



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

**BLOOM U.S. INCOME & GROWTH FUND**  
(FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND)

**INTERIM REPORT FOR THE PERIOD  
ENDED JUNE 30, 2013**

**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 and we assume no obligation to update or revise them to reflect new events or circumstances.*

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**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 either interim or annual financial statements of the Fund. The interim financial statements follow this report. You may obtain a copy of any of the Fund's annual or interim reports, at no cost, by calling 1-855-BLOOM18 or by sending a request to Investor Relations, 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 monthly 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 are based on Net Assets calculated using Canadian generally accepted accounting principles which require the use of the last bid price for investment valuation.*

All figures are stated in Canadian dollars unless otherwise noted.

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**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.

**RECENT DEVELOPMENTS**

**Inception and reorganization**

The Fund commenced operations on March 21, 2013 under the name Bloom U.S. Advantaged Income & Growth Fund. The Fund was set up to achieve certain tax advantages for unitholders, and was part of a structure comprising the Fund, a counterparty and BUIG Trust, a trust also managed by the Manager. Immediately upon its commencement, the Fund entered into forward purchase and sale agreements (“Forward Agreements”) with the counterparty in order to gain exposure to a portfolio of US stocks (the “Portfolio”) held by BUIG Trust. However, the Federal budget dated March 21, 2013 introduced certain measures which precluded the unitholders of the Fund from obtaining the envisaged tax advantages going forward. In response to this, the Fund completed a reorganization on April 26, 2013, which included the termination of the Forward Agreements, the termination of BUIG Trust and the acquisition of the portfolio by the Fund, resulting in operational cost savings, including the avoidance of counterparty fees. The Fund also changed its name to Bloom U.S. Income & Growth Fund.

Prior to the reorganization, BUIG Trust generated its own income and realized and unrealized gains and losses, and bore its own expenses, including management fees. These were incorporated into the Net Asset Value of the Fund via changes in the value of the Forward Agreements. Upon termination of the Forward Agreements the Fund realized a net gain. Therefore the income, expenses, gains and losses of BUIG Trust are not incorporated directly into the income, expenses, gains and losses of the Fund, but their effects on the Net Asset Value of the Fund are represented by the realized gain on the termination of the Forward Agreements.

**INVESTMENT OBJECTIVES AND STRATEGIES**

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

**RISK**

Risks associated with an investment in units of the Fund are discussed in the Fund’s offering prospectus, which is available on the Fund’s website at [www.bloomfunds.ca](http://www.bloomfunds.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com). Changes to the Fund which have affected certain of these risks are discussed below.

**Effect of reorganization**

Many of the risk factors outlined in the Fund’s offering prospectus relate and/or refer to BUIG Trust. In all instances these risk factors now apply to the Fund directly.

**Counterparty Risk and Early Termination of Forward Agreement**

Both of these risk factors no longer apply as the Fund has terminated the Forward Agreements.

**INVESTMENT MANAGER**



The manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, the

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Manager currently manages specialty high-income equity portfolios comprised of dividend paying common equity securities, income trusts, real estate investment trusts and limited partnerships.

**INVESTMENT MANAGER'S REPORT**

July 15, 2013

**The U.S. Economy**

The predominant development in the second quarter was the commentary by Ben Bernanke, Chairman of the U.S. Federal Reserve, which indicated that low inflation would not prevent earlier increases to the Reserve Rates. This implies that the days of support for the bond market are numbered. These are likely the first steps in the removal of the policy of monetary easing that has been supporting the U.S. economy for the past few years. The hope is that the nascent U.S. economic growth will soon be firm enough to withstand the absence of monetary stimulus.

Bernanke's commentary caused a sharp increase in U.S. Treasury yields. Specifically, U.S. 10 year yields, a bell-weather for longer term interest rates, surpassed a crucial 2.50% threshold, hitting its highest levels in 2 years. Equity markets also suffered a significant setback though some of this was erased by quarter's end, followed by further strength after June payroll details were released the morning of July 5th.

The U.S. jobless rate was unchanged at 7.6% for the month of June, remaining slightly above April's post-recession low of 7.5%. The details of the sub-components of this rate are what is most important: Payroll Employment growth and Wage Rate growth are both accelerating. The result of this economic release caused 10 year Treasury yields to jump even further than the level reached after Bernanke's comments noted above, with yields hitting 2.75% in the anticipation of future rate increases by the Fed. The yield on the 10 year bond has risen by over 50% from the 1.8% level over the last two months.

U.S. first quarter GDP was recently revised downward, to a 1.8% annual rate from a preliminary estimate of 2.4%. The real Personal Consumption Expenditures rate was also revised downwards, from 3.4% to 2.6% in the same period. Continued weakness in consumer spending (2/3 of the economy) is being cited as the leading culprit to these negative revisions.

U.S. Housing continues to gather momentum as new home sales rose for the third consecutive month in May and are approaching 5-year highs. Pending home sales hit levels not seen since 2006. Rising home prices in May, up 12.1% year-over-year are resuscitating household balance-sheets which have now regained all the wealth lost during the 2009 recession. Levels of homeowner equity have risen from a low of 39% in 2009 to 47% currently, still well below the 59% pre-recession levels but a long way to improving consumer confidence.

