2015 ANNUAL REPORT

BLUE RIBBON INCOME FUND

RBN.UN

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

Management Report of Fund Performance

March 7, 2016

This annual management report of fund performance for Blue Ribbon Income Fund (the "Fund") contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of 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.

In accordance with investment fund industry practice, all figures in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust.

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 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 the "Investment Manager"). The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible. The Fund has in place a distribution reinvestment plan.

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 2015 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 year ended December 31, 2015 that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

Distributions and Changes in Net Assets from Operations

During the year ended December 31, 2015, the Fund declared $0.84 per unit in cash distributions, unchanged from 2014, as the Fund continued to pay a monthly distribution rate of $0.07 per unit. Since inception in September 1997, the Fund has paid total cash distributions of $16.92 per unit.

Total revenue from the Fund's portfolio was $0.49 per unit in 2015, compared to $0.61 per unit in 2014. The decrease reflected lower dividend rates on certain dividend-paying securities in the portfolio and changes in the portfolio's yield as a result of portfolio turnover. Expenses were $0.19 per unit in 2015, down from $0.21 per unit in 2014 due to lower management fees per unit as a result of lower Net Asset Value per unit in 2015.

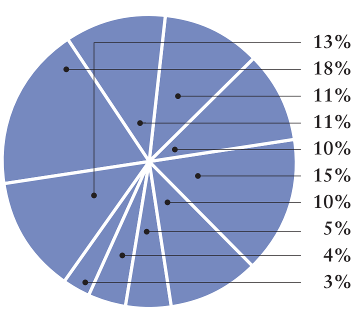
Net Asset Value

The Net Asset Value per unit of the Fund was $8.42 at December 31, 2015, down 20.6% from $10.61 at December 31, 2014, due to a decrease in the value of the Fund's portfolio. The aggregate Net Asset Value of the Fund was $191.2 million at December 31, 2015 compared to $276.6 million at December 31, 2014, an $85.4 million decline. This reflected $42.0 million in losses from the portfolio, annual redemptions of $26.4 million, the payment of cash distributions of $21.3 million and unit repurchases of $4.1 million under the Fund's normal course issuer bid program, which more than offset $7.9 million of net income and $0.5 million from the dividend reinvestment program.

Investment Portfolio

At December 31, 2015, the Fund owned 31 dividend-paying equities and REITs compared to 32 at December 31, 2014. During 2015, eight stocks were purchased: Allied Properties REIT, Progressive Waste Solutions Ltd., Sun Life Financial Inc., Telus Corporation, Bank of Nova Scotia, Gibson Energy Inc., Peyto Exploration & Development Corp., and Trinidad Drilling Ltd.; and nine were sold: H&R Real Estate Investment Trust, Teck Resources Ltd., True North Apartment REIT, Baytex Energy Corp., Colabor Group Inc., Horizon North Logistics Inc., Innergex Renewable Energy Inc., Inter Pipeline Ltd., and Pengrowth Energy Corp. The Fund had a net realized and unrealized loss of $42.0 million in 2015 as losses primarily in the oil and gas, pipes, power, utilities and infrastructure, materials, and industrial sectors more than offset gains in the healthcare sector. 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**		**Unrealized**		**Total**
Oil and gas	$	(14.3)	$	(3.6)	$	(17.9)
Pipes, power, utilities and infrastructure		13.4		(23.4)		(10.0)
Industrial		2.9		(8.6)		(5.7)
Real estate		1.4		(3.7)		(2.3)
Materials		0.2		(5.5)		(5.3)
Financial		—		(0.9)		(0.9)
Consumer staples and discretionary		(3.6)		2.1		(1.5)
Healthcare		(0.1)		3.3		3.2
Information technology		—		(1.0)		(1.0)
Telecommunication services		—		(0.6)		(0.6)
Total	**$**	**(0.1)**	**$**	**(41.9)**	**$**	**(42.0)**

Liquidity and Capital Resources

The Fund has a 364-day revolving credit facility which provides for maximum borrowings of $15 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 year ended December 31, 2015, 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 on the TSX 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 2015, 434,800 units were purchased for cancellation at an average cost of $9.46 per unit.

