BLOOM FUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM U.S. INCOME & GROWTH FUND

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2018

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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 interim management report of fund performance for Bloom U.S. Income & Growth Fund (the "Fund") contains financial information but does not contain the interim or audited annual financial statements of the Fund. The interim 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 and 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. The Class U units of the Fund are designed for investors who wish to make their investments in U.S. dollars 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

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 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 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.

For instance, in both the six months ended June 30, 2018 and the period since inception on March 21, 2013 the Canadian dollar has weakened (by 4.7% and 22.1% respectively). Hedging during these periods resulted in net realized losses on forward foreign currency contracts of $0.4 million and $7.3 million respectively, which have been netted off income. These losses substantially offset the corresponding increase in the Canadian dollar value of the U. S. dollar denominated assets of Class A due to the weakening of the Canadian dollar against the U.S. dollar. The increase in value of U.S. denominated assets of Class A due to the weakening of the Canadian dollar is included in income as net change in unrealized appreciation or depreciation on non-derivative investments and net realized gain on sale of non-derivative investments.

INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

The manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, foundations, 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, for four TSX listed closed end funds.

INVESTMENT MANAGER'S REPORT

July 11, 2018

Fund performance
The Fund's Class A units demonstrated a positive 6.1% return in the six months ended June 30, 2018, compared to 7.7% for its benchmark, the S&P 500 Total Return Index expressed in Canadian dollars. The Fund's Class U units, when expressed in US$, returned positive 4.9% in the six months ended June 30, 2018, compared to 2.6% for the same benchmark in US$.

Positions in Seaspan Corporation, Ryman Hospitality Properties Inc., First Financial Bancorp., Intel Corporation and National CineMedia Inc. were the greatest contributors to performance since the beginning of the year. The Fund's position in New York Community Bancorp Inc was the primary detractor to performance.

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

The U.S. Economy
The U.S. economy appears to be firing on all cylinders, as demonstrated by an expected annualized real GDP growth rate of approximately 4.0% for the second quarter of 2018 (exceeding consensus of closer to 3.0%), following annualized GDP growth in the first quarter of 2.0%. Such a strong performance has been fueled by post-election Federal Government fiscal policy (deregulation, tax cuts and spending hikes) along with lingering monetary policy stimulus, and for the first time since 2007, the U.S. economy now has a positive output gap.

Historically, such an occurrence had signaled that an expansion was about to end, however being in a "late cycle" does not mean a recession is necessarily imminent. We suspect the U.S. economy may have at least a few more quarters to run before going into an inevitable downturn owing to the following factors:

- The outlook for consumption spending, the main engine of the U.S. economy, is arguably in excellent shape thanks to prior deleveraging and a solid labour market. The best household balance sheet in decades, coupled with federal personal income tax cuts, still-low interest rates and easy access to credit explain why consumer confidence remains elevated.
- Pro-cyclical fiscal stimulus should also help extend the expansion into 2019 and offset any drag from Federal Open Market Committee (Fed) interest rate hikes.
- Strong business optimism also suggests the expansion could extend through next year as solid corporate profits bode well for investment outlays at large firms. However, we note that this part of the economy remains a bit of a wildcard going forward. While business investment should continue to grow strongly due to corporate tax cuts, this level should still moderate somewhat from the almost 5% growth in 2017, which benefitted from a rebound in oil-related investments.
- New home sales continued on an upward trajectory in May, coming in at a seasonally adjusted annualized rate of 689,000 (beating the consensus forecast of 667,000), compared to 636,000 in December 2017. This suggests that rising interest rates aren't yet holding back home purchases, even as tight inventory levels and rising building material costs have spurred robust price growth.
- Hiring remains strong, even as the labour participation rate has remained below 63% over the past three years. Non-farm payroll employment posted a solid rebound of 223,000 in May following relatively softer figures the prior

two months, driving the unemployment rate to 3.8%, matching its lowest level in nearly half a century. Furthermore, payroll gains increased to 2.7% in May from 2.6% in April on a year-over-year basis. The 0.3% monthly gain in May maintains the current unbroken string of 91 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. Correspondingly the current consensus view for 2018 U.S. Real GDP growth of around 3.0% is up from 2.6% earlier in the year. Moreover, headline CPI increased 0.2% in the month of May, and on an annualized basis, the pace of inflation year-on-year accelerated to 2.8% from 2.1% in December. Core CPI (excludes food and energy) rose by 0.2% in May, increasing the year-on-year rate to 2.2% from 1.8% in December.

Notwithstanding the Fed funds rate being already close to what the Fed estimates as the longer-run equilibrium and the downside risks related to trade, we expect the Fed will once again want to hike policy rates sooner rather than later for the rest of this year following its latest 25 bps rate hike at its mid-June meeting. In fact, the Fed hinted at two more rate hikes (of 25 bps each) before year-end and three more in 2019 amidst rising inflation pressures, above-potential economic growth (amid a mounting positive output gap), and a super-low jobless rate that is primed to move lower.

