

Annual Information Form
OF
GTU PORTFOLIO TRUST

For the year ended December 31, 2012

Dated: April 1, 2013

No securities regulatory authority has expressed an opinion about these units and it is an offense to claim otherwise.

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GTU PORTFOLIO TRUST

FORWARD LOOKING STATEMENTS

Certain statements included in this annual information form (“**Annual Information Form**” or “**AIF**”) constitute forward looking statements or information including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager or the Investment Manager. The forward looking statements and information are not historical facts but reflect the Fund’s, the Manager’s and/or the Investment Manager’s current expectations regarding future results or events. The AIF includes, forward looking statements and although the Fund, the Manager and/or Investment Manager believes such statements or information to be reliable, no assurance can be given that such forward looking statements or information will be accurate. These forward looking statements and information are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this AIF. Accordingly readers should not place undue reliance on forward looking statements and information. All forward looking statements and information is qualified by this cautionary statement.

INTRODUCTION

This AIF contains information in connection with the offering of the securities of GTU Portfolio Trust (the “**Fund**”). Information contained in this AIF is given as of December 31, 2012 except as otherwise noted herein. Each summary of the terms of an agreement described herein is qualified in its entirety by the actual terms of such agreement, a copy of which is available under the Fund’s profile on SEDAR at www.sedar.com.

Glossary of Terms

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Business Day**” means any day on which the TSX is open for trading;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participants**” means participants in CDS;

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement;

“**Declaration of Trust**” means the declaration of trust dated February 25, 2011, as it may be amended from time to time;

“**Equity Securities**” means any securities that represent an interest in an issuer which includes common shares, and securities convertible into or exchangeable for common shares including ADRs, provided that

the determination by the Investment Manager and the Manager that a security is an Equity Security shall be conclusive for all purposes herein;

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution;

“**Fund**” means GTU Portfolio Trust, an open-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust;

“**Global Telecom Issuers**” means issuers that operate in the telecommunications sector which includes issuers that provide voice or data communication services to consumers and/or businesses, provided that the determination by the Investment Manager that an issuer is a Global Telecom Issuer shall be conclusive for all purposes herein;

“**Global Utilities Issuers**” means issuers that operate in the utilities sector which includes issuers that generate, transmit and distribute electrical power to consumers; gather, store, transmit, and distribute natural gas and oil; and/or provide storage terminals for hard and soft commodities, provided that the determination by the Investment Manager that an issuer is a Global Utilities Issuer shall be conclusive for all purposes herein;

“**Investment Management Agreement**” means the investment management agreement dated February 25, 2011;

“**Investment Manager**” or “**Avenue**” means the investment manager of the Fund, Avenue Investment Management Inc.;

“**Manager**” or “**Harvest**” means the manager of the Fund, Harvest Portfolios Group Inc.;

“**NAV per Unit**” means the NAV of the Fund divided by the number of Units outstanding at the time the calculation is made;

“**Net Asset Value**” or “**NAV**” means the net asset value of the Fund on a particular date, equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund as more particularly set forth in the Declaration of Trust;

“**NI 81-102**” means National Instrument 81-102 Mutual Funds of the Canadian Securities Administrators, as it may be amended from time to time;

“**NI 81-106**” means National Instrument 81-106 Investment Fund Continuous Disclosure of the Canadian Securities Administrators, as it may be amended from time to time;

“**NI 81-107**” means National Instrument 81-107 Independent Review Committee for Investment Funds of the Canadian Securities Administrators, as it may be amended from time to time;

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution;

“**Portfolio**” means the assets held from time to time by Fund;

“**Prime Broker**” means CIBC World Markets Inc., the prime broker of the Fund pursuant to the Prime Brokerage Agreement.

“**Prime Brokerage Agreement**” means collectively, the custodian agreement and the client services agreement, each between the Fund and CIBC World Markets Inc.

“**Prospectus**” means the final prospectus dated February 25, 2011;

“**Redemption Date**” means the date in which Units are surrendered for redemption as described under “*Redemptions*”;

“**Registrar and Transfer Agent**” means Harvest Portfolios Group Inc.;

“**SIFT Rules**” mean the provisions of the Tax Act providing for a tax on certain income earned by a specified investment flow through trust or partnership which became law on June 22, 2007;

“**Tax Act**” means the Income Tax Act (Canada) as amended and the regulations thereunder;

“**Trustee**” means initially Harvest, in its capacity as trustee under the Declaration of Trust, and thereafter such successor as may be appointed trustee in accordance with the provisions of the Declaration of Trust;

“**TSX**” means the Toronto Stock Exchange;

“**Unit**” means a unit of the Fund;

“**Unitholders**” means holders of Units;

“**Valuation Time**” means 4:15 p.m. (Toronto time) on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time;

NAME, FORMATION AND HISTORY OF THE FUND

The Fund is an open-end investment fund established under the laws of the Province of Ontario pursuant to an amended and restated declaration of Trust originally dated on February 25, 2011 as may be amended from time to time (the “**Declaration of Trust**”). Harvest Portfolios Group Inc. is the manager (in such capacity, the “**Manager**”) and trustee (in such capacity, the “**Trustee**”) of the Fund. The registered office of the Fund is the head office of the Manager located at Suite 209, 710 Dorval Drive, Oakville, Ontario, L6K 3V7.

