BLOOM FUNDS

MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

BLOOM U.S. INCOME & GROWTH FUND

2016 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 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.

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.

RECENT DEVELOPMENTS

Hedging of foreign currency

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

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

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

In the year ended December 31, 2016, the Canadian dollar strengthened by 3.5%. However, Class A suffered net realized losses on the forward foreign currency contracts of $0.2 million, primarily due to a $1 million loss on settlement of the first contract of the year, which related to most of the month of December 2015 over which period the Canadian dollar weakened by 4.5% (since inception on March 21, 2013, the Canadian dollar has weakened by 23.7% causing net realized losses of $7.3 million). In both periods, these losses substantially offset the corresponding increase in the Canadian dollar value of the U. S. dollar denominated assets of Class A, principally investments, which is included in the net change in unrealized appreciation or depreciation on non-derivative investments and the net realized gain on sale of non-derivative investments.

Change in membership of Independent Review Committee

Cameron Goodnough joined the Fund's Independent Review Committee ("IRC") in February of 2016, replacing Helen Kearns.

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 5, 2017

The U.S. Economy
Economic growth in the United States, which was weak over the first half of 2016, accelerated in the third quarter with GDP rising 3.2%. This followed three quarters in which economic activity expanded by just 1% on average. Growth in the most recent period was wide-spread across major categories, although residential investment contracted for a second straight quarter.

Looking forward, U.S. consumer spending is expected to continue to outpace overall economic growth in the coming year, supported by a healthy labour market. Residential construction is expected to return to positive growth owing to healthy demand and a lack of inventory. With these factored in, the consensus view is now for 2017 U.S. GDP growth of around 2.1%, up from the 1.9% increase projected for 2016.

Following the recent election of Donald Trump, a larger fiscal deficit and potentially higher inflation could prompt the Federal Reserve System (the Fed) to speed up its rate hikes given its more hawkish stance on its near-term monetary policy path while raising the Fed Funds rate in December. Furthermore, Republican control of both houses puts Mr. Trump in a fairly good position to advance most of his pro-growth and proposed infrastructure agenda, including tax cuts for corporations and individuals and reduced environmental and business regulation. However, there remains a high degree of uncertainty regarding the size and composition of any potential fiscal stimulus. As a result, there is some downside risk to the U.S. economy resulting from higher bond yields and a stronger U.S. dollar, absent a positive offset from fiscal policy.

November CPI rose 0.2% in the month, and on an annualized basis, the pace of inflation year on year accelerated to 1.7% from 1.6% in October. Core CPI (excludes food and energy) also rose by 0.2% in the month, increasing the year on year rate to 2.1%. With oil prices likely to continue to rise modestly throughout this coming year, headline inflation (year on year) is likely to push above 2.0% over the next several months. However, the core inflation rate is likely to maintain its current pace as core goods prices continue to face U.S. dollar headwinds in the near-term.

Following the U.S. election, the Five-Year U.S. Treasury bond, a proxy for changes in mortgage rates, has moved from 1.16% to roughly 1.89%, the highest level in nearly six years. Housing starts have already begun cooling off, declining by 250,000 units in November to 1,090,000 (annualized) from a red-hot pace set in October, considerably weaker than market expectations of 1,230,000. We would not be surprised to see housing starts continue to fall over the next several months as more Americans prioritize debt reduction in 2017 from expectations of even higher interest rates.

In addition to the housing market, another key economic indicator to closely monitor is the labour market. As highlighted in the November report, the U.S. labour market generated 178,000 jobs, in-line with consensus expectations and reaffirming an ongoing pace of above-trend growth. The unemployment rate fell to 4.6% in November, from 5.0% in December 2015, reaching a nine-year low. With that said, we note that this positive data point is somewhat offset by the following factors: 1) Average hourly earnings surprised to the downside in November, recording a decline of 2.5% year on year; and 2) the labour participation rate has largely remained below 63% over the past 18 months (versus above 65% prior to the 2008 financial crisis).

U.S. Investment Markets
Since the beginning of 2016, the S&P 500 has outperformed all developed-country markets except the S&P/TSX, mainly owing to the expectation of new pro-growth policies, as well as Financials more recently benefitting from a steeper yield curve.

On the earnings front, S&P 500 forward estimates have increased 1% in the last quarter, but are down 2% over the last year. The market has maintained earnings growth expectations of 10-15% for the next 12-18 months, relatively unchanged with the end of last quarter. With that said, we project a gradual decline in S&P 500 earnings multiples in the year ahead as the earnings recovery has been at least partially discounted by the market.

The S&P 500 Total Return Index for the year returned +12.0%. The best performing sectors last year were Energy (up 27.4%), Telecommunications Services (up 23.5%) and Financials (up 22.8%), while the worst performing sectors for the year were Health Care (down 2.7%), Consumer Staples (up 5.4%) and Consumer Discretionary (up 6.0%).

The U.S. dollar fell by 3.5% against the Canadian dollar over the year, primarily in the first quarter of the year. Further interest rate divergence from more likely Fed rate hikes will likely lead to continued U.S. dollar strength versus the Canadian dollar and all other currencies.

Outlook

We expect the bull market in U.S. equities to continue, but at a slower pace than 2016. While the medium-to-long-term U.S. economic growth forecast remains relatively strong, it appears that investors have set themselves up for at least mild disappointment as the S&P 500 will likely face the following challenges in replicating its 2016 returns in the coming year:

- With stronger economic data and existing widespread optimism, there are fewer bears to convert to bulls which reduces overall buying power;
- The U.S. economy has transitioned into the ‘late-cycle’ environment, characterized by rising inflation expectations. Consequently if interest rates rise faster on the expectation of another rate hike and if earnings estimates do not rise in the near-term, then the next correction, while likely quite mild, could begin sooner than later as equity markets ‘run out of buyers’ amid widespread bullishness;
- It will likely take some time for tax cuts and Government spending to work its way into boosting personal consumption expenditures and business investment, and therefore the U.S. economy is unlikely to receive a meaningfully positive impact before the second half of 2017 at the earliest;
- Mr. Trump’s election seemingly creates a more supportive U.S. regulatory environment, but it will take some time to properly assess the impact of the worst elements of his proposals (overall severe protectionism and specific hardline stance towards China); and
- Utilities, Telcos, REITs and other ‘bond proxies’ could drag on overall performance based on their usual sensitivity to higher interest rates.

