



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

## BLOOM U.S. INCOME & GROWTH FUND

### INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2021

BUA.UN

#### 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 (1-855-256-6618) 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](http://www.bloomfunds.ca) or SEDAR at [www.sedar.com](http://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, RRI, 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**

#### **COVID-19 pandemic**

The ongoing effects of the global pandemic caused by the COVID 19 novel coronavirus continue to negatively impact companies worldwide. Successful vaccination initiatives in some regions contrast with vaccine hesitancy and vaccine undersupply in others, and uncertainty around the spread and effects of new virus variants continues. The pandemic continues to have the potential to have an adverse effect on global stock markets for an indeterminate length of time. This could affect the valuation of the Fund’s investment portfolio and consequently the net asset value and net asset value per unit of the Fund. The negative effects on the Fund of this coronavirus and any other epidemics and pandemics that may arise in the future could be complex and cannot necessarily be foreseen at the present time. The Manager continues to monitor events as they unfold and has successfully implemented an enhanced business continuity plan to ensure the seamless operation of the Manager in its roles as manager and portfolio advisor of the Fund during a period of pandemic related lockdown and continued work-from-home. This plan has facilitated uninterrupted work and communication from home as well as the Manager’s interaction with the Fund’s various service providers.

#### **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 the six months ended June 30, 2021 the Canadian dollar strengthened against the U.S. dollar by 2.8% and consequently hedging resulted in net realized gains for the period on foreign currency forward contracts of \$0.2 million. These gains have been included in income and substantially offset the corresponding decrease in the Canadian dollar value of the U.S. denominated assets of Class A due to the strengthening of the Canadian dollar during the period. The decrease in value of U.S. denominated assets of Class A due to the strengthening of the Canadian dollar is netted off income as net change in unrealized appreciation or depreciation on non-derivative investments and net realized loss on sale of non-derivative investments.

For the period since inception on March 21, 2013 the Canadian dollar weakened against the U.S. dollar by 17.2% and consequently hedging resulted in net realized losses since inception on foreign currency forward contracts of \$7.2 million. These losses have been netted off income and 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. 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**



INVESTMENT COUNSEL, INC.

For over 35 years, the Manager has been managing 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 1, 2021**

#### **The U.S. Economy**

What a difference a year makes! Q1 GDP growth, the latest figure available, came in slightly below consensus but nonetheless propelled 6.4% higher on an annualized basis, a marked increase from the 4.3% reported in Q4. The economy is now at a 0.4% higher level than a year ago but is still just shy of 1% lower than late 2019 figures. With increased reopenings in the second quarter it is expected that the economy should more than fully recover any losses. What is most impressive about these figures is that the economy remained partly closed during this period.

The strong Q1 represents the benefits from easing pandemic restrictions, a rapid rollout of vaccinations and the release of pent-up demand fueled by significant levels of household saving. Personal income increased 59% annualized in the first quarter and households spent 10.7% more, mainly on durable and non-durable goods. We expect to see a significant increase in the consumption of services in Q2 as they were significantly impacted by distancing measures which are now largely removed.

Nominal GDP in Q1 increased 10.7% annualized as prices accelerated which signifies the largest increase (aside from Q3 2020) in nearly four decades. With the economy further gaining momentum coupled with increased easing of restrictions in Q2 we expect GDP to increase considerably. Growth expectations for Q2 are in the 10% annualized range.

The latest housing starts reported in May indicate that after tremendous growth in home construction last year, momentum is being tempered due to supply issues (labour and materials) and increased building material costs – until recently lumber prices were up substantially year over year. Despite this a 3.6% increase in May still leads us to believe that housing demand remains strong.

Sales of existing homes continue the recent trend of declining from what appears to have been a 14.5 year peak reached in late 2020 as home buyers are shying away from surging prices amidst a lack of supply. Sales of single family homes declined in May for the fifth straight month. Condominium sales steadied after a couple of monthly gains as more units came to the market and are still near record lows from a historical perspective. Long term demand remains but is being negatively impacted by tremendous price growth, an increase, albeit off very low levels, in mortgage rates, and lack of supply. We expect an increase in supply to have a positive impact on future sales going forward.

While there are signs of a slow but steady recovery in the job market, job creation remained weaker than expected in May. Sectors most affected by social distancing such as leisure and hospitality experienced an accelerated pace of hiring in a context of economic reopening. Long term unemployment continued to decline in May, however, this should be interpreted with a certain level of caution. The significant drop in the participation rate is positively impacting the unemployment rate to some extent. If participation levels remained at pre-pandemic levels then the unemployment rate would have been much higher. Accordingly, the labour market still has a ways to go in terms of recovery.

Supply of work seems to be the main issue with a mismatch in skill sets, lack of childcare alternatives and continued government subsidies all exacerbating this issue. To combat this issue employers may be forced to raise wages to lure workers back into the job market. We expect the tight labor market to slacken somewhat through the fall with more widespread reopenings and an eventual elimination of the government's enhanced unemployment insurance benefits.

Retail sales are now significantly above pre-pandemic levels. Consumers took a breather in May but the decline in sales was felt pretty much across all sectors due to the stimulus' payments overhang from significant spending earlier in the year. As mobility increased and more people started to travel and return to the office, sectors such as gas stations experienced increases. As the economy more fully opens, we expect consumers' spending to shift towards services which could lead to a certain degree of stagnation in retail sales.

### **U.S. Investment Markets**

Concerns over the Delta variant and short term peak 10-year yields were positive for the technology sector in the latter part of Q2. The S&P 500 Total Return Index posted an increase of 15.3% for the six months. The best performing sectors for the first six months of the year were Energy, Financials and Real Estate while the worst performing sectors were Utilities, Consumer Staples and Consumer Discretionary.

