BOULDER GROWTH & INCOME FUND
Form N-CSRS
August 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File Number:

811-02328

Boulder Growth & Income Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Address of Principal Executive Offices)(Zip Code)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and Address of Agent for Service)

Registrant s Telephone Number, including Area Code:

(303) 444-5483

Date of Fiscal Year End: November 30

Date of Reporting Period: May 31, 2013

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Item 1. Reports to Stockholders.

The Report to Stockholders is attached herewith.

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Dear Stockholders:

Before delving into a discussion about the strong absolute and relative performance of the Boulder Growth & Income Fund, Inc. (the Fund) over the six-month period ending May 31, 2013, I would like to take a few moments to reflect back on what has been a year of transition. The US trudged through a hotly contested presidential election cycle, Europe continued to manage through its sovereign debt issues, and economic indicators slowly turned positive. At the Fund level, the Fund s leverage was re-financed into a new bank facility with a lower interest rate. It was even a year of transition at a personal level as I made the move to Colorado in February of last year and began my role as a Portfolio Manager with Boulder Investment Advisers, LLC. While this transition has kept me quite busy, it has been a smooth one thanks in large part to the high quality individuals I am fortunate to work alongside every day. After over a year on the job, I am proud of what we have accomplished in the past year and am excited about the actions we are currently taking to better serve the Fund s stockholders in the future. I will discuss some of these actions in greater detail later in this letter, but for now let us proceed with the discussion of the Fund s performance.

Over the six-month period ending May 31, 2013, the Fund generated a strong absolute return of 19.5% on net assets, resulting in a material outperformance relative to the Fund s benchmarks. Over the same period, the S&P 500 generated a 16.4% return, the Dow Jones Industrial Average (DJIA) generated a 17.6% return and the NASDAQ Composite generated a 15.8% return. The Fund s absolute and relative performance for the period was driven by a combination of favorable market conditions and solid execution upon our investment philosophy of buying good businesses at attractive valuations. We believe our commitment to this philosophy allowed us to identify and take advantage of multiple attractive investment opportunities over the past year, many of which proved to be key contributors to the Fund s overall performance for the period. The chart below further illustrates the Fund s strong performance over multiple historical periods.

	3 Months	6 Months	One Year	Three Years*	Five Years*	Ten Years**	Since January 2002***
Boulder Growth & Income Fund (NAV)	8.3%	19.5%	39.4%	16.8%	7.4%	10.6%	7.9%
Boulder Growth & Income Fund (Market)	8.6%	20.8%	37.6%	13.9%	1.8%	9.5%	5.2%
S&P 500® Index	8.2%	16.4%	27.3%	16.8%	5.4%	7.6%	5.4%
Dow Jones Industrial Average	8.2%	17.6%	25.3%	17.3%	6.6%	8.2%	6.4%
NASDAQ Composite	9.7%	15.8%	24.2%	16.7%	7.7%	9.2%	6.3%

* *Annualized.*

** *Annualized. Does not include the effect of dilution on non-participating stockholders from the December 2002 rights offering.*

*** *Annualized since January 2002, when the current Advisers became investment advisers to the Fund. Does not include the effect of dilution on non-participating stockholders from the December 2002 rights offering.*

The performance data quoted represents past performance. Past performance is no guarantee of future results. Fund returns include reinvested dividends and distributions, but do not reflect the reduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares and do not reflect brokerage commissions, if any. Returns of the S&P 500 Index, the DJIA and the NASDAQ Composite

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include reinvested dividends and distributions, but do not reflect the effect of commissions, expenses or taxes, as applicable. You cannot invest directly in any of these indices. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

A key contributor to the Fund s performance on an absolute and relative basis for the six-month period was the Fund s combined position in the Class A and Class B shares of Berkshire Hathaway, Inc. (Berkshire Hathaway), which generated total returns of 29.9% and 29.5% for the period, respectively. In addition to its strong performance for the period, the contribution from the combined Berkshire Hathaway position was amplified by its large weight in the Fund. At period end, the combined Berkshire Hathaway position accounted for approximately 30.1% of the total portfolio. While the aggregate position in Berkshire Hathaway accounts for a large portion of the total portfolio, we believe its diverse underlying holdings mitigate some of the risk of having such a concentrated position.