**U.S. Investment Markets**

The S&P 500 Total Return Index for the last quarter was up 2.9% and year-to-date has returned 13.8%. The best performing sector for the quarter was Financials (up 7.3%) followed by Consumer Discretionary (up 6.8%). The weakest performing sector for the quarter was Utilities (down 2.7%) followed by Materials (down 1.8%).

Bond market returns for the quarter and year-to-date significantly under-performed the S&P 500, NASDAQ and Dow Jones indices. Long-Term (30-year) U.S. Treasury Bonds returned negative 6.7% in the most recent quarter and are down 8.8% since the beginning of the year. Mid-term (10-year) bonds provided negative 5.2% and negative 5.5% returns for the same periods, while short-term (5-year) bonds were down 2.8% in both periods. 90-Day Treasury Bills returns are currently essentially zero for both periods.

The U.S. Dollar against the Canadian Dollar rose by 3.5% last quarter and since the commencement of this year has risen by 5.7%. Generally improving economic conditions are driving a resurgent U.S. dollar.

**Portfolio Changes**

27 positions have now been initiated in the portfolio with an expectation of adding further positions should attractive opportunities become available.

**Outlook**

The outlook for the U.S. equity market for the remainder of 2013 appears positive, though a bout of profit taking can be expected at any time following the prolonged period of strength. Economic results, especially housing and employment, continue to point towards a mild but consistently improving environment.

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The rise in interest rates, though anticipated to occur over the next twelve months, occurred in a very contracted period. This has caused interest sensitive stocks, and stocks with higher dividend yields to fall sharply. We believe that rates have ratcheted up far too quickly, and we expect some retrenchment in the more immediate term which will in turn provide some support for these stocks.

We are currently looking to invest our remaining cash with the above comments in mind.

**RESULTS OF OPERATIONS**

*The Fund commenced operations on March 21, 2013 so there is no comparative information for the period ended June 30, 2013.*

**Distributions**

During the period ended June 30, 2013, distributions totaled \$0.17 per Class A unit and US\$0.17 per Class U units. The 2013 distribution reflects a monthly rate of \$0.05 per Class A unit and US\$0.05 per Class U unit, in accordance with the targeted distribution rate of 6% per annum on the subscription price of \$10 per Class A unit and US\$10 per Class U unit as disclosed in the Fund's Prospectus.

**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 listing on the TSX and its distribution reinvestment plan (DRIP); the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar value of the portion of the net assets attributable to the Class A units, and which are allocated to Class A; and the realized gain or loss on the termination of each of the Forward Agreements, which were allocated to the Class to which that Forward Agreement related.

**Increase in Net Assets from Operations**

Total revenue from the Fund's portfolio was \$442,575 net of withholding taxes (\$0.11 per Class A unit and \$0.10 per Class U unit) for the period ended June 30, 2013, comprised primarily of dividend income. Expenses were \$250,883 (\$0.06 per Class A unit and \$0.05 per Class U unit) for the period, the major components being management fees of \$148,498 and other administrative expenses of \$28,021.

The Fund had total net realized gains of \$0.5 million (\$0.11 per Class A unit and \$0.08 per Class U unit) which includes net realized gains on settlement of the forward agreements of \$0.2 million, realized gains on foreign currency forward contracts of \$0.5 million and net realized losses on foreign currency of \$0.2 million.

In addition, the Fund had total net unrealized losses of \$2.0 million (\$0.54 per Class A unit and \$nil per Class U unit) which includes unrealized depreciation on foreign currency forward contracts of \$1.6 million and unrealized depreciation on portfolio investments of \$0.8 million, offset by unrealized appreciation on foreign currency of \$0.4 million.

**Net Asset Value**

The Net Asset Value per unit of Class A units of the Fund was \$8.78 at June 30, 2013, down by 5.8% from \$9.32 (issue price per Class A unit less issue costs per Class A unit) at inception. The Net Asset Value per unit of Class U units of the Fund was US\$9.05, down by 3.0% from US\$9.33 (issue price per Class U unit less issue costs per Class U unit) at inception.

The aggregate Net Asset Value of the Fund decreased from \$38.1 million at March 21, 2013 to \$37.0 million at June 30, 2013, primarily due to a net increase in capital of \$0.9 million through the over allotment option granted by the Fund to its Agents as part of its Initial Public Offering and net income of \$1.1 million offset by distributions to unitholders of \$0.7 million, a net unrealized loss on foreign currency forward contracts of \$1.5 million and net unrealized losses of \$0.8 million on the portfolio. There were no redemptions during the period.

**Liquidity**

To provide liquidity for unitholders, Class A units of the Fund are listed on the TSX under the symbol BUA.UN. Class U units are not listed on the TSX but are convertible to Class A units on a monthly basis. The Fund received approval from the TSX on June 25, 2013 for a normal course issuer bid program from June 27, 2013 to June 26, 2014, allowing the Fund to purchase for cancellation up to 361,271 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. No units were purchased by the Fund under this normal course issuer bid in the period ended June 30, 2013.