The fund is a reporting issuer pursuant to a long form prospectus (“**Prospectus**”), however the Prospectus is a non-offering prospectus under which no securities have been publicly offered. Units are offered under certain prospectus exemptions. Each holder of a Unit is referred to in this document as a “**Unitholder**” and collectively as the “**Unitholders**”.

INVESTMENT OBJECTIVES, STRATEGIES AND RESTRICTIONS

Investment Objectives

The Fund’s investment objectives are to provide Unitholders with: capital appreciation.

Investment Strategies

Rationale for the Fund

The Fund was established to invest in an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Manager believes that this strategy will provide investors with the opportunity for both long term capital growth that it anticipates from Global Telecom Issuers and the stable returns that it anticipates from Global Utilities Issuers. The Manager believes that generally issuers in these sectors have benefited from the following:

Global Telecom & Utilities Issuers

1. **Attractive Cash Flows** derived from a consistent and steady earnings and dividends stream from long term contracts for services essential to society;
2. **Favourable Capital Growth Prospects** especially from rapidly growing emerging market demand for mobile and broadband communication and energy and materials;
3. **Market Stability** due to the established and monopolistic-like competitive advantages and high barriers of entry that have contributed to share price stability from comparatively high dividend yields; and
4. **Reduced Exposure to Inflation** resulting from the ability to generally flow through cost and price increases.

Strategies

The Fund has been created to provide investors with capital appreciation by investing in an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund will invest the net proceeds of the Offering in the Portfolio.

Not less than 75% of the value of the total assets of the Portfolio will be comprised of Equity Securities of Global Telecom Issuers and/or Global Utilities Issuers. Securities of each of the Global Telecom Issuers and Global Utilities Issuers will constitute not less than 20% of the value of the total assets of the Equity Securities portion of the Portfolio at all times. These portfolio allocations assume normal market conditions, and at the Manager's discretion, the Fund may be invested entirely in cash or cash equivalents. In addition, from time to time, the Fund may be invested in securities other than Equity Securities.

Foreign Currency Hedging

It is expected that a significant portion of the Portfolio will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and the Fund. From time to time, between 0% and 100% of the value of the Portfolio's non-Canadian currency exposure may be hedged back to the Canadian dollar, subject to the Portfolio's investment restrictions. The Investment Manager initially intends to hedge approximately 70% of the value of the Portfolio denominated in U.S. Dollars, Euros and British Sterling back to the Canadian Dollar.

Leverage

It is the intention of the Investment Manager that the Fund will employ leverage in an amount up to a value of 25% of the value of the total assets of the Fund (33⅓% of NAV of the Fund) determined at the time of borrowing. Accordingly, at the time of borrowing, the maximum amount of leverage that the Fund could employ is 1.33:1.

Securities Lending

The Fund may lend securities in the Portfolio, as applicable, to securities borrowers acceptable to the Fund, pursuant to the terms of a securities lending agreement between the Fund and any such borrower under which: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Fund will receive collateral security.

Investment Restrictions

Investment Restrictions of the Fund

The investment activities after the initial investment of the assets of the Fund, are to be conducted in accordance with, among other things, the following investment restrictions which are contained in the Declaration of Trust:

- (a) purchase any security issued by any issuer (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Fund’s total value would consist of securities issued by such issuer;
- (b) purchase securities such that more than 20% of the value of the total assets of the Portfolio is represented by issuers with a head office located in Canada;
- (c) hold less than 75% of the value of the total assets of the Portfolio in Equity Securities of Global Telecom Issuers and/or Global Utilities Issuers;
- (d) hold less than 20% of the value of the total assets of the Equity Securities portion of the Portfolio in Global Telecom Issuers;
- (e) hold less than 20% of the value of total assets of the Equity Securities portion of the Portfolio in Global Utilities Issuers;
- (f) employ borrowings if immediately thereafter, the amount of such leverage would exceed 25% of the value of the total assets of the Fund (33⅓% of the NAV of the Fund);
- (g) make loans or guarantee obligations, except that the Fund may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers’ acceptances and fixed time deposits) in accordance with its investment objective;
- (h) own more than 10% of the equity value of an issuer for purposes of the SIFT Rules or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;

- (i) invest in any securities of an entity that would be a foreign affiliate of the Fund within the meaning of the Tax Act;
- (j) sell securities short or maintain short positions;
- (k) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (l) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (m) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (n) act as an underwriter except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (o) make any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” within the meaning of the Tax Act; and
- (p) make or hold any investments that would result in the Fund itself being subject to the tax for SIFT trusts as provided for in the SIFT Rules.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the value of the total assets of the Fund, or a change in the head office location of an issuer will not be considered a violation of the restriction (except for the restrictions in paragraph (h) or (p)). The investment restriction under paragraphs (c), (d) and (e) assume normal market conditions, and at the Manager’s discretion, the Fund may be invested entirely in cash or cash equivalents.