Lastly, we note that the flattening of the yield curve is something we have been keeping a close eye on. By way of background, an inverted yield curve (short-term yields greater than longer-term yields) has been the best predictor of recessions over the last 70 years. In the U.S., the 2-10 years spread is at its flattest since 2007, suggesting that expectations of a recession have increased somewhat for the near-term.

U.S. Investment Markets

Since the beginning of 2018, the S&P 500 has outperformed all other developed-country markets, including the S&P/TSX, by a wide margin, mainly owing to the best two performing sectors representing much larger 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 2.6% (or 7.7% in Canadian dollar terms). The best performing sectors since the beginning of the year were Information Technology, Consumer Discretionary and Energy while the worst performing sectors were Consumer Staples, Telecommunications Services, and Industrials.

The U.S. dollar since the beginning of 2018 increased by 5.0% against the Canadian dollar. We would not be surprised to see this U.S. dollar performance versus the Canadian dollar continue throughout the remainder of this year, as we currently expect the Bank of Canada will not hike Canadian interest rates any further than today's 0.25% increase), compared to the Fed that will likely hike rates two more times for the balance of this year.

Outlook

The S&P 500 has turned more volatile since the beginning of this year, a trend that is expected to persist in the near-term as rhetoric continues to point to investment conclusions that are not necessarily related to the broader underlying fundamental realities of U.S. equities. We believe those realities are that: 1) earnings continue to grow at a double-digit rate; 2) economic growth remains healthy; and 3) corporate balance sheets are strong — all trends that should eventually propel stocks higher through the rest of this year.

However given the market's 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. Our view is also tempered by President Trump's trade proposals. Although it may continue to take some time to fully assess the impact of the worst elements of the U.S. imposed tariffs on metals, the extent to which metal is used as an input to production will result in varying degrees of harm to producers' margins across manufacturing sub-industries. Furthermore, these measures come at a time when rising energy prices and wages are already pressuring profit margins, and add to that the threat of retaliatory tariffs on U.S. exports, and a trade war is far from a win for U.S. equities.

As evidenced since the beginning of the year, the U.S. equity market's performance has remained reasonably strong. Despite our disciplined valuation approach, we remain active on finding bright spots in the market that we believe will be able to prosper in most economic environments and maintain a moderately positive outlook for the U.S. equity market for the remainder of the year.

RESULTS OF OPERATIONS

Distributions

During the six months ended June 30, 2018 distributions totaled $0.30 per Class A unit and US$0.30 per Class U unit. The 2018 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 $3.16774 per Class A unit and US$3.16774 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 US 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 income from investments was $1.0 million ($0.16 per Class A unit and $0.21 per Class U unit) for the six months ended June 30, 2018, arising from average portfolio investments during the period of $12.2 million. Net investment income was comprised primarily of net unrealized gains on non-derivative investments for the period of $0.7 million, $0.5 million in net realized gains on sale of non-derivative investments and $0.3 million in dividend and distribution income, offset by net realized loss on foreign currency forward contracts of $0.4 million.

Expenses were $0.2 million ($0.13 per Class A unit and $0.23 per Class U unit) for the six months ended June 30, 2018, the major components being management fees of $99,323 and other administrative expenses of $50,223.

Net Asset Value

The net asset value per unit of Class A units of the Fund was $8.39 at June 30, 2018, up by 2.2% from $8.20 at December 31, 2017. The net asset value per unit of Class U units of the Fund was US$8.38 at June 30, 2018, up by 1.1% from US$8.29 at December 31, 2017.

The aggregate net asset value of the Fund decreased from $13.5 million at December 31, 2017 to $13.4 million as at June 30, 2018, primarily due to net income from investments of $1.0 million, offset by distributions to unitholders of $0.5 million, repurchase and cancellation of units of $0.3 million and expenses of $0.2 million.

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, 2017 for a normal course issuer bid program from June 29, 2017 to June 28, 2018, allowing the Fund to purchase for cancellation up to 160,328 Class A units on the TSX if they trade below the Class A net asset value per unit. 41,200 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the six months ended June 30, 2018 at a cost of $327,077 or $7.94 per unit.

Investment Portfolio

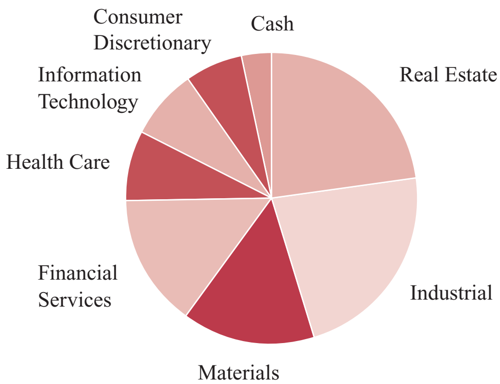
The Fund has established a portfolio invested in U.S. equities and income trusts, each of which was selected to achieve the investment objectives of the Fund.