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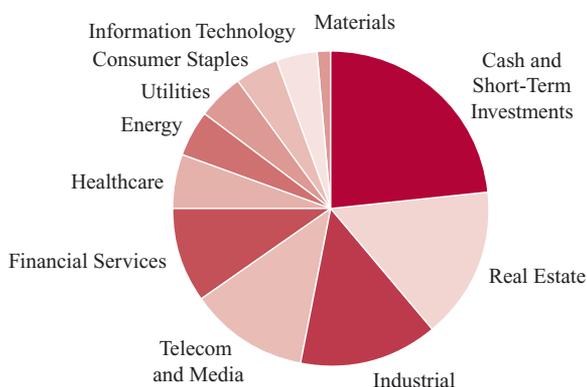
**Investment Portfolio**

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 period to June 30, 2013, a portion of the portfolio was held in cash, until suitable investment opportunities present themselves. By the end of the period, 75% of the portfolio was invested in equity securities.

The Fund has invested primarily in the real estate, industrial, telecom and media and financial sectors. The Fund's largest individual holdings by market value as at June 30, 2013 are in CenturyLink Inc. (telecom and media), PDL Biopharma Inc. (healthcare), New York Community Bancorp Inc. and First Financial Bancorp (financial) and TAL International Group, Inc. (industrial). The breakdown of the portfolio by market value is shown in the pie chart as well as in the Summary of Investment Portfolio below.

The Fund had net unrealized losses of \$0.9 million in its portfolio as at June 30, 2013, with the real estate holdings contributing losses of \$1.1 million, the industrial sector contributing gains of \$0.4 million and the remaining sectors contributing net losses of \$0.2 million

**Portfolio Sectors**



Sector	Value (thousands)	% of Total
Cash and Short-Term Investments	\$ 9,037	23.4%
Real Estate	6,074	15.7%
Industrial	5,456	14.1%
Telecom and Media	4,700	12.2%
Financial Services	3,834	9.9%
Healthcare	2,118	5.5%
Energy	1,800	4.7%
Utilities	1,759	4.6%
Consumer Staples	1,749	4.5%
Information Technology	1,645	4.3%
Materials	446	1.2%
<b>Total</b>	<b>\$ 38,618</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. All figures include applicable sales taxes.

**Administration and Investment Management Fees**

Pursuant to the Fund's Declaration of Trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.55% per annum of the Net Asset Value of the Fund. The management fee is comprised of 1.15% per annum of the Net Asset Value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the trailer fee of 0.4% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

Prior to the reorganization of the Fund, the Manager was entitled to an annual management fee aggregating to 0.80% per annum of the Net Asset Value of the Fund, comprised of 0.40% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes. The Manager was also entitled to an annual management fee of 0.75% per annum of the Net Asset Value of BUIG Trust, calculated and payable monthly in arrears, plus applicable taxes.

The management fee is used by the Manager to cover the cost to administer the Fund. The Manager pays the trailer fee to the registered investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. For the period ended June 30, 2013, management fees charged directly to the Fund amounted to

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\$148,498 including trailer fees of \$41,558, and management fees charged to BUIG Trust prior to the reorganization of the Fund amounted to \$29,653.

**Other expenses recharged to the Fund**

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the period ended June 30, 2013 the Fund expensed investor relations costs of \$5,243, Independent Review Committee fees of \$8,146 and insurance premiums of \$140 which were paid and recharged by the Manager. The Manager also recharged \$56,516 of costs relating to the initial private offering of the Fund, which the Manager paid on the Fund's behalf prior to the completion of the offering.

Prior to the reorganization of the Fund, the Manager did not pay any expenses on behalf of BUIG Trust.

**INDEPENDENT REVIEW COMMITTEE**

Prior to the Fund's launch, the Independent Review Committee ("IRC") for the Bloom Funds was established pursuant to National Instrument 81-107 ("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, 2013 the IRC consisted of three members, all of whom are independent of the Manager.

The Manager has received two standing instruction 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, 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.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

**SUMMARY OF INVESTMENT PORTFOLIO**

As at June 30, 2013

Total Net Asset Value (including Cash, Short Term Investments and Other Net Assets) – Class A	\$32,609,382
Total Net Asset Value (including Cash, Short Term Investments and Other Net Assets) – Class U	US\$4,142,418

<b>Portfolio Composition</b>	<b>% of Equity Portfolio</b>	<b>% of Total Net Asset Value</b>
Real Estate	20.5%	16.4%
Industrial	18.4%	14.8%
Telecom and Media	15.9%	12.7%
Financial	13.0%	10.4%
Health Care	7.2%	5.7%
Energy	6.1%	4.9%
Utilities	5.9%	4.8%
Consumer Staples	5.9%	4.7%
Information Technology	5.6%	4.4%
Materials	1.5%	1.2%
Total Investment Portfolio	100.0%	80.0%
Cash and Short Term Investments		24.5%
Other Non-Debt Net Assets (Liabilities)		(4.5%)
Total Net Asset Value		100.0%

