BLUE RIBBON FUND MANAGEMENT LTD.

BLUE RIBBON INCOME FUND

RBN.UN

Actively managed, broadly diversified portfolio of income-producing securities.

Management Report of Fund Performance

August 12, 2010

This interim management report of fund performance for Blue Ribbon Income Fund (the "Fund"), formerly Citadel Diversified Investment Trust, contains financial highlights but does not contain the interim financial statements of the Fund. The interim financial statements follow this report. You may obtain a copy of the interim or annual financial statements, at no cost, by calling 866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.bromptongroup.com 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 are based on the Fund's calculation of its weekly Net Asset Value ("Net Asset Value"), which is exempted from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the Net Assets per Unit table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements.

The Fund

Blue Ribbon Income Fund is a closed-end investment trust managed by Blue Ribbon Fund Management Ltd. (the "Administrator"). Under an agreement, Brompton Funds Management Limited ("Brompton") is the sub-administrator of the Fund and provides administrative services to the Fund on behalf of the Administrator. The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol RBN.UN. The Fund's portfolio is actively managed by Bloom Investment Counsel, Inc. ("Bloom" or "Investment Manager"). The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with a high level of monthly distributions and low management fees, together with the opportunity for capital appreciation. The Fund's investments comprise income trusts and other income-producing securities.

Recent Developments

Exercise of Warrants

On March 9, 2010, the Fund issued 12.8 million TSX-listed warrants to unitholders on the basis of one-half of one warrant for each whole unit held. Each whole warrant entitles the holder to subscribe for one unit of the Fund at a subscription price of $9.62. The Fund received gross proceeds from the exercise of the warrants of $68.9 million by the closing date of June 25, 2010. The offering was designed to provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, while also increasing the trading liquidity of the units and reducing the ongoing management expense ratio ("MER") of the Fund.

Harmonized Sales Tax ("HST")

Effective July 1, 2010, Ontario and British Columbia combined the provincial sales tax ("PST") with the federal goods and services tax ("GST") to create the HST. These provinces join Nova Scotia, New Brunswick and Newfoundland and Labrador as HST participants.

Prior to the implementation of the HST, management fees and most operating expenses on investment funds were subject only to the 5% GST. Effective with the second half of 2010, these costs are now subject to the higher HST rate, which will increase the management expense ratio. The HST rate payable by the Fund as of July 1, 2010 is a "blended" rate, which is based on the provincial residency of unitholders, the value of their investments in the Fund and whether their home province is an HST province. With this blended approach, the Fund is required to pay HST on expenditures regardless of the location of the source of its supplies. As at June 30, 2010, the Fund estimated that its blended HST rate for the second half of 2010 will be approximately 9.2%.

Future Accounting Changes

In June 2010, the Canadian Accounting Standards Board ("AcSB") released an exposure draft to propose that investment companies may defer the adoption of International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, from fiscal years beginning on or after January 1, 2011 until fiscal years beginning on or by January 1, 2012. The Fund will adopt IFRS by the deadline to be set out in the AcSB's proposed amendment or such earlier time as required by the Canadian Securities Administrators.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2009 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes to the Fund in the six months ended June 30, 2010 that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

As the merger of the Fund with Series S-1 Income Fund was not completed until December 31, 2009, the results of operations prior to 2010 in this report are based only on the pre-merger Fund.

Distributions

During the six months ended June 30, 2010, the Fund declared monthly cash distributions to unitholders which totaled $0.42 per unit, compared to $0.39 in the first six months of 2009. The 2009 distribution reflects a monthly rate per unit of $0.085 in January and February of that year, and then a monthly rate of $0.055 from March through June. In January 2010, the Fund increased the monthly distribution rate to $0.07.

Revenues and Expenses

Total revenue from the Fund's portfolio was $0.36 per unit for the six months ended June 30, 2010, down slightly from $0.38 per unit the previous year. Expenses also declined, from $0.10 per unit in the first six months of 2009 to $0.09 per unit in 2010. Net investment income of the Fund was less than the amount distributed in the first half of 2010.

Net Asset Value

The Net Asset Value per unit of the Fund was $9.61 at June 30, 2010, down slightly from $9.78 at December 31, 2009. The aggregate Net Asset Value of the Fund increased $58.3 million from $251.0 million at December 31, 2009 to $309.3 million as of June 30, 2010, primarily due to net proceeds of $67.8 million received from the exercise of warrants.

