

PROSPECTUS

Initial Public Offering

February 25, 2011



**Maximum: \$100,000,000 (8,333,333 Units)
\$12.00 per Unit**

Global Advantaged Telecom & Utilities Income Fund (the “Fund”) is a closed-end investment fund governed by the laws of the Province of Ontario which proposes to issue units (the “Units”) of the Fund at a price of \$12.00 per Unit (the “Offering”). Each Unit consists of one transferable trust unit (“Trust Unit”) and one Trust Unit purchase warrant (“Warrant”). The Units will separate into Trust Units and Warrants upon the earlier of the closing of the Over-Allotment Option (as defined herein) and the 30th day following the closing of the Offering. Each Warrant entitles the holder to purchase one Trust Unit at the subscription price of \$12.00 per Trust Unit by notifying the Warrant Agent (as defined herein) before 5:00 p.m. (Toronto time) on March 30, 2012 (the “Warrant Exercise Date”). Such Warrants will be exercised effective at 5:00 p.m. (Toronto time) on and only on March 30, 2012. Warrants not exercised prior to 5:00 p.m. (Toronto time) on the Warrant Exercise Date will be void and of no value.

The Fund has been established to provide investors with exposure to an actively managed portfolio (the “Portfolio”) comprised primarily of Equity Securities (as defined herein) of Global Telecom Issuers (as defined herein) and Global Utilities Issuers (as defined herein). 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. The Manager believes that generally issuers in these sectors have benefited from the following:

Global Telecom & Utilities Issuers

1. **Attractive Cash Flows** derived from a consistent and steady earnings and dividends stream from long term contracts for services essential to society;
2. **Favourable Capital Growth Prospects** especially from rapidly growing emerging market demand for mobile and broadband communication and energy and materials;
3. **Market Stability** due to the established and monopolistic-like competitive advantages and high barriers of entry that have contributed to share price stability from comparatively high dividend yields; and
4. **Reduced Exposure to Inflation** resulting from the ability to generally flow through cost and price increases.

The Fund’s investment objectives are to provide holders of Trust Units (“Unitholders”) with:

- (i) tax-advantaged monthly distributions; and
- (ii) capital appreciation. See “Investment Objectives”.

The Indicative Distribution Amount (as defined herein) is initially targeted to be \$0.06 per Trust Unit per month (\$0.72 per annum representing an annual cash distribution of 6% based on the \$12.00 per Unit issue price).

Harvest will act as the trustee, manager and promoter of the Fund and GTU Portfolio Trust (the “Portfolio Trust”) and will provide all administrative services required by the Fund and the Portfolio Trust. Harvest is a Canadian investment fund manager and is the manager of Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund and Harvest Sustainable Income Fund which are investment funds that publicly trade on the Toronto Stock Exchange (“TSX”) under the symbols HBB.UN, HCF.UN and HSI.UN, respectively. See “Organization and Management Details of the Fund and the Portfolio Trust – The Manager”.

The Manager has retained Avenue Investment Management Inc. (“Avenue” or the “Investment Manager”) as the investment manager to provide investment management services to the Fund and the Portfolio Trust. Avenue is a Canadian investment management firm incorporated in 2002 under the laws of the Province of Ontario. As of December 31, 2010, Avenue had assets under management of approximately \$220 million. Avenue is also the investment manager for Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund and Harvest Sustainable Income Fund.

Paul Harris, a 21 year veteran, partner and portfolio manager with Avenue, will be the lead portfolio manager for the Fund. Prior to founding Avenue, Mr. Harris spent 3 years as a senior portfolio manager with Fiduciary Trust in New York where he managed money for various International Templeton Funds. Prior to Fiduciary Trust, Mr. Harris was also a Senior Portfolio Manager for 10 years at TD Asset Management for TD Global Bond Fund, TD Greenline Dividend Fund, TD Greenline Small-Cap Fund and TD Bank Pension Fund. Mr. Harris allocates the majority of his portfolio management efforts on North American and global equities. See “Organization and Management Details of the Fund and the Portfolio Trust – The Investment Manager”.

The Fund will obtain exposure to the Portfolio through the Forward Agreement (as defined herein). The Fund will invest the net proceeds of the Offering in a portfolio of common shares (the “Common Share Portfolio”) that are acceptable to the Counterparty (as defined herein). The Fund will then enter into a forward agreement (the “Forward Agreement”), the terms of which will be negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank (the “Counterparty”). Under the terms of the Forward Agreement, the Counterparty will agree 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. If the Counterparty fully hedges its obligations under the Forward Agreement by purchasing units of the Portfolio Trust, the Portfolio Trust will use the proceeds from the sale of such units to acquire the Portfolio, which will have an initial value equal to the net

(continued on next page)

proceeds of the Offering. If the Counterparty chooses not to acquire units of the Portfolio Trust, the Investment Manager will maintain a notional portfolio (the “**Notional Portfolio**”) that will have an initial invested notional amount equal to the net proceeds of the Offering. 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 Counterparty or its guarantor must have an approved credit rating within the meaning of National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators. The Counterparty may be an affiliate of one of the Agents (as defined herein) for the Offering. See “Plan of Distribution”. References throughout this prospectus to the “Portfolio” will refer to the assets held from time to time by the Portfolio Trust or the Notional Portfolio, as the case may be. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust. The Portfolio Trust will be made up primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. See “Overview of the Investment Structure – Forward Agreement”.

Price: \$12.00 per Unit
(Minimum Purchase: 200 Units)

| | <u>Price to the Public⁽¹⁾</u> | <u>Agents’ Fee</u> | <u>Net Proceeds to the Fund⁽²⁾</u> |
|---|--|--------------------|---|
| Per Unit | \$12.00 | \$0.63 | \$11.37 |
| Total Minimum Offering ⁽³⁾ | \$20,000,000 | \$1,050,000 | \$18,950,000 |
| Total Maximum Offering ⁽⁴⁾ | \$100,000,000 | \$5,250,000 | \$94,750,000 |

Notes:

- (1) The Offering price was established by negotiation between the Agents and the Manager.
- (2) Before deducting the expenses of this issue (estimated at \$750,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering will, together with the Agents’ fees, be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 1,666,667 Units are sold. If subscriptions for a minimum of 1,666,667 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.
- (4) The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of 30 days following the closing of the Offering (the “**Closing**”), to purchase an aggregate of up to 15% of the aggregate number of Units issued at the Closing on the same terms set forth above (the “**Option Units**”). If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$115,000,000, the Agents’ fees will be \$6,037,500 and the net proceeds to the Fund will be \$108,962,500. This prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Option Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Over-Allotment Option acquires the Option Units under this prospectus, regardless of whether an over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day (as defined herein) of each month and pay such cash distributions on or before the 15th day of the following month. The initial cash distribution is anticipated to be payable on or before May 13, 2011 to Unitholders of record on April 29, 2011. Beginning in March 2012, the Fund will annually determine and announce the indicative distribution amount (the “**Indicative Distribution Amount**”) for the following year based upon the prevailing market conditions.

Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, and the Portfolio Trust employs leverage of 25% of the value of the total assets (33 $\frac{1}{3}$ % of the NAV of the Portfolio Trust (as defined herein)), the Portfolio would be required to generate an average annual total return of approximately 8.48% in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units through partial settlement of the Forward Agreement. The Portfolio has a weighted average current cash yield of approximately 7.94% and accordingly, the Portfolio would be required to generate additional returns in excess of the Indicative Portfolio’s current cash yield through the sale of securities or other returns in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions (through partial settlements of the Forward Agreement), the Manager may return a portion of the capital of the Fund to Unitholders (through partial settlements of the Forward Agreement) to ensure the distribution is paid and accordingly NAV per Trust Unit (as defined herein) would be reduced. See “Distribution Policy”.

There is currently no market through which the Units, Trust Units or Warrants may be sold.

The TSX has conditionally approved the listing of the Units, Trust Units and Warrants. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before May 24, 2011. The Units, Trust Units and Warrants will be listed on the TSX under the symbols HGLA, HGLUN and HGLWT, respectively.

There is no assurance that the Fund will meet its distribution and capital appreciation objectives. See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Trust Units including with respect to the use of leverage. Amounts distributed on the Trust Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Trust Units for tax purposes. See “Income Tax Considerations”.

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder’s pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date (as defined herein). While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. Upon the exercise of a Warrant, the Fund will pay a fee equal to \$0.18 per Warrant to the dealer whose client is exercising the Warrant and \$0.12 per Warrant to the Agents. See “Warrant Considerations”.

Commencing in 2012, Trust Units may be surrendered for redemption in August of each year for a redemption price equal to the NAV per Trust Unit on the Annual Redemption Date (as defined herein) less any costs of funding the redemption. See “Redemption of Trust Units”.

(continued on next page)

(continued from previous page)

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, provided that the Fund qualifies and continues at all times to qualify as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”), or that the Trust Units are listed on a designated stock exchange under the Tax Act (which includes the TSX), the Trust Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**plan trust**”). Provided that the Warrants are listed and continue at all times to be listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that at all times the Trust Units are qualified investments under the Tax Act for plan trusts and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a plan trust, the Warrants will be qualified investments for plan trusts. Holders of tax-free savings accounts should consult with their own tax advisors as to whether the Trust Units or the Warrants would be prohibited investments under the Tax Act in their particular circumstances. See “Income Tax Considerations – Status of the Fund” and “Income Tax Considerations – Taxation of Registered Plans”.

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd., Raymond James Ltd., Wellington West Capital Markets Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Macquarie Private Wealth Inc. (collectively, the “**Agents**”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (defined under “Plan of Distribution”), and subject to the approval of certain legal matters by Borden Ladner Gervais LLP, on behalf of the Fund and the Manager, and Blake, Cassels & Graydon LLP, on behalf of the Agents.

Although units of the Portfolio Trust are not being offered to the public, the Portfolio Trust has agreed to obtain a receipt for a prospectus of the Portfolio Trust from each of the Ontario Securities Commission and the Autorité des marchés financiers. The Portfolio Trust has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 23, 2011 but no later than April 21, 2011 (the “**Closing Date**”). The Offering will be conducted under the book-entry only system; accordingly, a subscriber who purchases Units will receive a customer confirmation from the registered dealer from or through whom Units are purchased. CDS will record the CDS participants who hold Trust Units and Warrants on behalf of owners who have purchased or transferred Trust Units and Warrants in accordance with the book-entry only system. Certificates evidencing Units, Trust Units and Warrants will not be issued.

TABLE OF CONTENTS

| | <u>Page</u> | | <u>Page</u> |
|---|-------------|--|-------------|
| GLOSSARY OF TERMS | 6 | Tax Implications of the Fund’s Distribution Policy | 45 |
| PROSPECTUS SUMMARY | 10 | ORGANIZATION AND MANAGEMENT | |
| THE FUND | 20 | DETAILS OF THE FUND AND THE | |
| Overview of the Legal Structure of the Fund | 20 | PORTFOLIO TRUST | 45 |
| INVESTMENT OBJECTIVES | 20 | The Manager | 45 |
| INVESTMENT STRATEGIES | 20 | Duties and Services to be Provided by the Manager | 45 |
| Rationale for the Fund | 20 | Officers and Directors of the Manager | 46 |
| Investment Strategies | 21 | The Investment Manager | 47 |
| Security Selection Process | 21 | Details of the Investment Management | |
| Indicative Portfolio | 22 | Agreements | 47 |
| Foreign Currency Hedging | 24 | Conflicts of Interest | 49 |
| Leverage | 24 | Independent Review Committee | 50 |
| OVERVIEW OF THE SECTORS THAT THE | | The Trustee | 50 |
| PORTFOLIO TRUST INVESTS IN | 24 | The Custodian | 51 |
| OVERVIEW OF THE INVESTMENT | | Promoter | 51 |
| STRUCTURE | 28 | Prime Broker | 51 |
| Forward Agreement | 28 | Auditor | 51 |
| Notional Portfolio | 29 | Registrar and Transfer Agent | 51 |
| INVESTMENT RESTRICTIONS | 30 | CALCULATION OF NET ASSET VALUE | 52 |
| FEES AND EXPENSES OF THE FUND | 32 | Valuation Policies and Procedures of the Fund and the Portfolio Trust | 52 |
| Expenses of the Offering | 32 | Reporting of Net Asset Value | 53 |
| Management Fee | 32 | WARRANT CONSIDERATIONS | 53 |
| Operating Expenses of the Fund | 32 | ATTRIBUTES OF THE UNITS, TRUST UNITS | |
| Servicing Fee | 32 | AND WARRANTS | 54 |
| Counterparty Fee | 32 | Units | 54 |
| Warrant Exercise Fee | 32 | Trust Units | 54 |
| FEES AND EXPENSES OF THE PORTFOLIO | | Market Purchases | 55 |
| TRUST | 33 | Warrants | 55 |
| Portfolio Trust Management Fee | 33 | UNITHOLDER MATTERS | 57 |
| Operating Expenses of the Portfolio Trust | 33 | Meetings of Unitholders | 57 |
| RISK FACTORS | 33 | Matters Requiring Unitholder Approval | 57 |
| DISTRIBUTION POLICY | 38 | Amendments to the Declaration of Trust | 58 |
| PURCHASES OF SECURITIES | 39 | Reporting to Unitholders | 59 |
| REDEMPTION OF TRUST UNITS | 39 | Non-Resident Unitholders | 59 |
| Monthly Redemption | 39 | TERMINATION OF THE FUND | 59 |
| Annual Redemption | 40 | USE OF PROCEEDS | 59 |
| Exercise of Redemption Privilege | 40 | PLAN OF DISTRIBUTION | 60 |
| Suspension of Redemptions and Purchases | 40 | INTEREST OF MANAGEMENT AND | |
| INCOME TAX CONSIDERATIONS | 41 | OTHERS IN MATERIAL TRANSACTIONS | 60 |
| Status of the Fund | 41 | PROXY VOTING DISCLOSURE FOR | |
| Taxation of the Fund | 42 | PORTFOLIO SECURITIES HELD | 60 |
| Taxation of Unitholders | 43 | MATERIAL CONTRACTS | 61 |
| Taxation of Registered Plans | 44 | | |

Page

EXPERTS62
PURCHASERS’ STATUTORY RIGHTS OF
WITHDRAWAL AND RESCISSION62
AUDITOR’S CONSENT F-1
AUDITOR’S REPORT F-2
GLOBAL ADVANTAGED TELECOM &
UTILITIES INCOME FUND STATEMENT OF
FINANCIAL POSITION F-3
GLOBAL ADVANTAGED TELECOM &
UTILITIES INCOME FUND NOTES TO
STATEMENT OF FINANCIAL POSITION F-4
CERTIFICATE OF THE FUND, THE
MANAGER AND THE PROMOTER C-1
CERTIFICATE OF THE AGENTS C-2

GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Agency Agreement**” means the agency agreement dated as of February 25, 2011 among the Fund, the Manager, the Investment Manager and the Agents.

“**Agents**” means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd., Raymond James Ltd., Wellington West Capital Markets Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Macquarie Private Wealth Inc.

“**Alternative Proposal**” has the meaning ascribed to in “Risk Factors – Taxation of the Fund”.

“**Annual Redemption**” means the annual redemption of Trust Units as described under “Redemption of Trust Units – Annual Redemption”.

“**Annual Redemption Date**” means the last Business Day of August in which Trust Units are surrendered for Annual Redemption.

“**Annual Redemption Notice Period**” means the period from the first Business Day of August to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the last Business Day in August, starting in 2012.

“**Business Day**” means any day on which the TSX is open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participants**” means participants in CDS.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about March 23, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than April 21, 2011.

“**Common Share Portfolio**” has the meaning ascribed thereto under “Overview of the Investment Structure – Forward Agreement”.

“**Counterparty**” has the meaning ascribed thereto under “Overview of the Investment Structure – Forward Agreement”.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

“**Declaration of Trust**” means the declaration of trust of the Fund dated February 25, 2011, as it may be amended from time to time.

“**Distribution Payment Date**” means the date that is on or before the 15th day of the month following the applicable distribution date.

“**Equity Securities**” means any securities that represent an interest in an issuer which includes common shares, preferred shares and securities convertible into or exchangeable for common shares, provided that the determination by the Investment Manager that a security is an Equity Security shall be conclusive for all purposes herein.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Forward Agreement**” has the meaning ascribed thereto under “Overview of the Investment Structure – Forward Agreement”.

“**Forward Settlement Date**” has the meaning ascribed thereto under “Overview of the Investment Structure – Forward Agreement”.

“**Fund**” means Global Advantaged Telecom & Utilities Income Fund, a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“**Global Telecom Issuers**” means issuers that operate in the telecommunications sector which includes issuers that provide voice or data communication services to consumers and/or businesses, provided that the determination by the Investment Manager that an issuer is a Global Telecom Issuer shall be conclusive for all purposes herein.

“**Global Utilities Issuers**” means issuers that operate in the utilities sector which includes issuers that generate, transmit and distribute electrical power to consumers; gather, store, transmit, and distribute natural gas and oil; and/or provide storage terminals for hard and soft commodities, provided that the determination by the Investment Manager that an issuer is a Global Utilities Issuer shall be conclusive for all purposes herein.

“**Holders**” means Unitholders and/or holders of units of the Portfolio Trust, as the context may require.

“**Indicative Distribution Amount**” means the indicative distribution amount of the Fund, initially \$0.06 per Trust Unit per month (\$0.72 per annum) for the first 12 months of the Fund, and thereafter as determined by the Manager each year.

“**Indicative Portfolio**” has the meaning ascribed thereto under “Investment Strategies – Indicative Portfolio”.

“**Investment Management Agreement**” means the investment management agreement between the Fund, the Manager and the Investment Manager dated February 25, 2011, as it may be amended from time to time.

“**Investment Manager**” or “**Avenue**” means the investment manager of the Fund, Avenue Investment Management Inc.

“**Manager**” or “**Harvest**” means the manager of the Fund, Harvest Portfolios Group Inc.

“**Monthly Redemption**” means the monthly redemption of Trust Units as described under “Redemption of Trust Units – Monthly Redemption”.

“**Monthly Redemption Date**” means the last Business Day of each month in which Trust Units are surrendered for a Monthly Redemption.

“**Monthly Redemption Notice Period**” has the meaning ascribed to in “Redemption of Trust Units – Monthly Redemption”.

“**NAV per Trust Unit**” means the NAV of the Fund divided by the number of Trust Units outstanding at the time the calculation is made.

“**Net Asset Value of the Fund**” or “**NAV of the Fund**” means the net asset value of the Fund on a particular date, equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund as more particularly set forth in the Declaration of Trust.

“**Net Asset Value of the Portfolio Trust**” or “**NAV of the Portfolio Trust**” means the net asset value of the Portfolio Trust on a particular date, equal to (i) the aggregate fair value of the assets of the Portfolio Trust, less (ii) the aggregate fair value of the liabilities of the Portfolio Trust as more particularly set forth in the Portfolio Trust Declaration of Trust.

