CANADIAN HIGH INCOME EQUITY FUND

BROMPTON FUNDS

Canadian High Income Equity Fund
Annual Report 2019

Actively managed portfolio focused on higher-yielding Canadian securities.

VALUE INTEGRITY PERFORMANCE

- THE FOUNDATION FOR EXCELLENCE -

MANAGEMENT REPORT OF FUND PERFORMANCE

March 18, 2020

This annual management report of fund performance for Canadian High Income Equity 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.bromptongroup.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.

THE FUND

Canadian High Income Equity Fund is a closed-end investment trust managed by Brompton Funds Limited (the "Manager"). The investment manager of the Fund is Bloom Investment Counsel, Inc. (the "Investment Manager"). The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol CIQ.UN and are RRSP, DPSP, RRIF, RESP and TFSA eligible.

INVESTMENT OBJECTIVES AND STRATEGIES

Canadian High Income Equity Fund is designed to provide unitholders with a high monthly distribution and the opportunity for capital appreciation through investment in an actively managed portfolio of publicly listed or traded Canadian securities. The Fund invests in an actively managed portfolio of publicly listed or traded Canadian securities across a broad range of industries.

RECENT DEVELOPMENTS

Market Volatility

This annual management report of fund performance was prepared based on the market value of the Fund's portfolio as of December 31, 2019. Between January 1, 2020 to March 18, 2020 (date of the report), stock markets worldwide experienced significant price volatility, because of various concerns, including COVID-19 and a decline in price of oil. The Fund's Net Asset Value reflecting the value of the Fund's portfolio based on the most recent valuation date can be found on the Fund's webpage at www.bromptongroup.com.

Termination of Service Fees

Effective January 1, 2020, the Fund has discontinued paying service fees to dealers that have investors who hold units of the Fund. Ceasing to pay the service fees conforms with an increasing number of TSX-listed funds which have been discontinued or did not offer service fees. Discontinuing the service fees will lower the management expense ratios thereby improving returns of the Fund. The final service fee payment, which was in respect of the quarter ended December 31, 2019, was made in January 2020.

RISKS

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2019 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes to the Fund during the year ended December 31, 2019 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 (see Financial Highlights)

Cash distributions amounted to $0.60 per unit in 2019, unchanged from 2018, reflecting monthly distributions of $0.05 per unit. Since inception in February 2010, the Fund has paid total cash distributions of $7.28 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. During 2019, 3,417 units were acquired in the market pursuant to this plan at an average price of $7.67 per unit.

The Fund earned revenue of $0.35 per unit in 2019, compared to $0.37 per unit in 2018, while expenses were $0.20 per unit compared to $0.21 per unit in 2018.

Net Asset Value

The Net Asset Value per unit of the Fund at December 31, 2019 was $7.89, compared to $7.14 at December 31, 2018, a $0.75 per unit increase as a result of portfolio gains and net income from operations.

Aggregate Net Asset Value of the Fund was $15.0 million at December 31, 2019, unchanged from $15.0 million at December 31, 2018. The Fund had $2.5 million in net realized and unrealized gains in the portfolio and net income of $0.3 million, partially offset by $1.2 million paid in cash distributions, $0.9 million in redemptions, and $0.7 million to repurchase units under the Fund's issuer bid program.

Investment Portfolio

The Fund's investments at December 31, 2019 included 27 publicly listed Canadian securities, compared to 26 securities at December 31, 2018. During 2019, five positions in Andlauer Healthcare Group Inc., Enbridge Inc., Park Lawn Corporation, Parkland Fuel Corporation, and Wajax Corporation were added. Four positions were sold: Crescent Point Energy Corp., Shaw Communications Inc., Vermilion Energy Inc., and Whitecap Resources Inc. The portfolio's investment weighting (excluding cash) and detailed listing of the Fund's security holdings is provided in the financial statements.

The Fund had a net realized and unrealized gain of $2.5 million. The primary drivers of the gains are the Pipes, Power, Utilities and Infrastructure, Financial, Real Estate and Consumer Staples and Discretionary sectors, with the biggest gains coming from Boralex Inc, Northland Power Inc., Altus Group Limited, Manulife Financial Corporation and Cineplex Inc.

Portfolio Sectors

Net Gains (Losses) by Sector (millions)	% of Portfolio as of 31-Dec-19	Realized $	Change in Unrealized $	Total $
Consumer staples and discretionary	16.7	0.1	0.3	0.4
Financial	19.9	0.2	0.4	0.6
Healthcare	2.1	-	0.1	0.1
Industrial	16.6	0.1	0.1	0.2
Materials	3.8	-	-	-
Oil and gas	3.7	(1.8)	1.6	(0.2)
Pipes, power, utilities and infrastructure	22.2	0.2	0.7	0.9
Real estate	9.0	0.3	0.2	0.5
Cash and Short-term investments	6.0	-	-	-
Total	**100.0**	**(0.9)**	**3.4**	**2.5**

Liquidity and Capital Resources

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol CIQ.UN. The Fund's normal course issuer bid program allows it to purchase up to approximately 10% of 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 2019, 89,700 units were purchased under this program at an average price of $7.54 per unit. Investors may also redeem their units at Net Asset Value, less applicable costs, in accordance with the Fund's redemption provisions. During 2019, 108,436 units were redeemed at an average price of $7.79 per unit.

