



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM U.S. INCOME & GROWTH FUND

2017 ANNUAL REPORT

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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, unless otherwise indicated, and we assume no obligation to update or revise them to reflect new events or circumstances.

MANAGEMENT REPORT OF FUND PERFORMANCE

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

In accordance with investment fund industry practice, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its net asset value, which is in accordance with the terms of the Fund's declaration of trust and annual information form, and is based on closing market prices of investments. Figures presented in the financial statements the Financial Highlights section of this management report of fund performance are based on net assets calculated using International Financial Reporting Standards which require the use of a price between the last bid and ask prices for investment valuation, which may differ from the closing market price.

All figures are stated in Canadian dollars unless otherwise noted.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

THE FUND

Bloom U.S. Income & Growth Fund is a closed-end investment trust managed by Bloom Investment Counsel, Inc. (“Bloom” or the “Manager”). Bloom provides administrative services to the Fund and actively manages the Fund’s portfolio. The Class A units of the Fund trade on the Toronto Stock Exchange (“TSX”) under the symbol BUA.UN and are designed for investors who wish to make their investments in Canadian dollars and manage their exposure to the effect of currency fluctuations. The Class U units of the Fund are designed for investors who wish to make their investments in U.S. dollars without the hedging of currency fluctuations and are not listed on the Toronto Stock Exchange, but may be converted to Class A units on a monthly basis. The units of the Fund are RRSP, DPSP, RRIF, RESP, RDSP and TFSA eligible. The Fund has a distribution reinvestment plan (“DRIP”) allowing Class A unitholders to automatically reinvest their monthly distributions in additional Class A units of the Fund.

RECENT DEVELOPMENTS

There were no recent developments to report.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund’s investment objectives are to provide unitholders with exposure to an actively managed portfolio comprised primarily of publicly traded high dividend paying U.S. common equity securities, including REITs, stable monthly cash distributions, and the opportunity for capital appreciation.

Hedging of foreign currency

The Fund was established to enable Canadian investors to participate in the U.S. securities market. Investors were provided with the option of Class A or Class U units in order to allow the investor to choose the investment vehicle that matched their approach to currency fluctuation risk. Class A units were, and through their listing on the TSX, are, the option for investors who wish to manage their exposure to the effect of currency fluctuations. Accordingly, the Class A units are denominated in Canadian dollars and substantially all of the U.S. dollar denominated net asset value attributable to the Class A units is hedged in accordance with the Fund’s declaration of trust through the use of foreign currency forward contracts (hedges). Class U units were the option for investors who wanted to invest in U.S. dollars without the hedging of currency fluctuations. Class U units are accordingly denominated in U.S. dollars.

The Fund’s portfolio and its income are denominated in U.S. dollars, whereas the Class A units of the Fund are priced in Canadian dollars. The Fund hedges the Class A units’ currency risk by entering into foreign currency forward contracts to sell U.S. dollars and buy Canadian dollars at a set rate at a set future date.

Under these contracts, the Fund agrees to pay a fixed U.S. dollar amount in return for a fixed Canadian dollar amount at a fixed future date. The objective is to shelter the Class A unitholders of the Fund from potential fluctuations in the Canadian dollar value of U.S. currency denominated investments due to changes in the value of the Canadian dollar. This means that the Class A unitholders are substantially protected from capital losses when the Canadian dollar strengthens, but conversely do not fully participate in the capital gains available when the Canadian dollar weakens.

In the year ended December 31, 2017, the Canadian dollar strengthened by 7.0% and Class A enjoyed net realized gains on its foreign currency forward contracts of \$0.3 million; these gains substantially offset the corresponding decrease in the Canadian dollar value of the U.S. dollar denominated assets of Class A, principally investments, which is included in the net change in unrealized appreciation or depreciation on non-derivative investments and the net realized loss on sale of non-derivative investments. (Since inception on March 21, 2013, the Canadian dollar has weakened by 18.4% and the Fund suffered net realized losses on its foreign currency forward contracts of \$6.4 million; these losses substantially offset the corresponding increase in the Canadian dollar value of the U. S. dollar denominated assets of Class A.)

INVESTMENT MANAGER



INVESTMENT COUNSEL, INC.

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

INVESTMENT MANAGER'S REPORT

JANUARY 10, 2018

Fund performance

The Fund's Class A units demonstrated a 2.7% return in the year ended December 31, 2017 (after taking into account the expenses of Class A), compared to 13.8% for its benchmark, the S&P 500 Total Return Index expressed in Canadian dollars. The Fund's Class U units, when expressed in US dollars, returned 3.4% in the year ended December 31, 2017 (after taking into account the expenses of Class U), compared to 21.8% for the same benchmark in US dollars.

Positions in Tronox Limited, Eli Lilly & Company and Weyerhaeuser Company were the greatest contributors to performance since the beginning of the year. Positions in National CineMedia Inc., New York Community Bancorp, Inc. and General Electric Company were detractors to performance.

On a sector basis, the Fund's holdings in the Materials and Health Care sectors were the greatest contributors to performance over the period, offset primarily by the Fund's Consumer Discretionary and Industrials holdings.

The U.S. Economy

Economic growth in the United States, which can be characterized as somewhat modest over the first half of 2017, accelerated in the third quarter with GDP rising 3.2%. This followed three quarters of an average economic growth of 2.1%. Furthermore, Real GDP is expected to have grown nearly 3.0% in the fourth quarter of 2017 and 2.3% for the year.

Nine years into the current expansion, the U.S. economy seems to be maintaining if not gaining in strength owing to the following factors:

- The housing market is trending higher after a summer lull, with sales and starts at ten-year highs, a double-digit percentage gain in residential construction likely in the fourth quarter of 2017, housing prices accelerating more than 6% over the past year and sentiment amongst homebuilders at its highest level in several years.
- Spending on commercial construction has emerged from its soft patch, led by a 24% annualized increase in office buildings in the three months to November.
- Overall business investment remains strong, with companies expanding capacity to meet demand as equipment spending likely rose in excess of 8% for a third straight quarter in the fourth quarter of 2017. Going forward, we note that this part of the economy remains a bit of a wildcard. While business investment should continue to grow strongly due to corporate tax cuts, this level should still moderate somewhat from the near-5% growth in 2017, which benefitted by a rebound in oil-related investments (i.e. a spike in drilling rigs).
- According to the ISM Manufacturing Index, manufacturers are currently enjoying the best conditions in 13 years, and a surge in new orders is likely to drive manufacturing activity in the coming year.
- After rebounding in 2017 on stronger global demand and a softer dollar, export growth is accelerating, jumping 2.3% in November and 8.3% in the past year after a couple of weaker years. While the trade deficit widened, this was only because robust domestic spending boosted imports.
- Despite a decade-low personal savings rate, consumers show little sign of retrenching following one of the best holiday shopping seasons in years amid surging wealth and rising employment.
- Hiring remains robust, even as it decelerated modestly last year amid worker shortages and the labour participation rate remaining below 63% over the past 30 months. Though likely benefitting somewhat from post-hurricane

rebuilding, non-farm payroll gains averaged 204,000 in the fourth quarter of 2017, marking the best quarter of the year, driving the unemployment rate to 17-year lows of 4.1%. Although payroll gains moderated over the last year, the 2.5% year-over-year growth was as expected, and the 0.2% monthly gain in November maintains the current unbroken string of 85 months as the longest on record over the last 80 years.

These factors have driven consumer confidence and the jobless rate to their best levels since the height of the tech-bubble, and correspondingly the current consensus view for 2018 U.S. Real GDP growth of around 2.6% is up from 2.2% growth earlier in the year. Moreover, headline CPI increased 0.4% in the month of November, and on an annualized basis, the pace of inflation year-on-year accelerated to 2.2% from 2.0% in October. Core CPI (excludes food and energy) rose by 0.1% in November, decreasing the year-on-year rate to 1.7%, from 1.8% in October.

Notwithstanding the lack of a meaningful acceleration in inflation, and particularly wage growth, we expect the Federal Open Market Committee (the Fed) will once again want to hike the Federal Funds Target Rate sooner rather than later this coming year following its latest 25 bps rate hike at its mid-December meeting. With that said, barring a meaningful upturn in productivity or a surprising influx into the workforce, the U.S. economy cannot sustain 3% growth in the long-run since potential output growth is running at less than 2%. If Real GDP growth of around 3% continues for the next few quarters, inflation pressures would build at this late stage of the business cycle, pushing up interest rates and the risk of a possible recession in 2019.

U.S. Investment Markets

Since the beginning of 2017, the S&P 500 has underperformed several other developed-country markets, but has outperformed the S&P/TSX by a wide margin mainly owing to the best performing (Information Technology) and the second-worst performing (Energy) sectors, representing, respectively much larger/smaller weights of the S&P 500 versus the S&P/TSX. The S&P 500 Total Return Index since the beginning of the year increased 13.9% (in Canadian dollar terms). The best performing sectors since the beginning of the year were Information Technology, Materials and Consumer Discretionary, while the worst performing sectors were Telecommunications Services, Energy and Utilities.