“**NI 81-102**” means National Instrument 81-102 *Mutual Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**NI 81-106**” means National Instrument 81-106 *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as it may be amended from time to time.

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**Notional Portfolio**” has the meaning ascribed thereto under “Overview of the Investment Structure – Forward Agreement”.

“**October 2003 Proposals**” has the meaning ascribed to in “Risk Factors – Taxation of the Fund”.

“**Offering**” means the offering of a minimum of 1,666,667 Units and a maximum of 8,333,333 Units at the Offering Price, as contemplated in this prospectus.

“**Offering Price**” means a price of \$12.00 per Unit.

“**Option Units**” means Units issued under the Over-Allotment Option consisting of one Trust Unit and one Warrant.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days following Closing, to purchase an aggregate of up to 15% of the aggregate number of Units issued at Closing solely to cover over-allotments, if any.

“**Portfolio**” means the assets held from time to time by the Portfolio Trust or the Notional Portfolio, as the case may be.

“**Portfolio Trust**” means GTU Portfolio Trust, an open-end investment fund established under the laws of the Province of Ontario pursuant to the Portfolio Trust Declaration of Trust.

“**Portfolio Trust Declaration of Trust**” means the declaration of trust of the Portfolio Trust dated February 25, 2011, as it may be amended from time to time.

“**Portfolio Trust Investment Management Agreement**” means the investment management agreement between the Portfolio Trust, the Manager and the Investment Manager dated February 25, 2011, as it may be amended from time to time.

“**Prime Broker**” means CIBC World Markets Inc., the prime broker of the Portfolio Trust pursuant to the Prime Brokerage Agreement.

“**Prime Brokerage Agreement**” means collectively, the custodian agreement and the client services agreement, each between the Portfolio Trust and CIBC World Markets Inc.

“**Redemption Payment Date**” means the date that is on or before the 15th Business Day in the following month after the Monthly Redemption Date or Annual Redemption Date, as applicable.

“**Registrar and Transfer Agent**” means Equity Financial Trust Company.

“**SIFT Rules**” mean the provisions of the Tax Act providing for a tax on certain income earned by a specified investment flow through trust or partnership which became law on June 22, 2007.

“**Tax Act**” means the *Income Tax Act* (Canada) as amended and the regulations thereunder.

“**Trust Units**” means the transferable trust units of the Fund.

“**Trustee**” means initially Harvest, in its capacity as trustee of the Fund under the Declaration of Trust, and thereafter such successor as may be appointed trustee in accordance with the provisions of the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Unit**” means one Trust Unit and one Warrant.

“**Unitholders**” means holders of Trust Units.

“**Valuation Time**” means 4:15 p.m. (Toronto time) or such other time as the Manager deems appropriate, every Business Day, and includes any other day on which the Manager determines from time to time in its discretion, to calculate the NAV of the Fund and the NAV per Trust Unit.

“**Warrant**” means a warrant of the Fund issued pursuant to the Warrant Indenture, each whole Warrant entitling the holder thereof to purchase one Trust Unit at a subscription price of \$12.00 prior to the Warrant Expiry Time.

“**Warrant Agent**” means Equity Financial Trust Company.

“**Warrant Exercise Date**” means March 30, 2012.

“**Warrant Expiry Time**” means 5:00 p.m. (Toronto time) on the Warrant Exercise Date.

“**Warrant Indenture**” means the warrant indenture to be dated the date of the closing of the Offering between the Fund and the Warrant Agent.

“**Warrant Notice Period**” means the period between March 15, 2012 and 5:00 p.m. (Toronto time) on March 30, 2012.

INFORMATION REGARDING PUBLIC INFORMATION

Certain information contained in this prospectus relating to publicly-traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. In addition, certain information contained in this prospectus was obtained from public sources. Neither the Manager, the Investment Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus constitute forward looking statements or information, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager or the Investment Manager. The forward looking statements and information are not historical facts but reflect the Fund’s, the Manager and/or the Investment Manager’s current expectations regarding future results or events. The prospectus includes from a number of third party sources forward looking statements or information and although the Fund, the Manager and/or Investment Manager believes such statements or information to be reliable, no assurance can be given that such forward looking statements or information will be accurate. These forward looking statements and information are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus. Accordingly readers should not place undue reliance on forward looking statements and information. All forward looking statements and information is qualified by this cautionary statement.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

THE FUND

The Fund is an investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

THE OFFERING

Offering: The Offering consists of Units of the Fund. Each Unit consists of one Trust Unit and one Warrant. The Units will separate into Trust Units and Warrants upon the earlier of the closing of the Over-Allotment Option and the 30th day following the closing of the Offering. Each Warrant entitles the holder to purchase one Trust Unit at the subscription price of \$12.00 per Trust Unit by notifying the Warrant Agent before the Warrant Expiry Time. Such Warrants will be exercised effective at 5:00 p.m. (Toronto time) on and only on March 30, 2012. Holders who exercise the Warrants will become holders of Trust Units, issued through the exercise of the Warrants. Warrants not exercised prior to the Warrant Expiry Time will be void and of no value.

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. Upon the exercise of a Warrant, the Fund will pay a fee equal to \$0.18 per Warrant to the dealer whose client is exercising the Warrant and \$0.12 per Warrant to the Agents. See "Warrant Considerations".

Amount: Minimum: \$20,000,000 (1,666,667 Units)
Maximum: \$100,000,000 (8,333,333 Units)

Offering Price: \$12.00 per Unit

Minimum Purchase: 200 Units (\$2,400)

Rationale for the Fund: The Fund has been established to provide investors with exposure to an actively managed portfolio (the "Portfolio") comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. 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. The Manager believes that generally issuers in these sectors have benefited from the following:

Global Telecom & Utilities Issuers

1. **Attractive Cash Flows** derived from a consistent and steady earnings and dividends stream from long term contracts for services essential to society;
2. **Favourable Capital Growth Prospects** especially from rapidly growing emerging market demand for mobile and broadband communication and energy and materials;
3. **Market Stability** due to the established and monopolistic-like competitive advantages and high barriers of entry that have contributed to share price

stability from comparatively high dividend yields; and

4. **Reduced Exposure to Inflation** resulting from the ability to generally flow through cost and price increases.

See “Investment Strategies”.

Investment Objectives:

The Fund’s investment objectives are to provide Unitholders with:

- (i) tax-advantaged monthly distributions; and
- (ii) capital appreciation.

The Fund will obtain exposure through the Forward Agreement to a portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

See “Investment Objectives”.

Investment Strategies

The Fund has been created to provide investors with tax-advantaged income and capital appreciation by providing exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund will invest the net proceeds of the Offering in the Common Share Portfolio and enter into the Forward Agreement as further described under “Overview of the Investment Structure – Forward Agreement”.

See “Investment Strategies”.

Overview of the Sectors that the Portfolio Trust Invests In:

Global Telecom Issuers - The telecommunications sector is comprised of issuers that are engaged primarily in providing voice or data communication services to consumers or businesses. These issuers are benefitting from mass public acceptance of the mobile and broadband communications services in both developed and emerging nations as market size expands. Over the last decade, a considerable amount of consolidation has taken place in this sector creating stronger and better capitalized communications issuers.

The Manager believes that the telecommunications sector has provided investors with:

1. Attractive valuations and above average yields;
2. Favourable future growth prospects as a result of exposure to rapidly growing emerging market use of mobile communications and exposure to growing business use of broadband communications; and/or
3. Market stability due to the established and monopolistic-like nature of issuers in this sector.

The lowering of global interest rates by central bankers in order to stimulate the global economy has increased the demand for higher yielding securities and has already led to a general appreciation in the value of debt securities over the last 24 months. In comparison, dividend paying Equity Securities of Global Telecom Issuers have not experienced an equivalent appreciation in value, resulting in historically high gross dividend yields on such securities relative to general equity yields. The Manager and Investment Manager believe that this anomaly will likely be corrected through an eventual appreciation in the value of dividend paying Equity Securities of Global Telecom Issuers which would result in capital appreciation for the Fund.

Global Utilities Issuers - The utilities sector is comprised of issuers that:

- generate, transmit and distribute electrical power to consumers;
- gather, store, transmit, and distribute natural gas and oil; and/or
- provide storage terminals for hard and soft commodities.

The Manager believes that the utilities sector has provided investors with:

1. Consistent attractive yield derived from steady reliable earnings stream due to long term contracts for services that are essential to society;
2. Market stability as a result of monopolistic-like competitive advantages with high barriers to entry; and/or
3. Inflation protection resulting from ability to flow through price increases.

See “Overview of the Sectors that the Portfolio Trust Invests In”.

Monthly 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 15th day of the following month. The initial cash distribution is anticipated to be payable on or before May 13, 2011 to Unitholders of record on April 29, 2011. Beginning in March 2012, the Fund will annually determine and announce the Indicative Distribution Amount for the following year based upon the prevailing market conditions.

Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, and the Portfolio Trust employs leverage of 25% of the value of the total assets (33½% of the NAV of the Portfolio Trust), the Portfolio would be required to generate an average annual total return of approximately 8.48% in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units through partial settlement of the Forward Agreement. The Portfolio has a weighted average current cash yield of approximately 7.94% and accordingly, the Portfolio would be required to generate additional returns in excess of the Indicative Portfolio’s current cash yield through the sale of securities or other returns in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions (through partial settlements of the Forward Agreement), the Manager may return a portion of the capital of the Fund to Unitholders (through partial settlements of the Forward Agreement) to ensure the distribution is paid and accordingly NAV per Trust Unit would be reduced.

See “Distribution Policy”.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Trust Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Trust Units for tax purposes. See “Income Tax Considerations”.

Forward Agreement:

The Fund will obtain exposure to the Portfolio through the Forward Agreement (as defined herein). The Fund will invest the net proceeds of the Offering in a portfolio of common shares (the “**Common Share Portfolio**”) that are acceptable to the Counterparty (as defined herein). The Fund will then enter into a forward agreement (the “**Forward Agreement**”), the terms of which will be negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank (the “**Counterparty**”). Under the terms of the Forward Agreement, the Counterparty will agree 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. If the Counterparty fully hedges its obligations under the Forward Agreement by purchasing units of the Portfolio Trust, the Portfolio Trust will use the proceeds from the sale of such units to acquire the Portfolio, which will have an initial value equal to the net proceeds of the Offering. If the Counterparty chooses not to acquire units of the Portfolio Trust, the Investment Manager will maintain a notional portfolio (the “**Notional Portfolio**”) that will have an initial invested notional amount equal to the net proceeds of the Offering. 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 Counterparty or its guarantor must have an approved credit rating within the meaning of National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators. The Counterparty may be an affiliate of one of the Agents for the Offering. See “Plan of Distribution”. References throughout this prospectus to the “Portfolio” will refer to the assets held from time to time by the Portfolio Trust or the Notional Portfolio, as the case may be. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust. The Portfolio Trust will be made up primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

“See Overview of the Investment Structure – Forward Agreement”

Foreign Currency Hedging:

The Portfolio will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and the Fund. From time to time, between 0% and 100% of the value of the Portfolio’s non-Canadian currency exposure may be hedged back to the Canadian dollar, subject to the Portfolio’s investment restrictions. The Investment Manager initially intends to hedge approximately 70% of the value of the Portfolio denominated in U.S. Dollars, Euros and British Sterling back to the Canadian Dollar.

See “Investment Strategies – Foreign Currency Hedging”.

Leverage:

It is the intention of the Investment Manager that the Portfolio Trust will employ leverage in an amount up to a value of 25% of the value of the total assets of the Portfolio Trust (33⅓% of NAV of the Portfolio Trust) determined at the time of borrowing. Accordingly, at the time of borrowing, the maximum amount of leverage that the Portfolio Trust could employ is 1.33:1. See “Investment Strategies – Use of Leverage”.

Manager:

Harvest was founded by long term members of the investment management industry and is focused on developing income investment products. Harvest’s guiding principles are to seek to provide investment products that have clear and understandable objectives, are transparent in portfolio structure and seek to generate consistent income.

Harvest is also responsible for providing or arranging for the provision of administration services required by the Fund and the Portfolio Trust. See “Organization and Management Details of the Fund and the Portfolio Trust – The Manager”.

Harvest has taken the initiative in organizing the Fund and accordingly, may be a “promoter” of the Fund and the Portfolio Trust within the meaning of applicable securities legislation. See “Organization and Management Details of the Fund and the

Portfolio Trust – Promoter”.

Investment Manager:

The Manager has retained Avenue to provide investment management services to the Fund and the Portfolio Trust. Avenue is a Canadian investment manager. Avenue was founded by three investment management professionals; Paul Harris, CFA, Paul Gardner, CFA and Bill Harris, CFA, each with over 21 years of experience, who have managed assets or businesses for leading financial institutions in Toronto, Montreal and New York.

Paul Harris, a 21 year veteran, partner and portfolio manager with Avenue, will be the lead portfolio manager for the Fund. Prior to founding Avenue, Mr. Harris spent 3 years as a senior portfolio manager with Fiduciary Trust in New York where he managed money for various International Templeton Funds. Prior to Fiduciary Trust, Mr. Harris was also a Senior Portfolio Manager for 10 years at TD Asset Management for TD Global Bond Fund, TD Greenline Dividend Fund, TD Greenline Small-Cap Fund and TD Bank Pension Fund. Mr. Harris allocates the majority of his portfolio management efforts on North American and global equities.

Avenue describes its investment methodology as follows:

- conducting in-house fundamental top-down and bottom-up value based analysis and market research;
- finding well-managed issuers that have a competitive advantage in their market;
- determining if the issuer’s intrinsic value is at a discount to its market value;
- opportunistically buying when these discounts exist; and
- holding the position until the issuer no longer meets the valuation criteria.

Generally, an issuer’s securities will be reviewed to sell if and when:

- underlying fundamentals have changed;
- unfavourable changes in management occur;
- changes occur in the competitive or regulatory environment;
- intrinsic value is achieved; or
- risk/reward profile does not warrant increasing the investment.

As of December 31, 2010, Avenue had total assets under management of approximately \$220 million and manages assets on behalf of private individual, corporate and institutional clients. Avenue is also the investment manager for Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund and Harvest Sustainable Income Fund.

See “Organization and Management Details of the Fund and the Portfolio Trust – The Investment Manager”.

Agents:

The Fund has engaged BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd., Raymond James Ltd., Wellington West Capital Markets Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Macquarie Private Wealth Inc. (collectively, the “Agents”) as agents to offer the Units for sale to the public. See “Plan of Distribution”.

Annual Redemption:

Commencing in 2012, Trust Units may be surrendered for redemption during the period from the first Business Day of August to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the last Business Day in August, subject to the Fund’s right to

suspend redemptions in certain circumstances. Trust Units surrendered for redemption during this period will be redeemed on the applicable Annual Redemption Date and the Unitholder will receive payment on or before the 15th Business Day in the following month equal to the NAV per Trust Unit on the applicable Annual Redemption Date less any costs of funding the redemption. Trust Units are also redeemable on a monthly basis.

See “Redemption of Trust Units”.

Use of Proceeds:

The Fund will use the proceeds from the sale of Units as follows:

| | Minimum Offering | Maximum Offering |
|---------------------------------|-----------------------------|-----------------------------|
| Gross proceeds to the Fund..... | \$ 20,000,000 | \$100,000,000 |
| Agents’ fees | \$..1,050,000 | \$...5,250,000 |
| Expenses of issue | \$.....300,000 | \$.....750,000 |
| Net proceeds to the Fund | <u>\$ 18,650,000</u> | <u>\$ 94,000,000</u> |

See “Use of Proceeds”.

Organization and Management of the Fund and Portfolio Trust:

| Management of the Fund and/or the Portfolio Trust | Name and Municipality of Residence | Services Provided to Fund and/or the Portfolio Trust |
|--|--|--|
| Trustee, Manager and Promoter | Harvest Portfolios Group Inc. 710 Dorval Drive Suite 200 Oakville, Ontario L6K 3V7 | Provides administrative services and managed the overall business of the Fund and the Portfolio Trust |
| Investment Manager | Avenue Investment Management Inc. 47 Colborne Street Suite 300 Toronto, Ontario M5E 1P8 | Provides investment advisory and portfolio management services to the Fund and the Portfolio Trust |
| Custodian | State Street Trust Company Canada 30 Adelaide Street East Suite 1100 Toronto, ON M5C 3G6 | Provides custodian and valuation services to the Fund |
| Auditor | PricewaterhouseCoopers LLP Suite 3000, Box 82 Royal Trust Tower TD Centre Toronto, Ontario M5K 1G8 | Provides audit services to the Fund and the Portfolio Trust |
| Registrar and Transfer Agent; Warrant Agent | Equity Financial Trust Company 200 University Avenue Suite 4000 Toronto, Ontario M5H 4H1 | Maintains the security register and the register of transfers of securities of the Fund; serves as the warrant agent |

Prime Broker

CIBC World Markets Inc.
Brookfield Place
161 Bay Street, 5th Floor
Toronto, Ontario
M5J 2S8

Serves as the custodian
and prime broker of
the Portfolio Trust

See “Organization and Management Details of the Fund and the Portfolio Trust”.

Eligibility for Investment:

Provided that the Fund qualifies and continues at all times to qualify as a mutual fund trust within the meaning of the Tax Act, or that the Trust Units are listed on a designated stock exchange under the Tax Act (which includes the TSX), the Trust Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “plan trust”). Provided that the Warrants are listed and continue at all times to be listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that at all times the Trust Units are qualified investments for plan trusts and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a plan trust, the Warrants will be qualified investments for plan trusts. See “Income Tax Considerations – Status of the Fund” and “Income Tax Considerations – Taxation of Registered Plans”.

Provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Fund or any person or partnership that does not deal at arm’s length with the Fund within the meaning of the Tax Act, and provided that such holder deals at arm’s length with the Fund within the meaning of the Tax Act, the Trust Units will not be prohibited investments for a trust governed by such tax-free savings account. See “Income Tax Considerations – Taxation of Registered Plans”.

Income Tax Considerations:

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Trust Units). To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, the taxable portion of net realized capital gains and foreign source income, those amounts will retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder’s Trust Units. To the extent that the adjusted cost base of a Trust Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Trust Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Trust Units disposed of and any reasonable costs of disposition.

A reasonable allocation of the purchase price of the Units between the Trust Units and the Warrants will be required for purposes of the Tax Act. The exercise of Warrants held as capital property will not constitute a disposition of property for purposes of the Tax Act and, consequently, no capital gain or capital loss will be realized on the exercise of Warrants. Upon the disposition of a Warrant held as capital property by a Unitholder, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Warrant to the

Unitholder.

Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Trust Units and Warrants by obtaining advice from his or her tax advisor. See “Income Tax Considerations”.

