GTU Portfolio Trust

Annual Financial Statements

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.

GTU Portfolio Trust

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Harvest Portfolios Group Inc.,

Michael Kovacs
President and Chief Executive Officer

Townsend Haines
Chief Financial Officer

Oakville, Canada
March 8, 2013

March 8, 2013

Independent Auditor's Report

To the Unitholder of
GTU Portfolio Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2012, the statements of financial position as at December 31, 2012 and 2011 and the statements of operations, changes in financial position and cash flows for the year ended December 31, 2012 and for the period from March 23, 2011 (commencement of operations) to December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
18 York St, Toronto, Ontario, Canada M5J 0B2
T: +1 416 941 8383, F: +1 416 814 3220

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and 2011 and the results of its operations, the changes in its financial position and its cash flows for the year ended December 31, 2012 and for the period from March 23, 2011 (commencement of operations) to December 31, 2011 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

GTU Portfolio Trust

STATEMENTS OF FINANCIAL POSITION As at December 31		2012		2011
Assets				
Investments, at fair value (cost $22,852,137; 2011 - $31,886,586)	$	22,771,570	$	29,831,968
Dividends receivable		193,275		203,045
		22,964,845		**30,035,013**
Liabilities				
Bank overdraft (Note 9)		5,095,256		4,557,901
Redemptions payable		165,000		190,000
Interest payable		9,593		11,507
	$	**5,269,849**	**$**	**4,759,408**
Net assets representing unitholder's equity	**$**	**17,694,996**	**$**	**25,275,605**
Net assets representing unitholder's equity				
Unitholder's capital	**$**	19,739,200	**$**	28,049,200
Deficit		(2,044,204)		(2,773,595)
Unitholder's equity	**$**	**17,694,996**	**$**	**25,275,605**
Number of units outstanding (Note 3)		**1,557,639**		**2,329,130**
Net assets per unit (Note 8)	**$**	**11.36**	**$**	**10.85**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS For the periods ended December 31, (Note 1)		2012		2011
Investment income				
Dividends	$	1,703,404	$	2,518,394
Interest		104		-
Less: foreign withholding taxes		(209,556)		(281,597)
		1,493,952		**2,236,797**
Expenses				
Management fees (Note 4)		247,035		244,913
Unitholder reporting costs (Note 4)		419		-
Audit fees		2,308		22,233
Custodian fees and bank charges		35,598		29,892
Interest expense (Note 9)		120,180		97,313
Filing fees		4,189		1,652
Legal fees		7,110		-
Other fees		204		-
		417,043		**396,003**
Net investment income	**$**	**1,076,909**	**$**	**1,840,794**
Realized and unrealized gain / (loss) on investments and foreign currencies				
Realized loss on sale of investments	$	(2,284,448)	$	(2,637,345)
Realized gain on foreign exchange		12,855		160,349
Transaction costs		(20,489)		(109,044)
Change in unrealized appreciation/ (depreciation) of foreign exchange		(29,487)		26,269
Change in unrealized appreciation/ (depreciation) of investments		1,974,051		(2,054,618)
Net loss on investments	**$**	**(347,518)**	**$**	**(4,614,389)**
Increase /(decrease) in net assets from operations		729,391	$	(2,773,595)
Increase/ (decrease) in net assets from operations per unit	**$**	**0.36**	**$**	**(1.14)**