Investment restrictions that do not provide for a percentage restriction must be adhered to at all times. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises such subscription rights at a time when the Fund’s portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Non-Resident Unitholders

The Fund was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the Units of the Fund and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Units is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as

a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units then outstanding are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such Unitholders, dispose of such Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Units.

DESCRIPTION OF UNITS

The Units

The Fund is divided into an unlimited number of Units of each series.

Except as provided under “*Investment Objectives Strategies and Restrictions – Non-Resident Unitholders*”, all Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable.

Distribution Policy

Unitholders will be entitled to receive distributions if, as and when declared by the Fund from time to time. All distributions will be paid in Units. Immediately after any distribution in Units, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution.

The Fund will generally receive dividend income from the securities included in the Portfolio. The net income of the Fund will consist primarily of dividend income, less expenses of the Fund. The Fund will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports as are from time to time required by applicable law.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time. Not less than 21 days and not more than 50 days notice will be given of any meeting of Unitholders. The quorum at any such meeting is one or more Unitholders present in person or by proxy. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then

present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval by Extraordinary Resolution (other than item (e) which requires approval by Ordinary Resolution) as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the investment objectives of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund that could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (c) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;
- (d) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another entity if the Fund continues after the reorganization or acquisition of assets and the transaction would be a material change to the Fund; or
- (e) a termination of the Fund, other than as described under "Termination of the Fund".

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a "**Permitted Merger**") with another fund or funds, provided that:

- i. the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- ii. Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- iii. the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- iv. the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- v. the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- vi. the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 30 Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Declaration of Trust

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “unit trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection or benefit to Unitholders;
- (g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; or
- (h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust that require the approval of Unitholders or changes described above that do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee, at the request of the Manager, upon not less than 30 days’ prior written notice to Unitholders.

Termination of the Fund

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days’ written notice by the Trustee provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the “**Termination**”).

Date"); provided, however, that the Trustee may, in its discretion, on 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of the Fund and the Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination or any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES

Net Asset Value Calculation

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV of the Fund will be calculated using the fair value of the Fund's assets and liabilities.

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Units then outstanding.

The NAV of the Fund and the NAV per Unit will be calculated on each Business Day. Such information will be provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298 or via the internet at www.harvestportfolios.com, as applicable.

Valuation Policies and Procedures of the Fund

Unless otherwise required by law, the value of the assets held by the Fund is determined as follows:

- (a) the value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the Valuation Time;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (d) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the predecessor in title of the Fund shall be the lesser

of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Fund was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;

- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (g) if any date on which the NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Fund will be valued as if such date were the preceding Business Day;
- (h) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (i) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which the NAV is determined;
- (j) the value of a futures contract, forward contract or swap shall be the gain or loss, if any, that would arise as a result of closing the position in the futures contract or forward contract or swap, as the case may be at the Valuation Time unless daily limits are in effect, in which case the fair market value shall be based on the current value of the underlying interest; and
- (k) the estimated operating expenses of the Fund shall be accrued to the date as of which the NAV is being determined.

The liabilities of the Fund include:

- (a) all bills and accounts payable;
- (b) all administrative expenses payable and/or accrued;
- (c) the fees and reasonable expenses of the IRC established pursuant to NI 81-107;
- (d) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- (e) all allowances authorized or approved by the Manager for taxes or contingencies; and

- (f) all other liabilities of the Fund of whatever kind and nature, except liabilities represented by outstanding Units.

Harvest may suspend the calculation of the NAV of the Fund when the right to redeem Units of the Fund is suspended. See “*Suspending your right to redeem Units*” on page 15 of this document. During any period of suspension there will be no calculation of the NAV and the Fund will not be permitted to issue or redeem any Units. The calculation of the NAV will resume when trading in the Fund’s securities resumes.

The NAV of the Fund, for all purposes other than financial statements, is calculated using the valuation principles described above. Pursuant to National Instrument 81-106 – Investment Fund Continuous Disclosure, an investment fund is required to calculate the NAV for the purposes of its financial statements in accordance with the method required for financial reporting under Section 3855 of the Canadian Institute of Chartered Accountants Handbook (“**CICA Handbook**”).

The valuation principles and practices of the Fund outlined above differ from those contained in the CICA Handbook in the following ways:

- for investments that are traded in an active market where quoted prices are readily and regularly available, the CICA Handbook requires the use of final bid prices for long positions and final ask prices for short positions in the fair valuation of investments, rather than the use of closing or last traded prices for the purpose of determining NAV; and
- for investments that are not traded in an active market, fair valuation techniques are used.