RISK FACTORS

An investment in Units is subject to various risk factors, including the following risks which prospective purchasers should consider before purchasing Units:

1. possible loss of investment;
2. no guaranteed return;
3. there can be no assurance that the Fund will be able to achieve its investment objectives;
4. the NAV per Trust Unit will vary according to the value of the securities in which the Portfolio Trust invests;
5. risks associated with the composition and concentration of the Portfolio;
6. risks associated with investments in Equity Securities;
7. risks relating to investments in utilities issuers;
8. risks relating to investments in telecommunications issuers;
9. risks associated with use of a prime broker to hold assets;
10. risks associated with using leverage;
11. counterparty risks associated with the Forward Agreement, including exposure to the credit risk of the Counterparty;
12. risks associated with the use of derivatives;
13. risks associated with securities lending;
14. the NAV of the Fund and the trading price of the Trust Units will be sensitive to interest rate fluctuations;
15. the Trust Units may trade in the market at a premium or a discount to the NAV per Trust Unit and there can be no guarantee that Trust Units will trade at a price equal to the NAV per Trust Unit;
16. risks relating to foreign market exposure;
17. risks relating to investing in emerging markets;
18. risks associated with foreign currency exposure;
19. recent global financial market developments;
20. reliance on management of the Fund and the Portfolio Trust;
21. nature of the Trust Units;
22. potential dilution caused by the Warrants;
23. risks associated with redemptions;
24. the Fund’s lack of operating history and the current absence of a public trading market for the Trust Units;
25. the Fund is not subject to regulation as a mutual fund or trust company;
26. the potential for conflicts of interest;

27. risks relating to changes in legislation;
 28. the scope of the Alternative Proposal has not been released and its scope is uncertain and may increase taxable distributions to Unitholders as well as additional risks associated with taxation of the Fund;
 29. there can be no assurance that income tax laws and the administrative policies and assessing practices of the CRA relating to the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the distributions received by the Fund and the Unitholders and/or the value of the Trust Units or the securities in which the Fund invests; and
 30. risks relating to taxation of the Fund and its Unitholders.
- See “Risk Factors”.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and the Portfolio Trust. All fees and expenses of the Fund and the Portfolio Trust will be paid in cash. For further particulars, see “Fees and Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust” .

Fees and Expenses Payable by the Fund

| <u>Type of Charge</u> | <u>Amount and Description</u> |
|----------------------------------|--|
| Fees Payable to Agents: | \$0.63 per Unit (5.25%) per Unit. |
| Expenses of the Offering: | The Fund will pay the expenses incurred in connection with the Offering of Units by the Fund, which are estimated to be \$750,000, subject to a maximum of 1.5% of the gross proceeds of the Offering. |
| Management Fee: | An annual management fee (the “ Management Fee ”) of 0.25% of the NAV of the Fund (a management fee of 1.0% of the NAV of the Portfolio Trust is also payable to the Manager by the Portfolio Trust) calculated daily and payable monthly in arrears, plus an amount equal to the Servicing Fee (as defined herein), plus applicable taxes, will be paid to the Manager. The Investment Manager will be remunerated by the Manager out of the Management Fee and the Portfolio Trust Management Fee (as hereinafter defined). |
| Operating Expenses: | The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the Registrar and Transfer Agent and the Warrant Agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Fund; (e) independent review committee member fees and expenses in connection with the independent review committee; (f) banking fees and interest with respect to any borrowing; (g) fees payable to the auditors and legal advisors of the Fund; (h) regulatory filing, stock exchange and licensing fees; and (i) expenditures incurred upon the termination of the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$230,000 per annum. |
| Servicing Fee: | The Manager will pay to registered dealers a servicing fee (the “ Servicing Fee ”) equal to 0.40% annually of the NAV per Trust Unit for each Trust Unit held by clients of the registered dealers (calculated daily and paid at the end of each calendar quarter commencing on the Closing Date, plus applicable taxes). |

Counterparty Fee: The Fund will also pay to the Counterparty a fee under the Forward Agreement of up to 0.50% per annum of the value of the total assets of the Portfolio Trust plus a fee based on the value of the Common Share Portfolio, calculated daily and payable monthly in arrears.

Warrant Exercise Fee: As soon as practicable following the exercise of a Warrant, the Fund will pay a fee (the “**Warrant Fee**”) equal to \$0.12 per Warrant to the Agents and a fee equal to \$0.18 per Warrant to the dealer whose client is exercising the Warrant.

Fees and Expenses Payable by the Portfolio Trust

Portfolio Trust Management Fee: An annual management fee (the “**Portfolio Trust Management Fee**”) of 1.0% of the NAV of the Portfolio Trust calculated daily, and payable monthly in arrears, plus applicable taxes will be paid to the Manager.

Operating Expenses of the Portfolio Trust: The Portfolio Trust will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$50,000 per annum, excluding any fees and interest which will increase with the Portfolio Trust’s utilization of any leverage.

THE FUND

Overview of the Legal Structure of the Fund

The Fund is an investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated February 25, 2011.

The principal office of the Fund and Harvest is located at 710 Dorval Drive, Suite 200, Oakville, Ontario L6K 3V7.

INVESTMENT OBJECTIVES

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

- (i) tax-advantaged monthly distributions; and
- (ii) capital appreciation.

The Fund will obtain exposure through the Forward Agreement to a portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

INVESTMENT STRATEGIES

Rationale for the Fund

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 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. The Manager believes that generally issuers in these sectors have benefited from the following:

Global Telecom & Utilities Issuers

1. **Attractive Cash Flows** derived from a consistent and steady earnings and dividends stream from long term contracts for services essential to society;
2. **Favourable Capital Growth Prospects** especially from rapidly growing emerging market demand for mobile and broadband communication and energy and materials;
3. **Market Stability** due to the established and monopolistic-like competitive advantages and high barriers of entry that have contributed to share price stability from comparatively high dividend yields; and
4. **Reduced Exposure to Inflation** resulting from the ability to generally flow through cost and price increases.

The yields on many Global Telecom Issuers are above average historical levels and attractive when compared to other equity, bond and fixed income securities. The Investment Manager believes that over time, yields will revert to the average and accordingly, these securities will appreciate in value, which would result in capital appreciation for the Fund. 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 which the Investment Manager believes is 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. 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.

Investment Strategies

The Fund has been created to provide investors with tax-advantaged income and capital appreciation by providing exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund will invest the net proceeds of the Offering in the Common Share Portfolio and enter into the Forward Agreement as further described under “Overview of the Investment Structure – Forward Agreement”.

Not less than 75% of the value of the total assets of the Portfolio will be comprised of Equity Securities of Global Telecom Issuers and/or Global Utilities Issuers. Securities of each of the Global Telecom Issuers and Global Utilities Issuers will constitute not less than 20% of the value of the total assets of the Equity Securities portion of the Portfolio at all times. These portfolio allocations assume normal market conditions, and at the Manager’s discretion, the Portfolio Trust may be invested entirely in cash or cash equivalents. In addition, from time to time, the Portfolio Trust may be invested in securities other than Equity Securities.

Security Selection Process

When investing in global Equity Securities, Avenue uses both a top-down and bottom-up three step approach to make investments which it describes as follows:

Top-Down:

1. *Analyze Global Economic Health and Trends:*

The top-down process starts with the world economy and an assessment of economic health to determine which regions are struggling and which are demonstrating growth prospects. To make this assessment, Avenue will look at gross domestic product (GDP) figures and other economic trends. Avenue also takes note of any geopolitical unrest that could impact a country or region. The focus then shifts to an analysis of the economy and the specific sectors that might benefit from these global factors.

2. *Assess the State of the Economy:*

The next step looks at the major indicators within the economy, including interest rates, unemployment levels, and inflation. By combining this information and its impact on various stock sectors with the global trend information, Avenue can then start to narrow down a focus to those specific industries that would seem to be positioned for growth.

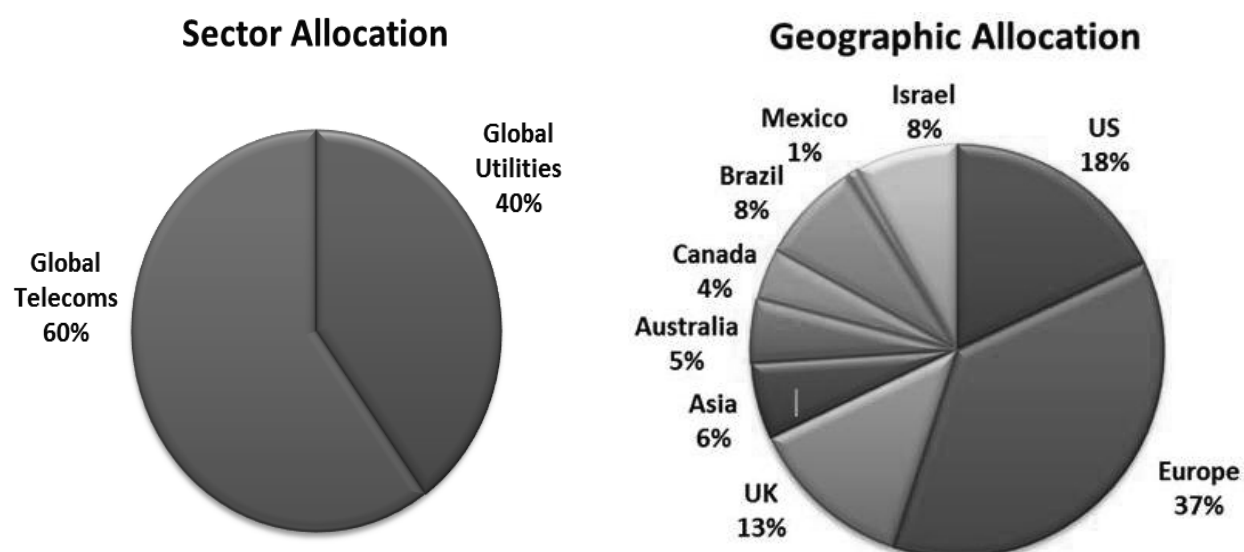
Bottom-Up:

3. *Identifying Specific Stocks within a Sector:*

The final step is identifying specific securities within the selected sector(s) that present the most attractive investment opportunity. By conducting fundamental analysis, Avenue can identify those companies in strong financial positions with valuations that would present good upside potential.

Indicative Portfolio

If the Fund and Portfolio Trust had been in existence on January 20, 2011, the Portfolio would have had the following allocations:



If the Fund and Portfolio Trust had been in existence on January 20, 2011, the Portfolio would have included the following securities (the “**Indicative Portfolio**”):

Global Telecom Issuers:

| <u>Issuer</u> | <u>Domicile</u> | <u>Weight</u> <u>(%)</u> | <u>Dividend yield</u> <u>(%)</u> ⁽¹⁾ | <u>Market Cap</u> <u>(\$Million)</u> ⁽²⁾ |
|--|-----------------|-----------------------------|--|--|
| Cable & Wireless Worldwide plc. | Britain | 2.00 | 7.1 | 2,854 |
| Cable & Wireless Communications plc. | Britain | 3.00 | 11 | 2,062 |
| Vivendi S.A. | France | 2.00 | 6.5 | 35,257 |
| France Telecom S.A. | France | 2.00 | 8.9 | 54,608 |
| Telefonica S.A. | Spain | 2.00 | 7.2 | 108,217 |
| Koninklijke KPN N.V. | Netherlands | 2.00 | 6.7 | 23,226 |
| Belgacom | Belgium | 2.00 | 8.5 | 11,546 |
| Portugal Telecom | Portugal | 1.00 | 7.8 | 9,840 |
| Telecom Italia S.p.A. | Italy | 1.00 | 4.8 | 24,813 |
| Telekom Austria AG | Austria | 2.00 | 7.5 | 5,823 |
| Deutsche Telekom AG | Germany | 2.00 | 8.2 | 55,651 |
| TeliaSonera | Sweden | 1.00 | 4.3 | 35,014 |
| Telefonica O2 Czech Republic, a.s. | Czech | 2.00 | 9.8 | 7,090 |
| Telekomunikacja Polska S.A. | Poland | 2.00 | 9.3 | 7,433 |
| Telecom Corporation of New Zealand Limited | New Zealand | 3.00 | 10.1 | 3,330 |
| Telstra Corporation Limited | Australia | 2.00 | 14.3 | 34,705 |
| Bell Aliant | Canada | 2.00 | 10.9 | 3,393 |
| Manitoba Telecom Services Inc. | Canada | 2.00 | 6.0 | 1,831 |
| China Mobile Limited | China | 1.00 | 3.9 | 199,519 |
| Philippine Long Distance | Philippines | 2.00 | 6.3 | 10,666 |

| <u>Issuer</u> | <u>Domicile</u> | <u>Weight</u> <u>(%)</u> | <u>Dividend yield</u> <u>(%)⁽¹⁾</u> | <u>Market Cap</u> <u>(\$Million)⁽²⁾</u> |
|--|-----------------|-----------------------------|---|---|
| Telephone Company Telekom Malaysia | Malaysia | 2.00 | 7.9 | 4,419 |
| SK Telekom Co., Ltd. | South Korea | 1.00 | 5.6 | 12,154 |
| Telefonicas de Mexico | Mexico | 1.00 | 4.9 | 15,213 |
| Verizon Communications Inc. | US | 1.00 | 5.8 | 98,785 |
| AT&T Inc. | US | 1.00 | 6.1 | 169,104 |
| Centurylink Inc. | US | 2.00 | 6.7 | 13,277 |
| Alaska Communications Systems Group Inc. | US | 2.00 | 8.2 | 425 |
| Frontier Communications Corp. | US | 2.00 | 10.5 | 9,245 |
| Partner Communications Company Ltd. | Israel | 3.00 | 10.5 | 3,214 |
| Bezeq The Israeli Telecommunication Corp. Ltd. | Israel | 2.00 | 8.9 | 8,165 |
| Cellcom Israel Ltd. | Israel | 3.00 | 13.9 | 3,258 |

Global Utilities Issuers:

| <u>Issuer</u> | <u>Domicile</u> | <u>Weight</u> <u>(%)</u> | <u>Dividend yield</u> <u>(%)⁽¹⁾</u> | <u>Market Cap</u> <u>(\$Million)⁽²⁾</u> |
|---|-----------------|-----------------------------|---|---|
| Drax Group plc. | Britain | 2.00 | 6.7 | 2,249 |
| National Grid plc. | Britain | 2.00 | 7.8 | 29,764 |
| Scottish & Southern Energy plc. | Britain | 2.00 | 6.5 | 17,868 |
| United Utilities Group plc. | Britain | 2.00 | 6.6 | 5,977 |
| Exelon Corporation | US | 1.00 | 4.9 | 27,984 |
| FirstEnergy Corp. | US | 1.00 | 5.7 | 11,693 |
| Progress Energy Inc. | US | 1.00 | 5.5 | 12,996 |
| PPL Corporation | US | 1.00 | 5.4 | 12,325 |
| Ameren Corporation | US | 1.00 | 5.4 | 6,751 |
| Integrus Energy Group Inc. | US | 1.00 | 5.6 | 3,698 |
| Pepco Holdings Inc. | US | 2.00 | 5.9 | 4,066 |
| Duke Energy Corporation | US | 1.00 | 5.4 | 23,558 |
| GDF Suez | France | 1.00 | 5.0 | 88,086 |
| E.ON AG | Germany | 2.00 | 6.0 | 65,220 |
| RWE AG | Germany | 2.00 | 6.4 | 40,036 |
| Enel S.p.A. | Italy | 2.00 | 6.6 | 50,289 |
| Terna S.p.A. | Italy | 2.00 | 6.3 | 8,506 |
| EDP-Energias De Portugal | Portugal | 2.00 | 5.6 | 13,318 |
| Enndesa S.A. | Spain | 1.00 | 5.0 | 28,727 |
| Gas Natural SDG S.A | Spain | 2.00 | 6.5 | 14,698 |
| Iberdrola S.A. | Spain | 1.00 | 5.3 | 45,230 |
| Companhia Energética do Ceará - Coelce | Brazil | 4.00 | 9.7 | 1,283 |
| Light S.A. | Brazil | <u>4.00</u> | <u>13.2</u> | <u>3,279</u> |
| | | 100 | 7.94 | 26,555⁽³⁾ |

Source: Data sourced from Bloomberg as of January 20, 2011.

Notes:

- (1) Gross yield, before withholding taxes.
- (2) In Canadian Dollars.
- (3) Average Market Cap.

The information contained in the above section is historical and is not intended to be, nor should it be construed to be, an indication as to the future trading levels of the securities comprising the Indicative Portfolio.

The Portfolio may or may not include issuers from the foregoing list and may include securities of issuers that are not listed above. The Investment Manager will actively manage the Portfolio to seek to meet the Fund's investment objectives and therefore the composition of the Portfolio will vary from time to time based on the Investment Manager's assessment of market conditions.

Foreign Currency Hedging

It is expected that a significant portion of the Portfolio will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and the Fund. From time to time, between 0% and 100% of the value of the Portfolio's non-Canadian currency exposure may be hedged back to the Canadian dollar, subject to the Portfolio's investment restrictions. The Investment Manager initially intends to hedge approximately 70% of the value of the Portfolio denominated in U.S. Dollars, Euros and British Sterling back to the Canadian Dollar.

Leverage

It is the intention of the Investment Manager that the Portfolio Trust will employ leverage in an amount up to a value of 25% of the value of the total assets of the Portfolio Trust (33⅓% of NAV of the Portfolio Trust) determined at the time of borrowing. Accordingly, at the time of borrowing, the maximum amount of leverage that the Portfolio Trust could employ is 1.33:1.

Securities Lending

The Fund may lend the Common Share Portfolio securities and the Portfolio Trust may lend securities in the Portfolio, as applicable, to securities borrowers acceptable to the Fund or the Portfolio Trust, as applicable, pursuant to the terms of a securities lending agreement between the Fund or the Portfolio Trust, as applicable, and any such borrower under which: (i) the borrower will pay to the Fund or the Portfolio Trust, as applicable, a negotiated securities lending fee and will make compensation payments to the Fund or the Portfolio Trust, as applicable, equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund or the Portfolio Trust, as applicable, will receive collateral security. The Fund will not lend Common Share Portfolio securities to the Counterparty or in the first 6 months following the closing of the Offering.

OVERVIEW OF THE SECTORS THAT THE PORTFOLIO TRUST INVESTS IN

Telecommunications Sector

The telecommunication sector is comprised of issuers that provide a full range of communication services to residential and business customers around the world. These services include local, long distance and wireless phone services, high speed and wireless Internet access, IP-broadband services, value-added business solutions and direct-to-home satellite and VDSL television services.

