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**Global Advantaged Telecom & Utilities Income Fund**

**Annual Management Report of Fund Performance**

**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](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

# Global Advantaged Telecom & Utilities 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 annual report and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

## INVESTMENT PRODUCT

The Global Advantaged Telecom and Utilities Income Fund (the “Fund”) has been created to provide investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund obtains exposure through a Forward Agreement to a portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers (the GTU Portfolio Trust or the “GTU Trust”).

# Global Advantaged Telecom & Utilities Income Fund

## PRESIDENT'S MESSAGE

Global Advantaged Telecom & Utilities 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

# Global Advantaged Telecom & Utilities Income Fund

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The management report of fund performance contains financial highlights for the Fund. For your reference, the audited financial statements of the Fund are attached to the 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](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://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) tax-advantaged monthly distributions; and
- (ii) capital appreciation.

The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers. The Fund obtains exposure through a Forward Agreement to a portfolio (the GTU Trust) comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

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

The yields on many Global Telecom Issuers continue to remain above average historical levels and attractive when compared to other equity, bond and fixed income securities. Over the longer term, Avenue believes that Global Telecom Issuers will benefit from the mass acceptance of mobile and broadband communications which will be reflected through increasing distributions and capital appreciation of the individual securities.

The yields on Global Utilities Issuers remain at attractive levels due to the stability of earnings and the long track records of consistent dividends that these issuers provide. Avenue believes that the Global Utilities Issuers in developing markets will continue to benefit and expand with the growth of these economies, while the Global Utilities Issuers in developed economies often have natural monopolies or operate in monopolistic-like markets that give them the ability to maintain pricing levels throughout the economic cycle. Avenue also believes that Global Utilities Issuers offer reduced exposure to inflation due to their ability to pass through higher costs to the end consumer.

### RISK

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

### RESULTS OF OPERATIONS

During the period ended December 31, 2012, The Harvest Global Advantaged Telecom & Utilities Income Fund returned a positive annual performance of 2.04%. This compares to a return of 1.19% for the blended index comprised of 50% weighting of the Morgan Stanley Composite Index ("MCSI") for Utilities and a 50% weighting of the MCSI for Telecom.

Following a volatile 2011, continued uncertainty surrounding the Euro Zone recession, concerns over the slowdown in China and a stubbornly high U.S. unemployment rate hovering 8% resulted in continued market volatility early in 2012. In the first quarters, the market remained focused on these issues however as we moved through the second and third quarters, economic data in the U.S. started to show more positive signs, despite the continued issues in the Euro Zone and China. In particular, there have been strong indications of a continued reversal in the U.S. housing market and improved U.S. consumer confidence.

# Global Advantaged Telecom & Utilities Income Fund

## RESULTS OF OPERATIONS (continued)

The European economic instability earlier in the year increased the volatility in the European stock markets, which we believe had an overbearing effect on the large capitalization stocks in the European indexes. The overly negative sentiment towards the European Telecom sectors was somewhat offset by positive returns in the U.S., Canadian, German and UK Utilities and Telecom sectors earlier in the year. Market sentiment in Europe quickly shifted in the third quarter to a more positive tone with the increase in liquidity by the ECB, a firm stance on the protection of the Euro and the stability fund to buy bonds of ailing EU countries. This shift in sentiment had a positive effect on the fund with solid performance from the European telecom and utility companies. The Fund continues to focus on high cash flowing companies as yield plays an important part of the equity returns in a deleveraging cycle. We do believe that these sectors offer attractive valuations and income and will be direct beneficiaries of strengthening global economics and continued stabilization in Europe.

## CHANGES IN FINANCIAL POSITION

The net asset value of the Fund decreased by 30.0% or \$7,623,654 during the year, from \$25,412,339 at December 31, 2011 to \$17,788,685 at December 31, 2012. The change in net assets is attributed redemptions of \$5,974,045 offset by increase in assets due to investment operations of \$110,990, which included realized investment and foreign exchange loss of \$522,417 and unrealized appreciation of market and foreign exchange appreciation of \$1,217,804.

Distributions of \$1,760,598 or \$0.72 per unit (2011 - \$0.54) or \$0.06 per unit per month were declared during the year.

The Fund renewed its normal course issuer bid programme for the period from May 28, 2012 to May 27, 2013, which allows the Fund to purchase up to 260,854 listed trust units and warrants of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange.