<b>Top 25 Holdings</b>	<b>% of Equity Portfolio</b>	<b>% of Total Net Asset Value</b>
Cash and Short Term Investments	N/A	24.4%
CenturyLink, Inc.	7.6%	6.1%
PDL Biopharma, Inc.	7.2%	5.7%
New York Community Bancorp, Inc.	6.7%	5.4%
First Financial Bancorp	6.3%	5.0%
TAL International Group, Inc.	6.2%	5.0%
Ship Finance International Limited	6.1%	4.9%
Windstream Corporation	5.9%	4.7%
R. R. Donnelley & Sons Company	5.8%	4.6%
Pitney Bowes Inc.	4.8%	3.8%
Senior Housing Properties Trust	4.4%	3.6%
Invesco Mortgage Capital Inc.	4.1%	3.3%
Intersil Corporation	4.0%	3.2%
FirstEnergy Corp.	4.0%	3.2%
American Capital Agency Corp.	3.9%	3.2%
CYS Investments, Inc.	3.7%	3.0%
Kraft Foods Group, Inc.	3.2%	2.6%
Hatteras Financial Corp.	3.0%	2.4%
Aircastle Limited	1.7%	1.4%
Intel Corporation	1.6%	1.2%
Tronox Limited	1.5%	1.2%
AT&T Inc.	1.4%	1.1%
National CineMedia, Inc.	1.4%	1.1%
Regal Entertainment Group	1.3%	1.1%
EPR Properties	1.3%	1.0%

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

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTICE**

The accompanying unaudited financial statements of Bloom U.S. Income & Growth Fund (the “Fund”) for the six months ended June 30, 2013 have been prepared by Bloom Investment Counsel, Inc. (the “Manager” of the Fund) and approved by the Board of Directors of the Manager.

Signed



**M. Paul Bloom**  
*President and Director*  
*Bloom Investment Counsel, Inc.*

Signed



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

August 13, 2013

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**STATEMENT OF NET ASSETS (unaudited)**

As at June 30	2013
<b>Assets</b>	
Investments at fair value (cost: \$30,435,810)	\$ 29,098,778
Cash	9,037,086
Investment income receivable	224,110
Prepaid expenses and other assets	24,920
<b>Total Assets</b>	<b>38,384,894</b>
<b>Liabilities</b>	
Distributions payable to unitholders	209,892
Accrued liabilities	150,322
Unrealized loss on foreign currency forward contracts (note 12)	1,550,252
<b>Total Liabilities</b>	<b>1,910,466</b>
<b>Unitholders' equity</b>	
Unitholders' capital (note 5)	38,305,288
Deficit	(1,830,860)
<b>Net Assets representing unitholders' equity</b>	<b>\$ 36,474,428</b>
<b>Net Assets per class representing unitholders' equity</b>	
Class A	\$ 32,175,613
Class U (US\$4,201,664)	\$ 4,298,815
<b>Net Assets per Unit (note 3)</b>	
Class A	\$ 8.66
Class U (US\$9.17)	\$ 9.39

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

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**STATEMENT OF OPERATIONS AND DEFICIT (unaudited)**

For the period from March 21 (commencement of operations) to June 30	2013
<b>Investment income</b>	
Dividend income	\$ 437,061
Securities lending income	5,514
	442,575
<b>Expenses (Note 8)</b>	
Management fees (note 9)	148,498
Forward agreement fees	18,815
Legal fees	18,350
Unitholder reporting costs	14,531
Audit fees	9,666
Independent review committee fees	8,146
Custody fees	4,856
Other administrative expenses	28,021
	250,883
<b>Net investment income</b>	191,692
Transaction costs	(21,576)
Net realized gain on sale of investments	174,152
Net realized gain on foreign currency forward contracts	459,367
Net realized loss on foreign currency	(161,683)
Unrealized depreciation on investments	(1,337,032)
Unrealized depreciation on foreign currency forward contracts	(1,550,252)
Unrealized appreciation on foreign currency	414,472
<b>Increase/decrease in net assets from operations</b>	
Class A	(1,837,292)
Class U (US\$6,097)	6,432
<b>Total decrease in net assets from operations</b>	(1,830,860)
<b>Retained earnings, beginning of period</b>	–
<b>Accumulated deficit, end of period</b>	\$ (1,830,860)
<b>Decrease in net assets from operations per unit</b>	
Class A	\$ (0.50)
Class U (US\$0.01)	\$ 0.01

**STATEMENT OF CHANGES IN NET ASSETS (unaudited)**

For the period from March 21 (commencement of operations) to June 30	2013	
	Class A	Class U
<b>Net assets, beginning of period</b>	\$ –	\$ –
<b>Decrease in net assets from operations (note 2 (e))</b>	(1,837,292)	6,432
<b>Distributions to unitholders</b>		
From return of capital	(621,289)	(80,762)
	(621,289)	(80,762)
<b>Capital unit transactions (note 5)</b>		
Net proceeds from units issued	34,485,295	4,522,044
Class U units converted to Class A units	148,899	(148,899)
	34,634,194	4,373,145
<b>Increase in net assets for the period</b>	32,175,613	4,298,815
<b>Net assets, end of period</b>	\$ 32,175,613	\$ 4,298,815

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

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**STATEMENT OF INVESTMENTS (unaudited)**