Utilities Sector

The utilities sector includes issuers that generate, transmit, and distribute electric power to consumers. These issuers can own and operate power projects both in Canada and internationally. These issuers also gather, store, transmit, and distribute natural gas and oil and are therefore less affected by changes in commodity prices than companies involved with the discovery and extraction of oil and natural gas.

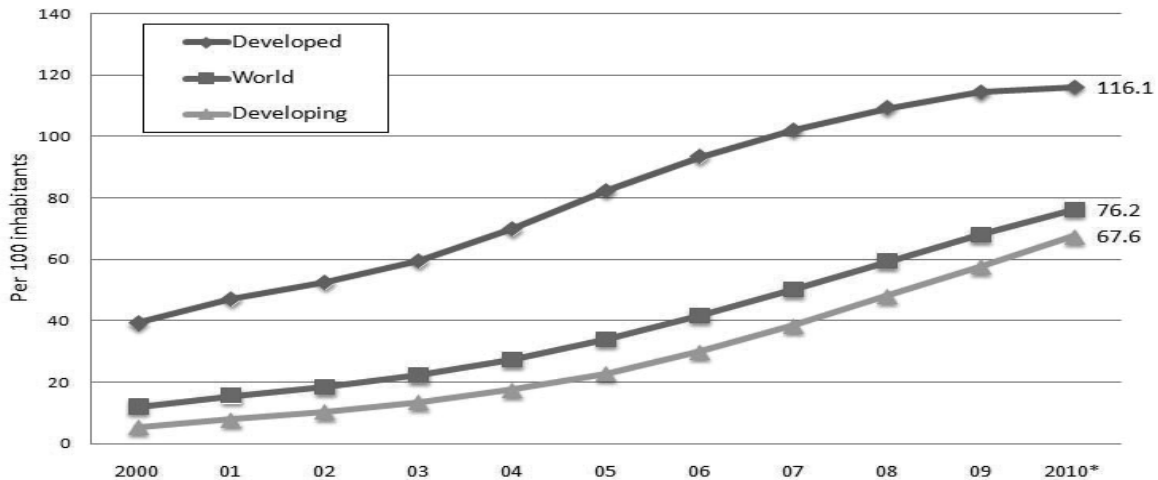
Growth Opportunities

Over the last decade, the telecommunications industry in developed countries has experienced a decline in traditional business lines. This has allowed these issuers to downsize in these legacy businesses and to redeploy capital towards the development and deployment of newer mobile business operations and home internet and 4G data networks. The growth of social networking and wireless services increases the usage for telecommunication services and provides potential new areas for expansion in these markets.

Rapid expansion of telecommunication services in emerging countries has provided global telecommunication companies with growth opportunities. Telecommunications growth in emerging countries has been fuelled by the adoption of mobile handsets which is not only cost efficient to the consumer due to low per minute rates, but also allows quick connectivity to the consumers as compared to delays associated with accessing traditional landline services. The mass acceptance of these technologies has allowed telecommunications issuers to by-pass the large infrastructure expenditures associated with landlines.

The chart below demonstrates the maturing of the developed world's use of mobile communications and the accelerating usage by the developing world of these technologies, thereby providing new opportunities for growth for Global Telecom Issuers.

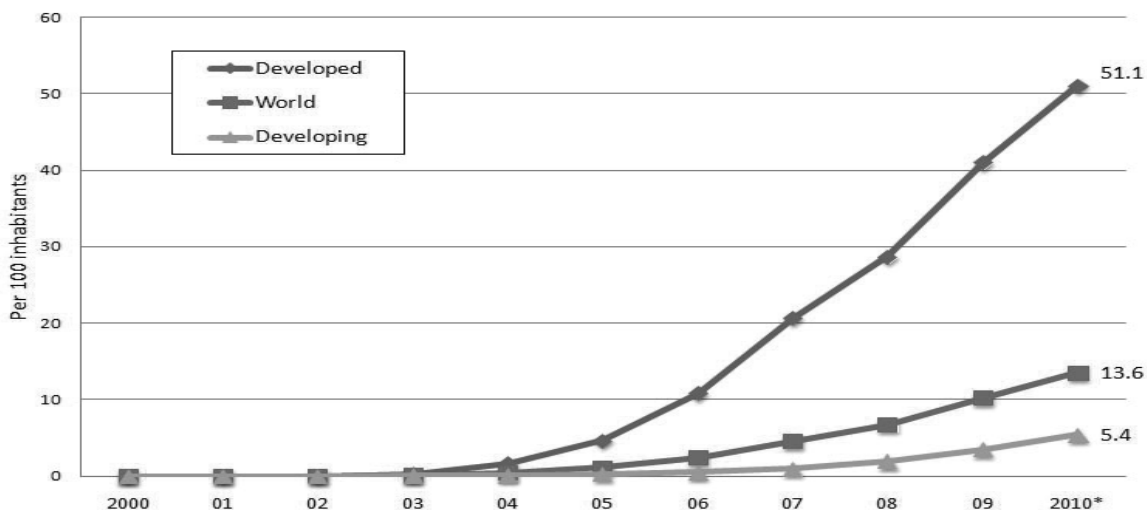
Mobile cellular subscriptions per 100 inhabitants, 2000-2010



*Estimates
Source: ITU World Telecommunication /ICT Indicators database

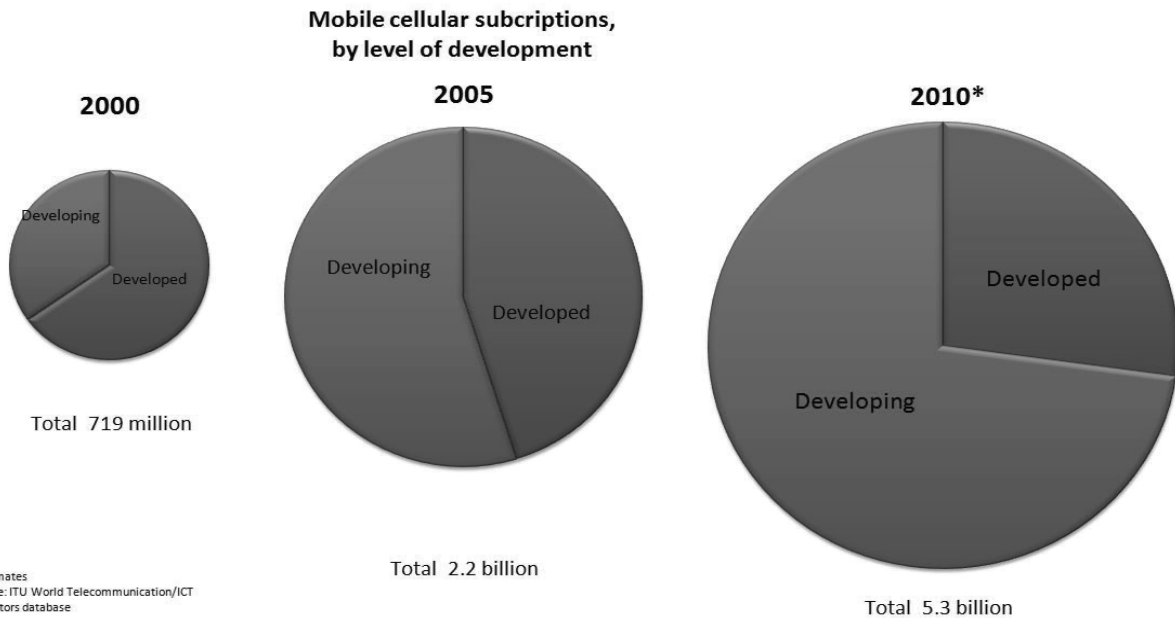
As demonstrated in the chart below, there has been a sharp increase in broadband use in developed countries. With the expansion of the global economy into developing countries, the growth profile for broadband communications provides opportunities for global providers of these services.

Mobile broadband subscriptions per 100 inhabitants 2000-2010



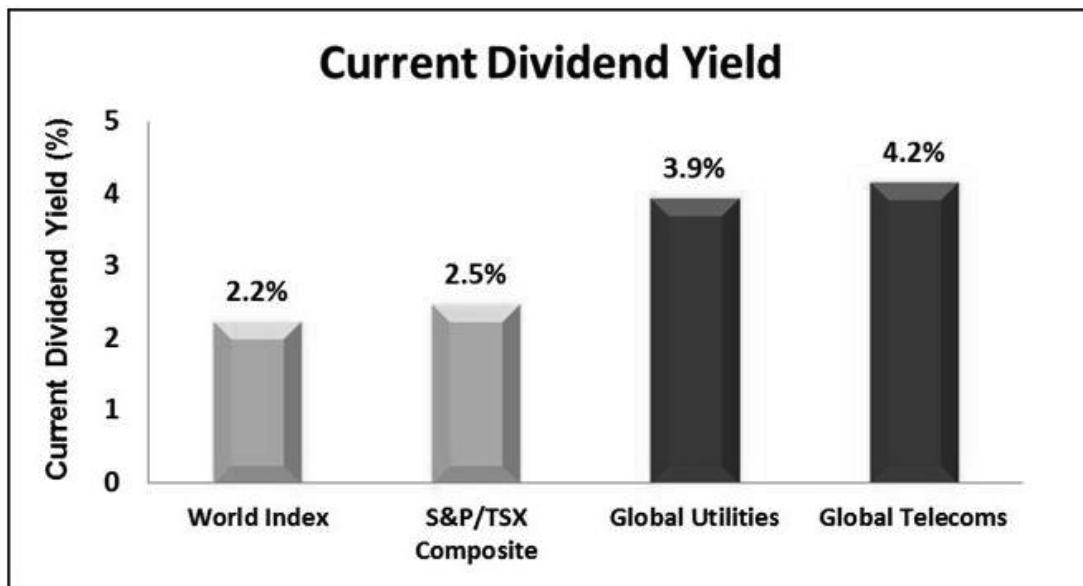
*Estimates
Source: ITU World Telecommunication /ICT Indicators database

The pie charts below display the accelerating use of mobile cellular communications by the developing world. The current pace of global subscriber growth is estimated to eventually exceed 6 billion users.



High Dividend Levels

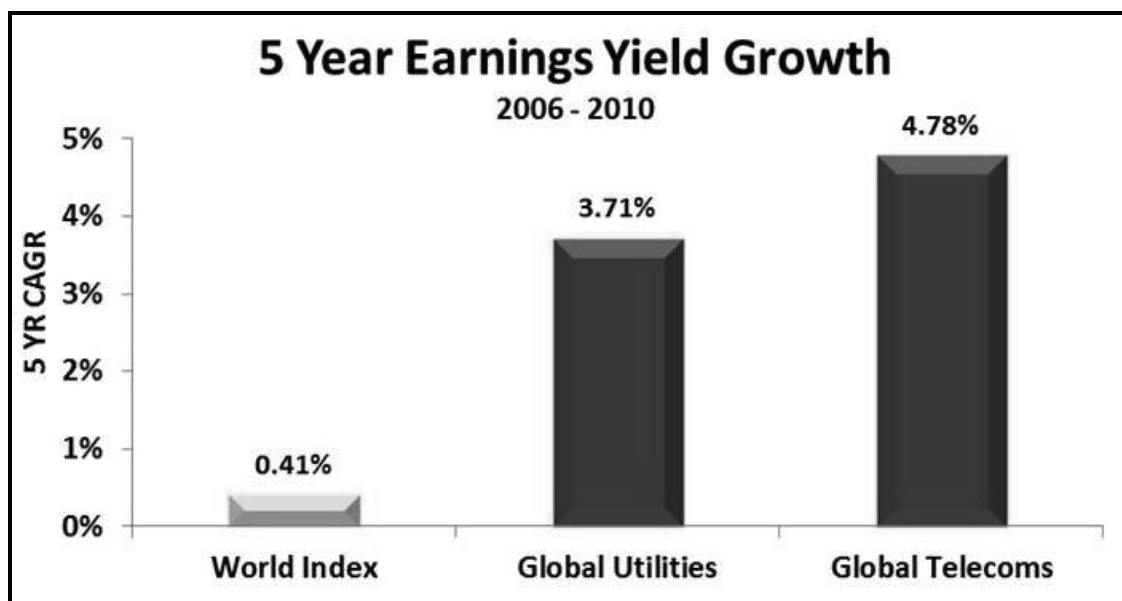
The relatively high levels of cash flow generated by issuers in the global telecommunications sector and the global utilities sector results in a higher level of dividend yield when compared to the average issuer on a broad index. The graph below illustrates the superior levels of dividend yield of issuers in the global telecommunications sector and the global utilities sector when compared to the Bloomberg World Index and the S&P TSX Composite Index.



Source: Bloomberg December 31, 2010.

Attractive Earnings Yield Growth

As the chart below demonstrates, when compared to global equities, the average earnings yield growth of issuers in the global telecommunications sector and the global utilities sector has increased at a relatively higher rate throughout the “financial crisis” and economic slowdown over the previous five years.



Source: Bloomberg December 31, 2010.

Global Telecom Issuers - The telecommunications sector is comprised of issuers that are engaged primarily in providing voice or data communication services to consumers or businesses. These issuers are benefitting from mass public acceptance of the mobile and broadband communications services in both developed and emerging nations as market size expands. Over the last decade, a considerable amount of consolidation has taken place in this sector creating stronger and better capitalized communications issuers.

The Manager believes that the telecommunications sector has provided investors with:

1. Attractive valuations and above average yields;
2. Favourable future growth prospects as a result of exposure to rapidly growing emerging market use of mobile communications and exposure to growing business use of broadband communications; and/or
3. Market stability due to the established and monopolistic-like nature of issuers in this sector.

The lowering of global interest rates by central bankers in order to stimulate the global economy has increased the demand for higher yielding securities and has already led to a general appreciation in the value of debt securities over the last 24 months. In comparison, dividend paying Equity Securities of Global Telecom Issuers have not experienced an equivalent appreciation in value, resulting in historically high gross dividend yields on such securities relative to general equity yields. The Manager and Investment Manager believe that this anomaly will likely be corrected through an eventual appreciation in the value of dividend paying Equity Securities of Global Telecom Issuers which would result in capital appreciation for the Fund.

Global Utilities Issuers - The utilities sector is comprised of issuers that:

- generate, transmit and distribute electrical power to consumers;
- gather, store, transmit, and distribute natural gas and oil; and/or
- provide storage terminals for hard and soft commodities.

The Manager believes that the utilities sector has provided investors with:

1. Consistent attractive yield derived from steady reliable earnings stream due to long term contracts for services that are essential to society;
2. Market stability as a result of monopolistic-like competitive advantages with high barriers to entry; and/or
3. Inflation protection resulting from ability to flow through price increases.

OVERVIEW OF THE INVESTMENT STRUCTURE

The Portfolio Trust is a newly created investment trust that will be established prior to the closing of the offering of Units under the laws of the Province of Ontario pursuant to a trust declaration by the Manager, as manager and trustee of the Portfolio Trust.

Forward Agreement

The Fund will obtain exposure to the Portfolio through the Forward Agreement (as defined herein). The Fund will invest the net proceeds of the Offering in a portfolio of common shares (the “**Common Share Portfolio**”) that are acceptable to the Counterparty (as defined herein). The Fund will then enter into a forward agreement (the “**Forward Agreement**”), the terms of which will be negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank (the “**Counterparty**”). Under the terms of the Forward Agreement, the Counterparty will agree 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. If the Counterparty fully hedges its obligations under the Forward Agreement by purchasing units of the Portfolio Trust, the Portfolio Trust will use the proceeds from the sale of such units to acquire the Portfolio, which will have an initial value equal to the net proceeds of the Offering, and the return under the Forward Agreement will be based on the performance of the units of the Portfolio Trust. If the Counterparty chooses not to acquire units of the Portfolio Trust, the Investment Manager will maintain a notional portfolio (the “**Notional Portfolio**”) that will have an initial invested notional amount equal to the net proceeds of the Offering and the return under the Forward Agreement will be based on the performance of the Notional Portfolio. 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 Counterparty or its guarantor must have an approved credit rating within the meaning of NI 81-102. The Counterparty may be an affiliate of one of the Agents for the Offering. References throughout this prospectus to the “Portfolio” will refer to the assets held from time to time by the Portfolio Trust or the Notional Portfolio, as the case may be. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust.

The Manager acts as the investment fund manager of the Portfolio Trust and the Investment Manager will provide investment advisory and portfolio management services to the Portfolio Trust and the Fund as described under “Organization and Management Details of the Fund and the Portfolio Trust”. The return to Unitholders will be dependent upon the return on the Portfolio by virtue of the Forward Agreement. However, neither the Fund nor the Unitholders will have any ownership interest in the Portfolio Trust or the securities included in the Portfolio.

Under the terms of the Forward Agreement, the Fund and the Counterparty will agree that their settlement obligations under the Forward Agreement will be discharged by the physical delivery of the Common Share Portfolio by the Fund to the Counterparty against a cash payment by the Counterparty to the Fund. The amount payable by the Counterparty to the Fund under the Forward Agreement will be based on the value of the outstanding units of the Portfolio Trust, which may be more or less than the original subscription price of the Units. Alternatively, at the election of the Fund, the Forward Agreement may be settled by the making of a net cash

payment to the appropriate party. Prior to the settlement of the Forward Agreement, the Common Share Portfolio or other acceptable securities will be pledged to the Counterparty, and may be held by the Counterparty or an affiliate of the Counterparty, as security for the obligations of the Fund under the Forward Agreement. Under the Forward Agreement, if dividends, including extraordinary dividends, are declared and paid on any of the securities included in the Common Share Portfolio, such dividends are notionally reinvested in the securities that paid such dividends and adjustments will be made to the relevant terms of the Forward Agreement in order to reflect such reinvestment. In order to minimize the likelihood that such dividends will be paid, the Fund intends to acquire non-dividend paying common shares of Canadian corporations for the Common Share Portfolio. However, if any such dividends are to be received by the Fund, the Forward Agreement will provide that replacement securities acceptable to the Counterparty and the Fund may, at the Fund's option, be substituted for shares in respect of which the dividend has been declared prior to the record date for such dividend in order to preserve the value of the forward transaction. If such replacement securities are not available, the Fund may consider contributing additional securities to the Common Share Portfolio or entering into additional forward, derivative or other transactions. The Forward Agreement will have similar provisions designed to avoid adjustments of the settlement amount under the Forward Agreement that might otherwise be required if the Fund receives consideration as a consequence of a merger transaction involving any of the securities included in the Common Share Portfolio.

The Forward Agreement may be terminated prior to its scheduled settlement date if a termination event or an event of default occurs with respect to either the Fund or the Counterparty under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur that require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) an event occurs that the Counterparty determines has had or would reasonably be expected to have an adverse effect on the Counterparty's ability to perform its obligations under the Forward Agreement or to hedge its obligations under the Forward Agreement or if the Counterparty's direct or indirect costs and expenses in respect of the Forward Agreement and any hedging transaction in respect thereof are increased and the Fund chooses not to provide additional compensation to the Counterparty in respect of such increase; (iv) the failure of the Portfolio Trust to comply with its governing documents; and (v) certain regulatory, credit or legal events occur that affect a party.

