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HARVEST Canadian Income & Growth Fund
Annual Financial Statements
December 31, 2013

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.



HARVEST Canadian Income & Growth Fund

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 is the external auditor 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 included as an integral part of the financial statements.

On behalf of Harvest Portfolios Group Inc.,

(Signed) "Michael Kovacs"

Michael Kovacs
President and Chief Executive Officer

(Signed) "Townsend Haines"

Townsend Haines
Chief Financial Officer

Oakville, Canada
March 19, 2014



March 19, 2014

Independent Auditor's Report

**To the Unitholders of
Harvest Canadian Income & Growth Fund (the Fund)**

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of financial position as at December 31, 2013 and 2012 and the statements of operations and changes in financial position for the years then ended, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2013 and 2012 and the results of its operations and the changes in its financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) 'PricewaterhouseCoopers LLP'

Chartered Professional Accountants, Licensed Public Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

HARVEST Canadian Income & Growth Fund

STATEMENTS OF FINANCIAL POSITION			
As at December 31,		2013	2012
Assets			
Investments, at fair value (cost \$56,904,453; 2012 - \$29,179,352)	\$	65,022,520	\$ 34,947,598
Cash and cash equivalents		1,529,912	2,354,271
Dividends and interest receivable		379,751	298,336
Subscriptions receivable		574,872	175,779
		67,507,055	37,775,984
Liabilities			
Redemptions payable		613,080	1,171
Distributions payable		91,731	58,246
	\$	704,811	\$ 59,417
Net assets representing unitholders' equity	\$	66,802,244	\$ 37,716,567
Net assets representing unitholders' equity			
Series R	\$	44,438,166	\$ 30,171,484
Series A*		19,721,353	6,923,966
Series F**		2,642,725	621,117
Number of units outstanding (Note 3)			
Series R		3,077,537	2,201,584
Series A*		1,362,396	504,801
Series F**		178,720	44,960
Net assets per unit (Note 8)			
Series R	\$	14.44	\$ 13.70
Series A*		14.48	13.72
Series F**		14.79	13.81

*Series A commenced operations on June 25, 2012

**Series F commenced operations on July 16, 2012

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

HARVEST Canadian Income & Growth Fund

STATEMENTS OF OPERATIONS				
For year ended December 31,	2013		2012	
Investment income				
Dividends	\$	2,001,036	\$	2,634,703
Interest		335,379		152,870
Less: foreign withholding taxes		(69,662)		(137,953)
		2,266,753		2,649,620
Expenses (Note 4)				
Management fees		644,539		604,263
Service fees		527,063		328,514
Unitholder reporting costs		64,186		156,466
Audit fees		39,510		34,296
Transfer agency fees		68,153		48,806
Custodian fees and bank charges		46,073		41,422
Independent review committee fees		11,655		14,184
Interest expense (Note 9)		-		93,690
Filing fees		21,107		37,570
Legal fees		24,190		99,907
		1,446,476		1,459,118
Expenses absorbed by Manager (Note 4)		(73,950)		(12,500)
		1,372,526		1,446,618
Net investment income	\$	894,227	\$	1,203,002
Realized and unrealized gain (loss) on investments and foreign currencies				
Realized gain (loss) on sale of investments	\$	1,903,422	\$	4,005,998
Realized gain (loss) on foreign exchange		50,523		18,648
Transaction costs (Note 6)		(61,056)		(94,617)
Change in unrealized appreciation (depreciation) of foreign exchange		301		150
Change in unrealized appreciation (depreciation) of investments		2,349,821		1,627,966
Net gain on investments	\$	4,243,011	\$	5,558,145
Increase in net assets from operations	\$	5,137,238	\$	6,761,147
Increase (decrease) in net assets from operations - Series R	\$	3,523,354	\$	6,494,556
Increase (decrease) in net assets from operations - Series A*		1,380,744		255,317
Increase (decrease) in net assets from operations - Series F**		233,140		11,274
Increase (decrease) in net assets from operations per unit - Series R	\$	1.59	\$	2.11
Increase (decrease) in net assets from operations per unit - Series A*		1.59		0.84
Increase (decrease) in net assets from operations per unit - Series F**		1.62		0.83