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN FINANCIAL POSITION For the periods ended December 31, (Note 1)		2012		2011
Net assets, beginning of the period	**$**	**25,275,605**	**$**	**-**
Increase / (decrease) in net assets from operations		729,391		(2,773,595)
Unitholder's transactions				
Proceeds from issue of units		-		30,059,200
Reinvestments of distributions		-		1,632,369
Cost of units redeemed		(8,310,000)		(2,010,000)
Net unitholders' transactions	**$**	**(8,310,000)**	**$**	**29,681,569**
Distributions to unitholder				
Return of capital		-		(1,632,369)
Total distributions to unitholder	**$**	**-**	**$**	**(1,632,369)**
Net assets, end of the period	**$**	**17,694,996**	**$**	**25,275,605**
Deficit, beginning of period	**$**	**(2,773,595)**	**$**	**-**
Increase / (decrease) in net assets from operations		**729,391**		(2,773,595)
Deficit, end of period	**$**	**(2,044,204)**	**$**	**(2,773,595)**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS For the periods ended December 31, (Note 1)		2012		2011
Operating activities				
Increase/ (decrease) in net assets from operations	$	729,391	$	(2,773,595)
Add (deduct) items not affecting cash:				
Realized loss on sale of investments		2,284,448		2,637,345
Unrealized (appreciation)/ depreciation of investments		(1,974,051)		2,054,618
Proceeds from sale of investments		9,189,636		3,633,928
Purchases of investments		(2,439,636)		(38,157,859)
Net change in non-cash assets and liabilities		**7,856**		**(191,538)**
Net cash flow used in operating activities	**$**	**7,797,644**	**$**	**(32,797,101)**
Financing Activities				
Proceeds from units issued		-		31,691,569
Units redeemed		(8,334,999)		(1,820,000)
Distributions to unitholders		-		(1,632,369)
		-		
Net cash flow provided by financing activities		**(8,334,999)**		**28,239,200**
Net change in bank overdraft during the period		(537,355)		(4,557,901)
Bank overdraft, at beginning of the period		**(4,557,901)**		-
Bank overdraft, at end of the period	**$**	**(5,095,256)**	**$**	**(4,557,901)**
Supplemental disclosure of cash flow information				
Amount of interest paid during the period	**$**	**122,094**	**$**	**85,806**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENTS
As at December 31, 2012

Number of Shares	Security	Average Cost ($)	Fair Value ($)	% of Net Assets
	EQUITIES			
	Consumer Discretionary Issuers			
28,000	British Sky Broadcasting Group PLC	337,234	347,138	2.0
56,000	Vivendi S.A.	1,329,018	1,245,677	7.0
		1,666,252	**1,592,815**	**9.0**
	Telecommunication Services Issuers			
27,300	AT&T Inc.	771,218	916,598	5.2
15,600	Belgacom SA	578,018	453,601	2.6
41,000	Bell Aliant, Inc.	1,103,265	1,079,120	6.1
156,000	BT Group PLC	476,982	583,499	3.3
19,500	CenturyLink, Inc.	775,350	759,560	4.3
117,000	Chorus Limited	271,467	280,641	1.6
27,300	Deutsche Telekom AG	420,523	308,454	1.7
37,400	Manitoba Telecom Services Inc.	1,115,373	1,214,004	6.9
585,000	Telecom Corporation of New Zealand Limited	852,495	1,086,043	6.1
234,000	Telecom Italia SPA	350,006	209,803	1.2
31,200	Telefonica SA	769,409	413,668	2.3
58,500	Teliasonera AB	451,295	394,504	2.2
273,000	Telstra Corporation Limited	743,654	1,233,256	7.0
21,000	Verizon Communications Inc.	767,955	904,554	5.1
156,000	Vodafone Group PLC	427,658	389,841	2.2
		9,874,668	**10,227,146**	**57.8**
	Utility Issuers			
19,500	Ameren Corporation	526,576	596,658	3.4
78,000	Drax Group PLC	470,115	686,767	3.9
9,000	Duke Energy Corporation	473,747	571,641	3.2
19,500	E.ON AG	573,691	360,423	2.0
156,000	Electricidade de Portugal, S.A.	583,191	467,117	2.6
23,400	Endesa, S.A.	700,263	506,846	2.9
78,000	Enel SPA	467,603	321,309	1.8
11,700	FirstEnergy Corp.	418,276	486,258	2.8
18,000	Fortum OYJ	321,345	334,116	1.9
31,200	Gas Natural SDG, S.A.	572,983	550,875	3.1
11,700	GDF Suez	450,570	238,985	1.4
66,300	Iberdrola, S.A.	560,801	358,580	2.0
11,700	Integrys Energy Group, Inc.	569,907	608,347	3.4
58,500	National Grid PLC	542,535	665,147	3.8
23,400	Pepco Holdings, Inc.	419,774	456,901	2.6
19,500	PPL Corporation	469,380	555,690	3.1
18,720	RWE AG	935,753	767,088	4.3
23,400	Scottish and Southern Energy PLC	452,655	536,663	3.0
117,000	Terna S.p.A	538,959	464,148	2.6
58,500	United Utilities Group PLC	540,188	636,743	3.6
31,980	Veolia Environnement	391,486	384,337	2.2
16,000	Verbund AG	331,419	396,970	2.3
		11,311,217	**10,951,609**	**61.9**
	Total investments	**22,852,137**	**22,771,570**	**128.7**
	Other assets less liabilities		**(5,076,574)**	**(28.7)**
	Net assets		**17,694,996**	**100.0**