During the six months ended June 30, 2018 the percentage of the portfolio (equities and cash) invested in the Industrial sector has risen from 19.4% to 22.4% due primarily to an increase in the share price of Seaspan Corporation. The investment in the Consumer Discretionary sector has fallen from 9.3% to 6.5%, due primarily to the sale of the Fund's position in Regal Entertainment Group.

The Fund had net unrealized appreciation of $3.7 million on its portfolio as at June 30, 2018, with unrealized appreciation in all sectors except one, the Consumer Discretionary sector showing unrealized depreciation of $0.3 million.

The Fund had net realized gains on sales of investments of $0.5 million during the six months ended June 30, 2018, comprising gains on the sale of holdings in Ryman Hospitality Properties Inc., Intel Corporation and Regal Entertainment Group.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Real Estate	$	3,075	22.9%
Industrial		3,012	22.4%
Materials		1,999	14.9%
Financial Services		1,966	14.6%
Health Care		1,055	7.9%
Information Technology		1,027	7.6%
Consumer Discretionary		866	6.5%
Cash		432	3.2%
Total	**$**	**13,432**	**100.0%**

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 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus applicable taxes. Prior to April 1, 2018 the Manager was entitled to 1.55% per annum of the net asset value of the Fund, comprised of 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus an amount which was 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 after the end of each calendar quarter, plus applicable taxes.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. Prior to April 1, 2018, a portion of this fee, equal to the service fee, was 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. As of April 1, 2018, the Manager ceased paying the service fee and, accordingly, the management fee payable to the manager was reduced from 1.55% to 1.15% per annum of the net asset value of the Fund. For the six months ended June 30, 2018, management fees charged directly to the Fund amounted to $99,323 including service fees of $14,266.

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 Independent Review Committee ("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 six months ended June 30, 2018 the Fund expensed unitholder information costs of $6,961, IRC fees of $17,143, insurance premiums for members of the IRC of $203 and legal fees of $128, 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 81-107 ("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 June 30, 2018 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.

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, three and five year periods ended June 30, 2018 and the period since commencement of operations on March 21, 2013, compared with the S&P 500 Total Return Index ("Index"). The returns of Class U are expressed in both Canadian dollars and US dollars. 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 is calculated without the deduction of management fees, service fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

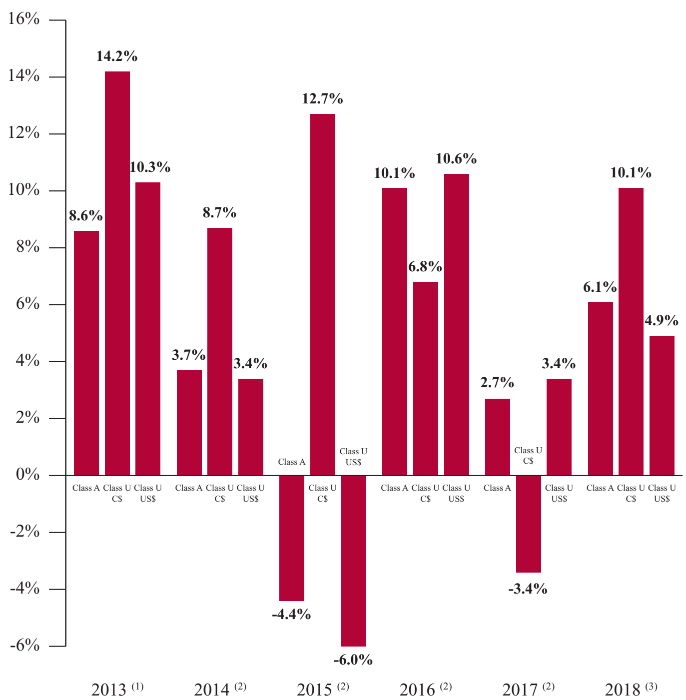
	One year	Three years	Five years	Since inception[(1)]
Bloom U.S. Income & Growth Fund Class A (net of fees and expenses)	10.9%	4.5%	6.1%	5.0%
Bloom U.S. Income & Growth Fund Class U in C$(net of fees and expenses)	10.6%	6.1%	10.2%	9.9%
S&P 500 Total Return Index in Canadian dollars	16.0%	13.9%	18.6%	18.9%
Bloom U.S. Income & Growth Fund Class U in US$(net of fees and expenses)	9.1%	4.3%	5.4%	4.9%
S&P 500 Total Return Index in US dollars	14.4%	11.9%	13.4%	13.4%

