



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM U.S. INCOME & GROWTH FUND

2018 ANNUAL REPORT

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 annual management report of fund performance for Bloom U.S. Income & Growth Fund (the "Fund") contains financial information but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of any of the Fund's annual or interim reports, at no cost, by calling 1-855-BLOOM18 (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 or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, Independent Review Committee's report, or quarterly portfolio disclosure.

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

All figures are stated in Canadian dollars unless otherwise noted.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

THE FUND

Bloom U.S. Income & Growth Fund is a closed-end investment trust managed by Bloom Investment Counsel, Inc. (“Bloom” or the “Manager”). Bloom provides administrative services to the Fund and actively manages the Fund’s portfolio. The Class A units of the Fund trade on the Toronto Stock Exchange (“TSX”) under the symbol BUA.UN and are designed for investors who wish to make their investments in Canadian dollars. The Class U units of the Fund are designed for investors who wish to make their investments in U.S. dollars and are not listed on the Toronto Stock Exchange, but may be converted to Class A units on a monthly basis. The units of the Fund are RRSP, DPSP, RRIF, RESP, RDSP and TFSA eligible. The Fund has a distribution reinvestment plan (“DRIP”) allowing Class A unitholders to automatically reinvest their monthly distributions in additional Class A units of the Fund.

RECENT DEVELOPMENTS

There were no recent developments to report.

INVESTMENT OBJECTIVES AND STRATEGIES

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

Hedging of Foreign Currency

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

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

Under these contracts, which generally have a duration of approximately 30 days, the Fund agrees to pay a fixed U.S. dollar amount in return for a fixed Canadian dollar amount at a fixed future date. The objective is to shelter the Class A unitholders of the Fund from potential fluctuations in the Canadian dollar value of U.S. currency denominated investments due to changes in the value of the Canadian dollar. This means that the Class A unitholders are substantially protected from capital losses when the Canadian dollar strengthens, but conversely do not fully participate in the capital gains available when the Canadian dollar weakens.

In the year ended December 31, 2018, the Canadian dollar weakened by 8.0% and Class A suffered net realized losses on its foreign currency forward contracts of \$0.5 million; these losses substantially offset the corresponding increase in the Canadian dollar value of the U.S. dollar denominated assets of Class A, principally investments, which is included in the net change in unrealized appreciation or depreciation on non-derivative investments and the net realized loss on sale of non-derivative investments. (Since inception on March 21, 2013, the Canadian dollar has weakened by 24.8% and the Fund suffered net realized losses on its foreign currency forward contracts of \$7.4 million; these losses substantially offset the corresponding increase in the Canadian dollar value of the U.S. dollar denominated assets of Class A.)

INVESTMENT MANAGER



The manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, foundations, corporations, institutions and trusts. In addition to its conventional investment management business, the Manager currently manages specialty high-income equity portfolios comprised of dividend paying common equity securities, income trusts and real estate investment trusts for four TSX listed closed end funds and one open ended mutual fund.

INVESTMENT MANAGER'S REPORT

JANUARY 2, 2019

The U.S. Economy

It was a strong year for the U.S. economy but with a weaker finish and increased uncertainty in the outlook. U.S. GDP grew by an estimated 3.4% in the third quarter, slowing from an increase of 4.2% in the second quarter. Moderating growth closing out the year and heading into 2019 is occurring as the positive impact of tax cuts and fiscal stimulus fade and rising rates make consumers and businesses less inclined to spend.

Tariffs and trade disputes combined with a strong appreciating U.S. dollar put pressure on net exports and the trade deficit, but the consumer who accounts for over two-thirds of U.S. GDP will also be challenged to spend in the face of higher interest rates. However, the recent decrease in energy prices if sustained, should provide some offset for the consumer and inflationary pressures.

The Fed funds target range was raised by 0.25% to 2.25%-2.50% on December 19th, making this the fifth consecutive quarterly move. Consensus is for two further 0.25% hikes in 2019, but this was most recently accompanied by signaling a slower, more occasional pace of future rate hikes. Stock market weakness in December should support this slower pace. Inflation for the most recent 12 months was 2.2%, a slight slowing from prior months' releases. There are more wildcards to consider. The latest unconventional development of the U.S. President casting question on a politicized Federal Reserve and its independence will add further uncertainty.

Historically, markets have focused on interest rate hike cycles. In a post financial crisis world there is now an additional consideration and that is the unwind of the Federal Reserve's balance sheet. The pre-crisis size of the balance sheet was typically less than \$1 trillion. It is now above \$4 trillion. The Fed Chair's position is that the unwind will be on autopilot and traditional tools like the Fed funds rate will continue to be the instruments of monetary policy.

If the U.S. economy manages to keep growing beyond July, it will set a record for cycle longevity. This would be the longest on record since at least 1850 and would best the ten year upturn from 1991-2001. These statistics would seem to support the end of this cycle being nearer and possible justification for an inverted yield curve. The slow path taken to get to this level is the most often cited reason supporting this cycle's longevity.

The 2 - 10 Year Government Bond Yield Curve continues to flatten in the United States. Empirically an inverted curve has proven to be a very reliable predictor of recessions in the last 70 years. An inversion of this part of the yield curve has preceded each of the last nine recessions dating back to 1955. Markets are closely watching for potential inversion in the yield curve for signs of a slowdown or trying to gauge the timing to the end of this cycle.

U.S. Investment Markets

Equities have not been the only asset class to have difficulty performing this year. This was the first year of losses for both the S&P 500 and 10-year Treasury in modern times. The S&P 500 Index Price Return for the last year declined 6.2%. The best performing sectors during the year were Healthcare (up 4.7%) followed by Utilities (up 0.5%) and Consumer Discretionary (down 0.5%). The weakest performing sectors during the year were Energy (down 20.5%) followed by Materials (down 16.5%) and Communications Services (down 16.4%).

The U.S. dollar started the year at \$1.25 Canadian dollars, however, by the end of the year it had appreciated to over \$1.35 – an increase of 8%. From a U.S. perspective the dollar has appreciated against almost every major currency. Many

countries have not started to raise rates and in these countries bond yields are actually below where they started the year. In contrast, relative economic strength in the U.S. has resulted in 100 basis points of tightening, an increased budget deficit and declining Fed balance sheet all pushing up yields by at least 30 basis points this year, leading to a strengthening currency.