The U.S. dollar since the beginning of 2017 decreased by 6.6% against the Canadian dollar. While we do not necessarily expect this performance to repeat in 2018, we note that less interest rate divergence than previously anticipated owing to Canadian interest rate hikes, will likely lead to a muted U.S. dollar performance versus the Canadian dollar over the coming year.

Outlook

We expect the bull market in U.S. equities to continue (albeit at a slower pace than 2017) as medium-term U.S. economic growth should be boosted by U.S. tax reform. While it appears that growth continues to trend higher, we note that the S&P 500 will likely face the following challenges in sustaining its returns from the last year:

- Its earnings multiple is currently trading at the largest premium to the S&P/TSX in over a decade, whereas the economic performance of both countries is reasonably similar. Given the elevated valuation multiple and considering it has been quite some time since the S&P 500 exhibited a significant pullback, U.S. equities are susceptible to expectations of another rate hike in the absence of earnings estimates rising sufficiently in the near-term;
- It will continue to take some further time to fully assess the impact of the worst elements of President Trump's trade proposals (overall severe protectionism regarding NAFTA and specific hardline stance towards China); and
- Utilities, Telcos, REITs and other 'bond proxies' could drag on overall performance based on their lower growth profiles and sensitivity to higher interest rates.

As valuations became further stretched throughout 2017, the number of new investments slowed over the past several months. With that said, we continue to be disciplined with our valuation approach maintaining a relatively wide spread between our buy and sell prices. We remain active in seeking additional new investments that are able to prosper in many economic environments while maintaining our patient investment approach.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2017 distributions totaled \$0.60 per Class A unit and US\$0.60 per Class U unit. The 2017 distribution reflects a monthly rate per unit of \$0.05 per Class A unit and US\$0.05 per Class U unit, in accordance with the targeted distribution rate of 6% per annum on the subscription price of \$10 per unit as disclosed in the Fund's

Prospectus. Since inception on March 21, 2013, the Fund has paid total cash and reinvested distributions of \$2.86774 per Class A unit and US\$2.86774 per Class U unit.

Allocation of Income, Expenses, Gains and Losses Between Classes of the Fund

The income, expenses, gains and losses of the Fund are generally allocated between Class A and Class U on the basis of the Classes' relative net asset values. However there are certain transactions which are class specific and are allocated to a particular class. These include certain expenses of Class A relating to its distribution reinvestment plan (DRIP), certain expenses of Class U relating to the Class U conversion privilege, fees charged by the Canadian Depository for Securities which are specific to each of the classes, and the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the U.S. dollar denominated net asset value attributable to the Class A units, and which are allocated to Class A.

Increase in Net Assets from Operations

The Fund's net investment income was \$0.8 million (\$0.50 per Class A unit and \$0.12 per Class U unit) for the year ended December 31, 2017, arising from average portfolio investments during the year of \$14.4 million. The income was comprised primarily of \$0.6 million in dividend and distribution income, \$0.3 million in realized gains on foreign currency forward contracts and \$0.4 million unrealized gain on foreign currency forward contracts, offset by \$0.4 million in net unrealized losses on non-derivative investments arising during the year and \$0.1 million in realized losses on sales of non-derivative investments.

Expenses were \$0.5 million (\$0.28 per Class A unit and \$0.47 per Class U unit) for the year ended December 31, 2017, the major components being management fees of \$262,559, other administrative expenses of \$89,172 and withholding taxes of \$63,098.

Net Asset Value

The net asset value per unit of Class A units of the Fund was \$8.20 at December 31, 2017, down by 4.4% from \$8.58 at December 31, 2016. The net asset value per unit of Class U units of the Fund was US\$8.29 at December 31, 2017, down by 3.7% from US\$8.61 at December 31, 2016. In Canadian dollar terms, the net asset value of Class U units was \$10.39 at December 31, 2017, down by 10.0% from \$11.54 at December 31, 2016.

The aggregate net asset value of the Fund decreased from \$16.8 million at December 31, 2016 to \$13.5 million as at December 31, 2017, primarily due to redemptions of units of \$1.8 million, distributions to unitholders of \$1.1 million and repurchase and cancellation of units of \$0.7 million, offset by net investment income of \$0.9 million.

Investment Portfolio

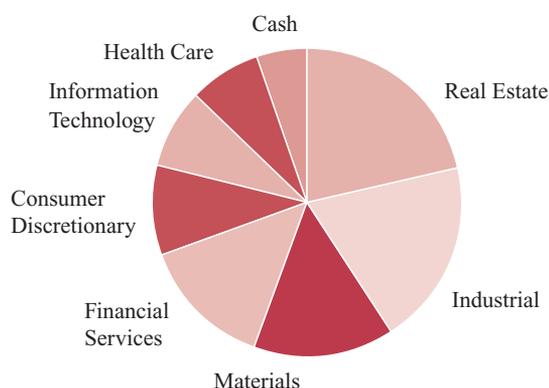
The Fund has established a portfolio invested in U.S. equities, each of which was selected to achieve the investment objectives of the Fund.

During the year ended December 31, 2017 the percentage of the portfolio (equities and cash) invested in the industrial sector has decreased from 27.8% to 19.4%, reflecting the sale of the Fund's positions in General Electric Company and Pitney Bowes Inc. The materials sector has increased from 10.6% to 14.8% of the portfolio, due to the continued increase in value of Tronox Limited (despite the sale of over half of the Fund's position during the year) along with the addition to the Fund's position in Catchmark Timber Trust, Inc. The consumer discretionary sector has decreased from 12.9% of the portfolio to 9.30%, due to the sale of the Fund's positions in Donnelley Financial Solutions Inc., LSC Communications Inc. and R.R. Donnelley & Sons Company. Finally, the Fund's investment in the real estate sector has risen from 18.6% to 21.6% due to additions to, and price gains on, holdings in Ryman Hospitality Properties, Inc. and Weyerhaeuser Company.

The Fund had net unrealized appreciation of \$3.0 million on its portfolio as at December 31, 2017, with unrealized appreciation of \$1.2 million on real estate holdings, \$0.7 million on financial services holdings, \$0.6 million on information technology holdings, \$0.5 million on materials holdings and \$0.4 million on health care holdings, offset by unrealized depreciation on industrial and consumer discretionary sector holdings.

The Fund had net realized losses on sales of non-derivative investments of \$0.1 million during the year ended December 31, 2017, the most significant losses being from the sale of the Fund's positions in Pitney Bowes Inc., R. R. Donnelley & Sons Company, General Electric Company and LSC Communications, offset by gains on the sale of holdings in Tronox Limited and Ryman Hospitality Properties Inc. There were several smaller realized gains and losses.

Portfolio Sectors



Sector	Value (thousands)	% of Total
Real Estate	\$ 2,884	21.6%
Industrial	2,580	19.4%
Materials	1,973	14.8%
Financial Services	1,846	13.9%
Consumer Discretionary	1,239	9.3%
Information Technology	1,105	8.3%
Health Care	995	7.5%
Cash	697	5.2%
Total	\$ 13,319	100.0%

Liquidity

To provide liquidity for unitholders, Class A units of the Fund are listed on the TSX under the symbol BUA.UN. Class U units are not listed on the TSX but are convertible to Class A units on a monthly basis.

The Fund received approval from the TSX on June 27, 2016 for a normal course issuer bid program from June 29, 2016 to June 28, 2017 and on June 27, 2017 for a normal course issuer bid program from June 29, 2017 to June 28, 2018, allowing the Fund to purchase for cancellation Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 85,500 Class A units were purchased and cancelled by the Fund under these normal course issuer bids in the year ended December 31, 2017 at a cost of \$697,766 or an average price of \$8.16 per unit.

RISK

Risks associated with an investment in units of the Fund are discussed in the Fund’s annual information form, which is available on the Fund’s website at www.bloomfunds.ca or on SEDAR at www.sedar.com. Changes to the Fund which have affected certain of these risks are discussed below.

Current Cash Yield and Targeted Distributions

Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 10.8%. The weighted average current cash yield on the Fund’s equity portfolio was 4.3% as at December 31, 2017 and thus the Fund is required to generate additional returns (for instance, capital gains and securities lending income) and/or to return capital in order for the Fund to achieve its targeted monthly distributions to Unitholders.

RELATED PARTY TRANSACTIONS

Related party transactions consist of administrative and investment management services provided by the Manager pursuant to the Fund’s declaration of trust, and Fund expenses paid by the Manager and recharged to the Fund.

Administration and Investment Management Fees

Pursuant to the Fund’s declaration of trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.55% per annum of the net asset value of the Fund. The management fee is comprised of 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the net asset value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes. Effective April 1, 2018, the service fee portion of the management fee will be removed. The management fee will thereafter be 1.15% per annum of the net asset value of the Fund.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. A portion of this fee, equal to the service fee, is paid by the Manager to the registered investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. For the year ended December 31, 2017, management fees charged directly to the Fund amounted to \$262,559 including service fees of \$66,149.

Services received by the Fund in consideration of the management fee, as an approximate percentage of the management fee, comprise portfolio advisory services (86%) and administrative services (14%). Administrative services include: appointment and monitoring of service providers; administration related to the payment of fund expenses and the deposit of fund receipts; payment of the service fee; administrative services provided to the IRC; review and filing of tax returns; preparation, dissemination and filing of annual and interim reports; maintenance of proxy voting records and the voting of proxies; preparation of quarterly portfolio summaries; administration of the Fund's normal course issuer bid; regulatory reporting; and maintenance of the information on the Fund's website.

