BLOOMFUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

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

2014 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 or by sending a request to Investor Relations, Bloom Investment Counsel, Inc., Suite 1710, 150 York Street, Toronto, Ontario, M5H 3S5, or by visiting our website at **www.bloomfunds.ca** or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, Independent Review Committee's report, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust and annual information form, and is based on closing market prices of investments. Figures presented in the financial statements and certain figures presented in 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

The Fund adopted International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously the Fund had prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook ("Canadian GAAP"). The Fund has consistently applied IFRS in the preparation of its opening IFRS statement of financial position as at February 25, 2013 (date of inception of the Fund) and throughout all periods presented, as if IFRS had always been in effect.

In the Financial Highlights presented below as part of this Management Report of Fund Performance, the information for the year ended December 31, 2014 and the period from March 21, 2013 (commencement of operations) to December 31, 2013 is derived from the Fund's IFRS financial statements.

INVESTMENT OBJECTIVES AND STRATEGIES

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

RISK

Risks associated with an investment in units of the Fund are discussed in the Fund's 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.

No Assurances on Achieving Objectives

Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 10.0%. The weighted average current cash yield on the Fund's equity portfolio was 5.6% as at December 31, 2014 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.

INVESTMENT MANAGER

BLOOM
INVESTMENT COUNSEL, INC.

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

INVESTMENT MANAGER'S REPORT

January 7, 2015

The U.S. Economy

Falling oil prices should provide a significant boost to elements of the U.S. economy, though policy makers will most likely look through the oil-related inflationary impacts as simply a shorter term reaction. Low inflation rates have not stopped the Fed from raising interest rates in the past, but given the continued improvement in labour rates, the markets may start to price-in possible rate hikes by the end of 2015.

November Headline inflation dropped by 0.3%, significantly worse than expected, to set a 1.3% annualized rate. Falling gasoline and energy prices were the main driver of the decline. Core CPI (excludes food and energy) rose by 0.1% in the month, dropping the year-over-year rate to 1.7%, again below consensus expectations. Core should weaken further once the secondary effects of weak fuel prices translates through to areas such as airline ticket pricing.

U.S. personal consumption continues to track at rates not seen in four years. The November increase of 0.7% in real personal spending puts the annualized pace on track at 4%. This should drive a fourth quarter number in the range of 2.6%, certainly well on the way out of the 2009 recessionary lows.

The U.S. labour market improved significantly over the course of 2014 and the 321 thousand increase in November was well beyond consensus expectations of a 240 thousand increase. Should December also provide improved results, then the unemployment rate should tick down again towards a 5.7% level. At this pace, it would not be surprising to see wording by the Federal Reserve in an attempt to cool the pace of growth.

U.S. Investment Markets

The S&P 500 Total Return Index for the last quarter rose 4.9% and year-to-date returned 13.7%. The best performing sector year-to-date was Utilities (up 29.0%) followed by Healthcare (up 25.3%). The weakest performing sector year-to-date was Energy (down 7.8%) followed by Telecommunications (up 3.0%).

The U.S. dollar against the Canadian dollar rose by 3.6% last quarter and since the commencement of 2014, has risen by 9.1%. The recent collapse in oil prices resulting from various destabilizing situations in the Middle East is indirectly causing a decline in the Canadian dollar versus the U.S. dollar. Given the continued weakness around the world, the U.S. dollar's safe haven status appears to be returning.

Outlook

We expect that the U.S. economy will continue to show reasonable growth in 2015. Due to tumbling oil prices and a comparatively strong U.S. dollar, market expectation of an early hike in interest rates has subsided. We would look to the January 28th Federal Reserve's Open Market Committee meeting for neutral commentary for rate changes in 2015.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2014 distributions totaled $0.60 per Class A unit and US$0.60 per Class U unit. The 2014 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.

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, and the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar value of the portion of the net assets attributable to the Class A units, and which are allocated to Class A.

Increase in Net Assets from Operations
The Fund's net investment income was $2.7 million ($0.59 per Class A unit and $1.54 per Class U unit) for the year ended December 31, 2014, arising from average portfolio investments during the year of $34.0 million. The income was comprised primarily of $1.7 million in dividend and distribution income, $1.8 million in realized gains on sales of investments and $1.5 million in net unrealized gains on investments arising during the year, offset by $2.9 million in realized losses on foreign currency forward contracts.

Expenses were $1.1 million ($0.27 per Class A unit and $0.31 per Class U unit) for the year ended December 31, 2014, the major components being management fees of $644,125, withholding taxes of $192,967 and other administrative expenses of $100,606.

Net Asset Value
The Net Asset Value per unit of Class A units of the Fund was $9.36 at December 31, 2014, down by 2.4% from $9.61 at December 31, 2013. The Net Asset Value per unit of Class U units of the Fund was US$9.51 at December 31, 2014, down by 2.8% from US$9.79 at December 31, 2013.

The aggregate Net Asset Value of the Fund decreased from $39.9 million at December 31, 2013 to $31.2 million as at December 31, 2014, primarily due to redemptions of units of $7.0 million, distributions to unitholders of $2.3 million, and net realized loss on foreign currency forward contracts of $2.9 million, offset by dividend and distribution income of $1.7 million, net realized gain on sale of investments of $1.8 million and net change in unrealized appreciation on investments of $1.5 million.

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

The Fund received approval from the TSX on June 25, 2013 for a normal course issuer bid program from June 27, 2013 to June 26, 2014, allowing the Fund to purchase for cancellation up to 361,271 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 80,400 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the period ended December 31, 2014 at a cost of $737,535 or $9.17 per unit.