Another key contributor to the Fund s performance on an absolute and relative basis was the Fund s position in JP Morgan Chase & Company (JP Morgan). In May of 2012, JP Morgan s share price fell sharply as the company disclosed large trading losses as part of the then-developing London Whale story. Upon researching the situation, we felt this was a negative for the company, but one it would be able to manage without materially damaging its business value over the long-run. More importantly, we believed the share price at the time represented an attractive discount to our estimate of the company s underlying intrinsic value. As a result, we took the opportunity to build a sizable position in JP Morgan, which generated a 34.6% return over the period and grew to account for roughly 5.0% of the Fund s total assets as of the period end. Despite the strong share price performance over the last several months, we believe the market continues to underappreciate the company and its stock.

An additional contributor to performance on an absolute and relative basis was the Fund s position in Johnson & Johnson, which generated a total return of 22.6% for the period. Similar to Berkshire Hathaway, the contribution from the position was enhanced by its large weight in the portfolio as it accounted for approximately 6.1% of the total portfolio. While Johnson & Johnson has been a solid performer for the Fund over the last several months, we remain comfortable with the company for a variety of reasons including its strong financial position, the recovery of its consumer business and a solid product pipeline for its pharmaceutical business.

Cisco Systems, Inc. (Cisco) was another key contributor to performance on an absolute and relative basis. The Fund s position in Cisco was initiated over the last year and has quickly become one of the Fund s larger positions accounting for approximately 4.6% of total assets at period end. This large position size has been partially attributable to market appreciation as the position generated a 28.6% return during the period. While the Fund s position in Cisco has performed well, we expect it to be a solid contributor to performance over the long-run as we believe its stock continues to trade at an attractive discount to our estimate of intrinsic value.

Wells Fargo & Company (Wells Fargo) was an additional contributor to performance on an absolute and relative basis for the period. The Fund s position in Wells Fargo generated a 24.7% return for the period and accounted for roughly 4.1% of total assets.

On the other end of the spectrum, a key detractor to the Fund s performance on an absolute and relative basis was its position in Freeport-McMoRan Copper & Gold, Inc. (Freeport McMoRan). For the period, the Fund s position in Freeport McMoRan generated a negative 17.3% return and accounted for

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roughly 3.5% of total assets at period end. The poor performance during the period was driven by two primary factors. The first of these was a decline in copper prices during the period amid growing concerns of a potential near-term supply glut. The second factor was the market s negative reception of the company s plans to acquire two oil and gas companies: McMoRan Exploration Company (McMoRan) and Plains Exploration & Production Company (Plains).

In the case of the planned acquisitions, we believe the market simply underappreciates the large potential upside provided by the resource reserves being acquired by Freeport McMoRan. In regards to a potential near-term supply glut for copper, we tend to agree with the market. The data does suggest new supply growth will outpace demand growth in the near future potentially pushing the copper market into a period of oversupply. However, where the market sees risk, we see opportunity. The divergence in viewpoints is primarily due to a difference in investment holding periods. Due to the rise of high frequency trading, among other factors, a large portion of today s market participants attempt to generate returns by speculating on the short-term movements in a stock. We focus on investing in good businesses for the long-run. By doing this, we strive to look through short-term issues to understand a business s underlying fundamentals and long-term prospects. In Freeport McMoRan, we see a high quality asset base operated by one of the copper industry s leading and lowest cost operators that has the ability to generate solid free cash flow even at lower copper prices. We anticipate that this free cash flow will go to support an attractive dividend and to quickly de-leverage the company s balance sheet. While we expect supply and demand fundamentals will be weak in the near-term, we believe they will improve over the longer-run as demand gradually recovers and new supply growth remains limited past near-term capacity additions. In the end, we believe the share price for Freeport McMoRan materially discounts the company s long-term prospects and added to the position during the period.

Another key detractor to performance on an absolute and relative basis was the Fund s position in Linn Energy, LLC (Linn Energy). Linn Energy is an oil and natural gas company focused on the development of reserves in multiple regions of the United States. For the period, Linn Energy generated a negative 13.5% return and accounted for roughly 1.5% of the total portfolio at period end. Due to the weak recent performance of the position, we continue to monitor it closely.

Additional key detractors to performance on an absolute and relative basis were Cheung Kong Holdings Ltd. (Cheung Kong) and Midland Holdings Limited (Midland). The Fund s position in Cheung Kong accounted for approximately 1.5% of total assets at period end and generated a negative 5.1% return during the period. Cheung Kong is a property development and holding company based in Hong Kong. Over the past year government authorities have introduced new policies aimed at cooling Hong Kong s property markets, which we believe negatively impacted the company s stock during the period. As Midland is primarily a real estate agency firm in Hong Kong, it was also negatively impacted by these policies, which reduced property transaction volumes and pressured transaction values. For the period, the Fund s position in Midland generated a negative 4.3% return and accounted for 0.3% of total assets at period end. We continue to remain comfortable with Midland as the company is one of only two dominant players in Hong Kong, generates solid free cash flow and remains in our view attractively valued, especially after accounting for the company s large cash position.

