2018 INTERIM REPORT

BLUE RIBBON INCOME FUND

RBN.UN

Actively managed portfolio focused on higher yielding Canadian securities.

Management Report of Fund Performance

August 8, 2018

This interim management report of fund performance for Blue Ribbon Income Fund (the "Fund") contains financial highlights but does not contain the unaudited interim financial statements of the Fund. The unaudited interim financial statements follow this report. You may obtain a copy of the audited annual or unaudited interim financial statements, at no cost, by calling 1-866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.blueribbonincomefund.com or SEDAR at www.sedar.com. Unitholders may also contact Brompton Funds by 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.

All figures in this management report of fund performance, unless otherwise noted, are based on the Fund's Net Asset Value, which is calculated in accordance with the terms of the Fund's declaration of trust.

The Fund

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

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with high monthly distributions and low management fees, together with the opportunity for capital appreciation.

Recent Developments

There were no recent developments to report.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2017 annual information form, which is available on the Fund's website at www.blueribbonincomefund.com or on SEDAR at www.sedar.com. There were no changes during the period ended June 30, 2018 that materially affected the risks associated with an investment in the units of the Fund as they were discussed.

Results of Operations

Distributions and Changes in Net Assets from Operations

Cash distributions amounted to $0.30 per unit for the six months ended June 30, 2018, unchanged from the same period in 2017, reflecting monthly distributions of $0.05 per unit. Since inception in September 1997, the Fund has paid total cash distributions of $18.48 per unit.

The Fund has a distribution reinvestment plan which allows participating unitholders to automatically reinvest monthly distributions, commission free, in additional units of the Fund. Pursuant to this plan, 24,131 units were acquired in the market at an average price of $9.19 per unit and 5,953 units were issued from treasury at an average price of $9.11 per unit during the six months ended June 30, 2018.

For the first six months of 2018, total revenue from the Fund's portfolio was $0.19 per unit, compared to $0.21 per unit in the same period of 2017. Expenses were $0.08 per unit for the first six months of 2018, compared to $0.09 per unit in 2017.

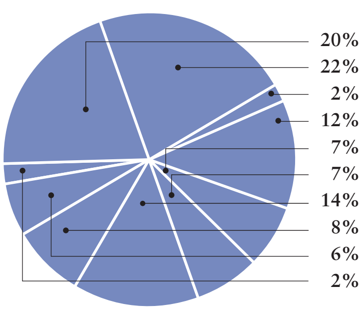
Net Asset Value

The Net Asset Value per unit of the Fund was $9.07 at June 30, 2018, down 7.8% from $9.84 at December 31, 2017 due to net losses in the Fund. The aggregate Net Asset Value of the Fund decreased to $150.4 million at June 30, 2018 from $165.0 million at December 31, 2017. The $14.6 million decrease reflected a $7.8 million loss from operations, the payment of $5.0 million in distributions and unit repurchases of $1.8 million under the Fund's normal course issuer bid program.

Investment Portfolio

At June 30, 2018, the Fund owned 32 equities compared to 32 holdings at December 31, 2017. During the six months ended June 30, 2018, four new names were purchased: Cineplex Inc., Fiera Capital Corporation, ShawCor Ltd. and Whitecap Resources Inc. Four names were sold: AltaGas Ltd., AltaGas Ltd. Subscription Receipts, ARC Resources Ltd. and Trinidad Drilling Ltd. The Fund had net realized and net change in unrealized losses of $9.4 million during the first six months of 2018 which were largely driven by significant market price drops for the Corus Entertainment, Altus Group, and Chemtrade Logistics Income Fund securities. These market price drops impacted $6.5 million of the overall losses. Market price increases for the TFI International Inc. and Transcontinental Inc. securities reduced the impact of the losses by $2.2 million. The portfolio's investment weighting is shown in the accompanying pie chart, and a detailed listing of the Fund's security holdings is provided in the financial statements.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)	**Realized**	**Change in Unrealized**	**Total**
Consumer staples and discretionary	$ 0.1	$ (2.9)	$ (2.8)
Financial	—	(1.1)	(1.1)
Healthcare	—	(0.8)	(0.8)
Industrial	0.4	0.4	0.8
Materials	—	(1.8)	(1.8)
Oil and gas	(6.0)	5.0	(1.0)
Pipes, power, utilities and infrastructure	2.0	(2.7)	(0.7)
Real estate	—	(1.8)	(1.8)
Short-term investments	—	—	—
Telecommunication services	—	(0.2)	(0.2)
Total	**$ (3.5)**	**$ (5.9)**	**$ (9.4)**

Liquidity and Capital Resources

The Fund has a 364-day revolving credit facility which provides for maximum borrowings of $5 million, with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate, plus a fixed percentage. The facility can be used to invest in additional portfolio investments and for working capital purposes. During the first six months of 2018, there were no borrowings under the facility.

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol RBN.UN. The Fund's normal course issuer bid program allows it to purchase its units for cancellation if they trade below Net Asset Value per unit. As a result, purchases under the issuer bid program are accretive to the Net Asset Value per unit at the time of purchase. During the first six months of 2018, 197,300 units were purchased for cancellation at an average price of $9.13 per unit.

Investors may also redeem their shares at Net Asset Value, less applicable costs, in accordance with the Fund's redemption provisions.

