



**GLOBAL ADVANTAGED TELECOM AND  
UTILITIES INCOME FUND**

**Annual Financial Statements**

**December 31, 2011**

# Global Advantaged Telecom and Utilities Income 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 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.,

*(Signed)* "Michael Kovacs"  
President and Chief Executive Officer

*(Signed)* "B. Mark Riden CA"  
Chief Financial Officer

Oakville, Canada  
March 2012



March 19, 2012

## **Independent Auditor's Report**

### **To the Unitholders of Global Advantage Telecom and Utilities Income Fund (the Fund)**

We have audited the accompanying financial statements of the Fund, which comprise the statements of investments and financial position as at December 31, 2011 and the statements of operations, changes in financial position and cash flows 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2011 and the results of its operations, the changes in its financial position, and cash flows 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

# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF FINANCIAL POSITION

<b>As at December 31,</b>		<b>2011</b>
<b>Assets</b>		
Investments, at fair value (cost \$26,520,702)	\$	21,165,547
Forward agreement at fair value (Note 4)		4,110,058
Cash and cash equivalents		56,055
Receivable for investments sold		190,015
		<b>25,521,675</b>
<b>Liabilities</b>		
Distributions payable		162,670
Interest expense payable (Note 4)		4,626
Forward fee payable (Note 4)		16,987
		<b>184,283</b>
<b>Net assets representing unitholders' equity</b>	<b>\$</b>	<b>25,337,392</b>
<b>Unitholders' equity (Note 3)</b>		
Unitholders' capital		29,947,623
Warrants		326,839
Contributed surplus		20,527
Deficit		(4,957,597)
<b>Unitholders' equity</b>	<b>\$</b>	<b>25,337,392</b>
<b>Number of units outstanding (Note 3)</b>		<b>2,711,162</b>
<b>Number of warrants outstanding (Note 3)</b>		<b>2,723,662</b>
<b>Net assets per unit (Note 9)</b>	<b>\$</b>	<b>9.35</b>

Approved on behalf of the Manager,

(Signed) "Michael Kovacs"  
President and Chief Executive Officer

(Signed) "B. Mark Riden CA"  
Chief Financial Officer

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



# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF OPERATIONS

<b>For the period March 23, 2011 (commencement of operations) to December 31, 2011</b>	
<b>Investment income</b>	
Interest	\$ 28
	28
<b>Expenses</b>	
Management fees (Note 5)	61,767
Service fees (Note 5)	95,306
Unitholder reporting costs (Note 5)	80,998
Audit fees	23,820
Transfer agency fees	16,914
Custodian fees and bank charges	18,207
Independent review committee fees	7,147
Forward fee (Note 4)	152,877
Filing fees	50,501
Interest expense (Note 4)	47,573
Legal fees	161,470
	716,580
Expenses absorbed by manager	-
	716,580
<b>Net investment loss</b>	<b>(716,552)</b>
<b>Realized and unrealized loss on investments and foreign currencies</b>	
Realized loss on common share portfolio and forward agreement	(1,528,422)
Unrealized depreciation on common share portfolio and forward agreement	(1,245,098)
<b>Net loss on investments</b>	<b>(2,773,520)</b>
<b>Decrease in net assets from operations</b>	<b>\$ (3,490,072)</b>
<b>Decrease in net assets from operations per unit</b>	<b>\$ (1.29)</b>

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

# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF CHANGES IN FINANCIAL POSITION

<b>For the period March 23, 2011 (commencement of operations) to December 31, 2011</b>	
<b>Net assets, beginning of the period</b>	<b>\$ -</b>
Decrease in net assets from operations	(3,490,072)
<b>Unitholders' transactions</b>	
Proceeds from issue of units	32,683,944
Payments on cancellation of units	(119,055)
Agents' fees	(1,715,907)
Cost of issue	(553,993)
<b>Net unitholders' transactions</b>	<b>30,294,989</b>
<b>Distributions to unitholders</b>	
Return of capital	(1,467,525)
<b>Total distributions to unitholders</b>	<b>(1,467,525)</b>
<b>Net assets, end of the period</b>	<b>\$ 25,337,392</b>
<b>Deficit, beginning of the period</b>	<b>\$ -</b>
Decrease in net assets from operations	(3,490,072)
Distributions to unitholders	(1,467,525)
<b>Deficit, end of the period</b>	<b>\$ (4,957,597)</b>
<b>Contributed surplus, beginning of the period</b>	<b>\$ -</b>
Cost of shares repurchased at less than par value	20,527
<b>Contributed surplus, end of the period</b>	<b>\$ 20,527</b>

