

Annual Information Form

OF



**Global Advantaged Telecom
& Utilities Income Fund**

For the year ended December 31, 2012

Dated: March 28, 2013

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

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS	3
INTRODUCTION	3
NAME, FORMATION AND HISTORY OF THE FUND	7
INVESTMENT OBJECTIVES, STRATEGIES AND RESTRICTIONS	7
DESCRIPTION OF UNITS AND WARRANTS.....	12
UNITHOLDER MATTERS	14
CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES	17
WARRANT CONSIDERATIONS.....	19
PURCHASE OF UNITS	20
REDEMPTIONS.....	21
RESPONSIBILITY FOR FUND OPERATIONS	23
CONFLICTS OF INTEREST.....	28
FUND GOVERNANCE	29
FEES AND EXPENSES.....	31
INCOME TAX CONSIDERATIONS FOR INVESTORS	32
REMUNERATION.....	36
MATERIAL CONTRACTS	37
RISK FACTORS	37

GLOBAL ADVANTAGED TELECOM & UTILITIES INCOME FUND

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 the Global Advantaged Telecom & Utilities Income Fund (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.

“**Agents**” means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd., Raymond James Ltd., Wellington West Capital Markets Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Macquarie Private Wealth Inc.

“**Alternative Proposal**” has the meaning ascribed to in “*Risk Factors – Taxation of the Fund*”;

“**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;

“**Common Share Portfolio**” has the meaning ascribed thereto under “*Investment Strategies – Forward Agreement*”.

“**Counterparty**” has the meaning ascribed thereto under “*Investment Strategies – Forward Agreement*”.

“**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;

“**Distribution Payment Date**” means the date that is on or before the 15th day of the month following the applicable distribution date;

“**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;

“**Forward Agreement**” has the meaning ascribed thereto under “*Investment Strategies – Forward Agreement*”;

“**Forward Settlement Date**” has the meaning ascribed thereto under “*Investment Strategies – Forward Agreement*”;

“**Fund**” means Global Advantaged Telecom & Utilities Income Fund, a closed-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;

“**Holders**” means Unitholders and/or holders of units of the Portfolio Trust, as the context may require.

“**Indicative Distribution Amount**” means the indicative distribution amount of the Fund as determined by the Manager annually;

“**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.;

“**Monthly Redemption**” means the monthly redemption of Units as described under “*Redemptions - Monthly Redemptions*”;

“**Monthly Redemption Date**” means the last Business Day of each month in which Units are surrendered for a Monthly Redemption;

“**NAV per Unit**” means the NAV of the Fund divided by the number of Trust 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;

“**Notional Portfolio**” has the meaning ascribed thereto under “*Investment Strategies – Forward Agreement*”.

“**October 2003 Proposals**” has the meaning ascribed thereto in “*Risk Factors - Taxation of the Fund*”;

“**Option Premium**” means the purchase price of an option;

“**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 the Portfolio Trust or the Notional Portfolio, as the case may be.

“**Portfolio Trust**” means GTU Portfolio Trust, an open-end investment fund established under the laws of the Province of Ontario pursuant to the Portfolio Trust declaration of trust.

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

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

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

“**Redemption Payment Date**” means the date that is on or before the 15th Business Day in the following month after the Monthly Redemption Date or Annual Redemption Date, as applicable;

“**Registrar and Transfer Agent**” means Equity Financial Trust Company;

“**September 2004 Proposals**” has the meaning ascribed thereto in “Risk Factors – Taxation of the Fund”;

“**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;

“**Trust Unit**” means a unit of the Fund;

“**Unit**” means one Trust Unit and one Warrant of the Fund;

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia;

“**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;

“**Warrant**” means a warrant of the Fund issued pursuant to the Warrant Indenture, each whole Warrant entitling the holder thereof to purchase one Trust Unit at a subscription price of \$12.00 on or before the Warrant Expiry Time;

“**Warrant Agent**” means Equity Financial Trust Company;

“**Warrant Exercise Date**” means March 30, 2012;

“**Warrant Expiry Time**” means 5:00 p.m. (Toronto time) on the Warrant Exercise Date;

“**Warrant Indenture**” means the warrant indenture to be dated March 23, 2011;

“**Warrant Notice Period**” means the period between March 15, 2012 and 5:00 p.m. (Toronto time) on March 30, 2012;

NAME, FORMATION AND HISTORY OF THE FUND

The Fund is a closed-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 and amended and restated on July 22, 2011 (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.

Pursuant to a final prospectus dated February 25, 2011 (the “**Prospectus**”) the Fund has issued 2,723,662 units (the “**Units**”) each comprising of one unit of the Fund (the “**Trust Unit**”) and one warrant of the Fund (the “**Warrant**”). The Trust Units of the Fund trade on the Toronto Stock Exchange (the “**TSX**”) under the symbol HGI.UN and the Warrants under the symbol HGI.WT. 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:

- (i) tax-advantaged monthly distributions; and
- (ii) the opportunity for capital appreciation;

The Fund will obtain exposure through the Forward Agreement to a portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

Investment Strategies

The Fund has been created to provide investors with tax-advantaged income and capital appreciation by providing exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund invested the net proceeds of the Offering in the Common Share Portfolio and entered into the Forward Agreement as further described in “*Forward Agreement*” below.

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 Portfolio Trust may be invested entirely in cash or cash equivalents. In addition, from time to time, the Portfolio Trust may be invested in securities other than Equity Securities.