The Fund received approval from the TSX on June 25, 2014 for a normal course issuer bid program from June 27, 2014 to June 26, 2015, allowing the Fund to purchase for cancellation up to 354,980 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 25,300 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the period ended December 31, 2014 at a cost of $239,858 or $9.48 per unit.

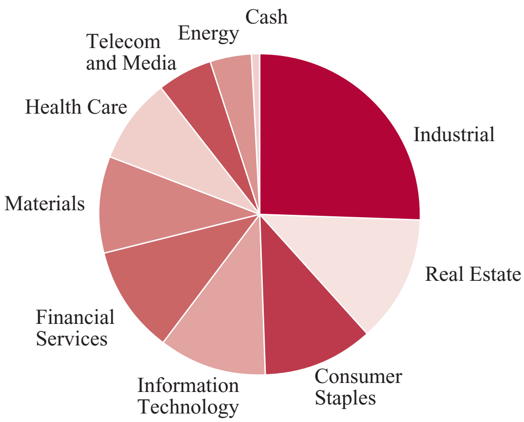
Investment Portfolio
The Fund has established a portfolio invested in U.S. equities and income trusts, each of which was selected to achieve the investment objectives of the Fund.

During the year ended December 31, 2014 the percentage of the portfolio (equities and cash) invested in cash has decreased from 12.3% to 0.7%, reflecting the completion of investment of the proceeds of issuance of the initial public offering. The materials sector has increased from 3.9% to 9.9% of the portfolio, due to the purchase of holdings in Cliffs Natural Resources Inc. as well as additions to the existing holdings in Tronox Ltd. and CatchMark Timber Trust Inc.

The Fund had net unrealized appreciation of $6.6 million on its portfolio as at December 31, 2014, with unrealized appreciation of $2.0 million on industrial holdings, $1.6 million on information technology holdings, $1.0 million on real estate holdings and $0.9 million on financial services holdings.

The Fund had net realized gains on sales of investments of $1.8 million during the year ended December 31, 2014, the largest gains being from sales of holdings in Pitney Bowes Inc., Intel Corporation, Intersil Corporation and New York Community Bancorp, Inc. There was one significant realized loss, being that on the sale of holdings in Senior Housing Properties Trust.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Industrial	$	8,140	25.7%
Real Estate		4,061	12.8%
Consumer Staples and Discretionary		3,510	11.1%
Information Technology		3,441	10.9%
Financial Services		3,406	10.7%
Materials		3,149	9.9%
Health Care		2,682	8.5%
Telecom and Media		1,771	5.6%
Energy		1,308	4.1%
Cash		211	0.7%
Total	**$**	**31,679**	**100.0%**

RELATED PARTY TRANSACTIONS

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

Administration and Investment Management Fees

Pursuant to the Fund's Declaration of Trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee aggregating to 1.55% per annum of the Net Asset Value of the Fund. The management fee is comprised of 1.15% per annum of the Net Asset Value of the Fund, calculated weekly and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the service fee of 0.40% per annum of the Net Asset Value of the Fund, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, plus applicable taxes.

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, 2014, management fees charged directly to the Fund amounted to $644,125 including service fees of $163,627.

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, 2014 the Fund expensed investor relations costs of $23,931, Independent Review Committee ("IRC") fees of $34,000 and insurance premiums of $599 which were paid and recharged by the Manager.

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

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund's launch, the IRC for the Fund was established pursuant to NI 81-107 and became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107. Costs and expenses, including the remuneration of IRC members, the costs of legal and other advisors to, and legal and other services for, IRC members, and insurance costs are chargeable to the Fund. As at December 31, 2014 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.

2014 TAX INFORMATION

The following information is applicable to unitholders 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 2014 on a per unit basis.

Class A

Record Date	Payment Date	Foreign Non-Business Income	Foreign Non-Business Income Tax Paid	Return of Capital	Total Distribution
Jan. 31, 2014	Feb. 17, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Feb. 28, 2014	Mar. 17, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Mar. 31, 2014	Apr. 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Apr. 30, 2014	May 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
May 30, 2014	Jun. 16, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Jun. 30, 2014	Jul. 15, 1014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Jul. 31, 2014	Aug. 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Aug. 29, 2014	Sep. 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Sep. 30, 2014	Oct. 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Oct. 31, 2014	Nov. 17, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Nov. 28, 2014	Dec. 15, 2014	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Dec. 31, 2014	Jan. 15, 2015	$ 0.00829	$ (0.00421)	$ 0.04592	$ 0.05000
Total		**$ 0.09948**	**$ (0.05052)**	**$ 0.55104**	**$ 0.6000**

Class U

Record Date	Payment Date	Foreign Non-Business Income	Foreign Non-Business Income Tax Paid	Return of Capital	Total Distribution
Jan. 31, 2014	Feb. 17, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Feb. 28, 2014	Mar. 17, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Mar. 31, 2014	Apr. 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Apr. 30, 2014	May 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
May 30, 2014	Jun. 16, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Jun. 30, 2014	Jul. 15, 1014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Jul. 31, 2014	Aug. 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Aug. 29, 2014	Sep. 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Sep. 30, 2014	Oct. 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Oct. 31, 2014	Nov. 17, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Nov. 28, 2014	Dec. 15, 2014	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Dec. 31, 2014	Jan. 15, 2015	US$ 0.00669	US$ (0.00422)	US$ 0.04753	US$ 0.05000
Total		**US$ 0.08028**	**US$ (0.05064)**	**US$ 0.57036**	**US$ 0.60000**

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 year ended December 31, 2014 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.