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. For the period ended June 30, 2018, these expenses amounted to $0.1 million (2017 – $0.2 million). The administration fee is used by the Administrator to cover certain costs 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, which 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. For the period ended June 30, 2018, administration fees amounted to $0.4 million (2017 – $0.5 million) and service fees were $0.3 million (2017 – $0.3 million). Bloom Investment Counsel, Inc., the Investment Manager of the Fund, receives an investment management fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. For the period ended June 30, 2018, investment management fees amounted to $0.4 million (2017 – $0.5 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 unaudited interim and audited annual financial statements. *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.* 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]

			December 31				
For the period/year ended		**June 30, 2018**	2017	2016	2015	2014	2013
Net Assets per unit, beginning of period/year[2]	$	**9.84**	$ 10.19	$ 8.42	$ 10.61	$ 11.68	$ 10.96
Increase (decrease) from operations:[3]							
Total revenue		**0.19**	0.41	0.44	0.49	0.61	0.62
Total expenses		**(0.09)**	(0.17)	(0.16)	(0.19)	(0.21)	(0.20)
Realized gains (losses)		**(0.22)**	0.64	0.85	—	0.37	0.03
Unrealized gains (losses)		**(0.35)**	(0.64)	1.24	(1.64)	(0.96)	1.15
Total increase (decrease) in Net Assets from operations	$	**(0.47)**	$ 0.24	$ 2.37	$ (1.34)	$ (0.19)	$ 1.60
Distributions to unitholders:[2][4]							
From net investment income	$	**n/a**	$ 0.17	$ 0.18	$ 0.24	$ 0.24	$ 0.27
From capital gains		**n/a**	—	—	—	0.28	0.01
Return of capital		**n/a**	0.43	0.48	0.60	0.32	0.56
Total distributions to unitholders	$	**0.30**	$ 0.60	$ 0.66	$ 0.84	$ 0.84	$ 0.84
Net Assets per unit, end of period/year[2]	$	**9.07**	$ 9.84	$ 10.19	$ 8.42	$ 10.61	$ 11.68

[1] Financial information was prepared in accordance with International Financial Reporting Standards.

[2] Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

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

[4] Allocations for tax purposes for the period ended June 30, 2018 are not available until year-end.

Ratios and Supplemental Data (Based on Net Asset Value)

		December 31				
As at	**June 30, 2018**	2017	2016	2015	2014	2013
Net Asset Value (000s)	**$ 150,378**	$ 164,953	$ 194,079	$ 191,212	$ 276,561	$ 305,194
Number of units outstanding (000s)	**16,579**	16,771	19,045	22,702	26,071	26,125
Management expense ratio ("MER")[1]	**1.79%**	1.73%	1.70%	1.79%	1.90%	2.21%
Trading expense ratio[2]	**0.07%**	0.05%	0.07%	0.11%	0.04%	0.03%
Portfolio turnover rate[3]	**7.03%**	14.55%	15.94%	33.74%	31.74%	3.11%
Net Asset Value per unit	**$ 9.07**	$ 9.84	$ 10.19	$ 8.42	$ 10.61	$ 11.68
Closing market price – units	**$ 8.82**	$ 9.66	$ 9.82	$ 7.96	$ 10.35	$ 11.43

(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. Please see the Expense Ratio section following this table for further discussion of the calculation.

(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 such investments during the period.

Expense Ratio

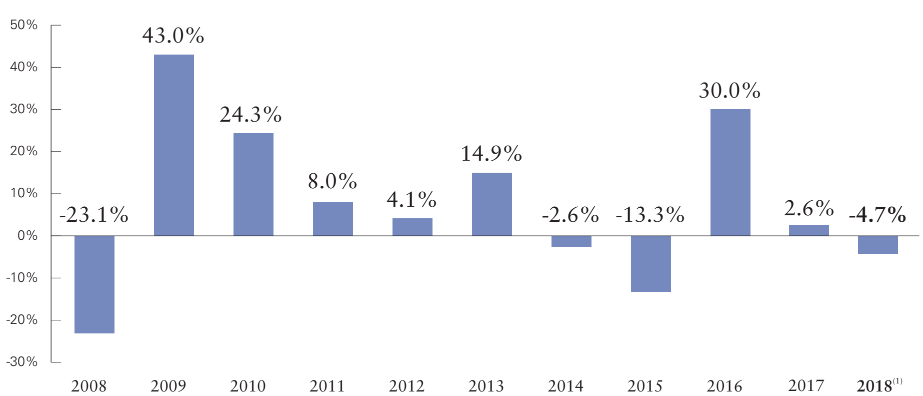
The Fund's MER was 1.79% for the period ended June 30, 2018, up from 1.77% for the same period in 2017. The increase reflected a lower average Net Asset Value in 2018, which led to higher fixed costs as a percentage of Net Asset Value.

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 approximately 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 the periods ended December 31, 2008 through June 30, 2018. 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, 2018 to June 30, 2018.

The following table shows the Fund's compound return for each period indicated compared with the S&P/TSX Composite Index ("Composite Index"). The Composite 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. Since the Fund is actively managed, the sector weightings differ from those of the Composite Index. In addition, the Fund's portfolio contains predominantly higher-dividend-paying securities, whereas the Composite Index does not necessarily focus on this type of investment. For these reasons, it is not expected that the Fund's performance will mirror that of the Composite Index. Further, the Composite Index is calculated without the deduction of management fees, fund expenses and trading commissions, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Compound Returns

	Six Months Ended June 30, 2018	Since Inception[1]
Blue Ribbon Income Fund	**(4.7%)**	9.9%
S&P/TSX Composite Index	**1.9%**	6.8%

[1] Period from September 16, 1997 (commencement of operations) to June 30, 2018 (annualized return).