*Series A commenced operations on June 25, 2012

**Series F commenced operations on July 16, 2012

The accompanying notes are an integral part of these financial statements

HARVEST Canadian Income & Growth Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION			
ALL SERIES			
For the year ended December 31,	2013		2012
Net assets, beginning of the year	\$	37,716,567	\$ 49,054,915
Increase (decrease) in net assets from operations		5,137,238	6,761,147
Unitholders' transactions			
Proceeds from issue of units		24,757,066	14,890,035
Proceeds from issue of units on merger		28,477,870	-
Reinvestments of distributions		1,889,849	1,023,177
Cost of units cancelled		-	(14,831,643)
Cost of units redeemed		(28,394,331)	(16,481,385)
Net unitholders' transactions	\$	26,730,454	\$ (15,399,816)
Distributions to unitholders			
Net investment income		-	(213,786)
Capital gains		-	(321,537)
Return of capital		(2,782,015)	(2,164,356)
Total distributions to unitholders	\$	(2,782,015)	\$ (2,699,679)
Net assets, end of the year	\$	66,802,244	\$ 37,716,567

STATEMENTS OF CHANGES IN FINANCIAL POSITION			
SERIES R			
For the year ended December 31,	2013		2012
Net assets, beginning of the year	\$	30,171,484	\$ 49,054,915
Increase (decrease) in net assets from operations		3,523,354	6,494,556
Unitholders' transactions			
Proceeds from issue of units		6,952,563	6,297,418
Proceeds from issue of units on merger		27,993,685	-
Reinvestments of distributions		1,375,909	962,029
Cost of units cancelled		-	(14,831,643)
Cost of units redeemed		(23,681,468)	(15,263,147)
Net unitholders' transactions	\$	12,640,689	\$ (22,835,343)
Distributions to unitholders			
Net investment income		-	(201,350)
Capital gains		-	(302,834)
Return of capital		(1,897,361)	(2,038,460)
Total distributions to unitholders	\$	(1,897,361)	\$ (2,542,644)
Net assets, end of the year	\$	44,438,166	\$ 30,171,484

The accompanying notes are an integral part of these financial statements

HARVEST Canadian Income & Growth Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES A*

For the year ended December 31, 2013 and period from June 25,
2012 (commencement of operations) to December 31, 2012

	2013	2012
Net assets, beginning of the year	\$ 6,923,966	\$ -
Increase (decrease) in net assets from operations	1,380,744	255,317
Unitholders' transactions		
Proceeds from issue of units	15,505,638	7,955,314
Proceeds from issue of units on merger	284,771	-
Reinvestments of distributions	419,623	53,825
Cost of units redeemed	(4,033,764)	(1,191,238)
Net unitholders' transactions	\$ 12,176,268	\$ 6,817,901
Distributions to unitholders		
Net investment income	-	(11,820)
Capital gains	-	(17,776)
Return of capital	(759,625)	(119,656)
Total distributions to unitholders	\$ (759,625)	\$ (149,252)
Net assets, end of the year	\$ 19,721,353	\$ 6,923,966

* Series A commenced operations on June 25, 2012

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES F*

For the year ended December 31, 2013 and period from July 16,
2012 (commencement of operations) to December 31, 2012

	2013	2012
Net assets, beginning of the year	\$ 621,117	\$ -
Increase (decrease) in net assets from operations	233,140	11,274
Unitholders' transactions		
Proceeds from issue of units	2,298,865	637,303
Proceeds from issue of units on merger	199,414	-
Reinvestments of distributions	94,317	7,323
Cost of units redeemed	(679,099)	(27,000)
Net unitholders' transactions	\$ 1,913,497	\$ 617,626
Distributions to unitholders		
Net investment income	-	(616)
Capital gains	-	(927)
Return of capital	(125,029)	(6,240)
Total distributions to unitholders	\$ (125,029)	\$ (7,783)
Net assets, end of the year	\$ 2,642,725	\$ 621,117