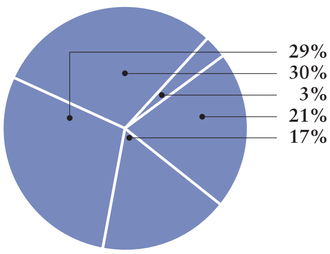
Investment Portfolio

During the first six months of 2010, the Fund dropped Livingston International Income Fund and Northstar Healthcare Inc. from its portfolio, reducing the number of income trusts and dividend-paying equities to 34 as at June 30, 2010, down from 36 at December 31, 2009. The breakdown of the portfolio (excluding cash and short-term investments) is shown in the accompanying pie chart, and a detailed listing of the Fund's security holdings is provided in the financial statements.

The Fund recorded net gains (realized and unrealized) of $1.0 million for the six months ended June 30, 2010, with the business trust and power generation sectors contributing the largest gains and the oil and gas sector experiencing the largest unrealized loss.

As at June 30, 2010, the Fund held $73.6 million in cash and short-term investments as it received the proceeds of the warrants exercised at the end of June.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)		Realized		Unrealized		Total
Business funds	$	(0.1)	$	2.9	$	2.8
Oil and gas royalty trusts		—		(3.3)		(3.3)
Power generation investments		—		1.2		1.2
Pipeline/energy investments		—		(0.2)		(0.2)
Real estate investment trusts		—		0.5		0.5
Total	**$**	**(0.1)**	**$**	**1.1**	**$**	**1.0**

Liquidity and Capital Resources

To provide liquidity, units of the Fund are listed on the TSX under the symbol RBN.UN. The Fund received approval from the TSX to implement a normal course issuer bid program from December 2, 2009, allowing the Fund to purchase its units on the TSX for cancellation if they trade below Net Asset Value per unit. As a result, purchases under the issuer bid are accretive to the Net Asset Value per unit. On June 9, 2010, the Fund received approval from the TSX to increase the number of units it may purchase to 2,575,800, or approximately 10% of the units outstanding at that time. Purchases under this program began in January 2010, and 717,800 equity shares were purchased during the six months ended June 30, 2010 at an average price per share of $9.49. During the period, units traded at an average discount to their Net Asset Value per unit of 5.5%.

Related Party Transactions

Related party transactions consist of services provided by the Administrator and the Investment Manager pursuant to administration and investment management agreements. See the Administration and Investment Management Fees section below.

Administration and Investment Management Fees

Pursuant to an administration agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administration fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund. The administration fee is used by the Administrator to cover its costs to obtain the Fund's assets, the cost to administer the Fund and for profit. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. Bloom Investment Counsel, Inc. is the Investment Manager of the Fund and is paid an investment management fee of 0.50% per annum of the Net Asset Value of the Fund. During the six months ended June 30, 2010, administration and investment management fees amounted to $1.3 million and service fees amounted to $0.6 million.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual and unaudited interim financial statements. *The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit.* The increase (decrease) 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 Six Months Ended June 30, 2010	For the Year Ended December 31 2009	2008	2007	2006	2005
Net Assets per unit, beginning of period[2][3]	**$ 9.75**	$ 7.50	$ 11.08	$ 11.25	$ 12.13	$ 11.66
Increase (decrease) from operations:[4]						
Total revenue	**0.36**	0.69	1.03	1.12	1.05	1.03
Total expenses	**(0.09)**	(0.59)	(0.19)	(0.23)	(0.21)	(0.21)
Realized gains (losses)	**—**	0.14	0.03	1.02	(0.04)	0.04
Unrealized gains (losses)	**0.05**	2.30	(3.46)	(0.83)	(0.51)	0.62
Total increase (decrease) in Net Assets from operations	**$ 0.32**	$ 2.54	$ (2.59)	$ 1.08	$ 0.29	$ 1.48
Distributions to unitholders:[3]						
From net investment income	**$ N/A[5]**	$ —	$ 0.84	$ 0.89	$ 0.98	$ 1.00
From capital gains	**N/A[5]**	—	0.03	0.38	—	0.04
Return of capital	**N/A[5]**	0.72	0.15	—	0.04	—
Total distributions to unitholders	**$ 0.42**	$ 0.72	$ 1.02	$ 1.27	$ 1.02	$ 1.04
Net Assets per unit, end of period[2][3]	**$ 9.59**	$ 9.75	$ 7.50	$ 11.08	$ 11.25	$ 12.13

(1) This information is derived from the Fund's audited annual and unaudited interim 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) The Net Assets from the beginning of 2007 are for financial reporting purposes. The Net Assets per unit for prior periods are based on the prior period financial statements and have not been adjusted for the new accounting standards adopted in 2007.