During the year ended December 31, 2012, 18,400 units were purchased for cancellation for \$160,697 (2011 – 12,500 units).

## 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 from the Fund and GTU Trust equal in the aggregate to 1.25% per annum of the applicable Net Asset Value, (0.25% from the Fund and 1.0% from the GTU Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and GTU Trust on a combined basis during the year ended December 31, 2012 were \$308,885, inclusive of taxes (2011 - \$306,680). The Manager is responsible for payment of the sub-advisory fees out of these management fees.

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.

The Manager pays Avenue 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.

# Global Advantaged Telecom & Utilities Income 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. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as counterparty and forward fees which are paid directly by the Fund, and is then reimbursed by the Fund.

## 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 were \$99,203 for the period ended December 31, 2012 (2011 - \$66,243) and are included in the unitholder reporting costs on the Statement of Operations in the annual financial statements.

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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.

## RECOMMENDATION 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 year ended December 31, 2012.

# Global Advantaged Telecom & Utilities Income Fund

## 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 periods ended December 31, 2012 and 2011. This information is derived from the Fund's annual financial statements.

THE FUND'S NET ASSETS PER UNIT <sup>1</sup>		2012	2011
<b>Net assets - beginning of period<sup>3</sup></b>	\$	<b>9.35</b>	\$ <b>11.17</b>
Increase /(decrease) from operations			
Total revenue		-	-
Total expenses		(0.24)	(0.26)
Realized gains /(losses) for the period		(0.21)	(0.57)
Unrealized gains/ (losses) for the period		0.51	(0.46)
<b>Total increase from operations<sup>2</sup></b>		<b>0.06</b>	<b>(1.29)</b>
<b>Distributions<sup>4</sup></b>			
From income (excluding dividends)		-	-
Return of capital		(0.72)	(0.54)
<b>Total annual distributions<sup>4</sup></b>		<b>(0.72)</b>	<b>(0.54)</b>
<b>Net assets - end of period<sup>2</sup></b>	\$	<b>8.80</b>	\$ <b>9.35</b>

RATIOS AND SUPPLEMENTAL DATA		2012	2011
<b>Total net asset value<sup>1</sup></b>	\$	<b>17,788,685</b>	\$ <b>25,412,339</b>
Number of units outstanding <sup>1</sup>		2,016,291	2,711,162
Number of warrants outstanding		-	2,723,662
Management expense ratio <sup>5</sup>		4.63%	13.21%
Management expense ratio before waivers or absorptions <sup>5</sup>		4.63%	13.21%
Trading expense ratio <sup>6</sup>		0.0%	0.0%
Portfolio turnover rate <sup>7</sup>		37.6%	19.04%
<b>Net asset value per unit<sup>1</sup></b>	\$	<b>8.82</b>	\$ <b>9.37</b>
<b>Closing market price (HGL.UN)</b>	\$	<b>8.45</b>	\$ <b>8.90</b>
<b>Closing market price (HGL.WT)</b>	\$	<b>n/a</b>	\$ <b>0.01</b>

### 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 Fund and the GTU Trust expenses. The MER without GTU Trust expenses is 2.73%, and the MER for the Fund for the year without GTU Trust expenses, the counterparty and the forward fees is 1.61%.
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.