Since its inception in September 1997, the Fund has outperformed the Composite Index on an annualized basis by 3.1%. This outperformance was due to a combination of factors including the value-approach and stock selection by the Investment Manager, the Fund's focus on dividend-paying securities, which have generally performed better than non-dividend-paying securities. For the first six months of 2018, the Fund underperformed the Composite Index due primarily to losses incurred in Corus Entertainment Inc., Altus Group Limited and Chemtrade Logistics Income Fund, partially offset by gains in TFI International Inc. and Transcontinental Inc.

Summary of Investment Portfolio

At June 30, 2018

Total Net Asset Value		**$ 150,378,184**
Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Financial	22.4%	22.4%
Consumer staples and discretionary	20.2%	20.2%
Pipes, power, utilities and infrastructure	13.3%	13.4%
Industrial	11.5%	11.6%
Real estate	8.5%	8.6%
Oil and gas	6.9%	6.9%
Cash and short-term investments	6.7%	6.8%
Materials	6.7%	6.7%
Healthcare	2.1%	2.1%
Telecommunication services	1.7%	1.8%
Total investment portfolio	100.0%	100.5%
Other net liabilities		(0.5%)
Total Net Asset Value		**100.0%**

Summary of Investment Portfolio (continued)

At June 30, 2018

Top 25 Holdings	% of Portfolio	% of Net Asset Value
Cash and short-term investments	6.7%	6.8%
Toronto-Dominion Bank (The)	5.8%	5.8%
Sun Life Financial Inc.	5.3%	5.3%
Bank of Nova Scotia (The)	5.0%	5.0%
Premium Brands Holdings Corp.	4.9%	5.0%
Manulife Financial Corporation	4.8%	4.9%
Transcontinental Inc. Class A	4.7%	4.7%
Altus Group Limited	4.5%	4.5%
Allied Properties Real Estate Investment Trust	4.1%	4.1%
EnerCare Inc.	3.9%	3.9%
Northland Power Inc.	3.7%	3.7%
Superior Plus Corp.	3.6%	3.6%
Keyera Corp.	3.4%	3.5%
Boralex Inc.	3.0%	3.0%
Ag Growth International Inc.	2.9%	2.9%
TFI International Inc.	2.8%	2.8%
Labrador Iron Ore Royalty Corp.	2.7%	2.7%
Loblaw Companies Ltd.	2.4%	2.4%
Vermilion Energy Inc.	2.4%	2.4%
Chemtrade Logistics Income Fund	2.3%	2.4%
Intertape Polymer Group Inc.	2.3%	2.3%
Cineplex Inc.	2.2%	2.2%
Extendicare Inc.	2.1%	2.1%
Corus Entertainment Inc. Class B	2.0%	2.0%
Shaw Communications Inc. Class B	1.7%	1.8%
Total	**89.2%**	**89.8%**

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.bromptongroup.com within 60 days of each quarter end.

Investment Manager

Bloom Investment Counsel, Inc.

Bloom Investment Counsel, Inc. ("Bloom") was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions, charitable foundations and trusts. In addition to its conventional investment management business, Bloom currently manages specialty high-yield equity portfolios comprised of dividend-paying common equity securities, income trusts, and real estate investment trusts. Bloom currently manages four TSX-listed, closed-end portfolios.

BLOOM
INVESTMENT COUNSEL, INC.

Investment Manager's Report

July 5, 2018

Canadian Economy

Canadian GDP increased 0.1% in April. This was slightly above an expectation for flat real GDP for the month partially due to the negative impact weather had on retail, residential construction and food services. Interestingly, real estate was a positive contributor in April, showing the first such increase since the federal mortgage qualification tightening (B-20) guidelines. This did help bolster the Bank of Canada's (BoC) confidence in the stability of the housing market, which led to a rate hike of 0.25% in July. With that said, Canadian real GDP growth is expected to decelerate to 1.9% later this year, and it is therefore unlikely at present that there will be a further BoC rate hike this year.

We reiterate Governor Poloz's concerns surrounding NAFTA and note that an acknowledgement that "a deal will be reached" (with the US) has yet to materialize, and we do not expect any progress with negotiations to be straightforward. However, despite all the rhetoric on protectionism, the BoC's most recent Business Outlook Survey (BOS) remained "robust" as businesses are still generally expecting a somewhat faster pace of sales activity in the near term, with an even larger balance towards more hiring. The BOS suggests that the second quarter will show decent GDP growth but tells us little about the more distant outlook for the Canadian economy.

After 15 years of Liberal rule in Ontario, it is worth thinking about the economic implications of the PC party taking power. Ontario, which generates nearly 40% of Canada's GDP, is already close to full employment, and has a debt burden that reflects the legacy of weaker years. Premier Doug Ford's package of major tax relief, including reductions in gasoline levies and personal tax rates, would likely on its own swing the province into a larger deficit. It would also add a hefty dose of fiscal stimulus that might push the BoC into additional rate hikes over time. However, the BoC's view that the Canadian economy no longer needs stimulus isn't likely to change very quickly.

While overall capacity utilization rates remain fairly tight, inflationary pressures have started to ease as core inflation slipped to 1.90% in May from 1.97% in April. This core measure does not include energy prices, which drove Canada's headline inflation rate of 2.2% in May significantly below expectations of 2.6%. It should also be noted that April retail sales disappointed with a 1.2% decline versus a flat consensus expectation.

