
Great-West Lifeco Inc.	2.4%	2.4%
Gibson Energy Inc.	2.2%	2.2%
CIBC	2.1%	2.0%

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

MANAGEMENT RESPONSIBILITY STATEMENT

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 2 to the financial statements.

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

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

Signed

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

Signed

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

March 6, 2014

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Bloom Select Income Fund (the "Fund"):

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012, the statements of operations and retained earnings (deficit) and changes in net assets for the year ended December 31, 2013 and the period from April 20, 2012 (commencement of operations) to December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2013 and December 31, 2012 and the results of its operations and the changes in its net assets for the year ended December 31, 2013 and the period from April 20, 2012 (commencement of operations) to December 31, 2012 in accordance with Canadian generally accepted accounting principles.

Signed

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

March 6, 2014

STATEMENTS OF NET ASSETS

As at December 31		**2013**		2012
Assets				
Investments at fair value	**$**	**37,575,491**	$	44,214,391
Cash and short-term investments		**593,368**		5,202,669
Investment income receivable		**222,784**		304,683
Prepaid expenses and other assets		**24,220**		31,913
Total Assets		**38,415,863**		49,753,656
Liabilities				
Distributions payable to unitholders		**160,236**		225,202
Accrued liabilities (note 8)		**191,311**		196,755
Amounts due to investment dealers		**–**		467,316
Total Liabilities		**351,547**		889,273
Unitholders' equity (note 5)				
Unitholders' capital		**33,095,830**		48,818,077
Contributed surplus		**–**		68,891
Retained earnings (deficit)		**4,968,486**		(22,585)
Net Assets representing unitholders' equity	**$**	**38,064,316**	$	48,864,383
Net Assets per Unit (note 3)	**$**	**9.90**	$	9.04
Cost of investments	**$**	**32,085,910**	$	45,064,756

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

Signed

M. Paul Bloom

M. Paul Bloom
Director

Signed

Beverly Lyons

Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

For the year/period ended December 31		2013		2012[1]
Investment income				
Dividend income	$	**2,573,212**	$	1,689,675
Interest income		**20,861**		126,885
Securities lending income (note 11)		**59,596**		17,529
		2,653,669		1,834,089
Expenses (Note 8)				
Management fees (note 9)		**887,380**		665,497
Independent review committee fees		**34,000**		22,999
Unitholder reporting costs		**33,707**		37,363
Audit fees		**23,627**		32,969
Custody fees		**13,188**		9,890
Legal fees		**9,892**		20,879
Other administrative expense		**101,107**		77,966
		1,102,901		867,563
Net investment income		**1,550,768**		966,526
Transaction costs (note 10)		**(54,827)**		(110,639)
Net realized loss on sale of investments		**(1,553,372)**		(28,107)
Change in unrealized appreciation (depreciation) of investments		**6,339,946**		(850,365)
Increase (decrease) in net assets from operations		**6,282,515**		(22,585)
Retained earnings (deficit), beginning of year/period		**(22,585)**		–
Distributions to unitholders from income		**(359,508)**		–
Surplus of redemption proceeds over par value of units redeemed		**(915,534)**		–
Surplus of repurchase cost over par value of units cancelled		**(16,402)**		–
Retained earnings (deficit), end of year/period	**$**	**4,968,486**	$	(22,585)
Increase (decrease) in net assets from operations per unit	**$**	**1.25**	$	–

[1] For the period from April 20 (commencement of operations) to December 31, 2012

STATEMENTS OF CHANGES IN NET ASSETS

For the year/period ended December 31		2013		2012[1]
Net assets, beginning of year/period	**$**	**48,864,383**	$	–
Increase (decrease) in net assets from operations		**6,282,515**		(22,585)
Distribution to unitholder (note 7)				
From income		**(359,508)**		–
From return of capital		**(2,097,824)**		(1,900,454)
		(2,457,332)		(1,900,454)
Capital unit transactions (note 5)				
Proceeds from units issued, net of issuance costs		**–**		51,407,219
Redemption of units		**(11,494,896)**		–
Surplus of redemption proceeds over par value of units redeemed		**(961,603)**		–
Repurchase and cancellation of units		**(2,364,541)**		(787,310)
Surplus of par value over repurchase cost of units cancelled		**–**		68,891
Surplus of repurchase cost over par value of units cancelled		**(39,224)**		–
Reinvestment of distributions		**235,014**		98,622
Increase in net assets for the year/period		**(14,625,250)**		50,787,422
Net assets, end of year/period	**$**	**38,064,316**	$	48,864,383

[1] For the period from April 20 (commencement of operations) to December 31, 2012