RELATED PARTY TRANSACTIONS

Related-party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

MANAGEMENT FEES

Pursuant to a management agreement, the Manager provides management, investment management and administrative services to the Fund, for which it is paid a management fee equal to 1.25% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Manager is responsible for paying the fees of the Investment Manager. The management fee is used by the Manager to cover certain costs to administer the Fund, the cost of the Investment Manager and for profit. The Fund also paid to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee was in turn paid by the Manager 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 2019, management and service fees amounted to $0.2 million and $0.1 million (year ended December 31, 2018 – $0.3 million and $0.1 million), respectively. Effective January 1, 2020, the Manager discontinued the payment of service fees.

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 which have been prepared in accordance with International Financial Reporting Standards. *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 year ended December 31	**2019 $**	2018 $	2017 $	2016 $	2015 $
Net Assets per unit, beginning of year[2]	**7.14**	9.63	10.04	8.37	10.50
Increase (decrease) from operations:[3]					
Total revenue	**0.35**	0.37	0.39	0.40	0.47
Total expenses	**(0.20)**	(0.21)	(0.22)	(0.21)	(0.22)
Realized gains (losses)	**(0.47)**	(0.21)	0.35	1.12	(0.87)
Unrealized gains (losses)	**1.68**	(1.67)	(0.37)	1.00	(0.70)
Total increase (decrease) in Net Assets from operations	**1.36**	(1.72)	0.15	2.31	(1.32)
Distributions to unitholders:[2]					
From net investment income	**0.10**	0.10	0.12	0.12	0.08
Return of capital	**0.50**	0.50	0.48	0.54	0.76
Total distributions to unitholders	**0.60**	0.60	0.60	0.66	0.84
Net Assets per unit, end of year[2]	**7.89**	7.14	9.63	10.04	8.37

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.

Ratios and Supplemental Data (Based on Net Asset Value)

As at December 31	**2019**	2018	2017	2016	2015
Net Asset Value ($) (000s)	**15,043**	15,012	25,690	32,131	37,645
Number of units outstanding (000s)	**1,905**	2,104	2,668	3,199	4,500
Management expense ratio ("MER")[1]	**2.52%**	2.33%	2.21%	2.17%	2.10%
Trading expense ratio[2]	**0.07%**	0.08%	0.06%	0.11%	0.20%
Portfolio turnover rate[3]	**12.27%**	9.62%	14.49%	23.61%	43.81%
Net Asset Value per unit ($)	**7.89**	7.14	9.63	10.04	8.37
Closing market price – units ($)	**7.62**	6.99	9.42	9.66	8.10

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 MER of the Fund 2019 was 2.52%, compared to 2.33% in 2018. The 0.19% increase reflected a lower average Net Asset Value during 2019, which led to higher fixed costs as a percentage of Net Asset Value.

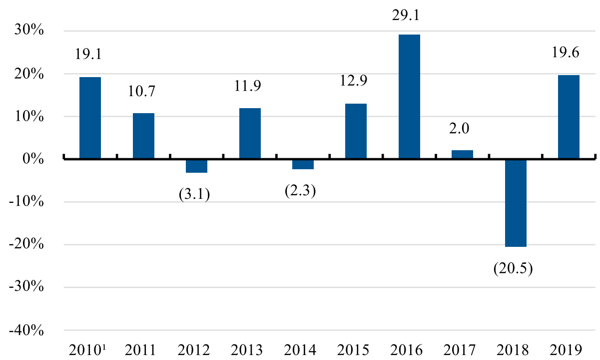
PAST PERFORMANCE

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 were reinvested (at Net Asset Value per unit) in additional units of the Fund.

The bar chart shows the Fund's return for each period since inception to December 31, 2019. The chart shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns

Returns (%)



1 Period from February 18, 2010 (commencement of operations) to December 31, 2010

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.

Annual Compound Returns

	1-Year %	3-Year %	5-Year %	Since Inception %[1]
Canadian High Income Equity Fund	19.6	(1.0)	1.7	4.3
S&P/TSX Composite Index	22.8	6.9	6.3	7.1

1 Period from February 18, 2010 (commencement of operations) to December 31, 2019.

The Fund performed well in 2019 but underperformed the Composite Index as the Composite Index is calculated without the deduction of fees and expenses. The Fund also had a loss from its holding in Vermillion Energy Inc. when the holding was sold in the third quarter of 2019. Please see the Investment Manager's Report for more details.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2019

