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BRAND LEADERS INCOME FUND
Management Report of Fund Performance
December 31, 2011

Should you require any additional information on this product, please review our information at www.harvestportfolios.com or on SEDAR at www.sedar.com, or call us at 866 998 8298.

Brand Leaders Income Fund

CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager focused on unique income generating investment products. Harvest was founded by long term members of the investment management industry and is focused on developing investment products that follow the investment philosophy of:

1. Clear investment objectives
2. Transparency
3. Income generation

Harvest’s desire is to develop investment products that are clear in their mandate and easy for our investors to understand. We strive to be transparent, so that our investors can open their annual report and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

INVESTMENT PRODUCT

The Brand Leaders Income Fund (the “Fund”) has been created to invest in an equally-weighted underlying portfolio of fifteen of the world’s top one hundred rated brand companies, each with a market capitalization of at least US\$10 billion. As the US and global economy generally expands, Harvest believes that a diversified portfolio invested in the blue chip companies will provide investors with an attractive yield and strong capital appreciation potential.

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PRESIDENT'S MESSAGE

Brand Leaders Income Fund
Unitholder letter February, 2012

Dear Valued Unitholder,

2011 proved to be a year of challenges for global stock markets as we witnessed three major events that stalled global growth. First, the policy gridlock in both Europe and the US to their debt burdens, secondly, the earthquake and tsunami which lead to the nuclear crisis in Japan, and finally the surge in Oil prices due to the political upheaval and/or regime change in the Middle East.

The issues surrounding US and European fiscal policy will no doubt continue to hamper the prospects for global growth. We expect this to translate into overall slower growth in the developed world of 1% - 2% which in turn will keep the prospects for growth in emerging nations at lower than recent averages. These overall economic conditions reduce inflationary pressures and assist in subduing interest rates. We have in the past and continue to believe that the present scenario of historically low interest rates will continue to stay low for the foreseeable future. These conditions work favourably for well managed corporations with strong balance sheets and solid growth profiles.

Harvest Funds are constructed in well managed businesses that we believe stand the tests of all economic conditions. These Funds are built on the investment principals of i) simple and understandable mandates ii) transparency, and iii) income generation. With the challenges that have faced many businesses over 2011, we can look at the names in the portfolios and are confident that we have invested in businesses that can stand up to these conditions and meet the mandates that our unitholders have invested for.

Your Fund remains invested in the original 15 Brand Leaders with call option writing on up to 25% of each of the underlying holdings. These companies represent some of the leading global brands in the world with strong franchises in many developed and developing nations. This investment strategy continues to provide capital gains potential, dividend income and additional income generated from the option writing strategy.

(Signed) "Michael Kovacs"
President and Chief Executive Officer

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The management report of fund performance contains financial highlights for the Fund. For your reference, the annual audited financial statements of the Fund are attached to the annual management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1(866) 998-8298; by writing to us at Harvest Portfolios Group Inc., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; or by visiting our website at www.harvestportfolios.com; or on 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, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 29, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, June 29, 2011 to commencement of operations on July 19, 2011. On July 19, 2011, the Fund completed an initial public offering.

The Fund's investment objectives are to provide unitholders with:

- (i) monthly cash distributions;
- (ii) the opportunity for capital appreciation; and
- (iii) lower overall volatility of portfolio returns than would otherwise be experienced by owning equity securities of the Brand Leaders directly.

The Fund invests in an equally-weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US\$10 billion at the time of investment and meet the investment characteristics described below.

Creating a strong brand is an important concept in business. High brand equity provides competitive advantages such as the opportunity for successful brand extensions, resilience against competitor's promotional pressures, and the creation of barriers to entry. Brand equity of a particular brand stems from the greater consumer confidence placed in the brand over a competitor's brand. This confidence can translate into consumer loyalty and a willingness to pay a premium price for the brand.

To generate additional returns, the Investment Manager sells "at-the-money" covered call options each month on the equity securities held in the portfolio. The Investment Manager will not sell call options on more than 25% of the equity securities of each Brand Leader held in the Portfolio.