In retrospect, the year of 2018 marked a shift from years of post-financial crisis quantitative easing (QE) to intentions of quantitative tightening (QT). QE provided sufficient asset price inflation to allow the U.S. equity market to double over the course of the years most identified as being driven by QE-induced performance. Though earnings growth has been strong, nearly two-thirds was attributable to price/earnings multiple expansion or valuation. With slower U.S. growth and weak global growth expected in 2019, estimates for corporate profit growth and earnings estimates are being revised downwards. This combination of lower multiples and lowered earnings expectations is making valuations more compelling than they have been for some time.

The rise in the U.S. market has been characterized by a high concentration in a small group of stocks – Facebook, Amazon, Apple, Netflix and Alphabet/Google, almost all of which have declined by more than 20% from their highs. Large asset flows into passive strategies primarily through exchange traded funds tend to exacerbate this concentration and as a result underlying fundamentals are reflected less in the market. Individual stocks tend to become overlooked, creating greater opportunities for active investment strategies.

Fund Performance

In a year when the overall market fell dramatically and the Fund underperformed its benchmark index, the Fund's positions in Eli Lilly and Company, Seaspac Corporation and Intel Corporation exhibited strong returns and contributed positively to the Fund's performance. On a sector basis, the Fund's holdings in the Health Care, Information Technology and Consumer Discretionary sectors were positive contributors to performance over the year.

Outlook

The market continues to be driven by emotions and not fundamentals. Heightened or ongoing geo-political risks (trade with China, tariffs, Brexit, government shutdown) are likely to sustain this in the near-term. However, conventional logic based on historic precedent would suggest that a split congress and senate in addition to a third year of presidency should be positive for markets and lead to moderating volatility all else being equal.

History has proven that dividend paying securities have significantly outperformed non-dividend payers over many years. We maintain our longer-term, patient stance while guiding our disciplined fundamental approach and focus on valuation. Capitalizing on such opportunities requires patience and resolve, as elevated volatility could continue in the near-term. However, we believe our focus on dividend paying common equities will prove to be a good strategy in such an environment.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2018 distributions totaled \$0.60 per Class A unit and US\$0.60 per Class U unit. The 2018 distribution reflects a monthly rate per unit of \$0.05 per Class A unit and US\$0.05 per Class U unit, in accordance with the targeted distribution rate of 6% per annum on the subscription price of \$10 per unit as disclosed in the Fund's Prospectus. Since inception on March 21, 2013, the Fund has paid total cash and reinvested distributions of \$3.46774 per Class A unit and US\$3.46774 per Class U unit.

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

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

Increase in Net Assets from Operations

The Fund's net investment loss was \$1.2 million (\$0.87 per Class A unit and \$0.25 per Class U unit) for the year ended December 31, 2018, arising from average portfolio investments during the year of \$11.8 million. The loss was comprised primarily of \$2.2 million in net unrealized losses on non-derivative investments arising during the year, \$0.5 million

unrealized losses on foreign currency forward contracts and \$0.4 million in realized losses on foreign currency forward contracts, offset by \$1.2 million in realized gains on sales of non-derivative investments and \$0.5 million in dividend and distribution income.

Expenses were \$0.4 million (\$0.27 per Class A unit and \$0.45 per Class U unit) for the year ended December 31, 2018, the major components being management fees of \$174,491, other administrative expenses of \$98,802 and withholding taxes of \$38,764.

Net Asset Value

The net asset value per unit of Class A units of the Fund was \$6.45 at December 31, 2018, down by 21.3% from \$8.20 at December 31, 2017. The net asset value per unit of Class U units of the Fund was US\$6.46 at December 31, 2018, down by 22.1% from US\$8.29 at December 31, 2017. In Canadian dollar terms, the net asset value of Class U units was \$8.83 at December 31, 2018, down by 15.0% from \$10.39 at December 31, 2017.

The aggregate net asset value of the Fund decreased from \$13.5 million at December 31, 2017 to \$9.4 million as at December 31, 2018, primarily due to the net investment loss of \$1.2 million, redemptions of units of \$1.1 million, distributions to unitholders of \$0.9 million and repurchase and cancellation of units of \$0.3 million.

Investment Portfolio

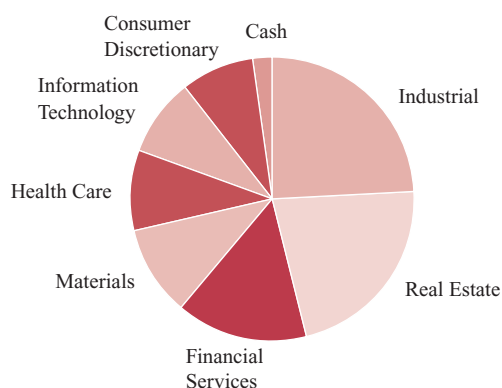
The Fund has established a portfolio invested in U.S. equities, each of which was selected to achieve the investment objectives of the Fund.

During the year ended December 31, 2018 the percentage of the portfolio (equities and cash) invested in the industrial sector has increased from 19.4% to 24.2%, reflecting the relative strength in the market prices of all holdings in this sector, especially Seaspan Corporation which increased in value by over 25%. The health care sector has increased from 7.5% to 8.7% due to the strong performance of Eli Lilly, whose stock price increased by almost 50% over the year. The materials sector has decreased from 14.8% to 10.2% of the portfolio, due primarily to the decrease in value of Tronox Limited. Finally, the Fund’s cash position has fallen from 5.2% to 2.2% primarily due to depletion from realized losses on foreign currency forward contracts

The Fund had net unrealized appreciation of \$0.8 million on its portfolio as at December 31, 2018, with unrealized appreciation of \$0.7 million on real estate holdings, \$0.6 million on health care holdings, \$0.5 million on information technology holdings and \$0.4 million on financial services holdings, offset by unrealized depreciation on industrial, materials and consumer discretionary sector holdings.

The Fund had net realized gains on sales of non-derivative investments of \$1.2 million during the year ended December 31, 2018, the most significant gains being from the sale of holdings in Eli Lilly and Company, Ryman Hospitality Properties Inc., and Intel Corporation, as well as the Fund’s position in Regal Entertainment Group. There were also several smaller realized gains.