Other Expenses Recharged to the Fund

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2017 the Fund expensed unitholder information costs of \$11,172, IRC fees of \$33,098, legal fees of \$117 and premiums for insurance coverage for members of the IRC of \$201 which were paid and recharged by the Manager.

The Fund pays for all other ordinary expenses incurred in connection with the operation and administration of the Fund, including: all costs of portfolio transactions, fees payable to third party services providers, custodial fees, legal, accounting, audit and valuation fees and expenses, expenses of the members of the IRC, expenses related to compliance with National Instrument ("NI") 81-107, fees and expenses relating to the voting of proxies by a third party, costs of reporting to unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, taxes, brokerage commissions, costs and expenses relating to the issue of units of the Fund, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness.

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund's launch, the IRC for the Fund was established pursuant to NI 81-107 and became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107. Costs and expenses, including the remuneration of IRC members, the costs of legal and other advisors to, and legal and other services for, IRC members, and insurance costs are chargeable to the Fund. As at December 31, 2017 the IRC consisted of three members, all of whom are independent of the Manager.

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

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

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

The Decision to Re-open a Fund

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

2017 TAX INFORMATION

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP, RDSP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information. T3 supplementary slips for holdings of the Fund will indicate Foreign Non-Business Income in Box 25, Foreign Non-Business Income Tax Paid in Box 34, and Capital Gains in Box 21. The Return of Capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund

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units and is reported on the T3 supplementary slips in Box 42. The following table outlines the breakdown of the Fund's distributions declared in 2017 on a per unit basis.

Class A

Record Date	Payment Date	Return of capital	Total Distribution
Jan. 31, 2017	Feb. 15, 2017	\$ 0.05	\$ 0.05
Feb. 28, 2017	Mar. 15, 2017	\$ 0.05	\$ 0.05
Mar. 31, 2017	Apr. 17, 2017	\$ 0.05	\$ 0.05
Apr. 28, 2017	May 15, 2017	\$ 0.05	\$ 0.05
May 31, 2017	Jun. 15, 2017	\$ 0.05	\$ 0.05
Jun. 30, 2017	Jul. 17, 2017	\$ 0.05	\$ 0.05
Jul. 31, 2017	Aug. 15, 2017	\$ 0.05	\$ 0.05
Aug. 31, 2017	Sep. 15, 2017	\$ 0.05	\$ 0.05
Sep. 29, 2017	Oct. 16, 2017	\$ 0.05	\$ 0.05
Oct. 31, 2017	Nov. 15, 2017	\$ 0.05	\$ 0.05
Nov. 30, 2017	Dec. 15, 2017	\$ 0.05	\$ 0.05
Dec. 29, 2017	Jan. 15, 2018	\$ 0.05	\$ 0.05
Total		\$ 0.60	\$ 0.60

Class U

Record Date	Payment Date	Return of Capital	Total Distribution
Jan. 31, 2017	Feb. 15, 2017	US\$ 0.05	US\$ 0.05
Feb. 28, 2017	Mar. 15, 2017	US\$ 0.05	US\$ 0.05
Mar. 31, 2017	Apr. 17, 2017	US\$ 0.05	US\$ 0.05
Apr. 28, 2017	May 15, 2017	US\$ 0.05	US\$ 0.05
May 31, 2017	Jun. 15, 2017	US\$ 0.05	US\$ 0.05
Jun. 30, 2017	Jul. 17, 2017	US\$ 0.05	US\$ 0.05
Jul. 31, 2017	Aug. 15, 2017	US\$ 0.05	US\$ 0.05
Aug. 31, 2017	Sep. 15, 2017	US\$ 0.05	US\$ 0.05
Sep. 29, 2017	Oct. 16, 2017	US\$ 0.05	US\$ 0.05
Oct. 31, 2017	Nov. 15, 2017	US\$ 0.05	US\$ 0.05
Nov. 30, 2017	Dec. 15, 2017	US\$ 0.05	US\$ 0.05
Dec. 29, 2017	Jan. 15, 2018	US\$ 0.05	US\$ 0.05
Total		US\$ 0.60	US\$ 0.60

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

PAST PERFORMANCE

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

Annual Compound Returns

The following table shows the Fund's annual compound return for the one and three year periods ended December 31, 2017 and the period since commencement of operations on March 21, 2013, compared with the S&P 500 Total Return Index ("Index"). The Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the S&P 500, including common stocks and REITs, and is an appropriate benchmark as the Fund invests in such common stocks and REITs. Since the Fund is actively managed, the sector weightings differ from those of the Index. Also, the Fund's portfolio contains predominantly high dividend paying securities, whereas the Index does not necessarily focus on this type of investment. As well, the Fund may invest in issuers that are not included in the Index. For these reasons it is not expected that the Fund's performance will mirror that of the Index. Further, the Index

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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.

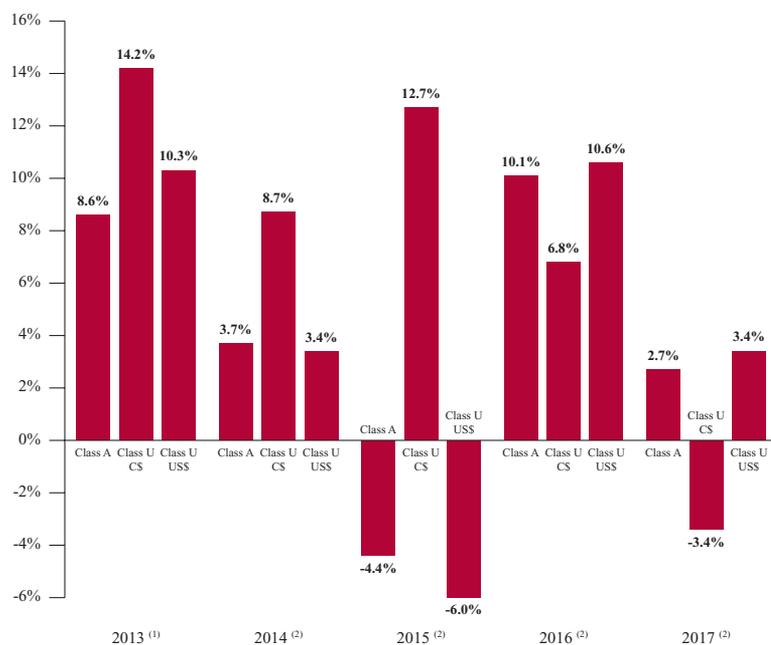
	One year	Three years	Since inception ⁽¹⁾
Bloom U.S. Income & Growth Fund Class A (net of fees and expenses)	2.7%	2.7%	4.2%
Bloom U.S. Income & Growth Fund Class U in C\$(net of fees and expenses)	(3.4)%	5.2%	8.8%
S&P 500 Total Return Index in Canadian dollars	13.8%	14.3%	19.2%
Bloom U.S. Income & Growth Fund Class U in US\$(net of fees and expenses)	3.4%	2.4%	4.4%
S&P 500 Total Return Index in US dollars	21.8%	11.4%	14.3%

⁽¹⁾ Period from March 21, 2013 (commencement of operations) to December 31, 2017

During the one year and three year periods ended December 31, 2017 and since inception, Class A of the Fund underperformed relative to the Index after taking into account the expenses of the Fund. Class U of the Fund also underperformed the index for all periods. This reflects the differences in average sector weightings between the Fund's portfolio and the Index over the year, particularly in the real estate, materials and industrials sectors, where the Fund was overweight compared to the Index and the energy, information technology, health care and consumer staples sectors, where the Fund was underweight compared to the Index. It also reflects differences in individual portfolio selections between the Fund's portfolio and the Index within each of the sectors, which result in different average sector returns.

Year-by-Year Returns

The bar chart shows the Fund's performance for each fiscal period since commencement of operations on March 21, 2013. It shows, in percentage terms, how a Canadian dollar investment in Class A and a US dollar investment in Class U held on the first day of the fiscal period would have changed by the last day of the fiscal period.