We continue to seek additional investments. This may involve returning to some of the investments that we sold last year but at lower prices or redeploying cash into what we believe are new attractive opportunities.

RESULTS OF OPERATIONS

Distributions

During the year ended December 31, 2016 distributions totaled $0.60 per Class A unit and US$0.60 per Class U unit. The 2016 distribution reflects a monthly rate per unit of $0.05 per Class A unit and US$0.05 per Class U unit, in accordance with the targeted distribution rate of 6% per annum on the subscription price of $10 per unit as disclosed in the Fund’s Prospectus. Since inception on March 21, 2013, the Fund has paid total cash and reinvested distributions of $2.2674 per Class A unit and US$2.2674 per Class U unit.

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

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

Increase in Net Assets from Operations

The Fund’s net investment income was $2.2 million ($1.00 per Class A unit and $0.96 per Class U unit) for the year ended December 31, 2016, arising from average portfolio investments during the year of $17.7 million. The income was comprised primarily of $1.5 million in dividend and distribution income, $2.1 million in realized gains on sales of non-derivative investments and $0.7 million unrealized gain on foreign currency forward contracts, offset by $1.8 million in net unrealized losses on non-derivative investments arising during the year and $0.2 million in realized losses on foreign currency forward contracts.

Expenses were $0.6 million ($0.27 per Class A unit and $0.37 per Class U unit) for the year ended December 31, 2016, the major components being management fees of $334,625, other administrative expenses of $85,138 and withholding taxes of $68,659.

Net Asset Value

The net asset value per unit of Class A units of the Fund was $8.58 at December 31, 2016, up by 2.5% from $8.37 at December 31, 2015. The net asset value per unit of Class U units of the Fund was US$8.61 at December 31, 2016, up by 3.0% from US$8.36 at December 31, 2015. In Canadian dollar terms, the net asset value of Class U units was $11.54 at December 31, 2016, down by 0.6% from $11.61 at December 31, 2015.

The aggregate net asset value of the Fund decreased from $21.0 million at December 31, 2015 to $16.8 million as at December 31, 2016, primarily due to redemptions of units of $3.3 million, distributions to unitholders of $1.4 million, repurchase and cancellation of units of $1.2 million and net change in unrealized appreciation on non-derivative investments of $1.8 million, offset by dividend and distribution income of $1.5 million, net realized gain on sale of non-derivative investments of $2.1 million and net change in unrealized appreciation on foreign currency forward contracts of $0.7 million.

Investment Portfolio

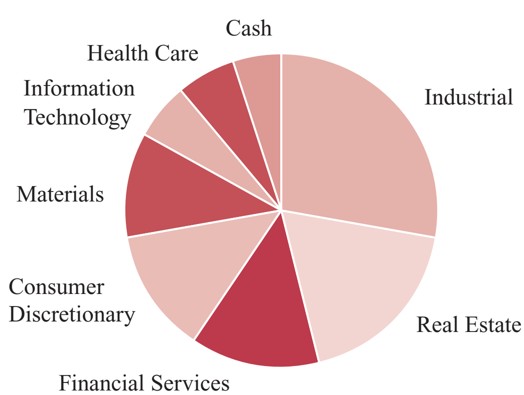
The Fund has established a portfolio invested in U.S. equities, each of which was selected to achieve the investment objectives of the Fund.

During the year ended December 31, 2016 the percentage of the portfolio (equities and cash) invested in cash has decreased from 14.3% to 5.0%, reflecting the Manager's more optimistic view of the market. The materials sector has increased from 4.6% to 10.6% of the portfolio, due to the dramatic increase in value of Tronox Limited along with the addition to the Fund's position in Tronox. The information technology sector has decreased from 10.3% of the portfolio to 6.0%, due to the sale of the Fund's position in Intersil Corporation for a significant gain.

The Fund had net unrealized appreciation of $3.4 million on its portfolio as at December 31, 2016, with unrealized appreciation of $1.3 million on real estate holdings, $1.1 million on financial services holdings and $0.6 million on industrial holdings, offset by a modest unrealized depreciation on consumer discretionary and materials sector holdings.

The Fund had net realized gains on sales of non-derivative investments of $2.1 million during the year ended December 31, 2016, the most significant gain being from the sale of the Fund's position in Intersil Corporation, along with large gains on the sale of holdings in EPR Properties and First Financial Bancorp, Inc. There were several smaller realized gains and losses.

Portfolio Sectors



Sector		Value (thousands)	% of Total
Industrial	$	4,738	27.8%
Real Estate		3,167	18.5%
Financial Services		2,267	13.3%
Consumer Discretionary		2,200	12.9%
Materials		1,802	10.6%
Information Technology		1,026	6.0%
Health Care		1,006	5.9%
Cash		852	5.0%
Total	**$**	**17,058**	**100.0%**

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

The Fund received approval from the TSX on June 25, 2015 for a normal course issuer bid program from June 29, 2015 to June 28, 2016, allowing the Fund to purchase for cancellation up to 279,253 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 83,700 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2016 at a cost of $642,924 or $7.68 per unit.

The Fund received approval from the TSX on June 27, 2016 for a normal course issuer bid program from June 29, 2016 to June 28, 2017, allowing the Fund to purchase for cancellation up to 206,188 Class A units on the TSX if they trade below the Class A Net Asset Value per unit. 60,500 Class A units were purchased and cancelled by the Fund under this normal course issuer bid in the year ended December 31, 2016 at a cost of $498,358 or $8.24 per unit.

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

Current Cash Yield and Targeted Distributions
Based on current projections, the average total return required in order for the Fund to achieve its targeted monthly distributions to Unitholders is approximately 11.1%. The weighted average current cash yield on the Fund's equity portfolio was 4.6% as at December 31, 2016 and thus the Fund is required to generate additional returns (for instance, capital gains and securities lending income) and/or to return capital in order for the Fund to achieve its targeted monthly distributions to Unitholders.

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

Administration and Investment Management Fees
Pursuant to the Fund's declaration of trust, the Manager provides investment management and administrative services to the Fund, for which it is paid an annual management fee 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, 2016, management fees charged directly to the Fund amounted to $334,625 including service fees of $85,330.

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

Other Expenses Recharged to the Fund
On an ongoing basis the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2016 the Fund expensed investor relations costs of $9,593, IRC fees of $31,301 and premiums for insurance coverage for members of the IRC of $275 which were paid and recharged by the Manager.