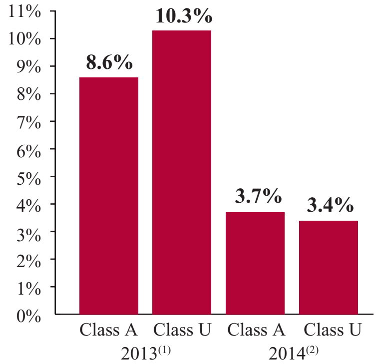
	One year	Since inception[(1)]
Bloom U.S. Income & Growth Fund Class A (net of fees and expenses)	3.7%	6.9%
S&P 500 Total Return Index in Canadian dollars	24.0%	27.9%
Bloom U.S. Income & Growth Fund Class U (net of fees and expenses)	3.4%	7.6%
S&P 500 Total Return Index in US dollars	13.7%	19.3%

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

During both periods the Fund has underperformed relative to the Index, after taking into account the expenses of the Fund. This reflects the differences in average sector weightings between the Fund's portfolio and the Index over the year, particularly in the cash and industrials sectors, where the Fund was overweight compared to the Index and the information technology and consumer discretionary sectors, where the Fund was underweight compared to the Index. It also reflects differences in individual portfolio selections between the Fund's portfolio and the Index within each of the sectors, which result in different average sector returns.

Year-by-Year Returns

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



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

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

FINANCIAL HIGHLIGHTS

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

Net Assets Per Unit(1)

	Year ended December 31, 2014			Period from March 21 to December 31, 2013		
	Class A	**Class U (C$)**	**Class U (US$)**(5)	**Class A**	**Class U (C$)**	**Class U (US$)**(5)
Net Assets per unit, beginning of period(1)(2)	$ 9.61	$ 10.40	$ 9.79	$ 10.00	$ 10.23	$ 10.00
Unit issue expense(3)	–	–	–	(0.67)	(0.69)	(0.67)
Increase from operations:(2)						
Total revenue	0.44	0.50	0.45	0.33	0.35	0.34
Total expenses	(0.27)	(0.31)	(0.28)	(0.23)	(0.25)	(0.24)
Net realized losses	(0.29)	0.65	0.59	(0.41)	(0.17)	(0.17)
Net unrealized gains	0.45	0.42	0.38	1.07	1.32	1.28
Total increase in Net Assets from operations(1)	$ 0.33	$ 1.26	$ 1.14	$ 0.76	$ 1.25	$ 1.21
Distributions to unitholders(2)(4)						
From net investment income	(0.04)	(0.08)	(0.07)	(0.02)	(0.11)	(0.10)
From return of capital	(0.56)	(0.58)	(0.53)	(0.45)	(0.38)	(0.37)
Total distributions to unitholders	$ (0.60)	$ (0.66)	$ (0.60)	$ (0.47)	$ (0.49)	$ (0.47)
Net Assets per unit, end of period(1)(2)	$ 9.36	$ 11.02	$ 9.51	$ 9.61	$ 10.40	$ 9.79

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

(4) $223,357 (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.

(5) 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

	2014		2013(1)	
For the fiscal period ended December 31	**Class A**	**Class U**	**Class A**	**Class U**
Net Asset Value (000s)(2)	$ 27,472	$ 3,724 (US$3,215)	$ 35,698	$ 4,203 (US$3,956)
Number of units outstanding(2)	2,935,407	338,006	3,713,316	404,106
Management expense ratio ("MER")(3)	2.24%	2.33%	11.96%	12.24%
Trading expense ratio(4)	0.10%	0.10%	0.17%	0.17%
Portfolio turnover rate(5)	16.18%	14.34%	28.90%	28.90%
Net Asset Value per Unit(2)	$ 9.36	$ 11.02 (US$9.51)	$ 9.61	$ 10.40 (US$9.79)
Closing market price(2)	$ 9.20	N/A	$ 9.45	N/A

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

(2) As at December 31 of the year shown

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

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average Net Asset Value of the Fund during the period.

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

Management Expense Ratio

The MER of Class A of the Fund was 2.24% for the year ended December 31, 2014, down from an MER excluding unit issue expenses of 2.56% in the period ended December 31, 2013. The MER of Class U of the Fund was 2.33% for the year ended December 31, 2014, down from an MER excluding unit expenses of 2.64% in the period ended December 31, 2013. The decrease is primarily due to the fact that 2013 was the first year of operation of the Fund and expenses tend to be higher in the initial period of a fund's operation.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2014

Net Assets[1] (including Cash and Other Net Assets) – Class A	$27,471,949
Net Assets[1] (including Cash and Other Net Assets) – Class U	$3,723,541
	or US$3,214,797

Portfolio Composition	**% of Portfolio**	**% of Net Assets[1]**
Industrial	25.7%	26.1%
Real Estate	12.8%	13.0%
Consumer Staples and Discretionary	11.1%	11.3%
Information Technology	10.9%	11.0%
Financial Services	10.7%	10.9%
Materials	9.9%	10.1%
Health Care	8.5%	8.6%
Telecom and Media	5.6%	5.7%
Energy	4.1%	4.2%
Cash	0.7%	0.7%
Total Investment Portfolio	100.0%	101.6%
Other Non-Debt Net Assets (Liabilities)		(1.6%)
Total Net Asset Value		100.0%