(3) Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(4) The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(5) Allocations for the period ended June 30, 2010 are not determinable until year-end.

Ratios and Supplemental Data (Based on Net Asset Value)

As at	June 30, 2010	December 31 2009	2008	2007	2006	2005
Net Asset Value (in 000s)	**$ 309,294**	$ 250,971	$ 210,523	$ 328,028	$ 351,384	$ 337,572
Number of units outstanding	**32,201,448**	25,753,149	28,075,895	29,598,297	31,247,143	27,834,377
Management expense ratio ("MER")[1]	**2.30%**	7.23%	1.80%	1.83%	1.75%	1.78%
Trading expense ratio[2]	**0.01%**	0.17%	0.08%	0.10%	0.11%	0.05%
Portfolio turnover rate[3]	**4.65%**	78.96%	20.50%	27.66%	24.68%	15.97%
Closing market price	**$ 9.19**	$ 9.78	$ 5.27	$ 8.96	$ 9.67	$ 11.52

(1) 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 stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the period. For 2009, the MER includes one-time extraordinary expenses associated with the reorganization of the Fund.

(2) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Investment Manager manages its 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.

Expense Ratio

The MER of the Fund was 2.30% for the period ended June 30, 2010, with 0.50% attributable to one-time expenses paid on the issuance of warrants. In 2009, the MER was 7.23%, reflecting one-time extraordinary expenses associated with the reorganization of the Fund under the administration of previous administrators.

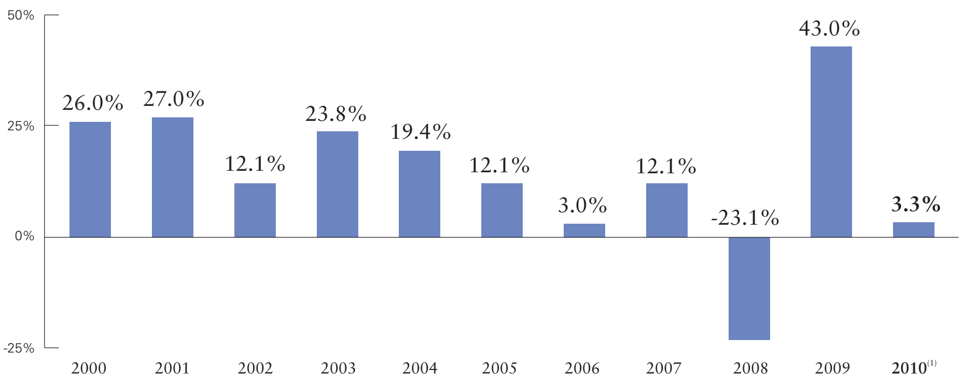
Excluding the one-time costs related to the exercise of warrants, the MER as of June 30, 2010 was 1.80%. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

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 cash distributions made by the Fund and deemed distributions based on the intrinsic value of the rights/warrants at the exercise date of the rights/warrants in the periods shown were reinvested at Net Asset Value per unit in additional units of the Fund.

The bar chart shows the Fund's return for each period since January 1, 2000 to June 30, 2010. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



(1) Period from January 1, 2010 to June 30, 2010.

The following table shows the Fund's compound return for each period indicated, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index") and the S&P/TSX Composite Index ("Composite Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities. The Composite Index tracks the performance, on a market weight basis, of a broad index of large-capitalization issuers listed on the TSX. The Income Trust Index and the Composite Index are calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	Six Months Ended June 30, 2010	1 Year	3 Year	5 Year	10 Year	Since Inception(1)
Blue Ribbon Income Fund	**3.3%**	57.0%	3.8%	6.4%	14.9%	12.2%
S&P/TSX Capped Income Trust Index	**3.6%**	27.7%	1.2%	6.4%	17.2%	11.6%
S&P/TSX Composite Index	**(2.5%)**	10.9%	(3.9%)	5.5%	3.3%	6.1%

(1) Period from September 16, 1997 (commencement of operations) to June 30, 2010.

The Fund had a very strong performance of 57.0% return for the year ended June 30, 2010, outperforming the Income Trust Index and the Composite Index by 29.3% and 46.1%, respectively. During the six months ended June 30, 2010, the Fund outperformed the Composite Index and the Income Trust Index, when taking into account the administration costs of the Fund. The outperformance of the Income Trust Index was attributable to the Fund's lower weighting of oil and gas trusts and higher weighting of business trusts than that of the Income Trust Index. Since inception, the Fund has an annualized return of 12.2% and has outperformed both benchmark indices due to careful security selection by the Investment Manager.