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



# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF CASH FLOWS

<b>For the period March 23, 2011 (commencement of operations) to December 31, 2011</b>	
<b>Operating activities</b>	
Decrease in net assets from operations	\$ (3,490,072)
<b>Add (deduct) items not affecting cash:</b>	
Realized loss on common share portfolio and forward agreement	1,528,422
Unrealized depreciation on common share portfolio and forward agreement	1,245,098
Proceeds from sale of investments	4,705,714
Purchases of investments	(32,944,854)
Net change in non-cash assets and liabilities	21,613
<b>Net cash flow used in operating activities</b>	<b>\$ (28,934,079)</b>
<b>Financing activities</b>	
Proceeds from units issued	32,683,944
Payments on cancellation of units	(119,055)
Agents' fees	(1,715,907)
Issuance costs	(553,993)
Distributions to unitholders	(1,304,855)
<b>Net cash flow provided by financing activities</b>	<b>28,990,134</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>56,055</b>
Cash and cash equivalents, beginning of the period	-
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 56,055</b>
<b>Supplemental disclosure of cash flow information</b>	
Amount of interest paid during the period included in net investment income	\$ 42,947

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





# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF INVESTMENTS

As at December 31, 2011				
Number of Shares	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>COMMON SHARE PORTFOLIO (pledged to the Counterparty under the Forward Agreement)</b>				
<b>Energy Issuers</b>				
244,283	Bankers Petroleum Ltd.	2,078,848	1,084,616	4.3
290,778	BlackPearl Resources Inc.	2,079,063	1,195,098	4.7
110,475	Crew Energy Inc.	2,075,825	1,242,844	4.9
55,474	Flint Energy Services Ltd.	954,153	708,403	2.8
45,065	MEG Energy Corporation	2,289,753	1,873,352	7.4
164,222	Precision Drilling Corporation	2,075,766	1,724,331	6.8
		11,553,408	7,828,644	30.9
<b>Industrials Issuers</b>				
15,366	Stantec Inc.	430,248	423,641	1.7
		430,248	423,641	1.7
<b>Information Technology Issuers</b>				
194,442	Celestica Inc. Sub. Voting	2,076,640	1,456,370	5.7
104,429	CGI Group Inc. Cl. A Sub. Voting	2,077,093	2,005,037	7.9
		4,153,733	3,461,407	13.6
<b>Materials Issuers</b>				
241,402	Alacer Gold Corporation	2,078,471	2,532,307	10.0
155,015	Canfor Corporation	2,075,651	1,650,910	6.5
62,179	Detour Gold Corporation	2,076,801	1,563,802	6.2
146,927	Osisko Mining Corp.	2,076,079	1,445,762	5.7
149,806	Quadra FNX Mining Ltd.	2,076,311	2,259,074	8.9
		10,383,313	9,451,855	37.3
<b>Total common share portfolio (pledged to the Counterparty under the Forward Agreement)</b>				
		<b>26,520,702</b>	<b>21,165,547</b>	<b>83.5</b>
<b>Unrealized appreciation on forward agreement:</b>				
<b>Investments held in GTU Portfolio Trust under the Forward Agreement</b>				
<b>EQUITIES</b>				
<b>Consumer Discretionary Issuers</b>				
50,000	Vivendi Universal SA	1,367,158	1,117,947	4.4
		1,367,158	1,117,947	4.4
<b>Telecommunication Services Issuers</b>				
35,000	AT&T Inc.	988,741	1,076,647	4.3
20,000	Belgacom SA	741,049	639,771	2.5
53,000	Bell Aliant, Inc.	1,426,172	1,510,500	6.0
200,000	BT Group PLC	611,515	604,184	2.4
1,000,000	Cable & Wireless Communications PLC	724,183	601,019	2.4
25,000	CenturyLink Inc.	994,039	946,718	3.7
150,000	Chorus Ltd.	348,035	370,558	1.5
35,000	Deutsche Telekom AG	539,131	409,024	1.6
50,000	France Telecom SA	1,084,126	801,697	3.2