*Series F commenced operations on July 16, 2012

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

HARVEST Canadian Income & Growth Fund

STATEMENT OF INVESTMENTS

As at December 31, 2013

Number of Shares	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
EQUITIES				
Consumer Discretionary Issuers				
91,931	Corus Entertainment Inc. Cl. B Non-Voting	2,066,241	2,360,788	3.5
177,200	Leon's Furniture Limited	2,238,849	2,482,572	3.7
35,100	Shaw Communications Inc. Cl. B Non-Voting	851,175	906,984	1.4
25,280	Thomson Reuters Corporation	1,009,936	1,015,245	1.5
		6,166,201	6,765,589	10.1
Consumer Staples Issuers				
33,640	Altria Group, Inc.	812,614	1,371,797	2.1
132,654	Corby Spirit and Wine Limited	2,377,788	2,688,897	4.0
81,088	North West Company, Inc.	1,776,051	2,085,583	3.1
366,661	Rogers Sugar, Inc.	1,941,416	1,965,303	2.9
15,000	Shoppers Drug Mart Corporation	883,800	872,250	1.3
		7,791,669	8,983,830	13.4
Energy Issuers				
25,007	Keyera Corp.	1,522,806	1,594,696	2.4
99,614	Parkland Fuel Corporation	1,168,960	1,839,871	2.7
80,606	PHX Energy Services Corp.	921,913	995,484	1.5
		3,613,679	4,430,051	6.6
Industrials Issuers				
82,536	Davis + Henderson Income Corporation	1,668,269	2,453,795	3.7
140,000	The Churchill Corporation Cl. A	1,144,962	1,316,000	2.0
		2,813,231	3,769,795	5.7
Pipeline Issuers				
23,900	AltaGas Ltd.	831,283	974,403	1.5
19,500	Enbridge Inc.	864,825	904,215	1.4
111,313	Inter Pipeline Ltd.	1,989,082	2,875,215	4.3
46,628	Pembina Pipeline Corporation	836,147	1,744,353	2.6
		4,521,337	6,498,186	9.8
Banks and Other Financials				
13,585	Bank of Montreal	1,005,426	961,546	1.4
29,600	Great-West Lifeco Inc.	986,864	968,512	1.5
125,000	Regions Financial Corporation	988,131	1,313,516	2.0
35,000	SunTrust Banks, Inc.	1,005,695	1,369,244	2.0
15,507	The Bank of Nova Scotia	1,026,098	1,029,665	1.5
		5,012,214	5,642,483	8.4

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

HARVEST Canadian Income & Growth Fund

STATEMENT OF INVESTMENTS (continued)