⁽¹⁾ Period from March 21, 2013 (commencement of operations) to December 31, 2013

⁽²⁾ Year from January 1 to December 31 of the year indicated

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the fiscal periods indicated. *The information in the following tables is presented in accordance with National Instrument (“NI”) 81-106 and, as a result, does not act as a continuity of opening and closing net assets per unit, because the increase in net assets from operations is based on weighted 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 – Class A

For the fiscal period ended	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013⁽¹⁾
Net Assets per unit, beginning of period⁽²⁾⁽³⁾	\$ 8.58	\$ 8.37	\$ 9.36	\$ 9.61	\$10.00
Unit issue expense⁽⁴⁾	–	–	–	–	(0.67)
Increase from operations:⁽³⁾					
Total revenue	0.35	0.64	0.43	0.44	0.33
Total expenses	(0.28)	(0.27)	(0.27)	(0.27)	(0.23)
Net realized gains (losses)	0.16	0.83	0.05	(0.29)	(0.41)
Net unrealized gains (losses)	(0.01)	(0.47)	(0.59)	0.45	1.07
Total increase in net assets from operations⁽²⁾	\$ 0.22	\$ 0.73	\$(0.38)	\$ 0.33	\$ 0.76
Distributions to unitholders⁽³⁾⁽⁵⁾					
From net investment income	–	(0.14)	(0.01)	(0.04)	(0.02)
From return of capital	(0.60)	(0.46)	(0.59)	(0.56)	(0.45)
Total distributions to unitholders	\$(0.60)	\$(0.60)	\$(0.60)	\$(0.60)	\$(0.47)
Net assets per unit, end of period⁽²⁾⁽³⁾	\$ 8.20	\$ 8.58	\$ 8.37	\$ 9.36	\$ 9.61

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Net Assets Per Unit – Class U

For the fiscal period ended Expressed in (currency) ⁽⁶⁾	December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013 ⁽¹⁾	
	C\$	US\$ ⁽⁶⁾	C\$	US\$ ⁽⁶⁾						
Net Assets per unit, beginning of period⁽²⁾⁽³⁾	\$11.54	\$ 8.61	\$11.61	\$ 8.36	\$11.02	\$ 9.51	\$10.40	\$ 9.79	\$10.23	\$10.00
Unit issue expense⁽⁴⁾	–	–	–	–	–	–	–	–	(0.69)	(0.67)
Increase from operations:⁽³⁾										
Total revenue	0.47	0.36	0.83	0.63	0.55	0.44	0.50	0.45	0.35	0.34
Total expenses	(0.47)	(0.36)	(0.37)	(0.28)	(0.34)	(0.27)	(0.31)	(0.28)	(0.25)	(0.24)
Net realized gains (losses)	0.07	0.06	1.19	0.90	1.68	0.33	0.65	0.59	(0.17)	(0.17)
Net unrealized gains (losses)	(0.42)	(0.32)	(1.06)	(0.80)	(0.43)	(0.88)	0.42	0.38	1.32	1.28
Total increase in net assets from operations⁽²⁾	\$ (0.35)	\$ (0.26)	\$ 0.59	\$ 0.45	\$ 1.46	\$ (0.38)	\$ 1.26	\$ 1.14	\$ 1.25	\$ 1.21
Distributions to unitholders⁽³⁾⁽⁵⁾										
From net investment income	–	–	(0.10)	(0.08)	–	–	(0.08)	(0.07)	(0.11)	(0.10)
From return of capital	(0.78)	(0.60)	(0.69)	(0.52)	(0.77)	(0.60)	(0.58)	(0.53)	(0.38)	(0.37)
Total distributions to unitholders	\$ (0.78)	\$ (0.60)	\$ (0.79)	\$ (0.60)	\$ (0.77)	\$ (0.60)	\$ (0.66)	\$ (0.60)	\$ (0.49)	\$ (0.47)
Net assets per unit, end of period⁽²⁾⁽³⁾	\$10.39	\$ 8.29	\$11.54	\$ 8.61	\$11.61	\$ 8.36	\$11.02	\$ 9.51	\$10.40	\$ 9.79

⁽¹⁾ Period from commencement of operations on March 21, 2013 to December 31, 2013

⁽²⁾ This information is derived from the Fund's financial statements, to which International Financial Reporting Standards apply.

⁽³⁾ Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase in net assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

⁽⁴⁾ Unit issue expense of \$2,496,135 for Class A and \$324,698 (US\$317,428) for Class U were incurred in connection with the issuance of Fund units. Unit issue expense per unit is based on the number of units issued at the time the expenses were incurred.

⁽⁵⁾ \$118,853 (2016: \$186,101; 2015: \$212,557; 2014: \$225,168; 2013: \$105,688) of distributions was reinvested in units under the Fund's Class A Distribution Reinvestment Plan. The remainder of the distributions was paid in cash.

⁽⁶⁾ Class U Net Assets per unit are translated into US\$ at the exchange rate in effect at the measurement date. Class U increases from operations are translated into US\$ at the average exchange rate for the period. Class U distributions are paid in US\$.

Ratios and Supplemental Data

For the fiscal period ended	December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014		December 31, 2013 ⁽¹⁾	
	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U
Net asset value (000s) ⁽²⁾	\$ 12,224	\$ 1,229 (US\$981)	\$ 15,169	\$ 1,609 (US\$1,200)	\$ 18,879	\$ 2,144 (US\$1,543)	\$ 27,472	\$ 3,724 (US\$3,215)	\$ 35,698	\$ 4,203 (US\$3,956)
Number of units outstanding ⁽²⁾	1,490,496	118,260	1,768,014	139,406	2,255,000	184,656	2,935,407	338,006	3,713,316	404,106
Management expense ratio ("MER") ⁽³⁾	2.98%	3.78%	2.79%	2.92%	2.39%	2.40%	2.24%	2.33%	11.96%	12.24%
Trading expense ratio ⁽⁴⁾	0.09%	0.09%	0.07%	0.07%	0.12%	0.10%	0.10%	0.10%	0.17%	0.17%
Portfolio turnover rate ⁽⁵⁾	5.89%	5.89%	8.34%	8.34%	2.95%	2.95%	16.18%	14.34%	28.90%	28.90%
Net asset value per Unit ⁽²⁾	\$ 8.20	\$ 10.39 (US\$8.29)	\$ 8.58	\$ 11.54 (US\$8.61)	\$ 8.37	\$ 11.61 (US\$8.36)	\$ 9.36	\$ 11.02 (US\$9.51)	\$ 9.61	\$ 10.40 (US\$9.79)
Closing market price ⁽²⁾	\$ 7.99	N/A	\$ 8.26	N/A	\$ 8.06	N/A	\$ 9.20	N/A	\$ 9.45	N/A

⁽¹⁾ Period from commencement of operations on March 21, 2013 to December 31, 2013

⁽²⁾ As at December 31 of the year shown

⁽³⁾ MER is based on the requirements of NI 81-106 and includes the total expenses (excluding withholding taxes, commissions and other portfolio transaction costs) of the Class for the period, including one-time unit issue expense for that Class relating to the Fund's initial public offering. Unit issue expense is added to annualized ongoing expenses and expressed as a percentage of the average net asset value of the Class during the period. (The MER for 2013 excluding unit issue expense, which is more representative of the ongoing efficiency of the Fund, was 2.56% for Class A and 2.64% for Class U.)

⁽⁴⁾ The trading expense ratio represents total commissions, including commissions on unit repurchases of Class A units under its normal course issuer bid, and other portfolio transaction costs expressed as an annualized percentage of the average net asset value of the Fund during the period.

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

Management Expense Ratio

The MER of Class A of the Fund was 2.98% for the year ended December 31, 2017, up from an MER of 2.79% in the year ended December 31, 2016. The MER of Class U of the Fund was 3.78% for the year ended December 31, 2017, up from an MER of 2.92% in the year ended December 31, 2016. The increases are primarily due to the decrease in net asset value through the annual redemption of units, the repurchase and cancellation of units (for Class A only) and distributions to unitholders which, when paired with fixed costs, caused the MER to increase.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2017

Total Net Assets (including Cash and Other Net Assets) – Class A	\$12,224,157
Total Net Assets (including Cash and Other Net Assets) – Class U	\$1,228,592
	Or US\$980,559

Portfolio Composition	% of Portfolio	% of Total Net Assets
Real Estate	21.6%	21.4%
Industrial	19.4%	19.2%
Materials	14.8%	14.7%
Financial Services	13.9%	13.7%
Consumer Discretionary	9.3%	9.2%
Information Technology	8.3%	8.2%
Health Care	7.5%	7.4%
Cash	5.2%	5.2%
Total Investment Portfolio	100.0%	99.0%
Other Non-Debt Net Assets (Liabilities)		1.0%
Total Net Assets	100.0%	100.0%

Top 25 Holdings*	% of Portfolio	% of Total Net Assets
Intel Corporation	8.3%	8.2%
Ryman Hospitality Properties, Inc.	7.9%	7.8%
Weyerhaeuser Company	7.7%	7.6%
CatchMark Timber Trust, Inc.	7.7%	7.6%
Eli Lilly and Company	7.5%	7.4%
First Financial Bancorp	7.3%	7.2%
Tronox Limited	7.2%	7.1%
Ship Finance International Limited	7.1%	7.0%
Regal Entertainment Group	6.7%	6.6%
New York Community Bancorp, Inc.	6.6%	6.5%
EPR Properties	6.0%	6.0%
Cash	5.2%	5.2%
Seaspan Corporation	5.1%	5.1%
Aircastle Limited	3.8%	3.8%
FLY Leasing Limited	3.3%	3.3%
National CineMedia Inc.	2.6%	2.6%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Monthly updates are available on the Fund's website at www.bloomfunds.ca

* Securities legislation requires the Fund's top 25 holdings to be presented. However, the Fund currently has less than 25 holdings.

⁽¹⁾ Net assets attributable to holders of redeemable units.

MANAGEMENT RESPONSIBILITY STATEMENT

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. 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 Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditor has had full and unrestricted access to the Board of Directors to discuss their findings.