Events of default under the Forward Agreement include the following: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement, which is not cured within any applicable grace period; (ii) a party makes a representation that is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction, which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

The Counterparty may hedge its obligations under the Forward Agreement by, among other things, purchasing units of the Portfolio Trust. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

If the Forward Agreement is terminated for any reason, it is anticipated that the Forward Agreement will be settled by the physical delivery of the Common Share Portfolio by the Fund to the Counterparty upon payment of the cash amount owing by the Counterparty to the Fund. In the event of an early termination, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager, in its sole discretion, terminate the Fund and take such other action as it considers necessary under the circumstances.

Notional Portfolio

If the Counterparty does not hedge its obligations under the Forward Agreement by investing in units of the Portfolio Trust, the Manager will establish the Notional Portfolio. In that case, the return under the Forward Agreement will be based on the performance of the Notional Portfolio.

If established, the Notional Portfolio will be a virtual portfolio with an initial invested amount equal to the amount of the net proceeds of the Offering. The Notional Portfolio will be notionally traded in accordance with market movements on a simulated basis as though such trades were actually made, including transaction costs.

Trading data will be based on the trading prices of the securities held in the Notional Portfolio as though they were directly held by the Counterparty. The composition of the Notional Portfolio will be determined at the discretion of the Investment Manager from time to time on the same basis as the composition of the Portfolio of the Portfolio Trust would have been determined.

If the return under the Forward Agreement is based on the Notional Portfolio rather than the units of the Portfolio Trust, the Manager will provide the same continuous disclosure documentation regarding the Notional Portfolio as would be required with respect to the Portfolio Trust (except with respect to the proxy voting record, as the Notional Portfolio would not actually own securities). The method used to determine the value of the Notional Portfolio would comply with NI 81-106 and would be calculated based on the principles set forth under the heading “Calculation of Net Asset Value”. In addition, in connection with their audit and periodic reviews, the auditors would have the same involvement with the review of the value of the Notional Portfolio as they would otherwise have had with the Portfolio of the Portfolio Trust.

The Manager will consider the use of the Notional Portfolio to be a material change to the Fund’s investment strategy in respect of which it would issue a press release and file a material change report pursuant to applicable securities laws. Such press release and material change report will describe the policies, procedures and mechanisms required in connection with notional trades and other administrative matters.

INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The investment activities after the initial investment of the assets of the Fund, are to be conducted in accordance with, among other things, the following investment restrictions which are contained in the Declaration of Trust:

- (a) The Fund will restrict its investments to Equity Securities consisting of common shares (including fully participating equity shares, however designated) of Canadian public companies that are “Canadian securities” for the purposes of the Tax Act, entering into the Forward Agreement, investing in the Portfolio Trust and/or investing in Equity Securities of Global Telecom Issuers, Global Utilities Issuers and other issuers, and investing in securities that are not Equity Securities;
- (b) The Fund will not purchase securities other than through normal market facilities unless the purchase price thereof approximates the prevailing market price or is negotiated or established on an arm’s length basis;
- (c) The Fund will not purchase securities of an issuer if, as a result of such purchase, the Fund would be required to make a takeover bid that is a “formal bid” for the purposes of the *Securities Act* (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (d) The Fund will manage its investments and affairs to ensure that it will be a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that is “specified property” as such term is defined in certain proposals to amend the Tax Act released on September 16, 2004; and
- (e) The Fund will manage its investments and affairs to ensure that it will not be subject to the tax for SIFT trusts for purposes of the Tax Act.

The Fund may also hold cash and cash equivalents from time to time.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by a resolution passed by two-thirds of the votes cast at a meeting of Unitholders called for such purpose, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time. See “Unitholder Matters”.

Investment Restrictions of the Portfolio Trust

The investment activities after the initial investment of the assets of the Portfolio Trust, are to be conducted in accordance with, among other things, the following investment restrictions which provide that the Portfolio Trust will not:

- (a) purchase any security issued by any issuer (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Portfolio Trust's total value would consist of securities issued by such issuer;
- (b) purchase securities such that more than 20% of the value of the total assets of the Portfolio is represented by issuers with a head office located in Canada;
- (c) hold less than 75% of the value of the total assets of the Portfolio in Equity Securities of Global Telecom Issuers and/or Global Utilities Issuers;
- (d) hold less than 20% of the value of the total assets of the Equity Securities portion of the Portfolio in Global Telecom Issuers;
- (e) hold less than 20% of the value of the total assets of the Equity Securities portion of the Portfolio in Global Utilities Issuers;
- (f) employ borrowings if immediately thereafter, the amount of such leverage would exceed 25% of the value of the total assets of the Portfolio Trust (33 $\frac{1}{3}$ % of the NAV of the Portfolio Trust);
- (g) make loans or guarantee obligations, except that the Portfolio Trust may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers' acceptances and fixed time deposits) in accordance with its investment objectives;
- (h) own more than 10% of the equity value of an issuer for purposes of the SIFT Rules or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (i) invest in any securities of an entity that would be a foreign affiliate of the Portfolio Trust within the meaning of the Tax Act;
- (j) sell securities short or maintain short positions;
- (k) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (l) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Portfolio Trust (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Portfolio Trust (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (m) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (n) act as an underwriter except to the extent that the Portfolio Trust may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (o) make any investment or conduct any activity that would result in the Portfolio Trust failing to qualify as a "unit trust" within the meaning of the Tax Act; and
- (p) make or hold any investments that would result in the Portfolio Trust itself being subject to the tax for SIFT trusts as provided for in the SIFT Rules.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the value of the total assets of the Portfolio Trust, or a change in the head office location of an issuer will not be considered a violation of the restriction (except for the restrictions in paragraph (h) or (p)). The investment restriction under paragraphs (c), (d) and (e) assume normal market conditions, and at the Manager's discretion, the Portfolio Trust may be invested entirely in cash or cash equivalents.

Investment restrictions that do not provide for a percentage restriction must be adhered to at all times. If the Portfolio Trust receives from an issuer subscription rights to purchase securities of that issuer, and if the Portfolio Trust exercises such subscription rights at a time when the Portfolio Trust's portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Portfolio Trust has sold at least as many securities of the same class and value as would result in the restriction being complied with.

FEES AND EXPENSES OF THE FUND

Expenses of the Offering

The expenses of the Offering (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid from the gross proceeds of the Offering. The Offering expenses are estimated to be \$750,000. The Manager has agreed to pay all expenses incurred in connection with the Offering, other than the Agents' fees, that exceed 1.5% of the gross proceeds of the Offering.

Management Fee

Pursuant to the terms of the Declaration of Trust, Harvest is entitled to a fee at an annual rate of 0.25% of the NAV of the Fund, plus an amount equal to the Servicing Fee (as defined herein), plus applicable taxes. A management fee of 1.0% of the NAV of the Portfolio Trust is also payable to the Manager by the Portfolio Trust. See "Fees and Expenses of the Portfolio Trust – Portfolio Trust Management Fee". The Management Fee will be calculated daily and payable monthly in arrears. The Management Fee will be paid in cash. The Investment Manager will be remunerated by the Manager out of the Management Fee and the Portfolio Trust Management Fee.

Operating Expenses of the Fund

The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the Registrar and Transfer Agent and the Warrant Agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Fund; (e) independent review committee member fees and expenses in connection with the independent review committee; (f) banking fees and interest with respect to any borrowing; (g) fees payable to the auditors and legal advisors of the Fund; (h) regulatory filing, stock exchange and licensing fees; and (i) expenditures incurred upon the termination of the Fund. See "Organization and Management Details of the Fund and the Portfolio Trust – The Manager". The aggregate annual amount of these fees and expenses is estimated to be \$230,000 per annum. The Fund will also be responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Servicing Fee

The Manager will pay to registered dealers a servicing fee (the "**Servicing Fee**") equal to 0.40% annually of the NAV per Trust Unit for each Trust Unit held by clients of the registered dealers (calculated daily and paid at the end of each calendar quarter commencing on the Closing Date, plus applicable taxes).

Counterparty Fee

The Fund will also pay to the Counterparty a fee under the Forward Agreement of up to 0.50% per annum of the value of the total assets of the Portfolio Trust plus a fee based on the value of the Common Share Portfolio, calculated daily and payable monthly in arrears.

Warrant Exercise Fee

As soon as practicable following the exercise of a Warrant, the Fund will pay a fee equal to \$0.12 per Warrant to the Agents and a fee equal to \$0.18 per Warrant to the dealer whose client is exercising the Warrant.

FEES AND EXPENSES OF THE PORTFOLIO TRUST

Portfolio Trust Management Fee

An annual management fee (the “**Portfolio Trust Management Fee**”) of 1.0% of the NAV of the Portfolio Trust calculated daily and payable monthly in arrears, plus applicable taxes will be paid to the Manager by the Portfolio Trust. The Portfolio Trust Management Fee will be paid in cash.

Operating Expenses of the Portfolio Trust

The Portfolio Trust will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$50,000 per annum, excluding any fees and interest which will increase with the Portfolio Trust’s utilization of any leverage.

RISK FACTORS

The following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such securities:

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of no distribution being paid in any period.

No Guaranteed Return

There is no guarantee that an investment in the Fund will earn any positive return in the short term or long term. The Indicative Distribution Amount from year to year may be significantly less than the initial targeted Indicative Distribution Amount. The Manager, on behalf of the Fund, may at any time re-evaluate the Indicative Distribution Amount.

No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the securities in the Portfolio and the value of the securities in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Trust Unit will appreciate. It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient Portfolio assets to achieve its investment objectives.

Performance of the Portfolio

The NAV per Trust Unit will vary with the net asset value of the units of the Portfolio Trust and as the fair value of the securities in the Portfolio varies. The Fund and the Portfolio Trust have no control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and recessions. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Portfolio Trust will invest in.

Composition of Portfolio

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated by type of security, commodity or industry. Therefore, the Portfolio may be considered less diversified.

Equity Risk

Equity Securities such as common shares or units of income trusts give the holder part ownership in the issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market

conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the Equity Securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect issuers and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Utilities Investments

The value of investments in utilities issuers (and the distributions and/or dividends they pay) can be significantly affected by changes in supply of, or demand for, various natural resources, changes in energy prices, international political and economic developments, energy conservation, the success of exploration projects, changes in commodity prices, and tax and other government regulations.

Telecommunications Investments

There are a number of risk factors associated with the investment by the Portfolio Trust in the telecommunication sector. These include the introduction of alternative technologies, shortage in skilled workforce, increase in cost of workforce and operating costs, disruption in continued supply of electricity, network disruption in respect of the provision of telecommunication services, adverse changes in general economic, business and credit conditions and adverse changes in government regulations and permits. As a result of these certain general risks inherent to the telecommunication sector, no assurance can be given that the operation of issuers within the sector will not be adversely affected by these risks should they eventuate.

Use of a Prime Broker to Hold Assets

Some or all of the assets of the Portfolio Trust may be held in one or more margin accounts. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody agreement. The prime broker may also lend, pledge or hypothecate the assets of the Portfolio Trust in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Portfolio Trust could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Portfolio Trust may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Leverage Risk

The Fund's exposure to the Portfolio may be increased due to leverage of up to 25% of value of the total assets (33⅓% of the NAV of the Portfolio Trust) at the time leverage is employed by the Portfolio Trust. As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 25% of value of the total assets. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that such leverage will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders.

Counterparty Risks

The Fund will enter into the Forward Agreement with the Counterparty pursuant to which the Fund will be required on termination to physically deliver the Common Share Portfolio to the Counterparty in exchange for a cash payment in an amount determined with reference to the value of the units of the Portfolio Trust, or at the election of the Fund, to make a net cash payment to the appropriate party in an amount which may be more or less than the original subscription price of the Trust Units. In entering into the Forward Agreement, the Fund will be exposed to the credit risk associated with the Counterparty and the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreement. Depending on the value of the Common Share Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, under the terms of the security interest granted by the Fund in favour of the Counterparty, the Common Share Portfolio or other securities acceptable to the Counterparty will be held by the Counterparty or an affiliate. Therefore, the Fund will be exposed to the insolvency risk of the Counterparty or its affiliate. Investors will have no recourse or rights against the Fund or the assets of the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement.

Derivatives Risk

A derivative is a contract between two parties whose value is “derived” from the value of an underlying asset, such as a stock or a market index. Forward contracts, such as the Forward Agreement, are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Some general risks associated with the use of derivatives are: hedging strategies may not be effective; a market may not exist when the Fund wants to close out its position in a derivative; the Fund may experience a loss if the other party to a derivative is unable to fulfill its obligations; the derivative may not perform the way expected, causing the Fund to lose value; and costs of the derivative contracts with counterparties course rise.

Securities Lending

The Fund and the Portfolio Trust may engage in securities lending. Although both of the Fund and the Portfolio Trust will each receive collateral for the loans and such collateral will be marked-to-market, the Fund and the Portfolio Trust, as the case may be, will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Interest Rate Fluctuations

As the Fund is targeting monthly distributions representing a yield on the Offering Price of the Units of 6% per annum, the trading price of the Trust Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the trading price of the Trust Units. Changes in interest rates may also adversely affect the business of the issuers in which the Portfolio Trust invests or the trading price of the securities of such issuers.

Trading Price of the Trust Units Relative to Net Asset Value

Units of certain closed-end funds in Canada have traded at a discount from their net asset values. This risk associated with units of a closed-end fund is a risk separate and distinct from the risk that the NAV of the Fund may decrease. The Fund cannot predict whether the Trust Units will trade at a discount from, a premium to, or at the NAV per Trust Unit.

Foreign Market Exposure

The Portfolio will include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada and the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Risks Relating to Investing in Emerging Markets

The Portfolio will include securities of issuers that are domiciled in countries that are located in emerging markets. Because of the special risks associated with investing in emerging markets, the Portfolio Trust investing in such securities should be considered speculative. Investors in the Fund are advised to consider carefully the special risks of investing in emerging market securities. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

The risk also exists that an emergency situation may arise in one or more developing markets as a result of which trading of securities may cease or may be substantially curtailed and prices for the securities in the Portfolio in such markets may not be readily available.

Investors should note that changes in the political climate in emerging markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of Unitholders so affected.

Emerging markets can be significantly more volatile than developed markets, so that the price of shares may be subject to large fluctuations.

Foreign Currency Exposure

As a portion of the Portfolio will be invested in securities traded in foreign currencies, the NAV of the Portfolio Trust, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of foreign currencies relative to the Canadian dollar. The Portfolio Trust may not be fully hedged and distributions received on the Portfolio will not be hedged and accordingly no assurance can be given that the Portfolio Trust will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Investment Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Portfolio Trust if the Investment Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Recent Global Financial Market Developments

Global financial markets have experienced significant volatility during recent months. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as governments are attempting to restore liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. No assurance can be given that this stimulus will continue or if it is continued, that it will be successful or that these economies won't be adversely affected by the inflationary pressures resulting from such stimulus, or central banks' efforts to slow inflation. Some of these economies have experienced significantly diminished growth and others have experienced or are experiencing a recession. These market conditions and unexpected volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of such issuers in the Portfolio.

Reliance on Management

Unitholders will be dependent on the management of the Manager and Investment Manager. Investors who are not willing to rely on the management of the Manager and Investment Manager should not invest in the Units, Trust Units or Warrants.

Nature of Trust Units

The Trust Units share certain attributes common to both equity securities and debt instruments. Trust Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Trust Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

Potential Dilution Caused by Warrants

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants

acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution.

Redemptions

If holders of a substantial number of Trust Units exercise their redemption right, the number of Trust Units outstanding and the NAV of the Fund could be significantly reduced with the effect of increasing the management expense ratio of the Fund.

Operating History

The Fund and the Portfolio Trust are newly organized investment funds with no previous operating history. There is currently no public market for the Units, Trust Units or Warrants and there can be no assurance that an active public market for the Units, Trust Units or Warrants will develop or be sustained after completion of the offering.

Not a Mutual Fund or Trust Company

The Fund will not be a “mutual fund” as defined under Canadian securities laws and, accordingly, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. As a result, some of the protections provided to investors in mutual funds under Canadian securities laws, including certain provisions of NI 81-102, do not apply to the Fund.

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Units are not “deposits” within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Potential Conflicts of Interest

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund or the Portfolio Trust. Although none of the directors and officers of the Manager or Investment Manager will devote his or her full time to the business and affairs of the Fund and the Portfolio Trust, each director and officer of the Manager or Investment Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Portfolio Trust, the Manager and the Investment Manager, as applicable.

Changes in Legislation

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Fund, the Portfolio Trust or by the Unitholders.

Taxation of the Fund

On October 31, 2003 the Department of Finance released a tax proposal (the “**October 2003 Proposals**”) relating to the deductibility of losses under the Tax Act. Under the October 2003 Proposals, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 2003 Proposals were to apply to the Fund, certain losses of the Fund may be limited with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 2003 Proposals would be released (the “**Alternative Proposal**”). To date, the Alternative Proposal has not been released and no assurance can be given that it will not adversely affect the Fund.

If certain tax proposals released on September 16, 2004 are enacted as proposed (the “**September 16th Tax Proposals**”), the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Trust Units held by non-residents, or partnerships that are not Canadian partnerships, or any combination of the foregoing, is more than 50% of the fair market value of all issued and

outstanding Trust Units unless not more than 10% (based on fair market value) of the Fund's property is at any time "taxable Canadian property" within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Units are intended to limit the number of Trust Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Units representing more than 50% of the fair market value of all Trust Units. The September 16th Tax Proposals were not included in Bill C-52, which received Royal Assent on June 22, 2007. Pursuant to an amendment to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons unless at that time, all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 16th Tax Proposals.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA (as defined hereinafter) respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The Portfolio Trust intends to invest in global Equity Securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital ("Tax Treaties") to impose tax on dividends paid or credited to persons who are not resident in such countries. While the Portfolio Trust intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global Equity Securities may subject the Portfolio Trust to foreign taxes on dividends paid or credited to the Portfolio Trust or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Portfolio Trust will generally reduce the value of the Portfolio Trust and, therefore, the amount payable under the Forward Agreement. Foreign taxes incurred may generally be partly or wholly deductible to the Portfolio Trust in computing its income under the Tax Act. The availability of tax deductions to the Portfolio Trust for foreign taxes are subject to the detailed rules in the Tax Act.

The Fund will make the election under the Tax Act to treat each of its "Canadian securities" as defined in subsection 39(6) of the Tax Act as capital property. In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities in the Common Share Portfolio under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from CRA regarding the timing or characterization of the Fund's gains or losses.