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

INDEPENDENT REVIEW COMMITTEE

Prior to the Fund's launch, the IRC for the Fund was established pursuant to NI 81-107 and became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107. Costs and expenses, including the remuneration of IRC members, the costs of legal and other advisors to, and legal and other services for, IRC members, and insurance costs are chargeable to the Fund. As at December 31, 2016 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.

2016 TAX INFORMATION

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, DPSP, RRIF, RESP or TFSA. Unitholders should receive a T3 slip from their investment dealer providing this information. T3 supplementary slips for holdings of the Fund will indicate Foreign Non-Business Income in Box 25, Foreign Non-Business Income Tax Paid in Box 34, and Capital Gains in Box 21. The Return of Capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42. The following table outlines the breakdown of the Fund's distributions declared in 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. 29, 2016	Feb. 16, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Feb 29, 2016	Mar. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Mar. 31, 2016	Apr. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Apr. 29, 2016	May 16, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
May 31, 2016	Jun. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Jun. 30, 2016	Jul. 15, 1016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Jul. 29, 2016	Aug. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Aug. 31, 2016	Sep. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Sep. 30, 2016	Oct. 17, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Oct. 31, 2016	Nov. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Nov. 30, 2016	Dec. 15, 2016	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Dec. 30, 2016	Jan. 16, 2017	$ 0.015256	$ (0.003346)	$ 0.038090	$ 0.05
Total		**$ 0.183072**	**$ (0.040152)**	**$ 0.457080**	**$ 0.60**

Class U

Record Date	Payment Date	Foreign Non-Business Income	Foreign Non-Business Income Tax Paid	Return of Capital	Total Distribution
Jan. 29, 2016	Feb. 16, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Feb 29, 2016	Mar. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Mar. 31, 2016	Apr. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Apr. 29, 2016	May 16, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
May 31, 2016	Jun. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Jun. 30, 2016	Jul. 15, 1016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Jul. 29, 2016	Aug. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Aug. 31, 2016	Sep. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Sep. 30, 2016	Oct. 17, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Oct. 31, 2016	Nov. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Nov. 30, 2016	Dec. 15, 2016	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Dec. 30, 2016	Jan. 16, 2017	US$ 0.009866	US$(0.003362)	US$ 0.043496	US$ 0.05
Total		**US$ 0.118392**	**US$(0.040344)**	**US$ 0.521952**	**US$ 0.60**

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

PAST PERFORMANCE

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

Annual Compound Returns

The following table shows the Fund's annual compound return for the one and three year periods ended December 31, 2016 and the period since commencement of operations on March 21, 2013, compared with the S&P 500 Total Return Index ("Index"). The Index tracks the performance, on a market weight basis and a total return basis, of a broad index of large-capitalization issuers listed on the S&P 500, including common stocks and REITs, and is an appropriate benchmark as the Fund invests in such common stocks and REITs. Since the Fund is actively managed, the sector weightings differ from those of the Index. Also, the Fund's portfolio contains predominantly high dividend paying securities, whereas the Index does not necessarily focus on this type of investment. As well, the Fund may invest in issuers that are not included in the Index. For these reasons it is not expected that the Fund's performance will mirror that of the Index. Further, the Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

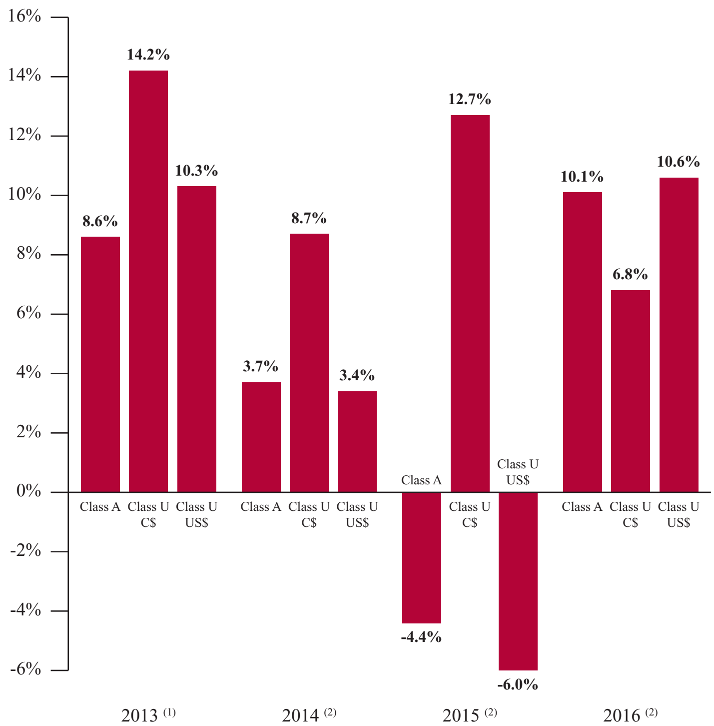
	One year	Three years	Since inception[1]
Bloom U.S. Income & Growth Fund Class A (net of fees and expenses)	10.1%	3.0%	4.6%
Bloom U.S. Income & Growth Fund Class U in C$ (net of fees and expenses)	6.8%	10.7%	12.2%
S&P 500 Total Return Index in Canadian dollars	8.2%	17.6%	20.7%
Bloom U.S. Income & Growth Fund Class U in US$ (net of fees and expenses)	10.6%	2.4%	4.6%
S&P 500 Total Return Index in US dollars	12.0%	8.9%	12.4%