The Fed continues to maintain an overall accommodative stance with no changes to the fed funds target range, the pace of asset purchase or to forward guidance. The Fed maintains its position that inflation is largely transitory and that economic and employment growth have been driven by the strong progress made on vaccinations and also from the strong policy support. It appears that the Fed is setting the stage to commence tapering towards the end of the year with two expected rate hikes in 2023 after ending quantitative easing next year. Never having been in a pandemic before it is difficult for the Fed to know with certainty that inflation is transitory; however, squashing inflation too early in what appears to be an economic recovery would have negative implications for the broader economy.

The U.S. dollar ended the quarter 1.4% weaker than it began against its Canadian counterpart. In the last twelve months the Greenback has depreciated 9.1% against the Loonie.

### **Fund Performance**

In the first six months of the year, the Fund significantly outperformed the S&P 500 Total Return Index with a return of 25.2%. Positions in Tronox Holdings plc, Fly Leasing Ltd. and Eli Lilly & Co. were the greatest contributors to performance. The strongest performing sectors for the Fund were Industrials, Materials and Real Estate.

The most recent measure of Active Share for Bloom U.S. Income & Growth Fund was a very high 98%. Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. We believe this high Active Share gives the Fund a greater ability to take advantage of upside opportunities or protect against downside risk very distinctly in comparison to the great number of less active manager's with performance that closely follows the benchmark.

### **Outlook**

Several companies reduced, eliminated or temporarily suspended dividends at the onset of the pandemic. We expect these companies to be re-evaluating their dividend policies towards the end of this year and into next year as the economy and market conditions in general are expected to continue to improve. Our strategy of active investment management and our longer term approach to investing has significantly benefitted the Fund in the past year. Despite challenging markets for many dividend paying stocks in the early days of the pandemic we did not waiver from our investment style. We continue to believe that longer term dividend paying stocks will outperform, making a solid and relatively low risk investment today that will benefit the Fund in the longer term.

## **RESULTS OF OPERATIONS**

### **Distributions**

During the six months ended June 30, 2021 distributions totaled \$0.18 per Class A unit and US\$0.18 per Class U unit. The 2021 distribution reflects a monthly rate per unit of \$0.03 per Class A unit and US\$0.03 per Class U unit. Since inception on March 21, 2013, the Fund has paid total cash and reinvested distributions of \$4.84774 per Class A unit and US\$4.84774 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 \$1.9 million (\$1.65 per Class A unit and \$1.90 per Class U unit) for the six months ended June 30, 2021, arising from average portfolio investments during the period of \$7.3 million. Net investment income was comprised primarily of net change in unrealized appreciation on investments for the period of positive \$1.6 million, net realized gain on foreign currency forward contracts of \$0.2 million, and \$0.1 million in dividend and distribution income.

Expenses were \$0.2 million (\$0.13 per Class A unit and \$0.27 per Class U unit) for the six months ended June 30, 2021, the major components being management fees of \$51,531 and other administrative expenses of \$48,992.

**Net Asset Value**

The net asset value per unit of Class A units of the Fund was \$7.44 at June 30, 2021, up by 22.1% from \$6.09 at December 31, 2020. The net asset value per unit of Class U units of the Fund was US\$7.48 at June 30, 2021, up by 21.2% from US\$6.17 at December 31, 2020.

The aggregate net asset value of the Fund increased from \$6.9 million at December 31, 2020 to \$8.5 million as at June 30, 2021, primarily due to net income from investments of \$1.9 million offset by distributions to unitholders 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.

**Investment Portfolio**

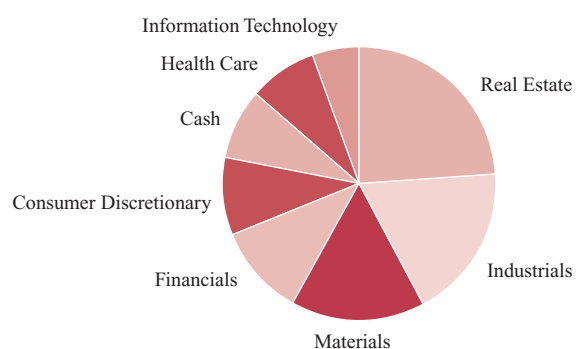
The Fund has established a portfolio invested in U.S. equities and income trusts, each of which was selected to achieve the investment objectives of the Fund.

During the six months ended June 30, 2021 the percentage of the portfolio (equities and cash) invested in the Materials sector has increased from 11.3% to 15.8% primarily due to the increase in value of Fly Leasing Limited ADRs. The proceeds from the sale of Tronox Holdings plc shares was offset by losses on the settlement of foreign currency forward contracts, reducing the cash position from 9.8% of the portfolio to 8.3%.

The Fund had net unrealized appreciation of \$1.8 million on its portfolio as at June 30, 2021, with unrealized appreciation of \$0.7 million in the Real Estate sector, \$0.6 million in the Health Care sector and \$0.3 million in the Materials sector.

The Fund had net realized gains on sales of investments of \$39,427 during the six months ended June 30, 2021 from the sale of part of the Fund’s holding in Tronox Holdings plc.

**Portfolio Sectors**



Sector	Value (thousands)	% of Total
Real Estate	\$ 2,063	24.1%
Industrials	1,567	18.3%
Materials	1,346	15.8%
Financials	911	10.7%
Consumer Discretionary	784	9.2%
Cash	713	8.3%
Health Care	711	8.3%
Information Technology	452	5.3%
<b>Total</b>	<b>\$ 8,547</b>	<b>100.0%</b>

**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.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. For the six months ended June 30, 2021, management fees charged directly to the Fund amounted to \$51,531.

Services received by the Fund in consideration of the management fee, as an approximate percentage of the management fee, comprise portfolio advisory services (65%) and administrative services (35%). Administrative services include: appointment and monitoring of service providers; administration related to the payment of fund expenses and the deposit of fund receipts; 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 monthly portfolio summaries; 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 of these expenses of the Fund. For the six months ended June 30, 2021 the Fund expensed unitholder information costs of \$1,212, IRC fees of \$16,475, filing fees of \$538, wire service fees of \$381 and premiums for insurance coverage for members of the IRC of \$283, 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 service 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, 2021 the IRC consisted of three members, all of whom are independent of the Manager.