Total Net Asset Value	**$**	**15,043,475**

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Pipes, power, utilities and infrastructure	22.2	22.5
Financial	19.9	20.0
Consumer staples and discretionary	16.7	16.9
Industrial	16.6	16.7
Real estate	9.0	9.0
Cash and short-term investments	6.0	6.1
Materials	3.8	3.8
Oil and gas	3.7	3.7
Healthcare	2.1	2.1
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**
Cash and short-term investments	6.0	6.1
Cineplex Inc.	5.2	5.2
Keyera Corp.	5.0	5.0
Altus Group Limited	4.8	4.9
Boralex Inc.	4.8	4.9
Manulife Financial Corporation	4.6	4.6
Sun Life Financial Inc.	4.6	4.6
Ag Growth International Inc.	4.6	4.6
Superior Plus Corp.	4.5	4.6
Northland Power Inc.	4.4	4.5
Enbridge Inc.	4.4	4.4
Bank of Nova Scotia (The)	4.4	4.4
Transcontinental Inc. Class A	4.3	4.4
Allied Properties Real Estate Investment Trust	4.1	4.2
Toronto-Dominion Bank (The)	4.0	4.1
Premium Brands Holdings Corp.	4.0	4.1
Chemtrade Logistics Income Fund	3.8	3.8
Gibson Energy Inc.	3.7	3.7
Intertape Polymer Group Inc.	3.6	3.6
TFI International Inc.	2.4	2.4
ShawCor Ltd.	2.4	2.4
Fiera Capital Corporation. Class A	2.3	2.3
Extendicare Inc.	2.1	2.1
Stingray Group Inc.	1.7	1.7
Park Lawn Corporation	1.4	1.5
Total	**97.1**	**98.1**

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.

2019 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 2019 on a per unit basis.

Record Date	Payment Date	Return of Capital $	Eligible Dividends $	Total Distributions $
31-Jan-19	14-Feb-19	0.04187	0.00813	0.05000
28-Feb-19	14-Mar-19	0.04187	0.00813	0.05000
29-Mar-19	12-Apr-19	0.04187	0.00813	0.05000
30-Apr-19	14-May-19	0.04187	0.00813	0.05000
31-May-19	14-Jun-19	0.04187	0.00813	0.05000
28-Jun-19	15-Jul-19	0.04187	0.00813	0.05000
31-Jul-19	15-Aug-19	0.04187	0.00813	0.05000
30-Aug-19	16-Sep-19	0.04187	0.00813	0.05000
30-Sep-19	15-Oct-19	0.04187	0.00813	0.05000
31-Oct-19	14-Nov-19	0.04187	0.00813	0.05000
29-Nov-19	13-Dec-19	0.04187	0.00813	0.05000
31-Dec-19	15-Jan-20	0.04187	0.00813	0.05000
		0.50244	**0.09756**	**0.60000**

This information is of a general nature and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advise 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, 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 and one open-ended mutual fund.

BLOOM
INVESTMENT COUNSEL, INC.

INVESTMENT MANAGER'S REPORT

January 2, 2020

Canadian Economy

The Canadian economy shifted into a slower pace of growth in the second half of the year, with activity just below a projected 1.5%. It is estimated that growth for the third and fourth quarter will come in at 1.3% while the Bank of Canada ("BoC") is calling for 1.7% growth in 2020. Meanwhile, Core Consumer Price Inflation ("CPI") has been close to 2% for 21 straight months. Positive contributors to growth were easing of oil production curbs in Alberta and a rebound in housing activity, mostly in major markets, after a decline in long-term interest rates around mid-year and lessening negative impacts from government-imposed housing restrictions. Strong population growth (supported by immigration) continues to drive housing demand, but it is clear, in the major centers particularly, that constrained supply is resulting in price increases.

The rebound in housing and related debt growth are key reasons why the BoC has not had to follow the Federal reserve in the U.S. which cut rates three times in 2019. When factoring in likely fiscal stimulus, the BoC is less likely to need to cut rates if economic data in 2020 proves to be softer than expected. This is explained by the BoC's estimate that $5 billion in fiscal stimulus is equivalent to 25 basis points (bps) in rate cuts. Fiscal policy looks like it will be additive to growth by 50 bps, with a federal budget deficit that could jump to $30 billion some time in 2020-2021 from $19.8 billion recently.

While housing strengthened in the back half of the year, an opposing result was seen in auto sales that were on pace to decline 3% in 2019, dropping back below 2 million units after a positive 8-year streak that ended in 2018. Consumption has been running at a high share of Gross Domestic Product. This is likely to be less sustainable considering it has been the result of rising consumer debt and decreased savings. The fact that gains in spending and after-tax income have been muted indicates limits to the contribution from consumption, notwithstanding job growth on track to rise 2.2% and a positive wealth effect from markets recently at record highs.

As far as ongoing monitoring of the yield curve goes, both the short overnight and 3-month T-bill rates have been near flat and at times higher than the longer 10-year and 30-year Government of Canada bonds. With the continuation of flat to inverted yields curves, the market has seemed to be at odds with the BoC's position that rate cuts are not needed. Recently, the curve has shown more signs of normalizing and the market is pricing very low odds of a rate cut by the BoC.