[1] Period from March 21, 2013 (commencement of operations) to December 31, 2016

During the one year period ended December 31, 2016, Class A of the Fund outperformed relative to the Index after taking into account the expenses of the Fund, although it underperformed for the three year period ended December 31, 2016 and since inception. Class U of the Fund underperformed the index for all periods. This reflects the differences in average sector weightings between the Fund's portfolio and the Index over the year, particularly in the cash, real estate and industrials sectors, where the Fund was overweight compared to the Index and the energy, information technology, health care and consumer staples 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, 2016			Year ended December 31, 2015			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)	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)	$ 8.37	$11.61	$ 8.36	$ 9.36	$11.02	$ 9.51	$ 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	0.64	0.83	0.63	0.43	0.55	0.44	0.44	0.50	0.45	0.33	0.35	0.34
Total expenses	(0.27)	(0.37)	(0.28)	(0.27)	(0.34)	(0.27)	(0.27)	(0.31)	(0.28)	(0.23)	(0.25)	(0.24)
Net realized gains (losses)	0.83	1.19	0.90	0.05	1.68	0.33	(0.29)	0.65	0.26	(0.41)	(0.17)	(0.35)
Net unrealized gains (losses)	(0.47)	(1.06)	(0.80)	(0.59)	(0.43)	(0.88)	0.45	0.42	0.15	1.07	1.32	0.95
Total increase in net assets from operations(1)	$ 0.73	$ 0.59	$ 0.45	$(0.38)	$ 1.46	$(0.38)	$ 0.33	$ 1.26	$ 0.28	$ 0.76	$ 1.25	$ 0.70
Distributions to unitholders(2)(4)												
From net investment income	(0.14)	(0.10)	(0.08)	(0.01)	–	–	(0.04)	(0.08)	(0.07)	(0.02)	(0.11)	(0.10)
From return of capital	(0.46)	(0.69)	(0.52)	(0.59)	(0.77)	(0.60)	(0.56)	(0.58)	(0.53)	(0.45)	(0.38)	(0.37)
Total distributions to unitholders	$(0.60)	$(0.79)	$(0.60)	$(0.60)	$(0.77)	$(0.60)	$(0.60)	$(0.66)	$(0.60)	$(0.47)	$(0.49)	$(0.47)
Net assets per unit, end of period(1)(2)	$ 8.58	$11.54	$ 8.61	$ 8.37	$11.61	$ 8.36	$ 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) $186,101 (2015: $212,557; 2014: $225,168; 2013: $105,688) of distributions was reinvested in units under the Fund's Class A Distribution Reinvestment Plan. The remainder of the distributions was paid in cash.

(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

For the fiscal period ended December 31	2016		2015		2014		2013[1]	
	Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U
Net asset value (000s)[2]	$ 15,169	$ 1,609 (US$1,200)	$ 18,879	$ 2,144 (US$1,543)	$ 27,472	$ 3,724 (US$3,215)	$ 35,698	$ 4,203 (US$3,956)
Number of units outstanding[2]	1,768,014	139,406	2,255,000	184,656	2,935,407	338,006	3,713,316	404,106
Management expense ratio ("MER")[3]	2.79%	2.92%	2.39%	2.40%	2.24%	2.33%	11.96%	12.24%
Trading expense ratio[4]	0.07%	0.07%	0.12%	0.10%	0.10%	0.10%	0.17%	0.17%
Portfolio turnover rate[5]	8.34%	8.34%	2.95%	2.95%	16.18%	14.34%	28.90%	28.90%
Net asset value per Unit[2]	$ 8.58	$ 11.54 (US$8.61)	$ 8.37	$ 11.61 (US$8.36)	$ 9.36	$ 11.02 (US$9.51)	$ 9.61	$ 10.40 (US$9.79)
Closing market price[2]	$ 8.26	N/A	$ 8.06	N/A	$ 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, including commissions on unit repurchases of Class A units under its normal course issuer bid, and other portfolio transaction costs expressed as an annualized percentage of the average net asset value of the Fund during the period.

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

Management Expense Ratio

The MER of Class A of the Fund was 2.79% for the year ended December 31, 2016, up from an MER of 2.39% in the year ended December 31, 2015. The MER of Class U of the Fund was 2.92% for the year ended December 31, 2016, up from an MER of 2.40% in the year ended December 31, 2015. The increases are primarily due to the decrease in net asset value through the annual redemption of units and market decreases (including the effects of hedging), which, when paired with fixed costs, caused the MER to increase.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2016

Total Net Assets (including Cash and Other Net Assets) – Class A	$15,168,567
Total Net Assets (including Cash and Other Net Assets) – Class U	$1,609,233
	Or US$1,199,980

Portfolio Composition	% of Portfolio	% of Total Net Assets
Industrial	27.8%	28.2%
Real Estate	18.5%	18.9%
Financial Services	13.3%	13.5%
Consumer Discretionary	12.9%	13.1%
Materials	10.6%	10.7%
Information Technology	6.0%	6.1%
Health Care	5.9%	6.0%
Cash	5.0%	5.2%
Total Investment Portfolio	100.0%	101.7%
Other Non-Debt Net Assets (Liabilities)		(1.7%)
Total Net Assets	100.0%	100.0%

Top 25 Holdings*	% of Portfolio	% of Total Net Assets
General Electric Company	7.1%	7.2%
Ryman Hospitality Properties, Inc.	6.9%	7.1%
New York Community Bancorp, Inc.	6.7%	6.8%
First Financial Bancorp	6.6%	6.7%
Tronox Limited	6.6%	6.7%
Intel Corporation	6.0%	6.1%
Weyerhaeuser Company	6.0%	6.1%
Eli Lilly and Company	5.9%	6.0%
Ship Finance International Limited	5.7%	5.8%
Pitney Bowes Inc.	5.5%	5.6%
EPR Properties	5.5%	5.6%
Cash	5.0%	5.2%
Regal Entertainment Group	4.7%	4.8%
CatchMark Timber Trust, Inc.	4.0%	4.1%
Seaspan Corporation	3.7%	3.8%
National CineMedia Inc.	3.0%	3.0%
FLY Leasing Limited	2.9%	2.9%
Aircastle Limited	2.9%	2.9%
R. R. Donnelley & Sons Company	2.4%	2.4%
LSC Communications, Inc.	1.6%	1.6%
Donnelley Financial Solutions, Inc.	1.2%	1.3%

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

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

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

MANAGEMENT RESPONSIBILITY STATEMENT

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 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 7, 2017

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, 2016 and 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, 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 these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 8, 2017

STATEMENTS OF FINANCIAL POSITION

As at		December 31, 2016		December 31, 2015
Assets				
Current assets				
Investments	$	**16,205,661**	$	18,842,787
Cash		**852,276**		3,153,194
Dividends and distributions receivable		**29,478**		35,424
Prepaid expenses and other assets		**20,977**		29,385
Total assets		**17,108,392**		22,060,790
Liabilities				
Current liabilities				
Distributions payable to holders of redeemable units		**97,748**		125,575
Accrued liabilities (note 11)		**114,431**		113,254
Unrealized depreciation on foreign currency forward contracts (note 14)		**118,413**		798,912
Total liabilities		**330,592**		1,037,741
Net assets attributable to holders of redeemable units (note 7)	$	**16,777,800**	$	21,023,049
Net assets attributable to holders of redeemable units per class				
Class A	$	**15,168,567**	$	18,878,786
Class U	$	**1,609,233**	$	2,144,263
Net assets attributable to holders of redeemable units per unit				
Class A	$	**8.58**	$	8.37
Class U	$	**11.54**	$	11.61
Class U in U.S.$	$	**8.61**	$	8.36