(1) Period from March 21, 2013 (commencement of operations) to June 30, 2018

During all periods the Fund has underperformed relative to the Index, after taking into account the expenses of the Fund. In addition to the effect of the deduction of management fees, service fees and expenses inherent in the Fund's performance figures, this reflects the differences in average sector weightings between the Fund's portfolio and the Index over these periods; for example, over the six months to June 30, 2018 the Fund was overweight compared to the Index in the Industrials, Real Estate and Materials sectors, and was underweight compared to the Index in the Information Technology, Consumer Discretionary, Energy and Consumer Staples sectors. 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, expressed both in Canadian and US dollars, 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

(3) Six months from January 1 to June 30, 2018

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	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Net Assets per unit, beginning of period(1)(2)	$ 8.20	$ 8.58	$ 8.37	$ 9.36	$ 9.61
Increase from operations:(2)					
Total revenue	0.16	0.35	0.64	0.43	0.44
Total expenses	(0.13)	(0.28)	(0.27)	(0.27)	(0.27)
Net realized gains (losses)	0.10	0.16	0.83	0.05	(0.29)
Net unrealized gains (losses)	0.35	(0.01)	(0.47)	(0.59)	0.45
Total increase in net assets from operations(2)	$ 0.48	$ 0.22	$ 0.73	$(0.38)	$ 0.33
Distributions to unitholders(2)(3)					
From net investment income	–	–	(0.14)	(0.01)	(0.04)
From return of capital	(0.30)	(0.60)	(0.46)	(0.59)	(0.56)
Total distributions to unitholders	$(0.30)	$(0.60)	$(0.60)	$(0.60)	$(0.60)
Net assets per unit, end of period(1)(2)	$ 8.39	$ 8.20	$ 8.58	$ 8.37	$ 9.36

Net Assets Per Unit – Class U

For the fiscal period ended	June 30, 2018		December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
Expressed in (currency)[4]	**C$**	**US$[4]**	**C$**	**US$[4]**	**C$**	**US$[4]**	**C$**	**US$[4]**	**C$**	**US$[4]**
Net Assets per unit, beginning of period[1][2]	$10.39	$ 8.29	$11.54	$ 8.61	$11.61	$ 8.36	$11.02	$ 9.51	$10.40	$ 9.79
Increase from operations:[2]										
Total revenue	0.21	0.16	0.47	0.36	0.83	0.63	0.55	0.44	0.50	0.45
Total expenses	(0.23)	(0.18)	(0.47)	(0.36)	(0.37)	(0.28)	(0.34)	(0.27)	(0.31)	(0.28)
Net realized gains (losses)	0.47	0.37	0.07	0.06	1.19	0.90	1.68	0.33	0.65	0.59
Net unrealized gains (losses)	0.56	0.44	(0.42)	(0.32)	(1.06)	(0.80)	(0.43)	(0.88)	0.42	0.38
Total increase in net assets from operations[2]	$ 1.01	$ 0.79	$ (0.35)	$(0.26)	$ 0.59	$ 0.45	$ 1.46	$(0.38)	$ 1.26	$ 1.14
Distributions to unitholders[2][3]										
From net investment income	–	–		–	(0.10)	(0.08)	–	–	(0.08)	(0.07)
From return of capital	(0.38)	(0.30)	(0.78)	(0.60)	(0.69)	(0.52)	(0.77)	(0.60)	(0.58)	(0.53)
Total distributions to unitholders	$ (0.38)	$(0.30)	$ (0.78)	$(0.60)	$ (0.79)	$(0.60)	$ (0.77)	$(0.60)	$ (0.66)	$(0.60)
Net assets per unit, end of period[1][2]	$11.03	$ 8.38	$10.39	$ 8.29	$11.54	$ 8.61	$11.61	$ 8.36	$11.02	$ 9.51

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

(2) 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.

(3) $61,139 (2017: $76,776; 2016: $186,101; 2015: $212,557; 2014: $223,357) of distributions was reinvested in units under the Fund's Class A Distribution Reinvestment Plan. The remainder of the distributions was paid in cash.

(4) 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	June 30, 2018		December 31, 2017		December 31, 2016		December 31, 2015		December 31. 2014	
	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U
Net asset value (000s)[1]	$ 12,201	$ 1,228 (US$933)	$ 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)
Number of units outstanding[1]	1,454,937	111,310	1,490,496	118,260	1,768,014	139,406	2,255,000	184,656	2,935,407	338,006
Management expense ratio (“MER”)[2]	3.07%	4.23%	2.98%	3.78%	2.79%	2.92%	2.39%	2.40%	2.24%	2.33%
Trading expense ratio[3]	0.06%	0.04%	0.09%	0.09%	0.07%	0.07%	0.12%	0.10%	0.10%	0.10%
Portfolio turnover rate[4]	3.60%	3.60%	5.89%	5.89%	8.34%	8.34%	2.95%	2.95%	16.18%	14.34%
Net asset value per Unit[1]	$ 8.39	$ 11.03 (US$8.38)	$ 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)
Closing market price[1]	$ 8.11	N/A	$ 7.99	N/A	$ 8.26	N/A	$ 8.06	N/A	$ 9.20	N/A

(1) As at the period end date shown

(2) 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.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average net asset value of the Fund during the period.