Portfolio Sectors



Sector	Value (thousands)	% of Total
Industrial	\$ 2,365	24.2%
Real Estate	2,144	22.0%
Financial Services	1,459	15.0%
Materials	995	10.2%
Health Care	917	9.4%
Information Technology	852	8.7%
Consumer Discretionary	810	8.3%
Cash	219	2.2%
Total	\$ 9,761	100.0%

Liquidity

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

The Fund received approval from the TSX on June 27, 2017 for a normal course issuer bid program from June 29, 2017 to June 28, 2018, allowing the Fund to purchase for cancellation up to 160,328 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 41,200 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2018 at a cost of \$327,076 or \$7.94 per unit.

RISK

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

Current Cash Yield and Targeted Distributions

Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 14.4%. The weighted average current cash yield on the Fund's equity portfolio was 5.5% as at December 31, 2018 and thus the Fund is required to generate additional returns (for instance, capital gains and securities lending income) and/or to return capital in order for the Fund to achieve its targeted monthly distributions to Unitholders.

RELATED PARTY TRANSACTIONS

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

Administration and Investment Management Fees

Pursuant to the Fund's declaration of trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee of 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus applicable taxes. Prior to April 1, 2018 the Manager was entitled to 1.55% per annum of the net asset value of the Fund, comprised of 1.15% per annum of the net asset value of the Fund, calculated weekly and payable monthly in arrears, plus an amount which was paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the net asset value of the Fund, calculated quarterly and paid after the end of each calendar quarter, plus applicable taxes.

The management fee is intended to compensate the Manager for providing portfolio advisory and certain administrative services to the Fund. A portion of this fee, equal to the service fee, is paid by the Manager to the registered investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. For the year ended December 31, 2018, management fees charged directly to the Fund amounted to \$174,491 including service fees of \$14,093.

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

Other Expenses Recharged to the Fund

On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2018 the Fund expensed unitholder information costs of \$12,723, IRC fees of \$34,569, legal fees of \$128 and premiums for insurance coverage for members of the IRC of \$799 which were paid and recharged by the Manager.

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

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund’s launch, the IRC for the Fund was established pursuant to NI 81-107 and became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107. Costs and expenses, including the remuneration of IRC members, the costs of legal and other advisors to, and legal and other services for, IRC members, and insurance costs are chargeable to the Fund. As at December 31, 2018 the IRC consisted of three members, all of whom are independent of the Manager.

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

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

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

The Decision to Re-open a Fund

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

2018 TAX INFORMATION

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information. T3 supplementary slips for holdings of the Fund will indicate Foreign Non-Business Income in Box 25, Foreign Non-Business Income Tax Paid in Box 34, and Capital Gains in Box 21. The Return of Capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42. The following table outlines the breakdown of the Fund's distributions declared in 2018 on a per unit basis.

Class A

Record Date	Payment Date	Return of capital	Total Distribution
Jan. 31, 2018	Feb. 15, 2018	\$ 0.05	\$ 0.05
Feb. 28, 2018	Mar. 15, 2018	\$ 0.05	\$ 0.05
Mar. 30, 2018	Apr. 16, 2018	\$ 0.05	\$ 0.05
Apr. 30, 2018	May 15, 2018	\$ 0.05	\$ 0.05
May 31, 2018	Jun. 15, 2018	\$ 0.05	\$ 0.05
Jun. 29, 2018	Jul. 16, 2018	\$ 0.05	\$ 0.05
Jul. 31, 2018	Aug. 15, 2018	\$ 0.05	\$ 0.05
Aug. 31, 2018	Sep. 17, 2018	\$ 0.05	\$ 0.05
Sep. 28, 2018	Oct. 15, 2018	\$ 0.05	\$ 0.05
Oct. 31, 2018	Nov. 15, 2018	\$ 0.05	\$ 0.05
Nov. 30, 2018	Dec. 17, 2018	\$ 0.05	\$ 0.05
Dec. 31, 2018	Jan. 15, 2019	\$ 0.05	\$ 0.05
Total		\$ 0.60	\$ 0.60

Class U

Record Date	Payment Date	Return of Capital	Total Distribution
Jan. 31, 2018	Feb. 15, 2018	US\$ 0.05	US\$ 0.05
Feb. 28, 2018	Mar. 15, 2018	US\$ 0.05	US\$ 0.05
Mar. 30, 2018	Apr. 16, 2018	US\$ 0.05	US\$ 0.05
Apr. 30, 2018	May 15, 2018	US\$ 0.05	US\$ 0.05
May 31, 2018	Jun. 15, 2018	US\$ 0.05	US\$ 0.05
Jun. 29, 2018	Jul. 16, 2018	US\$ 0.05	US\$ 0.05
Jul. 31, 2018	Aug. 15, 2018	US\$ 0.05	US\$ 0.05
Aug. 31, 2018	Sep. 17, 2018	US\$ 0.05	US\$ 0.05
Sep. 28, 2018	Oct. 15, 2018	US\$ 0.05	US\$ 0.05
Oct. 31, 2018	Nov. 15, 2018	US\$ 0.05	US\$ 0.05
Nov. 30, 2018	Dec. 17, 2018	US\$ 0.05	US\$ 0.05
Dec. 31, 2018	Jan. 15, 2019	US\$ 0.05	US\$ 0.05
Total		US\$ 0.60	US\$ 0.60

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

PAST PERFORMANCE

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

Annual Compound Returns

The following table shows the Fund’s annual compound return for the one and three year periods ended December 31, 2018 and the period since commencement of operations on March 21, 2013, compared with the S&P 500 Total Return Index (“Index”). The Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the S&P 500, including common stocks and REITs, and is an appropriate benchmark as the Fund invests in such common stocks and REITs. Since the Fund is actively managed, the sector weightings differ from those of the Index. Also, the Fund’s portfolio contains predominantly high dividend paying securities, whereas the Index does not necessarily focus on this type of investment. As well, the Fund may invest in issuers that are not included in the Index. For these reasons it is not expected that the Fund’s performance will mirror that of the Index. Further, the Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