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 years ended		**December 31, 2016**		December 31, 2015
Income				
Net gain (loss) on investments and derivatives				
Dividend and distribution income	**$**	**1,453,459**	$	1,352,598
Net realized gain on sale of non-derivative investments		**2,062,932**		3,644,973
Net change in unrealized appreciation or depreciation on non-derivative investments		**(1,817,992)**		(1,306,643)
Net realized loss on foreign currency forward contracts		**(172,678)**		(3,454,357)
Net change in unrealized appreciation or depreciation on foreign currency forward contracts (note 14)		**680,499**		(548,887)
Total net gain (loss) on investments and derivatives		**2,206,220**		(312,316)
Other income				
Securities lending income (note 13)		**42,516**		17,202
Foreign exchange gain (loss) on cash		**(19,932)**		401,842
Total other income		**22,584**		419,044
Total income		**2,228,804**		106,728
Expenses (Note 10)				
Management fees (note 11)		**334,625**		481,115
Independent Review Committee fees (note 11)		**31,301**		35,100
Unitholder reporting costs		**31,931**		30,325
Audit fees		**30,408**		23,962
Custody fees		**24,369**		23,524
Legal fees		**11,298**		6,784
Other administrative expenses		**85,138**		85,352
Withholding taxes		**68,659**		122,790
Transaction costs (note 12)		**13,765**		32,851
Total expenses		**631,494**		841,803
Net income (loss)		**1,597,310**		(735,075)
Gain on redemption of redeemable units (note 7)		**7,236**		26,174
Net gain on repurchase and cancellation of redeemable units (note 7)		**53,859**		22,525
Increase (decrease) in net assets attributable to holders of redeemable units from operations	**$**	**1,658,405**	$	(686,376)
Class A		**1,558,625**		(1,078,262)
Class U		**99,780**		391,886
Total increase (decrease) in net assets attributable to holders of redeemable units from operations	**$**	**1,658,405**	$	(686,376)
Weighted average redeemable units outstanding during the year				
Class A		**2,128,448**		2,833,236
Class U		**169,461**		269,005
Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations (note 3k)				
Class A	**$**	**0.73**	$	(0.38)
Class U	**$**	**0.59**	$	1.46
Class U in U.S.$	**$**	**0.45**	$	(0.38)

The accompanying notes are an integral part of these financial statements

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

For the years ended December 31, 2016 and 2015

	Class A	Class U	Total
Net assets attributable to holders of redeemable units at January 1, 2015	$ 27,471,949	$ 3,723,541	$ 31,195,490
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(1,078,262)	391,886	(686,376)
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from investment income	(27,388)	–	(27,388)
Distributions to holders of redeemable units from return of capital	(1,635,967)	(204,211)	(1,840,178)
Decrease from distributions to holders of redeemable units	(1,663,355)	(204,211)	(1,867,566)
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	(6,076,265)	(551,338)	(6,627,603)
Repurchase and cancellation of redeemable units	(990,896)	–	(990,896)
Class U redeemable units converted to Class A redeemable units	1,215,615	(1,215,615)	–
Net decrease from redeemable unit transactions	(5,851,546)	(1,766,953)	(7,618,499)
Net decrease in net assets attributable to holders of redeemable units	(8,593,163)	(1,579,278)	(10,172,441)
Net assets attributable to holders of redeemable units at December 31, 2015	$ 18,878,786	$ 2,144,263	$ 21,023,049
Increase in net assets attributable to holders of redeemable units from operations	**1,558,625**	**99,780**	**1,658,405**
Distributions to holders of redeemable units (note 9)			
Distributions to holders of redeemable units from investment income	**(298,929)**	**(17,244)**	**(316,173)**
Distributions to holders of redeemable units from return of capital	**(956,058)**	**(115,309)**	**(1,071,367)**
Decrease from distributions to holders of redeemable units	**(1,254,987)**	**(132,553)**	**(1,387,540)**
Redeemable unit transactions (note 7)			
Redemptions of redeemable units	**(2,967,198)**	**(353,775)**	**(3,320,973)**
Repurchase and cancellation of redeemable units	**(1,195,141)**	**–**	**(1,195,141)**
Class U redeemable units converted to Class A redeemable units	**148,482**	**(148,482)**	**–**
Net decrease from redeemable unit transactions	**(4,013,857)**	**(502,257)**	**(4,516,114)**
Net decrease in net assets attributable to holders of redeemable units	**(3,710,219)**	**(535,030)**	**(4,245,249)**
Net assets attributable to holders of redeemable units at December 31, 2016	**$ 15,168,567**	**$ 1,609,233**	**$ 16,777,800**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the years ended	**December 31, 2016**	December 31, 2015
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	**$ 1,658,405**	$ (686,376)
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash	**49,453**	(57,492)
Gain on redemption of redeemable units	**(7,236)**	(26,174)
Net gain on repurchase and cancellation of redeemable units	**(53,859)**	(22,525)
Net realized gain on sale of non-derivative investments	**(2,062,932)**	(3,644,973)
Net change in unrealized appreciation or depreciation on investments	**1,817,992**	1,306,643
Net realized loss on foreign currency forward contracts	**172,678**	3,454,357
Net change in unrealized appreciation or depreciation on foreign currency forward contracts	**(680,499)**	548,887
Decrease in dividends and distributions receivable	**5,946**	14,885
Decrease in prepaid expenses and other assets	**8,408**	19,118
(Increase) decrease in accrued liabilities	**1,177**	(52,472)
Operating cash flows:		
Purchases of investments and derivatives	**(1,471,496)**	(779,153)
Proceeds from sale of investments and derivatives	**4,353,562**	15,707,797
Net proceeds paid on settlements of foreign currency forward contracts	**(172,678)**	(3,454,357)
Return of capital received	**–**	34,501
Net cash from operating activities	**3,618,921**	12,362,666
Cash flows used in financing activities		
Repurchase of redeemable units for cancellation	**(1,141,282)**	(968,371)
Redemptions of redeemable units	**(3,313,737)**	(6,601,429)
Distributions paid to holders of redeemable units	**(1,227,607)**	(1,694,933)
Distributions reinvested on behalf of holders of redeemable units	**(187,760)**	(213,402)
Net cash used in financing activities	**(5,870,386)**	(9,478,135)
Unrealized foreign exchange (gain) loss on cash	**(49,453)**	57,492
Net (increase) decrease in cash	**(2,251,465)**	2,884,531
Cash at beginning of year	**3,153,194**	211,171
Cash at end of year	**$ 852,276**	$ 3,153,194
Dividends and distributions received	**$ 1,460,454**	$ 1,404,611
Withholding taxes paid	**$ 69,708**	$ 125,417