Top 25 Holdings	**% of Portfolio**	**% of Net Assets[1]**
Weyerhaeuser Company	5.9%	6.0%
First Financial Bancorp	5.8%	5.9%
Kraft Foods Group, Inc.	5.7%	5.8%
Intel Corporation	5.6%	5.7%
Intersil Corporation	5.3%	5.4%
Pitney Bowes Inc.	5.2%	5.3%
TAL International Group, Inc.	5.1%	5.2%
R. R. Donnelley & Sons Company	5.0%	5.1%
New York Community Bancorp, Inc.	5.0%	5.1%
PDL BioPharma, Inc.	4.9%	5.0%
Tronox Limited	4.8%	4.9%
EPR Properties	4.2%	4.3%
General Electric Company	4.2%	4.2%
Ship Finance International Limited	4.1%	4.2%
Seaspan Corporation	4.0%	4.0%
Eli Lilly and Company	3.5%	3.6%
CatchMark Timber Trust, Inc.	3.5%	3.6%
Regal Entertainment Group	3.5%	3.6%
Verizon Communications Inc.	3.4%	3.5%
Ryman Hospitality Properties, Inc.	2.7%	2.7%
Aircastle Limited	2.3%	2.4%
CenturyLink, Inc.	2.2%	2.2%
National CineMedia Inc.	1.8%	1.9%
Cliffs Natural Resources Inc.	1.6%	1.6%
Cash	0.7%	0.7%

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****.*

[1] Net assets attributable to holders of redeemable units.

MANAGEMENT RESPONSIBILITY STATEMENT

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

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

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

Signed

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

Signed

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

March 4, 2015

March 4, 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and February 25, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year ended December 31, 2014 and for the period from February 25, 2013 (date of inception) to December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014, December 31, 2013, and February 25, 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and for the period from February 25, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

STATEMENTS OF FINANCIAL POSITION

As at	**December 31, 2014**	December 31, 2013	February 25, 2013
Assets			
Current assets			
Investments	**$ 31,467,602**	$ 35,723,649	$ –
Cash	**211,171**	5,013,330	10
Dividends and distributions receivable	**50,309**	70,180	–
Prepaid expenses and other assets	**48,503**	51,684	–
Total Assets	**31,777,585**	40,858,843	10
Liabilities			
Current liabilities			
Distributions payable to holders of redeemable units	**166,344**	207,134	–
Accrued liabilities (note 11)	**165,726**	187,718	–
Unrealized depreciation on foreign currency forward contract (note 14)	**250,025**	562,784	–
Total Liabilities	**582,095**	957,636	–
Net Assets attributable to holders of redeemable units	**$ 31,195,490**	$ 39,901,207	$ 10
Net Assets attributable to holders of redeemable units per class			
Class A	**$ 27,471,949**	35,698,332	10
Class U	**$ 3,723,541**	4,202,875	–
Net Assets attributable to holders of redeemable units per unit			
Class A	**$ 9.36**	9.61	10.00
Class U	**$ 11.02**	10.40	–
Class U in U.S.$	**$ 9.51**	9.79	–

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

Signed

M. Paul Bloom
Director

Signed

Beverly Lyons
Director

The accompanying notes are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended		**December 31, 2014**[2]		December 31, 2013[1]
Income				
Net gain (loss) on investments and derivatives				
Dividend and distribution income	**$**	**1,723,379**	$	1,352,635
Net realized gain (loss) on sale of non-derivative investments		**1,792,854**		(1,255,971)
Net realized gain on sale of derivative investments		**–**		174,152
Net change in unrealized appreciation or depreciation on investments		**1,501,581**		5,060,821
Net realized loss on foreign currency forward contracts		**(2,942,845)**		(693,835)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 14)		**312,759**		(562,784)
Total net gain (loss) on investments and derivatives		**2,387,728**		4,075,018
Other income				
Securities lending income (note 13)		**46,529**		43,874
Foreign exchange gain on cash		**263,085**		230,413
Total other income		**309,614**		274,287
Total income		**2,697,342**		4,349,305
Expenses (Note 10)				
Management fees (note 11)		**644,125**		476,798
Independent review committee fees (note 11)		**34,000**		26,377
Audit fees		**33,071**		32,984
Custody fees		**19,845**		15,340
Unitholder reporting costs		**18,311**		42,902
Legal fees		**3,859**		67,893
Other administrative expenses		**100,606**		86,783
Withholding taxes		**192,967**		178,378
Transaction costs (note 12)		**36,111**		51,379
Total expenses		**1,082,895**		978,834
Net income		**1,614,447**		3,370,471
Gain on redemption of redeemable units		**13,749**		1,096
Net gain on repurchase and cancellation of redeemable units		**32,764**		19,332
Increase in net assets attributable to holders of redeemable units from operations	**$**	**1,660,960**	$	3,390,899
Class A		**1,180,186**		2,833,216
Class U		**480,774**		557,683
Total increase in net assets attributable to holders of redeemable units from operations	**$**	**1,660,960**	$	3,390,899
Weighted average redeemable units outstanding during the period				
Class A		**3,549,036**		3,705,907
Class U		**381,116**		445,301
Increase in net assets attributable to holders of redeemable units per unit from operations (note 3(k))				
Class A	**$**	**0.33**	$	0.76
Class U	**$**	**1.26**	$	1.25
Class U in U.S.$	**$**	**1.14**	$	1.21

[1] For the period from February 25 to December 31, 2013

[2] For the year ended December 31, 2014

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 year ended December 31, 2014 and the period from February 25 to December 31, 2013