The accompanying notes are an integral part of these financial statements.

GTU Portfolio Trust

CONCENTRATION BY GEOGRAPHY AS AT DECEMBER 31, 2012

As at December 31,	2012		2011	
Country of Issue	**$***	**As a % of net assets**	**$***	**As a % of net assets**
Canada	(3,050,257)	(17.2)	(1,623,623)	(6.4)
United States of America	5,928,742	33.5	7,624,483	30.1
New Zealand	1,366,683	7.7	1,579,936	6.3
Europe	7,928,707	44.8	11,253,978	44.5
United Kingdom	3,893,361	22.0	4,703,910	18.6
Sweden	394,504	2.2	520,243	2.1
Australia	1,233,256	7.0	1,216,678	4.8
Totals	**17,694,996**	**100.0**	**25,275,605**	**100.0**

*Stated in Canadian dollars

1. ORGANIZATION

GTU Portfolio Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 25, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, February 25, 2011 to commencement of operations on March 23, 2011. The Fund commenced operations on March 23, 2011 with issuance of 2,419,430 units at $12.00 per unit, for total proceeds of $29,033,160. On April 11, 2011, 84,053 additional units were purchased at $12.21 for additional gross proceeds of $1,026,040, for total proceeds of $30,059,200.

The information provided in these audited financial statements is for the year ended December 31, 2012 and for the period commencing March 23, 2011, to December 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of investments

The fair value of investments as at the financial reporting date is as follows:

a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Investments held that are traded on an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. Investments held include equities listed on recognized stock exchanges. Investments held with no available bid prices are valued at their closing sale price.

b) Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with CICA Handbook Section 3855 methodologies. The fair values of certain securities are determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity. As at December 31, 2012 and 2011, there were no securities that required pricing using assumptions.

National Instrument 81-106 – ‘‘Investment Fund Continuous Disclosure’’ (‘‘NI 81-106’’) requires all investment funds to calculate net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net asset value ("NAV") calculated based on NI 81-106 and on net assets calculated based on Canadian GAAP ("Net assets"). A reconciliation between NAV per unit and Net assets per unit at the period end is provided in Note 8.

Cash and cash equivalents

Cash is comprised of cash on deposit. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less.

Other assets and liabilities

For the purposes of categorization in accordance with CICA Handbook Section 3862, accrued interest and dividends, receivable for securities issued and other net assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, loan payable, accrued expenses and redemptions payable are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value for these assets and liabilities.

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund are expensed in accordance with Section 3855 are recognized in the Statements of Operations in the period in which they are incurred.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. The cost of investments which represents the amount paid for each security is determined on an average cost basis excluding transaction costs. Realized gains/(losses) from the sale of investments and unrealized appreciation/(depreciation) of investments are calculated on an average cost basis.

Investment income is recorded on an accrual basis. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date.

Distributions received from income trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts treated as a return of capital reduce the average cost of the underlying investment trust. Distributions received from mutual funds are recognized in the same form in which they are received from the underlying funds.