The Manager has received three 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.

#### **Redemption of Units Held or Controlled by Access Persons**

The standing instruction requires that the Manager follow its policy and procedures concerning the redemption of units held or controlled by Access Persons of the Manager, which will, in the IRC's opinion, result in a fair and reasonable result

for the Fund. Access Persons include employees, their spouses, life partners, and family members (including minor and adult children) sharing a home with an employee, as well as any others for whose accounts the employee can exercise control. 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, 2021 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, at present the Fund largely invests in issuers that are not included in the Index (the Fund’s Active Share, a measure of how the Fund’s portfolio differs from the Index, is 98.0%). 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. For these reasons it is not expected that the Fund’s performance will mirror that of the Index.

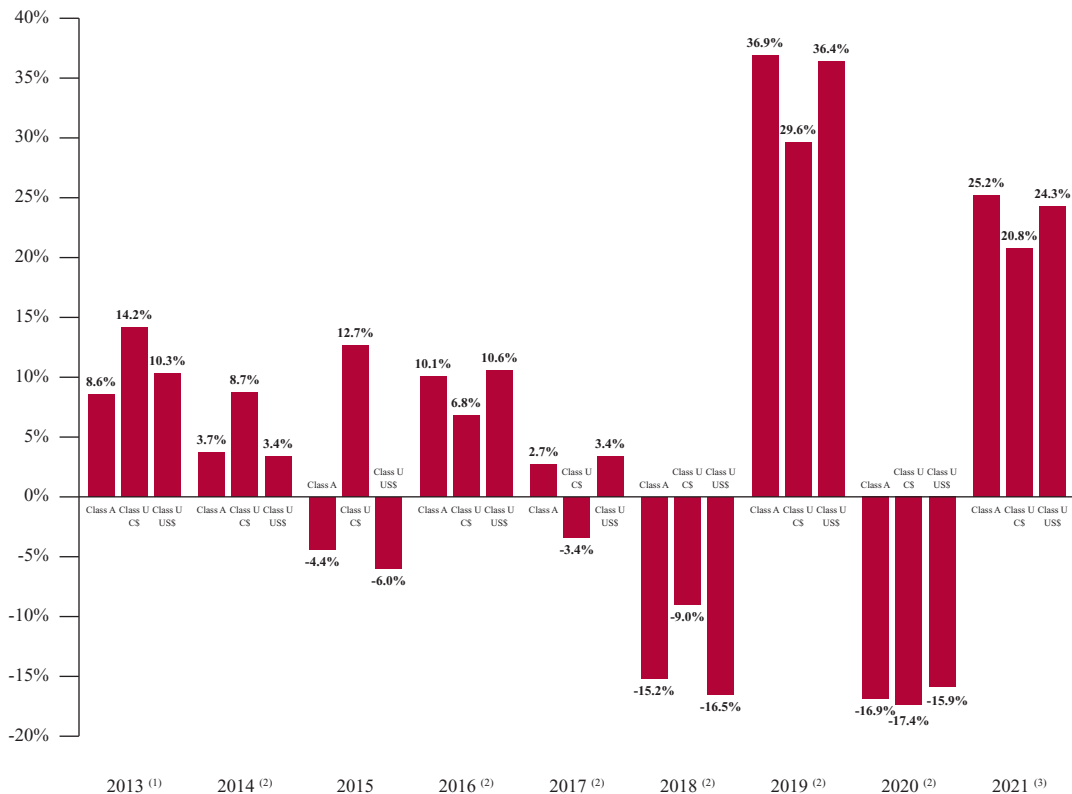
	<b>One year</b>	<b>Three years</b>	<b>Five years</b>	<b>Since inception<sup>(1)</sup></b>
<b>Bloom U.S. Income &amp; Growth Fund Class A (net of fees and expenses)</b>	50.0%	4.4%	6.1%	4.8%
<b>Bloom U.S. Income &amp; Growth Fund Class U in C\$ (net of fees and expenses)</b>	34.1%	2.5%	3.1%	7.2%
<b>S&amp;P 500 Total Return Index in Canadian dollars</b>	28.4%	16.4%	16.6%	17.9%
<b>Bloom U.S. Income &amp; Growth Fund Class U in US\$ (net of fees and expenses)</b>	47.5%	4.6%	6.1%	4.8%
<b>S&amp;P 500 Total Return Index in US dollars</b>	40.8%	18.7%	17.6%	15.3%

<sup>(1)</sup> Period from March 21, 2013 (commencement of operations) to June 30, 2021

During the one year period ended June 30, 2021 Class A of the Fund has outperformed relative to the Index, and for the three and five year periods ended June 30, 2021 and since inception, Class A of the Fund has underperformed relative to the Index, after taking into account the expenses of the Fund. Class U of the Fund has also outperformed the Index for the one year period ended June 30, 2021 and underperformed for the three and five year periods ended June 30, 2021 and since inception. 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 individual portfolio selections between the Fund’s portfolio and the Index within each of the sectors, which result in different average sector returns. It may also reflect difference in average sector weightings between the Fund’s portfolio and the Index over these periods.