Forward Agreement

The Fund obtains exposure to the Portfolio through the Forward Agreement (as defined herein). The Fund invested the net proceeds of the Offering in a portfolio of common shares (the “**Common Share Portfolio**”) that are acceptable to the Counterparty (as defined herein). The Fund then entered into a forward agreement (the “**Forward Agreement**”), the terms of which were negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank or an affiliate of a Canadian chartered bank whose

obligations are guaranteed by a Canadian chartered bank (the “**Counterparty**”). Under the terms of the Forward Agreement, the Counterparty agreed to pay to the Fund on the scheduled settlement date of the Forward Agreement (the “**Forward Settlement Date**”), as the purchase price for the Common Share Portfolio, an amount based on the value of the Portfolio. The Manager, with the consent of the Counterparty, may extend the Forward Agreement beyond the Forward Settlement Date and/or may enter into additional and/or replacement forward purchase and sale agreements with later termination dates on substantially the same terms with the same or different counterparties.

The Counterparty may hedge its obligations under the Forward Agreement by purchasing units of the Portfolio Trust. However, there is no obligation on the Counterparty to acquire units of the Portfolio Trust or to otherwise hedge its obligations. If the Counterparty fully hedges its obligations under the Forward Agreement by purchasing units of the Portfolio Trust, the Portfolio Trust will use the proceeds from the sale of such units to acquire the Portfolio, which will have an initial value equal to the net proceeds of the Offering, and the return under the Forward Agreement will be based on the performance of the units of the Portfolio Trust. If the Counterparty chooses not to acquire units of the Portfolio Trust, the Investment Manager will maintain a notional portfolio (the “**Notional Portfolio**”) that will have an initial invested notional amount equal to the net proceeds of the Offering and the return under the Forward Agreement will be based on the performance of the Notional Portfolio. The Notional Portfolio will be managed in accordance with the investment strategy described in this prospectus for the Portfolio and the Portfolio Trust.

The Fund will partially settle the Forward Agreement from time to time in order to fund the payment of monthly distributions, any redemption amounts and the expenses of the Fund. The Counterparty or its guarantor has an approved credit rating within the meaning of NI 81-102. References throughout this document to the “Portfolio” will refer to the assets held from time to time by the Portfolio Trust or the Notional Portfolio, as the case may be. This document assumes that the Counterparty will acquire units of the Portfolio Trust.

The Manager acts as the investment fund manager of the Portfolio Trust and the Investment Manager will provide investment advisory and portfolio management services to the Portfolio Trust and the Fund. The return to Unitholders will be dependent upon the return on the Portfolio by virtue of the Forward Agreement. However, neither the Fund nor the Unitholders will have any ownership interest in the Portfolio Trust or the securities included in the Portfolio.

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

Securities Lending

The Fund may lend the Common Share Portfolio securities and the Portfolio Trust may lend securities in the Portfolio, as applicable, to securities borrowers acceptable to the Fund or the Portfolio Trust, as applicable, pursuant to the terms of a securities lending agreement between the Fund or the Portfolio Trust, as applicable, and any such borrower under which: (i) the borrower will pay to the Fund or the Portfolio Trust, as applicable, a negotiated securities lending fee and will make compensation payments to the Fund or the Portfolio Trust, as applicable, 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 or the Portfolio Trust, as applicable, 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) The Fund will restrict its investments to Equity Securities consisting of common shares (including fully participating equity shares, however designated) of Canadian public companies that are “Canadian securities” for the purposes of the Tax Act, entering into the Forward Agreement, investing in the Portfolio Trust and/or investing in Equity Securities of Global Telecom Issuers, Global Utilities Issuers and other issuers, and investing in securities that are not Equity Securities;
- (b) The Fund will not purchase securities other than through normal market facilities unless the purchase price thereof approximates the prevailing market price or is negotiated or established on an arm’s length basis;
- (c) The Fund will not purchase securities of an issuer if, as a result of such purchase, the Fund would be required to make a takeover bid that is a “formal bid” for the purposes of the Securities Act (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (d) The Fund will manage its investments and affairs to ensure that it will be a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that is “specified property” as such term is defined in certain proposals to amend the Tax Act released on September 16, 2004; and
- (e) The Fund will manage its investments and affairs to ensure that it will not be subject to the tax for SIFT trusts for purposes of the Tax Act.

The Fund may also hold cash and cash equivalents from time to time.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by a resolution passed by two-thirds of the votes cast at a meeting of Unitholders called for such purpose, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time. See “*Unitholder Matters*”.

Investment Restrictions of the Portfolio Trust

The investment activities after the initial investment of the assets of the Portfolio Trust, are to be conducted in accordance with, among other things, the following investment restrictions which provide that the Portfolio Trust will not:

- (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 Portfolio Trust'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 the 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 Portfolio Trust (33⅓% of the NAV of the Portfolio Trust);
- (g) make loans or guarantee obligations, except that the Portfolio Trust 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 objectives;
- (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 Portfolio Trust 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 Portfolio Trust (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 Portfolio Trust (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 Portfolio Trust 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 Portfolio Trust 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 Portfolio Trust 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 Portfolio Trust, 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 Portfolio Trust 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 Portfolio Trust receives from an issuer subscription rights to purchase securities of that issuer, and if the Portfolio Trust exercises such subscription rights at a time when the Portfolio Trust’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 Portfolio Trust has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Eligibility under the Income Tax Act

The Fund is expected to qualify as a mutual fund trust as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”) at all times. The Fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act. Provided the Fund qualifies as a mutual fund trust, or that the Trust Units are listed on a designated stock exchange under the Tax Act (which includes the TSX) Trust Units of the Fund will be qualified investments within the meaning of the Tax Act for registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), deferred profit sharing plans (DPSPs), registered education savings plans (RESPs), registered disability savings plans (RDSPs) and tax-free savings accounts (TFSA) (“**Registered Plans**”).