Investment Strategy

The Investment Manager will select the Fund's initial equity securities for the Portfolio and will annually rebalance the Portfolio such that, at the time of the initial investment and immediately following each annual rebalancing, the Portfolio will have the following investment characteristics:

- Growth** – An average 5-year Annual Compound Earnings per Share growth rate greater than the average for the Brand Leaders Investable Universe;
- Value** – An average Price-to-Earnings ratio lower than the average for the Brand Leaders Investable Universe;
- Quality** – An average 5-year Return On Equity growth greater than the average for the Brand Leaders Investable Universe; and
- Yield** – An average Yield greater than the average for the Brand Leaders Investable Universe.

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RISK

The risks associated with investing in the Fund are as described in the prospectus. There were no material changes to the Fund over the period that affected the overall level of risk of the Fund.

RESULTS OF OPERATIONS

During the period ended December 31, 2011 the Brand Leaders Income Fund returned (7.08%). This compares with a return of 1.97% for the Standard & Poors 100 index.

During the 4th quarter of 2011, monthly call options expiring in November, December and January (2012) were sold on the Fund's holding with the percentage being approximately 24%. The average strike price of the calls written ranged between 101% and 102%. In the fourth quarter of 2011, the broad market as measured by the S&P 500 Composite generated a total return of 11.82% in US dollars. The performance for each of the fifteen stocks was strongly positive during the quarter with fourteen names posting positive returns and only Kellogg's delivering a negative return.

The overall level of volatility for the Fund decreased slightly during the quarter, but remains sufficient to achieve the investment and income objectives. The Fund continues to maintain the original 15 Brand Leaders.

CHANGES IN FINANCIAL POSITION

The Fund commenced operations on July 19, 2011 with issuance of 2.5 million units at \$12.00 per unit, for total proceeds of \$30 million. On August 3, 2011, an over-allotment option was exercised for an additional 101,378 units for additional gross proceeds of \$1,216,536. The Fund paid agents' commissions and issue costs of \$1,638,868.

As at December 31, 2011, the Fund had a decrease in operations of \$1,109,886, including realized market appreciation on investments of \$545,035, unrealized appreciation on investments and foreign exchange of \$696,049 less an investment loss of \$85,869.

The Fund entered into a normal course issuer bid programme for the period from August 15, 2011 to August 14, 2012, which allows the Fund to purchase up to 259,747 listed trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange. During the period ended December 31, 2011, 23,600 units were purchased for cancellation for \$228,484 and distributions of \$841,814 were paid as a return of capital.

The Fund entered into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. Forward contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. During the period ended December 31, 2011, the Fund realized a loss on foreign exchange of \$2,226,685.

RECENT DEVELOPMENTS

There are no recent developments to report.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees and other expense reimbursements paid to Harvest, as noted below in Management and Other Fees.

MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee calculated based on the net asset value and paid monthly in arrears, based on an annual rate of 0.90% of the net asset value of the Fund.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

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MANAGEMENT AND OTHER FEES (continued)

The Manager has retained Highstreet Asset Management Inc. (“Highstreet”) to provide investment management services to the Fund and pays Highstreet a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund’s net assets.

The Fund is also responsible for payment of all expenses relating to the operation of the Fund and the carrying on of its business. This includes, but is not limited to, legal, audit and custodial fees, taxes, brokerage fees, interest, operating and administrative fees, costs and expenses.

The Manager is reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of extraordinary services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; and other administrative expenses and costs incurred in connection with the Fund’s continuous public offering and other obligations. These expenses were \$40,955 for the period ended December 31, 2011 and are included in the unitholder reporting costs in the Statement of Operations in the Annual Financial Statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

As previously confirmed by the Canadian Accounting Standards Board (“AcSB”), most Canadian publicly accountable entities adopted all IFRS, as published by the International Accounting Standards Board (“IASB”), on January 1, 2011. However, the AcSB had initially allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. At its December 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises to 2014. The decision was in response to the possibility that the IASB may not complete its Investment Entities project before January 1, 2013. The AcSB expects to issue the amendment in March 2012. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014. Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

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

Based on management’s current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there would be any other impact on the Funds’ NAV per series unit or net assets per series unit. Management has presently determined that the impact of IFRS to the financial statements would be otherwise limited to additional note disclosures and potential modifications to presentation including unitholders’ equity. However, this determination is subject to change as we finalize our assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Fund’s adoption of IFRS.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended December 31, 2011.