The Fund s position in the American Depository Receipts (ADRs) of POSCO was an additional detractor to performance on an absolute and relative basis for the period. The Fund s position in POSCO generated a negative 3.7% return for the period and accounted for roughly 0.2% of total assets.

In the end, the net result for the Fund was a strong absolute and relative performance for the six-month period ending May 31, 2013. While satisfied with the result, we firmly believe there is always room for improvement. As I mentioned earlier, we are in the process of implementing a variety of actions that we expect will allow us to better serve the Fund s stockholders and hopefully reduce the Fund s share price discount to net asset value per share. While many of these initiatives are still being analyzed and developed, it is too early for us to discuss them in detail at this time. However, we are progressing quickly on the initiatives announced in the last stockholder letter. The chief among these will be the launch of our new website in the next couple of months. After listening to stockholder feedback, we recognized the need to address the market s perception of the Fund and the Advisers. We hope that the new website presentation will attend to this issue by providing current and potential stockholders an enhanced understanding of the Fund, the Advisers, and our investment philosophy. In addition, we remain focused on improving the quality of our stockholder communications. This includes the stockholder letter, which I hope has provided an increasing amount of insight into the Fund and how it is being managed. As part of this effort, I encourage stockholders to let us know if there are any topics you would like us to address in future letters.

As stated earlier, I am excited about the actions we are currently taking to better serve the Fund s stockholders and look forward to their eventual rollout. In the meantime, I hope you have a safe and happy summer.

Sincerely,

Brendon Fischer, CFA

Portfolio Manager

July 8, 2013

The views and opinions in the preceding commentary are as of the date of this letter and are subject to change at any time. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Portfolio weightings and other figures in the foregoing commentary are provided as of period-end, unless otherwise stated.

Note to Stockholders on the Fund s Discount. As most stockholders are aware, the Fund s shares presently trade at a significant discount to net asset value. The Fund s board of directors is aware of this, monitors the discount and periodically reviews the limited options available to mitigate the discount. In addition, there are several factors affecting the Fund s discount over which the board and management have little control. In the end, the market sets the Fund s share price. For long-term stockholders of a closed-end fund, we believe the Fund s discount should only be one of many factors taken into consideration at the time of your investment decision.

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Note to Stockholders on Leverage. The Fund is currently leveraged through a credit facility. The Fund may utilize leverage to seek to enhance the returns for its stockholders over the long-term; however, this objective may not be achieved in all interest rate environments. Leverage creates certain risks for stockholders, including the likelihood of greater volatility of the Fund s NAV and market price. There are certain risks associated with borrowing through a line of credit, including, but not limited to risks associated with purchasing securities on margin. In addition, borrowing through a line of credit subjects the Fund to contractual restrictions on its operations and requires the Fund to maintain certain asset coverage ratios on its outstanding indebtedness.

Note to Stockholders on Concentration of Investments. The Fund s investment advisers feel it is important that stockholders be aware that the Fund is highly concentrated in a small number of positions. Concentrating investments in a fewer number of securities may involve a degree of risk that is greater than a fund which has less concentrated investments spread out over a greater number of securities.

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Financial Data
May 31, 2013 (Unaudited)

Boulder Growth & Income Fund, Inc.

	Per Share of Common Stock		
	Net Asset Value	**Market Price**	**Dividend Paid**
11/30/12	$ 8.54	$ 6.53	$ 0.00
12/31/12	8.32	6.33	0.29 *
1/31/13	8.88	6.97	0.00
2/28/13	9.03	6.96	0.00
3/31/13	9.31	7.33	0.00
4/30/13	9.45	7.29	0.00
5/31/13	9.78	7.56	0.00

* *This distribution consisted of $0.14 per share net investment income and $0.15 per share net realized capital gains, all of which was classified as long term capital gains.*

INVESTMENTS AS A % OF TOTAL NET ASSETS AVAILABLE TO COMMON STOCK

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Boulder Growth & Income Fund, Inc.