(4) 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 3.07% for the six months ended June 30, 2018, up from an MER of 2.98% in the year ended December 31, 2017. The MER of Class U of the Fund was 4.23% for the six months ended June 30, 2018, up from an MER of 3.78% in the year ended December 31, 2017. The increase is primarily due to the decrease in average net asset value through the monthly redemption of units, unit repurchases under the Fund’s normal course issuer bid, and market value decreases, which, when paired with fixed costs, caused the MER to increase.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2018

Total Net Assets (including Cash and Other Net Assets) – Class A	$12,200,576
Total Net Assets (including Cash and Other Net Assets) – Class U	$1,228,466
	Or US$932,918

Portfolio Composition	% of Portfolio	% of Total Net Assets
Real Estate	22.9%	22.9%
Industrial	22.4%	22.4%
Materials	14.9%	14.9%
Financial Services	14.6%	14.6%
Health Care	7.9%	7.9%
Information Technology	7.6%	7.6%
Consumer Discretionary	6.5%	6.5%
Cash	3.2%	3.2%
Total Investment Portfolio	100.0%	100.0%
Other Non-Debt Net Assets (Liabilities)		0.0%
Total Net Assets	100.0%	100.0%

Top 25 Holdings*	% of Portfolio	% of Total Net Assets
First Financial Bancorp.	8.9%	8.9%
Ryman Hospitality Properties Inc.	8.4%	8.4%
Weyerhaeuser Company	8.3%	8.3%
Seaspan Corporation	8.0%	8.0%
Eli Lilly and Company	7.9%	7.9%
CatchMark Timber Trust, Inc. Class 'A'	7.7%	7.7%
Intel Corporation	7.6%	7.6%
Tronox Limited Class 'A'	7.2%	7.2%
Ship Finance International Limited	7.1%	7.1%
EPR Properties	6.2%	6.2%
New York Community Bancorp Inc.	5.8%	5.8%
FLY Leasing Limited ADR	3.8%	3.8%
Aircastle Limited	3.5%	3.5%
National CineMedia Inc.	3.3%	3.3%
Cash	3.2%	3.2%
Comcast Corp. Class 'A'	3.1%	3.1%

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.

NOTICE

The accompanying unaudited 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 statements have not been reviewed by the external auditors of the Fund.

Signed

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

Signed

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

July 31, 2018

STATEMENTS OF FINANCIAL POSITION (unaudited)

As at		**June 30, 2018**		December 31, 2017
Assets				
Current assets				
Investments	**$**	**12,999,490**	$	12,621,924
Cash		**432,236**		697,115
Dividends and distributions receivable		**14,393**		19,284
Prepaid expenses and other assets		**9,605**		14,325
Unrealized appreciation on foreign currency forward contracts (note 14)		**127,056**		277,590
Total assets		**13,582,780**		13,630,238
Liabilities				
Current liabilities				
Distributions payable to holders of redeemable units		**80,068**		81,933
Accrued liabilities (note 11)		**74,929**		95,556
Total liabilities		**154,997**		177,489
Net assets attributable to holders of redeemable units (note 7)	**$**	**13,427,783**	$	13,452,749
Net assets attributable to holders of redeemable units per class				
Class A	**$**	**12,200,576**	$	12,224,157
Class U	**$**	**1,227,207**	$	1,228,592
Net assets attributable to holders of redeemable units per unit				
Class A	**$**	**8.39**	$	8.20
Class U	**$**	**11.03**	$	10.39
Class U in U.S.$	**$**	**8.38**	$	8.29