Foreign currency translation

Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or (losses) on investments are included in the Statement of Operations in ‘‘Realized gain (loss) on sale of investments’’ and ‘‘Unrealized appreciation (depreciation) of investments’’, respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Operations in "Net realized foreign exchange gain (loss)" and "Unrealized foreign exchange gain (loss)", respectively. Assets and liabilities in the Statements of Financial Position are translated into Canadian dollars on the statement date.

Securities valuation

The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per Trust Unit will be calculated on each Business Day, and any other time as may be determined by the Manager from time to time. "Business Day" means any day on which the TSX is open for trading.

Increase / (decrease) in net assets from operations per unit

"Increase (decrease) in net assets from operations per unit" in the Statements of Operations represents the increase (decrease) in net assets from operations, divided by the weighted average units outstanding for the financial period.

Fair value of financial instruments

The table below summarizes the fair value of the Fund's financial instruments using the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Securities Classification:

Investments at fair value as at December 31, 2012				
Equities	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**	**Total ($)**
Common stock	22,771,570	-	-	22,771,570
Total investment in securities	**22,771,570**	**-**	**-**	**22,771,570**

Investments at fair value as at December 31, 2011				
Equities	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**	**Total ($)**
Common stock	29,831,968	-	-	29,831,968
Total investment in securities	**29,831,968**	**-**	**-**	**29,831,968**

There were no Level 3 securities held by the Fund as at December 31, 2012 and 2011. There were no transfers between Level 1 and Level 2 for the periods ended December 31, 2012 and 2011.

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.

3. UNITHOLDER'S EQUITY

The authorized capital of the Fund consists of an unlimited number of transferable, units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally in any and all distributions made by the Fund.

The following units were issued and redeemed during the period indicated:

For the period ended December 31, 2012	Total units outstanding
Initial issuance – March 23,2011	**2,419,430**
Subscriptions	84,053
Reinvestment of distributions	149,977
Consolidation of units	(149,977)
Units redeemed	(174,353)
As at December 31, 2011	**2,329,130**
Reinvestment of distributions	-
Consolidation of units	-
Units redeemed	(771,491)
Total outstanding as at December 31, 2012	**1,557,639**

Distributions

All distributions are paid in units. Immediately after any distribution in units, the number of outstanding units will be consolidated such that each unitholder will hold the same number of units as it held before the distribution.

Unitholder Redemptions

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

4. EXPENSES

Management fees

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing or arranging for managing the Fund's overall business and operations. The Manager has retained Avenue Investment Management Inc. (''Avenue'' or the "Investment Manager") to provide investment management services to the Fund and 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. The Manager is entitled to a fee of 1.00 per cent of the average NAV plus HST payable monthly.

Operating expenses

The Fund is responsible for all expenses relating to the operation and the carrying on of its business, including legal fees and audit fees, interest, taxes and administrative costs relating to the redemption of securities as well as the cost of financial and other reports and compliance with applicable laws, regulations and policies.

5. FINANCIAL RISK MANAGEMENT

Investment objectives

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.

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

The Investment Manager of the Fund has attempted to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

As at December 31, 2012, 128.7%, (2011 – 118%) of the Fund's portfolio investments were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets would have increased or decreased by approximately $1,138,579 (2011 - $1,491,598) or 6.4% (2011 – 5.9%) of net assets. In practice, the actual trading results may differ and the difference could be material.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the financial currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund, buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

The table below summarizes the Fund`s exposure to currency risk as at December 31, 2012 and 2011. Amounts shown are based on the carrying value of the monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of the forward currency contracts (if any).