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 2015, these expenses amounted to $0.4 million (2014 – $0.6 million). The administration fee is used by the Administrator to cover 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, 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 2015, administration fees amounted to $1.4 million (2014 – $1.7 million) and service fees were $0.9 million (2014 – $1.2 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 2015, investment management fees amounted to $1.4 million (2014 – $1.7 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 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]

For the years ended December 31		**2015**		2014		2013		2012		2011
Net Assets per unit, beginning of year[2]	$	**10.61**	$	11.68	$	10.96	$	11.28	$	11.09
Increase (decrease) from operations:[3]										
Total revenue		**0.49**		0.61		0.62		0.66		0.71
Total expenses		**(0.19)**		(0.21)		(0.20)		(0.21)		(0.20)
Realized gains (losses)		**—**		0.37		0.03		0.50		0.35
Unrealized gains (losses)		**(1.64)**		(0.96)		1.15		(0.49)		(0.04)
Total increase (decrease) in Net Assets from operations	$	**(1.34)**	$	(0.19)	$	1.60	$	0.46	$	0.82
Distributions to unitholders:[2]										
From net investment income	$	**0.24**	$	0.24	$	0.27	$	0.23	$	0.47
From capital gains		**—**		0.28		0.01		0.52		—
Return of capital		**0.60**		0.32		0.56		0.06		0.19
Total distributions to unitholders	$	**0.84**	$	0.84	$	0.84	$	0.81	$	0.66
Net Assets per unit, end of year[2]	$	**8.42**	$	10.61	$	11.68	$	10.93	$	11.28

(1) For the years from 2013 and onwards, the accounting information was prepared in accordance with IFRS. Prior to 2013, the accounting information was prepared in accordance with Canadian GAAP and the Net Assets per unit presented in the financial statements differed from the Net Asset Value calculated for daily Net Asset Value purposes. The difference was primarily a result of investments being valued at bid prices for financial statement purposes and at closing prices for daily Net Asset Value purposes. Figures for 2013 have been restated as a result of the transition to IFRS.

(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.

Ratios and Supplemental Data (Based on Net Asset Value)

As at December 31	2015	2014	2013	2012	2011
Net Asset Value (000s)	$ **191,212**	$ 276,561	$ 305,194	$ 266,686	$ 236,652
Number of units outstanding	**22,701,516**	26,070,633	26,124,864	24,324,241	20,915,178
Management expense ratio ("MER")(1)	**1.79%**	1.90%	2.21%	2.80%	1.84%
Trading expense ratio(2)	**0.11%**	0.04%	0.03%	0.05%	0.05%
Portfolio turnover rate(3)	**33.74%**	31.74%	3.11%	12.92%	4.94%
Net Asset Value per unit	$ **8.42**	$ 10.61	$ 11.68	$ 10.96	$ 11.31
Closing market price – units	$ **7.96**	$ 10.35	$ 11.43	$ 11.27	$ 10.79

(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 investments during the period.

Expense Ratio

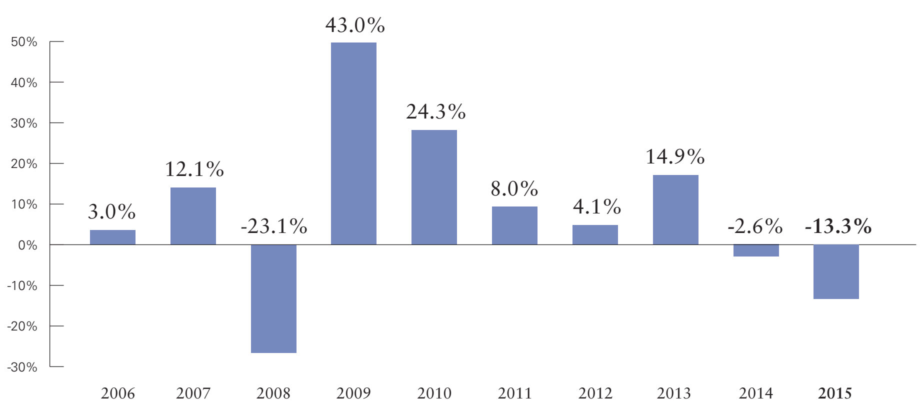
The Fund's MER was 1.79% in 2015, down from 1.90% in 2014. The MER in 2014 included agents' fees and issuance costs for a treasury offering amounting to $0.5 million, which were borne by subscribers of new units. Excluding these costs, the MER in 2014 was 1.75%.

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, 2006 through December 31, 2015. 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



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 including common stocks, REITs and income trust units. Since the Fund is actively managed, the sector weightings differ from those of the Composite Index. In addition, the Fund's portfolio contains predominantly high-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 and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	1-Year	3-Year	5-Year	10-Year	Since Inception[1]
Blue Ribbon Income Fund	**(13.3%)**	(1.0%)	1.7%	5.1%	9.9%
S&P/TSX Composite Index	**(8.3%)**	4.6%	2.3%	4.4%	6.0%

[1] Period from September 16, 1997 (commencement of operations) to December 31, 2015.