Employment growth has turned negative over the last couple of months; however, Canada's jobless rate remains at its lowest level since the early 1970s. Wage growth continues to show strength, accelerating significantly in May to 3.9% year-on-year (from 3.3% in April). As highlighted in the most recent May employment report, the Canadian labour market lost 7,500 jobs during the month, following April's 1,100 job loss. Combined with a stabilization of people willing and able to work (the participation rate), the unemployment rate remained unchanged at 5.8%, which is close to the lowest level we have seen in 40 years. We continue to expect employment growth to be negatively impacted later this year owing to the minimum wage increases recently implemented in Ontario and pending in Alberta with an October commencement date.

An additional data point we track, benchmark Canadian home prices, posted a 1.0% increase in May; however, Canadian housing starts decelerated sharply in May to 196,000, from 217,000 in April signifying a decline for three months in a row. Policies such as the foreign buyers' taxes in B.C. and Ontario implemented over the last couple of years by both the Federal and Provincial governments have continued to help cool the price of homes. The impact from the January 1, 2018 start of the B-20 guidelines and higher interest rates have also had the desired impact on over-heated markets in Southern Ontario and British Columbia since the beginning of this year.

On that note, higher short-term (i.e., the Canadian 5-year) interest rates have put upward pressure on mortgage (and other lending) rates, and we remain somewhat concerned with the levels of both personal and mortgage debt of Canadian consumers. Consequently, this reinforces our view that the BoC will increase rates at most one more time (likely this month) for the remainder of the year, allowing consumers to naturally adjust their spending and focus on debt reduction as their top financial priority. We have already seen this dynamic starting to play out, with a reduction in the debt-to-disposable income ratio suggesting the era of household leveraging could well be behind us.

Lastly, as we highlighted in our previous update, the flattening of the yield curve is something we have been keeping a close eye on. By way of background, an inverted yield curve (short-term yields greater than longer-term yields) has been the best predictor of recessions over the last 70 years. In Canada, the 2–10 years spread has flattened again over the past month and is closer to ~25 bps as 10-year Government of Canada maturities are barely yielding above 2%, suggesting that expectations of a recession have increased for the near term.

Canadian Investment Markets

The S&P/TSX Composite Total Return Index since the beginning of the year until June 30, 2018 returned +1.9%. The best performing sectors since the beginning of the year were information technology (up 22.2%), industrials (up 6.6%) and real estate (up 5.3%), and the worst performing sectors since the beginning of the year were utilities (down 6.2%), telecommunication services (down 5.0%) and consumer staples rounding out the bottom three (down 2.6%).

The bond market has been impacted by expectations of further rate hikes during the current year; however, since the beginning of the year until June 30, 2018, long-term (30-year) Government of Canada Bonds outperformed the S&P/TSX Composite Total Return Index returning +2.5%. Mid-term (10-year) bonds provided a -0.1% return for the same period, while short-term (5-year) bonds returned +0.3% since the beginning of the year. 90-Day Treasury Bills returned +0.5% since the beginning of the year until June 30, 2018.

The Canadian dollar since the beginning of the year until June 30, 2018 decreased by 5.0% against the US dollar, and on a longer-term basis, the trailing 12-month performance of the loonie versus the US dollar was -1.2%. Material Canadian dollar strength is unlikely anytime soon with BoC rate hikes more likely to be gradual over the near term, creating further interest rate divergence from likely several further Fed rate hikes during the remainder of this year.

Blue Ribbon Income Fund Performance

Blue Ribbon Income Fund underperformed the S&P/TSX Composite Total Return Index since the beginning of the year returning -4.7% after all expenses. The Fund performed in line with the S&P High Dividend Total Return Index in the first quarter. While we historically have not benchmarked the Fund to this index, it is the index most closely aligned to the investment objectives of this Fund. Despite this, it is at present underperforming that index year-to-date largely due to its lower weighting in the energy sector in the most recent quarter. Furthermore, the Fund holds Corus Entertainment Inc., which declined subsequent to reporting its latest quarterly results last month. However, we do not believe that the results themselves nor the dividend cut confirmation were responsible for the decline in Corus' share price. We believe this is largely owing to Shaw Communications Inc.'s recent indication that it wants to monetize its very large Corus shareholding sooner rather than later and, to a lesser degree, the increase in the short interest in the stock.

On a more positive note, positions in Transcontinental Inc., TFI International Inc., and Premium Brands Holdings Corporation were the greatest contributors to performance since the beginning of the year until June 30, 2018.

Blue Ribbon Income Fund Portfolio Changes

Additions were made to existing positions since the beginning of the year until June 30, 2018, and others were trimmed to reduce weightings and crystallize profits. Additions to existing positions were made in Manulife Financial Corporation and Corus Entertainment Inc. and new positions were made in Cineplex Inc., Fiera Capital Corporation, ShawCor Limited and Whitecap Resources Inc.

The positions in AltaGas Limited, ARC Resources Limited, Bonavista Energy Corporation, Boralex Inc., Corus Entertainment Inc., Gibson Energy Inc., Keyera Corporation, Kinder Morgan Canada Limited, Superior Plus Corporation, TFI International Inc., Transcontinental Inc., Trinidad Drilling Limited and Vermilion Energy Inc. were either trimmed or sold outright since the beginning of the year at a time when we believed that the stock price more than reflected its true value, or when we desired more liquidity based on our current market view.