Summary of Investment Portfolio

As at June 30, 2010

Total Net Asset Value	$ 309,294,487

Portfolio Composition	% of Portfolio	% of Net Asset Value
Cash and short-term investments	23.4%	23.8%
Oil and gas	23.1%	23.4%
Business	21.8%	22.2%
Pipeline/energy	16.0%	16.3%
Real estate	13.1%	13.3%
Power generation	2.6%	2.7%
Total investment portfolio	100.0%	101.7%
Other net liabilities		(1.7%)
Total Net Asset Value		100.0%

Top 25 Holdings	% of Portfolio	% of Net Asset Value
Cash and short-term investments	23.4%	23.8%
ARC Energy Trust	4.1%	4.1%
Bonavista Energy Trust	3.8%	3.9%
Baytex Energy Trust	3.8%	3.9%
Chemtrade Logistics Income Fund	3.8%	3.8%
Extendicare REIT	3.4%	3.5%
Keyera Facilities Income Fund	3.4%	3.4%
NAL Oil & Gas Trust	3.2%	3.2%
Progress Energy Resources Corp.	3.1%	3.2%
TransForce Inc.	2.9%	2.9%
H&R REIT	2.9%	2.9%
Crescent Point Energy Corp.	2.8%	2.9%
AltaGas Income Trust	2.8%	2.9%
Superior Plus Corp.	2.6%	2.6%
Fort Chicago Energy Partners L.P.	2.5%	2.6%
Inter Pipeline Fund	2.5%	2.5%
IESI-BFC Ltd.	2.4%	2.4%
Morguard REIT	2.3%	2.3%
Just Energy Income Fund	2.3%	2.3%
Noranda Income Fund	2.2%	2.3%
Medical Facilities Corp.	2.2%	2.3%
Vermilion Energy Trust	2.1%	2.2%
Colabor Group Inc.	2.1%	2.1%
Ag Growth Income Fund	1.7%	1.7%
RioCan REIT	1.5%	1.5%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

Investment Manager

Bloom Investment Counsel, Inc. ("Bloom") has considerable experience and a strong track record of managing portfolios of high-yield income trusts and dividend-paying equities. Paul Bloom was recognized in September 2009 as one of the 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International. Bloom 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, Bloom currently manages specialty high-yield equity portfolios comprised of royalty trusts, income trusts, real estate investment trusts and other structured securities. Within the last five years, Bloom has managed portfolios in this specialty area with a market value of over $2.5 billion.

BLOOM
INVESTMENT
COUNSEL, INC.

Investment Manager's Report

July 12, 2010

The Canadian Economy

Following the Bank of Canada's June 1 rate hike of 0.25%, Governor Carney's follow-up comments were absent the conviction one would expect if Canada was on a solid footing towards economic recovery. Governor Carney equivocated by saying that "in light of the scale and volatility of these conflicting forces, it should be evident that no particular path for monetary policy is preordained." On the other hand, south of the border, the US Federal Reserve is faced with signs of a further weakening of the economy. This is coupled with core inflation registering below 1% and an oil spill that continues to run amok, particularly for the environment, but also for the economy and President Obama's political stock. These events all leave the US with few reasons to raise rates in 2010.

On an annualized basis, Canadian GDP growth peaked at a level above 6% over a six-month period stretching back to October 2009. However, according to the latest set of data, GDP growth appears to have slowed significantly. The data shows a flat return for April 2010 and a decent 3.3%, 12-month return given the global economic turmoil during one of the roughest periods in our lifetime. The main culprit of slower growth was retail sales, which fell by 2%, wiping out the gains achieved in March. Manufacturing, mining and housing also delivered disappointing results. The earlier exuberant outlook for GDP growth in 2010 is now being tempered. Growth this year of 3.5% is now more likely, and while this is solid, it is below the Bank of Canada's original hopes for economic recovery.

The Canadian labour market has been adding 53,000 jobs a month on average over the last five months. This trend is even more impressive given that the jobs have been both full-time opportunities and primarily in the private sector. The June report came in well ahead of expectations, delivering a 93,000 figure, which reduced the unemployment rate to 7.9%, a drop of 0.2%.