As at June 30, 2013		Cost	Fair Value	% of net assets
No. of Units/ Shares				
	<b>Equities</b>			
	<b>Consumer Staples and Discretionary</b>			
16,000	Kraft Foods Group Inc.	\$ 889,504	\$ 942,703	
23,000	National CineMedia Inc.	407,047	372,935	
21,000	Regal Entertainment Group	405,591	405,639	
		<b>1,702,142</b>	<b>1,721,277</b>	4.72%
	<b>Energy</b>			
115,000	Ship Finance International Limited	1,912,586	1,789,459	
		<b>1,912,586</b>	<b>1,789,459</b>	4.91%
	<b>Financial Services</b>			
118,000	First Financial Bancorp	1,843,085	1,854,813	
134,000	New York Community Bancorp Inc.	1,825,713	1,973,432	
		<b>3,668,798</b>	<b>3,828,245</b>	10.50%
	<b>Health Care</b>			
260,000	PDL BioPharma Inc.	2,149,196	2,032,467	
		<b>2,149,196</b>	<b>2,032,467</b>	5.57%
	<b>Industrial</b>			
30,000	Aircastle Limited	416,218	460,169	
91,153	Pitney Bowes Inc.	1,450,546	1,411,656	
115,000	R.R. Donnelley & Sons Company	1,506,205	1,698,470	
40,000	TAL International Group Inc.	1,642,697	1,692,140	
		<b>5,015,666</b>	<b>5,262,435</b>	14.43%
	<b>Information Technology</b>			
18,000	Intel Corporation	427,050	459,916	
144,000	Intersil Corporation Class 'A'	1,162,713	1,184,920	
		<b>1,589,763</b>	<b>1,644,836</b>	4.50%
	<b>Materials</b>			
21,000	Tronox Limited Class 'A'	429,339	420,925	
		<b>429,339</b>	<b>420,925</b>	1.15%
	<b>Real Estate</b>			
48,000	American Capital Agency Corp.	1,488,857	1,164,158	
114,000	CYS Investments Inc.	1,410,594	1,106,432	
7,200	Entertainment Properties Trust	393,584	381,833	
34,000	Hatteras Financial Corp.	921,491	873,752	
70,000	Invesco Mortgage Capital Inc.	1,493,430	1,222,160	
48,000	Senior Housing Properties Trust	1,438,069	1,215,809	
		<b>7,146,025</b>	<b>5,964,144</b>	16.35%
	<b>Telecom and Media</b>			
11,000	AT&T Inc.	419,404	410,798	
60,000	CenturyLink Inc.	2,294,615	2,234,384	
6,000	Verizon Communications Inc.	305,316	318,700	
213,000	Windstream Corporation	1,866,465	1,732,471	
		<b>4,885,800</b>	<b>4,696,353</b>	12.88%
	<b>Utilities</b>			
30,000	FirstEnergy Corp.	1,359,718	1,169,729	
13,500	Pepco Holdings Inc.	298,908	286,688	
16,000	Teco Energy Inc.	299,445	282,220	
		<b>1,958,071</b>	<b>1,738,637</b>	4.77%
	<b>Total Equities</b>	<b>\$ 30,457,386</b>	<b>\$ 29,098,778</b>	79.78%
	<b>Embedded Broker Commissions</b>	<b>(21,576)</b>		
	<b>Total Portfolio</b>	<b>\$ 30,435,810</b>	<b>\$ 29,098,778</b>	
	<b>Other Assets, Net of Liabilities</b>		<b>7,375,650</b>	20.22%
	<b>Total</b>		<b>\$ 36,474,428</b>	100.00%

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

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2013*

**1. ESTABLISHMENT OF THE FUND**

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, as amended and restated on April 25, 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.

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

**Reorganization of the Fund**

The Fund commenced operations on March 21, 2013 under the name Bloom U.S. Advantaged Income & Growth Fund. The Fund was set up to achieve certain tax advantages for unitholders, and was part of a structure comprising the Fund, a counterparty and BUIG Trust, a trust also managed by the Manager. Immediately upon its commencement, the Fund entered into forward purchase and sale agreements (“Forward Agreements”) with the counterparty in order to gain exposure to a portfolio of US stocks (the “Portfolio”) held by BUIG Trust. However, the Federal budget dated March 21, 2013 introduced certain measures which precluded the unitholders of the Fund from obtaining the envisaged tax advantages going forward. In response to this, the Fund completed a reorganization on April 26, 2013, which included the termination of the Forward Agreements, the termination of BUIG Trust and the acquisition of the portfolio by the Fund, resulting in operational cost savings, including the avoidance of counterparty fees. The Fund also changed its name to Bloom U.S. Income & Growth Fund.

Prior to the reorganization, BUIG Trust generated its own income and realized and unrealized gains and losses, and bore its own expenses, including management fees. These were incorporated into the net assets of the Fund via changes in the value of the Forward Agreements. Upon termination of the Forward Agreements the Fund realized a net gain, which is included in realized gain on sale of investments in the Statement of Operations. Therefore the income, expenses, gains and losses of BUIG Trust are not incorporated directly into the income, expenses, gains and losses of the Fund, but their effects are represented by the realized gain on the termination of the Forward Agreements within realized gain on sale of investments.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and include estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results could vary from these estimates.