	Class A	Class U	Total
Net assets attributable to holders of redeemable units at February 25, 2013	**$ 10**	**$ –**	**$ 10**
Increase in net assets attributable to holders of redeemable units from operations	**2,833,216**	**557,683**	**3,390,899**
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from income	**(73,147)**	**(48,981)**	**(122,128)**
Distributions to holders of redeemable units from return of capital	**(1,662,363)**	**(166,984)**	**(1,829,347)**
Decrease from distributions to holder of redeemable units	**(1,735,510)**	**(215,965)**	**(1,951,475)**
Redeemable unit transactions (note 7)			
Proceeds from redeemable units issued, net of issuance costs	**34,485,295**	**4,522,044**	**39,007,339**
Redemptions of redeemable units	**(10)**	**(10,262)**	**(10,272)**
Repurchase and cancellation of redeemable units	**(535,294)**	**–**	**(535,294)**
Class U redeemable units converted to Class A redeemable units	**650,625**	**(650,625)**	**–**
Net increase from redeemable unit transactions	**34,600,616**	**3,861,157**	**38,461,773**
Net increase in net assets attributable to holders of redeemable units	**35,698,322**	**4,202,875**	**39,901,197**
Net assets attributable to holders of redeemable units at December 31, 2013	**$ 35,698,332**	**$ 4,202,875**	**$ 39,901,207**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the periods ended		December 31, 2014[2]		December 31, 2013[1]
Cash flows from operating activities				
Increase in net assets attributable to holders of redeemable units from operations	$	**1,660,960**	$	3,390,899
Adjustment for:				
Foreign exchange gain on cash		**(263,085)**		(230,413)
Gain on redemption of redeemable units		**(13,749)**		(1,096)
Net gain on repurchase and cancellation of redeemable units		**(32,764)**		(19,332)
Net realized loss (gain) on sale of non-derivative investments		**(1,792,854)**		1,255,971
Net realized gain on sale of derivative investments		**–**		(174,152)
Net change in unrealized appreciation or depreciation on investments		**(1,501,581)**		(5,060,821)
Net realized loss on foreign forward currency contracts		**2,942,845**		693,835
Net change in unrealized appreciation or depreciation on foreign currency forward contracts		**(312,759)**		562,784
Decrease (increase) in dividends and distributions receivable		**19,871**		(70,180)
Decrease (increase) in prepaid expenses and other assets		**3,181**		(51,684)
Increase (decrease) in accrued liabilities		**(21,992)**		187,718
Operating cash flows:				
Purchases of investments and derivatives		**(5,418,480)**		(77,898,702)
Proceeds from sale of investments and derivatives		**12,835,856**		46,090,707
Net proceeds paid on settlements of foreign currency forward contracts		**(2,942,845)**		(693,835)
Return of capital received		**133,106**		63,348
Net cash from operating activities		**5,295,710**		(31,954,953)
Cash flows used in financing activities				
Net proceeds from redeemable units issued		**–**		39,007,339
Repurchase of redeemable units for cancellation		**(977,393)**		(515,962)
Redemptions of redeemable units		**(6,999,708)**		(9,176)
Distributions paid to holders of redeemable units		**(2,158,670)**		(1,657,379)
Distributions reinvested on behalf of holders of redeemable units		**(225,183)**		(86,962)
Net cash from (used in) financing activities		**(10,360,954)**		36,737,860
Foreign exchange gain on cash		**263,085**		230,413
Net increase (decrease) in cash		**(5,065,244)**		4,782,907
Cash at beginning of period		**5,013,330**		10
Cash at end of period	**$**	**211,171**	$	5,013,330
Dividends and distributions received	**$**	**1,876,356**	$	1,333,418
Withholding taxes paid	**$**	**196,472**	$	165,993
Interest received	**$**	**–**	$	–

[1] For the period from February 25 to December 31, 2013

[2] For the year ended December 31, 2014

The accompanying notes are an integral part of these financial statements

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014			Cost		Fair Value
No. of Units/ Shares					
	Equities				
	Consumer Staples and Discretionary				
25,000	Kraft Foods Group, Inc.	$	1,422,819	$	1,814,398
35,000	National CineMedia, Inc.		627,925		582,542
45,000	Regal Entertainment Group		894,278		1,113,310
			2,945,022		**3,510,250**
	Energy				
80,000	Ship Finance International Limited		1,330,495		1,308,359
			1,330,495		**1,308,359**
	Financial Services				
85,000	First Financial Bancorp		1,327,646		1,830,209
85,000	New York Community Bancorp Inc.		1,158,102		1,575,220
			2,485,748		**3,405,429**
	Healthcare				
14,000	Eli Lilly and Company		741,181		1,118,707
175,000	PDL BioPharma Inc.		1,457,508		1,562,769
			2,198,689		**2,681,476**
	Industrial				
30,000	Aircastle Limited		416,218		742,554
45,000	General Electric Company		1,192,645		1,317,104
58,000	Pitney Bowes Inc.		922,972		1,637,140
81,000	R.R. Donnelley & Sons Company		1,114,898		1,576,147
60,000	Seaspan Corporation		1,313,764		1,252,300
32,000	TAL International Group Inc.		1,189,445		1,614,878
			6,149,942		**8,140,123**
	Information Technology				
42,000	Intel Corporation		1,014,850		1,765,381
100,000	Intersil Corporation Class 'A'		807,440		1,675,988
			1,822,290		**3,441,369**
	Materials				
85,000	CatchMark Timber Trust Inc., Class 'A'		1,179,892		1,114,468
62,000	Cliffs Natural Resources Inc.		994,354		512,734
55,000	Tronox Ltd., Class 'A'		1,245,277		1,521,246
			3,419,523		**3,148,448**
	Real Estate				
20,000	Entertainment Properties Trust		1,132,856		1,334,999
14,000	Ryman Hospitality Properties Inc.		552,910		855,205
45,000	Weyerhaeuser Company		1,328,540		1,870,632
			3,014,306		**4,060,836**
	Telecom and Media				
15,000	CenturyLink Inc.		573,654		687,653
20,000	Verizon Communications Inc.		994,138		1,083,659
			1,567,792		**1,771,312**
	Total Equities	**$**	**24,933,807**	**$**	**31,467,602**
	Embedded Broker Commissions		**(28,607)**		
	Total Investments	**$**	**24,905,200**	**$**	**31,467,602**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 4, 2015.