Following the June jobs report, the Bank of Canada is even more likely to raise interest rates again on July 20 to curb the availability of easy access to credit. Indeed, easy lending policies through very low interest rates have driven up the levels of debt carried by Canadian consumers. The Canadian homeowner's equity ratio has been falling over the past three years from its peak of 71.1% in the second quarter of 2007 to around 68% currently. Canadians have been refinancing their mortgages to pay off credit card debt in a similar pattern that bedevilled the US economy. This is a worrying trend, but it puts the Bank of Canada in a difficult position, trying to support economic growth through lower interest rates yet not allowing inflationary spending through easy access to credit.

Canada's core inflation rate was 1.8% in May, a low number, yet above that of the United States, at 0.9%. Only twice in the past decade has Canada's inflation rate been above that of the US. In each of these periods a significant price event occurred in Canada to cause this unusual circumstance: rising insurance costs and rising commodity prices. Interestingly, both were periods where the Bank of Canada raised interest rates independently of the US Federal Reserve, which is similar to the current environment. The price event that we are currently witnessing is the implementation of HST in Ontario and British Columbia and an increase in the rate in Nova Scotia. Consumers will be faced with roughly a 1.3% increase in prices in Ontario and British Columbia as a result of this implementation.

Existing home sales contracted by 6.3% in May, contrary to the consensus that expected a flat number. The bulk of the decline was felt in single family dwellings, though multi-unit (condos) sales were also negative. The weak results are reflective of both the tightening of mortgage lending rules implemented on April 19 and the HST implementation on July 1. In anticipation of these changes, existing home sales will probably have peaked for the year as the "pull-forward" of much purchasing activity will likely weaken results in future months.

During the last quarter, the price of oil, as measured by the one-year forward strip for WTI in Canadian currency, fell by 4.1%. The Canadian AECO natural gas 12-month strip price, used to help smooth out the seasonality of spot gas prices, rose by 7.7%. The focus in the oil markets over the last two months has unfortunately been on the Gulf of Mexico oil disaster. With no end in sight, the US government has started espousing the value of the Canadian oil sands. It is expected that Canadian oil sand exports to the US will become the largest single source of US oil imports by the end of 2010. Already in 2009, Canada was the chief provider of oil to the United States, surpassing Mexico, Venezuela and Saudi Arabia.

Blue Ribbon Income Fund

The Fund provided a positive total return performance for the first half of 2010 of 3.3% versus 3.6% for the S&P/TSX Income Trust Index. While marginally lagging the Income Trust Index, the Fund did outperform the S&P/TSX Composite Index's return of negative 2.5%. Since the Fund's inception in September 1997, the performance has provided a 12.2% annual compound rate of return versus 11.6% for the Income Trust Index and 6.1% for the Composite Index.

The Fund's exposure to oil and gas trusts on June 30 was 23.1%. This compared to a 50.2% oil and gas weight in the S&P/TSX Income Trust Index. The Fund's business trust sector (including power, pipes and infrastructure) made up 40.4%. By extrapolation (as there is no specific business trust index), business trusts represented 31.6% of the index. Real estate ("REIT") exposure was below that of the Income Trust Index, 13.1% versus 18.25% for the index. Cash represented 23.4% of the portfolio due to the exercising of Blue Ribbon warrants in the last few days of June. We will look to invest this cash as we find good value.

Outlook

The second half of 2010 will see virtually all income trusts, other than most REITs, convert to corporate structures. We believe this will create attractive investment opportunities as yield-oriented investors gravitate towards this sector. Recent reports by investment dealers have cited the positive impact of index buying on trust names that convert and are added to the S&P/TSX Composite Index. We continue to believe that as companies convert, their above-average yields will attract a new set of investors who were either precluded from buying, or refused to buy, former income trusts, especially those investors that use the S&P/TSX Composite Index as a benchmark.

As we anticipated, distribution cuts at the time of the conversion of trusts to corporations have been, and will continue to be, substantially less than most investors had expected. In many cases, when the effects of dividend tax credits are applied, post tax income will rise after conversions by meaningful amounts for some taxable Canadians.

The S&P/TSX Income Trust Index will shrink as the conversion of income trusts to corporations continues and accelerates throughout the balance of 2010. Discussions are in progress with the aim of establishing a new, broad high-yield equity index as a future benchmarking tool.

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.

Notice

The accompanying unaudited financial statements of Blue Ribbon Income Fund for the six months ended June 30, 2010 have been prepared by management and have not been reviewed by the external auditors of the Fund.