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

# Global Advantaged Telecom and Utilities Income Fund

## STATEMENT OF INVESTMENTS (Continued)

As at December 31, 2011				
Number of Shares	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
35,000	Koninklijke (Royal) KPN NV	571,292	427,715	1.7
48,000	Manitoba Telecom Services Inc.	1,431,494	1,422,240	5.6
70,000	Portugal Telecom SGPS, SA	794,605	411,568	1.6
750,000	Telecom Corporation of New Zealand Limited	1,092,943	1,209,378	4.8
300,000	Telecom Italia SPA	448,726	325,173	1.3
75,000	Telefonica SA	1,849,542	1,326,468	5.2
45,000	Telekom Austria AG	638,416	547,302	2.2
75,000	Teliasonera AB	578,584	520,243	2.0
350,000	Telstra Corporation Limited	953,403	1,216,678	4.8
27,000	Verizon Communications Inc.	987,370	1,102,184	4.4
200,000	Vodafone Group PLC	548,280	566,205	2.2
		17,351,646	16,035,272	63.4
	<b>Utility Issuers</b>			
25,000	Ameren Corp.	675,098	843,620	3.3
100,000	Drax Group PLC	602,712	860,860	3.4
35,000	Duke Energy Corporation	612,370	783,340	3.1
25,000	E.ON AG	735,502	547,903	2.2
200,000	Electricidade de Portugal SA	747,681	632,104	2.5
30,000	Endesa, SA	897,774	628,139	2.5
100,000	Enel SPA	599,491	409,771	1.6
15,000	FirstEnergy Corp.	536,251	676,169	2.7
40,000	Gas Natural SDG SA	734,593	701,105	2.8
15,000	GDF Suez	577,654	417,768	1.7
85,000	Iberdrola SA	718,975	543,131	2.1
15,000	Integrus Energy Group, Inc.	730,651	827,073	3.3
75,000	National Grid PLC	695,557	740,593	2.9
30,000	Pepco Holdings, Inc.	538,171	619,809	2.5
25,000	PPL Corp.	601,769	748,923	3.0
24,000	RWE AG	1,199,684	856,236	3.4
30,000	Scottish and Southern Energy PLC	580,327	612,413	2.4
150,000	Terna SPA	690,973	511,156	2.0
75,000	United Utilities Group PLC	692,549	718,636	2.8
		13,167,782	12,678,749	50.2
	<b>Total equity investments</b>	<b>31,886,586</b>	<b>29,831,968</b>	<b>118.0</b>
	<b>Other assets less liabilities</b>		<b>(4,556,363)</b>	<b>(18.0)</b>
	<b>Net assets of GTU Portfolio Trust</b>		<b>25,275,605</b>	<b>100.0</b>
	<b>Unrealized appreciation on forward agreement</b>		<b>4,110,058</b>	<b>16.2</b>
	<b>Other assets less liabilities</b>		<b>61,787</b>	<b>0.3</b>
	<b>Net Assets of the Fund</b>		<b>25,337,392</b>	<b>100.0</b>

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

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 1. ORGANIZATION

Global Advantaged Telecom & Utilities Fund (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. On March 23, 2011, the Fund completed an initial public offering of 2,600,000 units at \$12.00 per unit for gross proceeds of \$31,200,000. On April 6, 2011, an over-allotment option was exercised for an additional 123,662 units at a price of \$12.00 per unit for gross proceeds of \$1,483,944.

The Fund has been established to provide exposure, through a forward agreement (the “Forward Agreement”), to the return, in Canadian dollars, of the underlying performance of the GTU Portfolio Trust (the “GTU Trust”). Harvest Portfolios Group Inc. (“Harvest” or the “Manager”) believes that this strategy will provide investors with the opportunity for both long term capital growth that it anticipates from global telecom issuers and the stable returns that it anticipates from global utilities issuers.