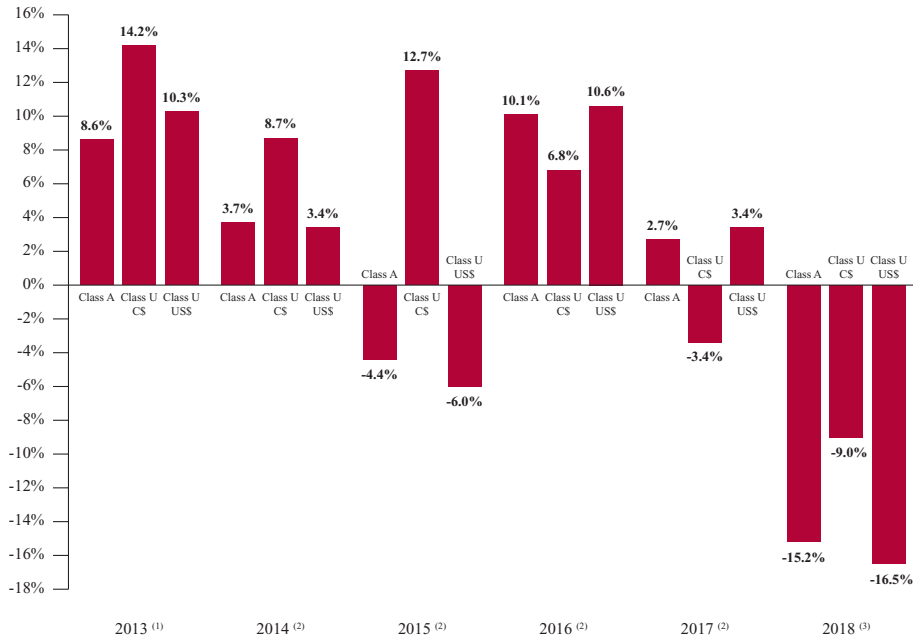
	One year	Three years	Five years	Since inception⁽¹⁾
Bloom U.S. Income & Growth Fund Class A (net of fees and expenses)	-15.2%	-1.4%	-1.0%	0.56%
Bloom U.S. Income & Growth Fund Class U in C\$ (net of fees and expenses)	-9.0%	-2.1%	2.2%	5.5%
S&P 500 Total Return Index in Canadian dollars	4.0%	8.6%	14.0%	16.4%
Bloom U.S. Income & Growth Fund Class U in US\$ (net of fees and expenses)	-16.5%	-1.5%	-1.5%	0.39%
S&P 500 Total Return Index in US dollars	-4.4%	9.3%	8.6%	10.8%

⁽¹⁾ Period from March 21, 2013 (commencement of operations) to December 31, 2018

During the one, three and five year periods ended December 31, 2018 and since inception, Class A of the Fund underperformed relative to the Index after taking into account the expenses of the Fund. Class U of the Fund also underperformed the index for all periods. In addition to the effect of the deduction of management fees and expenses inherent in the Fund’s performance figures, this reflects differences in individual portfolio selections between the Fund’s portfolio and the Index within each of the sectors, which result in different average sector returns. It may also reflect differences 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 held on the first day of the fiscal period would have changed by the last day of the fiscal period.



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

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

FINANCIAL HIGHLIGHTS

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

Net Assets Per Unit – Class A⁽¹⁾

For the fiscal period ended	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Net assets per unit, beginning of period⁽²⁾	\$ 8.20	\$ 8.58	\$ 8.37	\$ 9.36	\$ 9.61
Increase from operations:⁽²⁾					
Total revenue	0.33	0.35	0.64	0.43	0.44
Total expenses	(0.27)	(0.28)	(0.27)	(0.27)	(0.27)
Net realized gains (losses)	0.52	0.16	0.83	0.05	(0.29)
Net unrealized gains (losses)	(1.72)	(0.01)	(0.47)	(0.59)	0.45
Total increase in net assets from operations	\$(1.14)	\$ 0.22	\$ 0.73	\$(0.38)	\$ 0.33
Distributions to unitholders⁽²⁾⁽³⁾					
From net investment income	–	–	(0.14)	(0.01)	(0.04)
From return of capital	(0.60)	(0.60)	(0.46)	(0.59)	(0.56)
Total distributions to unitholders	\$(0.60)	\$(0.60)	\$(0.60)	\$(0.60)	\$(0.60)
Net assets per unit, end of period⁽²⁾	\$ 6.45	\$ 8.20	\$ 8.58	\$ 8.37	\$ 9.36

BLOOM U.S. INCOME & GROWTH FUND – 2018 ANNUAL REPORT

Net Assets Per Unit – Class U⁽¹⁾

For the fiscal period ended Expressed in (currency) ⁽⁴⁾	December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
	C\$	US\$ ⁽⁴⁾	C\$	US\$ ⁽⁴⁾	C\$	US\$ ⁽⁴⁾	C\$	US\$ ⁽⁴⁾	C\$	US\$ ⁽⁴⁾
Net assets per unit, beginning of period⁽²⁾	\$10.39	\$ 8.29	\$11.54	\$ 8.61	\$11.61	\$ 8.36	\$11.02	\$ 9.51	\$10.40	\$ 9.79
Increase from operations:⁽²⁾										
Total revenue	0.43	0.33	0.47	0.36	0.83	0.63	0.55	0.44	0.50	0.45
Total expenses	(0.45)	(0.35)	(0.47)	(0.36)	(0.37)	(0.28)	(0.34)	(0.27)	(0.31)	(0.28)
Net realized gains (losses)	1.02	0.79	0.07	0.06	1.19	0.90	1.68	0.33	0.65	0.59
Net unrealized gains (losses)	(1.20)	(0.93)	(0.42)	(0.32)	(1.06)	(0.80)	(0.43)	(0.88)	0.42	0.38
Total increase in net assets from operations	\$ (0.20)	\$ (0.16)	\$ (0.35)	\$ (0.26)	\$ 0.59	\$ 0.45	\$ 1.46	\$ (0.38)	\$ 1.26	\$ 1.14
Distributions to unitholders⁽²⁾⁽³⁾										
From net investment income	–	–	–	–	(0.10)	(0.08)	–	–	(0.08)	(0.07)
From return of capital	(0.78)	(0.60)	(0.78)	(0.60)	(0.69)	(0.52)	(0.77)	(0.60)	(0.58)	(0.53)
Total distributions to unitholders	\$ (0.78)	\$ (0.60)	\$ (0.78)	\$ (0.60)	\$ (0.79)	\$ (0.60)	\$ (0.77)	\$ (0.60)	\$ (0.66)	\$ (0.60)
Net assets per unit, end of period⁽²⁾	\$ 8.83	\$ 6.46	\$10.39	\$ 8.29	\$11.54	\$ 8.61	\$11.61	\$ 8.36	\$11.02	\$ 9.51

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

⁽²⁾ Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase in net assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

⁽³⁾ \$102,351 (2017: \$118,853; 2016: \$186,101; 2015: \$212,557; 2014: \$225,168; 2013: \$105,688) of distributions was reinvested in units under the Fund's Class A Distribution Reinvestment Plan. The remainder of the distributions was paid in cash.