The accompanying notes are an integral part of these financial statements

STATEMENT OF INVESTMENTS

As at December 31, 2013			Cost		Fair Value	% of net assets as at December 31, 2013	% of net assets as at December 31, 2012
No. of Units/ Shares							
	Canadian Equities						
	Consumer Staples and Discretionary						
240,000	Colabor Group Inc.	$	1,913,751	$	1,125,600		
180,000	EnerCare Inc.		1,750,991		1,794,600		
80,000	Pizza Pizza Royalty Corp.		798,793		1,063,200		
90,000	Premium Brands Holdings Corporation		1,573,787		2,038,500		
60,000	Reitmans (Canada) Ltd. Class A		813,151		407,400		
			6,850,473		**6,429,300**	16.89%	14.74%
	Financial Services						
120,000	Altus Group Limited		904,664		2,016,000		
8,500	CIBC		615,097		771,035		
28,000	Great-West Lifeco Inc.		675,201		916,720		
11,000	Scotiabank		572,000		730,400		
10,000	TD Bank Group		793,280		1,000,900		
			3,560,242		**5,435,055**	14.28%	15.09%
	Healthcare						
			–		–	–	4.38%
	Industrial						
79,500	Transcontinental Inc.		843,200		1,162,290		
			843,200		**1,162,290**	3.05%	9.64%
	Materials						
105,000	Chemtrade Logistics Income Fund		1,658,766		2,042,250		
360,000	Noranda Income Fund Priority Units		1,942,971		1,947,600		
			3,601,737		**3,989,850**	10.49%	9.36%
	Oil and Gas						
30,000	Bonterra Energy Corp.		1,386,162		1,624,200		
18,000	Vermilion Energy Inc.		819,806		1,122,120		
			2,205,968		**2,746,320**	7.21%	7.00%
	Pipes, Power, Utilities and Infrastructure						
25,000	AltaGas Ltd.		759,625		1,019,250		
350,000	Capstone Infrastructure Corporation		1,422,108		1,246,000		
30,000	Gibson Energy Inc.		637,604		822,000		
160,000	Innergex Renewable Energy Inc.		1,530,068		1,692,800		
21,600	Keyera Corp.		901,811		1,379,376		
165,000	Superior Plus Corp.		1,244,805		2,036,100		
140,000	Veresen Inc.		1,927,973		1,993,600		
			8,423,994		**10,189,126**	26.77%	15.12%
	Real Estate						
60,000	Cominar REIT		1,253,012		1,104,000		
420,000	InnVest REIT		1,869,045		1,953,000		
350,000	Retrocom Mid-Market REIT		1,608,760		1,627,500		
			4,730,817		**4,684,500**	12.31%	10.98%
	Technology						
65,000	Davis + Henderson Corporation		1,239,930		1,935,050		
			1,239,930		**1,935,050**	5.08%	–
	Telecom and Media						
25,000	Thomson Reuters Corporation		703,089		1,004,000		
			703,089		**1,004,000**	2.64%	4.18%
	Total Canadian Equities	$	**32,159,450**		**37,575,491**	98.72%	90.49%
	Embedded Broker Commissions		**(73,540)**				
	Total Portfolio	$	**32,085,910**		**37,575,491**		
	Short-term Investments[(1)]				**499,115**	1.31%	8.18%
	Other Assets, Net of Liabilities				**(10,290)**	(0.03%)	1.33%
	Net Assets			$	**38,064,316**	100.00%	100.00%

[(1)] Short-term investment comprise of the following banker's acceptance issued by Canadian chartered bank with a Standard & Poor's credit rating of A or higher

Par Value	Issuer	Maturity date	Yield		Value
500,000	HSBC Bank Canada	February 25, 2014	1.18%	$	499,115
				$	499,115

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 custodian of the Fund and CIBC Mellon Global Securities Services Company is the administrator 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 determined using the last bid price for securities held in a long position and the 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" or "NAV"). A comparison between 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. Short-term investments are valued at amortized cost. Due to their short term nature, amortized cost approximates fair value for short-term investments.

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. Purchases and sales of investments in foreign currencies are 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 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.

e) Increase (decrease) in net assets from operations

Increase (decrease) in net assets from operations per unit in the statements 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

December 31, 2013 (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 statements 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

Investments are designated as held for trading and are recorded at estimated fair value. 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 per unit as at December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Net Assets per unit	**$ 9.90**	$ 9.04
Net Asset Value per unit	**$ 9.91**	$ 9.07

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.