Provided that the Warrants are listed and continue at all times to be listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that at all times the Trust Units are qualified investments for Registered Plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Registered Plan, the Warrants will be qualified investments for Registered Plans.

Generally, Trust Units should not be “**prohibited investments**” under the Tax Act for the purposes of RRSPs, RRIFs and TFSAs provided that you, as the annuitant of the RRSP or RRIF, or the holder of the TFSA, deal at arm’s length with the Fund and, together with persons that do not deal at arm’s length with you, own Trust Units having a fair market value that is less than 10% of all of the Trust Units of the Fund.

You should consult with your own tax advisor with respect to whether Trust Units would be a prohibited investment under the Tax Act in your particular circumstances.

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 Trust 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 Trust 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 Trust 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 Trust 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 Trust 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 Trust Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Trust Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Trust Units.

DESCRIPTION OF UNITS AND WARRANTS

The Trust Units

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

Except as provided under “*Investment Objectives Strategies and Restrictions – Non-Resident Unitholders*”, all Trust 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. Trust Units are issued only as fully paid and are non-assessable. Trust Units will only be issued through the book-entry only system administered by CDS as described below.

The Declaration of Trust provides that the Fund may not issue additional Trust Units following completion of the Offering, except: (i) in connection with the exercise of the Warrants; (ii) for net proceeds per Trust Unit not less than the NAV per Trust Unit calculated on the date immediately prior to the pricing of the offering; (iii) by way of a distribution paid in additional Trust Units; or (iv) with the approval of Unitholders. Immediately after a pro rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

The Warrants

The terms of the Warrants are subject to a warrant indenture dated March 23, 2011 (the “**Warrant Indenture**”). Each Warrant entitles the holder to purchase one Unit at the subscription price of \$12.00 per Unit by notifying the Warrant Agent during the period between March 15, 2012 and 5:00 p.m. (Toronto time) on March 30, 2012 (“**Warrant Notice Period**”). Such Warrants were exercised effective at 5:00 p.m. (Toronto time) on and only on March 30, 2012. Holders who exercised the Warrants will become holders of Trust Units issued through the exercise of the Warrants. Warrants that were not exercised prior to 5:00 p.m. (Toronto time) on March 30, 2012 will be void and of no value. As soon as practicable following the exercise of a Warrant, the Fund paid a fee equal to \$0.18 per Warrant to the broker whose client is exercising the Warrant and \$0.12 per Warrant to the Agents.

Distribution Policy

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Since March 2012, the Fund has annually determined and announced the Indicative Distribution Amount for the following 12 months based upon the prevailing market conditions. The Indicative Distribution Amount will be \$0.06 per Unit per month (\$0.72 per annum representing an annual cash distribution of 6% based on the \$12.00 per Unit issue price). The initial cash distribution was paid on May 13, 2011 to Unitholders on record as of April 29, 2011.

If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, NAV per Unit will be reduced. See “*Risk Factors*”. The amount of distributions may fluctuate and no assurance can be given that distributions will remain at the initial Indicative Distribution Amount level.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution (either in cash or Trust Units) of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date. Immediately after a pro rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Trust Units that represent returns of capital are generally non taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Trust Units for tax purposes. See “*Income Tax Considerations for Investors*” below.

Reporting to Unitholders

The Fund will prepare, file and send to Unitholders unaudited semi annual and audited annual financial statements of the Fund and other documents in accordance with NI 81-106.

Market Purchases

The Fund may purchase Trust Units through the facilities of the TSX if the Manager determines that such purchases are in the best interest of the Fund. Purchases of Trust Units by the Fund will be subject to compliance with any applicable regulatory requirements and limitations.

On May 28, 2012 the Manager, on behalf of the Fund announced that it intends to purchase up to 260,854 listed trust units of the Fund (the “Units”) for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange (the “TSX”). The 260,854 Units represent approximately 10% of the public float of the Fund. As of May 17, 2012, 2,609,746 Units were issued and outstanding. The public float of 2,608,546 Units has been calculated as the issued and outstanding Units, respectively, less Units held by insiders of the Fund.

The purchases may commence on May 28, 2012 and will terminate on May 27, 2013, or on such earlier date as the Fund may complete its purchases or provide notice of termination. Any such purchases will be made by the Fund at the prevailing market price at the time of such purchases in accordance with the requirements of the TSX.

The Fund will not purchase in any 30-day period more than 52,194 Units (2% of the issued and outstanding Units, respectively, as at the date of acceptance of the notice of the normal course issuer bid by the TSX).