To summarize, consumption will likely be restrained considering there is a limit to debt accumulation, and as long as trade uncertainties persist, the export sector will have a difficult time stepping up. The current account deficit widened to $9.9 billion or over $42 billion annualized in the third quarter. Weakness in the Energy sector has been a big part of this. Actions to address the egress or pipeline problems have been insufficient, but on a positive note, the Canadian portion of Enbridge's Line 3 that went into service at the beginning of December is estimated to add 100,000 barrels per day of capacity. Government-owned Trans Mountain has stated publicly that it intended to put pipe in the ground before Christmas and Gibson Energy Inc., a stock held in the Fund, has announced a diluent recovery project that would enable more western crude "Drubit" to be shipped by rail to the U.S. Although these are minor improvements, they are very welcome and will assist the Canadian economy overall.

Canadian Investment Markets

Looking back on 2019, the month of August was a pivotal one for markets. In that month a significant decrease in bond yields occurred as a result of the U.S. Federal Reserve interest rate cut at the end of July and pessimistic views on trade tensions. However, what was being referred to as "Phase 1" of a trade deal between the U.S. and China began to be anticipated and rallies in global markets ensued. With Canada's economy being trade-oriented and quite open, our market reacts according to these events especially when considering our largest trading partner – the U.S. – is involved. Fortunately, the last four months of the year turned out to be the complete opposite and very good for the Canadian market, as prospects for a trade deal and better economic growth improved.

The Canadian market had a much better showing in relative performance to the U.S. in 2019 after having greater difficulty keeping up in most recent years. Being invested in Canadian stocks in 2019 was very rewarding and is borne out in the statistic that even the weakest sectors (excluding Healthcare) generated positive double-digit percentage returns. However, it is important to note that the low starting point at the beginning of the year did help. Above all, high income and dividend paying equities that are the focus of our investment approach performed very well supported by the continuing low interest rate environment.

Cannabis stocks have been very topical, but with Healthcare only accounting for just over 1% of the S&P/TSX Composite, not very material. During the year these stocks receded from lofty peak levels as fundamentals came back into focus. Precious Metals (in particular gold stocks) performed quite well in large part to weakening interest rates and uncertainty in the mid part of the year, although there is a dearth of high income and dividend paying equites in gold stocks.

The Energy sector as a whole had reasonably strong absolute performance in the Canadian market this year, but once again underperformed on a relative basis largely due to the Oil & Gas sub-sector. Since the earlier part of the year until the latter part of the third quarter the Funds held one Oil & Gas name which given its significant international presence we believed would perform well despite the current Canadian Oil & Gas environment. Towards the end of the third quarter we exited this name and no longer have a holding in any Oil & Gas names given our belief that the negative sentiment on the sector has a greater weighting on the performance of these stocks regardless of the underlying assets. During the year our Energy holdings tended to be more represented in the Infrastructure sub-sector of Energy that performed much better on a relative basis (this sub-sector was up 34.5%). Performance in the Real Estate sector was a highlight. Real Estate investment Trusts (REITs) benefited through the year from both the low and at times declining interest rate environment as well as positive developments in the Canadian real estate market. Strength was especially notable in those REITs exposed to multi-residential or apartments.

There was a noticeable shift in market sentiment in mid-August/beginning of September concerning investment style and the outperformance in value over growth and momentum stocks. This was not as observable in the months following into year end, but we think that many stocks with compelling valuations could have good upside because of this consideration. We also have noted that many stocks in both the small and mid-capitalization ranges traded down to discounted valuations in the weak fourth quarter of 2018. Stocks generally considered below large capitalization did underperform again in 2019. This is another indication that a number of these stocks may still have embedded upside potential.

The S&P/TSX Composite Index posted a gain of 3.2% for the last quarter and 22.8% for the year ended 2019. The best performing sectors last quarter were Information Technology (up 10.8%), Materials (up 7.8%) and Energy (up 7.1%). The worst performing sectors for the quarter were Healthcare (down 5.9%), Consumer Staples (down 3.9%) and Real Estate (down 2.4%). The best performing sectors for the entire year were Information Technology (up 64.9%), Utilities (up 37.5%) and Industrials (up 25.5%), while the worst performing sectors for the year were Healthcare (down 10.9%), Communication Services (up 13.0%) and Consumer Staples (up 14.4%).

The Canadian dollar started the year at 73 cents U.S. (C$1.36). Nearing the end of the year it had increased towards 77 cents or 4.8%. The relative strength in the Canadian dollar can be attributed mostly to tighter monetary policy in Canada against rate decreases in the U.S. Also, the WTI oil price that is strongly correlated with the Canadian dollar did not decline like it did the previous year and was up for the year.

Canadian High Income Equity Fund Performance

The Fund had strong absolute performance but slightly underperformed for the year against the very strong benchmark returns of the S&P TSX/Composite Index. However, the Fund did outperform the S&P TSX/Composite Index in the fourth quarter. Towards the end of the third quarter the Fund sold Vermilion Energy Inc. which was a drag on performance. We believe this area of the Canadian market continues to struggle mostly due to pipeline egress issues and government policy.