PURCHASE OF UNITS

The Units may be obtained under certain prospectus exemptions. The Units of the Fund are not publically listed or traded on any exchange.

REDEMPTIONS

Units may be redeemed for a redemption price per Unit equal to the NAV per Unit as at any Business Day (each a “Redemption Date”). Units surrendered for redemption by a Unitholder on or before 4:00 p.m. (Toronto time) on any Redemption Date will be redeemed as at such Redemption Date and the Unitholder will receive payment in respect of any Units surrendered for redemption on the second Business Day after the Redemption Date, subject to the Manager’s right to suspend redemptions in certain circumstances.

A Unitholder who desires to exercise redemption privileges must deliver to the Trustee at its office in the Town of Oakville, a written notice of the Unitholder’s intention to redeem Units by no later than 4:00 p.m. (Toronto time) on the relevant notice date.

By delivering to the Trustee a notice of intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption. Any redemption notice that the Trustee determines to be incomplete, not in proper form or not duly executed will for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby.

Suspending your right to redeem Units

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption, as applicable. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

RESPONSIBILITY FOR FUND OPERATIONS

Manager

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund. The Manager carries on business at 710 Dorval Drive, Suite 209, Oakville, ON, L6K 3V7. The Manager can be reached at 416-649-4541 or toll free at 1-866-998-8298 or by email at info@harvestportfolios.com, and information about the Manager and the Portfolio Manager (defined below) may also be obtained at www.harvestportfolios.com.

Pursuant to the Declaration of Trust, the Manager is responsible for delegating all investment decisions of the Fund in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions, and for managing and administering the day-to-day business and affairs of the Fund.

Additionally, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Declaration of Trust provides that that the Manager will not be liable in any way for any default, failure or defect in the portfolio held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as Manager of the Fund until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; (ii) in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act; or (iii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. The Manager may resign as manager of the Fund upon 60 days notice to the Unitholders. The Manager may not be removed other than by a meeting of the Unitholders, as described under the heading "*Unitholder Matters*". In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give

notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor manager of the Fund.

The Manager may not be removed as manager of the Fund other than by resolution of the Unitholders of the Fund. In the event that the Manager is in material breach or default of the provisions of the Master Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall convene a meeting of Unitholders to vote on the removal of the Manager and appoint a successor manager.

The Manager will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund as described under "Fees and Expenses". In addition, the Manager and each of its directors, officers and employees will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers or employees, in the exercise of its duties as Manager, except those resulting from the Manager's wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust.

Directors and Officers of the Manager

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation during the past 5 years are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
Michael Kovacs Oakville, Ontario	President, Chief Executive Officer, Chairman, Director and Chief Compliance Officer	President, Chief Executive Officer and Chief Compliance Officer, Harvest Portfolios Group Inc.
Townsend Haines Toronto, Ontario	Chief Financial Officer, Director	Chief Financial Officer, Harvest Portfolios Group Inc.
Mary Medeiros Oakville, Ontario	Vice-President, Operations, Director	Vice President, Operations, Harvest Portfolios Group Inc.
Nick Bontis Ancaster, Ontario	Director	Associate Professor, Strategic Director Management & Director, Undergraduate Programs DeGroote School of Business, McMaster University

During the past five years, all the officers and directors of the Manager listed above have held their present principal occupations except for prior to forming Harvest, Michael Kovacs was Managing Director of Sentry Select Mutual Funds and Senior Vice President of Sentry Select Capital Inc. from 2002–2009, and Townsend Haines was a Registered Representative at Brant Securities from May 2008 to October 2009.

The Investment Manager

The Manager has retained Avenue Investment Management Inc. (the “**Investment Manager**”) to provide investment management services to the Fund pursuant to an investment management agreement dated February 25, 2011 (the “**Investment Management Agreement**”). The Investment Manager is located at 47 Colborne Street, Suite 300, Toronto, Ontario M5E 1P8. The Investment Manager was formed in 2002 and has focused on the private client market. The Investment Manager was founded by three investment management professionals, Paul Harris, CFA, Paul Gardner, CFA and Bill Harris, CFA, each with over 22 years of experience who have managed assets or businesses for leading financial institutions in Toronto, Montreal and New York. Each portfolio manager brings sectorial experience to the management of portfolios.

Investment decisions relating to the Portfolio are made by senior level individuals. The name, title and business experience, for the last five years, of the individuals responsible for the day-to-day management of a material portion of the Portfolio, implementing a particular material strategy of the Portfolio or managing a particular segment of the Portfolio is as follows:

<u>Name and Title</u>	<u>Length of Service with Investment Manager</u>	<u>Portfolio</u>	<u>Principal Occupation for the Last Five Years</u>
Paul Harris, CFA	Since 2002	Equity Portfolio Fixed Income Portfolio	Partner and Portfolio Manager
Paul Gardner, CFA	Since 2002	Equity Portfolio Fixed Income Portfolio	Partner and Portfolio Manager
Bill Harris, CFA	Since 2004	Equity Portfolio Fixed Income Portfolio	Partner and Portfolio Manager

Investment decisions made by these individuals are not subject to the oversight, approval or ratification of a committee.