Outlook

The S&P/TSX has delivered one of the worst year-to-date results until June 30, 2018 in the G7 on a currency-adjusted basis. However, it has finally begun to narrow the performance gap with global markets over the second quarter of 2018, recently hitting a record high, pushing above levels last seen at the start of this year. This is all the more impressive given that it comes alongside news flow that is not particularly bullish for the Canadian economy and equity market. First, the escalation in trade tensions would hit Canada disproportionately hard, given its status as a small, open economy strongly tied to the US market, and the potential impact of tariffs on the auto sector could significantly hurt several industrial-related names. Second, we see continued evidence that soft housing market conditions are reducing credit growth more meaningfully, which could lead to less future consumer purchasing activity.

While this recent performance seems counterintuitive, we note that the dominant sectors within the S&P/TSX are not especially vulnerable to protectionism. After last year's frustration – when Canada led the G7 in economic growth but trailed on equity returns – this year is one of those occasions where it is actually not a bad thing that the S&P/TSX is not particularly representative of the Canadian economy.

Despite our disciplined valuation approach, we remain active on finding bright spots in the market that we believe will be able to prosper in most economic environments and maintain a positive outlook for the Canadian equity market for the remainder of the year.

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 interim financial statements of Blue Ribbon Income Fund (the "Fund") for the period ended June 30, 2018 have been prepared by management and have not been reviewed by the external auditors of the Fund.

(Signed) "Mark A. Caranci"

Mark A. Caranci
President
Blue Ribbon Fund Management Limited

(Signed) "Craig T. Kikuchi"

Craig T. Kikuchi
Chief Financial Officer
Blue Ribbon Fund Management Limited

August 8, 2018

Statements of Financial Position (Unaudited)

As at	**June 30, 2018**	December 31, 2017
Assets		
Current assets		
Investments	**$ 149,892,011**	$ 161,633,574
Cash	**1,212,563**	3,949,415
Income receivable	**523,726**	591,961
Total assets	**151,628,300**	166,174,950
Liabilities		
Current liabilities		
Distributions payable to unitholders (note 7)	**828,973**	838,541
Accounts payable and accrued liabilities	**421,143**	383,899
Total liabilities excluding Net Assets attributable to holders of redeemable units	**1,250,116**	1,222,440
Net Assets attributable to holders of redeemable units	**$ 150,378,184**	$ 164,952,510
Redeemable units outstanding (note 5)	**16,579,464**	16,770,811
Net Assets attributable to holders of redeemable units per unit	**$ 9.07**	$ 9.84

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

Statements of Comprehensive Income (Unaudited)

For the six months ended June 30	2018	2017
Income		
Securities lending income (note 10)	$ **14,791**	$ 15,780
Net gain (loss) on investments:		
Interest income for distribution purposes	**67,309**	33,615
Dividend income	**3,149,768**	3,854,288
Net realized gain (loss) on sale of investments (note 9)	**(3,706,751)**	5,534,806
Net change in unrealized gain (loss) on investments	**(5,923,174)**	(11,379,540)
Total net gain (loss) on investments	**(6,412,848)**	(1,956,831)
Total income (loss), net	**(6,398,057)**	(1,941,051)
Expenses		
Administration and investment management fees (note 8)	**844,068**	1,026,524
Service fees (note 8)	**275,097**	344,064
Audit fees	**16,996**	18,055
Trustee fees	**3,801**	3,775
Independent Review Committee fees (note 8)	**10,760**	10,760
Custodial fees	**10,572**	9,239
Legal fees	**906**	1,270
Unitholder reporting costs	**15,806**	18,347
Other administrative expenses (note 8)	**184,932**	209,892
Interest and bank charges	**12,565**	14,024
Transaction costs	**55,638**	44,244
Total expenses	**1,431,141**	1,700,194
Increase (decrease) in Net Assets attributable to holders of redeemable units	$ **(7,829,198)**	$ (3,641,245)
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit[1]	$ **(0.47)**	$ (0.19)

[1] Based on the weighted average number of redeemable units outstanding during the period (note 5).

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

Statements of Cash Flows (Unaudited)

For the six months ended June 30	2018	2017
Cash flows from operating activities:		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$ (7,829,198)**	$ (3,641,245)
Adjustments for:		
Net realized (gain) loss on sale of investments (note 9)	**3,706,751**	(5,534,806)
Net change in unrealized (gain) loss on investments	**5,923,174**	11,379,540
Decrease (increase) in income receivable	**68,235**	(47,710)
Increase (decrease) in accounts payable and accrued liabilities	**37,244**	(76,850)
Purchase of investments (note 9)	**(38,626,692)**	(42,515,082)
Proceeds from sale of investments (note 9)	**40,738,330**	40,132,330
Cash provided by (used in) operating activities	**4,017,844**	(303,823)
Cash flows from financing activities:		
Amounts paid for repurchase of redeemable units (note 5)	**(1,801,562)**	(2,198,772)
Distributions paid to holders of redeemable units (note 7)	**(5,007,360)**	(5,688,370)
Proceeds from reinvestment of distributions to holders of redeemable units	**54,226**	—
Cash provided by (used in) financing activities	**(6,754,696)**	(7,887,142)
Net increase (decrease) in cash	**(2,736,852)**	(8,190,965)
Cash, beginning of period	**3,949,415**	9,116,042
Cash, end of period	**$ 1,212,563**	$ 925,077
Supplemental information:[1]		
Interest received	**$ 66,166**	$ 29,251
Dividends received	**3,219,146**	3,810,942

[1] Included in cash flows from operating activities.