The purpose of the normal course issuer bid for Units is to provide the Fund with a mechanism to decrease the potential spread between the net asset value per unit and the market price of the trust units and to provide enhanced liquidity for the Units. In the 12 months preceding the date of this release, the Fund has purchased for cancellation 29,900 Units pursuant to an expiring normal course issuer bid at an weighted average price of \$9.02 per Unit.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by the holders of not less than 25% of the Trust Units then outstanding by a written requisition specifying the purpose of the meeting. Unitholders may request to change the Manager only if the Manager is in breach under the Declaration of Trust. 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 two Unitholders present in person or by proxy except for the purpose of any meeting called by Unitholders to consider item (c) under “*Unitholder Matters – Matters Requiring Unitholder Approval*” in which case the quorum shall be Unitholders holding 25% of the outstanding Trust Units. 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 (g) 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 change of the manager of the Fund, other than to an affiliate of the Manager;
- (d) the issuance of additional Trust Units other than (i) in connection with the exercise of the Warrants; (ii) for net proceeds per Trust Unit not less than the NAV per Trust Unit calculated on the date immediately prior to the pricing of the offering, or (iii) by way of a distribution paid in additional Trust Units;
- (e) a reorganization (other than a Permitted Merger) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;
- (f) 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
- (g) 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 Trust 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 Trust 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 “mutual fund 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 Trust 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 is valued at the close of business each day that the TSX is open for trading (a “**Business Day**”) and 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 will be calculated using the fair value of the Fund’s assets and liabilities.

The NAV per Unit of the Fund, as applicable, on any day will be obtained by dividing the NAV of the Fund, as applicable, on such day by the number of Trust Units of the Fund, as the case may be, then outstanding; provided however, that where as a result of such calculation the basic NAV per Trust Unit is greater than \$11.70 then a diluted NAV per Trust Unit will be calculated. The diluted NAV per Trust Unit shall be calculated by adding to the denominator the total number of Trust Units issuable pursuant to the exercise of the Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Fund pursuant to the exercise of the Warrants. The diluted NAV per Trust Unit shall be deemed to be the resulting quotient.

The NAV and the NAV per Unit will be calculated on each Thursday (or if a Thursday is not a Business Day, the Business Day following such Thursday) (each a “**Valuation Date**”). Such information will be provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298, daily via the internet at www.harvestportfolios.com or by sending an email to info@harvestportfolios.com or by mailing Harvest Portfolios Group Inc. at 710 Dorval Drive, Suite 209, Oakville, ON, L6K 3V7.

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 Trust Units.

Harvest may suspend the calculation of the NAV of the Fund when the right to redeem Trust Units of the Fund is suspended. See “*Suspending your right to redeem Trust Units*” on page 22 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 Trust Units. The calculation of the NAV will resume when trading in the Fund’s securities resumes. In the event of a suspension of the calculation of NAV per Unit, a Unitholder may either withdraw his, her or its redemption request prior to the end of the suspension period or receive payment based on the NAV per Unit next calculated after the termination of the suspension.

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.

WARRANT CONSIDERATIONS

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 (being the Warrant exercise price less the Warrant exercise fee of \$0.30 in the aggregate — see “*Fees and Expenses — Warrant Exercise Fee*”) and Warrants are exercised. If the NAV per Trust Unit exceeds \$11.70 then a Unitholder will face dilution of its investment. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s pro rata interest in the assets of the Fund will be diluted.

As the number of Warrants equal the number of Trust Units, the potential dilution per Trust Unit is up to one-half of all gains in the NAV per Trust Unit of the Fund in excess of \$11.70.

The NAV per Trust Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Trust Units then outstanding; provided, however, that where as a result of such calculation on the basic NAV per Trust Unit is greater than \$11.70 then a diluted NAV per Trust Unit will be calculated. The diluted NAV per Trust Unit shall be calculated by adding to the denominator the total number of Trust Units issuable pursuant to Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Fund pursuant to the exercise of the Warrants.

PURCHASE OF UNITS

The Trust Units are listed for trading on the TSX under the symbol “HGI.UN” and the Warrants are listed for trading on the TSX under the symbol “HGI.WT”. Both Trust Units and Warrants are traded through the facilities of the TSX. Investors may purchase or sell the Trust Units or the Warrants in the market through the facilities of the TSX by contacting their financial advisor. As of March 30, 2012 warrants expired and not listed on TSX.

While the Manager calculates the NAV per Unit at each Valuation Date and publishes it, investors are not able to purchase Trust Units or Warrants at these amounts and must purchase these securities through the facilities of the TSX or by purchasing Trust Units or Warrants from existing holders of Trust Units or Warrants, subject to compliance with applicable regulatory requirements.

A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any such losses suffered by the dealer in connection with a failed settlement of a purchase of Trust Units or Warrants by such investor.

Book-Based System

Registration of interests in and transfers of the Units and Trust Units will be made only through the book-entry only system of CDS. As a result, the Fund will deliver to CDS a certificate evidencing the aggregate number of Trust Units immediately following the closing of the Offering. Trust Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Trust Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Trust Units.

Upon purchase of any Trust Units, the owner will receive only the customary confirmation. References in this AIF to a holder of Trust Units means, unless the context otherwise requires, the owner of the beneficial interest in such Trust Units. The Fund expects that each purchaser of Trust Units under the Offering received a confirmation of the number of Trust Units issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS is responsible for establishing and maintaining book-entry only accounts for its participants holding Trust Units. Certificates evidencing Trust Units were not issued.