Details of the Investment Management Agreement

The Investment Manager provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to the Investment Management Agreement. Decisions regarding the purchase and sale of Portfolio securities and the execution of transactions for the Portfolio are made by the Investment Manager, in accordance with and subject to the terms of the Investment Management Agreement. Subject to the terms of the Investment Management Agreement, the Investment Manager will implement the investment strategy for the Portfolio on an ongoing basis.

Under the Investment Management Agreement, the Investment Manager covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreement provides that the Investment Manager will not be liable in any way to the parties indemnified under the Investment Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the standard of care, diligence and skill set forth above.

The Investment Management Agreement further provides that the Investment Manager will not be liable for any losses in the NAV of the Fund if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Management Agreement, the Investment Manager and its officers, directors and employees shall be indemnified, from the assets of the Fund, against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Management Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person's duties under the Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager will be responsible for any loss to the Fund that arises out of the Investment Manager's failure to exercise the powers and discharge its duties in good faith and in the best interests of the Fund or its failure to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Investment Manager or the Manager may terminate the Investment Management Agreement in the following circumstances: (i) upon not less than 90 days written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Agreement and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Investment Management Agreement shall terminate immediately if any of the following events take place: (i) in the event the Investment Manager or the Manager is subject to a material regulatory issue that would affect the ability of the Investment Manager or the Manager to fulfill its obligations under the Investment Management Agreement or if the Investment Manager is unable to provide the investment management services contemplated in the Investment Management Agreement or in any applicable underlying investment management agreements; (ii) in the event that the Investment Manager or the Manager become bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) or in the event that the Investment Manager or the Manager makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for the Investment Manager or the Manager.

Any termination of the Investment Management Agreement shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date notice of termination is given and the effective date of termination, the Investment Manager has agreed to continue to provide investment advisory or management services to the Fund to the best of its ability in accordance with the standard of care set out above. The Manager is responsible for payment of the investment management fees of the Investment Manager out of the Management Fee. See "*Fees and Expenses — Management Fees*".

Brokerage Arrangements

Pursuant to the Investment Management Agreement, the Investment Manager will make all appropriate brokerage arrangements to implement the purchase and sale of portfolio investments on the best terms available to the Investment Manager acting reasonably, having regard to such factors as the Investment Manager, in good faith, considers relevant to the Fund's interest, including, without limitation, commissions and other costs payable, efficiency of execution and timeliness of delivery, all consistent with requirements of Canadian securities legislation and with acting in the best interests of the Fund.

The Manager has adopted a conservative interpretation of what constitutes "**order execution goods and services**" and "**research goods and services**" which is to adopt the definition set out in NI 23-102 whether the products and services are provided by a dealer directly or by a third party. The Manager may use "**order execution goods and services**" and "**research goods and services**" to benefit clients other

than those whose trades generated the brokerage. However, with the Manager's model portfolio approach to investment management, over a reasonable period of time all clients will receive the benefit of investment decision making products and services purchased with other clients' brokerage. The goods and services that may be received by the Manager through broker-related or third party arrangements include financial data feeds, on-line quotation and news, economic analysis and investment analysis. The users of these goods and services include portfolio managers as well as analysts, traders and economists. As at the date of this Annual Information Form, no brokerage transactions involving client brokerage commissions of the Fund have been directed to a dealer in return for the provision of any good or service, other than order execution, by the dealer. The Manager does not have any affiliated brokers.

Where brokerage transactions involving client brokerage commissions of the Fund have been or might be directed to a broker in return for the provision of any research goods and services by a broker or a third party, the names of such dealers or third parties will be provided upon request by contacting the Manager at 1-866-998-8298 or via email at info@harvestportfolios.com.

The Trustee

Harvest is the trustee of the Fund under the Declaration of Trust, and is responsible for managing all of the Fund's activities. The Trustee holds the actual title to the property in the Fund on behalf of its Unitholders. The address of the Trustee where it principally provides services to the Fund is at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

The Trustee may resign upon 60 days notice to Unitholders. The Trustee may be removed if the Trustee is no longer resident in Canada for purposes of the Tax Act, and the Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Declaration of Trust will provide that the Trustee shall not be liable in carrying out its duties under the Declaration of Trust except where it is in breach of its obligations under the Declaration of Trust or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust will contain other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Custodian

CIBC World Markets Inc. is the custodian (the "**Custodian**") of the Fund pursuant to the custodian agreement between the Fund and the Custodian. The custodian's principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the custodian agreement (the "**Custodian Agreement**"), the Custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it but not those assets of the Fund not directly controlled or held by the

Custodian as the case may be. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

Registrar and Transfer Agent

Harvest Portfolios Group Inc. provides all registrar and transfer agent services for the Units.