⁽⁴⁾ Class U Net Assets per unit are translated into US\$ at the exchange rate in effect at the measurement date. Class U increases from operations are translated into US\$ at the average exchange rate for the period. Class U distributions are paid in US\$.

Ratios and Supplemental Data⁽¹⁾

For the fiscal period ended	December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U
Net asset value (000s) ⁽²⁾	\$ 8,765	\$ 658 (US\$481)	\$ 12,224	\$ 1,229 (US\$981)	\$ 15,169	\$ 1,609 (US\$1,200)	\$ 18,879	\$ 2,144 (US\$1,543)	\$ 27,472	\$ 3,724 (US\$3,215)
Number of units outstanding ⁽²⁾	1,359,927	74,510	1,490,496	118,260	1,768,014	139,406	2,255,000	184,656	2,935,407	338,006
Management expense ratio ("MER") ⁽³⁾	3.00%	3.99%	2.98%	3.78%	2.79%	2.92%	2.39%	2.40%	2.24%	2.33%
Trading expense ratio ⁽⁴⁾	0.04%	0.04%	0.09%	0.09%	0.07%	0.07%	0.12%	0.10%	0.10%	0.10%
Portfolio turnover rate ⁽⁵⁾	3.73%	3.73%	5.89%	5.89%	8.34%	8.34%	2.95%	2.95%	16.18%	14.34%
Net asset value per Unit ⁽²⁾	\$ 6.45	\$ 8.83 (US\$6.46)	\$ 8.20	\$ 10.39 (US\$8.29)	\$ 8.58	\$ 11.54 (US\$8.61)	\$ 8.37	\$ 11.61 (US\$8.36)	\$ 9.36	\$ 11.02 (US\$9.51)
Closing market price ⁽²⁾	\$ 6.27	N/A	\$ 7.99	N/A	\$ 8.26	N/A	\$ 8.06	N/A	\$ 9.20	N/A

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

⁽²⁾ As at December 31 of the year shown.

⁽³⁾ MER is based on the requirements of NI 81-106 and includes the total expenses (excluding withholding taxes, commissions and other portfolio transaction costs) of the Class for the period. Unit issue expense is added to annualized ongoing expenses and expressed as a percentage of the average net asset value of the Class during the period.

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

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

Management Expense Ratio

The MER of Class A of the Fund was 3.00% for the year ended December 31, 2018, up from an MER of 2.98% in the year ended December 31, 2017. The MER of Class U of the Fund was 3.99% for the year ended December 31, 2018, up from an MER of 3.78% in the year ended December 31, 2017. The increases are primarily due to the decrease in net asset value through the annual redemption of units and the unrealized losses on investments which, when paired with fixed costs, caused the MER to increase, offset by the reduction in the management fee as of April 1, 2018 when the payment of the service fee of 0.4% of net asset value was terminated. If the management fee had not been reduced, the MER of each class for the year ended December 31, 2018 would have been approximately 0.3% higher.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2018

Total Net Assets ⁽¹⁾ (including Cash and Other Net Assets) – Class A	\$8,764,735
Total Net Assets ⁽¹⁾ (including Cash and Other Net Assets) – Class U	\$657,617
	Or US\$481,488

Portfolio Composition	% of Portfolio	% of Total Net Assets ⁽¹⁾
Industrial	24.2%	25.1%
Real Estate	22.0%	22.8%
Financial Services	15.0%	15.5%
Materials	10.2%	10.6%
Health Care	9.4%	9.7%
Information Technology	8.7%	9.0%
Consumer Discretionary	8.3%	8.6%
Cash	2.2%	2.3%
Total Investment Portfolio	100.0%	103.6%
Other Non-Debt Net Assets (Liabilities)		(3.6)%
Total Net Assets	100.0%	100.0%

Top 25 Holdings*	% of Portfolio	% of Total Net Assets ⁽¹⁾
Eli Lilly and Company	9.4%	9.7%
Seaspan Corporation	8.8%	9.1%
Intel Corporation	8.7%	9.0%
First Financial Bancorp.	7.9%	8.2%
EPR Properties	7.8%	8.1%
Ryman Hospitality Properties Inc.	7.6%	7.8%
Ship Finance International Limited	7.2%	7.4%
New York Community Bancorp Inc.	7.0%	7.3%
Weyerhaeuser Company	6.6%	6.8%
CatchMark Timber Trust, Inc. Class 'A'	6.2%	6.4%
Comcast Corp. Class 'A'	4.6%	4.8%
Aircastle Limited	4.2%	4.4%
FLY Leasing Limited ADR	4.1%	4.2%
Tronox Limited Class 'A'	4.0%	4.2%
National CineMedia Inc.	3.7%	3.8%
Cash	2.2%	2.3%

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

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

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

MANAGEMENT RESPONSIBILITY STATEMENT

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 4 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

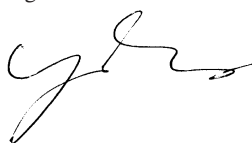
The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditor has had full and unrestricted access to the Board of Directors to discuss their findings.

Signed



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

Signed



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

March 5, 2019

INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the 2018 Annual Report.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jennifer Kelenc.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 5, 2019

STATEMENTS OF FINANCIAL POSITION

As at	December 31, 2018	December 31, 2017
Assets		
Current assets		
Investments at fair value	\$ 9,541,808	\$ 12,621,924
Cash	218,757	697,115
Dividends and distributions receivable	13,769	19,284
Prepaid expenses and other assets	10,863	14,325
Unrealized appreciation on foreign currency forward contracts (note 14)	–	277,590
Total assets	9,785,197	13,630,238
Liabilities		
Current liabilities		
Distributions payable to holders of redeemable units	73,085	81,933
Accrued liabilities (note 11)	89,959	95,556
Unrealized depreciation on foreign currency forward contracts (note 14)	199,801	–
Total liabilities excluding net assets attributable to holders of redeemable units	362,845	177,489
Net assets attributable to holders of redeemable units (note 7)	\$ 9,422,352	\$ 13,452,749
Net assets attributable to holders of redeemable units per class		
Class A	\$ 8,764,735	\$ 12,224,157
Class U	\$ 657,617	\$ 1,228,592
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 6.45	\$ 8.20
Class U	\$ 8.83	\$ 10.39
Class U in U.S.\$	\$ 6.46	\$ 8.29