During 2015, energy-related sectors performed poorly. At the beginning of the year, the Fund had a 36.9% weighting in energy-related sectors while the Composite Index had a 24% weighting in the same sectors. The overweighting to the energy-related sectors was a primary contributor to the Fund's underperformance compared to the Composite Index over the year. Over the last half of 2015, the Fund's portfolio slightly outperformed the Composite Index (before fees and expenses) as it reduced its energy-related sector weighting to 22.5% over the course of 2015. Since inception, the Fund has outperformed the Composite Index, even after taking into account administration costs, due to the long-term value of investing in high-income equities, coupled with careful security selection by the Investment Manager.

Summary of Investment Portfolio

As at December 31, 2015

Total Net Asset Value	$ 191,212,329

Portfolio Composition	% of Portfolio	% of Net Asset Value
Pipes, power, utilities and infrastructure	17.3%	17.4%
Financial	14.3%	14.4%
Oil and gas	12.1%	12.2%
Real estate	10.5%	10.6%
Industrial	10.4%	10.5%
Materials	9.1%	9.2%
Consumer staples and discretionary	9.0%	9.1%
Cash and short-term investments	5.1%	5.1%
Healthcare	5.0%	5.0%
Information technology	4.0%	4.0%
Telecommunication services	3.2%	3.3%
Total investment portfolio	100.0%	100.8%
Other net liabilities		(0.8%)
Total Net Asset Value		**100.0%**

Top 25 Holdings	% of Portfolio	% of Net Asset Value
Bank of Nova Scotia (The)	5.5%	5.5%
Cash and short-term investments	5.1%	5.1%
Extendicare Inc.	5.0%	5.0%
Toronto-Dominion Bank (The)	4.8%	4.8%
Chemtrade Logistics Income Fund	4.8%	4.8%
InnVest REIT	4.5%	4.5%
Keyera Corp.	4.4%	4.5%
EnerCare Inc.	4.4%	4.4%
Superior Plus Corp.	4.2%	4.2%
DH Corporation	4.0%	4.0%
Vermilion Energy Inc.	4.0%	4.0%
Sun Life Financial Inc.	4.0%	4.0%
Boralex Inc.	3.9%	4.0%
TransForce Inc.	3.8%	3.8%
Telus Corporation	3.2%	3.3%
Loblaw Companies Ltd.	3.1%	3.2%
Noranda Income Fund	3.1%	3.2%
Northland Power Inc.	2.9%	3.0%
AltaGas Ltd.	2.9%	2.9%
ARC Resources Ltd.	2.6%	2.6%
Progressive Waste Solutions Ltd.	2.5%	2.5%
Allied Properties REIT	2.4%	2.4%
Morguard REIT	2.1%	2.1%
Veresen Inc.	1.9%	1.9%
Peyto Exploration & Development Corp.	1.8%	1.8%
Total	**90.9%**	**91.5%**

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

2015 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold units as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the Fund will indicate Other Income (Investment Income and Non-Investment Income) in Box 26, Foreign Non-Business Income in Box 25, Capital Gains in Box 21 and Eligible Dividend Income in Box 49. Dividend income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42.

The following table outlines the breakdown in the Fund's distributions declared in 2015 on a per unit basis.

Record Date	Payment Date	Eligible Dividends	Return of Capital	Total Distributions
January 30, 2015	February 13, 2015	$ 0.02032	$ 0.04968	$ 0.07
February 27, 2015	March 13, 2015	0.02032	0.04968	0.07
March 31, 2015	April 15, 2015	0.02032	0.04968	0.07
April 30, 2015	May 14, 2015	0.02032	0.04968	0.07
May 29, 2015	June 12, 2015	0.02032	0.04968	0.07
June 30, 2015	July 15, 2015	0.02032	0.04968	0.07
July 31, 2015	August 17, 2015	0.02032	0.04968	0.07
August 31, 2015	September 15, 2015	0.02032	0.04968	0.07
September 30, 2015	October 15, 2015	0.02032	0.04968	0.07
October 30, 2015	November 13, 2015	0.02032	0.04968	0.07
November 30, 2015	December 14, 2015	0.02032	0.04968	0.07
December 31, 2015	January 15, 2016	0.02032	0.04968	0.07
Total		**$ 0.24384**	**$ 0.59616**	**$ 0.84**

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

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 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

January 4, 2016

The Canadian Economy

Canadian GDP for the month of October, the most recent figure released, came in below consensus expectations, posting no growth. This came on the heels of a 0.5% decline in September, also worse than economists' expectations. Aside from predicted weakness in resource sectors, the biggest surprise was the decline in manufacturing. Nevertheless, we expect to see strength in manufacturing going forward as trading partners adjust to our "cheaper" goods driven by the weakness in the Canadian dollar.