# Global Advantaged Telecom & Utilities Income Fund

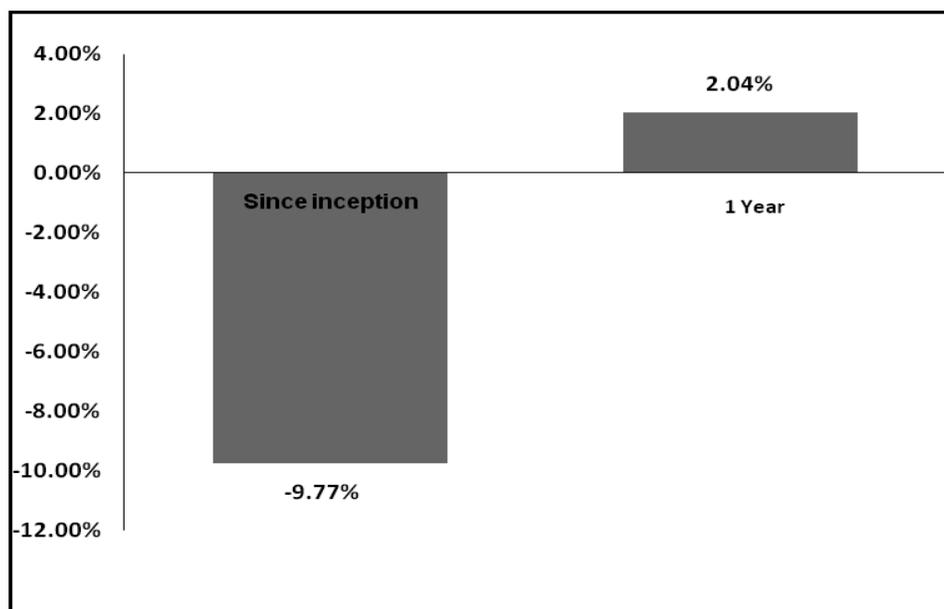
## Past Performance

The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or affected performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future.

## YEAR-BY-YEAR RETURNS

The following chart presents the Fund's performance for each of the periods shown and illustrates how the Fund's performance varied. The chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

### Fund performance



## ANNUALIZED COMPOUND RETURNS

The following table shows the annual compound returns for the Fund. All returns are in Canadian dollars, on a total return basis, net of fees.

For comparison purposes, a benchmark comprised of a blended index of 50% weighting of the Morgan Stanley Composite Index (MCSI) for Utilities and a 50% weighting of the MCSI for Telecom, in Canadian dollars, is being used.

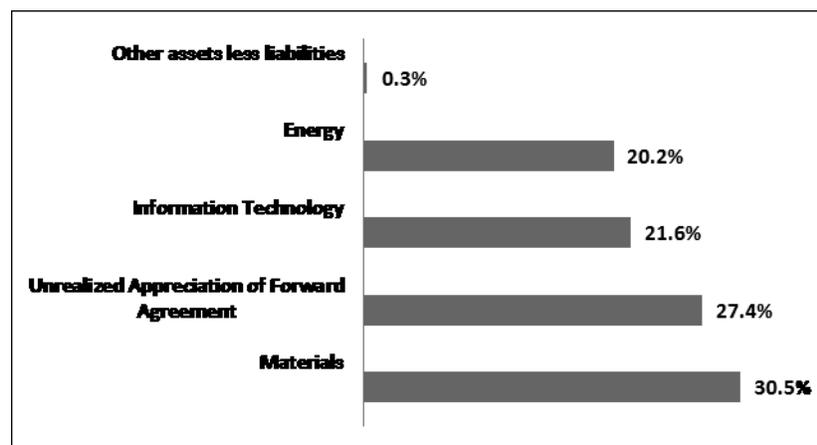
While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the "Results of Operations" section of this report for a discussion on recent performance.

Investment Return %	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance	2.04%	-	-	-	(9.77%)
Benchmark Performance	1.19%	-	-	-	1.63%

# Global Advantaged Telecom & Utilities Income Fund

## SECTOR ALLOCATION

Total Net Asset Value (100.0%)



## SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by category 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 audited financial statements.

As at December 31, 2012

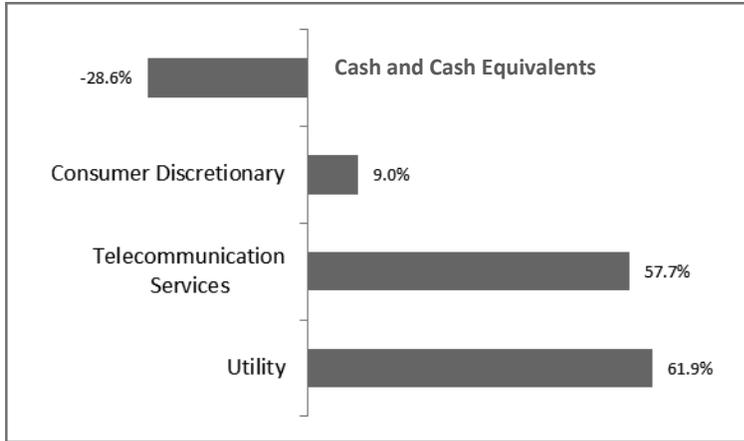
Top 25 Holdings	% of Net Asset Value
Canfor Corporation	9.7
CGI Group Inc., Class. A Sub. Voting	9.0
Athabasca Oil Corporation	6.0
AuRico Gold Inc.	5.9
Celestica Inc., Sub. Voting	5.9
Detour Gold Corporation	5.8
MEG Energy Corp.	5.2
Catamaran Corporation	4.9
Alacer Gold Corp.	4.7
Osisko Mining Corporation	4.4
BlackPearl Resources Inc.	3.3
Bankers Petroleum Ltd.	2.9
Crew Energy Inc.	2.7
Open Text Corporation	1.9
<b>Total Common Shares Portfolio</b>	<b>72.3</b>
Unrealized Appreciation on Forward Agreement	27.4
Cash and Cash Equivalents	0.3
<b>Total</b>	<b>100.0</b>