Signed



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

Signed



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

March 6, 2018

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Bloom U.S. Income & Growth Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise of the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6, 2018

STATEMENTS OF FINANCIAL POSITION

As at	December 31, 2017	December 31, 2016
Assets		
Current assets		
Investments	\$ 12,621,924	\$ 16,205,661
Cash	697,115	852,276
Dividends and distributions receivable	19,284	29,478
Prepaid expenses and other assets	14,325	20,977
Unrealized appreciation on foreign currency forward contracts (note 14)	277,590	–
Total assets	13,630,238	17,108,392
Liabilities		
Current liabilities		
Distributions payable to holders of redeemable units	81,933	97,748
Accrued liabilities (note 11)	95,556	114,431
Unrealized depreciation on foreign currency forward contracts (note 14)	–	118,413
Total liabilities	177,489	330,592
Net assets attributable to holders of redeemable units (note 7)	\$ 13,452,749	\$ 16,777,800
Net assets attributable to holders of redeemable units per class		
Class A	\$ 12,224,157	\$ 15,168,567
Class U	\$ 1,228,592	\$ 1,609,233
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 8.20	\$ 8.58
Class U	\$ 10.39	\$ 11.54
Class U in U.S.\$	\$ 8.29	\$ 8.61

Approved on behalf of Bloom U.S Income & Growth Fund by the Board of Directors of Bloom Investment Counsel, Inc., the Manager

Signed



M. Paul Bloom
Director

Signed



Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

BLOOM U.S. INCOME & GROWTH FUND – 2017 ANNUAL REPORT

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended	December 31, 2017	December 31, 2016
Income		
Net gain on investments and derivatives		
Dividend and distribution income	\$ 643,302	\$ 1,453,459
Net realized gain (loss) on sale of non-derivative investments	(116,298)	2,062,932
Net change in unrealized appreciation or depreciation on non-derivative investments	(442,538)	(1,817,992)
Net realized gain (loss) on foreign currency forward contracts	318,754	(172,678)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 14)	396,003	680,499
Total net gain on investments and derivatives	799,223	2,206,220
Other income		
Securities lending income (note 13)	14,714	42,516
Foreign exchange gain (loss) on cash	25,770	(19,932)
Total other income	40,484	22,584
Total income	839,707	2,228,804
Expenses (Note 10)		
Management fees (note 11)	262,559	334,625
Independent Review Committee fees (note 11)	33,098	31,301
Unitholder reporting costs	19,793	31,931
Audit fees	27,099	30,408
Custody fees	27,721	24,369
Legal fees	2,308	11,298
Other administrative expenses	89,172	85,138
Withholding taxes	63,098	68,659
Transaction costs (note 12)	13,803	13,765
Total expenses	538,651	631,494
Net income	301,056	1,597,310
Gain on redemption of redeemable units (note 7)	11,664	7,236
Net gain on repurchase and cancellation of redeemable units (note 7)	17,069	53,859
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 329,789	\$ 1,658,405
Class A	373,230	1,558,625
Class U	(43,441)	99,780
Total increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 329,789	\$ 1,658,405
Weighted average redeemable units outstanding during the year		
Class A	1,697,397	2,128,448
Class U	124,328	169,461
Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations (note 3k)		
Class A	\$ 0.22	\$ 0.73
Class U	\$ (0.35)	\$ 0.59
Class U in U.S.\$	\$ (0.26)	\$ 0.45

The accompanying notes are an integral part of these financial statements

BLOOM U.S. INCOME & GROWTH FUND – 2017 ANNUAL REPORT

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31, 2017 and 2016

	Class A	Class U	Total
Net assets attributable to holders of redeemable units at January 1, 2016	\$ 18,878,786	\$ 2,144,263	\$ 21,023,049
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,558,625	99,780	1,658,405
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from investment income	(298,929)	(17,244)	(316,173)
Distributions to holders of redeemable units from return of capital	(956,058)	(115,309)	(1,071,367)
Decrease from distributions to holders of redeemable units	(1,254,987)	(132,553)	(1,387,540)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	(2,967,198)	(353,775)	(3,320,973)
Repurchase and cancellation of redeemable units	(1,195,141)	–	(1,195,141)
Class U redeemable units converted to Class A redeemable units	148,482	(148,482)	–
Net decrease from redeemable unit transactions	(4,013,857)	(502,257)	(4,516,114)
Net decrease in net assets attributable to holders of redeemable units	(3,710,219)	(535,030)	(4,245,249)
Net assets attributable to holders of redeemable units at December 31, 2016	\$ 15,168,567	\$ 1,609,233	\$ 16,777,800
Increase (decrease) in net assets attributable to holders of redeemable units from operations	373,230	(43,441)	329,789
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from return of capital	(1,005,224)	(96,051)	(1,101,275)
Decrease from distributions to holders of redeemable units	(1,005,224)	(96,051)	(1,101,275)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	(1,691,402)	(147,328)	(1,838,730)
Repurchase and cancellation of redeemable units	(714,835)	–	(714,835)
Class U redeemable units converted to Class A redeemable units	93,821	(93,821)	–
Net decrease from redeemable unit transactions	(2,312,416)	(241,149)	(2,553,565)
Net decrease in net assets attributable to holders of redeemable units	(2,944,410)	(380,641)	(3,325,051)
Net assets attributable to holders of redeemable units at December 31, 2017	\$ 12,224,157	\$ 1,228,592	\$ 13,452,749

BLOOM U.S. INCOME & GROWTH FUND – 2017 ANNUAL REPORT

STATEMENTS OF CASH FLOWS

For the years ended	December 31, 2017	December 31, 2016
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 329,789	\$ 1,658,405
Adjustment for:		
Unrealized foreign exchange loss on cash	25,870	49,453
Gain on redemption of redeemable units	(11,664)	(7,236)
Net gain on repurchase and cancellation of redeemable units	(17,069)	(53,859)
Net realized (gain) loss on sale of non-derivative investments	116,298	(2,062,932)
Net change in unrealized appreciation or depreciation on investments	442,538	1,817,992
Net realized (gain) loss on foreign currency forward contracts	(318,754)	172,678
Net change in unrealized appreciation or depreciation on foreign currency forward contracts	(396,003)	(680,499)
Decrease in dividends and distributions receivable	10,194	5,946
Decrease in prepaid expenses and other assets	6,652	8,408
(Increase) decrease in accrued liabilities	(18,875)	1,177
Operating cash flows:		
Purchases of investments and derivatives	(846,023)	(1,471,496)
Proceeds from sale of investments and derivatives	3,870,924	4,353,562
Net proceeds received (paid) on settlements of foreign currency forward contracts	318,754	(172,678)
Net cash from operating activities	3,512,631	3,618,921
Cash flows used in financing activities		
Repurchase of redeemable units for cancellation	(697,766)	(1,141,282)
Redemptions of redeemable units	(1,827,066)	(3,313,737)
Distributions paid to holders of redeemable units	(990,705)	(1,227,607)
Distributions reinvested on behalf of holders of redeemable units	(126,385)	(187,760)
Net cash used in financing activities	(3,641,922)	(5,870,386)
Unrealized foreign exchange loss on cash	(25,870)	(49,453)
Net decrease in cash	(129,291)	(2,251,465)
Cash at beginning of year	852,276	3,153,194
Cash at end of year	\$ 697,115	\$ 852,276
Dividends and distributions received	\$ 655,294	\$ 1,460,454
Withholding taxes paid	\$ 64,897	\$ 69,708

BLOOM U.S. INCOME & GROWTH FUND – 2017 ANNUAL REPORT

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

No. of Units/ Shares		Cost	Fair value
	Equities		
	Consumer Discretionary		
40,500	National CineMedia Inc.	\$ 714,567	\$ 348,107
30,900	Regal Entertainment Group	617,428	890,859
		1,331,995	1,238,966
	Financial Services		
29,500	First Financial Bancorp.	460,771	973,949
53,500	New York Community Bancorp Inc.	728,923	872,767
		1,189,694	1,846,716
	Health Care		
9,400	Eli Lilly and Co.	588,205	994,747
		588,205	994,747
	Industrial		
17,400	Aircastle Ltd.	241,406	509,933
27,500	Fly Leasing Ltd. ADR	460,713	444,829
80,300	Seaspan Corp.	1,329,680	679,131
48,700	Ship Finance International Ltd.	809,939	945,789
		2,841,738	2,579,682
	Information Technology		
19,100	Intel Corp.	461,515	1,104,671
		461,515	1,104,671
	Materials		
62,000	CatchMark Timber Trust Inc. Class 'A'	869,257	1,019,977
37,100	Tronox Ltd. Class 'A'	637,767	953,396
		1,507,024	1,973,373
	Real Estate		
9,800	Entertainment Properties Trust	555,100	803,777
12,200	Ryman Hospitality Properties Inc.	481,821	1,055,039
23,200	Weyerhaeuser Co.	684,936	1,024,953
		1,721,857	2,883,769
	Total equities	\$ 9,642,028	\$ 12,621,924
	Embedded broker commissions	(15,334)	
	Total investments	\$ 9,626,694	\$ 12,621,924

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. GENERAL INFORMATION

Bloom U.S. Income & Growth Fund (the “Fund”) is a closed-end investment trust established under the laws of the province of Ontario pursuant to a declaration of trust dated February 25, 2013, as amended and restated on April 25, 2013. The address of the Fund’s principal place of business is 150 York Street, Toronto, Ontario. The Fund invests in equity securities of U.S. companies. The financial statements are presented in Canadian dollars.