Positions in Cineplex Inc. (which has agreed to be acquired), Gibson Energy Inc. and Enbridge Inc. were the greatest contributors to performance last quarter. For the past year, the greatest contributors to performance were Altus Group Limited, Manulife Financial Corporation and Boralex Inc.

In mid-December Cineplex Inc., a stock held in the Fund, announced that it had agreed to be acquired at a premium of 42% to its then market price, with the transaction expected to close in the first half of 2020. We have held Cineplex for some time with the belief that despite a lagging share price, an improvement in its results and further diversification of its revenue would result in an improved share price or a takeout given its attractive valuation.

Canadian High Income Equity Fund Portfolio Changes

For the year, there were several new positions added to the Fund including an Initial Public Offering in Andlauer Healthcare Group that was well received by the market, Enbridge Inc., Parkland Fuel Corporation, Park Lawn Corporation and Wajax Corporation.

We eliminated several names in the Oil & Gas sector, mostly in the very early part of the year, including Whitecap Resources Inc., Crescent Point Energy Corp. and Vermillion Energy Inc. A position in Shaw Communications Class "B" was also exited while competition seemed poised to intensify with industry changes including unlimited data plans.

Outlook

2019 was a strong year for the Canadian equity market with value investing showing an acceleration in performance relative to the popular momentum investing strategy since late August. We believe this is a result of a situation where some value stocks became so oversold, and in many cases unjustifiably, that investors are now paying more attention to them due to improved earnings. Bloom leans towards value investing when making investment decisions. While we are not deep value investors; we are patient when it comes to our buy and sale prices of target investments. We have followed this investment style for over 30 years and have chosen to invest in stocks based on bottom up fundamental analysis and not simply because they are "hot". Cineplex Inc. is a good example of our firm's long term value with yield strategy being eventually recognized and rewarded. We are hopeful for other portfolio positions to be likewise recognized, and the sooner the better! Heading into the new year we believe that higher yielding, income-oriented equities will continue to be a good approach for the Fund, further aided by a continued low interest rate environment.

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, except as required by law.

MANAGEMENT RESPONSIBILITY STATEMENT

The financial statements of Canadian High Income Equity Fund (the "Fund") have been prepared by Brompton Funds Limited (the ''Manager" of the Fund) and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. 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 Manager 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 Manager, with the approval of its Board of Directors, has appointed PricewaterhouseCoopers LLP as the auditor of the Fund. It has audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable it to express to unitholders its opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

(Signed) "Mark A. Caranci"

Mark A. Caranci
Chief Executive Officer
Brompton Funds Limited
March 18, 2020

(Signed) "Craig T. Kikuchi"

Craig T. Kikuchi
Chief Financial Officer
Brompton Funds Limited

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of Canadian High Income Equity Fund (the Fund)

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive income for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in equity for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information of the Fund. The other information comprises the Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR’S REPORT (cont’d)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Derek Hatoum.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Ontario
March 18, 2020

STATEMENTS OF FINANCIAL POSITION

As at December 31		2019		2018
Assets				
Current assets				
Investments	**$**	**15,141,223**	$	14,771,711
Cash		**15,672**		342,839
Income receivable		**46,460**		61,518
Total assets		**15,203,355**		15,176,068
Liabilities				
Current liabilities				
Distributions payable to unitholders (note 6)		**95,273**		105,179
Accounts payable and accrued liabilities		**64,607**		59,059
Total liabilities		**159,880**		164,238
Unitholders' equity				
Unitholders' capital		**22,440,505**		24,774,547
Contributed surplus		**10,765,005**		9,952,298
Deficit		**(18,162,035)**		(19,715,015)
Total equity		**15,043,475**		15,011,830
Net Assets representing unitholders' equity	**$**	**15,043,475**	$	15,011,830
Units outstanding (note 4)		**1,905,452**		2,103,588
Net Assets per unit	**$**	**7.89**	$	7.14

Approved on behalf of Canadian High Income Equity Fund by the Board of Directors of Brompton Funds Limited, the Manager.

(Signed) “Christopher S.L. Hoffmann”

Christopher S.L. Hoffmann
Director

(Signed) “Mark A. Caranci”

Mark A. Caranci
Director

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

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31		**2019**		2018
Income				
Securities lending income (note 9)	**$**	**1,969**	$	5,911
Net gain (loss) on investments:				
Interest income for distribution purposes		**9,970**		16,501
Dividend income		**697,194**		902,949
Net realized gain (loss) on sale of investments (note 8)		**(959,156)**		(513,710)
Net change in unrealized gain (loss) on investments		**3,422,710**		(4,166,605)
Total net gain (loss) on investment		**3,170,718**		(3,760,865)
Total income (loss), net		**3,172,687**		(3,754,954)
Expenses				
Management fees (note 7)		**213,185**		296,815
Service fees (note 7)		**61,770**		80,098
Audit fees		**25,087**		23,181
Trustee fees		**3,260**		3,253
Independent Review Committee fees (note 7)		**1,669**		2,216
Custodial fees		**1,756**		2,327
Legal fees		**3,264**		2,792
Unitholder reporting costs		**10,380**		11,577
Other administrative expenses		**75,393**		75,636
Interest and bank charges (note 10)		**-**		9,682
Transaction costs		**10,692**		16,394
Total expenses		**406,456**		523,971
Net comprehensive income (loss)	**$**	**2,766,231**	$	(4,278,925)
Earnings per unit[1]	**$**	**1.36**	$	(1.72)