Despite monthly volatility, the resource sector remains very weak and will likely remain a headwind into 2016, unless commodity prices reverse their downward course. Based on preliminary data, 2016 capital budgets for Canadian oil and gas companies (ex-oil sands) are currently expected to be down 20% year over year from 2015, which was down 40% from 2014. The secondary impact is already starting to be seen with job cuts in oil producing regions, but the full impact of the reduction, in consumer spending and other investments, will take more time to play out.

GDP growth in the fourth quarter is now on track to be approximately 1.0%, which is below the Bank of Canada's forecast of 1.5%. For Canada to achieve meaningful growth in the first quarter, there remains significant reliance on the health of the US economy and the corresponding lift through Canadian non-energy exports. We remain somewhat cautious on this front, as retail sales posted only a 0.1% gain in October (driven by price increases as volumes were actually down 0.3%), after falling 0.5% in September, highlighting the concern over the Canadian consumers' record debt burden. The negative surprise in the fourth quarter will likely lead to the Bank of Canada becoming even more accommodative, and a further interest rate reduction is a possibility in 2016. Recent statements from the Bank of Canada's Governor suggest that it will take whatever steps necessary to spur growth through monetary policy, including the possibility of introducing a negative benchmark interest rate. This is a sharp contrast to the US where economic conditions are growing strong enough for the Federal Reserve to increase its benchmark rate for the first time in eight years.

November headline inflation came in at 1.4%, up from the 1.0% that was seen in October, though it was still restrained by a sharp 11% drop in gasoline prices. Core CPI inflation, the Bank of Canada's operational target for monetary policy, came in higher at 2.0% in November but down slightly from the 2.1% observed in October. This is the sixteenth consecutive month that core inflation has been at or above the Bank of Canada's 2.0% target. However, the outlook for inflation appears mixed, as the combination of the drop in gas prices and a weak Canadian dollar continue to drive a gap between headline consumer prices and the core measure of inflation.

Canadian housing starts continued to show strength in November, rising 7.0% from October and 10.0% from the prior year. However, a large part of this growth is being driven by the multi-residential or condo market that has seen higher demand as a result of further urbanization and rising single-home prices (especially in Toronto and Vancouver). While demand for housing has partially been bolstered by two rate cuts in the year, policymakers modestly increased equity requirements for homebuyers in an effort to pull back the reins on the market. Moreover, the slowdown in housing market activity in oil-producing provinces such as Alberta and Saskatchewan is expected to offset any increased activity in provinces that are seeing the positive impacts of low oil prices, such as Ontario and B.C.

In addition to the cost of financing, another key variable for the broader housing market is job growth or general unemployment levels, which is sitting at 7.1% as of November. While this figure is up only marginally from earlier in the year, the broader trend of job losses, including 36,000 losses in November, and the outlook for more weakness in resource-heavy regions (i.e., Alberta and the East Coast) leaves us with a cautious view for 2016.

Oil prices have continued to fluctuate owing to concerns of oversupply. During the last quarter, the price of a barrel of oil, as measured by the one year forward strip for WTI in Canadian dollars, decreased by 10.5% from $64.06 to $57.31. Furthermore, the Canadian AECO natural gas 12-month forward strip price declined from $2.66/GL to $2.40/GL for the quarter. Canadian spot oil and gas prices at quarter-end stood at $51.26/barrel and $2.13/GL, respectively. The combination of a strong US dollar, higher US interest rates, increased tension in the Middle East and subdued global growth may keep commodity prices in check for much of the new year.

Market Performance

While it has been a difficult year for global equities, the slowdown in global growth is weighing particularly heavily on Canadian equities owing to its larger correlation with global output. The S&P/TSX Composite Index's resource-oriented sectors have been impacted by softer demand for commodities, while the country's trade reliance on oil has caused a significant depreciation in the Canadian dollar. This resulted in the S&P/TSX's currency-adjusted returns being one of the lowest amongst numerous major indices over the past year.

On the earnings front, S&P/TSX forward estimates have decreased 2.0% in the last quarter and are down 8.0% over the last year. However the market has maintained some healthy expectations as consensus earnings growth for the next 12–18 months currently remains around 10%–15%.

The S&P/TSX Composite Total Return Index for the fourth quarter and year returned negative 1.4% and negative 8.3%, respectively. The best performing sectors during the fourth quarter were information technology (up 10.5%), materials (up 3.8%) and financials (up 1.7%). The worst performing sectors for the quarter were healthcare (down 36.9%), consumer discretionary (down 5.2%) and telecommunication services (down 1.7%). The best performing sectors last year were information technology (up 15.6%), consumer staples (up 12.4%) and telecommunication services (up 3.6%), while the worst performing sectors for the year were energy (down 22.9%), materials (down 21.0%) and healthcare (down 15.6%).