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

Signed



M. Paul Bloom
Director

Signed



Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

BLOOM U.S. INCOME & GROWTH FUND – 2018 ANNUAL REPORT

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended	December 31, 2018	December 31, 2017
Income		
Net gain on investments and derivatives		
Dividend and distribution income	\$ 519,726	\$ 643,302
Net realized gain (loss) on sale of non-derivative investments	1,202,324	(116,298)
Net change in unrealized appreciation or depreciation on non-derivative investments	(2,178,392)	(442,538)
Net realized gain (loss) on foreign currency forward contracts	(434,312)	318,754
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 14)	(477,391)	396,003
Total net gain (loss) on investments and derivatives	(1,368,045)	799,223
Other income		
Securities lending income (note 13)	10,643	14,714
Foreign exchange gain on cash	103,329	25,770
Total other income	113,972	40,484
Total income (loss)	(1,254,073)	839,707
Expenses (note 10)		
Management fees (note 11)	174,491	262,559
Independent Review Committee fees (note 11)	34,569	33,098
Unitholder reporting costs	28,456	19,793
Audit fees	30,399	27,099
Custody fees	19,275	27,721
Legal fees	4,406	2,308
Other administrative expenses	98,802	89,172
Withholding taxes	38,764	63,098
Transaction costs (note 12)	5,536	13,803
Total expenses	434,698	538,651
Net income (loss)	(1,688,771)	301,056
Gain on redemption of redeemable units (note 7)	3,696	11,664
Net gain on repurchase and cancellation of redeemable units (note 7)	4,953	17,069
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ (1,680,122)	\$ 329,789
Class A	(1,659,492)	373,230
Class U	(20,630)	(43,441)
Total increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ (1,680,122)	\$ 329,789
Weighted average redeemable units outstanding during the year		
Class A	1,454,483	1,697,397
Class U	101,434	124,328
Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations (note 4k)		
Class A	\$ (1.14)	\$ 0.22
Class U	\$ (0.20)	\$ (0.35)
Class U in U.S.\$	\$ (0.16)	\$ (0.26)

The accompanying notes are an integral part of these financial statements

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

For the years ended December 31, 2018 and 2017

	Class A	Class U	Total
Net assets attributable to holders of redeemable units at January 1, 2017	\$ 15,168,567	\$ 1,609,233	\$ 16,777,800
Increase (decrease) in net assets attributable to holders of redeemable units from operations	373,230	(43,441)	329,789
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from return of capital	(1,005,224)	(96,051)	(1,101,275)
Decrease from distributions to holders of redeemable units	(1,005,224)	(96,051)	(1,101,275)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	(1,691,402)	(147,328)	(1,838,730)
Repurchase and cancellation of redeemable units	(714,835)	–	(714,835)
Class U redeemable units converted to Class A redeemable units	93,821	(93,821)	–
Net decrease from redeemable unit transactions	(2,312,416)	(241,149)	(2,553,565)
Net decrease in net assets attributable to holders of redeemable units	(2,944,410)	(380,641)	(3,325,051)
Net assets attributable to holders of redeemable units at December 31, 2017	\$ 12,224,157	\$ 1,228,592	\$ 13,452,749
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(1,659,492)	(20,630)	(1,680,122)
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from return of capital	(864,683)	(78,329)	(943,012)
Decrease from distributions to holders of redeemable units	(864,683)	(78,329)	(943,012)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	(1,027,105)	(48,128)	(1,075,233)
Repurchase and cancellation of redeemable units	(332,030)	–	(332,030)
Class U redeemable units converted to Class A redeemable units	423,888	(423,888)	–
Net decrease from redeemable unit transactions	(935,247)	(472,016)	(1,407,263)
Net decrease in net assets attributable to holders of redeemable units	(3,459,422)	(570,975)	(4,030,397)
Net assets attributable to holders of redeemable units at December 31, 2018	\$ 8,764,735	\$ 657,617	\$ 9,422,352

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the years ended	December 31, 2018	December 31, 2017
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ (1,680,122)	\$ 329,789
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash	(19,335)	25,870
Gain on redemption of redeemable units	(3,696)	(11,664)
Net gain on repurchase and cancellation of redeemable units	(4,953)	(17,069)
Net realized (gain) loss on sale of non-derivative investments	(1,202,324)	116,298
Net change in unrealized appreciation or depreciation on investments	2,178,392	442,538
Net realized (gain) loss on foreign currency forward contracts	434,312	(318,754)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts	477,391	(396,003)
Decrease in dividends and distributions receivable	5,515	10,194
Decrease in prepaid expenses and other assets	3,462	6,652
Decrease in accrued liabilities	(5,597)	(18,875)
Operating cash flows:		
Purchases of investments and derivatives	(439,435)	(846,023)
Proceeds from sale of investments and derivatives	2,543,483	3,870,924
Net proceeds received (paid) on settlements of foreign currency forward contracts	(434,312)	318,754
Net cash from operating activities	1,852,781	3,512,631
Cash flows used in financing activities		
Repurchase of redeemable units for cancellation	(327,077)	(697,766)
Redemptions of redeemable units	(1,071,537)	(1,827,066)
Distributions paid to holders of redeemable units	(849,299)	(990,705)
Distributions reinvested on behalf of holders of redeemable units	(102,561)	(126,385)
Net cash used in financing activities	(2,350,474)	(3,641,922)
Unrealized foreign exchange gain (loss) on cash	19,335	(25,870)
Net decrease in cash	(497,693)	(129,291)
Cash at beginning of year	697,115	852,276
Cash at end of year	\$ 218,757	\$ 697,115
Dividends and distributions received	\$ 526,215	\$ 655,294
Withholding taxes paid	\$ 39,737	\$ 64,897