If, contrary to advice of counsel for the Fund and the Agents, whether through the application of the general anti-avoidance rule or otherwise, or as a result of a change of law, the entering into of the Forward Agreement were a taxable event or if gains realized on the sale of the Common Share Portfolio under the Forward Agreement were treated other than as capital gains, after-tax returns to Unitholders would be reduced.

DISTRIBUTION POLICY

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 15th day of the following month. The initial cash distribution is anticipated to be payable on or before May 13, 2011 to Unitholders of record on April 29, 2011. Beginning in March 2012, 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 will be \$0.06 per Trust Unit per month (\$0.72 per annum representing an annual cash distribution of 6% based on the \$12.00 per Unit issue price) for the first 12 months of the Fund.

Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, and the Portfolio Trust employs leverage of 25% of the value of the total assets (33 $\frac{1}{3}$ % of the NAV of the Portfolio Trust), the Portfolio would be required to generate an average annual total return of approximately 8.48% in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units through partial settlement of the Forward Agreement. The Portfolio has a weighted average current cash yield of approximately 7.94% and accordingly, the Portfolio would be required to generate additional returns in excess of the Indicative Portfolio's current cash yield through the sale of securities or other returns in order for the Fund to achieve its initial targeted monthly distributions for the Trust Units. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions (through partial

settlements of the Forward Agreement), the Manager may return a portion of the capital of the Fund to Unitholders (through partial settlements of the Forward Agreement) to ensure the distribution is paid and accordingly NAV per Trust Unit would be reduced.

The amount of distributions may fluctuate and no assurance can be given that distributions will remain at the initial Indicative Distribution Amount level.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution (either in cash or Trust Units) of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date. Immediately after a pro-rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units may be consolidated such that each Unitholder will hold, after the consolidation, the same number of Trust Units as the Unitholder held before the non-cash distributions, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “Income Tax Considerations”.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Trust Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Trust Units for tax purposes. See “Income Tax Considerations”.

PURCHASES OF SECURITIES

Prospective purchasers may subscribe for Units through any one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about March 23, 2011, or such later date as may be agreed upon by the Fund and the Agents that is on or before April 21, 2011. The distribution price was determined by negotiation between the Agents and the Fund. See “Plan of Distribution”.

REDEMPTION OF TRUST UNITS

Monthly Redemption

Trust Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th Business Day before the last Business Day of the applicable month (the “**Monthly Redemption Notice Period**”) by Unitholders thereof for redemption (“**Monthly Redemption**”). Upon receipt by the Fund of the redemption notice, in the manner described below, the Unitholder shall be entitled to receive a price per Trust Unit (the “**Monthly Redemption Price**”) equal to the lesser of:

- (a) 95% of the “market price” of the Trust Units on the principal market on which the Trust 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 Trust Units are quoted for trading on the Monthly Redemption Date.

For the purposes of this calculation, “market price” will be an amount equal to the weighted average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Trust Units traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the “market price” shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Trust Units for each day there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Trust Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other

market provides only the highest and lowest prices of Trust Units traded on a particular day; or the average of the last bid and last asking prices of the Trust Units if there was no trading on that date.

The Monthly Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units may be suspended if: (i) at the time such Trust Units are tendered for redemption, the outstanding Trust Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Trust Units; or (ii) the normal trading of Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

It is anticipated that the Monthly Redemption will not be the primary mechanism for Unitholders to dispose of their Trust Units.

Annual Redemption

Commencing in 2012, Trust Units may be surrendered for redemption (“**Annual Redemption**”) during the period from the first Business Day of August to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the last Business Day in August (the “**Annual Redemption Notice Period**”), subject to the Fund’s right to suspend redemptions in certain circumstances. Trust Units surrendered for redemption during the applicable Annual Redemption Notice Period will be redeemed on the last Business Day of August (the “**Annual Redemption Date**”) and the Unitholder will receive payment on the applicable Redemption Payment Date equal to the NAV per Trust Unit on the Annual Redemption Date less any costs of funding the redemption (the “**Annual Redemption Price**”).

Exercise of Redemption Privilege

The Monthly Redemption privilege or the Annual Redemption privilege must be exercised by causing written notice (the “**Redemption Notice**”) to be given within the Monthly Redemption Notice Period or Annual Redemption Notice Period, as applicable, in the manner described below. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Trust Units which are not paid for by the Fund on the relevant Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, the Redemption Notice. A Unitholder who desires to redeem Trust Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under “Suspension of Redemptions and Purchases” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Trust Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Trust Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder.

Suspension of Redemptions and Purchases

The Manager may direct the Trustee to suspend the Monthly Redemption and the Annual Redemption of Trust Units and market purchases of Trust Units by the Fund or payment of redemption proceeds for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of

assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption, as applicable. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Trust Units and Warrants by a Unitholder who acquires Trust Units and Warrants pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds Trust Units and Warrants as capital property. Generally, the Trust Units and Warrants will be considered to be capital property to a purchaser provided that the purchaser does not hold such Trust Units and Warrants in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Trust Units as capital property may, in certain circumstances, be entitled to have such Trust Units (but, for greater certainty, not Warrants) and all other “**Canadian securities**” as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “**Tax Proposals**”) and relies upon advice from the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that the Fund will at no time be subject to the tax for “SIFT trusts” for purposes of the Tax Act.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Trust Units and Warrants and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Trust Units and Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust Units and Warrants will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Trust Units and Warrants, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a “**mutual fund trust**” within the meaning of the Tax Act, that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established, that the Fund has not been established and will not be maintained primarily for the benefit of non-residents and that not more than 50% (based on fair market value) of the Trust Units will be held by non-residents of Canada, partnerships that are not “**Canadian partnerships**” as defined in the Tax Act, or any combination thereof.

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “**unit trust**” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real

property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or a real right in an immovable) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Trust Units (the “minimum distribution requirements”). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has advised counsel that it has no reason to believe that, following the Closing, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing Date and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

Provided that the Fund qualifies and continues at all times to qualify as a “**mutual fund trust**” within the meaning of the Tax Act, or that the Trust Units are listed on a designated stock exchange under the Tax Act (which includes the TSX), the Trust Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**plan trust**”). Provided that the Warrants are listed and continue at all times to be listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that at all times the Trust Units are qualified investments for plan trusts and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a plan trust, the Warrants will be qualified investments for plan trusts. For certain consequences of holding Trust Units and Warrants in a plan trust, see “Income Tax Considerations – Taxation of Registered Plans”.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Manager has advised counsel that the Fund intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. The Manager has advised counsel that the Fund intends to make an election under subsection 39(4) of the Tax Act so that all securities included in the Common Share Portfolio that are “Canadian securities” (as defined in the Tax Act) will be deemed to be capital property to the Fund.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement. Provided the Fund elects to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian securities will be taxed as capital gains or capital losses. If the obligations of the Fund under the Forward Agreement are settled by making net cash payments, rather than the delivery of the Common Share Portfolio, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable. If the Fund delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement, the Fund will realize capital gains (or capital losses) equal to the amount by which the purchase price under the Forward Agreement (less reasonable costs of disposition) exceeds (or is less than) the aggregate adjusted cost base of such securities.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest payable by the Fund on borrowed funds used to purchase securities to be included in the Common Share Portfolio subject to the October 2003 Proposals. The Fund may generally deduct the costs and expenses of this Offering (including the Warrant exercise fee) paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act (including the October 2003 Proposals discussed below).

It is possible that, under the October 2003 Proposals, or the Alternative Proposal, the deduction of losses of the Fund in a particular taxation year could be limited. Under the October 2003 Proposals, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business, or has held, and can reasonably be expected to hold, the property. If the deduction of losses of the Fund is limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Unitholders.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Trust Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the Common Share Portfolio in connection with the redemption of Trust Units.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the delivery of securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Fund in a taxation year may be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

The Fund will be deemed to realize a capital gain equal to the amount of the purchase price for a Unit allocated to a Warrant which expires unexercised on the Warrant Expiry Time.

Taxation of Unitholders

A reasonable allocation of the purchase price of the Units between the Trust Units and the Warrants will be required for tax purposes. The Manager has advised counsel that the Fund will allocate \$0.12 to each Warrant. Such allocation is not binding on the CRA and the CRA may not agree with such allocation. For the purposes of determining the adjusted cost base to a Unitholder of a Warrant, when Warrants are acquired, the cost of newly acquired Warrants will be averaged with the adjusted cost base of all Warrants owned by the Unitholder as capital property before that time.

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a holder upon the exercise of a Warrant. The cost to the holder of a Trust Unit acquired upon the exercise of a Warrant will be equal to the aggregate of the adjusted cost base of the Warrant so exercised and the subscription price paid by such holder for the Trust Unit. The cost of a Trust Unit acquired by a holder upon the exercise of a Warrant will be averaged with the adjusted cost base of all other Trust Units already held as capital property by the holder at the time of the exercise of the Warrant in order to determine the adjusted cost base of each such Trust Unit to the Unitholder.

On the disposition or deemed disposition of a Warrant, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of disposition exceed (or are exceeded by) the aggregate adjusted cost base of the Warrant and any reasonable costs of disposition. The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the holder of the expired Warrant. Any such capital gains or capital losses will be treated as described below in the discussion of disposition of Trust Units.

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Trust Units) in the taxation year. The non-taxable portion of the Fund’s net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Unitholder’s share of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income, but will generally reduce the adjusted cost base of the Unitholder’s Trust Units. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and the Unitholder’s adjusted cost base

will be increased by the amount of such deemed capital gain to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, and (ii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Trust Units will be reduced by such amount. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

On the disposition or deemed disposition of a Trust Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Trust Unit and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base of Trust Units to a Unitholder, when Trust Units are acquired, the cost of the newly acquired Trust Units will be averaged with the adjusted cost base of all Trust Units owned by the Unitholder as capital property immediately before that time. The cost of Trust Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. A consolidation of Trust Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Trust Units. See "Attributes of the Units, Trust Units and Warrants – Trust Units".

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Trust Units will be included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized may be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholders on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains included in a plan trust's income are generally not taxable under Part I of the Tax Act, provided that the Trust Units are qualified investments for the plan trust. See "Income Tax Considerations – Status of the Fund". Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Fund or any person or partnership that does not deal at arm's length with the Fund within the meaning of the Tax Act, and provided that such holder deals at arm's length with the Fund within the meaning of the Tax Act, the Trust Units and the Warrants will not be prohibited investments for a trust governed by such tax-free savings account. A significant interest generally means the ownership of 10% or more of the value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder does not deal at arm's length. Holders of a tax-free savings account should consult their own tax advisors in this regard.

Tax Implications of the Fund's Distribution Policy

The NAV per Trust Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time Trust Units are acquired. A Unitholder who acquires Trust Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Trust Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Trust Units. Since the Fund intends to make monthly distributions as described under "Distribution Policy", the consequences of acquiring Trust Units late in a calendar year will generally depend on the amount of monthly distributions throughout the year and whether one or more special distributions to Unitholders are necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND AND THE PORTFOLIO TRUST

The Manager

The Manager will perform the management functions of the Fund pursuant to the Declaration of Trust. The Manager will perform the management functions of the Portfolio Trust pursuant to the Portfolio Trust Declaration of Trust. The Manager is a company incorporated pursuant to the laws of the Province of Ontario. The municipal address of the Manager where it principally provides services to the Fund and the Portfolio Trust is located at 710 Dorval Drive, Suite 200, Oakville, Ontario L6K 3V7.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust and the Portfolio Trust Declaration of Trust, as applicable, Harvest is the manager of the Fund and the Portfolio Trust and, as such, is responsible for delegating all investment decisions of the Fund and the Portfolio Trust in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Common Share Portfolio and Portfolio transactions, and for managing and administering the day-to-day business and affairs of the Fund and the Portfolio Trust. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Fund and/or the Portfolio Trust to do so. The Manager's duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund and the Portfolio Trust, as the case may be; preparing financial statements and financial and accounting information as required by the Fund and/or the Portfolio Trust; ensuring that Holders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund and the Portfolio Trust comply with regulatory requirements and applicable stock exchange listing requirements, as the case may be; preparing or causing to be prepared the reports of the Fund and the Portfolio Trust to Holders and the Canadian securities regulatory authorities; as applicable, determining the timing and amount of distributions to be made by the Fund; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager has retained the Investment Manager to provide investment advisory and portfolio management services with respect to the Common Share Portfolio and the Portfolio and will monitor the Fund's and the Portfolio Trust's investment strategy and ensure compliance with the Fund's and the Portfolio Trust's investment restrictions.

Pursuant to the Declaration of Trust and the Portfolio Trust Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and the Portfolio Trust and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Declaration of Trust and the Portfolio Trust Declaration of Trust provide that the Manager will not be liable in any way for any default, failure or defect in the Common Share Portfolio held by the Fund or the Portfolio held by the Portfolio Trust if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust or the Portfolio Trust Declaration of Trust, as applicable.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager of the Fund and/or the Portfolio Trust until the termination of the Fund and/or the Portfolio Trust, as applicable. The Manager may resign if the Fund or the Portfolio Trust is in material breach or default of the provisions of the Declaration of Trust or the Portfolio Trust Declaration of Trust, as applicable, and, if capable of being cured, any

such breach or default has not been cured within 30 days notice of such material breach or default to the Fund or the Portfolio Trust, as applicable. The Manager is deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; (ii) in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act; or (iii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. The Manager may resign as manager of the Fund and/or the Portfolio Trust upon 60 days notice to the Holders. The Manager may not be removed other than by a meeting of the Holders, as described under the heading “Unitholder Matters” as it relates to the Fund. In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust or the Portfolio Trust Declaration of Trust, as applicable, and, if capable of being cured, any such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give notice thereof to Holders and Holders may direct the Trustee to remove the Manager and appoint a successor manager of the Fund and/or the Portfolio Trust, as applicable.

The Manager will be reimbursed by the Fund or the Portfolio Trust, as applicable, for all reasonable costs and expenses incurred by the Manager on behalf of the Fund and/or the Portfolio Trust, as applicable, as described under “Fees and Expenses of the Fund – Operating Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust – Operating Expenses of the Portfolio Trust”. In addition, the Manager and each of its directors, officers and employees will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers or employees, in the exercise of its duties as Manager, except those resulting from the Manager’s wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust or the Portfolio Trust Declaration of Trust, as applicable.

Officers and Directors of the Manager

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation are as follows:

| <u>Name and Municipality of Residence</u> | <u>Office</u> | <u>Principal Occupation</u> |
|---|---|--|
| MICHAEL KOVACS Oakville, Ontario | President and Chief Executive Officer, Chairman of the Board of Directors, Chief Compliance Officer, and Corporate Secretary | President and Chief Executive Officer, Harvest Portfolios Group Inc. |
| TOWNSEND HAINES..... Toronto, Ontario | Chief Financial Officer and Director | Chief Financial Officer, Harvest Portfolios Group Inc. |
| NICK BONTIS..... Ancaster, Ontario | Director | Associate Professor, Strategic Management & Director, Undergraduate Programs, DeGroot School of Business, McMaster University |

The following is a brief description of the background of the key management of Harvest.

Michael Kovacs, President and Chief Executive Officer

Michael is the founder of Harvest Portfolios Group Inc. and a 25 year veteran of the investment management business. Since 1991 he has held senior management positions with 4 companies, the latest as Managing Director of Sentry Select Mutual Funds and Senior Vice President of Sentry Select Capital Inc. from 2002 - 2009. He was a Vice President with Guardian Capital Group from 1991 - 1995, Vice President of National Sales with AIC Funds from 1995 - 2000 and Vice President of Distribution with ING Funds from 2000 - 2002. In 1983 he obtained his BA from York University, and has also completed the Canadian Securities Course, Canadian Options Course, Canadian Branch Managers Course and the Officers, Partners and Directors exam.

Townsend Haines, Chief Financial Officer and Director

Townsend has developed extensive experience in sales, sales management, product development and strategic planning during his 30 years in the investment industry. Townsend has been Vice President of Sales at AGF, Guardian Group of Funds, Franklin Templeton and the Executive Director of Global Strategy. Townsend's board and committee memberships have included the Investment Funds Institute of Canada, University of Western Ontario Senate and Board of Governors and the Board of Trustees of the Toronto School of Theology at University of Toronto. He is currently a member of the Investment Committee of the Board of Regents of Victoria University at University of Toronto. Townsend holds a Bachelor of Economics from the University of Western Ontario, and a Masters of Theological Studies degree from the University of Toronto. He has also successfully completed numerous industry courses including CFA Level I, the Partners, Directors and Senior Officers Qualifying Examination. Townsend has held various registrations and designations including Compliance Officer, Senior Officer, Senior Portfolio Manager and the Charter Financial Planner designation.

Dr. Nick Bontis, Director

Dr. Nick Bontis is a tenured professor of strategic management at the DeGroote School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. His doctoral dissertation on the mutual fund industry went on to become the #1 selling thesis in Canada. He has won over a dozen major teaching awards and has been the faculty researcher of the year twice. Maclean's magazine has rated him as one of McMaster's most popular professors for six years. He is also a 3M National Teaching Fellow, an honour bestowed upon the top university professors in the country. Prior to his career in academia, Dr. Bontis was a securities analyst at CIBC Securities Inc.

The Investment Manager

The Manager has retained Avenue to provide investment management services to the Fund and the Portfolio Trust. Avenue is a Canadian investment manager. Avenue was founded by three investment management professionals; Paul Harris, CFA, Paul Gardner, CFA and Bill Harris, CFA, each with over 21 years of experience, who have managed assets or businesses for leading financial institutions in Toronto, Montreal and New York.

Avenue describes its investment methodology as follows:

- conducting in-house fundamental top-down and bottom-up value based analysis and market research
- finding well-managed issuers that have a competitive advantage in their market;
- determining if the issuer's intrinsic value is at a discount to its market value;
- opportunistically buying when these discounts exist; and
- holding the position until the issuer no longer meets the valuation criteria.

Generally, an issuer's securities will be reviewed to sell if and when:

- underlying fundamentals have changed;
- unfavourable changes in management occur;
- changes occur in the competitive or regulatory environment;
- intrinsic value is achieved; or
- risk/reward profile does not warrant increasing the investment.

As of December 31, 2010 Avenue had total assets under management of approximately \$220 million and manages assets on behalf of private individual, corporate and institutional clients. Avenue is also the investment manager for Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund and Harvest Sustainable Income Fund.

Details of the Investment Management Agreements

The Investment Manager provides investment advisory and portfolio management services to the Fund with respect to the Common Share Portfolio pursuant to the Investment Management Agreement. In addition, the Investment Manager will also provide investment advisory and portfolio management services to the Portfolio Trust

with respect to the Portfolio pursuant to the Portfolio Trust Investment Management Agreement (collectively with the Investment Management Agreement, the “**Investment Management Agreements**”). Decisions regarding the purchase and sale of securities and the execution of transactions for the Common Share Portfolio and the Portfolio will be made by the Investment Manager, in accordance with and subject to the terms of the Investment Management Agreements. Subject to the terms of the Investment Management Agreements, the Investment Manager will implement the investment strategy for the Portfolio on an ongoing basis.

