Energy Leaders Income Fund

Annual Management Report of Fund Performance

For the period from May 18, 2012 (commencement of operations) to December 31, 2012

The Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, can be obtained at your request, and at no cost, by calling us at 866 998 8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

Energy Leaders Income Fund

CORPORATE OVERVIEW

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

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

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

INVESTMENT PRODUCT

The Energy Leaders Income Fund ("the Fund") has been created to invest in a portfolio of equity securities of 15 Energy Issuers listed on a North American stock exchange (the "**Energy Issuers Investable Universe**") that have the following characteristics:

- a market capitalization of at least $10 billion determined at the time of investment;
- are currently paying a dividend/distribution;
- are eligible to have options written on their equity securities;
- and have operations and/or offices in at least two countries.

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PRESIDENT'S MESSAGE

Energy Leaders Income Fund

Unitholder letter March 2013

Dear Valued Unitholder,

We will remember 2012 as another year of volatile financial markets and political indecision. In the final quarter of 2012 the stalemate in Washington over the Fiscal Cliff decision overshadowed most other global concerns. Though in the end, a last minute deal led to tax cuts for 90% of Americans as signs of a sustainable housing recovery in the US were taking hold. Meanwhile at home, the Bank of Canada's attempts to dampen the housing market through tighter mortgage policy have proven to be effective at cooling the housing market in some of the country's larger centers. Regardless, Canada's low interest rate environment will likely prevent the housing market from sustaining any real damage and according to the Bank of Canada's recent language; low interest rates will remain for the foreseeable future.

Outside of North America we are encouraged to see what looks like positive signs that European governments and citizens have begun to accept that austerity measures are a necessary part of the future. To the East, China's economic outlook shows signs of modest improvement with growth expected to rise from 7% to 8.5% by 2013-2014. Rising income and increased job creation accompanied by lower inflation are allowing for improved domestic demand.

For Harvest Fund Unitholders, 2012 saw the continued steady flow of distributions on a monthly basis across all of our funds coupled with solid performance of the North American portfolios. It is the investment philosophy of Harvest to develop funds that are clear in their mandate, have fully transparent portfolios that are representative of their mandates and generate steady income. We have confidence in the companies that populate our funds and their ability to withstand turbulent markets. We believe we are making the right decisions for investors in our funds; decisions that are based on long term objectives that reward those investors who have placed their capital with us.

As we look towards the future we are encouraged by the prospects of an improving global economy, we are encouraged as to how these improving economics will positively impact the companies within the Harvest group of funds. Conservatively optimistic, we embrace the upside opportunity that an improving economic scenario can bring but remain true to our philosophy to invest in businesses that are well positioned and have the ability to generate steady cash flow today and increase earnings tomorrow.

We are appreciative of your investment and support of Harvest Funds.

Sincerely,

Michael Kovacs
President and Chief Executive Officer

Energy Leaders Income Fund

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

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

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGY

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

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

INVESTMENT STRATEGY

To seek to achieve its investment objectives, the Fund will invest in equity securities of 15 Energy Issuers from the Energy Issuers Investable Universe that have the following characteristics:

- a market capitalization of at least $10 billion determined at the time of investment;
- are currently paying a dividend/distribution;
- are eligible to have options written on their equity securities; and
- have operations and/or offices in at least two countries.

The Fund's manager, Harvest Portfolios Group Inc. ("Harvest") has retained Highstreet Asset Management Inc. (''Highstreet'' or "Investment manager") to provide investment management services to the Fund.

In order to seek to generate additional returns, the Investment manager will sell call options each month on up to 33% of equity securities held in the Fund. Such call options may be either exchange-traded options or over-the-counter options.

The Investment manager will acquire 15 equity securities of Energy Issuers for the Fund, and thereafter rebalance quarterly on an equally weighted basis within 15 business days following the last business day of March, June, September and December. Equity securities of an Energy Issuer will be replaced for the Fund at the time of each quarterly rebalancing only if:

i) an Energy Issuer no longer has a market capitalization of at least $10 billion;
ii) an Energy Issuer has publicly announced that it will cease the payment of its dividend/distribution;
iii) the Investment manager, in its discretion, is no longer able to write call options on the equity security of an Energy Issuer on terms acceptable to the Investment manager; or
iv) an Energy Issuer ceases to have operations and/or offices in at least two countries.

In such circumstances, the equity security that is removed from the Fund will be replaced with another equity security from the Energy Issuers Investable Universe at the discretion of the Investment manager. At the time of any rebalancing, it is the Investment manager's intention to acquire a new equity security for the Fund only when an equity security needs to be replaced.