The Blue Ribbon Income Fund Portfolio

As a result of defensive measures taken over the past several months, Blue Ribbon Income Fund outperformed the S&P/TSX High Dividend Total Return Index during the fourth quarter and was in line with the S&P/TSX Total Return Composite Index with a total return of negative 1.4%. The portfolio outperformed the S&P/TSX High Dividend Total Return Index over the previous 12 months, but underperformed the broader market, with a total return of negative 13.3%. Positions in Extendicare Inc., EnerCare Inc., and Keyera Corp. were the greatest contributors to performance during the fourth quarter.

Portfolio Changes

During the fourth quarter, a new position was initiated in Allied Properties Real Estate Investment Trust. Additional shares were purchased in Bank of Nova Scotia, Boralex Inc., Chemtrade Logistics Income Fund, DH Corporation, Telus Corporation, and Toronto-Dominion Bank.

The position in H&R Real Estate Income Trust was eliminated, while positions in EnerCare Inc., Loblaw Companies Limited, Northland Power Inc., Superior Plus Corp., and Transcontinental Inc. were trimmed during the quarter.

Outlook

As was the theme throughout 2015, common equity income securities, in which our firm specializes, remained weaker than the broader market in the fourth quarter, mainly driven by continued weakness in oil and natural gas securities. The market weakness has been driven by the current balance between global supply and demand of oil, which we do not believe is sustainable. However, while the market can hope that OPEC reduces supply or that there is a disruption due to geo-political events, especially in the Middle East, those are not investable strategies. Oil prices will likely need to remain low long enough to significantly reduce the supply from the US (and other non-OPEC nations) from where it is today. Subsequently, those conditions should begin to lead to a modest recovery in oil prices which could start towards the end of this year.

We still believe one of the best strategies in this type of environment is to own stable, dividend-paying, resilient companies with strong balance sheets and an inherent competitive advantage and that are able to grow and thrive in any macro environment. As we maintain this stance for the longer term, we again expect to see common equity income securities resume their dominant performance position that they held over the broader market for most of the last twenty years or longer. However over the short-to-medium term, some of these securities are expected to remain volatile as the potential for further reductions to dividend payouts and capital budgets are traded off against a slowly improving medium-term commodities outlook.

Forward-Looking Statements

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

Management Responsibility Statement

The financial statements of Blue Ribbon Income Fund (the "Fund") have been prepared by Blue Ribbon Fund Management Limited (the "Administrator" of the Fund) and approved by the Board of Directors of the Administrator. The Administrator is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Administrator maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

The Board of Directors of the Administrator is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of a majority of independent directors.

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

//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

March 7, 2016

Independent Auditor's Report

To the Unitholders and Trustee of Blue Ribbon Income Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2015 and December 31, 2014 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

//signed// "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 7, 2016

Statements of Financial position

As at December 31	2015	2014
Assets		
Current assets		
Investments	**$ 189,651,675**	$ 266,357,078
Cash	**2,795,278**	13,042,565
Income receivable	**1,041,107**	1,484,101
Amounts receivable for investments sold	**—**	144,780
Total assets	**193,488,060**	281,028,524
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**686,625**	848,937
Payable for investments purchased	**—**	1,794,020
Distributions payable to unitholders (note 7)	**1,589,106**	1,824,944
Total liabilities excluding Net Assets attributable to holders of redeemable units	**2,275,731**	4,467,901
Net Assets attributable to holders of redeemable units	**$ 191,212,329**	$ 276,560,623
Redeemable units outstanding (note 5)	**22,701,516**	26,070,633
Net Assets attributable to holders of redeemable units per unit	**$ 8.42**	$ 10.61

Approved on behalf of Blue Ribbon Income Fund by the Board of Directors of Blue Ribbon Fund Management Ltd., the Administrator.