Under the Investment Management Agreements, the Investment Manager covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund or the Portfolio Trust, as applicable, to act honestly and in good faith with a view to the best interests of the Fund or the Portfolio Trust, as applicable, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreements provides that the Investment Manager will not be liable in any way to the parties indemnified under the Investment Management Agreements for any default, failure or defect in any of the securities comprising the Common Share Portfolio or the Portfolio, as applicable, if it satisfied the standard of care, diligence and skill set forth above. The Investment Management Agreements further provide that the Investment Manager will not be liable for any losses in the NAV of the Fund or the NAV of the Portfolio Trust, as applicable, if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Management Agreements, the Investment Manager and its officers, directors and employees shall be indemnified, from the assets of the Fund or the Portfolio Trust, as applicable, against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Management Agreements, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or Portfolio Trust Investment Management Agreement, as the case may be, or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person’s duties under the Investment Management Agreement or Portfolio Trust Investment Management Agreement, as the case maybe. Under the Investment Management Agreements, the Investment Manager will be responsible for any loss to the Fund or Portfolio Trust, as the case may be, that arises out of Investment Manager’s failure to exercise the powers and discharge its duties in good faith and in the best interests of the Fund or the Portfolio Trust, as the case may be, or its failure to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Investment Manager or Manager may terminate the Investment Management Agreements in the following circumstances: (i) upon not less than 90 days written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Investment Management Agreement or the Portfolio Trust Investment Management Agreement, as the case may be, and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Investment Management Agreement or the Portfolio Trust Investment Management Agreement, as the case may be shall terminate immediately if any of the following events take place: (i) in the event Avenue or Harvest is subject to a material regulatory issue that would affect the ability of the Avenue or Harvest to fulfill its obligations under the Investment Management Agreement or the Portfolio Trust Investment Management Agreement, as the case may be, or if Avenue is unable to provide the investment management services contemplated in the Investment Management Agreement or the Portfolio Trust Investment Management Agreement, as the case may be; (ii) in the event that Avenue or Harvest become bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) in the event that Avenue or Harvest makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for Avenue or Harvest.

Any termination of either the Investment Management Agreement or the Portfolio Trust Investment Management Agreement, as the case may be, shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date of notice of termination is given and the effective date of termination, Avenue agrees to continue to provide investment advisory or management services to the Fund or the Portfolio Trust, as the case may be, to the best of its ability in accordance with the standard of care set out above.

The Manager is responsible for payment of the investment management fees of the Investment Manager out of the Management Fee and Portfolio Trust Management Fee. See “Fees and Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust”.

The following is a brief description of the background of the key management of Avenue:

Paul A. M. Harris, CFA is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Harris has more than 20 years of investment experience. Prior to co-founding Avenue in 2002, Mr. Harris worked in New York for Fiduciary Trust International as a senior portfolio manager focusing on global equity portfolios for institutional clients from 2000 to 2002. Before joining Fiduciary Trust International, Mr. Harris was with TD Asset Management for 8 years, where he was a senior portfolio manager of the Greenline Dividend Fund, the Greenline Small-Cap Fund and the TD Bank pension fund. In addition, Mr. Harris was an equity analyst covering financial services and technology globally. Mr. Harris received a B.A. from the University of Toronto in 1986. He became a Chartered Financial Analyst in 1994. He is a member of the New York Society of Financial Analysts and A.I.M.R.

Paul Gardner, CFA is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Gardner has more than 20 years experience in the investment industry. Prior to co-founding Avenue, Mr. Gardner was at TD Asset Management as a senior portfolio manager of the TD Canadian Bond Fund and several of TD's domestic fixed income funds. Much of his expertise has been in corporate debt analysis. Before joining TD Asset Management, Mr. Gardner worked at TD Securities, as Chief Dealer money markets. Prior to that, he was a foreign exchange trader with TD Bank. Mr. Gardner received his B.A. from York University in 1986. He became a Chartered Financial Analyst in 1991. He is a member of the Toronto Society of Financial Analysts and A.I.M.R.

Bill Harris, CFA is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Harris has over 20 years of experience in the investment industry. Prior to joining Avenue in 2004, Mr. Harris was at Sentry Select Capital Corp. as a portfolio manager for their resource group of funds from 2002 to 2004. His responsibilities included managing mutual funds, limited partnerships and exchange traded funds that specialized in oil and gas, mining and alternative energy investments. From 1999-2002, Mr. Harris was at TD Asset Management as the senior energy and mining analyst for the Precious Metals, Resources and Energy Funds. From 1992-1999, he was the Canadian equity trader for the Active equity group at TD Asset Management. Mr. Harris received a BA in economics from Dalhousie University in 1990. He became a Chartered Financial Analyst in 1998 and is a member of the Toronto Society of Financial Analysts.

Faroukh E. Kanga is a partner with Avenue. Mr. Kanga has over 20 years of experience in the financial services industry. Prior to joining Avenue in 2008, Mr. Kanga acted as a Managing Director at TD Securities, part of TD Bank Financial Group from 1986 to 2006. His responsibilities included the national mandate for origination, trading and sales of short-term capital market products, the management of the national Foreign Exchange and Money Market distribution teams and the management of the Quebec and Atlantic Canada Money Market distribution team. Mr. Kanga received an Honours BA in political philosophy and communications from the University of Toronto in 1984.

Conflicts of Interest

The management services of Harvest under the Declaration of Trust and the Portfolio Trust Declaration of Trust are not exclusive and nothing in the Declaration of Trust and the Portfolio Trust Declaration of Trust prevents Harvest from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. The investment management services of Avenue under the Investment Management Agreement and the Portfolio Trust Investment Management Agreement are not exclusive and nothing in the Portfolio Trust Investment Management Agreement prevents Avenue from providing similar investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Fund or the Portfolio Trust, as applicable, and other investment funds or trusts managed by the Investment Manager, will be allocated to the Fund or to the Portfolio Trust and such other investment funds or trusts on a pro-rata basis according to the size of the order and the applicable investment restrictions and policies of the Fund, the Portfolio Trust and the other investment funds or trusts.

The Declaration of Trust and the Portfolio Trust Declaration of Trust acknowledge that the Trustee and the Manager may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund or the Portfolio Trust, as applicable, than those which would be obtained from parties

which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Fund or the Portfolio Trust has invested or may invest.

Independent Review Committee

In accordance with NI 81-107, the Manager has appointed an Independent Review Committee (“**IRC**”) for the Fund, the Portfolio Trust and the investment funds managed by it. The IRC is composed of three individuals, each of whom is independent of the Manager, the Fund, the Portfolio Trust and entities related to the Manager. The members of the IRC are Jane Davis, Don Hathaway and Adam Conyers. The Manager is required to identify conflict of interest matters inherent in its management of the Fund or the Portfolio Trust and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The IRC has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. The mandate and responsibilities of the IRC are to consider and make a recommendation or approval, as applicable, with respect to any conflict of interest matter referred to it by the Manager. The IRC will prepare, at least annually, a report of its activities for Holders. This report will be available on the Harvest's website at www.harvestportfolios.com or at the Holder's request, at no cost, by contacting Harvest at 1-866-998-8298. Information contained on the Manager's website is not part of this prospectus and is not incorporated by reference.

The members of the IRC will be indemnified by the Manager, the Fund and the Portfolio Trust in accordance with NI 81-107. The IRC members will not be responsible for the investments made by the Fund or the Portfolio Trust, or for the performance of the Fund or the Portfolio Trust. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager. Each of the Fund's and the Portfolio Trust's pro rata share of all fees and expenses of the IRC (which is currently anticipated to be \$17,500 per annum each) will be paid by the Fund and the Portfolio Trust, respectively, and the regular fees and expenses of the IRC (based on the amounts agreed by the Manager for the first year) have been included in the Fund's and Portfolio Trust's estimated annual operating expenses, respectively (see “Fees and Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust”). In future years the IRC members will set their own compensation in accordance with NI 81-107. In addition, the IRC has the authority, pursuant to NI 81-107 to retain independent counsel or other advisors, at the expense of the Fund or the Portfolio Trust, as the case may be, if the members deem it necessary to do so.

The Trustee

The Manager is the trustee of the Fund and the Portfolio Trust pursuant to the Declaration of Trust and Portfolio Trust Declaration of Trust, respectively, and is responsible for certain aspects of the day-to-day administration of the Fund and the Portfolio Trust. The address of the Trustee where it principally provides services to the Fund and Portfolio Trust is at 710 Dorval Drive, Suite 200, Oakville, Ontario L6K 3V7.

The Trustee may resign upon 60 days notice to Holders. The Trustee may be removed if the Trustee is no longer resident in Canada for purposes of the Tax Act, and the Trustee may be removed with the approval of a simple majority vote cast at a meeting of Holders, called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust or the Portfolio Trust Declaration of Trust, as the case may be, which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Holders if the Trustee is removed by Holders. If no successor has been appointed within 60 days, the Trustee or any Holder may apply to a court of competent jurisdiction for the appointment of a successor.

The Declaration of Trust will provide that the Trustee shall not be liable in carrying out its duties under the Declaration of Trust or the Portfolio Trust Declaration of Trust, as the case may be, except where it is in breach of its obligations under the Declaration of Trust or the Portfolio Trust Declaration of Trust, as the case may be, or where the Trustee fails to act honestly and in good faith, and in the best interests of Holders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust and the Portfolio Trust Declaration of Trust will contain other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Custodian

State Street Trust Company Canada will be appointed as the custodian (the “**Custodian**”) and valuation agent of the Fund pursuant to separate custodian and valuation agreements between the Fund and the Custodian. The custodian’s principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the custodian agreement (the “**Custodian Agreement**”), the Custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it but not those assets of the Fund not directly controlled or held by the Custodian as the case may be. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- (b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund’s property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that it may be terminated by either party at any time on 60 days written notice unless a different period is agreed to. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager’s powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

In addition, the Custodian will be responsible for providing valuation services to the Fund and will calculate the NAV of the Fund and the NAV per Trust Unit pursuant to the terms of a separate valuation service agreement. See “Calculation of Net Asset Value”.

The Custodian will receive fees for custodial and valuation services provided to the Fund as described above.

Promoter

Harvest has taken the initiative in organizing the Fund and the Portfolio Trust and accordingly may be considered to be a “promoter” of the Fund and the Portfolio Trust within the meaning of the securities legislation of certain provinces of Canada. Harvest will receive fees from the Fund and the Portfolio Trust and will be entitled to reimbursement of expenses incurred in relation to the Fund and the Portfolio Trust, as applicable, as described under “Fees and Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust” .

Prime Broker

CIBC World Markets Inc. will be appointed prime broker of the Portfolio Trust (the “**Prime Broker**”) pursuant to the Prime Brokerage Agreement and will facilitate the Portfolio Trust’s leverage. The Manager reserves the right to appoint another prime broker from time to time in its sole discretion.

Auditor

The Fund’s and the Portfolio Trust’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants at its principal office located at Suite 3000, Box 82, Royal Trust Tower TD Centre, Toronto, Ontario, M5K 1G8.

Registrar and Transfer Agent

Equity Financial Trust Company will be appointed the registrar and transfer agent for the Units, Trust Units and the Warrants.

CALCULATION OF NET ASSET VALUE

The NAV of the Fund 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 of the Fund will be calculated using the fair value of the Fund's assets and liabilities. The NAV of the Portfolio Trust will be similarly calculated on the basis of the fair value of its assets and liabilities based on the policies and procedures described below.

The NAV per Trust Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Trust Units then outstanding; provided however, that where as a result of such calculation the basic NAV per Trust Unit is greater than \$11.70 then a diluted NAV per Trust Unit will be calculated. The diluted NAV per Trust Unit shall be calculated by adding to the denominator the total number of Trust Units issuable pursuant to the exercise of the Warrants, then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Fund pursuant to the exercise of the Warrants. The diluted NAV per Trust Unit shall be deemed to be the resulting quotient.

Valuation Policies and Procedures of the Fund and the Portfolio Trust

Unless otherwise required by law, in determining the NAV of the Fund or the NAV of the Portfolio Trust, the Manager will take into account:

- (a) the value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the Valuation Time;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (d) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or the Portfolio Trust, as applicable, or by the predecessor in title of the Fund or the Portfolio Trust, as applicable, shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Fund or the Portfolio Trust, as applicable, was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund or Portfolio Trust, as applicable;
- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (g) if any date on which net asset value is determined is not a Business Day, then the securities comprising the Common Share Portfolio or Portfolio, as applicable, and other property of the Fund or Portfolio Trust, as applicable, will be valued as if such date were the preceding Business Day;

- (h) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (i) the value of all assets of the Fund or the Portfolio Trust, as applicable, quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund or the Portfolio Trust, as applicable, in foreign currency and the value of all liabilities and contractual obligations payable by the Fund or the Portfolio Trust, as applicable in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which net asset value is determined;
- (j) the value of a futures contract, forward contract or swap shall be the gain or loss, if any, that would arise as a result of closing the position in the futures contract or forward contract or swap, as the case may be at the Valuation Time unless daily limits are in effect, in which case the fair market value shall be based on the current value of the underlying interest; and
- (k) estimated operating expenses of the Fund or the Portfolio Trust, as applicable, shall be accrued to the date as of which net asset value is being determined.

Harvest may suspend the calculation of the net asset value when the right to redeem a Trust Unit is suspended. See “Redemption of Trust Units – Suspension of Redemptions”. During any period of suspension, there will be no calculation of the net asset value and the Fund will not be permitted to issue or redeem Trust Units. The calculation of the net asset value will resume when trading in the Fund’s securities resumes.

Except as described below, National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”) requires an investment fund, such as the Fund, to calculate its net assets in accordance with Canadian GAAP. Canadian GAAP was modified by the introduction of section 3855 *Financial Instruments – Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants*. Section 3855 defines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Therefore, the combined effect of NI 81-106 and section 3855 would require the Fund to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855. However, since September 8, 2008, NI 81-106 permits investment funds, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Trust Units.

Reporting of Net Asset Value

The NAV of the Fund, the NAV per Trust Unit and diluted NAV per Trust Units, if applicable, will be calculated on each Business Day. Such information will be provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298 or via the internet at www.harvestportfolios.com, as applicable.

WARRANT CONSIDERATIONS

Each investor in this Offering will purchase Units and each Unit consists of one Trust Unit and one Warrant. Following the closing of the Offering and the separation of the Units, the Trust Units and the Warrants may be dealt with separately by the investor with the result that the investor may retain both securities or may elect to sell some or all of their Trust Units or Warrants.

The value of Trust Units will be reduced if the NAV per Trust Unit exceeds \$11.70 (being the Warrant exercise price less the Warrant exercise fee of \$0.30 in the aggregate – see “Fees and Expenses – Warrant Exercise Fee”) and Warrants are exercised. If the NAV per Trust Unit exceeds \$11.70 then a Unitholder will face dilution of its investment. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s pro rata interest in the assets of the Fund will be diluted.

As the number of Warrants equal the number of Trust Units, the potential dilution per Trust Unit is up to one-half of all gains in the NAV per Trust Unit of the Fund in excess of \$11.70. The potential dilution per Trust Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

Pro Forma Dilution Per Unit

| Non-diluted NAV of the Fund before the exercise of Warrants | | | |
|---|---------|---------|---------|
| \$13.00 | \$13.50 | \$14.00 | \$14.50 |
| \$0.65 | \$0.90 | \$1.15 | \$1.40 |

Due to the dilutive effect on the value of the Trust Units when Warrants are exercised, an investor in this Offering should carefully consider the exercise of the Warrants or the sale of the Warrants prior to the Warrant Expiry Time and the failure to take either such action in these circumstances will result in the loss of value to an investor. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder would be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. The factors that would be expected to influence the price of a Warrant include the difference between the Exercise Price and the fully diluted NAV per Unit, price volatility, distributions payable on the Trust Units and the remaining time to expiry of the Warrant.

The NAV per Trust Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Trust Units then outstanding; provided, however, that where as a result of such calculation on the basic NAV per Trust Unit is greater than \$11.70 then a diluted NAV per Trust Unit will be calculated. The diluted NAV per Trust Unit shall be calculated by adding to the denominator the total number of Trust Units issuable pursuant to Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Fund pursuant to the exercise of the Warrants. See "Calculation of Net Asset Value".

ATTRIBUTES OF THE UNITS, TRUST UNITS AND WARRANTS

Units

Each purchaser will purchase Units and each Unit consists of one Trust Unit and one Warrant. The Units will separate into Trust Units and Warrants upon the earlier of the closing of the Over-Allotment Option and the 30th day following the closing of the Offering.

Trust Units

The Fund is authorized to issue an unlimited number of Trust Units.

Except as provided under "Unitholder Matters – Non-Resident Unitholders", all Trust Units have equal rights and privileges. Each Trust Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Trust Units are issued only as fully paid and are non-assessable. Trust Units will only be issued through the book-entry only system administered by CDS as described below.

The Declaration of Trust provides that the Fund may not issue additional Trust Units following completion of the Offering, except: (i) in connection with the exercise of the Warrants; (ii) for net proceeds per Trust Unit not less than the NAV per Trust Unit calculated on the date immediately prior to the pricing of the offering; (iii) by way of a distribution paid in additional Trust Units; or (iv) with the approval of Unitholders. Immediately after a pro rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

Registration of interests in and transfers of the Units and Trust Units will be made only through the book-entry only system of CDS. As a result, the Fund will deliver to CDS a certificate evidencing the aggregate number of Trust Units immediately following the closing of the Offering. Trust Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Trust Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Trust Units. Upon purchase of any Trust Units,

the owner will receive only the customary confirmation. References in this prospectus to a holder of Trust Units means, unless the context otherwise requires, the owner of the beneficial interest in such Trust Units.

Neither the Fund, the Trustee, the Custodian, the Manager, the Investment Manager, nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Trust Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Trust Units to pledge such Trust Units or otherwise take action with respect to such owner's interest in such Trust Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Trust Units through the book-entry only system in which case certificates for Trust Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

Market Purchases

The Fund may purchase Trust Units through the facilities of the TSX if the Manager determines that such purchases are in the best interest of the Fund. Purchases of Trust Units by the Fund will be subject to compliance with any applicable regulatory requirements and limitations.

Warrants

The following is a summary only and subject to, and is qualified in its entirety by reference to, the detailed provisions in the Warrant Indenture to be dated the date of the closing of the Offering between the Fund and the Warrant Agent.