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

M. Paul Bloom
Director

Signed

Beverly Lyons

Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the six months ended		June 30, 2018		June 30, 2017
Income				
Net gain (loss) on investments and derivatives				
Dividend and distribution income	**$**	**259,194**	$	351,928
Net realized gain on sale of non-derivative investments		**495,983**		212,604
Net change in unrealized appreciation or depreciation on non-derivative investments		**711,194**		(952,417)
Net realized (loss) on foreign currency forward contracts		**(361,235)**		(249,858)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 14)		**(150,534)**		589,458
Total net gain (loss) on investments and derivatives		**954,602**		(48,285)
Other income				
Securities lending income (note 13)		**3,500**		8,355
Foreign exchange gain on cash		**77,427**		11,585
Total other income		**80,927**		19,940
Total income (loss)		**1,035,529**		(28,345)
Expenses (Note 10)				
Management fees (note 11)		**99,323**		139,190
Independent Review Committee fees (note 11)		**17,143**		17,157
Unitholder reporting costs		**13,398**		13,954
Audit fees		**14,651**		14,192
Custody fees		**11,777**		13,467
Legal fees		**2,212**		4,640
Other administrative expenses		**50,223**		43,322
Withholding taxes		**12,388**		31,629
Transaction costs (note 12)		**3,616**		6,640
Total expenses		**224,731**		284,191
Net income (loss)		**810,798**		(312,536)
Gain on redemption of redeemable units (note 7)		**2,761**		11,230
Net gain on repurchase and cancellation of redeemable units (note 7)		**4,953**		9,502
Increase (decrease) in net assets attributable to holders of redeemable units from operations	**$**	**818,512**	$	(291,804)
Class A		**702,214**		(243,411)
Class U		**116,298**		(48,393)
Total increase (decrease) in net assets attributable to holders of redeemable units from operations	**$**	**818,512**	$	(291,804)
Weighted average redeemable units outstanding during the period				
Class A		**1,473,603**		1,751,165
Class U		**114,859**		129,465
Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations (note 4k)				
Class A	**$**	**0.48**	$	(0.14)
Class U	**$**	**1.01**	$	(0.37)
Class U in U.S.$	**$**	**0.79**	$	(0.28)

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (unaudited)

For the six months ended June 30, 2018 and 2017

	Class A	Class U	Total
Net assets attributable to holders of redeemable units at January 1, 2017	$ 15,168,567	1,609,233	16,777,800
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(243,411)	(48,393)	(291,804)
Distributions to holders of redeemable units (note 9)	(523,196)	(50,865)	(574,061)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	–	(141,489)	(141,489)
Repurchase and cancellation of redeemable units	(404,881)	–	(404,881)
Class U redeemable units converted to Class A redeemable units	71,561	(71,561)	–
Net decrease from redeemable unit transactions	(333,320)	(213,050)	(546,370)
Net decrease in net assets attributable to holders of redeemable units	(1,099,927)	(312,308)	(1,412,235)
Net assets attributable to holders of redeemable units at June 30, 2017	$ 14,068,640	$ 1,296,925	$ 15,365,565
Net assets attributable to holders of redeemable units at January 1, 2018	**12,224,157**	**1,228,592**	**13,452,749**
Increase (decrease) in net assets attributable to holders of redeemable units from operations	**702,214**	**116,298**	**818,512**
Distributions to holders of redeemable units (note 9)	**(440,371)**	**(43,888)**	**(484,259)**
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	**–**	**(27,189)**	**(27,189)**
Repurchase and cancellation of redeemable units	**(332,030)**	**–**	**(332,030)**
Class U redeemable units converted to Class A redeemable units	**46,606**	**(46,606)**	**–**
Net decrease from redeemable unit transactions	**(285,424)**	**(73,795)**	**(359,219)**
Net decrease in net assets attributable to holders of redeemable units	**(23,581)**	**(1,385)**	**(24,966)**
Net assets attributable to holders of redeemable units at June 30, 2018	**$ 12,200,576**	**$ 1,227,207**	**$ 13,427,783**

STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended		**June 30, 2018**		June 30, 2017
Cash flows from operating activities				
Increase (decrease) in net assets attributable to holders of redeemable units from operations	**$**	**818,512**	$	(291,804)
Adjustment for:				
Unrealized foreign exchange (gain) loss on cash		**(13,773)**		29,759
Gain on redemption of redeemable units		**(2,761)**		(11,230)
Net gain on repurchase and cancellation of redeemable units		**(4,953)**		(9,502)
Net realized gain on sale of non-derivative investments		**(495,983)**		(212,604)
Net change in unrealized appreciation or depreciation on investments		**(711,194)**		952,417
Net realized loss on foreign currency forward contracts		**361,235**		249,858
Net change in unrealized appreciation or depreciation on foreign currency forward contracts		**150,534**		(589,458)
Decrease in dividends and distributions receivable		**4,891**		1,914
Decrease in prepaid expenses and other assets		**4,720**		11,231
Decrease in accrued liabilities		**(20,627)**		(19,575)
Operating cash flows:				
Purchases of investments and derivatives		**(439,435)**		(625,335)
Proceeds from sale of investments and derivatives		**1,269,046**		1,644,807
Net proceeds paid on settlements of foreign currency forward contracts		**(361,235)**		(249,858)
Net cash from operating activities		**558,977**		880,620
Cash flows used in financing activities				
Repurchase of redeemable units for cancellation		**(327,077)**		(395,379)
Redemptions of redeemable units		**(24,428)**		(117,238)
Distributions paid to holders of redeemable units		**(486,124)**		(577,509)
Net cash used in financing activities		**(837,629)**		(1,090,126)
Unrealized foreign exchange gain (loss) on cash		**13,773**		(29,759)
Net decrease in cash		**(278,652)**		(209,506)
Cash at beginning of period		**697,115**		852,276
Cash at end of period	**$**	**432,236**	$	613,011
Dividends and distributions received	**$**	**265,065**	$	354,178
Withholding taxes paid	**$**	**13,367**	$	31,966