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

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)

For the six months ended June 30	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	**$ 164,952,510**	$ 194,078,944
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**(7,829,198)**	(3,641,245)
Distributions to holders of redeemable units:		
Distributions paid to holders of redeemable units (note 7)	**(4,997,792)**	(5,677,085)
Redeemable unit transactions:		
Repurchase of redeemable units (note 5)	**(1,801,562)**	(2,198,772)
Reinvestment of distributions to holders of redeemable units (note 7)	**54,226**	—
Net increase (decrease) from redeemable unit transactions	**(1,747,336)**	(2,198,772)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	**(14,574,326)**	(11,517,102)
Net Assets attributable to holders of redeemable units, end of period	**$ 150,378,184**	$ 182,561,842

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

Schedule of Investment Portfolio (Unaudited)

As at June 30, 2018		Cost	Carrying Value	% of Portfolio
No. of Units/ Shares	**Consumer Staples and Discretionary**			
111,400	Cineplex Inc.	$ 3,452,562	$ 3,250,652	
608,300	Corus Entertainment Inc. Class B	6,429,221	3,017,168	
329,800	EnerCare Inc.	1,597,651	5,929,804	
53,900	Loblaw Companies Ltd.	2,558,562	3,643,640	
65,800	Premium Brands Holdings Corp.	3,576,623	7,453,824	
232,000	Transcontinental Inc. Class A	3,517,803	7,082,960	
		21,132,422	**30,378,048**	**20.3%**
	Financial			
100,800	Bank of Nova Scotia (The)	6,187,880	7,503,552	
192,000	Fiera Capital Corporation Class A	2,304,000	2,259,840	
309,400	Manulife Financial Corporation	5,889,427	7,308,028	
150,200	Sun Life Financial Inc.	6,365,132	7,935,066	
114,500	Toronto-Dominion Bank (The)	5,314,194	8,712,305	
		26,060,633	**33,718,791**	**22.4%**
	Healthcare			
444,000	Extendicare Inc.	4,246,843	3,219,000	
		4,246,843	**3,219,000**	**2.1%**
	Industrial			
79,100	Ag Growth International Inc.	4,567,715	4,378,976	
188,800	Intertape Polymer Group Inc.	4,202,016	3,411,616	
428,500	Superior Plus Corp.	5,253,192	5,446,235	
102,600	TFI International Inc.	1,570,220	4,160,430	
		15,593,143	**17,397,257**	**11.6%**
	Materials			
236,800	Chemtrade Logistics Income Fund	2,606,384	3,544,896	
170,000	Labrador Iron Ore Royalty Corp.	4,880,292	4,095,300	
1,828,800	Noranda Income Fund	8,395,548	2,414,016	
		15,882,224	**10,054,212**	**6.7%**
	Oil and Gas			
800,000	Bonavista Energy Corp.	12,797,495	1,192,000	
211,800	Crescent Point Energy Corp.	8,191,381	2,045,988	
49,100	ShawCor Ltd.	1,175,087	1,253,032	
74,900	Vermilion Energy Inc.	1,696,861	3,551,009	
268,400	Whitecap Resources Inc.	2,368,254	2,391,444	
		26,229,078	**10,433,473**	**7.0%**
	Pipes, Power, Utilities and Infrastructure			
215,700	Boralex Inc.	2,837,165	4,542,642	
136,500	Gibson Energy Inc.	2,827,158	2,392,845	
142,500	Keyera Corp.	1,515,602	5,212,650	
155,200	Kinder Morgan Canada Limited	2,638,400	2,467,680	
226,300	Northland Power Inc.	3,492,392	5,551,139	
		13,310,717	**20,166,956**	**13.5%**

Schedule of Investment Portfolio (Unaudited) (continued)

No. of Units/ Shares	As at June 30, 2018	Cost	Carrying Value	% of Portfolio
	Real Estate			
147,400	Allied Properties Real Estate Investment Trust	$ 4,560,246	$ 6,168,690	
229,800	Altus Group Limited	5,546,922	6,735,438	
		10,107,168	**12,904,128**	**8.6%**
	Telecommunication Services			
98,700	Shaw Communications Inc. Class B	2,721,406	2,643,186	
		2,721,406	**2,643,186**	**1.8%**
	Short-Term Investments			
9,000,000	Bank of Nova Scotia (The) Bankers' Acceptance, *1.56%, due August 27, 2018*	8,976,960	8,976,960	
		8,976,960	**8,976,960**	**6.0%**
	Total Investments	**$ 144,260,594**	**$ 149,892,011**	**100.0%**

Notes to the Financial Statements (Unaudited)

June 30, 2018 and 2017

1. GENERAL INFORMATION

Blue Ribbon Income Fund (the "Fund") 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. The address of the Fund's registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3. 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 Trust 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 under the symbol RBN.UN and commenced operations on September 17, 1997. The Fund aims to provide a high level of monthly distributions and the opportunity to participate in capital gains by actively managing a portfolio of publicly listed or traded securities, including income trusts, royalty trusts, real estate investment trusts, common shares, preferred securities and debt instruments.