Signed

Mark A. Caranci
Chief Executive Officer

Signed

Craig T. Kikuchi
Chief Financial Officer

August 12, 2010

Statements of Net Assets (Unaudited)

As at	June 30, 2010	Dec. 31, 2009
Assets		
Investments at fair value	**$ 240,504,892**	$ 242,057,625
Cash and short-term investments	**73,585,464**	9,604,003
Income receivable	**1,654,107**	1,851,648
Total assets	**315,744,463**	253,513,276
Liabilities		
Accounts payable and accrued liabilities	**1,789,852**	581,455
Amounts payable for investments purchased	**3,041,820**	—
Distributions payable to unitholders (note 7)	**2,254,101**	1,960,591
Total liabilities	**7,085,773**	2,542,046
Unitholders' equity		
Unitholders' capital (note 4)	**316,789,204**	255,556,417
Contributed surplus (note 4)	**23,111,962**	22,223,970
Deficit	**(31,242,476)**	(26,809,157)
Net Assets representing unitholders' equity (note 3)	**$ 308,658,690**	$ 250,971,230
Number of units outstanding (note 4)	**32,201,448**	25,753,149
Net Assets per unit	**$ 9.59**	$ 9.75

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

Statements of Operations and Deficit (Unaudited)

For the six months ended June 30	2010	2009
Income		
Distribution income	$ 9,283,612	$ 10,318,499
Interest income	16,406	161,567
Securities lending income	89,592	125,786
	9,389,610	10,605,852
Expenses		
Administration and investment management fees (note 8)	1,293,246	1,674,051
Service fees (note 8)	569,042	—
Audit fees	17,664	7,257
Director fees	—	38,038
Independent review committee fees	14,818	3,430
Trustee fees	7,752	2,184
Custodial fees	12,881	3,930
Legal fees	15,037	69,553
Unitholder reporting costs	12,218	39,270
Other administrative expenses	380,620	268,748
Severance and other costs	—	551,449
	2,323,278	2,657,910
Net investment income	7,066,332	7,947,942
Transaction costs	(31,269)	(101,636)
Net realized loss on sale of investments	(73,655)	(6,304,903)
Change in unrealized appreciation of investments	1,187,689	27,339,374
Increase in Net Assets from operations	8,149,097	28,880,777
Deficit, beginning of period	(26,809,157)	(75,030,583)
Issuance of warrants	(1,306,512)	—
Distributions to unitholders	(11,275,904)	(10,805,169)
Deficit, end of period	$ (31,242,476)	$ (56,954,975)
Increase in Net Assets from operations per unit[1]	$ 0.32	$ 1.04

[1] Based on the weighted average number of units outstanding during the period.

Statements of Changes in Net Assets (Unaudited)

For the six months ended June 30	2010	2009
Net Assets, beginning of period	$ 250,971,230	$ 210,522,759
Operations:		
Increase in Net Assets from operations	8,149,097	28,880,777
Unitholder transactions:		
Distributions to unitholders		
Net investment income	(11,275,904)	(7,846,306)
Return of capital	—	(2,958,863)
Total	(11,275,904)	(10,805,169)
Issuance of units (note 4)	67,576,694	—
Reinvestment of units (note 4)	50,756	—
Repurchase of units (note 4)	(6,813,183)	(4,182,034)
Total unitholder transactions	60,814,267	(4,182,034)
Increase in Net Assets during the period	57,687,460	13,893,574
Net Assets, end of period	$ 308,658,690	$ 224,416,333

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

Statement of Investments (Unaudited)