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)

No. of Units/ Shares	As at June 30, 2018	Cost	Fair value
	Equities		
	Consumer Discretionary		
9,700	Comcast Corp. Class 'A'	$ 440,120	$ 418,651
40,500	National CineMedia Inc.	714,567	447,516
		1,154,687	**866,167**
	Financial Services		
29,500	First Financial Bancorp.	460,771	1,189,398
53,500	New York Community Bancorp Inc.	728,923	776,957
		1,189,694	**1,966,355**
	Health Care		
9,400	Eli Lilly and Company	588,205	1,055,125
		588,205	**1,055,125**
	Industrial		
17,400	Aircastle Limited	241,406	469,221
27,500	FLY Leasing Limited ADR	460,713	509,704
80,300	Seaspan Corporation	1,329,680	1,075,320
48,700	Ship Finance International Limited	809,939	957,733
		2,841,738	**3,011,978**
	Information Technology		
15,700	Intel Corporation	379,361	1,026,639
		379,361	**1,026,639**
	Materials		
62,000	CatchMark Timber Trust Inc. Class 'A'	869,256	1,038,232
37,100	Tronox Limited Class 'A'	637,767	960,447
		1,507,023	**1,998,679**
	Real Estate		
9,800	EPR Properties	555,101	835,234
10,300	Ryman Hospitality Properties Inc.	406,784	1,126,611
23,200	Weyerhaeuser Company	684,936	1,112,702
		1,646,821	**3,074,547**
	Total equities	**$ 9,307,529**	**$ 12,999,490**
	Embedded broker commissions	**(14,463)**	
	Total investments	**$ 9,293,066**	**$ 12,999,490**

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 July 31, 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") as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Statements*.

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. ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments – Classification and Measurement ("IFRS 9"). The new standard requires financial instruments to be recognized initially at their fair value and then to be classified as subsequently measured at amortized cost, measured at fair value with changes in fair value taken through other comprehensive income or measured at fair value with changes in fair value recognized in profit and loss ("FVTPL") based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment

The adoption of IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior period.

The portfolio of investments is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess performance and to make decisions. The Fund's financial assets and liabilities previously classified as FVTPL continue to be classified as FVTPL. The Fund holds investments which had previously been designated at FVTPL. On adoption of IFRS 9 these investments are mandatory classified as FVTPL. Derivative assets and liabilities (unrealized appreciation and depreciation on foreign currency forward contracts) continue to be classified as held for trading and valued at FVTPL.

Other financial assets which were held for collection will continue to be measured at amortized cost. The classification and measurement of other financial liabilities remain generally unchanged and they continue to be measured at amortized cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund's financial instruments include, where applicable, non-derivative 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 (unrealized appreciation and depreciation on foreign currency forward contracts) and obligation for net assets attributable to unitholders of redeemable units.

The Fund recognizes, classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

The Fund recognizes financial instruments at fair value, plus transaction costs in the case of financial instruments measured at amortized cost, upon initial recognition. Purchases and sales of financial instruments are recognized on their respective trade dates.

The Fund's investments and derivative assets and liabilities are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at FVTPL, with fair value being the redemption amount as of the reporting date. All other financial instruments are measured at amortized cost (which is the amount to be received or paid, discounted where appropriate at the contract's effective interest rate). Amortization and changes in fair value are recognized in the Statements of Comprehensive Income.

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.

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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.

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 whch 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, being those under the

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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.

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:

Assessment of functional currency
The Manager is 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 a deferred income tax asset or liabilities.

Non-capital loss carry forwards 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 June 30, 2018, the Fund had $303,702 in non-capital losses carried forward (December 31, 2017 – $303,702). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at June 30, 2018, the Fund had $2,643,880 in capital losses available for carryforward (December 31, 2017 – $2,643,880).

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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.

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 six months ended June 30, 2018, no Class A units were redeemed under the monthly redemption option, and 2,500 Class U units were redeemed under the monthly redemption option for proceeds of US$18,967 ($24,428) (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 ($130,259)).