Prime Broker

CIBC World Markets Inc. is the prime broker of the Fund (the "**Prime Broker**") pursuant to the Prime Brokerage Agreement and will facilitate the Fund's leverage. The Manager reserves the right to appoint another prime broker from time to time in its sole discretion.

Auditor

The Fund's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario.

CONFLICTS OF INTEREST

Principal Holders of Securities

To the knowledge of the Manager, as at March 1, 2013, no person owned, beneficially or of record, either directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Units of a series of Units of the Fund.

To the knowledge of the Manager, as at March 1, 2013, the directors and senior officers of the Manager, in aggregate, did not own, beneficially or of record, either directly or indirectly, or exercise control or direction over more than 10% of the outstanding Units of the Fund or more than 10% of the voting securities of any person or company that provides services to the Fund or to the Manager.

To the knowledge of the Manager, as at March 1, 2013, the members of the IRC of the Fund did not own beneficially, directly or indirectly, in aggregate in respect of the Fund: (a) more than 10% of the outstanding Units of any Series of the Fund; (b) any class of voting or equity securities of the Manager; or

(c) any class of voting or equity securities of any person or company that provides services to the Fund or to the Manager.

As at March 1, 2013, Michael Kovacs owned of record and beneficially, 2,822,882 common A voting shares of the Manager, representing 71% of the issued and outstanding common A voting shares of the Manager, and directors and senior officers of the Manager beneficially owned, directly or indirectly, in aggregate, 29% of the outstanding common voting shares of the Manager.

Conflicts of Interest

The management services of Harvest under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Harvest from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. The investment management services of Highstreet under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Highstreet from providing similar investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Fund and other investment funds or trusts managed by the Investment Manager, will be allocated to the Fund and such other investment funds or trusts on a pro-rata basis according to the size of the order and the applicable investment restrictions and policies of the Fund and the other investment funds or trusts.

The Declaration of Trust acknowledge that the Trustee and the Manager may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Fund has invested or may invest.

Associated and Affiliated Entities

As Manager and Trustee of the Fund, Harvest is associated with the Fund. The provision of these administrative and management services to the Fund may indirectly benefit the directors and officers of the Manager. No person or company providing services to the Fund or the Manager is an affiliated entity of the Manager.

FUND GOVERNANCE

Policies and Practices

The Manager has policies and practices in place in order to comply with applicable securities laws, regulations and rules, including rules on sales practices and relating to conflicts of interest as well as risk management policies and procedures. The Manager also has policies and procedures in place to deal with conflict of interest matters to ensure the Manager manages the Fund in the best interests of the Fund and in compliance with the requirements of NI 81-107.

The Fund is managed in accordance with the investment objectives, guidelines, strategy and restrictions described above and which are monitored regularly by appropriate personnel to ensure compliance therewith.

Code of Ethics and Standards of Professional Responsibility

The Manager has a Code of Ethics and Standards of Professional Conduct (the “**Code**”) which applies to all of its employees. The Code is in place to protect the interest of all of the Manager’s clients. The Code provides policies governing the conduct of business including conflicts of interest, privacy issues and confidentiality.

The Manager is under a statutory duty imposed by the *Securities Act* (Ontario) to act honestly and in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Declaration of Trust provides that the Trustee shall exercise its powers and discharge its duties as the Trustee honestly, in good faith and in the best interests of the Fund and shall perform the duties of the Trustee to the standard of care, diligence and skill a reasonably prudent person would exercise in the circumstances.

Independent Review Committee

The IRC is comprised of three individuals, each of whom is independent from the Manager and its affiliates. The current members of the IRC are E.M. Jane Davis; James Adam Conyers and Donald Hathaway. See “*Remuneration*” on page 24 of this document for details of the compensation payable to IRC members.

The role of the IRC is to review and to provide approval, or in certain circumstances its recommendation, in respect of conflicts of interest that arise between the Manager’s own interests and those of the Fund. NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The Manager is responsible for referring to the IRC any matters in which a reasonable person could view the Manager as having an interest that may conflict with its ability to act in the best interest of the Fund. The IRC reviews each matter and provides its approval or recommendation, as applicable, as to whether the proposed course of action will achieve a fair and reasonable result for the Fund. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

The compensation and other reasonable expenses of the IRC are paid *pro rata* out of the assets of the Fund, as well as out of the assets of the other investment funds managed by the Manager.

Proxy Voting Procedures

The proxies associated with securities held by the Fund will be voted in accordance with the best interests of Unitholders determined at the time the vote is cast. The Investment Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. Any conflict of interest will be resolved in a way that most benefits Unitholders.