As at December 31, 2013

Number of Shares	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Real Estate Issuers				
169,106	Artis Real Estate Investment Trust	2,093,357	2,509,533	3.8
308,000	BTB Real Estate Investment Trust	1,313,454	1,373,680	2.0
45,000	Mainstreet Equity Corporation	1,438,200	1,619,550	2.4
332,048	Timbercreek Mortgage Investment Corporation	3,033,997	3,034,919	4.5
		7,879,008	8,537,682	12.7
Telecommunication Services Issuers				
42,256	BCE Inc.	1,969,210	1,942,086	2.9
87,219	Bell Aliant, Inc.	2,300,791	2,331,364	3.5
20,690	Rogers Communications Inc. Cl. B	968,913	994,568	1.5
27,600	TELUS Corporation	1,020,924	1,009,056	1.5
		6,259,838	6,277,074	9.4
Utility Issuers				
55,886	Brookfield Infrastructure Partners L.P	1,647,236	2,328,840	3.5
35,000	Brookfield Renewable Energy Partners L.P.	998,404	973,700	1.5
531,275	Capstone Infrastructure Corporation	1,923,216	1,886,026	2.8
45,000	Northland Power Inc.	730,800	695,700	1.1
1,428,575	Renewable Energy Developers Inc. Warrants (Exp. 03/06/14)	1	1	0.0
		5,299,657	5,884,267	8.9
Other Public Issuers				
92,064	Medical Facilities Corporation	1,246,401	1,647,945	2.5
		1,246,401	1,647,945	2.5
	Total equities	50,603,235	58,436,902	87.5
Par Value				
FIXED INCOME				
1,508,000	Aecon Group Inc. 6.25% Oct 31/15	1,566,808	1,592,448	2.4
1,355,000	Boralex Inc. 6.75% Jun 30/17	1,424,105	1,440,365	2.1
1,608,000	YPG Financing Inc. 8.00% Nov 30/22	1,611,750	1,785,041	2.7
1,695,697	YPG Financing Inc. 9.25% Nov 30/18	1,698,555	1,767,764	2.6
		6,301,218	6,585,618	9.8
	Total fixed income	6,301,218	6,585,618	9.8
	Total investments	56,904,453	65,022,520	97.3
	Other assets less liabilities		1,779,724	2.7
	Net assets		66,802,244	100.0

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

HARVEST Canadian Income & Growth Fund

CONCENTRATION BY GEOGRAPHY AND SEGMENT AS AT DECEMBER 31, 2013

As at	December 31, 2013		December 31, 2012	
	\$*	As a % of net assets	\$*	As a % of net assets
Canada	60,341,487	90.3	33,545,755	88.9
United States of America	6,460,757	9.7	4,170,812	11.1
Totals	66,802,244	100.0	37,716,567	100.0

*Stated in Canadian dollars

The Fund's investment portfolio is concentrated in the following segments:

	% of Net Assets as at December 31, 2013	% of Net Assets as at December 31, 2012
Consumer Discretionary Issuers	10.1	12.7
Consumer Staples Issuers	13.4	10.7
Energy Issuers	6.6	11.5
Industrial Issuers	5.7	14.9
Pipeline Issuers	9.8	-
Banks and Other Financials	8.4	-
Real Estate Issuers	12.7	12.0
Telecommunication Service Issuers	9.4	11.3
Utility Issuers	8.9	6.1
Other Public Issuers	2.5	8.3
Fixed Income	9.8	5.1

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

HARVEST Canadian Income & Growth Fund

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

1. ORGANIZATION

Harvest Canadian Income & Growth Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated May 31, 2010, being the inception date. There was no significant activity in the Fund from the date of inception, May 31, 2010 to commencement of operations on June 29, 2010.

The Fund became an open-end mutual fund on June 20, 2012 (the “Conversion Date”). On the conversion, the units became redeemable at the net asset value per unit on a daily basis, and the Fund became subject to National Instrument 81-102.

The Fund’s investment objectives are to provide unitholders with monthly distributions and maximize long-term total return for unitholders while reducing volatility. The Fund has been created to provide investors with income and the potential for capital appreciation. As part of the investment strategy, the Fund will invest in an actively managed portfolio comprised primarily of dividend-paying equity and debt securities of publicly-traded utilities, industrial, communications, real estate and retail issuers domiciled in Canada.

The Fund offers Series R, Series A and Series F units, only through registered dealers. On conversion, all existing unitholders at June 20, 2012 were rolled into Series R on the Conversion Date, on a unit-for-unit basis. New purchases in Series R are available, in an initial sales charge option. Series A units, which were created on June 20, 2012 but commenced operations on June 25, 2012, are available to all investors in an initial sales charge option and have a higher service fee than Series R. Series F units, which were created on June 20, 2012 but commenced operations on July 16, 2012, have no initial sales charge option and no service fees and are usually only available to investors who have fee-based accounts with the dealers.