Reorganization of the Fund

The Fund was established on February 25, 2013 under the name Bloom U.S. Advantaged Income & Growth Fund. The Fund was set up to achieve certain tax advantages for unitholders, and was part of a structure comprising the Fund, a counterparty and BUIG Trust, a trust also managed by the Manager. Immediately upon its commencement, the Fund entered into forward purchase and sale agreements ("Forward Agreements") with the counterparty in order to gain exposure to a portfolio of US stocks (the "Portfolio") held by BUIG Trust. However, the Federal budget dated March 21, 2013 introduced certain measures which precluded the unitholders of the Fund from obtaining the envisaged tax advantages going forward. In response to this, the Fund completed a reorganization on April 26, 2013, which included the termination of the Forward Agreements, the termination of BUIG Trust and the acquisition of the Portfolio by the Fund, resulting in operational cost savings, including the avoidance of counterparty fees. The Fund also changed its name to Bloom U.S. Income & Growth Fund.

Prior to the reorganization, BUIG Trust generated its own income and realized and unrealized gains and losses, and bore its own expenses, including management fees. These were incorporated into the net assets of the Fund via changes in the value of the Forward Agreements. Upon termination of the Forward Agreements the Fund realized a net gain of $174,152, which is included in the Statements of Comprehensive Income for the period ended December 31, 2013. Therefore the income, expenses, gains and losses of BUIG Trust are not incorporated directly into the income, expenses, gains and losses of the Fund, but their effects are represented by the realized gain on the termination of the Forward Agreements.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS Statement of Financial Position at February 25, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the period from February 25, 2013 to December 31, 2013 prepared under Canadian GAAP.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Fund's non-derivative investments are designated as financial assets to be measured at fair value through profit and loss ("FVTPL"). The Fund's derivative assets and liabilities (arising from the foreign currency forward contracts into which the Fund enters as described in Note 14) and derivative investments are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is classified as a financial liability and is presented at the redemption amount. The fair value of the Class A units as at December 31, 2014 was $27,005,744 (December 31, 2013 – $35,090,836; February 25, 2013 – $10).

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

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

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

The fair value of financial assets traded in active markets (which includes the Fund's 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, and, prior to the reorganization of the Fund, the Forward Agreements), 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 (continued)

retain control of the asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is included in the Statements of Comprehensive Income. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

e) Offsetting

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

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

f) Cash

Cash consist of deposits with financial institutions.

g) Foreign currency forward contracts

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

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

h) Investment transactions and income recognition

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

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

The income, expenses, gains and losses of the Fund are generally allocated between Class A and Class U on the basis of the Classes' relative Net Asset Values. However there are certain transactions which are class specific and are allocated to a particular class. These include: certain expenses of Class A relating to its distribution reinvestment plan ("DRIP"); certain expense of Class U relating to the Class U conversion privilege; the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar value of the portion of the net assets attributable to the Class A units, and which are allocated to Class A; and the realized gain or loss on the termination of each of the Forward Agreements, which were allocated to the Class to which that Forward Agreement related.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to investment and derivatives are presented within 'Net realized gain on sale of non-derivative investments', 'Net realized gain on sale of derivative investments', 'Net change in unrealized appreciation or depreciation on investments", 'Net realized gain (loss) on foreign currency forward contracts' and 'Net unrealized appreciation or depreciation on foreign currency forward contracts' in the Statements of Comprehensive Income.

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

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

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) Issuance costs
Issuance costs incurred in connection with the offering of units, which include agents' fees and other expenses of the offering, are charged to net assets attributable to holders of redeemable units.

o) 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.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The final version of IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. IFRS 9 has not yet been adopted by the Fund but is expected to be relevant to the Fund. The Fund has not yet begun the process of assessing the impact that the standard will have on its financial statements and has not yet determined when it will adopt the new standard.

IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Assessment of functional currency

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

6. TAXATION

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

Since the Fund does not record income taxes the tax benefit of capital and non-capital loss has not been reflected in the Statements of Financial Position as a deferred tax.

Non-capital loss carryforwards may be applied against future years' taxable income, and may be carried forward for 20 years from the year in which they are realized. As at December 31, 2014, the Fund had no non-capital losses carried forward (December 31, 2013 – nil; February 25, 2013 – nil). Capital losses incurred by the Fund may be carried forward indefinitely to apply against capital gains realized in future years. As at December 31, 2014, the Fund had $2,643,880 in capital losses available for carryforward (December 31, 2013 – $1,793,331; February 25, 2013 – nil).

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 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 Net Asset Value per unit of a Class A Unit as at the close of trading on the business day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

Commencing in 2014, 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 2014 annual redemption took place on October 30, 2014 and consisted of 702,297 Class A units for redemption proceeds of $6,597,197 and 23,500 Class U units for proceeds of US$223,596, payable on November 13, 2014 (2013 – 1,000 Class U units redeemed for proceeds of US$8,658).

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

In the year ended December 31, 2014, 15,500 Class U units were redeemed under the monthly redemption option for proceeds of US$136,015.

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.