The accompanying notes are an integral part of these financial statements

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016		Cost	Fair Value
No. of Units/ Shares			
	Equities		
	Consumer Discretionary		
6,875	Donnelley Financial Solutions Inc.	$ 254,355	$ 211,869
6,875	LSC Communications Inc.	332,278	273,641
25,800	National CineMedia Inc.	467,645	509,645
18,333	R.R. Donnelley & Sons Company	757,016	401,235
29,100	Regal Entertainment Group	578,300	803,906
		2,389,594	**2,200,296**
	Financial Services		
29,500	First Financial Bancorp	460,771	1,125,510
53,500	New York Community Bancorp, Inc.	728,923	1,141,481
		1,189,694	**2,266,991**
	Health Care		
10,200	Eli Lilly and Company	638,265	1,006,069
		638,265	**1,006,069**
	Industrial		
17,400	Aircastle Limited	241,406	486,520
27,500	FLY Leasing Limited	460,713	490,489
28,600	General Electric Company	757,992	1,211,987
46,400	Pitney Bowes Inc.	790,046	945,193
51,600	Seaspan Corporation	1,106,844	632,471
48,700	Ship Finance International Limited	809,939	969,841
		4,166,940	**4,736,501**
	Information Technology		
21,100	Intel Corporation	509,841	1,026,302
		509,841	**1,026,302**
	Materials		
45,000	CatchMark Timber Trust, Inc.	624,649	679,510
81,200	Tronox Limited	1,395,868	1,122,689
		2,020,517	**1,802,199**
	Real Estate		
9,800	EPR Properties	555,100	943,222
14,000	Ryman Hospitality Properties, Inc.	552,909	1,182,994
25,800	Weyerhaeuser Company	761,695	1,041,087
		1,869,704	**3,167,303**
	Total equities	**$ 12,784,555**	**$ 16,205,661**
	Embedded broker commissions	**(16,661)**	
	Total investments	**$ 12,767,894**	**$ 16,205,661**

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 7, 2017.

2. BASIS OF PRESENTATION

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

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

3. 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, 2016 based on the closing price of $8.26 was $14,603,796 (December 31, 2015 – $18,175,300).

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

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

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

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

c) Impairment of financial assets at amortized cost

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

d) Derecognition of financial assets and liabilities

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

The Fund enters into securities lending transactions in which it lends investments to counterparties, but since the Fund retains all of the risks and rewards of ownership, the investments are not derecognized. Non-cash collateral pledged by the counterparty to a securities lending transaction 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 consists 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 Statements of Financial Position.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

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

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

i) Allocation of income, expenses, gains and losses between classes
The income, expenses, gains and losses of the Fund are generally allocated between Class A and Class U on the basis of the Classes' relative net asset values. However there are certain transactions which are class specific and are allocated to a particular class. These include: certain expenses of Class A relating to its distribution reinvestment plan ("DRIP"); certain expenses of Class U relating to the Class U conversion privilege; and the unrealized and realized gains and losses on the foreign currency forward contracts which relate to the hedging of the US dollar denominated value of the net assets attributable to the Class A units, and which are allocated to Class A.

j) Foreign exchange
The functional and presentation currency of the Fund is the Canadian dollar. Any currency other than the Canadian dollar represents foreign currency to the Fund. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund's Class A units are denominated in Canadian dollars. Proceeds received from the issuance of, and redemption proceeds payable on the redemption of, the Fund's Class U Units are denominated in U.S. dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that the transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to investment and derivatives are presented within 'Net realized gain on sale of non-derivative investments', 'Net change in unrealized appreciation or depreciation on non-derivative investments', 'Net realized gain (loss) on foreign currency forward contracts' and 'Net unrealized appreciation or depreciation on foreign currency forward contracts' in the Statements of Comprehensive Income.

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

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

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

n) Classification of obligation to holders of redeemable units
The Manager is required by IAS 32, *Financial Instruments: Presentation* (IAS 32) to assess whether the obligation to holders of redeemable units represents a liability of the Fund or equity of the Fund. The Fund has multiple obligations, being those under the monthly redemption option and those under the annual redemption option, to deliver cash or other

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

financial instruments to the unitholders. The Class A units and Class U units do not have identical features. As a result, the obligation to unitholders is classified as a liability.

o) Net assets attributable to holders of redeemable units per unit
The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class by the total number of units of that particular class outstanding at the end of the period.

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 begun the process of assessing the impact that the standard will have on its financial statements, and its preliminary assessment is that the impact will be negligible. The Fund will adopt the new standard in its financial statements for the year ending December 31, 2018.

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.

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, less any income that can be retained by the use of certain tax credits available to the Fund. The Fund's taxation year end is December 31. No provision for income taxes has been recorded in the accompanying financial statements as the Fund has determined that it is in substance not taxable since all net income and net realized capital gains of the Fund for the year are distributed to the unitholders to the extent necessary to reduce income taxes payable to nil.

Since the Fund does not record income taxes the tax assets or liabilities related to capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

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, 2016, the Fund had no non-capital losses carried

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

forward (December 31, 2015 – 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, 2016, the Fund had $2,643,880 in capital losses available for carryforward (December 31, 2015 – $2,643,880).

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

7. REDEEMABLE UNITS

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

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

Class A units and Class U units may be surrendered for redemption annually at the option of the unitholders during the period from September 15 until 5:00 p.m. (Toronto time) on the last business day in September, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption will be redeemed on the second last business day of October (the "Annual Redemption Date") and the redeeming unitholders will receive a redemption price per unit equal to 100% of the NAV 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 2016 annual redemption took place on October 28, 2016 and consisted of 360,595 Class A units for redemption proceeds of $2,967,137 and 25,700 Class U units for proceeds of US$212,404 ($283,974), payable on November 17, 2016 (2015 – annual redemption on October 29, 2015 of 697,168 Class A units for proceeds of $6,028,829 and of 29,750 Class U units for proceeds of US$256,618 ($340,477), payable on November 19, 2015).