//signed// "Mark A. Caranci"

Mark A. Caranci
Director

//signed// "M. Paul Bloom"

M. Paul Bloom
Director

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

Statements of Comprehensive Income

For the years ended December 31	2015	2014
Income		
Securities lending income	$ **88,341**	$ 182,306
Net gain (loss) on investments:		
Dividend income	**12,314,734**	15,558,252
Interest for distribution purposes	**189,208**	125,460
Net realized gain (loss) on sale of investments (note 9)	**(135,461)**	9,686,312
Net change in unrealized loss on investments	**(41,941,169)**	(25,026,359)
Total net gain (loss) on investments	**(29,572,688)**	343,665
Total income (loss), net	**(29,484,347)**	525,971
Expenses		
Administration and investment management fees (note 8)	**2,796,098**	3,368,217
Service fees (note 8)	**875,150**	1,175,543
Audit fees	**41,759**	43,591
Independent review committee fees (note 8)	**30,954**	30,648
Trustee fees	**7,558**	7,910
Custodial fees	**21,573**	24,559
Legal fees	**2,617**	5,607
Unitholder reporting costs	**6,861**	6,527
Interest and bank charges	**68,359**	—
Other administrative expenses (note 8)	**604,548**	726,178
Transaction costs	**283,751**	109,463
Total expenses	**4,739,228**	5,498,243
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$ (34,223,575)**	$ (4,972,272)
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit[1]	**$ (1.34)**	$ (0.19)

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

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

Statements of Cash Flows

For the years ended December 31	2015	2014
Cash flows from operating activities:		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$ (34,223,575)**	$ (4,972,272)
Adjustments for:		
Net realized (gain) loss on sale of investments (note 9)	**135,461**	(9,686,312)
Net change in unrealized loss on investments	**41,941,169**	25,026,359
Decrease (increase) in income receivable	**442,994**	(6,812)
Increase (decrease) in accounts payable and accrued liabilities	**(162,312)**	(64,546)
Purchase of investments (note 9)	**(204,436,907)**	(92,941,594)
Proceeds from sale of investments (note 9)	**237,416,440**	118,898,801
Cash provided by (used in) operating activities	**41,113,270**	36,253,624
Cash flows from financing activities:		
Distributions paid to holders of redeemable units, net (note 7)	**(21,549,417)**	(21,737,556)
Proceeds from reinvestment of distributions to holders of redeemable units	**517,288**	277,515
Amounts received from issuance upon treasury offering, net (note 5)	**161,186**	8,099,195
Amounts paid for redemptions of redeemable units	**(26,375,628)**	(4,752,558)
Amounts paid for repurchase of redeemable units (note 5)	**(4,113,986)**	(5,495,683)
Cash provided by (used in) financing activities	**(51,360,557)**	(23,609,087)
Net increase (decrease) in cash	**(10,247,287)**	12,644,537
Cash, beginning of year	**13,042,565**	398,028
Cash, end of year	**$ 2,795,278**	$ 13,042,565
Supplemental information: [1]		
Interest paid	**$ —**	$ 127
Interest received	**190,612**	164,868
Dividends received	**12,756,324**	15,512,033

[1] Included in cash flows from operating activities.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31	2015	2014
Net Assets attributable to holders of redeemable units, beginning of year	**$ 276,560,623**	$ 305,194,186
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**(34,223,575)**	(4,972,272)
Distributions to holders of redeemable units (note 7):		
Net investment income	**(6,187,028)**	(6,259,816)
Net realized gains on investments	**—**	(7,245,659)
Return of capital	**(15,126,551)**	(8,228,285)
	(21,313,579)	(21,733,760)
Redeemable unit transactions:		
Proceeds from issuance of units upon treasury offering, net (note 5)	**161,186**	8,099,195
Reinvestments of distributions to holders of redeemable units (note 7)	**517,288**	221,515
Repurchase of redeemable units (note 5)	**(4,113,986)**	(5,495,683)
Redemption of redeemable units (note 5)	**(26,375,628)**	(4,752,558)
Net decrease from redeemable unit transactions	**(29,811,140)**	(1,927,531)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	**(85,348,294)**	(28,633,563)
Net Assets attributable to holders of redeemable units, end of year	**$ 191,212,329**	$ 276,560,623
Distributions per redeemable unit (note 7)	**$ 0.84**	$ 0.84