Subscription Basis and Warrant Expiry Time

Each Warrant entitles the holder to purchase one Trust Unit at the subscription price of \$12.00 per Trust Unit by notifying the Warrant Agent during the period between March 15, 2012 and 5:00 p.m. (Toronto time) on March 30, 2012 ("**Warrant Notice Period**"). Such Warrants will be exercised effective at 5:00 p.m. (Toronto time) on and only on March 30, 2012. Holders who exercise the Warrants will become holders of Trust Units issued through the exercise of the Warrants. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON MARCH 30, 2012 WILL BE VOID AND OF NO VALUE.** As soon as practicable following the exercise of a Warrant, the Fund will pay a fee equal to \$0.18 per Warrant to the broker whose client is exercising the Warrant and \$0.12 per Warrant to the Agents.

The Warrant Agent

The Warrant Agent has been appointed the agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. Holders of Warrants desiring to exercise such Warrants and purchase Trust Units should ensure that subscriptions and payment in full of the subscription price therefor is received during the Warrant Notice Period by the Warrant Agent.

Delivery Form and Denomination of the Warrants

All Unitholders hold their Trust Units through a CDS Participant in CDS. As a result, one global warrant certificate representing the Warrants will be issued in registered form to CDS and will be deposited with CDS within 30 days of the closing of the Offering. The Fund expects that each purchaser of Units under the Offering will receive a confirmation of the number of Warrants issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry only accounts for its participants holding Warrants. Certificates evidencing Warrants will not be issued.

None of the Fund, the Manager, the Investment Manager, the Agents or the Warrant Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the book-entry only accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants, or

(iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders must arrange purchases or transfers of Warrants through CDS Participants.

Subscription Right

A subscriber may subscribe for the resulting whole number of Trust Units or any lesser whole number of Trust Units by instructing the CDS Participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding \$12.00 per Warrant for each Trust Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber's Warrants. Registration of interests in and transfers of the Warrants will be made only through the book-entry only system of CDS.

The subscription price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber's brokerage account, or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire subscription price for Trust Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent during the Warrant Notice Period. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Warrant Expiry Time to allow the CDS Participant to properly exercise the Warrants on its behalf. Unitholders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.

Payment of the subscription price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Trust Units for resale to any such person.

Subscriptions for Trust Units made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Trust Units once submitted.

Holders of Warrants who wish to exercise their Warrants and receive Trust Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Trust Units issuable upon the exercise thereof are issued to the holder.

Sale or Transfer of Warrants

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Trust Units sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Trust Units namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants are exercised, it should purchase all of the Trust Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If that Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted.

The subscription rights in effect under the Warrants for Trust Units of the Fund issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the Warrant Expiry Time, the Fund shall:

- (a) subdivide, re-divide or change its outstanding Trust Units into a greater number of Trust Units;
- (b) reduce, combine or consolidate its outstanding Trust Units into a smaller number of Trust Units;
- (c) distribute to holders of all or substantially all of the Fund's outstanding Trust Units any securities of the Fund including rights, options or warrants to acquire Trust Units or securities convertible into or exchangeable for Trust Units or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);

- (d) reclassify the Trust Units or reorganize the capital of the Fund; or
- (e) consolidate, amalgamate, or merge the Fund with or into any other trust or other entity, or sell or convey the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Trust Units).

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by the holders of not less than 25% of the Trust Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days and not more than 50 days notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy except for the purpose of any meeting called by Unitholders to consider item (c) under “Unitholder Matters – Matters Requiring Unitholder Approval” in which case the quorum shall be Unitholders holding 25% of the outstanding Trust Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each Trust Unit registered in the Unitholder’s name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval by Extraordinary Resolution (other than item (g) which requires approval by Ordinary Resolution) as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the investment objectives of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund that could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (c) a change of the manager of the Fund, other than to an affiliate of the Manager;
- (d) the issuance of additional Trust Units other than (i) in connection with the exercise of the Warrants; (ii) for net proceeds per Trust Unit not less than the NAV per Trust Unit calculated on the date immediately prior to the pricing of the offering, or (iii) by way of a distribution paid in additional Trust Units;
- (e) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;
- (f) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another entity if the Fund continues after the reorganization or acquisition of assets and the transaction would be a material change to the Fund; or
- (g) a termination of the Fund, other than as described under “Termination of the Fund”.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- (i) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;

- (ii) Unitholders are permitted to redeem their Trust Units at a redemption price equal to 100% of the NAV per Trust Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- (iii) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- (iv) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (v) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- (vi) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 30 Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Trust Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Declaration of Trust

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection or benefit to Unitholders;
- (g) divide the capital of the Fund into one or more series of Trust Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; and
- (h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust that require the approval of Unitholders or changes described above that do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee, at the request of the Manager, upon not less than 30 days prior written notice to Unitholders.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports of the Fund and the Portfolio Trust as are from time to time required by applicable law.

Non-Resident Unitholders

The Fund was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the Trust Units and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Trust Units is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Trust Units then outstanding are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Trust Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such Unitholders, dispose of such Trust Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Trust Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Trust Units.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days written notice by the Manager provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the “**Termination Date**”); provided, however, that the Manager may, in its discretion, on 60 days notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager it would be in the best interests of the Fund and the Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee and the Manager will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination or any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows (excluding the Units sold pursuant to the exercise of the Over Allotment Option):

| | Minimum Offering | Maximum Offering |
|----------------------------------|-----------------------------|-----------------------------|
| Gross proceeds to the Fund | \$ 20,000,000 | \$100,000,000 |
| Agents’ fees | \$ 1,050,000 | \$ 5,250,000 |
| Expenses of issue | \$ 300,000 | \$ 750,000 |
| Net proceeds to the Fund | <u>\$ 18,650,000</u> | <u>\$ 94,000,000</u> |

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over Allotment Option) to invest in securities in accordance with the investment objectives and restrictions of the Portfolio as described herein. See “Investments Objectives” and “Investment Restrictions”. Harvest anticipates that the net proceeds of the Offering will be substantially invested within 30 days from the Closing Date. Pending such investment, the cash portion of the net proceeds will be invested in money market instruments.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement between the Agents, Harvest, the Investment Manager and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$0.63 for each Unit sold and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units that are not sold.

The Fund has granted the Agents an Over-Allotment Option, exercisable in whole or in part at any time and from time to time during the period of 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate number of Units issued at the Closing on the same terms set forth above (“**Option Units**”). The Option Units consist of one Trust Unit and one Warrant. To the extent that the Over-Allotment Option is exercised, the Option Units will be purchased at the Offering Price and the Agents will be entitled to a fee of \$0.63 per Option Unit in respect of each Option Unit purchased. This prospectus qualifies the granting of the Over-Allotment Option and the distribution of the Option Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Over-Allotment Option acquires the Option Units under this prospectus, regardless of whether an over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Units, Trust Units and Warrants. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before May 24, 2011. The Units, Trust Units and Warrants will be listed on the TSX under the symbols HGI.A, HGI.UN and HGI.WT, respectively.

If subscriptions for a minimum of 1,666,667 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Cash proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about March 23, 2011 or such later date that is on or before April 21, 2011 as may be agreed upon by the Fund and the Agents.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by laws and rules of the relevant self regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over allot and may effect transactions to cover their over allotted position. Such transactions, if commenced, may be discontinued at any time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Harvest will receive the fees described under “Fees and Expenses of the Fund” and “Fees and Expenses of the Portfolio Trust” for its services to the Fund and the Portfolio Trust respectively, and will be reimbursed by the Fund or the Portfolio Trust for all expenses incurred in connection with the operation and administration of the Fund or Portfolio Trust, as applicable.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The proxies associated with securities held by the Fund or Portfolio Trust will be voted by the Investment Manager in the best interests of Holders. The Investment Manager considers the “best interests” of Holders to mean their best long-term economic interests. The Investment Manager maintains policies and procedures that are

designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote.

The Investment Manager's proxy voting policies and procedures set out various considerations that the Investment Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Investment Manager will generally vote with management on routine matters related to the operation of an issuer that are not expected to have a significant economic impact on the issuer and/or its shareholders;
- (b) the Investment Manager will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure and operation of the issuer and to have a greater impact on the value of the investment;
- (c) the Investment Manager may abstain from voting a proxy if it concludes that (i) the effect on Holders' economic interests or the value of the portfolio holding is indeterminable or insignificant or (ii) the cost of voting is disproportionate to the economic impact the vote would have on the portfolio holdings; and
- (d) any material conflicts that may arise will be resolved in the best interests of the Holders and potential procedures to deal with any conflict are identified.

A proxy voting committee of the Investment Manager administers and oversees the proxy voting process. The proxy committee reviews both the proxy voting policies and procedures for their continued effectiveness and appropriateness and the voting practices of the Investment Manager from time to time. In addition, the Manager has reviewed these policies and procedures and will monitor proxy voting by the Investment Manager on behalf of the Fund and the Portfolio Trust to ensure that such policies and procedures are followed and that the voting of proxies is carried out in the best interests of Holders.

The current proxy voting policies and procedures of the Investment Manager are available to Unitholders on request, at no cost, by calling toll-free 1-888-482-2007. The Investment Manager will publish the Fund's proxy voting records on an annual basis on its website at www.avenueinvestment.com. Information contained on the Investment Manager's website is not part of this prospectus and is not incorporated herein by reference.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under "Organization and Management Details of the Fund and the Portfolio Trust – The Manager";
- (b) the Portfolio Trust Declaration of Trust described under "Organization and Management Details of the Fund and the Portfolio Trust – The Manager";
- (c) the Warrant Indenture referred to under "Attributes of the Units, Trust Units and Warrants";
- (d) the Investment Management Agreement as described under "Organization and Management Details of the Fund and the Portfolio Trust – The Investment Manager";
- (e) the Portfolio Trust Investment Management Agreement as described under "Organization and Management Details of the Fund and the Portfolio Trust – The Investment Manager";
- (f) the Forward Agreement as described under "Overview of the Investment Structure";
- (g) the Agency Agreement described under "Plan of Distribution"; and
- (h) the Custodian Agreement described under "Organization and Management Details of the Fund and the Portfolio Trust – The Custodian".

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

EXPERTS

Borden Ladner Gervais LLP and Blake, Cassels & Graydon LLP have prepared the opinion as to certain tax matters as described under “Income Tax Considerations”.

The Fund’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors’ report dated February 25, 2011 in respect of the Fund’s statement of financial position as at February 25, 2011. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

None of these professional firms has any registered or beneficial interest, direct or indirect, in the securities of the Fund or of an associate or affiliate of the Fund.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the prospectus of Global Advantaged Telecom & Utilities Income Fund (the "Fund") dated February 25, 2011 relating to the issue and sale of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the Unitholder and the Trustee of the Fund on the statement of financial position of the Fund as at February 25, 2011. Our report is dated February 25, 2011.

Toronto, Canada
February 25, 2011

(signed) "PricewaterhouseCoopers LLP"
Chartered Accountants
Licensed Public Accountants

AUDITOR'S REPORT

To the Unitholder and Trustee of Global Advantaged Telecom & Utilities Income Fund (the "Fund")

We have audited the accompanying statement of financial position of the Fund as at February 25, 2011 and the related notes including a summary of significant accounting policies (the "financial statement").

Management's responsibility for the financial statement

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at February 25, 2011 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 25, 2011

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants
Licensed Public Accountants

**GLOBAL ADVANTAGED TELECOM & UTILITIES INCOME FUND
STATEMENT OF FINANCIAL POSITION**

As at February 25, 2011

ASSETS

Cash \$12

UNITHOLDER'S EQUITY

Unitholder's Equity (Notes 1 and 2): 1 Unit \$12

Approved by the Board of Directors of Harvest Portfolios Group Inc.:

(Signed) "Michael Kovacs"
Director

(Signed) "Townsend Haines"
Director

The accompanying notes are an integral part of this financial statement.

GLOBAL ADVANTAGED TELECOM & UTILITIES INCOME FUND
NOTES TO STATEMENT OF FINANCIAL POSITION

1. NATURE OF OPERATIONS

Global Advantaged Telecom & Utilities Income Fund (the “**Fund**”) is a closed-end investment fund governed by the laws of the Province of Ontario pursuant to a declaration of trust (the “**Declaration of Trust**”) dated February 25, 2011, by Harvest Portfolios Group Inc. (“**Harvest**” or the “**Manager**”), as manager and trustee of the Fund. Pursuant to the Declaration of Trust, Harvest in its capacity as trustee of the Fund, is holding in trust the sum of \$12.00 which Harvest has contributed and which constitutes the initial trust property of the Fund. The Fund is authorized to issue an unlimited number of units of the Fund (the “**Units**”).

This prospectus qualifies the issuance of Units (the “**Offering**”) at a price of \$12.00 per Unit. Each Unit consists of one trust unit (“**Trust Unit**”) and one warrant (“**Warrant**”). The Units will separate into Trust Units and Warrants upon the earlier of the closing of the Over-Allotment Option (as defined herein) and the 30th day following the closing of the Offering. Each Warrant entitles the holder to purchase one Trust Unit at the subscription price of \$12.00 per Trust Unit by notifying Equity Financial Trust Company before 5:00 p.m. (Toronto time) on March 30, 2012 (the “**Warrant Exercise Date**”). Such Warrants will be exercised effective at 5:00 p.m. (Toronto time) on and only on March 30, 2012. Warrants not exercised prior to 5:00 p.m. (Toronto time) on the Warrant Exercise Date will be void and of no value.

Holders of Trust Units (“**Unitholders**”) may redeem their Trust Units monthly and annually as described in the Declaration of Trust.

The NAV per Trust Unit will be calculated as of 4:15 p.m. (Toronto time) or such other time as the Manager deems appropriate, every Business Day, and includes any other day on which the Manager determines from time to time (the “**Valuation Time**”). The NAV of the Fund 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, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date.

The Fund’s investment objectives are to provide Unitholders with:

- (i) tax-advantaged monthly distributions; and
- (ii) capital appreciation.

The Indicative Distribution Amount is initially targeted to be \$0.06 per Trust Unit per month (\$0.72 per annum representing an annual cash distribution of 6% based on the \$12.00 per Unit issue price).

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 15th day of the following month. The initial cash distribution is anticipated to be payable on or before May 13, 2011 to Unitholders of record on April 29, 2011. Beginning in March 2012, 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 will be \$0.06 per Trust Unit per month (\$0.72 per annum) for the first 12 months of the Fund.

2. MANAGEMENT FEES AND OTHER EXPENSES

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund and, as such, is responsible for providing or arranging for required general and administrative services to the Fund.

Harvest is entitled to a management fee at an annual rate of 0.25% of NAV of the Fund, plus 1.0% of the NAV of the Portfolio Trust, plus an amount equal to the Servicing Fee (as defined herein), plus applicable taxes. Management fees payable to Harvest will be calculated daily, and payable monthly in arrears based on the NAV of the Fund or the NAV of the Portfolio Trust, as applicable. The management fee will be paid in cash.

GLOBAL ADVANTAGED TELECOM & UTILITIES INCOME FUND
NOTES TO STATEMENT OF FINANCIAL POSITION (continued)

2. MANAGEMENT FEES AND OTHER EXPENSES (continued)

The Manager will pay to registered dealers a servicing fee (the “**Servicing Fee**”) equal to 0.40% annually of the NAV per Trust Unit for each Trust Unit held by clients of the registered dealers (calculated daily and paid at the end of each calendar quarter commencing on the Closing Date, plus applicable taxes).

The Fund will also pay to the Counterparty a fee under the Forward Agreement of up to 0.50% per annum of the value of the total assets of the Portfolio Trust plus a fee based on the value of the Common Share Portfolio, calculated daily and payable monthly in arrears.

State Street Trust Company Canada (the “**Custodian**”) acts as custodian of the assets of the Fund and is also responsible for certain aspects of the Fund’s day to day operations. In consideration for the services provided by the Custodian, the Fund will pay a monthly fee to be agreed upon between the Custodian and Harvest.

In consideration for the services provided by the trustee of the Fund (except when the Manager is the trustee of the Fund), the Fund will pay a monthly fee to be agreed upon between the trustee of the Fund and Harvest.

Pursuant to the Declaration of Trust, the Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the Registrar and Transfer Agent and the Warrant Agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Fund; (e) independent review committee member fees and expenses in connection with the independent review committee; (f) banking fees and interest with respect to any borrowing; (g) fees payable to the auditors and legal advisors of the Fund; (h) regulatory filing, stock exchange and licensing fees; and (i) expenditures incurred upon the termination of the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$230,000 per annum.

The expenses of the Offering (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents’ fees, be paid from the gross proceeds of the Offering. The Offering expenses are estimated to be \$750,000. The Manager has agreed to pay all expenses incurred in connection with the Offering, other than the Agents’ fees, that exceed 1.5% of the gross proceeds of the Offering. The expenses of the Offering, together with the Agents’ fees, payable by the Fund, will be reflected as a reduction of Unitholders’ Equity.

As soon as practicable upon the exercise of a Warrant, the Fund will pay a fee equal to \$0.12 per Warrant to the Agents and a fee equal to \$0.18 per Warrant to the broker whose client is exercising the Warrant.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: February 25, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

Harvest Portfolios Group Inc.
(as Manager and Promoter of the Fund)

(Signed) "MICHAEL KOVACS"
Chief Executive Officer and President

(Signed) "TOWNSEND HAINES"
Chief Financial Officer

On behalf of the Board of Directors of Harvest Portfolios Group Inc.
(as Manager and Promoter of the Fund)

(Signed) "MICHAEL KOVACS"
Director

(Signed) "TOWNSEND HAINES"
Director

(Signed) "NICK BONTIS"
Director

CERTIFICATE OF THE AGENTS

Dated: February 25, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

(Signed) "ROBIN G. TESSIER"

(Signed) "MICHAEL D. SHUH"

SCOTIA CAPITAL INC.

(Signed) "BRIAN D. MCCHESENEY"

HSBC SECURITIES (CANADA) INC.

NATIONAL BANK FINANCIAL INC.

(Signed) "BRENT LARKAN"

(Signed) "TIMOTHY EVANS"

CANACCORD GENUITY CORP.

(Signed) "RON SEDRAN"

**DESJARDINS SECURITIES
INC.**

**DUNDEE SECURITIES
LTD.**

RAYMOND JAMES LTD.

**WELLINGTON WEST
CAPITAL
MARKETS INC.**

(Signed) "BETH SHAW"

(Signed) "HAROLD M.
WOLKIN"

(Signed) "J. GRAHAM
FELL"

(Signed) "SCOTT D. LARIN"

**INDUSTRIAL ALLIANCE SECURITIES
INC.**

**MACKIE RESEARCH CAPITAL
CORPORATION**

**MACQUARIE PRIVATE WEALTH
INC.**

(Signed) "LISE DOUVILLE"

(Signed) "DAVID J. KEATING"

(Signed) "RAYMOND SAWICKI"

*H*ARVEST
PORTFOLIOS GROUP