# Global Advantaged Telecom & Utilities Income Fund

GTU Trust

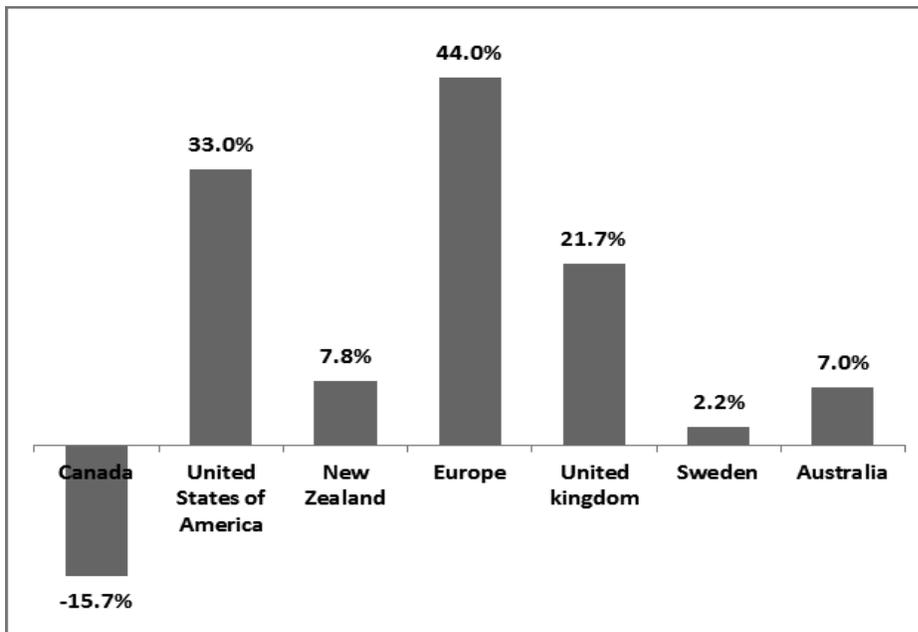
## SECTOR ALLOCATION

Total Net Asset Value (100.0%)



## GEOGRAPHIC ALLOCATION

Total Net Asset Value (100.0%)



# Global Advantaged Telecom & Utilities Income Fund

## GTU Trust

As at December 31, 2012

Top 25 Holdings	% of Net Asset Value
Vivendi SA	7.0
Telstra Corporation Limited	7.0
Manitoba Telecom Services Inc.	6.8
Telecom Corporation of New Zealand Limited	6.2
Bell Aliant Inc.	6.1
AT&T Inc.	5.2
Verizon Communications Inc.	5.1
RWE AG	4.3
CenturyLink, Inc.	4.3
Drax Group PLC	3.9
National Grid PLC	3.8
United Utilities Group PLC	3.6
Integrus Energy Group, Inc.	3.4
Ameren Corporation	3.4
BT Group PLC	3.3
Duke Energy Corporation	3.2
Gas Natural SDG, S.A.	3.1
PPL Corporation	3.1
Scottish and Southern Energy PLC	3.0
Endesa, S.A.	2.9
FirstEnergy Corp.	2.7
Electricidade de Portugal, S.A.	2.6
Terna S.p.A.	2.6
Pepco Holdings, Inc.	2.6
Belgacom SA	2.6
<b>Total</b>	<b>101.8</b>

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](http://www.harvestportfolios.com)

# Global Advantaged Telecom & Utilities Income Fund

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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.