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 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 six months ended June 30, 2018 and 2017 were as follows:

				Units purchased and cancelled	
Approval date	**Start date**	**End date**	**Maximum units**	**2018**	2017
June 27, 2016	June 29, 2016	June 28, 2017	206,188	**–**	47,400
June 27, 2017	June 29, 2017	June 28, 2018	160,328	**41,200**	–
				41,200	47,400

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 six months ended June 30, 2018 and 2017 were as follows:

	2018		2017	
	Class A	**Class U**	Class A	Class U
Units outstanding at beginning of period	**1,490,496**	**118,260**	1,768,014	139,406
Redemptions	**–**	**(2,500)**	–	(12,300)
Class U units converted to Class A	**5,641**	**(4,450)**	8,362	(6,200)
Repurchase and cancellation of units	**(41,200)**	**–**	(47,400)	–
Units outstanding at end of period	**1,454,937**	**111,310**	1,728,976	120,906

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 $13,427,783, (December 31, 2017 – $13,452,749). The Fund’s

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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 six months ended June 30, 2018, the Fund declared total distributions of $0.30 (2017 – $0.30) per Class A unit and US$0.30 (2017 – US$0.30) per Class U unit, which amounted to $440,371 (2017 – $523,196) for Class A units and US$34,243 ($43,888) (2017 – US$38,257 ($50,865)) 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 six months ended June 30, 2018, distributions of $61,139 were reinvested in 7,440 Class A units of the Fund which were purchased on the open market (2017 – $76,776 reinvested in 9,160 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).

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 applicable taxes. Prior to April 1, 2018 the Manager was entitled to 1.55% per annum of the net asset value of the Fund, comprised of 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus an amount which was 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 after the end of each calendar quarter, plus applicable taxes.

For the six months ended June 30, 2018, the Fund expensed management fees of $99,323 (2017 – $139,190). As at June 30, 2018, the Fund had management fees payable of $14,371 (December 31, 2017 – $29,144) 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 six months ended June 30, 2018 the Fund expensed IRC fees of $17,143 (2017 – $17,157) and legal fees of $128 (2017 – $nil), as well as unitholder information costs of $6,961 (2017 – $5,540) and insurance premiums of $203 (2017 – $100) (both included in 'Other administrative expenses') which were paid and recharged by the manager. As at June 30, 2018 the Fund owed the Manager $1,012 for recharged expenses (December 31, 2017 – $932) included in accrued liabilities.

Units held by the Manager and its affiliates represent 9.2% of the Class A units outstanding at June 30, 2018 (December 31, 2017 – 9.0%).

12. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the six months ended June 30, 2018 the Fund paid $3,616 (2017 – $6,640) 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,

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

(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 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 June 30, 2018 and December 31, 2017 are as follows:

2018		2017	
Fair value of securities loaned	**Fair value of collateral**	Fair value of securities loaned	Fair value of collateral
$ 2,343,672	**$ 2,464,145**	$ 2,441,959	$ 2,573,176

As at June 30, 2018, 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 Austria, the Netherlands, Germany, or France. (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.)

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 six months ended June 30, 2018 and 2017:

	June 30, 2018		June 30, 2017	
	$	**% of gross income**	$	% of gross income
Securities lending income	**$ 3,500**	**64.1%**	$ 8,355	55.9%
Agent fees paid to the lending agent	**1,486**	**27.2%**	2,712	18.2%
Withholding tax	**476**	**8.7%**	3,875	25.9%
Gross securities lending income	**$ 5,462**		$ 14,942	

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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 / Stable, and a Moody's credit rating of Aa2 / P-1 / Stable. 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 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 June 30, 2018, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			
Notional value	Currency	Fair value CAD	Notional value	Currency	Settlement date	Unrealized appreciation
(8,900,000)	USD	(11,703,269)	11,830,325	CAD	July 25, 2018	127,056

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

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

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 June 30, 2018 and December 31, 2017.

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

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 June 30, 2018, 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 $1,299,949 (December 31, 2017 – $1,262,192) or 9.7% (December 31, 2017 – 9.4%) 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 June 30, 2018 and December 31, 2017, 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 June 30, 2018, 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:

	Class A currency risk exposed holdings			
Currency	**Monetary**	**Non-monetary**	**Net Class A exposure**	**As a percentage of Class A net assets**
U.S. dollars	$ (11,420,728)	$ 11,824,504	$ 403,776	3.31%

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:

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (continued)

As at June 30, 2018 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 $20,189 or 0.17% (December 31, 2017 – $72,310 or 0.59%). 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 June 30, 2018 and December 31, 2017:

Market Segment	**June 30, 2018**	December 31, 2017
Consumer Discretionary	**6.5%**	9.2%
Financial Services	**14.6%**	13.7%
Health Care	**7.9%**	7.4%
Industrial	**22.4%**	19.2%
Information Technology	**7.6%**	8.2%
Materials	**14.9%**	14.7%
Real Estate	**22.9%**	21.4%

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 June 30, 2018 and December 31, 2017:

June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**$ 12,999,490**	**$ –**	**$ –**	**$ 12,999,490**
Unrealized appreciation on foreign	**–**	**127,056**	**–**	**127,056**
currency forward contract	**$ 12,999,490**	**127,056**	**$ –**	**$ 13,126,546**

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

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 periods ended June 30, 2018 and December 31, 2017.

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