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

The Fund 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 Net Asset Value 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 year ended December 31, 2014 and the period from February 25, 2013 to December 31, 2013 were as follows:

				Units purchased and cancelled	
Approval date	**Start date**	**End date**	**Maximum units**	**2014**	**2013**
June 25, 2013	June 27, 2013	June 26, 2014	361,271	80,400	57,900
June 25, 2014	June 27, 2014	June 26, 2015	354,980	25,300	–
Total				105,700	57,900

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 (continued)

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

Unit transactions of the Fund for the year ended December 31, 2014 and the period from February 25, 2013 to December 31, 2013 were as follows:

	2014		**2013**	
	Class A	**Class U**	**Class A**	**Class U**
Units outstanding at beginning of period	**3,713,316**	**404,106**	–	–
Initial public offering	**–**	**–**	3,698,143	473,556
Redemptions	**(702,297)**	**(39,000)**	–	(1,000)
Class U units converted to Class A	**30,088**	**(27,100)**	73,073	(68,450)
Repurchase and cancellation of units	**(105,700)**	**–**	(57,900)	–
Units outstanding at end of period	**2,935,407**	**338,006**	3,713,316	404,106

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 $31,195,490 (December 31, 2013 – $39,901,207; February 25, 2013 – $10). 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, 2014, the Fund declared total distributions of $0.60 (2013 – $0.47) per Class A unit and US$0.60 (2013 – US$0.47) per Class U unit, which amounted to $2,091,352 (2013 – $1,735,510) for Class A units and US$227,319 (2013 – US$207,841) 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, 2014, distributions of $225,168 were reinvested in 23,936 Class A units of the Fund which were purchased on the open market (period from February 25, 2013 to December 31, 2013 – $105,688 reinvested in 11,628 Class A units of the Fund).

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

11. RELATED PARTY TRANSACTIONS

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

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

For the year ended December 31, 2014, the Fund expensed management fees of $644,125 (2013 – $476,798). As at December 31, 2014, the Fund had management fees payable of $67,322 (December 31, 2013 – $85,400; February 25, 2013 – nil) included in accrued liabilities. In addition, prior to the reorganization, BUIG Trust expensed and paid management fees of $29,653.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2014 the Fund expensed IRC fees of $34,000 (2013 – $26,377), as well as investor relations costs of $23,931 (2013 – $15,205) and insurance premiums of $599 (2013 – $453) (both included in 'other administrative expenses') which were paid and recharged by the manager. In the period ended December 31, 2013 the Manager also recharged $56,516 of costs relating to the initial public offering of the Fund, which the Manager paid on the Fund's behalf prior to the completion of the offering, and which are included in issuance costs. As at December 31, 2014 the Fund owed the Manager $2,051 for recharged expenses (December 31, 2013 – $1,761; February 25, 2013 – nil) included in accrued liabilities.

Units held by the Manager and its affiliates represent 3.8% of the Class A units outstanding at December 31, 2014 (December 31, 2013 – 2.7%; February 25, 2013 – 100%).

12. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2014 the Fund paid $36,111 (2013 – $51,379) 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, which has a DBRS credit rating of AA / R-1 / Stable and a Moody's credit rating of Aa3 / P-1 / Negative, as lending agent. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities and collateral on a specified future date. Income is earned in the form of fees paid by the counterparty and is recognised on the accrual basis in the 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 on the Statements of Financial Position of the Fund during the loan period. The risks and rewards of ownership include any gains or losses in market value of the securities, the ability to sell the securities, and any dividends or distributions on the securities for which the ex-dividend dates fall within the loan period.

The Fund receives collateral of at least 102% of the value of securities on loan. Should a borrower default on a securities loan, the Fund is entitled to the associated collateral. The Fund is not exposed to the risks and rewards of ownership of the collateral therefore the collateral is not included on the Fund's Statements of Financial Position. Collateral may comprise: cash; debt that is issued or guaranteed by the Government of Canada or a province thereof, by the Government of the United States of America or of one of the states of the United States of America or of a sovereign state of the G7 countries, or of Austria, Belgium, Denmark, Finland, Netherlands, Sweden or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

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, 2014 and December 31, 2013 are as follows:

As at December 31, 2014		As at December 31, 2013	
Fair value of securities loaned	**Fair value of collateral**	**Fair value of securities loaned**	**Fair value of collateral**
$ 10,187,583	**$ 10,742,248**	$ 8,397,410	$ 8,857,166

There were no securities loaned as at February 25, 2013.

The collateral consists 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 a sovereign state of G7 countries, and corporate debt.

14. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund has entered into rolling 30 day foreign currency forward contracts, with a financial institution which has a DBRS credit rating of AA / R-1 / Stable, and a Moody's credit rating of Aa3 / P-1 / Negative, in the management of currency risk associated with its investment in foreign securities (prior to July 2014, the Fund entered into 90 rolling day contracts with the same counterparty). 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 protect the Class A unitholders of the Fund from the possibility of capital losses on U.S. currency denominated investments due to increases in the value of the Canadian dollar. Substantially all of the U.S. dollar value of the portfolio attributable to the Class A Units is hedged back to the Canadian dollar through its U.S. denominated foreign currency forward contract. However, credit and market risks associated with foreign currency forward contracts potentially expose the Fund to losses as well as gains.

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, 2014, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			
Notional value	**Currency**	**Fair value CAD**	**Notional value**	**Currency**	**Settlement date**	**Unrealized depreciation**
(25,000,000)	USD	(28,962,025)	28,712,000	CAD	January 14, 2015	(250,025)

As at December 31, 2013, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			
Notional value	**Currency**	**Fair value CAD**	**Notional value**	**Currency**	**Settlement date**	**Unrealized depreciation**
(33,200,000)	USD	(35,323,184)	34,760,400	CAD	January 28, 2014	(562,784)

The Fund held no foreign currency forward contracts at February 25, 2013.

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

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, 2014, December 31, 2013 and February 25, 2013.