As at June 30, 2010		Cost	Fair Value	% of Portfolio
No. of Units	**Business**			
150,000	AG Growth International Inc.	$ 3,818,493	$ 5,250,000	
206,500	Armtec Infrastructure Income Fund	2,615,278	3,830,575	
1,000,000	Chemtrade Logistics Income Fund	10,128,409	11,800,000	
550,000	Colabor Group Inc.	5,648,798	6,611,000	
849,500	Consumers' Waterheater Income Fund (The)	3,491,445	3,924,690	
350,000	IESI-BFC Ltd.	6,925,779	7,430,500	
800,000	Medical Facilities Corp.	8,129,346	6,920,000	
150,000	Morneau Sobeco Income Fund	1,364,282	1,390,500	
150,000	New Flyer Industries Inc.	1,505,877	1,465,500	
2,811,000	Noranda Income Fund, Class 'A'	12,366,729	6,999,390	
800,000	Rogers Sugar Income Fund	3,904,000	3,856,000	
973,900	TransForce Inc.	7,344,030	9,018,314	
		67,242,466	**68,496,469**	**28.5%**
No. of Units	**Oil and Gas**			
650,000	ARC Energy Trust	12,976,000	12,811,500	
380,000	Baytex Energy Trust	11,331,600	12,084,000	
530,000	Bonavista Energy Trust	13,746,453	12,089,300	
240,000	Crescent Point Energy Corp.	9,412,800	8,911,200	
940,000	NAL Oil & Gas Trust	11,604,514	9,926,400	
800,000	Progress Energy Resources Corp.	10,826,460	9,848,000	
200,000	Vermilion Energy Trust	3,841,771	6,706,000	
		73,739,598	**72,376,400**	**30.1%**
No. of Units	**Power Generation**			
500,000	Innergex Power Income Fund	3,550,703	4,150,000	
300,000	Northland Power Income Fund	3,573,000	4,119,000	
		7,123,703	**8,269,000**	**3.4%**
No. of Units	**Pipeline/Energy**			
480,000	AltaGas Income Trust	9,485,130	8,856,000	
750,000	Fort Chicago Energy Partners L.P.	7,472,743	7,837,500	
660,000	Inter Pipeline Fund, Class 'A'	6,315,785	7,887,000	
563,900	Just Energy Income Fund	4,626,027	7,138,974	
393,855	Keyera Facilities Income Fund	8,377,927	10,531,683	
630,000	Superior Plus Corp.	9,147,600	8,051,400	
		45,425,212	**50,302,557**	**20.9%**
No. of Units	**Real Estate**			
1,250,000	Extendicare REIT	12,108,319	10,662,500	
375,000	Firm Capital Mortgage Investment Fund	3,933,750	4,271,250	
530,000	H&R REIT	8,466,840	8,972,900	
293,722	Huntingdon REIT	6,091,768	1,659,529	
600,000	InnVest REIT	3,180,000	3,528,000	
550,000	Morguard REIT	5,398,551	7,221,500	
250,000	RioCan REIT	5,012,465	4,742,500	
		44,191,693	**41,058,179**	**17.1%**
Total Canadian Equities		**$ 237,722,672**	**$ 240,502,605**	**100.0%**

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

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2010 and 2009

1. OPERATIONS

Blue Ribbon Income Fund (the "Fund"), formerly Citadel Diversified Investment Trust, is a closed-end investment trust created under the laws of the Province of Ontario on July 11, 1997, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Blue Ribbon Fund Management Ltd. (the "Administrator") is responsible for managing the affairs of the Fund. Bloom Investment Counsel, Inc. manages the Fund's portfolio. CIBC Mellon Global Securities Services Company is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on September 17, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

Future Accounting Changes

In June 2010, the Canadian Accounting Standards Board ("AcSB") released an exposure draft to propose that investment companies may defer the adoption of International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, until fiscal years beginning on or by January 1, 2012. The Fund will adopt IFRS by the deadline to be set out in the AcSB's proposed amendment or such earlier time as required by the Canadian Securities Administrators.

The Fund has developed a plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Fund's financial statements in accordance with IFRS. The Fund has presently determined that there will be no impact to Net Assets per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the area of additional note disclosures and, potentially, different presentation of unitholder interests in the financial statements of the Fund.

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

In accordance with National Instrument ("NI") 81-106, a reconciliation is required between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value"). The reconciliation is as follows:

As at		**June 30, 2010**		December 31, 2009
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 309,294,487**	**$ 9.61**	$ 251,758,705	$ 9.78
Section 3855 adjustment	**(635,797)**	**(0.02)**	(787,475)	(0.03)
Net Assets	**$ 308,658,690**	**$ 9.59**	$ 250,971,230	$ 9.75

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the Net Asset Value 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. Beginning in 2010, units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of October for redemption on the second last business day of November ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date, less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the tenth business day in December, subject to the Administrator's right to suspend redemptions in certain circumstances. For purposes of calculating the Net Asset Value per unit, the value of the securities that make up the portfolio will be equal to the weighted average trading price of such securities over the last three business days of November.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program for the period from December 2, 2009 to December 1, 2010. Pursuant to this issuer bid, the Fund is permitted to purchase up to 1,286,500 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price. The Fund had a mandatory repurchase program whereby units offered for sale at a discount to the Fund's Net Asset Value per unit of greater than 5% were repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of such quarter. This program was discontinued as of November 20, 2009. Units are now repurchased pursuant to the issuer bid program issued above.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2010 and 2009

Issued

During the period ended June 30, 2010, a total of 717,800 units were repurchased for cancellation at an average cost of $9.49 per unit (June 30, 2009 – 697,900 units at an average cost of $5.99 per unit).