**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.



<sup>(1)</sup> Period from March 21, 2013 (commencement of operations) to December 31, 2013

<sup>(2)</sup> Year from January 1 to December 31 of the year indicated

<sup>(3)</sup> Six months from January 1 to June 30, 2021



**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**

<b>For the fiscal period ended</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Net Assets per unit, beginning of period<sup>(1)(2)</sup></b>	\$ 6.09	\$ 8.15	\$ 6.45	\$ 8.58	\$ 8.37
<b>Increase (decrease) from operations:<sup>(2)</sup></b>					
Total revenue	0.09	0.23	0.34	0.35	0.64
Total expenses	(0.13)	(0.24)	(0.26)	(0.28)	(0.27)
Net realized gains (losses)	0.19	0.36	0.86	0.16	0.83
Net unrealized gains (losses)	1.37	1.88	1.37	(0.01)	(0.47)
<b>Total increase (decrease) in net assets from operations<sup>(1)</sup></b>	\$ 1.52	\$(1.53)	\$ 2.31	\$ 0.22	\$ 0.73
<b>Distributions to unitholders<sup>(2)(3)</sup></b>					
From net investment income	–	–	–	–	(0.14)
From return of capital	(0.18)	(0.60)	(0.60)	(0.60)	(0.46)
<b>Total distributions to unitholders</b>	\$(0.18)	\$(0.30)	\$(0.30)	\$(0.60)	\$(0.60)
<b>Net assets per unit, end of period<sup>(1)(2)</sup></b>	\$ 7.44	\$ 6.09	\$ 8.15	\$ 8.20	\$ 8.58

**Net Assets Per Unit – Class U**

For the fiscal period ended Expressed in (currency) <sup>(4)</sup>	June 30, 2021		December 31, 2020		December 31, 2019		December 31, 2018		December 31, 2017	
	C\$	US\$ <sup>(4)</sup>	C\$	US\$ <sup>(4)</sup>	C\$	US\$ <sup>(4)</sup>	C\$	US\$ <sup>(4)</sup>	C\$	US\$ <sup>(4)</sup>
<b>Net Assets per unit, beginning of period<sup>(1)(2)</sup></b>	\$ 7.86	\$ 6.17	\$10.57	\$ 8.15	\$ 8.83	\$ 6.46	\$10.39	\$ 8.29	\$11.54	\$ 8.61
<b>Increase (decrease) from operations:<sup>(2)</sup></b>										
Total revenue	0.12	0.10	0.32	0.24	0.45	0.34	0.43	0.33	0.47	0.36
Total expenses	(0.27)	(0.22)	(0.44)	(0.33)	(0.51)	(0.38)	(0.45)	(0.35)	(0.47)	(0.36)
Net realized gains (losses)	0.03	0.02	0.58	0.43	1.16	0.87	1.02	0.79	0.07	0.06
Net unrealized gains (losses)	1.75	1.40	(2.99)	(2.23)	1.49	1.13	(1.20)	(0.93)	(0.42)	(0.32)
<b>Total increase (decrease) in net assets from operations<sup>(1)</sup></b>	\$ 1.63	\$ 1.30	\$(2.53)	\$(1.89)	\$ 2.59	\$ 1.96	\$(0.20)	\$(0.16)	\$(0.35)	\$(0.26)
<b>Distributions to unitholders<sup>(2)(3)</sup></b>										
From net investment income	–	–	–	–	–	–	–	–	–	–
From return of capital	(0.22)	(0.18)	(0.80)	(0.60)	(0.79)	(0.60)	(0.78)	(0.60)	(0.78)	(0.60)
<b>Total distributions to unitholders</b>	\$(0.22)	\$(0.30)	\$(0.80)	\$(0.60)	\$(0.78)	\$(0.60)	\$(0.78)	\$(0.60)	\$(0.78)	\$(0.60)
<b>Net assets per unit, end of period<sup>(1)(2)</sup></b>	\$ 9.26	\$ 7.48	\$ 7.86	\$ 6.17	\$10.57	\$ 8.15	\$ 8.83	\$ 6.46	\$10.39	\$ 8.29

<sup>(1)</sup> This information is derived from the Fund’s financial statements, to which International Financial Reporting Standards apply.

<sup>(2)</sup> 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.

<sup>(3)</sup> \$13,215 (2020: \$61,279; 2019: \$72,603; 2018: \$102,351; 2017: \$118,853) of distributions was reinvested in units under the Fund’s Class A distribution reinvestment plan (“DRIP”). The remainder of the distributions was paid in cash.

<sup>(4)</sup> 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, 2021		December 31, 2020		December 31, 2019		December 31, 2018		December 31, 2017	
	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U
Net asset value (000s) <sup>(1)</sup>	\$ 8,107	\$ 354 (US\$286)	\$ 6,641	\$ 300 (US\$236)	\$ 9,321	\$ 649 (US\$501)	\$ 8,765	\$ 658 (US\$481)	\$ 12,224	\$ 1,229 (US\$981)
Number of units outstanding <sup>(1)</sup>	1,089,889	38,240	1,089,889	38,240	1,142,954	61,460	1,359,927	74,510	1,490,496	118,260
Management expense ratio ("MER") <sup>(2)</sup>	3.62%	6.09%	3.94%	5.36%	3.12%	4.78%	3.00%	3.99%	2.98%	3.78%
Trading expense ratio <sup>(3)</sup>	0.01%	0.01%	0.03%	0.03%	0.07%	0.07%	0.04%	0.04%	0.09%	0.09%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	2.15%	2.15%	1.57%	1.57%	3.73%	3.73%	5.89%	5.89%
Net asset value per Unit <sup>(1)</sup>	\$ 7.44	\$9.26 (US\$7.48)	\$ 6.09	\$7.86 (US\$6.17)	\$ 8.15	\$10.57 (US\$8.15)	\$ 6.45	\$8.83 (US\$6.46)	\$ 8.20	\$10.39 (US\$8.29)
Closing market price <sup>(1)</sup>	\$ 6.92	N/A	\$ 6.08	N/A	\$ 7.76	N/A	\$ 6.27	N/A	\$ 7.99	N/A

<sup>(1)</sup> As at the period end date shown

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 3.62% for the six months ended June 30, 2021, down from an MER of 3.94% in the year ended December 31, 2020. The decrease reflects the increased average net assets of Class A due to market value increases which more than offset the effect of the 2020 Class A annual redemption. The MER of Class U of the Fund was 6.09% for the six months ended June 30, 2021, up from an MER of 5.36% in the year ended December 31, 2020. The increase is primarily due to the decrease in average net asset value, caused even in the face of market value increases due to the proportionately higher 2020 annual redemption of Class U units, paired with fixed costs.