### 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 warrants, short-term notes, treasury bills, bonds and other debt instruments. 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. At December 31, 2011, there were no securities that required pricing using assumptions.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 10.

c) The value of the Forward Agreement will be the amount prepaid pursuant to the agreement and the gain or loss with respect thereto that would be realized if, on the financial reporting date, the position in the Forward Agreement were to be closed out in accordance with its terms.

### 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, amounts due from brokers, the Manager, and other Funds, and other net assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, loan payable, accrued expenses 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 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/(losses) from the sale of investments and unrealized appreciation/(depreciation) of investments are calculated on an average cost basis.

The Forward Agreement is recorded at fair value with unrealized gains or losses recorded as unrealized appreciation (depreciation) during the term of the Forward Agreement. Realized gains or losses relating to the Forward Agreement will be recorded upon partial or final settlement of the Forward Agreement.

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.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 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 Statement of Operations in “Net realized foreign exchange gain/(loss)” and “Unrealized foreign exchange gain (loss)”. Assets and liabilities in the Statement 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 as of 4:00 p.m. (Toronto time) or such other time as the Manager or its agent deem appropriate (the valuation time) every business day (valuation date). A valuation date is each day on which the Toronto Stock Exchange (the “TSX”) is open for business.

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

“Increase / (decrease) in net assets from operations per unit” in the Statement 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.

There were no Level 3 securities held by the Fund as at December 31, 2011.

Securities Classification of the Fund:

Investments at fair value as at December 31, 2011				
	Level 1	Level 2	Level 3	Total
Investments at fair value				
Equities				
Common shares	21,165,547	-	-	21,165,547
<b>Total investments at fair value</b>	<b>21,165,547</b>	<b>-</b>	<b>-</b>	<b>21,165,547</b>
<b>Forward agreement at fair value</b>		<b>4,110,058</b>	<b>-</b>	<b>4,110,058</b>

As explained in Note 4 below, the Fund is exposed to the performance of the portfolio held by GTU Trust through the Forward Agreement, and therefore, the following table illustrates the classification of the GTU Trust’s financial instruments within the fair value hierarchy as at December 31, 2011.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### GTU Trust:

Securities Classification:

Investments at fair value as at December 31, 2011				
	Level 1	Level 2	Level 3	Total
Investments at fair value				
Equities				
Common stock	29,831,968	-	-	21,831,968
<b>Total investments at fair value</b>	<b>29,831,968</b>	<b>-</b>	<b>-</b>	<b>21,831,968</b>

### Transition to International Financial Reporting Standards (“IFRS”)

As previously confirmed by the Canadian Accounting Standards Board (“AcSB”), most Canadian publicly accountable entities adopted all IFRS, as published by the International Accounting Standards Board (“IASB”), on January 1, 2011. However, the AcSB had initially allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. At its December 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises to 2014. The decision was in response to the possibility that the IASB may not complete its Investment Entities project before January 1, 2013. The AcSB expects to issue the amendment in March 2012. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014. Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

In May 2011, the 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 IFRSs 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 elimination of the differences between the net assets per series unit and NAV per series unit at the financial statements reporting dates.

Based on management’s current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there would be any other impact on the Funds’ NAV per series unit or net assets per series unit. Management has presently determined that the impact of IFRS to the financial statements would be otherwise limited to additional note disclosures and potential modifications to presentation including unitholders’ equity. However, this determination is subject to change as we finalize our assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Fund’s adoption of IFRS.

### 3. UNITHOLDERS’ 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. Each unit consists of one trust unit and one warrant. 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 Fund entered into a normal course issuer bid programme for the period from May 20, 2011 to May 18, 2012 which allows the Fund to purchase up to 272,366 listed trust units and listed warrants of the Fund for cancellation by way of a normal course issuer bid through the facilities of the TSX. During the period ended December 31, 2011, 12,500 trust units were purchased for cancellation. No warrants were purchased for cancellation.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

If the price for the redemption of the Fund units is lower than the original average price, the difference is included in “contributed surplus” on the Statement of Financial Position. If the price is greater than the original issue price, the difference is charged to “Contributed surplus” until the entire amount is eliminated, and the remaining amount is charged to “Retained earnings (deficit)”.