National Instrument 81-106 – “Investment Fund Continuous Disclosure” (“NI 81-106”) requires all investment funds to calculate the Net Asset Value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net assets calculated based on Canadian GAAP (“Net Assets”) and Net Asset Value calculated based on NI 81-106 (“Net Asset Value”). A comparison between GAAP Net Assets per unit and Net Asset Value per unit is provided in Note 3.

**a) Valuation of investments**

For financial reporting purposes, investments are deemed held for trading and are valued at estimated fair value. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their bid prices. Investments held with no available bid or ask prices are valued at their closing sale prices.

Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs where possible, on such basis and in such manner established by the Manager.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2013 (continued)*

**b) Cash and short-term investments**

Cash and short-term investments consist of cash and short-term debt instruments with original maturities of less than three months. Short-term investments are valued at amortized cost.

**c) 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. The market value of such a contract will fluctuate with changes in currency exchange rates. The contract is marked-to-market and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the Fund 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.

**d) Investment transactions and income recognition**

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

**e) 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 listing on the TSX and its distribution reinvestment plan (DRIP); the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar value of the portion of the net assets attributable to the Class A units, and which are allocated to Class A; and the realized gain or loss on the termination of each of the Forward Agreements, which were allocated to the Class to which that Forward Agreement related.

**f) Foreign exchange**

The functional currency of the Fund is the Canadian dollar. Any currency other than the Canadian dollar represents foreign currency to the Fund. Purchases and sales of investments in foreign currencies are translated into the Fund's reporting currency using the exchange rate prevailing on the trade date. Income on foreign investments is recorded net of withholding tax and is translated at the prevailing exchange rate on the transaction date. The quoted fair value of investments and other assets and liabilities denominated in foreign currencies is translated at the period-end exchange rate.

**g) Increase (decrease) in net assets from operations**

Increase (decrease) in net assets from operations per unit in the statement of operations represents the increase (decrease) in net assets from operations for the period divided by the weighted average number of units outstanding during the period.

**h) Distributions**

Income and net realized capital gains (reduced by loss carryforwards, if any) earned by the Fund are distributed to participants through a regular monthly distribution. Any excess income and net realized capital gains not so distributed during the year are distributed in December of each year to participants. Any excess of regular monthly distributions over actual income and net realized capital gains is characterized as a return of capital.

**i) Transaction costs**

Transaction costs are expensed and are included in 'Transaction costs' in the statement of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment including units purchased for cancellation, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

**j) Financial instruments**

Investment income receivable and amounts due from investment dealers are designated as loans and receivables and recorded at amortized cost. Similarly, distributions payable, accrued liabilities and amounts due to investment dealers are designated as financial liabilities and are recorded at amortized cost. Given their short-term nature, amortized cost approximates fair value for these assets and liabilities.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2013 (continued)

**k) Issuance costs**

Issuance costs incurred in connection with the offering of units, which include agent's fees and other expenses of the offering, are charged to equity.

**3. COMPARISON OF NET ASSETS PER UNIT AND NET ASSET VALUE PER UNIT**

In accordance with NI 81-106, a comparison of the Net Assets per unit and the Net Asset Value per unit as at June 30, 2013 are as follows:

	<u>Class A</u>		<u>Class U</u>	
Net Assets per unit	\$ 8.66	\$	9.39	(US\$9.17)
Net Asset Value per unit	\$ 8.78	\$	9.51	(US\$9.05)

**4. INCOME TAXES**

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 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.

**5. UNITHOLDERS' EQUITY**

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

A holder of Class U units may convert such Class U units into Class A units on a monthly basis by delivering a notice and surrendering such Class U units by 3:00 p.m. (Toronto time) at least ten business days prior to the first business day of each month (the Conversion Date). For each Class U unit so converted, a holder will receive that number of Class A units equal to the Net Asset Value per unit of a Class U unit converted to Canadian dollars using the Bank of Canada closing rate (the Reference Exchange Rate) as at the close of trading on the business day immediately preceding the Conversion Date divided by the Net Asset Value 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

Commencing in 2014, Class A units and Class U units may be surrendered for redemption annually at the option of the unitholder during the period from September 15 to 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 unitholder 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.

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). 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. 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 per unit of a Class U unit and the denominator of which is the most recently calculated Net Asset Value per unit of a Class A

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2013 (continued)

unit. For such purpose, the Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U units.

On March 21, 2013, the Fund issued 3,600,000 Class A units and 473,556 Class U units at a price of \$10.00 per Class A and U.S.\$10.00 per Class U unit for proceeds, net of issuance costs, of \$33,555,390 for Class A units and \$4,522,044 (U.S.\$4,418,312) for Class U units. On April 19, 2013, the Fund exercised its over-allotment option for the issuance of an additional 98,143 Class A units at \$10 per unit for proceeds, net of issuance costs, of \$929,905. Total issuance costs were \$2,496,135 for Class A units and \$324,698 (U.S.\$317,428) for Class U units.

The Fund received approval from the TSX on June 25, 2013 for a normal course issuer bid program from June 27, 2013 to June 26, 2014, allowing the Fund to purchase for cancellation up to 361,271 Class A units on the TSX if they trade below Net Asset Value per unit. During the period ended June 30, 2013, the Fund purchased no units cancellation.