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

Schedule of Investment Portfolio

As at December 31, 2015		Cost	Carrying Value	% of Portfolio
No. of Units/ Shares	**Consumer Staples and Discretionary**			
529,600	EnerCare Inc.	$ 2,565,543	$ 8,452,416	
92,700	Loblaw Companies Ltd.	4,352,265	6,057,018	
163,400	Transcontinental Inc.	2,220,733	2,820,284	
		9,138,541	**17,329,718**	**9.1%**
	Financial			
189,300	Bank of Nova Scotia	11,620,691	10,595,121	
177,900	Sun Life Financial Inc.	7,538,993	7,676,385	
170,000	Toronto-Dominion Bank (The)	7,890,070	9,220,800	
		27,049,754	**27,492,306**	**14.5%**
	Healthcare			
988,700	Extendicare Inc.	9,577,196	9,540,955	
		9,577,196	**9,540,955**	**5.0%**
	Industrial			
146,000	Progressive Waste Solutions Ltd.	5,286,368	4,759,600	
743,400	Superior Plus Corp.	9,113,706	7,998,984	
306,600	TransForce Inc.	2,312,024	7,238,826	
		16,712,098	**19,997,410**	**10.5%**
	Information Technology			
244,800	DH Corporation	6,256,336	7,740,576	
		6,256,336	**7,740,576**	**4.1%**
	Materials			
515,600	Chemtrade Logistics Income Fund	5,563,673	9,208,616	
240,000	Labrador Iron Ore Royalty Corp.	6,889,823	2,301,600	
2,593,900	Noranda Income Fund	11,907,925	6,043,787	
		24,361,421	**17,554,003**	**9.3%**
	Oil and Gas			
299,500	ARC Resources Ltd.	5,978,942	5,001,650	
780,000	Bonavista Energy Corp.	16,131,238	1,419,600	
204,700	Crescent Point Energy Corp.	8,050,167	3,299,764	
141,700	Peyto Exploration & Development Corp.	4,443,334	3,524,079	
1,100,700	Trinidad Drilling Ltd.	3,980,719	2,333,484	
204,300	Vermilion Energy Inc.	4,477,661	7,683,723	
		43,062,061	**23,262,300**	**12.3%**
	Pipes, Power, Utilities and Infrastructure			
179,200	AltaGas Ltd.	3,541,115	5,537,280	
524,900	Boralex Inc.	6,713,580	7,590,054	
165,600	Gibson Energy Inc.	4,169,151	2,288,592	
211,700	Keyera Corp.	2,251,599	8,523,042	
303,600	Northland Power Inc.	4,685,331	5,665,176	
415,000	Veresen Inc.	4,434,422	3,676,900	
		25,795,198	**33,281,044**	**17.5%**
	Real Estate			
147,400	Allied Properties REIT	4,564,963	4,653,418	
1,684,700	InnVest REIT	7,953,685	8,642,511	
300,000	Morguard REIT	2,944,664	4,086,000	
120,000	RioCan REIT	2,405,982	2,842,800	
		17,869,294	**20,224,729**	**10.7%**

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

Schedule of Investment Portfolio (continued)

As at December 31, 2015		Cost	Carrying Value	% of Portfolio
No. of Units/ Shares	**Telecommunication Services**			
162,900	Telus Corporation	$ 6,803,160	$ 6,232,554	
		6,803,160	**6,232,554**	**3.3%**
	Short-Term Investments			
7,000,000	Toronto-Dominion Bank (The), Bankers' Acceptance, *0.76%, due January 7, 2016*	6,996,080	6,996,080	
		6,996,080	**6,996,080**	**3.7%**
	Total Investments	**$ 193,621,139**	**$ 189,651,675**	**100.0%**

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

Notes to the Financial Statements

December 31, 2015 and 2014

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 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 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 March 1, 2016.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) 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's investments in debt and equity securities are designated at fair value through profit or loss ("FVTPL") at inception. As a result of such designation, the Fund's investments are measured 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 company 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.

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.

Realized gain (loss) on sale of investments and 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 11 a.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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Classification of 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.

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 are 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 are 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 3, 2014 to December 2, 2015. Pursuant to this issuer bid, the Fund was permitted to purchase up to 2,557,700 units for cancellation. The Fund renewed the issuer bid program for the period from December 3, 2015 to December 2, 2016, which allows the Fund to purchase up to 2,562,700 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

Notes to the Financial Statements (continued)

December 31, 2015 and 2014

Issued

	2015	2014
	Number of Units	Number of Units
Units, outstanding at January 1	**26,070,633**	26,124,864
Issuance of units upon treasury offering	**—**	808,545
Redeemable units issued under the distribution reinvestment plan	**55,134**	20,172
Repurchase of redeemable units	**(434,800)**	(460,100)
Redemption of redeemable units	**(2,989,451)**	(422,848)
Units, outstanding at December 31	**22,701,516**	26,070,633

During the year ended December 31, 2015, 434,800 units were repurchased for cancellation pursuant to the normal course issuer bid program at an average cost of $9.46 per unit (year ended December 31, 2014 – 460,100 units at an average cost of $11.94 per unit). On November 27, 2015, 2,989,451 units were redeemed at a price of $8.82 per unit (November 27, 2014 – 422,848 units at a price of $11.24 per unit).

During the year ended December 31, 2015, $161,186 of issuance costs from the December 2014 treasury offering were reversed.

The weighted average number of units outstanding for the year ended December 31, 2015 was 25,611,211 units (year ended December 31, 2014 – 25,893,816).