**SUMMARY OF INVESTMENT PORTFOLIO**

As at June 30, 2021

Total Net Assets (including Cash and Other Net Assets) – Class A	\$8,106,581
Total Net Assets (including Cash and Other Net Assets) – Class U	\$354,102
	Or US\$285,959

Portfolio Composition	% of Portfolio	% of Total Net Assets <sup>(1)</sup>
Real Estate	24.1%	24.4%
Industrials	18.3%	18.5%
Materials	15.8%	15.9%
Financials	10.7%	10.8%
Consumer Discretionary	9.2%	9.3%
Cash	8.3%	8.4%
Health Care	8.3%	8.4%
Information Technology	5.3%	5.3%
Total Investment Portfolio	100.0%	101.0%
Other Non-Debt Net Assets (Liabilities)		(1.0%)
Total Net Assets	100.0%	100.0%

Top 25 Holdings*	% of Portfolio	% of Total Net Assets <sup>(1)</sup>
Tronox Holdings plc	9.1%	9.2%
Cash	8.3%	8.4%
Atlas Corp.	8.3%	8.4%
Eli Lilly and Company	8.3%	8.4%
Weyerhaeuser Company	7.2%	7.3%
Ryman Hospitality Properties, Inc.	7.1%	7.2%
First Financial Bancorp.	7.0%	7.1%
CatchMark Timber Trust, Inc. Class A	6.6%	6.7%
Comcast Corporation Class 'A'	6.2%	6.3%
FLY Leasing Limited ADR	6.1%	6.1%
Intel Corporation	5.3%	5.3%
EPR Properties	5.0%	5.0%
Iron Mountain Inc.	4.9%	5.0%
SFL Corporation Ltd.	4.0%	4.0%
New York Community Bancorp., Inc.	3.6%	3.7%
National CineMedia Inc.	3.0%	3.0%

*The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at [www.bloomfunds.ca](http://www.bloomfunds.ca)*

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

<sup>(1)</sup> 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

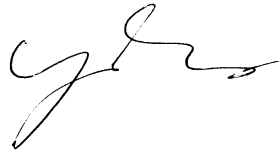


**M. Paul Bloom**

*President and Chief Executive Officer  
Bloom Investment Counsel, Inc.*

August 3, 2021

Signed



**Fiona E. Mitra**

*Chief Financial Officer  
Bloom Investment Counsel, Inc.*

**STATEMENTS OF FINANCIAL POSITION (unaudited)**

As at	June 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Investments at fair value	\$ 7,833,902	\$ 6,373,322
Cash	712,835	693,747
Dividends and distributions receivable	5,208	5,358
Prepaid expenses and other assets	15,405	9,338
<b>Total assets</b>	<b>8,567,350</b>	<b>7,081,765</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Distributions payable to holders of redeemable units	34,117	56,930
Accrued liabilities (note 10)	71,869	77,495
Unrealized depreciation on foreign currency forward contracts (note 13)	681	5,472
<b>Total liabilities</b>	<b>106,667</b>	<b>139,897</b>
<b>Net assets attributable to holders of redeemable units (note 6)</b>	<b>\$ 8,460,683</b>	<b>\$ 6,941,868</b>
<b>Net assets attributable to holders of redeemable units per class</b>		
Class A	\$ 8,106,581	\$ 6,641,391
Class U	\$ 354,102	\$ 300,477
<b>Net assets attributable to holders of redeemable units per unit</b>		
Class A	\$ 7.44	\$ 6.09
Class U	\$ 9.26	\$ 7.86
Class U in U.S.\$	\$ 7.48	\$ 6.17

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

**STATEMENTS OF COMPREHENSIVE INCOME (unaudited)**

For the six months ended	June 30, 2021	June 30, 2020
<b>Income</b>		
Net gain (loss) on investments and derivatives:		
Dividend and distribution income	\$ 107,463	\$ 170,100
Net realized gain on sale of non-derivative investments	39,427	460,470
Net change in unrealized appreciation or depreciation on non-derivative investments	1,556,677	(2,961,719)
Net realized gain (loss) on foreign currency forward contracts	179,788	(350,897)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 13)	4,792	(195,817)
<b>Total net gain (loss) on investments and derivatives</b>	<b>1,888,147</b>	<b>(2,877,863)</b>
Other income:		
Securities lending income (note 12)	–	327
Foreign exchange gain (loss) on cash	(14,521)	27,550
<b>Total other income</b>	<b>(14,521)</b>	<b>27,877</b>
<b>Total income (loss)</b>	<b>1,873,626</b>	<b>(2,849,986)</b>
<b>Expenses (Note 10)</b>		
Management fees (note 10)	51,531	48,166
Audit fees	14,526	14,543
Independent Review Committee fees (note 10)	16,475	13,610
Unitholder reporting costs (note 10)	11,253	13,110
Custody fees	5,256	4,133
Withholding taxes	–	2,881
Legal fees	1,579	2,806
Portfolio transaction costs (note 11)	442	1,422
Other administrative expenses (note 10)	48,992	48,051
<b>Total expenses</b>	<b>150,053</b>	<b>148,722</b>
<b>Net income (loss)</b>	<b>1,723,573</b>	<b>(2,998,708)</b>
Gain on redemption of redeemable units (note 6)	–	–
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 1,723,573</b>	<b>\$ (2,998,708)</b>
Class A	1,661,370	(2,834,426)
Class U	62,203	(164,282)
<b>Total increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 1,723,573</b>	<b>\$ (2,998,708)</b>
<b>Weighted average redeemable units outstanding during the period</b>		
Class A	1,089,889	1,143,149
Class U	38,240	61,314
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations (note 3k)</b>		
Class A	\$ 1.52	\$ (2.48)
Class U	\$ 1.63	\$ (2.68)
Class U in U.S.\$	\$ 1.31	\$ (1.97)