1 Based on the weighted average number of redeemable units outstanding during the year (note 4).

STATEMENTS OF CASH FLOWS

For the years ended December 31		2019		2018
Cash flows from operating activities:				
Total comprehensive income (loss)	**$**	**2,766,231**	$	(4,278,925)
Adjustments for:				
Net realized (gain) loss on sale of investments (note 8)		**959,156**		513,710
Net change in unrealized (gain) loss on investments		**(3,422,710)**		4,166,605
Decrease (increase) in income receivable		**15,058**		12,434
Increase (decrease) in accounts payable and accrued liabilities		**5,548**		(12,821)
Purchase of investments (note 8)		**(6,187,408)**		(9,831,152)
Proceeds from sale of investments (note 8)		**8,281,450**		15,325,496
Cash provided by (used in) operating activities		**2,417,325**		5,895,347
Cash flows from financing activities:				
Amounts paid for redemptions of units		**(844,716)**		(3,270,682)
Amounts paid for repurchase of units		**(676,619)**		(1,666,248)
Distributions paid to unitholders (note 6)		**(1,223,157)**		(1,496,220)
Proceeds from distribution reinvestment plan		**-**		5,868
Cash provided by (used in) financing activities		**(2,744,492)**		(6,427,282)
Net increase (decrease) in cash		**(327,167)**		(531,935)
Cash, beginning of year		**342,839**		874,774
Cash, end of year	**$**	**15,672**	$	342,839
Supplemental information:[1]				
Interest received ($)		**7,646**		16,030
Dividends received ($)		**714,576**		915,854

1 Included in cash flows from operating activities.

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

STATEMENTS OF CHANGES IN EQUITY

		Unitholders' Capital		Deficit		Contributed Surplus		Total
Balance at January 1, 2018	$	31,424,285	$	(13,968,083)	$	8,233,622	$	25,689,824
Total comprehensive income (loss) for the year		-		(4,278,925)		-		(4,278,925)
Transactions with unitholders, recognized directly in equity								
Redemption of units		(4,367,930)		-		1,097,248		(3,270,682)
Repurchase of units		(2,287,676)		-		621,428		(1,666,248)
Distributions paid to unitholders		-		(1,468,007)		-		(1,468,007)
Reinvestment of units		5,868		-		-		5,868
Total transactions with unitholders		(6,649,738)		(1,468,007)		1,718,676		(6,399,069)
Balance at December 31, 2018		24,774,547		(19,715,015)		9,952,298		15,011,830
Balance at January 1, 2019		**24,774,547**		**(19,715,015)**		**9,952,298**		**15,011,830**
Total comprehensive income (loss) for the year		**-**		**2,766,231**		**-**		**2,766,231**
Transactions with unitholders, recognized directly in equity								
Redemption of units		(1,277,376)		-		432,660		(844,716)
Repurchase of units		(1,056,666)		-		380,047		(676,619)
Distributions paid to unitholders		-		(1,213,251)		-		(1,213,251)
Total transactions with unitholders		**(2,334,042)**		**(1,213,251)**		**812,707**		**(2,734,586)**
Balance at December 31, 2019	**$**	**22,440,505**	**$**	**(18,162,035)**	**$**	**10,765,005**	**$**	**15,043,475**

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

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2019

	Number of Shares	Cost $	Carrying Value $	% of Portfolio
Consumer staples and discretionary				
Cineplex Inc.	23,200	713,981	785,320	
Park Lawn Corporation	7,500	186,793	219,675	
Premium Brands Holdings Corp.	6,700	366,907	609,432	
Stingray Group Inc.	36,700	304,042	262,038	
Transcontinental Inc. Class A	41,500	653,826	658,605	
		2,225,549	**2,535,070**	**16.7**
Financial				
Bank of Nova Scotia (The)	9,000	519,511	660,150	
Fiera Capital Corporation. Class A	29,900	359,697	350,129	
Manulife Financial Corporation	26,500	496,625	698,540	
Sun Life Financial Inc.	11,700	458,230	692,757	
Toronto-Dominion Bank (The)	8,400	436,260	611,772	
		2,270,323	**3,013,348**	**19.9**
Healthcare				
Extendicare Inc.	37,500	357,859	316,500	
		357,859	**316,500**	**2.1**
Industrial				
Ag Growth International Inc.	14,900	831,067	691,956	
Andlauer Healthcare Group Inc.	1,300	19,500	26,065	
Intertape Polymer Group Inc.	32,600	608,108	541,812	
Superior Plus Corp.	54,800	605,312	688,288	
TFI International Inc.	8,300	216,766	363,291	
Wajax Corporation	13,400	245,857	198,320	
		2,526,610	**2,509,732**	**16.6**
Materials				
Chemtrade Logistics Income Fund	51,800	587,244	571,354	
		587,244	**571,354**	**3.8**
Oil and gas				
Parkland Fuel Corporation	4,200	156,250	200,382	
ShawCor Ltd.	28,600	597,550	358,358	
		753,800	**558,740**	**3.7**
Pipes, power, utilities and infrastructure				
Boralex Inc.	29,900	420,911	731,354	
Enbridge Inc.	12,800	578,737	660,864	
Gibson Energy Inc.	21,200	335,204	563,708	
Keyera Corp.	22,200	325,889	755,244	
Northland Power Inc.	24,700	388,120	671,840	
		2,048,861	**3,383,010**	**22.3**
Real estate				
Allied Properties Real Estate Investment Trust	12,000	365,184	624,840	
Altus Group Limited	19,300	382,757	732,628	
		747,941	**1,357,468**	**9.0**