The Fund’s investment objectives are to provide unitholders with exposure to an actively managed portfolio consisting primarily of publicly traded high dividend paying U.S. common securities, stable cash distributions, and the opportunity for capital appreciation.

The Class A units of the Fund are listed on the Toronto Stock Exchange (“TSX”) under the symbol BUA.UN. Class U units are designed for investors wishing to make their investments in U.S. dollars and are not listed on the TSX, but may be converted to Class A units on a monthly basis. The Fund commenced operations on March 21, 2013 and reorganized its structure on April 26, 2013.

The manager and trustee of the Fund is Bloom Investment Counsel, Inc. (the “Manager”). CIBC Mellon Trust Company is the custodian of the Fund and CIBC Mellon Global Securities Services Company is the administrator of the Fund.

These financial statements were authorized for issue by the Manager on March 6, 2018.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”).

These 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 and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the funds significant accounting policies. Actual results could differ from those estimates and the results could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund’s financial instruments include, where applicable, investments, cash, dividends and distributions receivable, receivable for investments sold, payable for investments purchased, distributions payable to holders of redeemable units, accrued liabilities, redemptions payable, derivative assets and liabilities, and redeemable units.

The Fund’s non-derivative investments are designated as financial assets to be measured at fair value through profit and loss (“FVTPL”). The Fund’s derivative assets and liabilities (arising from the foreign currency forward contracts into which the Fund enters as described in Note 14) and derivative investments are classified as held for trading (“HFT”) and are measured at FVTPL. The Fund’s obligation for net assets attributable to holders of redeemable units is classified as a financial liability and is presented at the redemption amount. The fair value of the Class A units as at December 31, 2017 was \$11,909,063 (December 31, 2016 – \$14,603,796).

All other financial assets and liabilities of the Fund are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted where appropriate at the contract’s effective interest rate. The carrying values of financial assets and liabilities at amortized cost approximate their fair values due to their short-term nature.

The Fund recognizes financial instruments at fair value on initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost.

b) 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

The fair value of financial assets traded in active markets (which includes the Fund's non-derivative investments) is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for investment valuation where that price falls between the latest bid and ask prices. 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 fair value of financial assets and liabilities that are not traded in an active market (which include the Fund's foreign currency forward contracts), is determined using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. Valuation techniques may include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and make the maximum use of observable inputs.

The Fund classifies fair value measurements within a hierarchy as described in Note 15(h). The Fund recognizes 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.

c) Impairment of financial assets at amortized cost

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

d) Derecognition of financial assets and liabilities

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred, or in which these risks and rewards are neither transferred nor retained but the Fund does not retain control of the asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is included in the Statements of Comprehensive Income. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Fund enters into securities lending transactions in which it lends investments to counterparties, but since the Fund retains all of the risks and rewards of ownership, the investments are not derecognized. Non-cash collateral pledged by the counterparty to a securities lending transactions is not recognized as the Fund does not accept the risks and rewards of ownership of that collateral.

e) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Fund has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, e.g. for gains and losses arising from a group of similar transactions, such as realized gains and losses on investments.

f) Cash

Cash consist of deposits with financial institutions.

g) Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These are over-the-counter derivatives and are classified as held for trading ("HFT") and valued at fair value. The fair value of the buy side of a contract is netted with the fair value of the sell side of the contract since there is a contractual ability to settle on a net basis. The net fair value is recorded as an unrealized appreciation or depreciation on foreign currency forward contracts in the Statements of Financial Position.

NOTES TO FINANCIAL STATEMENTS*December 31, 2017 (continued)*

The fair value of such contracts will fluctuate with changes in currency exchange rates, and the change in fair value is included as 'Net change in unrealized appreciation or depreciation on foreign currency forward contracts' in the Statements of Comprehensive Income. When the contract is closed, the Fund reverses any previously recognized change in unrealized appreciation or depreciation and records a realized gain or loss equal to the difference between the value of the contract on the date it was opened and the value on the date it was closed, which is included as 'Net realized gain (loss) on foreign currency forward contracts' in the Statements of Comprehensive Income.

h) Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend and distribution income are recognized on the ex-dividend or ex-distribution date. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

i) Allocation of income, expenses, gains and losses between classes

The income, expenses, gains and losses of the Fund are generally allocated between Class A and Class U on the basis of the Classes' relative net asset values. However there are certain transactions which are class specific and are allocated to a particular class. These include: certain expenses of Class A relating to its distribution reinvestment plan ("DRIP"); certain expenses of Class U relating to the Class U conversion privilege; and the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar denominated value of the net assets attributable to the Class A units, and which are allocated to Class A.

j) Foreign exchange

The functional and presentation currency of the Fund is the Canadian dollar. Any currency other than the Canadian dollar represents foreign currency to the Fund. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund's Class A units are denominated in Canadian dollars. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund's Class U Units are denominated in U.S. dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that the transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to investment and derivatives are presented within 'Net realized gain on sale of non-derivative investments', 'Net change in unrealized appreciation or depreciation on non-derivative investments', 'Net realized gain (loss) on foreign currency forward contracts' and 'Net unrealized appreciation or depreciation on foreign currency forward contracts' in the Statements of Comprehensive Income.

k) Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit

Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit for each class of redeemable units represents the increase (decrease) in net assets attributable to holders of redeemable units from operations for each class for the period divided by the weighted average number of redeemable units of the class outstanding during the period.

l) Distributions

Income and net realized capital gains (reduced by loss carryforwards, if any) earned by the Fund are distributed to participants through a regular monthly distribution. Any excess income and net realized capital gains not so distributed during the year are distributed in December of each year to unitholders. Any excess of regular monthly distributions over actual income and net realized capital gains is characterized as a return of capital. Any distributable net realized capital gains in a year may be allocated for tax purposes to redeeming unitholders in that year, as permitted by the Fund's declaration of trust.

m) Transaction costs on investment transactions

Transaction costs on purchases and sales of investments are expensed and are included in 'Transaction costs' in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

n) Classification of obligation to holders of redeemable units

The Manager is required by IAS 32, *Financial Instruments: Presentation* (IAS 32) to assess whether the obligation to holders of redeemable units represents a liability of the Fund or equity of the Fund. The Fund has multiple obligations,

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

being those under the monthly redemption option and those under the annual redemption option, to deliver cash or other financial instruments to the unitholders. The Class A units and Class U units do not have identical features. As a result, the obligation to unitholders is classified as a liability.

o) Net assets attributable to holders of redeemable units per unit

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class by the total number of units of that particular class outstanding at the end of the period.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

IFRS 9, Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018. 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. The Manager has been evaluating the standard and has currently determined that the impact to the Fund will include additional disclosures related to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard will not impact net assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring the financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgment made is the determination that the fair value option can be applied to the Fund’s investments.

Assessment of functional currency

The Manager is also required to make a significant judgment about the functional currency of the Fund. The Manager assessed the primary indicators (including the currencies in which income is received and in which expenses are paid) and secondary indicators (including the currency in which funds from financing activities are raised) as prescribed by IFRS, and as a result of this assessment has concluded that the functional currency of the Fund is the Canadian dollar.

6. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and accordingly is subject to income tax on its income, including net realized capital gains, which is not paid or payable to the Fund’s unitholders. The Fund’s taxation year end is December 31. No provision for income taxes has been recorded in the accompanying financial statements as the Fund has determined that it is in substance not taxable since all net income and net realized capital gains of the Fund for the year are distributed to the unitholders to the extent necessary to reduce income taxes payable to nil.

Since the Fund does not record income taxes the tax assets or liabilities related to capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

Non-capital loss carryforwards may be applied against future years’ taxable income, and may be carried forward for 20 years from the year in which they are realized. As at December 31, 2017, the Fund had no non-capital losses carried forward (December 31, 2016 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at December 31, 2017, the Fund had \$2,643,880 in capital losses available for carryforward (December 31, 2016 – \$2,643,880).

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

The Fund currently 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.

7. REDEEMABLE UNITS

The Fund is authorized to issue an unlimited number of classes or series of units. Initially, two classes of units, designated as Class A units and Class U units, were created and authorized for issuance. The Class A units are designed for investors wishing to make their investments in Canadian dollars, and the Class U units are designed for investors wishing to make their investment in U.S. dollars. Each unit of a class entitles the holder to one vote at all meetings of the unitholders and at all meetings of holders of that class, and to participate equally with respect to any and all distributions to the class made by the Fund.

A holder of Class U units may convert such Class U units into Class A units on a monthly basis by delivering a notice and surrendering such Class U units by 3:00 p.m. (Toronto time) at least ten business days prior to the first business day of each month (the “Conversion Date”). For each Class U unit so converted, a holder will receive that number of Class A units equal to the net asset value (“NAV”) per unit of a Class U unit converted to Canadian dollars using the Bank of Canada closing rate as at the close of trading on the business day immediately preceding the Conversion Date divided by the NAV per unit of a Class A unit as at the close of trading on the business day immediately preceding the Conversion Date. No fraction of a Class A unit will be issued upon any conversion of Class U units and any fractional amounts will be rounded down to the nearest whole number of Class A units.