*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, 2021 and 2020	Class A	Class U	Total
<b>Net assets attributable to holders of redeemable units at January 1, 2020</b>	\$ 9,320,525	\$ 649,388	\$ 9,969,913
<b>Increase in net assets attributable to holders of redeemable units from operations</b>	(2,834,426)	(164,282)	(2,998,708)
<b>Distributions to holders of redeemable units (note 8)</b>			
Distributions to holders of redeemable units	(342,945)	(25,203)	(368,148)
<b>Decrease from distributions to holders of redeemable units</b>	(342,945)	(25,203)	(368,148)
<b>Redeemable unit transactions (note 6)</b>			
Redemptions of redeemable units	2,037	(2,037)	–
Class U redeemable units converted to Class A redeemable units	2,037	(2,037)	–
<b>Net increase (decrease) from redeemable unit transactions</b>			
<b>Net increase in net assets attributable to holders of redeemable units</b>	(3,175,334)	(191,522)	(3,366,856)
<b>Net assets attributable to holders of redeemable units at June 30, 2020</b>	\$ 6,145,191	\$ 457,866	\$ 6,603,057
<b>Net assets attributable to holders of redeemable units at January 1, 2021</b>	<b>6,641,391</b>	<b>300,477</b>	<b>6,941,868</b>
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>	<b>1,661,370</b>	<b>62,203</b>	<b>1,723,573</b>
<b>Distributions to holders of redeemable units (note 8)</b>			
Distributions to holders of redeemable units from investment income	(196,180)	(8,578)	(204,758)
<b>Decrease from distributions to holders of redeemable units</b>	(196,180)	(8,578)	(204,758)
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>1,465,190</b>	<b>53,625</b>	<b>1,518,815</b>
<b>Net assets attributable to holders of redeemable units at June 30, 2021</b>	\$ <b>8,106,581</b>	\$ <b>354,102</b>	\$ <b>8,460,683</b>

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



**STATEMENTS OF CASH FLOWS (unaudited)**

For the six months ended	June 30, 2021	June 30, 2020
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 1,723,573	\$ (2,998,708)
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash	(1,127)	(17,639)
Net realized (gain) on sale of non-derivative investments	(39,427)	(460,470)
Net change in unrealized appreciation or depreciation on non-derivative investments	(1,556,677)	2,961,719
Net realized loss on foreign currency forward contracts	(179,788)	350,897
Net change in unrealized appreciation or depreciation on foreign currency forward contracts	(4,792)	195,817
Decrease in dividends and distributions receivable	150	3,703
Increase in prepaid expenses and other assets	(6,067)	(5,980)
Decrease in accrued liabilities	(5,625)	(13,769)
Operating cash flows:		
Purchases of investments and derivatives	–	(138,088)
Proceeds from sale of investments and derivatives	135,524	799,401
Net proceeds received (paid) on settlements of foreign currency forward contracts	179,788	(350,897)
<b>Net cash from operating activities</b>	<b>245,532</b>	<b>325,986</b>
<b>Cash flows used in financing activities</b>		
Redemptions of redeemable units	–	(71,438)
Distributions paid to holders of redeemable units	(211,990)	(336,076)
Distributions reinvested on behalf of holders of redeemable units	(15,581)	(31,872)
<b>Net cash used in operating activities</b>	<b>(227,571)</b>	<b>(439,386)</b>
Unrealized foreign exchange gain (loss) on cash	1,127	17,639
Net increase (decrease) in cash	17,961	(113,400)
Cash at beginning of period	693,747	963,582
<b>Cash at end of period</b>	<b>\$ 712,835</b>	<b>\$ 867,821</b>
Dividends and distributions received	\$ 107,639	\$ 174,456
Withholding taxes paid	\$ 26	\$ 3,534

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

**SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)**

As at June 30, 2021		Cost	Fair value
No. of Units/ Shares			
<b>Equities</b>			
<b>Consumer Discretionary</b>			
7,500	Comcast Corporation Class 'A'	\$ 340,299	\$ 529,559
40,500	National CineMedia Inc.	714,568	254,266
		<b>1,054,867</b>	<b>783,825</b>
<b>Financials</b>			
20,500	First Financial Bancorp.	320,197	599,851
22,800	New York Community Bancorp., Inc.	310,644	311,130
		<b>630,841</b>	<b>910,981</b>
<b>Health Care</b>			
2,500	Eli Lilly and Company	156,437	710,537
		<b>156,437</b>	<b>710,537</b>
<b>Industrials</b>			
48,100	Atlas Corp.	796,484	711,124
24,700	Fly Leasing Limited ADR	413,804	518,127
35,700	SFL Corporation Ltd.	593,733	338,186
		<b>1,804,021</b>	<b>1,567,437</b>
<b>Information Technology</b>			
6,500	Intel Corporation	157,060	451,868
		<b>157,060</b>	<b>451,868</b>
<b>Materials</b>			
39,107	CatchMark Timber Trust, Inc. Class 'A'	548,290	566,587
37,100	Tronox Holdings plc	637,767	779,436
		<b>1,186,057</b>	<b>1,346,023</b>
<b>Real Estate</b>			
6,500	EPR Properties	368,178	424,019
8,000	Iron Mountain Inc.	296,443	419,239
6,200	Ryman Hospitality Properties, Inc.	244,860	606,212
18,600	Weyerhaeuser Company	549,130	613,761
		<b>1,458,611</b>	<b>2,063,231</b>
	<b>Total equities</b>	<b>\$ 6,040,023</b>	<b>\$ 7,833,902</b>
	<b>Embedded broker commissions</b>	<b>(10,291)</b>	
	<b>Total investments</b>	<b>\$ 6,029,732</b>	<b>\$ 7,833,902</b>

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2021*

**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 August 3, 2021.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued 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 (“FVTPL”). 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.

**3. 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. IFRS 9 requires financial instruments to be recognized initially at their fair value and then classified as subsequently as 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 Fund’s business model for managing financial assets in accordance with the Fund’s documented investment strategy and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment.