The accompanying notes are an integral part of these financial statements

BLOOM U.S. INCOME & GROWTH FUND – 2018 ANNUAL REPORT

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2018

No. of Units/ Shares		Cost	Fair value
	Equities		
	Consumer Discretionary		
9,700	Comcast Corp., Class 'A'	\$ 440,120	\$ 451,103
40,500	National CineMedia Inc.	714,567	358,441
		1,154,687	809,544
	Financial Services		
23,800	First Financial Bancorp.	371,741	771,043
53,500	New York Community Bancorp Inc.	728,923	687,592
		1,100,664	1,458,635
	Health Care		
5,800	Eli Lilly and Company	362,935	916,692
		362,935	916,692
	Industrial		
17,400	Aircastle Limited	241,406	409,707
27,500	FLY Leasing Limited ADR	460,713	396,628
80,300	Seaspan Corporation	1,329,681	858,746
48,700	Ship Finance International Limited	809,939	700,397
		2,841,739	2,365,478
	Information Technology		
13,300	Intel Corporation	321,369	852,490
		321,369	852,490
	Materials		
62,000	CatchMark Timber Trust Inc. Class 'A'	869,256	601,225
37,100	Tronox Limited Class 'A'	637,767	394,222
		1,507,023	995,447
	Real Estate		
8,700	EPR Properties	492,793	760,834
8,100	Ryman Hospitality Properties Inc.	319,898	737,790
21,600	Weyerhaeuser Company	637,699	644,898
		1,450,390	2,143,522
	Total equities	\$ 8,738,807	\$ 9,541,808
	Embedded broker commissions	(13,837)	
	Total investments	\$ 8,724,970	\$ 9,541,808

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. GENERAL INFORMATION

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

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

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

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

These financial statements were authorized for issue by the Manager on March 5, 2019.

2. BASIS OF PRESENTATION

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the funds significant accounting policies. Actual results could differ from those estimates.

3. ADOPTION OF NEW ACCOUNTING STANDARD

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

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

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

Other financial assets which were held for collection will continue to be measured at amortized cost. The classification and measurement of other financial liabilities remain generally unchanged and they continue to be measured at amortized cost. There was no material impact from the application of the new credit impairment model.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund's financial instruments include, where applicable, non-derivative investments, cash, dividends and distributions receivable, receivable for investments sold, payable for investments purchased, distributions payable to holders of redeemable units, accrued liabilities, redemptions payable, derivative assets and liabilities (unrealized appreciation and depreciation on foreign currency forward contracts) and obligation for net assets attributable to unitholders of redeemable units.

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

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

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

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets (which includes the Fund's non-derivative investments) is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for investment valuation where that price falls between the latest bid and ask prices. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market (which include the Fund's foreign currency forward contracts), is determined using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. Valuation techniques may include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and make the maximum use of observable inputs.

The Fund classifies fair value measurements within a hierarchy as described in note 15(h). The Fund recognizes transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

c) Impairment of financial assets at amortized cost

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

d) Derecognition of financial assets and liabilities

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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

e) Offsetting

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

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

f) Cash

Cash consist of deposits with financial institutions.

g) Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These are over-the-counter derivatives and are 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 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; 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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

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

l) Distributions

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

m) Transaction costs on investment transactions

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

n) Classification of obligation to holders of redeemable units

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Assessment of functional currency

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

6. TAXATION

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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 December 31, 2018, the Fund had \$303,702 non-capital losses carried forward (December 31, 2017 – \$303,702). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at December 31, 2018, the Fund had \$1,964,726 in capital losses available for carryforward (December 31, 2017 – \$2,643,880).

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

7. REDEEMABLE UNITS

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

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

Class A units and Class U units may be surrendered for redemption annually at the option of the unitholders during the period from September 15 until 5:00 p.m. (Toronto time) on the last business day in September, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption will be redeemed on the second last business day of October (the "Annual Redemption Date") and the redeeming unitholders will receive a redemption price per unit equal to 100% of the Net Asset Value per unit of the relevant class as determined on the Annual Redemption Date, less any costs and expenses 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 2018 annual redemption took place on October 30, 2018 and consisted of 140,420 Class A units for redemption proceeds of \$1,027,105 and 1,050 Class U units for proceeds of US\$7,678 (\$10,083), payable on November 20, 2018 (2017 – annual redemption on October 30, 2017 of 203,117 Class A units for proceeds of \$1,691,402 and 500 Class U units for proceeds of US\$4,212 (\$5,406), payable on November 20, 2017).

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

calculated NAV per unit of a Class A unit. For such purpose, the Fund will utilize the exchange rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U units.

For the year ended December 31, 2018, no Class A units were redeemed under the monthly redemption option, and 3,500 Class U units were redeemed under the monthly redemption option for proceeds of US\$26,617 (\$34,349) (2017 – no Class A units were redeemed under the monthly redemption option, and 12,300 Class U units were redeemed under the monthly redemption option for proceeds of US\$98,032 (\$130,258)).

If a significant number of units are redeemed, the trading liquidity of the units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer units resulting in a potentially lower distribution per unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the unitholders to do so. The Manager may also suspend the redemption of units in certain circumstances.

The Fund has received approval from the TSX for normal course issuer bid (“NCIB”) programs between specified dates, allowing the Fund to purchase Class A units for cancellation on the TSX if they trade below NAV per unit. The maximum number of Class A units which can be purchased and cancelled is specified for each NCIB. Class A units purchased and cancelled by the Fund for the years ended December 31, 2018 and 2017 were as follows:

Approval date	Start date	End date	Maximum units	Units purchased and cancelled	
				2018	2017
June 27, 2016	June 29, 2016	June 28, 2017	206,188	–	47,400
June 27, 2017	June 29, 2017	June 28, 2018	160,328	41,200	38,100
				41,200	85,500

Unit transactions of the Fund for the years ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Class A	Class U	Class A	Class U
Units outstanding at beginning of year	1,490,496	118,260	1,768,014	139,406
Redemptions of units	(140,420)	(4,550)	(203,117)	(12,800)
Class U units converted to Class A	51,051	(39,200)	11,099	(8,346)
Repurchase and cancellation of units	(41,200)	–	(85,500)	–
Units outstanding at end of year	1,359,927	74,510	1,490,496	118,260

The closing market price of the Fund’s Class A units on December 31, 2018 was \$6.27 (December 31, 2017: \$7.99).

8. CAPITAL MANAGEMENT

For operating purposes, units issued and outstanding are considered to be the capital of the Fund. The Fund’s capital therefore comprises net assets attributable to holders of redeemable units of \$9,422,352, (December 31, 2017 – \$13,452,749). The Fund’s objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing if applicable, or purchase units for cancellation.

9. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared on the Fund’s behalf by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month, payable by the fifteenth business day of the following month. For the year ended December 31, 2018, the Fund declared total distributions of \$0.60 (2017 – \$0.60) per Class A unit and US\$0.60 (2017 – US\$0.60) per Class U unit, which amounted to \$864,683 (2017 – \$1,005,224) for Class A units and US\$60,424 (\$78,329) (2017 – US\$74,001 (\$96,051)) for Class U units. Under the Fund’s distribution reinvestment plan (“DRIP”), unitholders may elect to reinvest monthly distributions on Class A units in additional Class A units of the Fund which are purchased on the open market. For the year ended December 31, 2018, distributions of \$102,351 were reinvested in 12,964 Class A units of the Fund which were purchased on the open market (2017 – \$118,853 reinvested in 14,363 Class A units of the Fund).

In conjunction with the annual redemption described in note 7, the Fund made distributions of capital gains of \$64,855 to redeeming unitholders (2017 – nil).

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

10. EXPENSES

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

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

11. RELATED PARTY TRANSACTIONS

In accordance with the Declaration of Trust, the Manager is entitled to an annual management fee of 1.15% per annum of the NAV of the Fund, calculated weekly and paid monthly in arrears, plus applicable taxes. Prior to April 1, 2018 the Manager was entitled to 1.55% per annum of the NAV of the Fund, comprised of 1.15% per annum of the NAV of the Fund, calculated weekly and payable monthly in arrears, plus an amount which was paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the NAV of the Fund, calculated quarterly and paid after the end of each calendar quarter, plus applicable taxes.

For the year ended December 31, 2018, the Fund expensed management fees of \$174,491 (2017 – \$262,559). As at December 31, 2018, the Fund had management fees payable of \$10,479 (December 31, 2017 – \$29,144) included in accrued liabilities.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2018 the Fund expensed IRC fees of \$34,569 (2017 – \$33,098) and legal fees of \$128 (2017 – \$117), as well as unitholder information costs of \$12,723 (2017 – \$11,172) and premiums for insurance coverage for members of the IRC of \$799 (2017 – \$201) (both included in ‘Other administrative expenses’) which were paid and recharged by the Manager. As at December 31, 2018 the Fund owed the Manager \$1,703 for recharged expenses (December 31, 2017 – \$932) included in accrued liabilities.

Units held by the Manager and its affiliates represent 9.9% of the Class A units outstanding at December 31, 2018 (December 31, 2017 – 9.0%).

12. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2018 the Fund paid \$5,536 (2017 – \$13,803) in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

13. SECURITIES LENDING

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, (as administrator), which has a DBRS credit rating of AA / R-1 / 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. 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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.

The aggregate fair value of securities loaned (which equals their carrying amount) and the aggregate fair value of the associated collateral under securities lending transactions as at December 31, 2018 and 2017 are as follows:

2018		2017	
Fair value of securities loaned	Fair value of collateral	Fair value of securities loaned	Fair value of collateral
\$ 2,518,849	\$ 2,677,749	\$ 2,441,959	\$ 2,573,176

As at December 31, 2018, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of Austria, the Netherlands, Germany, or France. (December 31, 2017, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of the United Kingdom or of France.)

The table below sets out a reconciliation of the gross amounts generated from securities lending transactions to the securities lending income disclosed in the Statements of Comprehensive Income for the years ended December 31, 2018 and 2017:

	2018		2017	
	\$	% of gross income	\$	% of gross income
Securities lending income	\$ 10,643	61.6%	\$ 14,714	55.1%
Agent fees paid to the lending agent	4,512	26.1%	4,925	18.5%
Withholding tax	2,128	12.3%	7,044	26.4%
Gross securities lending income	\$ 17,283		\$ 26,683	

14. FOREIGN CURRENCY FORWARD CONTRACTS

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

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

To achieve the required hedge, the Fund has entered into rolling foreign currency forward contracts with terms of approximately one month, with a financial institution which has a DBRS credit rating of AA / R-1 / Stable, and a Moody's

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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 December 31, 2018, 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>	
(7,100,000)	USD	(9,695,590)	9,495,789	CAD	January 9, 2019	(199,801)

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

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

15. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

a) Risk factors

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

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

b) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's assets represents the maximum credit risk exposure as at December 31, 2018 and 2017.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

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

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

c) Other price risk

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

The Fund is exposed to price risk from its investment in equity securities. As at December 31, 2018, had the prices of these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$954,181 (December 31, 2017 – \$1,262,192) or 10.1% (December 31, 2017 – 9.4%) of total net assets. In practice, the actual results may differ and the impact could be material.

d) Liquidity risk

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

e) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. As at December 31, 2018 and 2017, the Fund had no significant exposure to interest rate risk as it did not hold any interest bearing securities.

f) Currency risk

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (continued)

As at December 31, 2018, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

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	\$ (9,551,877)	\$ 8,888,662	\$ (663,215)	(7.57%)

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

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

As at December 31, 2018 had the U.S. dollar exchange rate increased or decreased by 5% with all other variables held constant, the net unhedged exposure to currency risk associated with the Class A units would have increased or decreased the net assets of the Fund attributable to the Class A units by \$33,161 or 0.38% (December 31, 2017 – \$72,310 or 0.59%). In practice, the actual exchange rate fluctuations may differ and the impact could be material.

g) Concentration risk

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

Market Segment	2018	2017
Consumer Discretionary	8.6%	9.2%
Financial Services	15.5%	13.7%
Health Care	9.7%	7.4%
Industrial	25.1%	19.2%
Information Technology	9.0%	8.2%
Materials	10.6%	14.7%
Real Estate	22.8%	21.4%

h) Fair value hierarchy

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 (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 of December 31, 2018 and 2017:

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ 9,541,808	\$ –	\$ –	\$ 9,541,808
Unrealized depreciation on foreign currency forward contract	–	(199,801)	–	(199,801)
	\$ 9,541,808	(199,801)	\$ –	\$ 9,342,007
December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 12,621,924	\$ –	\$ –	\$ 12,621,924
Unrealized appreciation on foreign currency forward contract		277,590	–	277,590
	\$ 12,621,924	277,590	\$ –	\$ 12,899,514

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

There were no transfers between the levels during the years ended December 31, 2018 and 2017.

**CORPORATE
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