Class A units and Class U units may be surrendered for redemption annually at the option of the unitholders during the period from September 15 until 5:00 p.m. (Toronto time) on the last business day in September, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption will be redeemed on the second last business day of October (the “Annual Redemption Date”) and the redeeming unitholders will receive a redemption price per unit equal to 100% of the Net Asset Value per unit of the relevant class as determined on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs and less any net realized capital gains or income of the Fund that is distributed to unitholders concurrently with the redemption proceeds.

The 2017 annual redemption took place on October 30, 2017 and consisted of 203,117 Class A units for redemption proceeds of \$1,691,402 and 500 Class U units for proceeds of US\$4,212 (\$5,406), payable on November 20, 2017 (2016 – annual redemption on October 28, 2016 of 360,595 Class A units for proceeds of \$2,967,137 and of 25,700 Class U units for proceeds of US\$212,404 (\$283,974), payable on November 17, 2016).

In addition, Class A units and Class U units may also be redeemed on the second last business day of each month other than a month in which an Annual Redemption date occurs (“Monthly Redemption Date”). Units must be surrendered for redemption prior to 5:00 p.m. on the last business day of the month preceding the Monthly Redemption Date. Unitholders surrendering Class A units for redemption will receive a redemption price per Class A unit equal to the lesser of: (a) 94% of the weighted average trading price on the TSX for the 10 trading days immediately preceding the Monthly Redemption Date (market price) of a Class A unit; and (b) 100% of the closing market price of a Class A unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs and less any net realized capital gains or income of the Fund that is distributed to unitholders concurrently with the redemption proceeds. Unitholders surrendering a Class U unit for redemption will receive in U.S. dollars an amount equal to the U.S. dollar equivalent of the product of: (a) Class A monthly redemption amount; and (b) a fraction, the numerator of which is the most recently calculated NAV per unit of a Class U unit and the denominator of which is the most recently calculated NAV per unit of a Class A unit. For such purpose, the Fund will utilize the exchange rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U units.

For the year ended December 31, 2017, no Class A units were redeemed under the monthly redemption option, and 12,300 Class U units were redeemed under the monthly redemption option for proceeds of US\$98,032 (\$130,258) (2016 – 7 Class A units were redeemed under the monthly redemption option for proceeds of \$53, and 6,100 Class U units were redeemed under the monthly redemption option for proceeds of US\$47,600 (\$62,573)).

If a significant number of units are redeemed, the trading liquidity of the units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer units resulting in a potentially lower distribution per unit. The

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the unitholders to do so. The Manager may also suspend the redemption of units in certain circumstances.

The Fund has received approval from the TSX for normal course issuer bid (“NCIB”) programs between specified dates, allowing the Fund to purchase Class A units for cancellation on the TSX if they trade below NAV per unit. The maximum number of Class A units which can be purchased and cancelled is specified for each NCIB. Class A units purchased and cancelled by the Fund for the years ended December 31, 2017 and 2016 were as follows:

Approval date	Start date	End date	Maximum units	Units purchased and cancelled	
				2017	2016
June 25, 2015	June 29, 2015	June 28, 2016	279,253	–	83,700
June 27, 2016	June 29, 2016	June 28, 2017	206,188	47,400	60,500
June 27, 2017	June 29, 2017	June 28, 2018	160,328	38,100	–
				85,500	144,200

When units of the Fund are redeemed or repurchased for cancellation at a price per unit which is higher or lower than the net asset value per unit at the time, the difference is included in the Statements of Comprehensive Income as ‘Gain (loss) on redemption of redeemable units’ or ‘Net gain (loss) on repurchase and cancellation of redeemable units’.

Unit transactions of the Fund for the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
	Class A	Class U	Class A	Class U
Units outstanding at beginning of year	1,768,014	139,406	2,255,000	184,656
Redemptions	(203,117)	(12,800)	(360,602)	(31,800)
Class U units converted to Class A	11,099	(8,346)	17,816	(13,450)
Repurchase and cancellation of units	(85,500)	–	(144,200)	–
Units outstanding at end of year	1,490,496	118,260	1,768,014	139,406

8. CAPITAL MANAGEMENT

For operating purposes, units issued and outstanding are considered to be the capital of the Fund. The Fund’s capital therefore comprises net assets attributable to holders of redeemable units of \$13,452,749, (December 31, 2016 – \$16,777,800). The Fund’s objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund 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 if applicable, or purchase units for cancellation.

9. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared on the Fund’s behalf by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month, payable by the fifteenth business day of the following month. For the year ended December 31, 2017, the Fund declared total distributions of \$0.60 (2016 – \$0.60) per Class A unit and US\$0.60 (2016 – US\$0.60) per Class U unit, which amounted to \$1,005,224 (2016 – \$1,254,987) for Class A units and US\$74,001 (\$96,051) (2016 – US\$100,274 (\$132,553)) for Class U units. Under the Fund’s distribution reinvestment plan (“DRIP”), unitholders may elect to reinvest monthly distributions on Class A units in additional Class A units of the Fund which are purchased on the open market. For the year ended December 31, 2017, distributions of \$118,853 were reinvested in 14,363 Class A units of the Fund which were purchased on the open market (2016 – \$186,101 reinvested in 22,752 Class A units of the Fund).

In conjunction with the annual redemption described in note 7, the Fund made no distributions of capital gains to redeeming unitholders (2016 – \$956,418).

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

10. EXPENSES

Management fees and other reasonable expenses incurred in the operations of the Fund are charged as expenses in the Statements of Comprehensive Income of the Fund, and include expenses paid by the manager on behalf of the Fund and subsequently recharged to the Fund as described in note 11.

The Fund pays for all other expenses incurred in connection with the operation and administration of the Fund, including: all costs of portfolio transactions, fees payable to third party services providers, custodial fees, legal, accounting, audit and valuation fees and expenses, expenses of the members of the Independent Review Committee (“IRC”), expenses related to compliance with National Instrument 81-107, fees and expenses relating to the voting of proxies by a third party, costs of reporting to unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, taxes, brokerage commissions, costs and expenses relating to the issue of units of the Fund, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and all amounts paid on account of indebtedness.

11. RELATED PARTY TRANSACTIONS

In accordance with the Declaration of Trust, the Manager is entitled to an annual management fee aggregating to 1.55% per annum of the NAV of the Fund, comprised of 1.15% per annum of the NAV of the Class A and Class U units of the Fund, calculated weekly and paid monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the NAV of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

For the year ended December 31, 2017, the Fund expensed management fees of \$262,559 (2016 – \$334,625). As at December 31, 2017, the Fund had management fees payable of \$29,144 (December 31, 2016 – \$36,315) included in accrued liabilities.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2017 the Fund expensed IRC fees of \$33,098 (2016 – \$31,301) and legal fees of \$117 (2016 – \$nil), as well as unitholder information costs of \$11,172 (2016 – \$9,594) and insurance premiums of \$201 (2016 – \$275) (both included in ‘Other administrative expenses’) which were paid and recharged by the manager. As at December 31, 2017 the Fund owed the Manager \$932 for recharged expenses (December 31, 2016 – \$911) included in accrued liabilities.

Units held by the Manager and its affiliates represent 9.0% of the Class A units outstanding at December 31, 2017 (December 31, 2016 – 7.3%).

12. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2017 the Fund paid \$13,803 (2016 – \$13,765) in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

13. SECURITIES LENDING

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, (as administrator), which has a DBRS credit rating of AA / R-1 / Stable and a Moody’s credit rating of A1 / P-1 / Stable, and BNY Mellon (as lending agent), which has a DBRS credit rating of AA / R-1 / Stable and a Moody’s credit rating of Aa1 / P-1 / Stable. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities and collateral on a specified future date. Income is earned in the form of fees paid by the counterparty and is recognised on the accrual basis in the Statements of Comprehensive Income. The Fund retains the risks and rewards of ownership of the securities loaned, and therefore these securities do not qualify for derecognition and therefore remain in the Statements of Financial Position of the Fund during the loan period. The risks and rewards of ownership include any gains or losses in market value of the securities, the ability to sell the securities, and any dividends or distributions on the securities for which the ex-dividend dates fall within the loan period.

The Fund receives collateral of at least 102% of the value of securities on loan. Should a borrower default on a securities loan, the Fund is entitled to the associated collateral. The Fund is not exposed to the risks and rewards of ownership of the collateral therefore the collateral is not included in the Fund’s Statements of Financial Position. Collateral may comprise: cash; debt that is issued or guaranteed by the Government of Canada or a province thereof, by the Government of the

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

United States of America or of one of the states of the United States of America or of a sovereign state of the G7 countries, or of Austria, Belgium, Denmark, Finland, the Netherlands, Spain, Sweden, or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers acceptances, banker bearer deposit notes, or irrevocable letters of credit; corporate debt or corporate commercial paper; or convertible securities.