Non-capital loss carryforwards may be applied against future years' taxable income, and may be carried forward for 20 years from the year in which they are realized. As at December 31, 2013, the Fund had no non-capital losses carried forward (2012 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at December 31, 2013, the Fund had $1,663,003 in capital losses available for carryforward (2012 – $34,207).

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 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 (continued)

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 $46,875,000. 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 $4,532,219. Total issuance costs were $3,340,911.

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. During the year ended December 31, 2013 the Fund purchased for cancellation 151,600 units (2012 – 80,600 units) under this normal course issuer bid.

The Fund received approval from the TSX on May 10, 2013 for a normal course issuer bid program from May 14, 2013 to May 13, 2014, allowing the Fund to purchase for cancellation up to 516,641 units on the TSX if they trade below Net Asset Value per unit. During the year ended December 31, 2013, the Fund purchased for cancellation 114,600 units under this normal course issuer bid.

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

Unit transactions and movements in unitholders' equity of the Fund for the year ended December 31, 2013 and the period from April 20 to December 31, 2012 were as follows:

	Number of Units	Unithholders' capital	Contributed surplus	Retained earnings	Total
Year ended December 31, 2013					
Beginning of year	**5,404,932**	**$ 48,818,077**	**$ 68,891**	**$ (22,585)**	**$ 48,864,383**
Increase in net assets from operations	**–**	**–**	**–**	**6,282,515**	**6,282,515**
Distributions to unitholders from return of capital	**–**	**(2,097,824)**	**–**	**–**	**(2,097,824)**
Distributions to unitholders from income	**–**	**–**	**–**	**(359,508)**	**(359,508)**
Reinvestment of distributions	**25,469**	**235,014**	**–**	**–**	**235,014**
Redemptions of units	**(1,319,217)**	**(11,494,896)**	**(46,069)**	**(915,534)**	**(12,456,499)**
Repurchase and cancellation of units	**(266,200)**	**(2,364,541)**	**(22,822)**	**(16,402)**	**(2,403,765)**
End of year	**3,844,984**	**$ 33,095,830**	**$ –**	**$ 4,968,486**	**$ 38,064,316**
Period ended December 31, 2012					
Beginning of period	–	$ –	$ –	$ –	$ –
Decrease in net assets from operations	–	–	–	(22,585)	(22,585)
Initial public offering, net of issuance costs	5,474,813	51,407,219	–	–	51,407,219
Distributions to unitholders from return of capital	–	(1,900,454)	–	–	(1,900,454)
Reinvestment of distributions	10,719	98,622	–	–	98,622
Repurchase and cancellation of units	(80,600)	(787,310)	68,891	–	(718,419)
End of period	5,404,932	$ 48,818,077	$ 68,891	$ (22,585)	$ 48,864,383

Units held by the Manager and its affiliates represent 2.9% of the units outstanding at December 31, 2013 (December 31, 2012 – 1.9%).

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 (continued)

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 unitholders' equity of $38,064,316 (2012 – $48,864,383). 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 TO UNITHOLDERS
Distributions, as declared on the Fund's behalf by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month, payable by the fifteenth business day of the following month. For the year ended, December 31, 2013, the Fund declared total distributions of $0.50 (2012 – $0.35) per unit, which amounted to $2,457,332 (2012 – $1,900,454). Under the Fund's distribution reinvestment plan (DRIP"), unitholders may elect to reinvest monthly distributions in additional units of the Fund which are issued from treasury. In the year ended December 31, 2013, distributions of $235,014 were reinvested in 25,469 units of the Fund which where issued from treasury.

8. EXPENSES
Management fees and other reasonable expenses incurred in the operations of the Fund are charged as expenses in the statements 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, insurance premiums, and other expenses, including taxes.

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 Net Asset Value of the Fund, comprised of 1.25% per annum of the Net Asset Value of the Fund, calculated weekly and paid monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the trailer fee of 0.50% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

For the year to December 31, 2013 the Fund expensed management fees of $887,380 (2012 – $665,497). As at December 31, 2013, the Fund had management fees payable of $94,839 (2012 – $123,314) included in accrued liabilities.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2013 the Fund expensed independent review committee fees of $34,000 (2012 – $22,999), investor relations costs of $25,927 (2012 – $22,001) and insurance premiums of $1,000 (2012 – $5,077) which were paid and recharged by the manager.

10. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS
The Fund paid $54,827 (2012 – $110,639) in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

11. SECURITIES LENDING
The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, which has a DBRS credit rating of AA / R-1 / Stable and a Moody's credit rating of A1 / P-1 / 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, Denmark, Finland, Netherlands, Sweden or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers acceptances, banker bearer deposit notes, or irrevocable letters of credit; corporate debt or corporate commercial paper; or convertible securities.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 (continued)

The aggregate market value of securities loaned and collateral held under securities lending transactions as at December 31, 2013 and 2012 are as follows:

As at December 31, 2013		As at December 31, 2012	
Securities Loaned	**Collateral held**	Securities Loaned	Collateral held
$ 4,252,531	**$ 4,483,759**	$ 13,695,346	$ 14,453,487

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 December 31, 2013, and groups the securities by asset type and market segment. Significant risks that are relevant to the Fund are discussed below.

The Manager seeks to minimize potential adverse effects of these risks 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.

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 December 31, 2013.

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

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

The Fund limits its exposure to credit loss by dealing with counterparties, including the lending agent, 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 December 31, 2013, had the prices of these securities increased or decreased by 10%, with all other variables held constant, net assets

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 (continued)

would have increased or decreased by approximately $3,757,549 (2012 – $4,421,439) or 9.9% (2012 – 9.0%) of total net assets. In practice, the actual trading results may differ and the impact could be material.

d) Liquidity risk
Liquidity risk 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. All liabilities of the Fund mature in twelve 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 investments. Fluctuations in interest rates have a direct effect on the Fund's ability to earn interest income. As at December 31, 2013 and December 31, 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 December 31, 2013 and December 31, 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
CPA Canada 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

December 31, 2013 (continued)

The Fund's financial instruments 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 financial instruments measured at fair value as of December 31, 2013 and December 31, 2012:

December 31, 2013

	Level 1	Level 2	Level 3	Total
Equities	**$ 37,575,491**	**$ –**	**$ –**	**$ 37,575,491**
Short-term investments	**–**	**499,115**	**–**	**499,115**
Total Financial Instruments	**$ 37,575,491**	**$ 499,115**	**$ –**	**$ 38,074,606**

December 31, 2012

	Level 1	Level 2	Level 3	Total
Equities	$ 44,214,391	$ –	$ –	$ 44,214,391
Short-term investments	–	3,997,730	–	3,997,730
Total Financial Instruments	$ 44,214,391	$ 3,997,730	$ –	$ 48,212,121

There were no transfers between the levels during the year.

13. FUTURE ACCOUNTING CHANGE – TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Fund will adopt IFRS as published by the International Accounting Standards Board ("IASB") for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014.

Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13"), which defines fair value, sets out a single framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 only applies when IFRS requires or permits fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, IFRS 13 requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. IFRS 13 allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences, if any, between the Net Assets per unit and Net Asset Value per unit at the financial statements reporting dates.

The manager estimates that the application of IFRS 13 to the financial statements as at December 31, 2013 would result in Net Assets per unit which is not materially different from NAV per unit. A comparison of Net Assets per unit and NAV per unit can be found in Note 3.

In addition, a Statement of Cash Flows will now be included in the financial statements in accordance with the requirements of IFRS 1 First-time adoption of International Financial Reporting Standards, and prepared in line with IAS 7 Statement of Cash Flows. The criteria contained within IAS 32 – Financial Instruments Presentation may also require a security holders' equity to be classified as a liability within the Fund's Statements of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund's security holders' structure to confirm classification.

Other than the impact due to IFRS 13 noted above, management has determined that the impact of IFRS to the financial statements would be limited to additional note disclosures, the inclusion of a statement of cash flows, and potential modifications to presentation including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards and/or new interpretations of existing standards.

Corporate Information

Independent Review Committee

Anthony P. L. Lloyd, BSc (Hons), MBA, ICD.D

Lea M. Hill, BCom, FCSI

Helen M. Kearns

Directors and Officers of Bloom Investment Counsel, Inc.

M. Paul Bloom, BA (Hons)
President, Director, Secretary and Portfolio Manager

Adina Bloom Somer, BA (Hons), MBA, CIM
Director, Vice President and Portfolio Manager

Beverly Lyons, BComm, FCPA, FCA, ICD.D
Independent Director

Niall C.T. Brown, BA (Hons), CFA
Vice President, Portfolio Manager

Sara N. Gottlieb, BA (Hons), CFA
Vice President, Portfolio Manager

Fiona E. Mitra, BA (Hons), CPA, CA
Chief Financial Officer

Trustee

Bloom Investment Counsel, Inc.

Custodian

CIBC Mellon Trust Company

Auditors

PricewaterhouseCoopers LLP

Website

www.bloomfunds.ca

Mailing Address
Suite 1710, 150 York Street
Toronto, ON M5H 3S5

Investor Relations: 416-861-9941
Toll Free: 1-855-BLOOM18
Website: www.bloomfunds.ca