Neither the Fund, the Trustee, the Custodian, the Manager or the Investment Manager nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Trust Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given

by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Trust Units to pledge such Trust Units or otherwise take action with respect to such owner's interest in such Trust Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Trust Units through the book-entry only system in which case certificates for Trust Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

REDEMPTIONS

Annual Redemption

Trust Units may be surrendered for redemption ("**Annual Redemption**") during the period from the first Business Day of August to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in August (the "**Annual Redemption Notice Period**"), subject to the Fund's right to suspend redemptions in certain circumstances. Trust Units surrendered for redemption during the applicable Annual Redemption Notice Period will be redeemed on the second last Business Day of August (the "**Annual Redemption Date**") and the Unitholder will receive payment on the applicable Redemption Payment Date equal to the NAV per Unit on the Annual Redemption Date less any costs and expenses associated with the redemption (the "**Annual Redemption Price**").

Monthly Redemption

Trust Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th Business Day before the last Business Day of the applicable month (the "**Monthly Redemption Notice Period**") by Unitholders thereof for redemption ("**Monthly Redemption**"). Upon receipt by the Fund of the redemption notice, in the manner described below, the Unitholder shall be entitled to receive a price per Unit (the "**Monthly Redemption Price**") equal to the lesser of:

- (i) 95% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 20 trading day period ending immediately before the Monthly Redemption Date; and
- (ii) 100% of the "closing market price" on the principal market on which the Trust Units are quoted for trading on the Monthly Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Trust Units traded on a particular day, the "market price" shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the "market price" shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Trust Units for each day there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Trust Units if there was a trade on the date and the exchange or market provides a

closing price; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; or the average of the last bid and last asking prices of the Trust Units if there was no trading on that date.

The Monthly Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units may be suspended if: (i) at the time such Trust Units are tendered for redemption, the outstanding Trust Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Trust Units; or (ii) the normal trading of Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

Exercise of Redemption Privilege

The Monthly Redemption privilege or the Annual Redemption privilege must be exercised by causing written notice (the “**Redemption Notice**”) to be given within the Monthly Redemption Notice Period or Annual Redemption Notice Period, as applicable, in the manner described below. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Trust Units which are not paid for by the Fund on the relevant Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, the Redemption Notice. A Unitholder who desires to redeem Trust Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under “*Suspending your right to redeem Trust Units*” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Trust Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Trust Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall 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. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder.

Suspending your right to redeem Trust Units

Under extraordinary circumstances, the rights of Unitholders to redeem Trust Units of the Fund may be suspended. This would most likely occur: (i) during any period when normal trading is suspended on a

stock exchange or other market within or outside Canada on which securities owned by the Fund are listed and posted for trading, if those securities represent more than 50% by value or underlying market exposure of the total assets of the Fund (without allowance for liabilities) and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the applicable securities regulatory authorities.

The suspension will apply to all requests for redemption received prior to the suspension in respect of 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 the right to withdraw their requests for redemption. 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 DeGroot 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 of the Fund may resign upon 60 days’ notice to Unitholders and to the Manager. Any such resignation shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor shall be appointed by the Manager but if the Manager fails to appoint a successor Trustee within 30 days of receipt of the Trustee’s resignation then the Manager is required to call a meeting of Unitholders of the Fund within 60 days thereafter for the purpose of appointing a successor Trustee. If a successor Trustee cannot be found within the 60 day period, the Trustee must terminate the Fund and distribute its assets to its Unitholders. The Trustee may be removed by the Manager at any time by notice to the Trustee not less than 90 days before the date that the removal is to take effect, provided that a successor Trustee is appointed or the Fund is terminated in accordance with the provisions of the Declaration of Trust.

The Custodian and Valuation Agent

State Street Trust Company Canada (“**State Street**”) is the custodian of the Fund pursuant to a custodian agreement dated September 29, 2009, and amended on February 7, 2011 (the “**Custodian Agreement**”) between the Fund and State Street. 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 will be responsible for the safekeeping of all of the investments and other assets of the Fund. 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 addition, State Street is responsible for providing fund accounting services to the Fund and will calculate the NAV and NAV per Unit pursuant to the terms of a separate accounting service agreement. State Street will receive fees for custodial and fund accounting services provided to the Fund.

The Custodian Agreement provides that it may be terminated by either party at any time on 60 days' written notice unless a different period is agreed to.

Independent Review Committee

As contemplated by NI 81-107, the IRC, the fund governance agency for the Fund, is composed of three members. The IRC reviews conflict of interest matters referred to it by the Manager, including any related policies and procedures, and makes recommendations to the Manager regarding whether the proposed action of the Manager in respect of a conflict of interest matter achieves a fair and reasonable result for the Fund. In respect of certain matters the IRC grants approvals. See "*Fund Governance - Independent review committee*" on page 30 of this document for more details.

Recordkeeper and Registrar

Equity Financial Trust Company provides recordkeeper and registrar services to the Fund, from its principal office in Toronto, Ontario.

Prime Broker

CIBC World Markets Inc. will be appointed prime broker of the Portfolio Trust (the "**Prime Broker**") pursuant to the Prime Brokerage Agreement and will facilitate the Portfolio Trust'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 Trust Units of a series of Trust 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 Trust 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 Trust 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 36 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 such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management’s position would not be in the best interests of Unitholders;
- (b) the Investment Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by shareholders of the issuer with a focus on the potential impact of the vote on the Fund’s NAV; and
- (c) the Investment Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Investment Manager determines that it is not in the best interests of Unitholders to vote, the Investment Manager will not be required to vote.