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FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period July 19, 2011 (commencement of operations) to December 31, 2011. This information is derived from the Fund's annual financial statements as at December 31, 2011.

THE FUND'S NET ASSETS PER UNIT¹	2011
Net assets - beginning of period ³	\$ 11.17
Increase /(decrease) from operations	
Total revenue	0.10
Total expenses	(0.14)
Realized gains (losses) for the period	(0.66)
Unrealized gains for the period	0.28
Total increase from operations²	(0.42)
Distributions⁴	
From income (excluding dividends)	
From dividends	-
From capital gains	-
Return of capital	(0.33)
Total annual distributions⁴	(0.33)
Net assets - end of period²	\$ 10.42

RATIOS AND SUPPLEMENTAL DATA	2011
Total net asset value¹	\$ 26,874,375
Number of units outstanding ¹	2,577,778
Management expense ratio ⁵	11.06%
Management expense ratio before waivers or absorptions ⁵	11.06%
Trading expense ratio ⁶	0.32%
Portfolio turnover rate ⁷	9.25%
Net asset value per unit ¹	\$ 10.43
Closing market price (HBL.UN)	\$ 10.00

Explanatory Notes:

1. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing purposes. An explanation of these differences can be found in the Notes to Financial Statements.
2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.
3. Net assets, at the beginning of the period was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit.
4. Distributions were paid in cash.
5. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for 2011 (the year of inception) was 11.06% and included agents' fees of \$1,638,868 and costs of issue of \$529,120, which were treated as one-time expenses and therefore were not annualized.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. These ratios are annualized.

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YEAR-BY-YEAR RETURNS

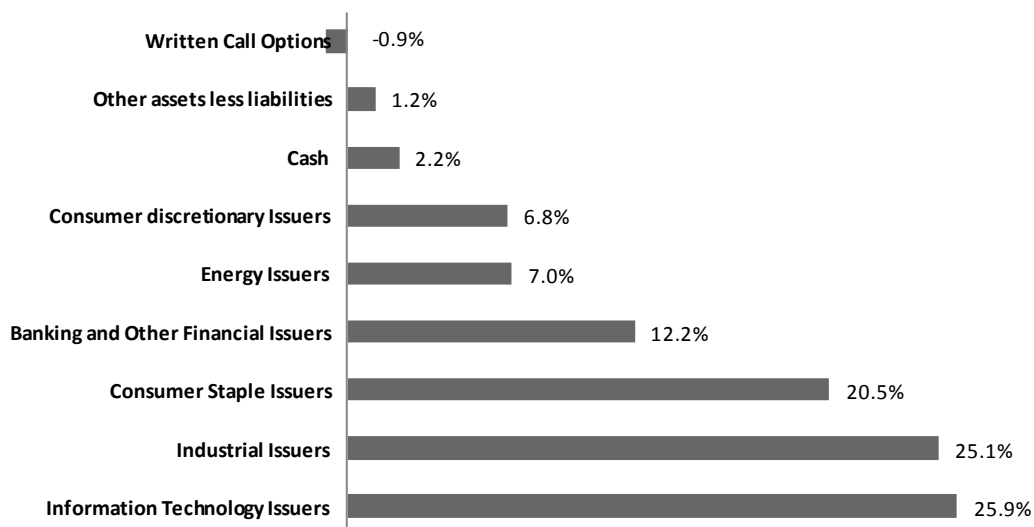
National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the "Statement of Investments" section of the Fund's annual financial statements.

SECTOR ALLOCATION

Total Net Assets (100.0%)



As at December 31, 2011

Top 25 Holdings (%)	% of Net Asset Value
Royal Dutch Shell PLC Class A ADR	7.0
Anheuser-Busch InBev NV ADR	7.0
The Coca-Cola Company	7.0
Apple Computer, Inc.	6.8
The Walt Disney Company	6.8
United Parcel Service, Inc. Class B	6.7
3M Co.	6.6
Intel Corporation	6.6
American Express Company	6.5
Kellogg Co.	6.5
Caterpillar Inc.	6.4
International Business Machines Corporation	6.3
Microsoft Corporation	6.3
HSBC Holdings PLC ADR	5.6
Siemens AG	5.4
Total	97.5

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from Harvest Portfolios Group Inc. at www.harvestportfolios.com

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.