These financial statements were approved on behalf of Blue Ribbon Income Fund by the Board of Directors of Blue Ribbon Fund Management Ltd., the Administrator, on August 8, 2018.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

a) Financial Instruments

The Fund classifies its investments, including derivatives, based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income ("FVOCI"). The contractual cash flows of the Fund's debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments, including derivatives and short-term investments with a maturity of up to one year from the date of acquisition, are measured at fair value through profit or loss ("FVTPL"). Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

The Fund's obligation for Net Assets attributable to holders of redeemable units is measured assuming the redemption of units at Net Asset Value on the valuation date. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments are the same as those used in measuring its published Net Asset Value. The carrying values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their fair value amounts due to their short-term nature.

b) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) is based on quoted market prices at the close of trading on the measurement date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Administrator determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and option pricing models. Refer to note 13 for further information about the Fund's fair value measurements.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2018 and 2017

d) Cash

Cash is comprised of demand deposits with financial institutions.

e) Transaction Costs

Transactions costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction costs" in the Statements of Comprehensive Income.

f) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Net realized gain (loss) on sale of investments and net change in unrealized gain (loss) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities, with the exception of zero coupon bonds. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date and interest income for distribution purposes is accrued as earned.

g) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). The Fund distributes to its unitholders sufficient net income and net capital gains so that it is not subject to income taxes and, in substance, is exempt from Canadian taxes on these sources of income. Accordingly, the Fund does not record any Canadian income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

h) Foreign Exchange

The financial statements are presented in Canadian dollars, which is the functional currency of the Fund. The fair values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the 4:00 p.m. (Toronto time) rate of exchange on each valuation date. Investments, income and expenses denominated in foreign currencies are translated at the rate of exchange prevailing on the date of such transactions.

i) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

j) Redeemable Units

As required under International Accounting Standard ("IAS") 32, *Financial Instruments: Presentation*, the Fund classifies its redeemable units as liabilities. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity as the Fund has more than one contractual obligation to its unitholders.

k) Accounting Changes

IFRS 9, *Financial Instruments*

Effective January 1, 2018, the Fund retrospectively and without restatement adopted IFRS 9, *Financial Instruments* ("IFRS 9"). The new standard requires financial instruments to be either carried at amortized cost or at FVTPL or FVOCI, based on the Fund's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously designated at FVTPL at inception or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be classified as FVTPL under IFRS 9. As at June 30, 2018, the Fund holds equity securities of $150 million (December 31, 2017 – $162 million) and debt securities of nil (December 31, 2017 – nil), which had previously been designated at FVTPL at inception and are mandatorily classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for the Fund's financial assets and financial liabilities upon transition to IFRS 9.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Classification and Measurement of Financial Instruments and Application of Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Administrator is required to make judgements about the classification of financial instruments and the applicability of the fair value option to its investments which are not held for trading. The fair value option has been applied to the Fund's investments in debt and equity securities as the investments are managed on a fair value basis in accordance with the Fund's investment strategy. The Fund meets the definition of an investment entity and its purpose is to provide investment management services to its unitholders by investing its Net Assets for capital growth and/or investment income and by measuring its investment performance on a fair value basis.

5. REDEEMABLE 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. 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 is 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 are redeemed effective the Redemption Valuation Date of each year and are 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 is 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 5, 2016 to December 4, 2017. Pursuant to this issuer bid, the Fund was permitted to purchase up to 2,221,800 units for cancellation. The Fund renewed the issuer bid program for the period from December 5, 2017 to December 4, 2018, which allows the Fund to purchase up to 1,854,700 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds the trading price per unit.

Issued

	2018	2017
	Number of Units	Number of Units
Redeemable units, outstanding at January 1	**16,770,811**	19,044,885
Redeemable units issued under the distribution reinvestment plan	**5,953**	—
Repurchase of redeemable units	**(197,300)**	(225,700)
Redeemable units, outstanding at June 30	**16,579,464**	18,819,185
Weighted average number of units outstanding	**16,687,384**	18,958,681

During the period ended June 30, 2018, 197,300 (six-month period ended June 30, 2017 – 225,700) units were repurchased for cancellation pursuant to the normal course issuer bid program at an average cost of $9.13 (six-month period ended June 30, 2017 – $9.74) per unit.

On June 30, 2018, the Fund's closing market price per unit was $8.82 (December 31, 2017 – $9.66).

6. CAPITAL MANAGEMENT

The Fund's objective in managing its capital is to seek long-term capital appreciation by investing in an actively managed portfolio consisting primarily of North American exchange-listed securities. The Fund's capital is comprised of Net Assets attributable to holders of redeemable units and securities sold short. In order to manage its capital structure, the Fund may return capital to unitholders, increase or decrease its level of leverage or purchase units for cancellation.

7. DISTRIBUTIONS 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, 2018, the Fund declared total distributions of $0.30 (six-month period ended June 30, 2017 – $0.30) per unit, which amounted to $4,997,792 (six-month period ended June 30, 2017 – $5,677,085). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions by purchasing additional units of the Fund, which may be issued from treasury or purchased in the open market. For the period ended June 30, 2018, 5,953 units were issued by the Fund pursuant to the distribution reinvestment plan (six-month period ended June 30, 2017 – nil).

Following June 30, 2018, the Fund declared $0.05 per unit monthly distributions for record dates July 31, 2018, August 31, 2018, and September 28, 2018, respectively.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2018 and 2017

8. RELATED PARTY TRANSACTIONS

a) Administration, Investment Management and Service Fees

Pursuant to a management 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. For the period ended June 30, 2018, the management fees amounted to $422,034 (six-month period ended June 30, 2017 – $513,262), with $69,172 payable to the Administrator as of June 30, 2018 (December 31, 2017 – $74,478).