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.

Short-Term Trading

As the Fund is a closed-end investment fund, the Fund has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of securities by Unitholders.

FEES AND EXPENSES

Fees and Expenses of the Fund

Management Fee

Pursuant to the terms of the Declaration of Trust, Harvest is entitled to a fee at an annual rate of 0.25% of the NAV of the Fund, plus an amount equal to the Servicing Fee (as defined herein), plus applicable taxes. A management fee of 1.0% of the NAV of the Portfolio Trust is also payable to the Manager by the Portfolio Trust. The Management Fee will be calculated daily and payable monthly in arrears. The Management Fee will be paid in cash. The Investment Manager will be remunerated by the Manager out of the Management Fee and the Portfolio Trust Management Fee.

Ongoing Fees and Expenses

The Fund pays for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund are paid in cash. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the registrar and transfer agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Fund; (e) Independent Review Committee member fees and expenses in connection with the Independent Review Committee; (f) fees payable to the auditors and legal advisors of the Fund; (g) regulatory filing, stock exchange and licensing fees; (h) any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; (i) banking fees and interest with respect to any borrowing; and (j) expenditures incurred upon the termination of the Fund. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which Harvest, or the Trustee, is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$230,000, excluding any banking fees and interest which will increase with the Fund's utilization of any borrowing. The Fund is also responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Fund which may be incurred.

Servicing Fee

The Manager pays to registered dealers a servicing fee (the “**Servicing Fee**”) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealers (calculated and paid at the end of each calendar quarter, plus applicable taxes).

Counterparty Fee

The Fund also pays to the Counterparty a fee under the Forward Agreement of up to 0.50% per annum of the value of the total assets of the Portfolio Trust plus a fee based on the value of the Common Share Portfolio, calculated daily and payable monthly in arrears.

Warrant Exercise Fee

As soon as practicable following the exercise of a Warrant, the Fund pays a fee equal to \$0.12 per Warrant to the Agents and a fee equal to \$0.18 per Warrant to the dealer whose client is exercising the Warrant. Warrants have been expired since March 2012.

Fees and Expenses of the Portfolio Trust

Portfolio Trust Management Fee

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

Operating Expenses of the Portfolio Trust

The Portfolio Trust 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 Portfolio Trust’s utilization of any leverage.

INCOME TAX CONSIDERATIONS FOR INVESTORS

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 Trust 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 Trust 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 Trust Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Trust Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust 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 Trust Units, based upon the investor's particular circumstances.

This summary is based on the assumption that the Fund will qualify at all times as a “**mutual fund trust**” within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain minimum distribution requirements relating to the Trust Units, among other things. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

Taxation of the Fund

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 makes distributions to Unitholders and deducts, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund is not liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. The Fund has made an election under subsection 39(4) of the Tax Act so that all securities included in the Common Share Portfolio that are “**Canadian securities**” (as defined in the Tax Act) will be deemed to be capital property to the Fund.

The Fund does not realize any income, gain or loss as a result of entering into the Forward Agreement. Provided the Fund elects to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian securities will generally be taxed as capital gains or capital losses. If the obligations of the Fund under the Forward Agreement are settled by making net cash payments, rather than by the delivery of securities in the Common Share Portfolio, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable. If the Fund delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under a Forward Agreement entered into before March 21, 2013 the terms of which have not been extended, the Fund will realize capital gains (or capital losses) equal to the amount by which the purchase price under the Forward Agreement (less reasonable costs of disposition) exceeds (or is less than) the aggregate adjusted cost base of such securities. If the Fund delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under a Forward Agreement entered into on or after March 21, 2013, or under a Forward Agreement entered into before March 21, 2013 the terms of which have been extended, the Fund will realize ordinary income (or a loss) equal generally to the amount by which the purchase price under the Forward Agreement exceeds (or is exceeded by) the aggregate adjusted cost base of such securities.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest payable by the Fund on borrowed funds used to purchase securities to be included in the Common Share Portfolio subject to the October 2003 Proposals discussed below. The Fund may generally deduct the costs and expenses of an initial public offering or costs incurred with any subsequent offering of its Units (including the Warrant exercise fee) paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act (including the October 2003 Proposals).

It is possible that, under the October 2003 Proposals, or the Alternative Proposal discussed below, the deduction of losses of the Fund in a particular taxation year could be limited. Under the October 2003

Proposals, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business, or has held, and can reasonably be expected to hold, the property. If the deduction of losses of the Fund is limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Unitholders.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Trust Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the Common Share Portfolio in connection with the redemption of Trust Units.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the delivery of securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Fund in a taxation year may be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

The Fund will be deemed to realize a capital gain equal to the amount of the purchase price for a Unit allocated to a Warrant which expires unexercised on the Warrant Expiry Time.

All of the Fund’s deductible expenses, including expenses common to all series of the Fund and management fees and other expenses specific to a particular series of the Fund, are taken into account in determining the income or losses of the Fund as a whole. Losses by the Fund cannot be allocated to investors but may, subject to certain limitations, be deducted by the Fund from capital gains or other income realized in other years.

Taxation of Unitholders

Holding and Disposition of Trust Units and Warrants

A reasonable allocation of the purchase price of the Units between the Trust Units and the Warrants is required for tax purposes. The Fund will allocate \$0.12 to each Warrant. Such allocation is not binding on the CRA and the CRA may not agree with such allocation. For the purposes of determining the adjusted cost base to a Unitholder of a Warrant, when Warrants are acquired, the cost of newly acquired Warrants will be averaged with the adjusted cost base of all Warrants owned by the Unitholder as capital property before that time.