On November 6, 2013 the Harvest Sustainable Income Fund (“HSI”) and on November 22, 2013 the Canadian Premium Select Income Fund (“HCS”) were merged into the Fund. The holders of Series R, A and F units of HSI received 934,364 Series R units, 20,019 Series A units and 13,759 Series F units of the Fund. The holders of Series R units of HCS received 1,026,519 Series R units of the Fund. The value of the units issued of the Fund was equal to the fair value of the assets transferred from HSI and HCS. The value of the assets transferred from HSI was \$13,763,197 and the value of the assets transferred from HCS was \$14,714,673. The mergers took place on a tax deferred basis for HSI and HCS and its unitholders.

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 CPA Canada Handbook Section 3855 Financial Instruments - Recognition and Measurement. Investments held that are traded in 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, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.

HARVEST Canadian Income & Growth Fund

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 Section 3855 methodologies. The fair values of certain securities may be 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. At December 31, 2013 and 2012, there were no securities that required pricing using assumptions.

c) Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

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 on net assets calculated based on Canadian GAAP (“Net assets”). Reconciliation between NAV per unit and Net assets per unit at the year-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 CPA Canada Handbook Section 3862, accrued dividends and interest, and other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts payable to unitholders for redemptions and distributions and other liabilities 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 and are recognized in the Statement 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 and (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.

HARVEST Canadian Income & Growth Fund

Allocation of income and expense, and realized and unrealized capital gains and losses

Management fees and service fees directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized capital gains and losses are generally allocated proportionately to each series based upon the relative Net Asset Value of each series.

Foreign currency translation

Purchases and sales of investment 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 Statements of Operations in "Realized gain (loss) on sale of investments" and "Change in 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 "Realized gain (loss) on foreign exchange" and "Change in unrealized appreciation (depreciation) of foreign exchange", respectively. Foreign currency assets and liabilities in the Statement of Financial Position are translated into Canadian dollars on the statement date.

Securities valuation

The NAV per unit of each series is determined at the close of business each day the Toronto Stock Exchange is open for business. The NAV of each series of the Fund is computed by calculating the value of that series' proportionate share of the Fund's common assets less common liabilities and less those series-specific liabilities. Expenses directly attributable to a series are charged to that series. Other income and expenses are allocated to each series proportionately based on the relative NAV of each series.

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, attributed to each series, dividend by the weighted average units outstanding for that series, 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 liability 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, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common stock	51,251,148	-	-	51,251,148
Limited partnership units	3,302,540	-	-	3,302,540
REIT	3,883,213	-	-	3,883,213
Warrants	-	1	-	1
Total equities	58,436,901	1	-	58,436,902
Fixed income				
Corporate bonds	4,817,854	1,767,764	-	6,585,618
Total fixed income	4,817,854	1,767,764	-	6,585,618
Total investments at fair value	63,254,755	1,767,765	-	65,022,520

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Investments at fair value as at December 31, 2012				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common stock	25,474,284	-	-	25,474,284
Limited partnership units	3,665,955	-	-	3,665,955
Funds	1,428,984	-	-	1,428,984
REIT	2,376,849	-	-	2,376,849
Warrants	-	71,872	-	71,872
Total equities	32,946,072	71,872	-	33,017,944
Fixed income				
Corporate bonds	858,437	1,071,217	-	1,929,654
Total fixed income	858,437	1,071,217	-	1,929,654
Total investments at fair value	33,804,509	1,143,089	-	34,947,598

There were no Level 3 securities held by the Fund as at December 31, 2013 and December 31, 2012 and there were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2013 and 2012.

Transition to International Financial Reporting Standards (“IFRS”)

Investment entities in Canada that are publicly accountable enterprises are required to adopt IFRS for annual periods beginning on or after January 1, 2014. As a result, calendar year reporters need to prepare their comparative financial information on an IFRS basis as of January 1, 2013, the date of transition to IFRS.

The Fund will have to prepare annual financial statements for the first time as of December 31, 2014 with comparatives in accordance with IFRS and semi-annual financial statements for the first time as of June 30, 2014 with comparatives in accordance with IFRS.