On December 31, 2015, the Fund's closing market price per unit was $7.96 (December 31, 2014 – $10.35).

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 year ended December 31, 2015, the Fund declared total distributions of $0.84 (year ended December 31, 2014 – $0.84) per unit, which amounted to $21,313,579 (year ended December 31, 2014 – $21,733,760). 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 year ended December 31, 2015, 55,134 units (year ended December 31, 2014 – 20,172) were issued by the Fund pursuant to the distribution reinvestment plan.

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 year ended December 31, 2015, the management fee amounted to $1,398,049 (year ended December 31, 2014 – $1,684,108), with $87,215 payable to the Administrator as of December 31, 2015 (December 31, 2014 – $118,931).

The Administrator is also reimbursed for all general and administrative expenses that relate to the operations of the Fund. These expenses amounted to $442,124 and $576,209 for the years ended December 31, 2015 and 2014, 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 year ended December 31, 2015, the service fee amounted to $875,150 (year ended December 31, 2014 – $1,175,543), with $208,662 payable as of December 31, 2015 (December 31, 2014 – $276,544).

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 year ended December 31, 2015, the investment management fee amounted to $1,398,049 (year ended December 31, 2014 – $1,684,108), with $87,215 payable to the Investment Manager as of December 31, 2015 (December 31, 2014 – $118,931).

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2015 was $30,954 (year ended December 31, 2014 – $30,648) and consisted only of fixed fees. As at December 31, 2015 and December 31, 2014 there were no Independent Review Committee fees payable.

9. INVESTMENT TRANSACTIONS

For the year ended December 31	**2015**	2014
Proceeds from sale of investments	**$ 237,271,660**	$ 119,043,581
Less cost of investments sold:		
Investments at cost, beginning of year	**228,385,372**	243,278,008
Investments purchased during the year	**202,642,888**	94,464,633
Investments at cost, end of year	**(193,621,139)**	(228,385,372)
Cost of investments sold during the year	**237,407,121**	109,357,269
Net realized gain (loss) on sale of investments	**$ (135,461)**	$ 9,686,312

For the years ended December 31, 2015 and 2014, 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 December 31, 2015 were $40.8 million (December 31, 2014 – $83.3 million) and $43.2 million (December 31, 2014 – $87.9 million), respectively.

11. LOAN PAYABLE

Effective February 17, 2015, pursuant to an agreement with a Canadian chartered bank, the Fund has entered into a 364-day renewable revolving credit facility. The revolving credit facility provides for maximum borrowings of $15 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 December 31, 2015. 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 year ended December 31, 2015 (year ended December 31, 2014 – nil).

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 December 31, 2015, and groups the securities by market segment. The following summary presents the market segments held by the Fund as at December 31, 2014. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2014
Investment Sector	% of Portfolio
Consumer staples and discretionary	10.8%
Financial	4.0%
Healthcare	2.6%
Industrial	14.9%
Materials	11.8%
Oil and gas	19.5%
Pipe, power, utilities, and infrastructure	24.6%
Real estate	10.3%
Short-term investments	1.5%
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.

Notes to the Financial Statements (continued)

December 31, 2015 and 2014

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 December 31, 2015, 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 $18.3 million or 9.55% (December 31, 2014 – approximately $26.2 million or 9.49%) 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 December 31, 2015 and December 31, 2014, 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 December 31, 2015 and December 31, 2014, all of the 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 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 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 at Fair Value as of December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 182,655,595	$ —	$ —	$ 182,655,595
Short-term investments	—	6,996,080	—	6,996,080
Total investments	**$ 182,655,595**	**$ 6,996,080**	**$ —**	**$ 189,651,675**

Assets at Fair Value as of December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	$ 262,368,078	$ —	$ —	$ 262,368,078
Short-term investments	—	3,989,000	—	3,989,000
Total investments	$ 262,368,078	$ 3,989,000	$ —	$ 266,357,078

There were no transfers of financial assets and liabilities between the levels during the years ended December 31, 2015 and 2014.

All fair value measurements above are recurring. The carrying values of cash, income receivable, amounts receivable for investments sold, payable for investments purchased, 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 loss from equity securities for the year ended December 31, 2015 was $42,076,630 (year ended December 31, 2014 – net loss of $15,340,047).

b) Short-Term Investments

The Fund's short-term investments are classified as level 2 as they are not actively traded.

14. FUTURE ACCOUNTING CHANGES

IFRS 9, Financial Instruments

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new, single principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

15. INCOME TAXES

As at December 31, 2015, the Fund had no capital losses carried forward (December 31, 2014 – nil) and no non-capital losses carried forward (December 31, 2014 – nil).

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