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2019

	Par Value $	Cost $	Carrying Value $	% of Portfolio
Short-term investments				
RBC Bankers' Acceptance, due January 8, 2020 1.82%	300,000	597,348	597,348	
TD Bankers' Acceptance, due March 6, 2020 1.87%	600,000	298,653	298,653	
		896,001	**896,001**	**5.9**
Embedded Broker Commission		(15,049)		
Total Investments		**12,399,139**	**15,141,223**	**100.0**

1. GENERAL INFORMATION

Canadian High Income Equity Fund (the "Fund") is a closed-end investment fund created under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 1, 2010 and as amended and restated on January 27, 2010. The address of the Fund's registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3. TSX Trust Company is the Trustee, and Brompton Funds Limited (the "Manager") 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 CIQ.UN and commenced operations on February 18, 2010.

The Fund invests in an actively managed portfolio of publicly listed or traded securities across a broad range of industries.

These financial statements were approved on behalf of Canadian High Income Equity Fund by the Board of Directors of Brompton Funds Limited, the Manager, on March 10, 2020.

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 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 portfolio of investments 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 that are solely principal and interest 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 are measured at fair value through profit or loss ("FVTPL"). Derivative assets and liabilities are also 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 initially recognized at fair value and subsequently 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 and derivatives are identical to 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 values 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 Manager 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 12 for further information about the Fund's fair value measurements.

d) Cash

Cash is comprised of demand deposits with financial institutions.

e) Transaction Costs

Transaction 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. Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. 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. When the Fund incurs 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 market 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. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time 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) Unitholders' Capital

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. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of units, each of which consists of one transferable, redeemable unit, 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 holders of redeemable units by tendering units of the Fund by the last business day of August for redemption on the second last business day of September ("Annual Redemption Date"). Redemptions of tendered units are settled based on the Net Asset Value per unit on the Annual Redemption Date, less associated costs of the redemptions, including brokerage costs. Units tendered for redemption are redeemed effective the Annual Redemption Date of each period and are settled on or before the tenth business day in October, subject to the Manager's right to suspend redemptions in certain circumstances. For purposes of calculating the Net Asset Value per unit in respect of the redemptions, 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 September.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program for the period from March 14, 2018 to March 13, 2019, which allowed the Fund to purchase up to 264,300 units for cancellation. The Fund renewed the issuer bid program from March 14, 2019 to March 13, 2020, which allows the Fund to purchase up to 209,200 units for cancellation. The Fund may purchase units for cancellation at a price per unit not exceeding the most recently calculated Net Asset Value per unit immediately prior to the date of any such purchase of units.

Issued

	2019 Number of Units	2018 Number of Units
Units, outstanding at January 1	**2,103,588**	2,667,835
Redemption of units	**(108,436)**	(370,792)
Repurchase of units	**(89,700)**	(194,200)
Reinvestment of units	-	745
Units, outstanding at December 31	**1,905,452**	2,103,588
Weight average number of units outstanding	**2,038,566**	2,485,822

For the year ended December 31, 2019, 89,700 units were repurchased for cancellation pursuant to the normal course issuer bid program at an average cost of $7.54 per unit (year ended December 31, 2018 – 194,200 units at an average cost of $8.58 per unit). During the year ended December 31, 2019, 108,436 units were redeemed at a price of $7.79 per unit (year ended December 31, 2018 – 370,792 units at $8.82 per unit).

During the year ended December 31, 2019, no (year ended December 31, 2018 – 745) units were issued pursuant to the distribution reinvestment plan (note 6).

On December 31, 2019, the Fund's closing market price per unit was $7.62 (December 31, 2018 - $6.99).

5. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity for capital appreciation. The Fund's capital includes unitholders' equity and loans payable. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, or purchase units for cancellation.

6. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared by the Manager, 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, 2019, the Fund declared total distributions of $0.60 per unit (year ended December 31, 2018 – $0.60 per unit), which amounted to $1,213,251 (year ended December 31, 2018 – $1,468,007). For the year ended December 31, 2019, no (year ended December 31, 2018 – 745) units were issued pursuant to the distribution reinvestment plan.