When units of the Fund are redeemed or purchased for cancellation at a price per unit which is lower than the average cost per unit, the difference is included in contributed surplus on the statement of net assets. If the redemption or purchase price is greater than the average cost per unit, the difference is first charged to contributed surplus until the entire account is eliminated, and the remaining amount is charged to retained earnings (deficit) in the statement of net assets.

Unit transactions of the Fund for the period ended June 30, 2013 were as follows:

	Class A		Class U	
	Number of Units	Amount	Number of Units	Amount
Units outstanding – beginning of period	–	\$ –	–	\$ –
Initial public offering, net of issuance cost	3,698,143	34,485,295	473,556	4,522,044
Distributions to unitholders	–	(621,291)	–	(80,760)
Class U units Converted to Class A	16,567	143,899	(15,600)	(143,899)
Units outstanding – end of period	3,714,710	\$ 34,007,903	457,956	\$ 4,297,385

Units held by the Manager and its affiliates represent 2.7% of the Class A units outstanding at June 30, 2013.

**6. CAPITAL MANAGEMENT**

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's capital includes unitholder's equity of \$38,305,288. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, or purchase units for cancellation.

**7. DISTRIBUTIONS PAYABLE TO UNITHOLDERS**

Distributions, as declared on the Fund's behalf by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month, payable by the fifteenth business day of the following month. For the period ended June 30, 2013, the Fund declared total distributions of \$0.17 per Class A unit and US\$0.17 per Class U unit, which amounted to \$621,291 for Class A units and US\$78,524 for Class U units. Under the Fund's distribution reinvestment plan ("DRIP"), unitholders may elect to reinvest monthly distributions in additional units of the Fund which are purchased in the open market.

**8. EXPENSES**

Management fees and other reasonable expenses incurred in the operations of the Fund are charged as expenses in the statements of operations of the Fund and include the costs of the Independent Review Committee and compliance with National Instrument 81-107, the costs of preparing and distributing financial statements and other reports to unitholders, accounting, valuation, custodial, transfer agent and registrar, audit, legal, regulatory and other professional fees, insurance premiums, and other expenses as described in the Declaration of Trust.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2013 (continued)*

**9. RELATED PARTY TRANSACTIONS**

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

Prior to the reorganization of the Fund, the Manager was entitled to an annual management fee aggregating to 0.80% per annum of the Net Asset Value of the Fund, comprised of 0.40% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes. The Manager was also entitled to an annual management fee of 0.75% per annum of the Net Asset Value of BUIG Trust, calculated and payable monthly in arrears, plus applicable taxes.

For the period ended June 30, 2013 the Fund expensed management fees of \$148,498. As at June 30, 2013, the Fund had management fees payable of \$79,854 included in accrued liabilities. In addition, prior to the reorganisation, BUIG Trust expensed and paid management fees of \$29,653.

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 period, ended June 30, 2013 the Fund expensed investor relations costs of \$5,423, IRC fees of \$8,146 and insurance premium of \$140 which were paid and recharged by the manager. The Manager also recharged \$56,516 of costs relating to the initial private offering of the Fund, which the Manager paid on the Fund's behalf prior to the completion of the offering.

**10. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS**

The Fund paid \$21,576 in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

**11. SECURITIES LENDING**

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, which has a DBRS credit rating of AA/R-1/Stable and a Moody's credit rating of Aa3/P-1/Stable, as lending agent. 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 statement of operations.

The Fund receives collateral of at least 102% of the value of securities on loan. Collateral may comprise: cash; debt that is issued or guaranteed by the Government of Canada or a province thereof, by the Government of the United States of America or of one of the states of the United States of America or of a sovereign state of the G7 countries, or of Austria, Denmark, Finland, Netherlands, 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.

The aggregate market value of securities loaned and collateral held under securities lending transactions as at June 30, 2013 are as follows:

<u>As at June 30, 2013</u>	
<u>Securities Loaned</u>	<u>Collateral held</u>
\$ 12,280,508	\$ 13,263,846

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2013 (continued)

**12. FOREIGN CURRENCY FORWARD CONTRACT**

The Fund utilizes rolling 90 day foreign currency forward contracts in the management of currency risk associated with its investment in foreign securities. The objective is to protect the Class A unitholders of the Fund from the possibility of capital losses on U.S. currency denominated investments due to increases in the value of the Canadian dollar. Substantially all of the U.S. dollar value of the net assets attributable to the Class A units is covered by a foreign currency forward contract in which the Fund sells the US dollars for a specified amount of Canadian dollars at a future date. However, credit and market risks associated with foreign currency forward contracts potentially expose the Fund to losses.

The result of employing foreign currency forward contracts is that the foreign exchange gains and losses on U.S. dollar denominated net assets move substantially in opposite directions from the gains and losses on the foreign currency forward contracts.