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 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2021 (continued)*

**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. 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 may enter 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. Any collateral pledged by the counterparty to a securities lending transaction is not recognized as the Fund does not accept the risks and rewards of ownership of that collateral. The Fund's participation in securities lending has been suspended and may be reactivated by the Manager at any time (note 12).

**e) Offsetting**

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

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

**f) Cash**

Cash consist of deposits with financial institutions.

**g) Foreign currency forward contracts**

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These are over-the-counter derivatives and are valued at FVTPL. The fair value of the buy side of a contract is netted with the fair value of the sell side of the contract when there is a contractual ability

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2021 (continued)*

to settle on a net basis. The 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 when the right to receive payment is established, which is generally 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; fees paid to the Canadian Depository for Securities which are class specific; and the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar denominated value of the net assets attributable to the Class A units, and which are allocated to Class A.

**j) Foreign exchange**

The functional and presentation currency of the Fund is the Canadian dollar. Any currency other than the Canadian dollar represents foreign currency to the Fund. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund’s Class A units are denominated in Canadian dollars. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund’s Class U Units are denominated in U.S. dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that the transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as ‘Foreign exchange gain (loss) on cash’ and those relating to investment and derivatives are presented within ‘Net realized gain (loss) 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’, as applicable, 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 unitholders 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) Portfolio transaction costs**

Commissions and other portfolio transaction costs on purchases and sales of investments are expensed and are included in ‘Portfolio transaction costs’ in the Statements of Comprehensive Income. Portfolio 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

**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 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.

**p) Redemption of units**

When units of the Fund are redeemed 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’.

**4. 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.

**5. 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, 2021, the Fund had no non-capital losses carried forward (December 31, 2020 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at June 30, 2021, the Fund had \$1,234,081 in capital losses available for carryforward (December 31, 2020 – \$1,234,081).

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.

**6. 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

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

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

The 2020 annual redemption took place on October 29, 2020 and consisted of 54,700 Class A units for redemption proceeds of \$273,303 and 22,000 Class U units for proceeds of US\$112,532 (\$150,411), payable on November 19, 2020.

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, 2021 and 2020, no Class A units and no Class U units were redeemed under the monthly redemption option.

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.

Unit transactions of the Fund for the six months ended June 30, 2021 and 2020 were as follows:

	June 30, 2021		June 30, 2020	
	Class A	Class U	Class A	Class U
Units outstanding at beginning of year	1,089,889	38,240	1,142,954	61,460
Class U units converted to Class A	–	–	294	(220)
Units outstanding at end of year	1,089,889	38,240	1,143,248	61,240

The closing market price of the Fund’s Class A units on June 30, 2021 was \$6.92 (December 31, 2020: \$6.08).

**7. CAPITAL MANAGEMENT**

For operating purposes, redeemable units issued and outstanding are considered to be the capital of the Fund. As at June 30, 2021 the Fund’s capital therefore comprised net assets attributable to holders of redeemable units of \$8,460,683

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2021 (continued)*

(December 31, 2020 – \$6,941,868). The Fund’s objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing if applicable, or purchase units for cancellation.

**8. DISTRIBUTIONS TO UNITHOLDERS**

The Manager changed the Funds targeted annual distributions effective January 1, 2021 to \$0.36 per Class A unit and US\$0.36 per Class U unit.

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, 2021, the Fund declared total distributions of \$0.18 (2020 – \$0.30) per Class A unit and US\$0.18 (2020 – US\$0.30) per Class U unit, which amounted to \$196,180 (2020 – \$342,945) for Class A units and US\$6,883 (\$8,578) (2020 – US\$18,394 (\$25,203)) 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, 2021, distributions of \$13,215 were reinvested in 1,891 Class A units of the Fund which were purchased on the open market (2020 – \$31,866 reinvested in 5,546 Class A units of the Fund).

In conjunction with the annual redemption described in note 6, the Fund made no distributions of capital gains to redeeming unitholders.

**9. 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 10.

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 service 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.

**10. RELATED PARTY TRANSACTIONS**

In accordance with the Declaration of Trust, the Manager is entitled to an annual management fee of 1.15% per annum of the NAV of the Fund, calculated weekly and paid monthly in arrears, plus applicable taxes.

For the six months ended June 30, 2021, the Fund expensed management fees of \$51,531 (2020 – \$48,166). As at June 30, 2021, the Fund had management fees payable of \$9,084 (December 31, 2020 – \$7,274) 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, 2021 the Fund expensed the following amounts which were paid and recharged by the Manager: IRC fees of \$16,475 (2020 – \$13,610), filing fees of \$538 (2020 – \$271) and wire service fees of \$381 (2020 – \$288) (both included in ‘unitholder reporting costs’) and unitholder information costs of \$1,212 (2020 – \$1,610) and premiums for insurance coverage for members of the IRC of \$283 (2020 – \$279) (both included in ‘other administrative expenses’). As at June 30, 2021 the Fund owed the Manager \$186 for recharged expenses (December 31, 2020 – \$1,145) included in accrued liabilities. As at June 30, 2021 the Fund was not owed any amount by the Manager (December 31, 2020 – the Fund was owed \$1,145 for overcharged expenses included in prepaid expenses and other assets.)

Units held by the Manager and its affiliates represent 12.3% of the Class A units outstanding at June 30, 2021 (December 31, 2020 – 12.3%).



**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

**11. PORTFOLIO TRANSACTION COSTS**

During the six months ended June 30, 2021 the Fund paid \$442 (2020 – \$1,422) in brokerage commissions and other portfolio transaction costs. There are no soft dollar commissions.

**12. SECURITIES LENDING**

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, (as administrator), which has a DBRS credit rating of AA / R-1 / Positive 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. The Manager suspended the Fund's participation in the securities lending program during the six months ended June 30, 2020, but can reactivate the Fund's participation at any time.

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: 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 Co-ordination 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.

There were no securities loaned or collateral pledged under securities lending transactions as at June 30, 2021 and December 31, 2020.