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

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

The Fund 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 income trusts and equity securities. As at December 31, 2014, 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 $3,146,760 (December 31, 2013 – $3,572,265; February 25, 2013 – nil) or 10.1% (December 31, 2013 – 9.0%; February 25, 2013 – nil) 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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

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, 2014, December 31, 2013 and February 25, 2013, 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 foreign currency forward contracts. Substantially all of the U.S. dollar value of net assets attributable to the Class A Units is covered by a foreign currency forward contract in which the Fund sells the US dollars for a specified amount of Canadian dollars at a future date. The Fund's Class U Units are redeemable in U.S. dollars, therefore not subject to substantial foreign currency exposure. The net assets attributable to the Class U units exclude unrealized gains or losses from foreign currency forward contract.

As at December 31, 2014, the Fund's direct exposure to currency risk associated with the Class A units, including the effects of the foreign currency forward contract, was as follows:

	Class A currency risk exposed holdings		Net Class A	As a percentage of
Currency	Monetary	Non-monetary	exposure	Class A net assets
U.S. dollars	$ (28,787,853)	$ 28,132,888	$ (654,965)	(2.38%)

As at December 31, 2013, the Fund's direct exposure to currency risk associated with the Class A units, including the effects of the foreign currency forward contract, was as follows:

	Class A currency risk exposed holdings		Net Class A	As a percentage of
Currency	Monetary	Non-monetary	exposure	Class A net assets
U.S. dollars	$ (30,958,702)	$ 31,749,126	$ 790,424	2.22%

The Fund had no direct exposure to currency risk as at February 25, 2013.

As at December 31, 2014 had the U.S. dollar exchange rate increased or decreased by 5% with all other variables held constant, the net 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 $32,748 or 0.12% (December 31, 2013 – $31,182 or 0.09%; February 25, 2013 – nil). In practice, the actual exchange rate fluctuations may differ and the impact could be material.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

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, 2014 and December 31, 2013:

Market Segment	December 31, 2014	December 31, 2013
Consumer Staples and Discretionary	11.3%	8.0%
Energy	4.2%	4.9%
Financial Services	10.9%	11.5%
Healthcare	8.6%	7.8%
Industrial	26.1%	24.5%
Information Technology	11.0%	9.6%
Materials	10.1%	4.0%
Real Estate	13.0%	9.4%
Telecom and Media	5.7%	9.8%

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 require significant management judgment or estimation.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as of December 31, 2014 and December 31, 2013:

December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**$ 31,467,602**	**$ –**	**$ –**	**$ 31,467,602**
Unrealized depreciation on foreign currency forward contract	**–**	**(250,025)**	**–**	**(250,025)**
	$ 31,467,602	**$ (250,025)**	**$ –**	**$ 31,217,577**

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 35,723,649	$ –	$ –	$ 35,723,649
Unrealized depreciation on foreign currency forward contract	–	(562,784)	–	(562,784)
	$ 35,723,649	$ (562,784)	$ –	$ 35,160,865

The Fund had no financial instruments measured at fair value as at February 25, 2013.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

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 90 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 year ended December 31, 2014 and the period from February 25, 2013 to December 31, 2013.

16. FINANCIAL INSTRUMENTS BY CATEGORY

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

The following table presents the net gains (losses) on financial instruments recorded at FVTPL by category for the years ended December 31, 2014 and 2013:

	2014	2013
Financial assets at FVTPL:		
HFT	**$ –**	$ 174,152
Designated at inception	**5,064,343**	5,201,359
Total financial assets at FVTPL	**5,064,343**	5,375,511
Financial liabilities at FVTPL:		
HFT	**(2,630,086)**	(1,256,619)
Total	**$ 2,434,257**	$ 4,118,892

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This note summarizes the effects of the Fund's transition to IFRS.

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at FVTPL upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP, as required by Accounting Guideline 18, *Investment Companies*.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. International Accounting Standard 1, *Presentation of Financial Statements* requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	**December 31, 2013**	**February 25, 2013**
Unitholders' equity as reported under Canadian GAAP	$ 39,713,173	$ 10
Revaluation of investments at FVTPL	188,034	–
Net assets attributable to holders of redeemable units	$ 39,901,207	$ 10

Comprehensive income	**Period from February 25 to December 31, 2013**
Increase in net assets from operations as reported under Canadian GAAP	$ 3,182,437
Revaluation of investments at FVTPL	188,034
Gain on redemption of redeemable units	1,096
Net gain on repurchase and cancellation of redeemable units	19,332
Increase in net assets attributable to holders of redeemable units from operations	$ 3,390,899

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (continued)

Classification of redeemable units issued by the Fund
Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities unless certain criteria are met. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. Under Canadian GAAP the Fund presented the components of shareholders' equity, including share capital, retained earnings and contributed surplus on the Statement of Financial Position. As the Fund's shares have been reclassified to financial liability on transition to IFRS, these components are no longer presented.

Classification of redemption and repurchase price differentials
Under Canadian GAAP, when units of the Fund were redeemed or repurchased for cancellation at a price per unit which was lower than the average cost per unit, the difference was included in contributed surplus on the Statements of Net Assets. If the redemption or purchase price was greater than the average cost per unit, the difference was first charged to contributed surplus until eliminated, and any remaining amount was charged to retained earnings (deficit) in the Statements of Net Assets. Under IFRS, due to the classification of redeemable units issued by the Fund as liabilities as described above, when units of the Fund are redeemed or purchased 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'. As a result, upon adoption of IFRS, gains on redemption of redeemable units of $1,096 and net gains on repurchase and cancellation of redeemable units of $19,332 were included in the Statement of Comprehensive Income for the period from February 25, 2013 to December 31, 2013.

Revaluation of investments at FVTPL
Under Canadian GAAP, the Fund measured the fair value of its investments in accordance with Section 3855, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $188,034 as at December 31, 2013. The impact of this adjustment was to increase the Fund's increase in net assets attributable to holders of redeemable units from operations by $188,034 for the period from February 25, 2013 to December 31, 2013.

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