As at June 30, 2013, the Fund held the following foreign currency forward contract:

SALE		PURCHASE		Market value CAD	Settlement date	Unrealized gain (loss) CAD
Units	Currency	Units	Currency			
(33,200,000)	USD	33,498,800	CAD	35,049,052	August 1, 2013	(1,550,252)
<b>Net unrealized loss on foreign exchange forward contracts.</b>						<b>(1,550,252)</b>

**13. FINANCIAL INSTRUMENTS**

**a) Risk management**

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at June 30, 2013, and groups the securities by asset type and market segment. Significant risks that are relevant to the Fund are discussed below.

The Manager seeks to minimize potential adverse effects of these risks 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.

The Fund's investment portfolio is comprised primarily of U.S. equities and income trusts.

**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, 2013.

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

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

The Fund limits its exposure to credit loss by dealing with counterparties, including the lending agent, of high credit quality. To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2013 (continued)

upon factors surrounding the credit risk of counterparties, historical trends and other information. Given that the Fund is primarily invested in equities, credit risk is not considered significant.

**c) Other price risk**

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

The Fund is exposed to other price risk from its investment in income trusts and equity securities. As at June 30, 2013, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$2,909,878 or 7.98% of total net assets. In practice, the actual trading results may differ and the impact could be material.

**d) Liquidity risk**

Liquidity risk is the risk that the investments held by the Fund cannot be readily converted into cash when required. The Fund is exposed to liquidity risk through the monthly and annual redemption of its units, because there maybe 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 33 business days prior to the date of an annual redemption of units and at least 22 business days prior to a monthly redemption date, and has up to 16 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. 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. The Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the Fund is considered minimal.

**e) Interest rate risk**

Interest rate risk arises on interest-bearing financial instruments. The Fund is exposed to interest rate risk on its short-term investments. Fluctuations in interest rates have a direct effect on the Fund's ability to earn interest income. As at June 30, 2013, the Fund had no significant exposure to interest rate risk. It held no short-term investments.

**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 its currency risk through the use of rolling 90 day foreign currency forward contracts. Substantially all of the U.S. dollar value of net assets attributable to the Class A units is covered by a foreign currency forward contract in which the Fund sells the US dollars for a specified amount of Canadian dollars at a future date. The Fund's Class U units are redeemable in U.S. dollars, therefore the Class U unitholders not subject to substantial foreign currency exposure. The net assets attributable to the Class U units exclude unrealized gains or losses from the foreign currency forward contract. As at June 30, 2013, the Fund's direct exposure to currency risk was as follows:

Currency	Currency risk exposed holdings*	Market value of foreign currency forward contracts	Net exposure	As a percentage of net assets
U.S. dollars	\$ 38,622,235	\$ (35,049,052)	\$ 3,573,183	8.45%

\* Amounts include monetary and non-monetary items.

As at June 30, 2013, had the U.S. dollar exchange rate increased or decreased by 5% with all other variables held constant, the net exposure to currency risk would have increased or decreased by \$1,752,455 or 4.80% of net assets. In practice, the actual exchange rate fluctuations may differ and the impact could be material.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

June 30, 2013 (continued)

**g) Fair value hierarchy**

CICA Handbook Section 3862, “Financial Instruments – Disclosures” (“Section 3862”) establishes 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 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are considered to be less active.
- Level 3 Inputs that are unobservable. The determination of fair value requires significant management judgment or estimation.

The Fund’s investments recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund’s investments measured at fair value as of June 30, 2013:

**June 30, 2013**

	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Equities	\$ 29,098,778	\$	–	\$	–	\$	29,098,778
Foreign currency forward contract	–		(1,550,252)		–		(1,550,252)
<b>Total Investments</b>	<b>\$ 29,098,778</b>	<b>\$</b>	<b>(1,550,252)</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>27,548,526</b>

There were no transfers between the levels during the period.

**14. CHANGE IN BASIS OF ACCOUNTING – TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

The Fund will adopt IFRS as published by the International Accounting Standards Board (“IASB”) for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014.

Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (“IFRS 13”), which defines fair value, sets out a single framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 only applies when IFRS requires or permits fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, IFRS 13 requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. IFRS 13 allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences, if any, between the Net Assets per unit and Net Asset Value per unit at the financial statements reporting dates.

In October 2012, the IASB issued Investment Entities (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and International Accounting Standard (“IAS”) 27 Separate Financial Statements). The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments allow an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The amendments also introduce new disclosure requirements for investment entities. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2014.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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**NOTES TO FINANCIAL STATEMENTS (unaudited)**

*June 30, 2013 (continued)*

In addition, a Statement of Cash Flows will now be included in the financial statements in accordance with the requirements of IFRS 1 First-time adoption of International Financial Reporting Standards, and prepared in line with IAS 7 Statement of Cash Flows. The criteria contained within IAS 32 – Financial Instruments presentation may also require security holders' equity to be classified as a liability within the Fund's Statements of Net Assets unless certain conditions are met. The Manager is currently assessing the Fund's security holders' structure to confirm classification.

Other than the impact due to IFRS 13 noted above, management has determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and potential modifications to presentation including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards and/or new interpretations of existing standards.

**BLOOM U.S. INCOME & GROWTH FUND (FORMERLY BLOOM U.S. ADVANTAGED INCOME & GROWTH FUND) – INTERIM REPORT FOR THE PERIOD ENDED JUNE 30, 2013**

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

**Helen M. Kearns**

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