On January 23, 2020, the Fund declared $0.05 per unit of monthly distributions for record dates January 31, 2020, February 28, 2020, March 31, 2020, respectively.

7. RELATED PARTY TRANSACTIONS

a) Management and Service Fees

Pursuant to a management agreement, the Manager provides management and administrative services, including the provision of key management personnel, to the Fund. In consideration for these services, the Fund pays a management fee equal to 1.25% per annum of the Net Asset Value of the Fund, plus applicable taxes. These fees are calculated and payable monthly. The Fund also paid to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee was in turn paid by the Manager to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. The Manager is responsible for paying the fees to Bloom Investment Counsel, Inc., the Investment Manager of the Fund. For the year ended December 31, 2019, the management fee amounted to $213,185 (year ended December 31, 2018 - $296,815), with $199 payable as of December 31, 2019 (December 31, 2018 – $567 prepaid) and the service fee amounted to $61,770 (year ended December 31, 2018 - $80,098), with $15,012 payable as of December 31, 2019 (December 31, 2018 - $15,043). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. Effective January 1, 2020, the Manager discontinued the payment of service fees.

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2019 was $1,669 (year ended December 31, 2018 – $2,216) and consisted only of fees. As at December 31, 2019, and, 2018, there were no Independent Review Committee fees payable.

8. INVESTMENT TRANSACTIONS

For the years ended December 31	**2019** **$**	2018 $
Proceeds from sale of investments	**8,281,450**	15,325,496
Less cost of investments sold:		
Investments at cost, beginning of year	**15,452,337**	21,460,391
Investments purchased during the year	**6,187,408**	9,831,152
Investments at cost, end of year	**(12,399,139)**	(15,452,337)
Cost of investments sold during the year	**9,240,606**	15,839,206
Net realized gain (loss) on sale of investments	**(959,156)**	(513,710)

For the years ended December 31, 2019 and 2018, no soft dollar amounts were paid.

9. 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 December 31, 2019 were $0.3 million (December 31, 2018 – $0.6 million) and $0.3 million (December 31, 2018 – $0.7 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 years ended December 31, securities lending income was as follows:

	2019 **$**	2018 $
Gross securities lending income	**2,812**	8,443
Securities lending charges	**(843)**	(2,532)
Net securities lending income	**1,969**	5,911
Net securities lending income received by the Fund	**1,969**	5,911

During the year ended December 31, 2019, securities lending charges represented 30% (year ended December 31, 2018 – 30%) of the gross securities lending income.

10. LOAN PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund had a 364-day renewable revolving credit facility, which was terminated effective November 14, 2018. The minimum and maximum amounts of borrowings were nil during the year ended December 31, 2018.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment objectives are to provide unitholders with (i) a high monthly cash distribution, and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio of publicly listed or traded Canadian securities.

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, 2019, and groups the securities by market segments. The following summary presents the market segments held by the Fund as at December 31, 2018. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2018
Investment Sector	% of Portfolio
Communication services	2.6
Consumer staples and discretionary	16.5
Financial	22.5
Healthcare	2.6
Industrial	15.9
Materials	2.6
Oil and gas	6.7
Pipe, power, utilities, and infrastructure	17.2
Real estate	10.7
Short-term investments	2.7
Total	100.0

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing a professional, experienced portfolio manager. These risks are managed by diversifying the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Manager 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 North American exchange-listed equity securities.

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 across a broad range of industries 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, 2019, 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 $1.4 million or 9.5% (December 31, 2018 - approximately $1.5 million or 9.8%) 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 of December 31, 2019, and 2018, the Fund had no currency risk exposure.

c) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's other assets represents the maximum credit risk exposure, as they will be settled in the short term. All transactions in 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 9. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating 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 redemptions, 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 should provide 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, 2019, all of the Fund's financial liabilities had maturities of less than three months.

12. 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 three levels of the fair value hierarchy are:

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

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

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

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

Assets and liabilities at fair value as at December 31, 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Equities	14,245,222	-	-	14,245,222
Short-term investments	-	896,001	-	896,001
Total	**14,245,222**	**896,001**	**-**	**15,141,223**

Assets and liabilities at fair value as at December 31, 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Equities	14,373,667	-	-	14,373,667
Short-term investments	-	398,044	-	398,044
Total	14,373,667	398,044	-	14,771,711

There were no transfers of assets and liabilities between the levels during the years ended December 31, 2019 and 2018.

All fair value measurements above are recurring. The carrying values of cash, income receivable, 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 gain from equity securities during the year ended December 31, 2019 was $2,463,554 (year ended December 31, 2018 – loss of $4,680,315).

b) Short-Term Investments

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

13. INCOME TAXES

As at December 31, 2019, the Fund had $11,073,786 (December 31, 2018 - $10,154,202) of capital losses carried forward. The capital losses can be carried forward for an indefinite period.

CORPORATE INFORMATION

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Vice President and Corporate Secretary

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TSX Trust Company

Custodian

CIBC Mellon Trust Company

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