Portfolio of Investments
May 31, 2013 (Unaudited)

Shares	Description	Value (Note 1)
LONG TERM INVESTMENTS 107.2%		
DOMESTIC COMMON STOCK 90.6%		
Banks 4.5%		
277,408	Wells Fargo & Co.(1)	$11,248,894
Construction Machinery 1.1%		
30,700	Caterpillar, Inc.(1)	2,634,060
Diversified 33.2%		
466	Berkshire Hathaway, Inc., Class A*(1)	79,825,800
25,000	Berkshire Hathaway, Inc., Class B*(1)	2,851,750
		82,677,550
Diversified Financial Services 6.7%		
35,000	American Express Co.(1)	2,649,850
4,300	Franklin Resources, Inc.(1)	665,683
251,250	JPMorgan Chase & Co.(1)	13,715,738
		17,031,271
Environmental Control 0.4%		
30,000	Republic Services, Inc.(1)	1,023,000
Healthcare Products & Services 6.8%		
200,000	Johnson & Johnson(1)	16,836,000
Manufacturing 0.5%		
12,000	3M Co.(1)	1,323,240
Mining 3.9%		
312,350	Freeport-McMoRan Copper & Gold, Inc.(1)	9,698,468
Oil & Gas 3.6%		
22,200	Chevron Corp.(1)	2,725,050
123,000	Linn Energy LLC(1)	4,046,700
32,500	Phillips 66(1)	2,163,525
		8,935,275
Pharmaceuticals 0.4%		
20,000	Merck & Co., Inc.(1)	934,000
Pipelines 3.6%		
150,200	Enterprise Products Partners L.P.(1)	8,920,378
Real Estate 0.5%		
17,300	WP Carey & Co. LLC	1,171,902

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Portfolio of Investments
May 31, 2013 (Unaudited)

Boulder Growth & Income Fund, Inc.

Shares	Description	Value (Note 1)
Registered Investment Companies (RICs) 6.3%		
770,270	Cohen & Steers Infrastructure Fund, Inc.	$15,259,049
18,726	RMR Real Estate Income Fund	397,927
		15,656,976
Retail 9.5%		
109,700	Kohl s Corp.[1]	5,639,677
240,000	Wal-Mart Stores, Inc.[1]	17,961,600
		23,601,277
Software & Services 3.1%		
37,500	International Business Machines Corp.[1]	7,800,750
Technology, Hardware & Equipment 5.5%		
520,100	Cisco Systems, Inc.[1]	12,524,008
23,000	Harris Corp.[1]	1,152,990
		13,676,998
Tobacco Products 1.0%		
45,000	Altria Group, Inc.[1]	1,624,500
10,800	Philip Morris International, Inc.[1]	981,828
		2,606,328
TOTAL DOMESTIC COMMON STOCK (Cost $143,962,101)		225,776,367
FOREIGN COMMON STOCK 11.8%		
Beverages 3.7%		
120,000	Heineken Holding NV	7,117,679
31,663	Heineken NV	2,213,669
		9,331,348
Iron/Steel 0.3%		
9,000	POSCO, ADR	635,850
Oil & Gas 0.9%		
18,000	Total SA, Sponsored ADR	897,300
26,400	Transocean Ltd.[1]	1,326,072
		2,223,372
Pharmaceuticals 1.3%		
14,500	Sanofi	1,555,012
30,000	Sanofi, ADR	1,592,700
		3,147,712
Real Estate 3.7%		
283,900	Cheung Kong Holdings, Ltd.	4,015,693
104,500	Henderson Land Development Co., Ltd.	736,371
2,110,000	Midland Holdings, Ltd.	907,866
650,000	Wheelock & Co., Ltd.	3,642,465
		9,302,395

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Boulder Growth & Income Fund, Inc.

Portfolio of Investments
May 31, 2013 (Unaudited)

Shares	Description	Value (Note 1)
Real Estate Investment Trusts (REITs) 1.9%		
5,028,490	Kiwi Income Property Trust	$4,795,966
TOTAL FOREIGN COMMON STOCK (Cost $20,437,213)		29,436,643
AUCTION PREFERRED SECURITIES 0.9%		
100	Gabelli Dividend & Income Trust, Series B	2,143,547
TOTAL AUCTION PREFERRED SECURITIES (Cost $2,500,000)		2,143,547
LIMITED PARTNERSHIPS 3.9%		
	Ithan Creek Partners L.P.*(2)(3)	9,808,611
TOTAL LIMITED PARTNERSHIPS (Cost $5,000,000)		9,808,611
TOTAL LONG TERM INVESTMENTS (Cost $171,899,314)		267,165,168
SHORT TERM INVESTMENTS 2.6%		
MONEY MARKET FUNDS 2.6%		
6,465,841	Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class, 7-Day Yield - 0.010%	6,465,841
TOTAL MONEY MARKET FUNDS (Cost $6,465,841)		