The Investment Manager’s proxy voting policies and procedures set out various considerations that the Investment Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Investment Manager will generally vote with management on routine matters related to the operation of an issuer that are not expected to have a significant economic impact on the issuer and/or its shareholders;

- (b) the Investment Manager will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure and operation of the issuer and to have a greater impact on the value of the investment;
- (c) the Investment Manager may abstain from voting a proxy if it concludes that (i) the effect on Unitholders' economic interests or the value of the portfolio holding is indeterminable or insignificant or (ii) the cost of voting is disproportionate to the economic impact the vote would have on the portfolio holdings; and
- (d) any material conflicts that may arise will be resolved in the best interests of the Unitholders and potential procedures to deal with any conflict are identified.

The Manager will post the proxy voting record annually at www.harvestportfolios.com. The Fund will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Unitholder upon a request made by the Unitholder.

FEES AND EXPENSES

Fees and Expenses of the Fund

Fund Management Fee

An annual management fee (the “**Fund Management Fee**”) of 1.0% of the NAV of the Fund calculated daily and payable monthly in arrears, plus applicable taxes will be paid to the Manager by the Fund. The Fund Management Fee is paid in cash.

Operating Expenses of the Fund

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$50,000 per annum, excluding any fees and interest which will increase with the Fund's utilization of any leverage.

INCOME TAX CONSIDERATIONS

The following is a summary, as of the date of this annual information form, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the Fund and to a person who is an individual (other than a trust), who acquires Units and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Units as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (the “**Tax Proposals**”), and an understanding of the current published administrative policies and assessing practices of the CRA. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ from those under the Tax Act. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the investor, the provincial or territorial jurisdiction(s) in which the investor resides or carries on business and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon the investor's particular circumstances.

Taxation of the Fund

The Fund will be a "financial institution" for purposes of the "mark-to-market" rules contained in the Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more such financial institutions. The Tax Act contains special rules for determining the income of financial institutions.

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year. Provided the Fund makes distributions in each year of its taxable income (including any net realized capital gains), it will generally not be liable in such year for income tax under Part I of the Tax Act, except that the Fund may reduce its distributions to leave tax liability in the Fund to the extent that any such liability would be fully offset by tax credits available to the Fund in respect of foreign taxes paid by it (if any).

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may generally deduct the costs and expenses of any offering of Units paid by the Fund and not reimbursed, pro-rated where the Fund's taxation year is less than 365 days.

The Fund may be subject to "minimum tax" under the Tax Act.

The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries.

REMUNERATION

Harvest is entitled to compensation for its services as Trustee of the Fund and for the provisions of services in any other capacity. As of the date of this annual information form, no fees have been paid to Harvest for its services as Trustee of the Fund. No other remuneration, fees or reimbursement of expenses are paid by the Fund to the directors or officers of the Trustee.

For the most recently completed financial year, the IRC members received the following amounts in fees and in reimbursement of expenses (plus HST, as applicable), in aggregate, from the Fund: E.M. Jane Davis \$1,331.39; James Adam Conyers \$998.54 and Donald Hathaway \$883.66. The remaining IRC fees allocated to the Fund were for secretarial services.

MATERIAL CONTRACTS

The Fund is a party to the following material contracts:

- (a) the Declaration of Trust referred to under “*Name, Formation and History of the Fund*” on page 5 of this document;
- (b) the Investment Management Agreement described under “*Responsibility for Fund Operations – Details of the Investment Management Agreement*” of page 17 of this document; and
- (c) the Custodian Agreement referred to under “*Responsibility for Fund Operations – The Custodian*” on page 19 of this document.

Copies of the foregoing documents may be examined during normal business hours at the principal offices of the Manager located at 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7.

RISK FACTORS

Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Manager or the Investment Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Units could be materially adversely affected.

No Assurances on Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its investment objective. There is no assurance that the Portfolio will earn any return. No assurance can be given that the NAV per Unit will appreciate. It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient Portfolio assets to achieve its investment objective.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses and who can withstand distributions not being made for any period of time.

No Guaranteed Return

There is no guarantee that an investment in the Fund will earn any positive return in the short term or long term.

Equity Securities Risk

Equity Securities such as common shares or units of income trusts give the holder part ownership in the issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Performance of the Portfolio

The NAV per Trust Unit will vary with the net asset value of the units of the Fund and as the fair value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and recessions. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Fund will invest in.

Utilities Investments

The value of investments in utilities issuers (and the distributions and/or dividends they pay) can be significantly affected by changes in supply of, or demand for, various natural resources, changes in energy prices, international political and economic developments, energy conservation, the success of exploration projects, changes in commodity prices, and tax and other government regulations.