The Administrator is also reimbursed for all of its general and administrative expenses that relate to the operations of the Fund. These expenses amounted to $122,480 and $159,392 for the six-month periods ended June 30, 2018 and 2017, respectively.

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. For the period ended June 30, 2018, the service fees amounted to $275,097 (six-month period ended June 30, 2017 – $344,064), with $150,378 payable as of June 30, 2018 (December 31, 2017 – $164,909).

Bloom Investment Counsel, Inc. is the Investment Manager of the Fund and is paid an investment management fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. For the period ended June 30, 2018, the investment management fees amounted to $422,034 (six-month period ended June 30, 2017 – $513,262), with $69,172 payable to the Investment Manager as of June 30, 2018 (December 31, 2017 – $74,478).

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2018 was $10,760 (six-month period ended June 30, 2017 – $10,760) and consisted only of fees. As at June 30, 2018, there was $105 prepaid in Independent Review Committee fees payable (December 31, 2017 – nil).

9. INVESTMENT TRANSACTIONS

For the period ended June 30	**2018**	2017
Proceeds from sale of investments	**$ 40,738,330**	$ 39,757,999
Less cost of investments sold:		
Investments at cost, beginning of period	**150,078,983**	161,783,678
Investments purchased during the period	**38,626,692**	44,282,149
Investments at cost, end of period	**(144,260,594)**	(171,842,634)
Cost of investments sold during the period	**44,445,081**	34,223,193
Net realized gain (loss) on sale of investments	**$ (3,706,751)**	$ 5,534,806

10. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Trust Company (and certain of its affiliates). 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, 2018 were $10.18 million (December 31, 2017 – $17.1 million) and $10.71 million (December 31, 2017 – $17.9 million), respectively.

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, CIBC Mellon Trust Company (and certain of its affiliates), is entitled to receive.

For the periods ended June 30, 2018 and 2017, securities lending income was as follows:

		2018		2017
Gross securities lending income	**$**	**21,129**	$	22,542
Securities lending charges		**(6,338)**		(6,762)
Net securities lending income received by the Fund	$	14,791	$	15,780

During the period ended June 30, 2018, securities lending charges represented 30% (six-month period ended June 30, 2017 – 30%) of the gross securities lending income.

11. LOAN PAYABLE

Effective February 17, 2015, pursuant to an agreement with a Canadian chartered bank, the Fund has a 364-day renewable revolving credit facility. Effective March 2, 2018, the Fund reduced its maximum borrowing limit from $15.0 million to $5.0 million. The revolving credit facility provides funding for working capital and investment purposes. It provides for maximum borrowings of $5.0 million at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage. There were no borrowings under this facility at June 30, 2018. The credit facility is secured by a first-priority security interest over all of the Fund's assets. There were no amounts drawn against this facility in the period ended June 30, 2018 (six-month period ended June 30, 2017 – nil).

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2018 and 2017

12. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at June 30, 2018, and groups the securities by market segment. The following summary presents the market segments held by the Fund as at December 31, 2017. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2017
Investment Sector	% of Portfolio
Consumer staples and discretionary	18.3%
Financial	19.6%
Healthcare	2.5%
Industrial	11.6%
Materials	7.4%
Oil and gas	10.4%
Pipe, power, utilities, and infrastructure	19.3%
Real estate	9.1%
Telecommunication services	1.8%
Total	100.0%

The Administrator attempts to minimize the 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 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 equity securities. As at June 30, 2018, 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 $14.1 million or 9.37% (December 31, 2017 – approximately $16.2 million or 9.80%) of total Net Assets. In practice, the actual trading results may differ, and the difference could be material.

b) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at June 30, 2018 and December 31, 2017, the Fund had no currency risk exposure.

c) Credit Risk

Credit risk is the risk that the 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 income receivable and amounts receivable for securities sold represents the maximum credit risk exposure as they will be settled in the short term.

All transactions in 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.

d) 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.

As at June 30, 2018 and December 31, 2017, the entire Fund's financial liabilities, other than the redeemable units, had maturities of less than three months.

13. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies its investments and derivatives 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 judgment 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.

Assets and liabilities at fair value as at June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 140,915,051	$ 8,976,960	$ —	$ 149,892,011
Total	**$ 140,915,051**	**$ 8,976,960**	**$ —**	**$ 149,892,011**

Assets and liabilities at fair value as at December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	$ 161,633,574	$ —	$ —	$ 161,633,574
Total	$ 161,633,574	$ —	$ —	$ 161,633,574

There were no transfers of financial assets and liabilities between the levels during the six-month period ended June 30, 2018 and the year ended December 31, 2017.

All fair value measurements above are recurring. The carrying values of cash, income receivable, amounts receivable for investments sold, distributions payable to unitholders and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, the instrument is reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

a) Equities

The Fund's investments in equity securities are classified as level 1 when the security is actively traded and a reliable price is observable. The net realized and change in unrealized loss from equity securities for the period ended June 30, 2018 was $9,629,925 (six-month period ended June 30, 2017 – loss of $5,844,734).

b) Short-Term Investments

The Fund's short-term investments are classified as level 2.

Corporate Information

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Vice President, Portfolio Manager

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Custodian

CIBC Mellon Trust Company

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