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RISK

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

RESULTS OF OPERATIONS

Following the closing of the initial public offering in May 2012, the Fund was invested in accordance with its investment objectives. The Fund invested in the indicative portfolio of 15 leading global energy companies.

Continuing its positive trend from the third quarter, the S&P 500 Index had enough positive performance in December to end the final quarter basically flat and end the year with a positive return. Results in November were mixed as the outcome of the US Presidential election resulted in markets selling off on fears of a "fiscal cliff" despite improvements in underlying US economic fundamentals, car sales, housing prices and green shoots in China which helped improve investor confidence later in the month. Macroeconomic events continue to be the driving force behind market performance and we may continue to see political maneuvering in the US as lawmakers wrestle with the inevitable debt ceiling posturing, among other issues, and 11th hour settlements.

The Energy sector continued to underperform the broad market. Investors have shunned the sector for the past few quarters as global supply and demand imbalances remain. Demand has been in question due to concerns about the overall health of the economy in the face of strong production, particularly in the US. However we remain committed to the long term dynamics of this sector and the growing demand for Energy in both developed and developing nations.

During the fourth quarter of 2012, monthly call options expired in October, November and December. These call options were written on approximately 30% of the underlying shares held in the portfolio. The average strike price was 103% over the period. Heading into the fourth quarter volatility levels dropped dramatically from their summer highs back in July. Throughout the last quarter levels increased in October and November before falling steadily in December to close near their lows for the year. As at December 31 the average level of volatility for the portfolio was approximately 17.2%. During the fourth quarter of 2012 the portfolio remained un-hedged.

CHANGES IN FINANCIAL POSITION

The Fund commenced operations on May 18, 2012 with issuance of 2,300,000 units at $12.00 per unit, for total proceeds of $27,600,000. The Fund paid total agents' commissions and issue costs of $1,916,820.

Each unit consisted of one trust unit and one warrant, which separated upon Fund's closing and the units and warrants trade separately on the Toronto Stock Exchange. Each warrant entitles the holder to purchase one unit at a subscription price of $12.00 on or before 5:00 p.m. (Toronto time) on June 14, 2013, when the warrants expire. Warrants not exercised will be void and of no value.

As at December 31, 2012, the Fund had a decrease in assets of $1,605,251, mostly due to agents' fees and issue costs of $1,916,820 and cancellation of units for $170,332. This was partially offset by income from operations of $481,901, which included realized gain on investments of $273,740, unrealized appreciation of investments, including foreign exchange of $1,347,734 and net loss of $16,878. The Fund also declared $1,122,695 in distributions or $0.49 per unit or $0.07 per unit per month.

The Fund commenced a normal course issuer bid program for the period from June 22, 2012 to June 21, 2013, which allows the Fund to purchase up to 229,880 trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange. During the period ended December 31, 2012, 15,100 units were purchased for cancellation for $170,332.

RECENT DEVELOPMENTS

There are no recent developments to report.

RELATED PARTY TRANSACTIONS

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

MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee calculated based on the net asset value and paid monthly in arrears, based on an annual rate of 1.00% of the net asset value of the Fund. The Manager pays Highstreet, a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

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

During the period ended December 31, 2012, directors and/or officers of the Manager, were remunerated $26,891 on the initial public offering of the Fund.

Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were $82,170 for the period ended December 31, 2012 and are included in the unitholder reporting costs on the Statement of Operations in the annual financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

On December 12, 2011, the Canadian Accounting Standards Board ("AcSB") extended the deferral of the mandatory International Financial Reporting Standards ("IFRS") changeover date for investment entities to fiscal year beginning on or after January 1, 2014.

In October 2012, the IASB issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides an exception to consolidation for a class of entities that are defined as 'investment entities'. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries. The Fund expects to meet the proposed criteria to qualify as investment entities and would measure all controlled investments at fair value with changes in fair value recognized through profit or loss.

In addition, on May 12, 2011, the International Accounting Standards Board ("IASB") issued IFRS 13 – "Fair Value Measurement", which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRS standards require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the net asset value per units and net assets per units under current Canadian GAAP.

The Manager is currently assessing the Fund's Unitholder structure and investments to determine the impact of these standards. The Manager has determined that there will likely be no material impact to the net asset value per units of each series of the Funds due to the changeover to IFRS. The major qualitative impact noted as of December 31, 2012 would be the addition of a statement of cash flows, the classification of puttable instruments, the reporting of future income tax assets or liabilities, where applicable, and additional note disclosures. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

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RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended December 31, 2012.

FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended December 31, 2012.This information is derived from the Fund's annual financial statements.

THE FUND'S NET ASSETS PER UNIT[1]		2012
Net assets - beginning of period[3]	$	**11.17**
Increase from operations		
Total revenue		0.23
Total expenses		(0.24)
Realized gains for the period		0.13
Unrealized gains for the period		0.59
Total increase from operations[2]		**0.71**
Distributions[4]		
Return of capital		(0.49)
Total annual distributions[4]		**(.49)**
Net assets - end of period[2]	$	**11.37**

RATIOS AND SUPPLEMENTAL DATA		
Total net asset value [1]	$	**25,994,725**
Number of units outstanding [1]		2,284,900
Number of warrants outstanding [1]		2,300,000
Management expense ratio[5]		10.27%
Management expense ratio before waivers or absorptions[5]		10.27%
Trading expense ratio[6]		0.42%
Portfolio turnover rate[7]		19.65%
Net asset value per unit[1]	$	**11.38**
Closing market price (HEN.UN)	$	**10.80**
Closing market price (HEN.WT)	$	**0.01**

Explanatory Notes:

1. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing purposes.An explanation of these differences can be found in the Notes to Financial Statements.
2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/ (decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.
3. Net assets, at the beginning of the period was $11.17, net of agents' commissions and issuance costs of $0.83 per unit.
4. Distributions were paid in cash.
5. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for 2012, the year of inception, included agents' fees of $1,449,000 and issue costs of $467,820, which were treated as one-time expenses and therefore were not annualized. The MER without these costs is 3.05%.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. These ratios are annualized.

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YEAR-BY-YEAR RETURNS

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

SUMMARY OF INVESTMENT PORTFOLIO

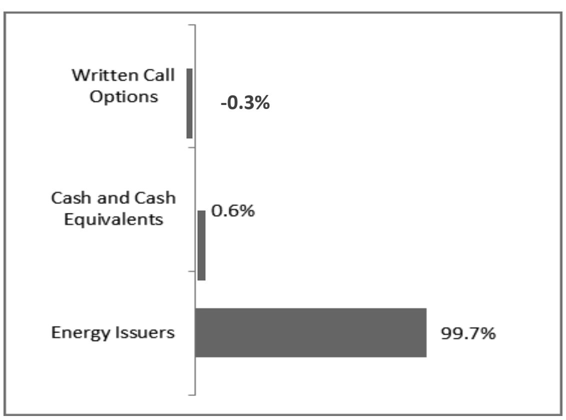
The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the ''Statement of Investments'' section of the Fund's annual financial statements.

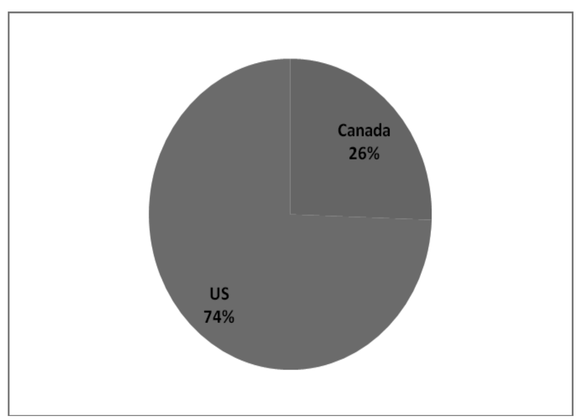
As at December 31, 2012

Top 16 Holdings	% of Net Asset Value
Marathon Oil Corporation	7.3
ConocoPhillips	7.1
Ensco PLC, Class A	7.0
The Williams Companies, Inc.	7.0
STATOIL ASA- SPON ADR	7.0
BP PLC-SPONS ADR	6.9
Exxon Mobil Corporation	6.9
Cenovus Energy Inc.	6.8
Chevron Corporation	6.7
Canadian Oil Sands Limited	6.6
Spectra Energy Corp	6.5
Encana Corporation	6.2
TOTAL SA - SPON ADR	6.1
Petroleo Brasileiro SA ADR	5.9
Talisman Energy Inc.	5.7
Cash and cash equivalents	0.6
	100.3

SECTOR ALLOCATION **GEOGRAPHIC ALLOCATION**

Total Net Asset Value (100.0%)





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

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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