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

<b>For the period ended December 31, 2011</b>	<b>Trust units outstanding</b>	<b>Warrants outstanding</b>
Initial issuance March 23, 2011 and over-allotment April 6, 2011	2,723,662	2,723,662
Units cancelled	(12,500)	-
<b>Total outstanding as at December 31, 2011</b>	<b>2,711,162</b>	<b>2,723,662</b>

### Warrants

Each whole warrant entitles the holder to purchase one trust unit at a subscription price of \$12.00 on or before 5:00 p.m. (Toronto time) on, and only on, March 30, 2013. Warrants not exercised will be void and of no value. Holders of warrants who exercise the warrants will become holders of trust units issued through the exercise of the warrants. Upon the exercise of a warrant, the Fund will pay a fee equal to \$0.18 per warrant to the registered dealer whose client is exercising the warrant and \$0.12 per warrant to the Agents.

The warrants trade on the TSX under the symbol HGI.WT. At December 31, 2011 the closing price of the warrants was \$0.01.

### Redemptions

Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10<sup>th</sup> business day before the last business day of the applicable month by the holders thereof for monthly redemption. Upon receipt by the Fund of the redemption notice, in the manner described below, the holder of a unit shall be entitled to receive a price per unit equal to the lesser of:

- (a) 95% of the “market price” of the units on the principal market on which the units are quoted for trading during the 20 trading day period ending immediately before the monthly redemption date; and
- (b) 100% of the “closing market price” on the principal market on which the units are quoted for trading on the monthly redemption date.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in 2012, units may be surrendered for redemption at the Fund’s NAV per unit, subject to the required redemption notice period, for the first business day of August and the unitholder will receive payment on or before the 15<sup>th</sup> business day of the following month.

### Issue costs

Certain offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund and other out-of-pocket expenses incurred by the agents together with the agents’ fees payable by the Fund are reflected as a reduction of unitholders’ equity. The expenses paid are shown in the Statement of Changes in Financial Position.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last business day of each month and pay such cash distributions on or before the 15<sup>th</sup> day of the following month. Beginning in April 2011, the Fund will annually determine and announce the indicative distribution amount for the following year based upon the prevailing market conditions. The indicative distribution amount was \$1,467,525 or \$0.06 per unit per month (\$0.54 in total) for the period ended December 31, 2011.

### 4. FORWARD AGREEMENT

The Fund obtains exposure to the Portfolio through the forward agreement (the “Forward Agreement”). The Fund invested the net proceeds of the offering in a portfolio of common shares (the “Common Share Portfolio”) that are acceptable to the Counterparty. The Fund entered into a Forward Agreement, the terms of which were negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank - CIBC (the “Counterparty”). Under the terms of the Forward Agreement, the Counterparty agrees to pay to the Fund on the scheduled settlement date of the Forward Agreement (the “Forward Settlement Date”), as the purchase price for the Common Share Portfolio, an amount based on the value of the Portfolio. The Manager, with the consent of the Counterparty, may extend the Forward Agreement beyond the Forward Settlement Date and/or may enter into additional and/or replacement forward purchase and sale agreements with later termination dates on substantially the same terms with the same or different counterparties. The Counterparty may hedge its obligations under the Forward Agreement by purchasing units of the Portfolio Trust. However, there is no obligation on the Counterparty to acquire units of the Portfolio Trust or to otherwise hedge its obligations. The Notional Portfolio will be managed in accordance with the investment strategy described in this prospectus for the Portfolio and the Portfolio Trust. The Fund will partially settle the Forward Agreement from time to time in order to fund the payment of monthly distributions, any redemption amounts and the expenses of the Fund.

The Fund pays to the Counterparty a fee under the Forward Agreement of approximately 0.50 percent per annum of the net assets of the GTU Trust calculated daily and payable monthly in arrears. The Fund also pays the Counterparty a fee of 0.25 percent per annum for prime brokerage services including a revolving margin utilized in the GTU Trust. The amount drawn on the margin was \$4,557,901 at December 31, 2011.