The exercise of a Warrant does not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a holder upon the exercise of a Warrant. The cost to the holder of a Trust Unit acquired upon the exercise of a Warrant will be equal to the aggregate of the adjusted cost base of the Warrant so exercised and the subscription price paid by such holder for the Trust Unit. The cost of a Trust Unit acquired by a holder upon the exercise of a Warrant will be averaged with the adjusted cost base of all other Trust Units already held as capital property by the holder at the time of

the exercise of the Warrant in order to determine the adjusted cost base of each such Trust Unit to the Unitholder.

On the disposition or deemed disposition of a Warrant, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are exceeded by) the aggregate adjusted cost base of the Warrant and any reasonable costs of disposition. The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the holder of the expired Warrant. Any such capital gains or capital losses will be treated as described below in the discussion of disposition of Trust Units.

A Unitholder is generally required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Trust Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Trust Units. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, and (ii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Trust Units will be reduced by such amount. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

The NAV per Trust Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Trust Units are acquired. A Unitholder who acquires Units may become taxable under the Unitholder's share of such income and gains of the Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before the Unitholder acquired the Units.

On the disposition or deemed disposition of a Trust Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Trust Unit and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base of Trust Units to a Unitholder, when Trust Units are acquired, the cost of the newly acquired Trust Units will be averaged with the adjusted cost base of all Trust Units owned by the Unitholder as capital property immediately before that time. The cost of Trust Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. A consolidation of Trust Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Trust Units.

One-half of any taxable capital gain realized on the disposition of Trust Units will be included in the Unitholder's income and one-half of any allowable capital loss realized may be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholders on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

Eligibility for Registered Plans

The Trust Units and Warrants are qualified investments within the meaning of the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**Registered Plans**").

Notwithstanding the foregoing, if the Trust Units or Warrants are "**prohibited investments**" for the purposes of a RRSP, RRIF or TFSA, the annuitant or holder, as the case may be, of the RRSP, RRIF or TFSA will be subject to a penalty tax. Provided that the annuitant of the RRSP or RRIF, or the holder of a TFSA, together with persons that do not deal at arm's length with the holder or annuitant, as the case may be, does not hold a "**significant interest**" (as defined in the Tax Act) in the Fund, and provided that such annuitant or holder deals at arm's length with the Fund, the Trust Units will not be prohibited investments for a trust governed by such RRSP, RRIF or TFSA. Unitholders should consult their own tax advisors in this regard. Provided that the Warrants are listed and continue at all times to be listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that at all times the Trust Units are qualified investments for Registered Plans and the Fund is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Registered Plan, the Warrants will be qualified investments for Registered Plans.

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 3 of this document;
- (b) the Warrant Indenture referred to under “*Warrant Considerations*” on page 13 of this document;
- (c) the Investment Management Agreement described under “*Responsibility for Fund Operations – Details of the Investment Management Agreement*” of page 25 of this document; and
- (d) the Custodian Agreement referred to under “*Responsibility for Fund Operations – The Custodian and Fund Accounting Agent*” on page 27 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 Trust 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 Trust 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 Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will appreciate or be preserved. Changes in the weightings of Portfolio Securities held by the Fund resulting from stock price movements can affect the overall yield to Unitholders.

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. The Indicative Distribution Amount from year to year may be significantly less than the initial targeted Indicative Distribution Amount. The Manager, on behalf of the Fund, may at any time re-evaluate the Indicative Distribution Amount.

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 Portfolio Trust and as the fair value of the securities in the Portfolio varies. The Fund and the Portfolio Trust have 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 Portfolio Trust 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 Portfolio Trust 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 Portfolio Trust 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 Portfolio Trust in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Portfolio Trust 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 Portfolio Trust 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 Portfolio Trust) at the time leverage is employed by the Portfolio Trust. 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.

Counterparty Risks

The Fund will enter into the Forward Agreement with the Counterparty pursuant to which the Fund will be required on termination to physically deliver the Common Share Portfolio to the Counterparty in exchange for a cash payment in an amount determined with reference to the value of the units of the Portfolio Trust, or at the election of the Fund, to make a net cash payment to the appropriate party in an amount which may be more or less than the original subscription price of the Trust Units. In entering into the Forward Agreement, the Fund will be exposed to the credit risk associated with the Counterparty and the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreement. Depending on the value of the Common Share Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, under the terms of the security interest granted by the Fund in favour of the Counterparty, the Common Share Portfolio or other securities acceptable to the Counterparty will be held by the Counterparty or an affiliate. Therefore, the Fund will be exposed to the insolvency risk of the Counterparty or its affiliate. Investors will have no recourse or rights against the Fund or the assets of the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement.

Securities Lending

The Fund and the Portfolio Trust may engage in securities lending. Although both of the Fund and the Portfolio Trust will each receive collateral for the loans and such collateral will be marked-to-market, the Fund and the Portfolio Trust, 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

As the Fund is targeting monthly distributions representing a yield on the Offering Price of the Units of 6% per annum, the trading price of the Trust Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the trading price of the Trust Units. Changes in interest rates may also adversely affect the business of the issuers in which the Portfolio Trust invests or the trading price of the securities of such issuers.