As at June 30, 2010, the Fund had accumulated a contributed surplus of $23,111,962 (June 30, 2009 – $4,964,738). Contributed surplus is recorded when units of the Fund are redeemed or repurchased at prices per unit which are below the average cost per unit of unitholders' capital.

The weighted average number of units outstanding for the period ended June 30, 2010 was 25,782,892 (June 30, 2009 – 27,791,202).

5. Warrants Offering

Unitholders received warrants on the basis of one-half of one warrant for each unit held on March 9, 2010. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $9.62. Warrants not exercised prior to June 25, 2010 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.15 per warrant to the dealer whose client was exercising the warrant.

The Fund issued 12,845,931 warrants to unitholders of record on March 9, 2010. During the six months ended June 30, 2010, 7,160,686 warrants were exercised for net proceeds of $67,811,695. The remaining warrants expired. Based on the closing price of the first trading day, the fair value of each warrant on the date of issuance was $0.12 per warrant. Costs associated with the issuance of these warrants amounted to $235,000.

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. 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, issue warrants or purchase units for cancellation.

7. Distributions Payable to Unitholders

Distributions, as declared by the Administrator, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the period ended June 30, 2010, the Fund declared total distributions of $0.42 (June 30, 2009 – $0.39) per unit, which amounted to $11,275,904 (June 30, 2009 – $10,805,169). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the period ended June 30, 2010, 5,413 (June 30, 2009 – nil) units in respect of distributions were issued by the Fund.

8. Management and Service Fees and Other Related Party Expenses

Prior to June 3, 2009, Citadel Diversified Management Ltd. ("CDML") was the administrator of the Fund. On June 3, 2009, Citadel Funds Administrator became the administrator of the Citadel Group of Funds. Pursuant to the administrative services agreement, until November 20, 2009, total annual administrative and investment management fees were equal to 1.5% of the aggregate average weekly Net Asset Value of the Fund.

Effective November 20, 2009, Blue Ribbon Fund Management Ltd. was appointed the Administrator of the Fund. Pursuant to a management agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administrator fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. Bloom Investment Counsel, Inc. continues to be the Investment Manager of the Fund and is paid an investment management fee equal to 0.50% per annum of the Fund, plus applicable taxes.

9. Investment Transactions

For the six months ended June 30	2010	2009
Proceeds from sale of investments	$ **14,125,944**	$ 19,212,645
Less cost of investments sold:		
Investments at cost, beginning of period	**240,465,380**	244,879,230
Investments purchased during the period	**11,456,891**	17,592,645
Investments at cost, end of period	**(237,722,672)**	(236,954,328)
Cost of investments sold during the period	**14,199,599**	25,517,547
Net realized gain (loss) on sale of investments	$ **(73,655)**	$ (6,304,902)

For the periods ended June 30, 2010 and 2009, there were no soft dollar amounts paid.

10. Securities Lending

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Global Securities Services Company. The Fund will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies. The market values of the securities on loan and the related collateral at June 30, 2010, were nil (June 30, 2009 – $28.4. million) and nil (June 30, 2009 – $30.1 million), respectively.

11. FINANCIAL 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, 2010. Significant risks that are relevant to the Fund are discussed below.

The Administrator attempts to minimize potential adverse effects of these risks on the Fund's performance by employing a professional, experienced investment manager who diversifies the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Administrator also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

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

a) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result 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 securities present a risk of loss of capital. The Investment Manager attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss 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, 2010, 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 $24.0 million or 7.8% of total Net Assets (June 30, 2009 – approximately $20.6 million or 9.17% of total Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk 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 other assets represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have sufficient, approved credit and the value of cash or securities held as collateral must be at least 105% of the fair value of the securities loaned.

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its annual redemptions. For the annual redemption, the Fund receives notice at least 20 business days prior to the date of redemption and has up to 10 business days following the date of redemption to settle the redemptions, which provides the Investment Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price.

All of the Fund's financial liabilities had maturities of less than one year.

12. FAIR VALUE DISCLOSURES

The Fund's assets and liabilities recorded at fair value have been categorized in accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosure."

Section 3862 requires the Fund to classify its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

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 not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As at June 30, 2010	Level 1	Level 2	Level 3	Total
Equities	$ 240,502,605	$ —	$ —	$ 240,502,605
Total investments	**$ 240,502,605**	**$ 68,940,570**	**$ —**	**$ 309,443,175**

There were no transfers among the levels during the period.

Corporate Information

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Ken S. Woolner, BSc, PEng

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