The Counterparty has an approved credit rating within the meaning of National Instrument 81-102 – Mutual Funds of the Canadian Securities Administrators.

### 5. 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 GTU Trust and pays Avenue a fee for its portfolio advisory service, from the management fee received from the GTU Trust, calculated on the basis of the GTU Trust’s net assets.

The Manager is entitled to a fee of 0.25 per cent of NAV plus HST payable monthly. The Fund pays service fees to registered dealers at the rate on 0.40 per cent of the daily NAV plus HST of the Fund. Service fees are accrued daily and paid monthly to the manager, who in turn pays the dealers.



# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### Independent Review Committee (“IRC”) Fees

The IRC, is required under National Instrument 81-107, reviews conflict of interest matters referred to it by the manager and provided recommendations or approves actions, as appropriate, that are in the best interest of the Fund. There are currently three members of the IRC who are independent of Harvest and its affiliates. IRC members are compensated by way of an annual retainer fee and a per meeting attendance fee, as well as reimbursed for expenses associated with IRC duties. These costs are allocated among the individual funds appropriately by assets.

### Other 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.

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of extraordinary 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 filing and other obligations. These expenses were \$66,243 for the period ended December 31, 2011 and are included in the unitholder reporting costs in the Statement of Operations.

## 6. FINANCIAL RISK MANAGEMENT

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 comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

The yields on many Global Telecom Issuers remain above average historical levels and attractive when compared to other equity, bond and fixed income securities. Over the longer term, the Investment Manager 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. The Investment Manager 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. The Investment Manager believes that Global Utilities Issuers offer reduced exposure to inflation due to their ability to pass through higher costs to the end consumer.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 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 Fund is exposed to other price risk through the Forward Agreement. The Investment Manager of the GTU Trust 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. Although the Fund holds a common share portfolio that is pledged to the Counterparty under the Forward Agreement, the other price risk exposure is minimal due to the Forward Agreement.

As at December 31, 2011, 118% of the GTU Trust's portfolio investments were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 10%, as at period end, with all other factors remaining constant, net assets would have increased or decreased by approximately \$2,983,197 or 11.8% 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 Fund is exposed to currency risk through the Forward Agreement. The table below summarizes the Fund's exposure to currency risk as at December 31, 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).

### GTU Trust:

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

\*In Canadian dollars

As at December 31, 2011, 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 \$1,419,173 or 5.6% of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 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. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

The Fund is exposed to interest rate risk through the Forward Agreement. At December 31, 2011, the Fund was primarily invested in equities which are non-interest bearing. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations in any cash and cash equivalent, invested at short-term market interest rates.

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, 2011, the GTU Trust had a bank overdraft of \$4,557,901. The Fund is exposed to the interest rate risk through the Forward Agreement. If interest rates were to change by 1.0%, the interest expense in the GTU Trust could increase / (decrease) by \$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, 2011, all of the Fund's financial liabilities had maturities of less than one year.

### 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. The Fund minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The Fund has exposure to credit risk with the Counterparty in the full amount of the Forward Agreement value. The Fund is also exposed to credit risk through the Forward Agreement. At December 31, 2011, the Counterparty to the Forward Agreement had a credit rating of A+ from Standard & Poor's. The maximum credit risk of default is the carrying amount of the investments underlying the Forward Agreement, as presented in the Statement of Investments.

## 7. 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 period ended December 31, 2011 amounted to \$NIL.

## 8. 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 taxable but will generally reduce the adjusted cost of the units.

# Global Advantaged Telecom and Utilities Income Fund

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 December 31, 2011, the Fund had non-capital losses of \$1,102,124 and capital losses of 1,506,121.

### Harmonized sales tax

Effective July 1, 2010, certain provinces have harmonized their provincial sales tax ("PST") with the federal goods and services tax ("GST"). The harmonized sales tax ("HST") combines the GST rate of 5% with the PST rate of certain provinces. For the province of Ontario the HST rate is 13%. 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. Any refund received is applied against future HST payable.

## 9. 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, 2011	\$9.37	\$9.35

### GTU Trust

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

# Global Advantaged Telecom and 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.