The Manager has developed a plan to convert the Fund’s financial statements to IFRS by establishing a cross-functional IFRS team represented by management and the Fund’s service providers (accounting and transfer agent). The Fund does not anticipate any impact on its business arrangements.

As at December 31, 2013, the Manager believes that the major areas of difference between the Fund’s current accounting policies and those expected to apply under IFRS have been identified, including the:

- requirement to include a statement of cash flows,
- classification of redeemable instruments issued by the Fund,
- elimination of the differences between net asset value per unit and net asset per unit, and
- classification and measurement of the Fund’s investments.

The table in Note 8 summarizes the 2013 quantitative impact of the changeover from Canadian GAAP to IFRS.

3. UNITHOLDERS’ EQUITY

The Fund is authorized to issue an unlimited number of transferable units and series.

Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscriptions or redemption is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units of the series of the Fund outstanding at such time.

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

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	Units Outstanding		
	Series R	Series A	Series F
Total outstanding as at December 31, 2011	3,945,599	-	-
Units cancelled	(1,145,982)	-	-
Total outstanding as at June 20, 2012 (conversion date)	2,799,617	-	-
Subscriptions	29,617	498,736	7,756
Reinvestment of distributions	71,218	3,951	532
Redemptions	(651,058)	(6,842)	(1,975)
Transfer between Series	(47,810)	8,956	38,647
Total outstanding as at December 31, 2012	2,201,584	504,801	44,960
Subscriptions	50,515	654,523	124,370
Units issued on merger	1,960,883	20,019	13,759
Reinvestment of distributions	97,404	29,656	6,573
Redemptions	(962,718)	(98,005)	(29,161)
Transfer between Series	(270,131)	251,402	18,219
Total outstanding as at December 31, 2013	3,077,537	1,362,396	178,720

Redemptions

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on June 1, 2012, unitholders could surrender their units for redemption at the Fund's NAV per unit, subject to the required redemption notice period, and the unitholder will receive payment on or before the 15th business day of the following month. Unitholders redeemed \$14,831,643 or 1,145,982 units on the First NAV Redemption Date NAV of \$12.94. Unitholders received payment on or before June 7, 2012.

After the Conversion Date, units may be redeemed at the NAV per unit on any business day.

Distributions

Monthly distributions to unitholders are declared and paid to unitholders of record on the Valuation Date prior to the month-end, and automatically reinvested into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were \$0.84 per unit (\$0.07 per unit per month) for the year ended December 31, 2013 (2012 - \$0.84 per unit).

4. EXPENSES

Management and service 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.

Each series of units pays the Manager an annual management fee, plus applicable taxes, based on a percentage of the average daily NAV of the assets of the Fund attributable to that applicable series (the "Management Fee").

Dealers may be paid a servicing fee, in connection with Series A units and Series R units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes, are payable monthly in arrears based on the total client assets invested in each series of units of the Fund held by all of a Dealer's clients throughout the month. The Manager can change or cancel servicing fees at any time.

On Conversion of the Fund into an open-end mutual fund, the service fees charged on the Class R units increased by 0.60% (increasing the aggregate annual management fee to 2.25%) and the Fund ceased using leverage in order to achieve its investment objectives.

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The fees differ among the series of units of the Fund as set out in the chart below:

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.25%	1.00%	2.25%
A	1.25%	1.25%	2.50%
F	1.25%	0.00%	1.25%

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 interest, and is then reimbursed by the Fund.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for the year ended December 31, 2013 was \$73,950 (2012 - \$12,500). The Manager may cease doing so at any time without notice to unitholders.

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 \$49,958 for the year ended December 31, 2013 (2012 - \$144,282) and are included in the unitholder reporting costs on the Statements of Operations.

5. FINANCIAL RISK MANAGEMENT

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.

As at December 31, 2013, 87.5% (December 31, 2012 – 87.5%) of the Fund's net assets were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at year end, with all other factors remaining constant, net assets would have increased or decreased by approximately \$2,921,845 (December 31, 2012 - \$1,650,897).

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.