The aggregate fair value of securities loaned (which equals their carrying amount) and the aggregate fair value of the associated collateral under securities lending transactions as at December 31, 2017 and 2016 are as follows:

2017		2016	
Fair value of securities loaned	Fair value of collateral	Fair value of securities loaned	Fair value of collateral
\$ 2,441,959	\$ 2,573,176	\$ 4,851,427	\$ 5,111,296

As at December 31, 2017, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of the United Kingdom or of France. (December 31, 2016, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of France or of the Netherlands)

The table below sets out a reconciliation of the gross amounts generated from securities lending transactions to the securities lending income disclosed in the Statements of Comprehensive Income for the years ended December 31, 2017 and 2016:

	2017		2016	
	\$	% of gross income	\$	% of gross income
Securities lending income	\$ 14,714	55.1%	\$ 42,516	51.7%
Agent fees paid to the lending agent	4,925	18.5%	16,379	19.9%
Withholding tax	7,044	26.4%	23,399	28.4%
Gross securities lending income	<u>\$ 26,683</u>		<u>\$ 82,294</u>	

14. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund was established to enable Canadian investors to participate in the U.S. securities market. Investors were provided with the option of Class A or Class U units in order to allow the investor to choose the investment vehicle that matched their approach to currency fluctuation risk. Class A units were, and through their listing on the TSX, are, the option for investors who do not wish to be exposed to the effect of currency fluctuations. Accordingly, the Class A units are denominated in Canadian dollars and substantially all of the U.S dollar denominated value of the net assets attributable to Class A is hedged in accordance with the Fund's declaration of trust through the use of foreign currency forward contracts (hedges). Class U units were the option for investors who wanted to invest in U.S. dollars without the hedging of currency fluctuations. Class U units are accordingly denominated in U.S. dollars.

The Fund's portfolio and its income are denominated in U.S. dollars, whereas the Class A units of the Fund are priced in Canadian dollars. The Fund hedges the Class A units' currency risk by entering into foreign currency forward contracts to sell U.S. dollars and buy Canadian dollars at a set rate at a set future date.

To achieve the required hedge, the Fund has entered into rolling foreign currency forward contracts with terms of approximately one month, with a financial institution which has a DBRS credit rating of AA / R-1 / Negative, and a Moody's credit rating of A1 / P-1 / Negative. Under these contracts, the Fund agrees to pay a fixed U.S. dollar amount in return for a fixed Canadian dollar amount at a fixed future date. The objective is to shelter the Class A unitholders of the Fund from potential fluctuations in the Canadian dollar value of U.S. currency denominated investments due to changes in

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

the value of the Canadian dollar. This means that the Class A unitholders are substantially protected from capital losses when the Canadian dollar strengthens, but conversely may not fully participate in the capital gains available when the Canadian dollar weakens.

The Fund is subject to enforceable master netting arrangements in the form of International Swaps and Derivatives Association agreements with the counterparty to the foreign currency forward contracts. The value of the amount to be received (purchased) by the Fund, which represents a financial asset of the Fund, is offset with the value of the amount to be paid (sold) by the Fund, which represents a financial liability to the Fund, and the net amount is presented as unrealized appreciation or depreciation on foreign currency forward contract in the Statements of Financial Position.

As at December 31, 2017, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			Unrealized appreciation
Notional value	Currency	Fair value CAD	Notional value	Currency	Settlement date	
(8,500,000)	USD	(10,648,905)	10,926,495	CAD	January 10, 2018	277,590

As at December 31, 2016, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			Unrealized depreciation
Notional value	Currency	Fair value CAD	Notional value	Currency	Settlement date	
(9,800,000)	USD	(13,142,123)	13,023,710	CAD	January 5, 2017	(118,413)

15. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

a) Risk factors

The Fund's investment activities expose it to a variety of risks associated with financial instruments.

The Manager seeks to maximize the returns derived for the level of risk to which the Fund is exposed and to minimize potential adverse effects on the Fund's performance by employing professional and experienced portfolio managers, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objectives and restrictions. The Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment objectives and restrictions, internal guidelines and securities regulations.

b) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's assets represents the maximum credit risk exposure as at December 31, 2017 and 2016.

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

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

The Fund also enters into foreign currency forward contracts as described in note 14.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

The Fund limits its exposure to credit loss by dealing with counterparties, including the lending agent and foreign currency forward contract counterparty, of high credit quality (see notes 13 and 14). To maximize the credit quality of its investments, the Fund’s Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information. Given that the Fund is primarily invested in equities, credit risk is not considered significant.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The Manager aims to moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund’s investment objectives and strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to price risk from its investment in equity securities. As at December 31, 2017, had the prices of these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$1,262,192 (December 31, 2016 – \$1,620,566) or 9.4% (December 31, 2016 – 9.7%) of total net assets. In practice, the actual results may differ and the impact could be material.

d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk through the monthly and annual redemption of its units and targeted monthly distributions, because there may be insufficient trade volumes in the markets for the securities of the Fund or because the securities may be subject to legal or contractual restrictions on their resale. The Fund receives notice of at least 21 business days prior to the date of an annual redemption of units and at least 19 business days prior to a monthly redemption date, and has up to 15 business days after the annual or monthly redemption date to settle the redemptions, which provides the Manager time to liquidate securities to fund the redemptions, although there remains a risk that the required funds cannot be obtained. All other liabilities of the Fund mature in six months or less. Liquidity risk is managed by investing the majority of the Fund’s assets in investments that are traded in an active market and can be readily disposed of.

e) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. As at December 31, 2017 and 2016, the Fund had no significant exposure to interest rate risk as it did not hold any interest bearing securities.

f) Currency risk

Currency risk arises on financial instruments denominated in foreign currencies. Fluctuations in foreign exchange rates impact the valuation of assets and liabilities denominated in foreign currencies.

The Fund is invested primarily in publicly traded U.S. securities denominated in U.S. dollars and limits the currency risk associated with the Class A units through the use of hedging via foreign currency forward contracts as described in note 14. While substantially all of the U.S. dollar value of net assets attributable to the Class A units is hedged, the remaining unhedged amount could expose Class A to potential losses and gains.

The Fund’s Class U units are redeemable in U.S. dollars, and are therefore only subject to Canadian dollar exposure with respect to certain administrative expenses. The net assets attributable to the Class U units exclude unrealized gains or losses from foreign currency forward contract.

As at December 31, 2017, the Fund’s direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

Currency	Class A currency risk exposed holdings		Net Class A exposure	As a percentage of Class A net assets
	Monetary	Non-monetary		
U.S. dollars	\$ (10,040,541)	\$ 11,486,731	\$ 1,446,190	11.83%

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

As at December 31, 2016, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

Currency	Class A currency risk exposed holdings		Net Class A exposure	As a percentage of Class A net assets
	Monetary	Non-monetary		
U.S. dollars	\$ (12,374,389)	\$ 14,682,837	\$ 2,308,448	15.22%

As at December 31, 2017 had the U.S. dollar exchange rate increased or decreased by 5% with all other variables held constant, the net unhedged exposure to currency risk associated with the Class A units would have increased or decreased the net assets of the Fund attributable to the Class A units by \$72,310 or 0.59% (December 31, 2016 – \$115,422 or 0.76%). In practice, the actual exchange rate fluctuations may differ and the impact could be material.

g) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk, expressed in terms of percentage of net assets invested by sector, as at December 31:

Market Segment	2017	2016
Consumer Discretionary	9.2%	13.1%
Financial Services	13.7%	13.5%
Health Care	7.4%	6.0%
Industrial	19.2%	28.2%
Information Technology	8.2%	6.1%
Materials	14.7%	10.7%
Real Estate	21.4%	18.9%

h) Fair value hierarchy

The Fund classifies fair value measurements within a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are unobservable. The determination of fair value requires significant management judgment or estimation.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as of December 31, 2017 and 2016:

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 12,621,924	\$ -	\$ -	\$ 12,621,924
Unrealized appreciation on foreign currency forward contract	-	277,590	-	277,590
	\$ 12,621,924	277,590	\$ -	\$ 12,899,514

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 (continued)

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities	\$ 16,205,661	\$ –	\$ –	\$ 16,205,661
Unrealized depreciation on foreign currency forward contract	–	(118,413)	–	(118,413)
	<u>\$ 16,205,661</u>	<u>(118,413)</u>	<u>\$ –</u>	<u>\$ 16,087,248</u>

The measurement of the fair value of the Class A units disclosed in note 3 a) uses Level 1 inputs, being the quoted price of the Class A units on the Toronto Stock Exchange.

The measurement of the gross financial liability arising under the Fund's foreign exchange forward contracts as disclosed in note 14 uses Level 2 inputs, being the current USD spot exchange rate and the current 30 day USD forward exchange rate. An interpolation is performed to obtain the fair value of the liability as of the reporting date.

There were no transfers between the levels during the years ended December 31, 2017 and 2016.

16. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's investments have been designated at FVTPL at inception, its derivative assets and liabilities are HFT, its redeemable units are recorded at their redemption amounts and all other financial assets and liabilities are at amortized cost, less any impairment, as applicable.

The following table presents the net gains (losses) on financial instruments recorded at FVTPL by category for the years ended December 31, 2017 and 2016:

	2017	2016
Financial assets at FVTPL:		
HFT	\$ 714,757	\$ –
Designated at inception	99,180	1,740,915
Total financial assets at FVTPL	813,937	1,740,915
Financial liabilities at FVTPL:		
HFT	–	507,821
Total	\$ 813,937	\$ 2,248,736

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