Telecommunications Investments

There are a number of risk factors associated with the investment by the Fund in the telecommunication sector. These include the introduction of alternative technologies, shortage in skilled workforce, increase in cost of workforce and operating costs, disruption in continued supply of electricity, network disruption in respect of the provision of telecommunication services, adverse changes in general economic, business and credit conditions and adverse changes in government regulations and permits. As a result of these certain general risks inherent to the telecommunication sector, no assurance can be given that the operation of issuers within the sector will not be adversely affected by these risks should they eventuate.

Use of a Prime Broker to Hold Assets

Some or all of the assets of the Fund may be held in one or more margin accounts. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody agreement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Leverage Risk

The Fund's exposure to the Portfolio may be increased due to leverage of up to 25% of value of the total assets (33⅓% of the NAV of the Fund) at the time leverage is employed by the Fund. As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 25% of value of the total assets. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that such leverage will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders.

Securities Lending

The Fund may engage in securities lending. Although the Fund will each receive collateral for the loans and such collateral will be marked-to-market, the Fund, as the case may be, will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Interest Rate Fluctuations

Changes in interest rates may also adversely affect the business of the issuers in which the Fund invests or the trading price of the securities of such issuers.

Foreign Market Exposure

The Portfolio will include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Risks Relating to Investing in Emerging Markets

The Portfolio will include securities of issuers that are domiciled in countries that are located in emerging markets. Because of the special risks associated with investing in emerging markets, the Fund investing in such securities should be considered speculative. Investors in the Fund are advised to consider carefully the special risks of investing in emerging market securities. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

The risk also exists that an emergency situation may arise in one or more developing markets as a result of which trading of securities may cease or may be substantially curtailed and prices for the securities in the Portfolio in such markets may not be readily available.

Unitholders should note that changes in the political climate in emerging markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of Unitholders so affected.

Emerging markets can be significantly more volatile than developed markets, so that the price of shares may be subject to large fluctuations.

Use of Options and Other Derivative Instruments

The Fund is subject to the full risk of its investment position in the securities comprising its Portfolio, including those securities that are subject to outstanding call options, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options.

The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk, trading execution risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

There is no assurance that a liquid exchange will exist to permit the Fund to write covered call options on desired terms or to close out option positions should the Investment Manager desire to do so. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options. If the Fund is unable to repurchase a call option which is “in-the-money”, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

In purchasing call options or entering into forward contracts, the Fund is subject to the credit risk that its counterparty (a clearing corporation, in the case of exchange traded instruments) may be unable to meet its obligations. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option. The ability of the Fund to close out its positions may also be effected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund’s ability to use derivatives instruments to effectively hedge its Portfolio or implement its Investment Strategy.

The use of options may have the effect of limiting or reducing the total returns of the Fund. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the Portfolio. In such an event, the Fund would have to increase the percentage of the Portfolio that is subject to covered call options in order to meet its targeted distributions.

Portfolio Composition

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated by commodity or industry.

Reliance on the Manager and the Investment Manager

The Manager is responsible for providing, or arranging for the provision of, management and administrative services including investment and portfolio management services required by the Fund. The Investment Manager is responsible for rebalancing and hedging the Portfolio and executing and maintaining the Fund’s option writing program. Investors who are not willing to rely on the Manager and the Investment Manager should not invest in Units.

Trading at a Discount and Risks Relating to Redemptions

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on an Annual Redemption Date less any costs and expenses associated with the redemption. The purpose of the annual redemption right is to reduce the discount at which Units trade to the Net Asset Value per Unit and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. 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 the circumstances described under “*Suspending your right to redeem Units*” on page 15 of this document.

Nature of the Units

The Units share certain attributes common to both equity securities and debt instruments. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Potential Conflicts of Interest

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund. Although none of the directors and officers of the Manager or Investment Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or Investment Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and the Investment Manager, as applicable.

Global Financial Developments

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the Portfolio Securities. A substantial decline in the equities markets could be expected to have a negative effect on the Fund and the market price of the Units.

Not a Conventional Mutual Fund or a Trust Company

Although the Fund is a mutual fund for the purposes of Ontario and Québec securities law, it is not subject to NI 81-102, which is applicable to conventional mutual funds. As a result, some of the protections provided to investors in mutual funds under Canadian securities laws, including certain provisions of NI 81-102, do not apply to the Fund.

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Shares are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the Fund or the Unitholders.

Foreign Currency Exposure

As a portion of the Portfolio will be invested in securities traded in foreign currencies, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of foreign currencies relative to the Canadian dollar. The Fund may not be fully hedged and distributions received on the Portfolio will not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Investment Manager’s assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Investment Manager’s expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. Substantially all of the non-Canadian priced Portfolio securities will be hedged to Canadian dollars. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. The costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

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Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. You can get a copy of these documents at no cost by calling toll-free 1-866-998-8298, or from your dealer or by e-mail at info@harvestportfolios.com. These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's website at www.harvestportfolios.com or at www.sedar.com.

Manager of the Fund:

Harvest Portfolios Group Inc.
Suite 209, 710 Dorval Drive
Oakville, Ontario, L6K 3V7