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, 2021 and 2020:

	June 30, 2021		June 30, 2020	
	\$	% of gross income	\$	% of gross income
Securities lending income	–	N/A	\$ 327	70.6%
Agent fees paid to the lending agent	–	N/A	136	29.4%
Withholding tax	–	N/A	0	0.0%
Gross securities lending income	<u>\$ –</u>		<u>\$ 463</u>	

**13. 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

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

To achieve the required hedge, the Fund has entered into rolling foreign currency forward contracts with terms of approximately one month, with a financial institution which has a DBRS credit rating of AA / R-1 / 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, 2021, the Fund held the following foreign currency forward contract:

<u>Gross financial liability</u>			<u>Gross financial asset</u>			<u>Unrealized depreciation</u>
<u>Notional value</u>	<u>Currency</u>	<u>Fair value CAD</u>	<u>Notional value</u>	<u>Currency</u>	<u>Settlement date</u>	
(5,900,000)	USD	(7,306,060)	7,305,380	CAD	July 28, 2021	\$(680)

As at December 31, 2020, the Fund held the following foreign currency forward contract:

<u>Gross financial liability</u>			<u>Gross financial asset</u>			<u>Unrealized depreciation</u>
<u>Notional value</u>	<u>Currency</u>	<u>Fair value CAD</u>	<u>Notional value</u>	<u>Currency</u>	<u>Settlement date</u>	
(3,800,000)	USD	(4,841,048)	4,835,576	CAD	January 13, 2021	\$(5,472)

**14. 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, 2021 and December 31, 2020.

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 may enter 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

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2021 (continued)*

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 any such transactions is considered minimal. The Fund's participation in securities lending has been suspended and may be reactivated by the Manager at any time (note 12).

The Fund also enters into foreign currency forward contracts as described in note 13.

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 12 and 13). To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information. Given that the Fund is primarily invested in equities, credit risk is not considered significant.

**c) Market risk and other price risk**

Market risk is the possibility that investments experience losses due to factors that affect the overall performance of the financial markets. The current global pandemic caused by the outbreak of COVID 19 respiratory disease has impacted global stock markets, including stock valuations and market volatility. In general, war and occupation, terrorism and related geopolitical risks or other factors including global health risks or pandemics may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities held in the Fund's portfolio.

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 market risk, 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 market risk and other price risk from its investment in common equities, REITs and income trusts. As at June 30, 2021 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 \$783,390 (December 31, 2020 – \$637,332) or 9.3% (December 31, 2020 – 9.2%) of 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, 2021 and December 31, 2020, 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

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

note 13. 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, 2021, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

Currency	Class A currency risk exposed holdings		Net Class A exposure	As a percentage of Class A net assets
	Monetary	Non-monetary		
U.S. dollars	\$ 6,897,052	\$ 7,511,022	\$ 613,970	7.57%

As at December 31, 2020, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

Currency	Class A currency risk exposed holdings		Net Class A exposure	As a percentage of Class A net assets
	Monetary	Non-monetary		
U.S. dollars	\$ (4,404,742)	\$ 6,102,581	\$ 1,697,839	25.56%

As at June 30, 2021, 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 \$30,699 or 0.38% (December 31, 2020 – \$84,892 or 1.28%). 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, 2021 and December 31, 2020:

Market Segment	June 30, 2021	December 31, 2020
Consumer Discretionary	9.3%	10.0%
Financials	10.8%	11.0%
Health Care	8.4%	7.7%
Industrials	18.5%	16.6%
Information Technology	5.3%	5.9%
Materials	15.9%	15.8%
Real Estate	24.4%	24.8%

**15. 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.

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2021 (continued)

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 at June 30, 2021 and December 31, 2020:

**June 30, 2021**

	Level 1	Level 2	Level 3	Total
<b>Equities</b>	\$ 7,833,902	\$ –	\$ –	\$ 7,833,902
<b>Unrealized depreciation on foreign currency forward contract</b>	–	(681)	–	(681)
	<b>\$ 7,833,902</b>	<b>\$ (681)</b>	<b>\$ –</b>	<b>\$ 7,833,221</b>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Equities	\$ 6,373,322	\$ –	\$ –	\$ 6,373,322
Unrealized depreciation on foreign currency forward contract	–	(5,472)	–	(5,472)
	<b>\$ 6,373,322</b>	<b>\$ (5,472)</b>	<b>\$ –</b>	<b>\$ 6,367,850</b>

The measurement of the gross financial liability arising under the Fund's foreign exchange forward contracts as disclosed in note 13 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, 2021 and December 31, 2020.

**CORPORATE  
INFORMATION**

**Independent Review Committee**

**Anthony P. L. Lloyd (Chair),**  
BSc (Hons), MBA, ICD.D

**Lea M. Hill,**  
BCom, FCSI

**Cameron Goodnough,**  
BCom, LLB, MBA

**Directors and Officers of Bloom  
Investment Counsel, Inc.**

**M. Paul Bloom, BA (Hons)**  
Director, President and Secretary,  
Portfolio Manager

**Adina Bloom Somer, BA (Hons),  
MBA, CIM**  
Director and Vice President,  
Portfolio Manager

**Beverly Lyons, BCom, FCPA,  
FCA, ICD.D**  
Independent Director

**Fiona E. Mitra, BA (Hons), CPA, CA**  
Chief Financial Officer

**Allan Broudno, BCom, CFP, CIM**  
Vice President, Business  
Development & Wealth Planning

**Trustee**

Bloom Investment Counsel, Inc.

**Custodian**

CIBC Mellon Trust Company

**Auditors**

PricewaterhouseCoopers LLP,  
Chartered Professional Accountants

**Website**

[www.bloomfunds.ca](http://www.bloomfunds.ca)

**Mailing Address**  
Suite 1710, 150 York Street  
Toronto, ON M5H 3S5

Investor Relations: 416-861-9941  
Toll Free: 1-855-BLOOM18  
(1-855-256-6618)  
Website: [www.bloomfunds.ca](http://www.bloomfunds.ca)