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

Currency	As at December 31, 2013		As at December 31, 2012	
	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	\$6,460,757	9.7%	\$4,170,812	11.1%

* Amounts are in Canadian Dollars

As at December 31, 2013, 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 \$323,038 (December 31, 2012 - \$208,541) or 0.5% (December 31, 2012 - 0.6%) 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. In general, when interest rates are falling, the value of these investments rises.

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. If interest rates were to change by 1.0%, the increase (decrease) in interest earned by the Fund would change by \$65,856 (2012 - \$19,297).

As at December 31, 2013 the Fund had no interest bearing liabilities.

The table below summarizes the Fund's exposure to interest rate risks by either the remaining term to maturity or contractual repricing as at December 31, 2013 and 2012.

Debt Instruments: December 31, 2013	Fair Value (\$)	% of Net Assets
1 to 5 years	4,800,577	7.1
Greater than 5 years	1,785,041	2.7
Total	6,585,618	9.8

Debt Instruments: December 31, 2012	Fair Value (\$)	% of Net Assets
1 to 5 years	747,300	2.0
Greater than 5 years	1,182,354	3.1
Total	1,929,654	5.1

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 redemptions as units are redeemable on demand and Unitholders may redeem their units on each valuation date. Therefore in order to maintain sufficient liquidity, the Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

As at December 31, 2013 and 2012, 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.

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The Fund has holdings of fixed income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at December 31, 2013.

At December 31, 2013 and 2012, the Fund was invested in debt securities with the following credit ratings:

December 31, 2013 Debt Securities by Credit Ratings*	% of Total Debt Instruments	% of Net Assets
CCC	27.1	2.7
CCCH	26.8	2.6
Not Rated	46.1	4.5
Total	100.0	9.8

December 31, 2012 Debt Securities by Credit Ratings*	% of Total Debt Instruments	% of Net Assets
Not Rated	100.0	5.1
Total	100.0	5.1

*Excludes cash & cash equivalents; Credit ratings are obtained from Standard & Poor's, Moody's and/or, DBRS. Where more than one rating is obtained for a security, the lowest rating has been used.

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 years ended December 31, 2013 and 2012 amounted to \$NIL.

7. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). The Fund is subject to tax on their income including net realized capital gains which are not paid or payable to unitholders. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so the Fund will not be subject to income taxes.

The amount of net realized taxable capital gains available for distribution is reduced by the amount of net capital gains to be retained in the Fund. This is done in order to enable the Fund to fully utilize any available tax credits due to application of the capital gain refund formula attributable to redemptions during the year. In certain circumstances, the fund may distribute a return of capital. A return of capital is not taxable but will generally reduce the adjusted cost of the units.

Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be applied against future taxable income.

As at the Fund's 2013 taxation year, the Fund did not have any tax losses.

Harmonized sales tax

As the Manager is a resident of Ontario, the expenses paid by the Fund include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the Manager. A blended rate refund is filed with Revenue Canada on behalf of the Fund, in arrears, using each province's HST rate or GST rate in the case of non-participating provinces.

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8. NET ASSET VALUE AND NET ASSETS

CPA Canada 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 net asset value per unit for purposes of unitholder transactions (i.e. purchases, switches, redemptions) and net assets per unit calculated in accordance with Section 3855 is shown below:

Per Unit:	NAV	Net assets
As at December 31, 2013		
Series R	\$14.47	\$14.44
Series A	\$14.50	\$14.48
Series F	\$14.82	\$14.79

Per Unit:	NAV	Net assets
As at December 31, 2012		
Series R	\$13.70	\$13.70
Series A	\$13.71	\$13.72
Series F	\$13.81	\$13.81

9. LOAN FACILITY

The Fund previously established a loan facility with a Canadian chartered bank. The loan function was to borrow for the purpose of making investments in accordance with the Fund's investment objectives and restrictions, and to pledge its assets to secure the borrowings. The loan facility was repaid in full and the facility cancelled on May 18, 2012, prior to the Conversion Date.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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