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

For the year ended December 31, 2016, 7 Class A units were redeemed under the monthly redemption option for proceeds of $53 and 6,100 Class U units were redeemed under the monthly redemption option for proceeds of US$47,600 ($62,573)

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

(2015 – 5,116 Class A units were redeemed under the monthly redemption option for proceeds of $43,801, and 17,800 Class U units were redeemed under the monthly redemption option for proceeds of US$154,517 ($189,443)).

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

The Fund has received approval from the TSX for normal course issuer bid ("NCIB") programs between specified dates, allowing the Fund to purchase Class A units for cancellation on the TSX if they trade below NAV per unit. The maximum number of Class A units which can be purchased and cancelled is specified for each NCIB. Class A units purchased and cancelled by the Fund for the years ended December 31, 2016 and 2015 were as follows:

				Units purchased and cancelled	
Approval date	**Start date**	**End date**	**Maximum units**	**2016**	**2015**
June 25, 2014	June 27, 2014	June 26, 2015	354,980	–	42,600
June 25, 2015	June 29, 2015	June 28, 2016	279,253	83,700	68,900
June 27, 2016	June 29, 2016	June 28, 2017	206,188	60,500	–
				144,200	111,500

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 years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Class A	**Class U**	**Class A**	**Class U**
Units outstanding at beginning of year	**2,255,000**	**184,656**	2,935,407	338,006
Redemptions	**(360,602)**	**(31,800)**	(702,284)	(47,550)
Class U units converted to Class A	**17,816**	**(13,450)**	133,377	(105,800)
Repurchase and cancellation of units	**(144,200)**	**–**	(111,500)	–
Units outstanding at end of year	**1,768,014**	**139,406**	2,255,000	184,656

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 $16,777,800, (December 31, 2015 – $21,023,049). 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, 2016, the Fund declared total distributions of $0.60 (2015 – $0.60) per Class A unit and US$0.60 (2015 – US$0.60) per Class U unit, which amounted to $1,254,987(2015 – $1,663,355) for Class A units and US$100,274 ($132,553) (2015 – US$159,411 ($204,211)) 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, 2016, distributions of $186,101 were reinvested in 22,752 Class A units of the Fund which were purchased on the open market (2015 – $213,402 reinvested in 24,097 Class A units of the Fund).

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

In conjunction with the annual redemption described in note 8, the Fund made distributions of capital gains to redeeming unitholders in the amount of $956,418 (2015 – nil).

10. EXPENSES

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

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

11. RELATED PARTY TRANSACTIONS

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

For the year ended December 31, 2016, the Fund expensed management fees of $334,625 (2015 – $481,115). As at December 31, 2016, the Fund had management fees payable of $36,315 (December 31, 2015 – $45,311) included in accrued liabilities.

On an ongoing basis, the Manager pays on behalf of the Fund, and subsequently recharges to the Fund, certain expenses of the Fund. For the year ended December 31, 2016 the Fund expensed IRC fees of $31,301 (2015 – $35,100) and audit fees of nil (2015 – $388), as well as investor relations costs of $9,594 (2015 – $18,322) and premiums for insurance coverage for members of the IRC of $275 (2015 – $369) (both included in 'Other administrative expenses') which were paid and recharged by the manager. As at December 31, 2016 the Fund owed the Manager $911 for recharged expenses (December 31, 2015 – $929) included in accrued liabilities.

Units held by the Manager and its affiliates represent 7.3% of the Class A units outstanding at December 31, 2016 (December 31, 2015 – 5.3%).

12. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

During the year ended December 31, 2016 the Fund paid $13,765 (2015 – $32,851) in brokerage commissions and other transaction costs for portfolio transactions. There are no soft dollar commissions.

13. SECURITIES LENDING

The Fund has entered into a securities lending program with CIBC Mellon Global Securities Services Company, (as administrator), which has a DBRS credit rating of AA / R-1 / Stable and a Moody's credit rating of A1 / P-1 / Stable, and BNY Mellon (as lending agent), which has a DBRS credit rating of AA / R-1 / Stable and a Moody's credit rating of Aa1 / P-1 / Stable. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities and collateral on a specified future date. Income is earned in the form of fees paid by the counterparty and is recognised on the accrual basis in the Statements of Comprehensive Income. The Fund retains the risks and rewards of ownership of the securities loaned, and therefore these securities do not qualify for derecognition and therefore remain in the Statements of Financial Position of the Fund during the loan period. The risks and rewards of ownership include any gains or losses in market value of the securities, the ability to sell the securities, and any dividends or distributions on the securities for which the ex-dividend dates fall within the loan period.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 (continued)

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 non-cash collateral is not included in the Fund's Statements of Financial Position. Collateral may comprise: cash; debt that is issued or guaranteed by the Government of Canada or a province thereof, by the Government of the United States of America or of one of the states of the United States of America or of a sovereign state of the G7 countries, or of Austria, Belgium, Denmark, Finland, the Netherlands, Spain, Sweden, or Switzerland, or a permitted supranational agency of Organisation for Economic Coordination and Development countries; debt that is issued or guaranteed by a financial institution whose short-term debt is rated A-1 or R-1 or equivalent and includes bankers acceptances, banker bearer deposit notes, or irrevocable letters of credit; corporate debt or corporate commercial paper; or convertible securities.

The aggregate fair value of securities loaned (which equals their carrying amount) and the aggregate fair value of the associated collateral under securities lending transactions as at December 31, 2016 and 2015 are as follows:

2016		2015	
Fair value of securities loaned	**Fair value of collateral**	**Fair value of securities loaned**	**Fair value of collateral**
$ 4,851,427	**$ 5,111,296**	$ 4,591,213	$ 4,857,929

As at December 31, 2016, the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of France or of the Netherlands (December 31, 2015 – the collateral consisted of debt that is issued or fully and unconditionally guaranteed as to the principal and interest by the government of Canada, a province of Canada, the government of the United States of America or the government of a sovereign state of G7 countries (except Japan or Italy) or of Austria, Denmark or the Netherlands, and corporate debt.)