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 Portfolio Trust 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 and Concentration Risk

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated by commodity or industry. The composition of the Portfolio may also be concentrated by geography from time to time. Therefore, the Portfolio may be considered less diversified than portfolios of other investment vehicles.

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 Trust Units.

Trading at a Discount and Risks Relating to Redemptions

The Trust Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Trust Units will trade at a price equal to the Net Asset Value per Unit. Trust 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 Trust 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 Trust Units are redeemed, the trading liquidity of the Trust Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Trust 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 Trust Units in the circumstances described under "*Suspending your right to redeem Trust Units*" on page 22 of this document.

Nature of the Trust Units

The Trust Units share certain attributes common to both equity securities and debt instruments. Trust Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Trust 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.

Taxation of the Fund

On October 31, 2003 the Department of Finance released tax proposals (the "**October 2003 Proposals**") relating to the deductibility of losses under the Tax Act. Under the October 2003 Proposals, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 2003 Proposals were to apply to the Fund, certain losses of

the Fund may be limited with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 2003 Proposals would be released (the “**Alternative Proposal**”). To date, the Alternative Proposal has not been released and no assurance can be given that it will not adversely affect the Fund.

If certain tax proposals released on September 16, 2004 are enacted as proposed (the “**September 2004 Proposals**”), the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Trust Units held by non-residents, or partnerships that are not Canadian partnerships, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Trust Units unless not more than 10% (based on fair market value) of the Fund’s property is at any time “**taxable Canadian property**” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Trust Units are intended to limit the number of Trust Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Trust Units representing more than 50% of the fair market value of all Trust Units. The September 2004 Proposals were not included in Bill C-52, which received Royal Assent on June 22, 2007. Pursuant to an amendment to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons unless at that time, all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 2004 Proposals.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The Portfolio Trust invests in global equity securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends paid or credited to persons who are not resident in such countries. While the Portfolio Trust intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global equity securities may subject the Portfolio Trust to foreign taxes on dividends paid or credited to the Portfolio Trust or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Portfolio Trust will generally reduce the value of the Portfolio Trust and, therefore, the amount payable under the Forward Agreement. Foreign taxes incurred may generally be partly or wholly deductible to the Portfolio Trust in computing its income under the Tax Act. The availability of tax deductions to the Portfolio Trust for foreign taxes are subject to the detailed rules in the Tax Act.

In determining its income for tax purposes, the Fund generally treats gains or losses on the disposition of securities in the Portfolio, Option Premiums received on covered call options and any loss sustained on closing out options as capital gains and losses. CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

If, contrary to advice of counsel for the Fund and the Agents, whether through the application of the general anti-avoidance rule or otherwise, or as a result of a change of law, the entering into of the Forward Agreement were a taxable event or if gains realized on the sale of the Common Share Portfolio

under the Forward Agreement were treated other than as capital gains, after-tax returns to Unitholders would be reduced.

The SIFT Rules apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because, at any time that the Trust Units are listed or traded on a stock exchange or other public market as defined in the Tax Act, the Fund should not hold “non-portfolio property” based on its investment objectives and investment restrictions. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act (“**FATCA**”) generally impose a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (“**withholdable payments**”) and (b) “**passthru payments**” (generally, withholdable payments and payments that are attributable to withholdable payments) made by non-U.S. financial institutions. Under FATCA, unless the Fund and the Canadian government enter into an agreement with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which the Fund agrees to report to the CRA information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on withholdable payments made to it after December 31, 2013 and on foreign passthru payments (generally, passthru payments that are not withholdable payments) made to it after December 31, 2016 by non-U.S. financial institutions that have an agreement with the IRS in effect. If the interests in the Fund are not regularly traded on an established securities market, the Fund generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders that fail to provide information requested by the Fund to comply with FATCA. It is expected that Trust Units will be regularly traded on an established securities market. In addition, regardless of whether Trust Units are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2016 to any non-U.S. financial institution (for example, a Unitholder’s Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Trust Units are made. Similarly, non-U.S. financial institutions that have entered into a FATCA agreement with the IRS and that hold Trust Units on behalf of a Unitholder may be required to withhold 30% U.S. tax on foreign passthru payments that they make with respect to the Trust Units after December 31, 2016, to a non-U.S. financial institution that has not entered a FATCA agreement with the IRS or to a Unitholder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA.

This description is based on guidance issued by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to the Trust Units.

Status of the Fund

As the Fund will not be a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds, including without limitation NI 81-102, except insofar as that instrument prescribes a form of annual information form for mutual funds, which form applies with limited exceptions to the Fund.

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 Trust Units.

Warrants

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution.

Not a Trust Company

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 the Portfolio may include securities and options traded in foreign currencies, and because a large proportion of the operating costs, revenue or assets of the Fund may be valued in foreign currencies, the Net Asset Value, when measured in Canadian dollars, will be affected by changes in the value of the foreign currencies relative to the Canadian dollar. The Manager can not hedge against operating costs or revenue of the Fund included in the Portfolio that are denominated in foreign currencies. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates. As the Portfolio will include securities of issuers exposed to foreign currencies, the Net Asset Value and distributable cash (which will not be hedged in any circumstances), when measured in Canadian dollars, will be affected by changes in the value of these currencies relative to the Canadian dollar.

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.

GLOBAL ADVANTAGED TELECOM & UTILITIES INCOME FUND

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