As at December 31, 2012		
Currency	**Currency exposure ($)***	**As a % of net assets**
Euro	7,928,707	44.8
U.S. Dollar	5,928,742	33.5
Pound Sterling	3,893,361	22.0
New Zealand Dollar	1,366,683	7.7
Australian Dollar	1,233,257	7.0
Swedish Krona	394,504	2.2
Totals	**20,745,254**	**117.2**

*Amounts are stated in Canadian dollars

As at December 31, 2011		
Currency	**Currency exposure ($)***	**As a % of net assets**
Euro	10,910,793	43.2
U.S. Dollar	10,313,119	40.8
Pound Sterling	3,842,683	15.2
New Zealand Dollar	1,579,936	6.3
Australian Dollar	1,216,678	4.8
Swedish Krona	520,243	2.1
Totals	**28,383,452**	**112.4%**

*Amounts are stated in Canadian dollars

As at December 31, 2012, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately $1,037,263 (2011 - $1,419,713) or 5.9% (2011 - 5.6%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. A fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. The Fund does not hold any bonds or money market instruments, therefore, the Fund's exposure to interest rate risk is insignificant.

A Fund that has an interest-bearing liability is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at December 31, 2012, the Fund had a bank overdraft of $5,095,256 (2011 - $4,557,901). If interest rates were to change by 1.0%, the interest expense could increase / (decrease) by $ 50,953 (2011- $45,579).

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through the Forward Agreement. The Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity. At December 31, 2012 and 2011, all of the Fund's financial liabilities had maturities of less than three months.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers.

The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund has exposure to credit risk through its prime brokerage relationship with a Canadian chartered bank (the "Prime Broker"). At December 31, 2012 and 2011, the Prime Broker had a credit rating of A+ from Standard & Poor`s.

6. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the investment manager.

The value of such research services included in commissions paid to brokers for the periods ended December 31, 2012 and 2011 amounted to $NIL.

7. INCOME TAXES

The Trust is a financial institution for purposes of the "specific debt obligation" and "mark-to-market" rules contained in the Income Tax Act (Canada) at any time if more than 50% of the fair market value of all interests in the Trust are held at that time by one or more such financial institutions. The Trust will be subject to tax in each taxation year under Part I of the Income Tax Act (Canada) on the amount of its income for the year, including net realized and unrealized gains, if any, less the portion thereof that it deducts in respect of the amount paid or payable to unitholders in the period. The Trust may also be subject to "minimum tax" under the Tax Act. The Trust has non-capital losses of $2,148,872 for income tax purposes at December 31, 2012.

8. NET ASSET VALUE AND NET ASSETS

CICA Handbook Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for long positions held and the asking price for short positions held.

The NAV per unit for purposes of unitholder transactions (i.e. purchases, switches, redemptions) and net assets per unit calculated in accordance with CICA Handbook Section 3855 are shown below:

Per Unit ($):	NAV	Net assets
As at December 31,2012	$11.39	$11.36
As at December 31, 2011	$10.88	$10.85

9. BANK OVERDRAFT

The Fund established a revolving margin with its Prime Broker, a Canadian chartered bank. Interest charged is included in "Interest expense" on the Statements of Operations. The Fund has the facility in place to borrow up to 33.3 percent of the Fund's NAV. The overdraft function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings.

The amount drawn on the margin was $5,095,256 (2011 - $ 4,557,901) or 28.8% (2011 - 18%) of total net assets at December 31, 2012. For the year ended December 31, 2012 the Fund recorded interest expense of $120,180 (2011 – $97,313). The amount of borrowings ranged between $4,557,901 and $5,095,256 during the year (December 2011 – between nil and $4,557,901) and represented 25.8% to 28.8% of the Fund's Net Assets during the year ended December 31, 2012 (December 2011 – 0% - 18.0%).

Head Office

710 Dorval Drive, Suite 209
Oakville, ON L6K 3V7
Phone Number: 416.649.4541
Toll Free: 866.998.8298
Fax Number: 416.649.4542
Email: info@harvestportfolios.com

Western Canada Office

1155 West Pender Street, Suite 708
Vancouver, BC V6E 2P4

Eastern Canada Office

1250 René Lévesque Blvd. West, Suite 2200
Montreal, Quebec H3B 4W8

CAUTION REGARDING FORWARD-LOOKING STATEMENTS