The table below sets out a reconciliation of the gross amounts generated from securities lending transactions to the securities lending income disclosed in the Statements of Comprehensive Income for the years ended December 31, 2016 and 2015:

	2016		2015	
	$	**% of gross income**	**$**	**% of gross income**
Securities lending income	**42,516**	**51.7%**	17,202	56.0%
Agent fees paid to the lending agent	**16,379**	**19.9%**	5,572	18.1%
Withholding tax	**23,399**	**28.4%**	7,961	25.9%
Gross securities lending income	**82,294**		30,735	

14. FOREIGN CURRENCY FORWARD CONTRACTS

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

To achieve the required hedge, the Fund has entered into rolling foreign currency forward contracts with terms of approximately one month, with a financial institution which has a DBRS credit rating of AA / R-1 / Negative, and a Moody's credit rating of Aa3 / P-1 / Negative. Under these contracts, the Fund agrees to pay a fixed U.S. dollar amount in return for a fixed Canadian dollar amount at a fixed future date. The objective is to shelter the Class A unitholders of the Fund from potential fluctuations in the Canadian dollar value of U.S. currency denominated investments due to changes in the value of the Canadian dollar. This means that the Class A unitholders are substantially protected from capital losses when the Canadian dollar strengthens, but conversely may not fully participate in the capital gains available when the Canadian dollar weakens.

The Fund is subject to enforceable master netting arrangements in the form of International Swaps and Derivatives Association agreements with the counterparty to the foreign currency forward contracts. The value of the amount to be received (purchased) by the Fund, which represents a financial asset of the Fund, is offset with the value of the amount to be paid (sold) by the Fund, which represents a financial liability to the Fund, and the net amount is presented as unrealized appreciation or depreciation on foreign currency forward contract in the Statements of Financial Position.

As at December 31, 2016, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			Unrealized
Notional value	Currency	Fair value CAD	Notional value	Currency	Settlement date	depreciation
(9,800,000)	USD	(13,142,123)	13,023,710	CAD	January 5, 2017	(118,413)

As at December 31, 2015, the Fund held the following foreign currency forward contract:

Gross financial liability			Gross financial asset			Unrealized
Notional value	Currency	Fair value CAD	Notional value	Currency	Settlement date	depreciation
(14,600,000)	USD	(20,280,860)	19,481,948	CAD	January 5, 2016	(798,912)

15. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

b) Credit risk
The Fund is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's assets represents the maximum credit risk exposure as at December 31, 2016 and December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

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 equity securities. As at December 31, 2016, had the prices of these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately $1,620,566 (December 31, 2015 – $1,884,278) or 9.7% (December 31, 2015 – 9.0%) of total net assets. In practice, the actual results may differ and the impact could be material.

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

e) Interest rate risk
Interest rate risk arises on interest-bearing financial instruments. As at December 31, 2016 and December 31, 2015, the Fund had no significant exposure to interest rate risk as it did not hold any interest bearing securities.

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

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

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

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December 31, 2016 (continued)

As at December 31, 2016, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

	Class A currency risk exposed holdings		Net Class A	As a percentage of
Currency	**Monetary**	**Non-monetary**	**exposure**	**Class A net assets**
U.S. dollars	$ (12,374,389)	$ 14,682,837	$ 2,308,448	15.22%

As at December 31, 2015, the Fund's direct exposure to currency risk associated with the Class A units, after the effects of the foreign currency forward contract hedge, was as follows:

	Class A currency risk exposed holdings		Net Class A	As a percentage of
Currency	**Monetary**	**Non-monetary**	**exposure**	**Class A net assets**
U.S. dollars	$ (17,483,554)	$ 16,829,925	$ (653,629)	(3.46%)

As at December 31, 2016 had the U.S. dollar exchange rate increased or decreased by 5% with all other variables held constant, the net unhedged exposure to currency risk associated with the Class A units would have increased or decreased the net assets of the Fund attributable to the Class A units by $115,422 or 0.76% (December 31, 2015 – $32,681 or 0.17%). In practice, the actual exchange rate fluctuations may differ and the impact could be material.

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

Market Segment	2016	2015
Consumer Discretionary	**13.1%**	12.3%
Financial Services	**13.5%**	11.4%
Health Care	**6.0%**	4.4%
Industrial	**28.2%**	26.3%
Information Technology	**6.1%**	10.8%
Materials	**10.7%**	4.8%
Real Estate	**18.9%**	15.4%
Telecommunication Services	**–**	4.2%

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are unobservable. The determination of fair value requires significant management judgment or estimation.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following fair value hierarchy table

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (continued)

presents information about the Fund's financial instruments measured at fair value as of December 31, 2016 and December 31, 2015:

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	**$ 16,205,661**	**$ –**	**$ –**	**$ 16,205,661**
Unrealized depreciation on foreign currency forward contract	**–**	**(118,413)**	**–**	**(118,413)**
	$ 16,205,661	**$ (118,413)**	**$ –**	**$ 16,087,248**

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 18,842,787	$ –	$ –	$ 18,842,787
Unrealized depreciation on foreign currency forward contract	–	(798,912)	–	(798,912)
	$ 18,842,787	$ (798,912)	$ –	$ 18,043,875

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.

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

There were no transfers between the levels during the years ended December 31, 2016 and 2015.

16. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's investments 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, 2016 and 2015:

	2016	**2015**
Financial assets at FVTPL:		
HFT	**$ 507,821**	$ –
Designated at inception	**1,740,915**	3,708,130
Total	**2,248,736**	3,708,130
Financial liabilities at FVTPL:		
HFT	**–**	(4,003,244)
Total	**$ 2,248,736**	$ (295,114)

Corporate Information

Independent Review Committee

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

Lea M. Hill, BCom, FCSI

Cameron Goodnough,
BCom, LLB, MBA

Directors and Officers of Bloom Investment Counsel, Inc.

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

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

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

Sara N. Gottlieb, BA (Hons), CFA
Vice President, Portfolio Manager
(on sabbatical)

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

Eli Papakirykos, BA (Hons), CFA
Vice President, Portfolio Manager

Trustee

Bloom Investment Counsel, Inc.

Custodian

CIBC Mellon Trust Company

Auditor

PricewaterhouseCoopers LLP

Website

www.bloomfunds.ca

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

Investor Relations: 416-861-9941
Toll Free: 1-855-BLOOM18
Website: www.bloomfunds.ca