HARVEST BANKS & BUILDINGS INCOME FUND

2011 Interim Management Report of Fund Performance
2011 Interim Financial Statements
(Unaudited)

The Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, can be obtained at your request, and at no cost, by calling us at 866 998 8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 200, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

CORPORATE OVERVIEW

Harvest Portfolios Group Inc. ("Harvest"), is a Canadian Asset Management company focused on unique and long term income generating investment products. Harvest was founded by long term members of the investment management industry and is focused on developing investment products that follow three main guidelines:

1. Clear and sound investment mandates
2. Transparent portfolio structures and holdings
3. Steady and consistent income.

INVESTMENT PRODUCT

The Harvest Banks & Buildings Fund (the "Fund") has been created to invest primarily in the Canadian banking, other financial and real estate sectors. The banking, other financial and the real estate sectors represent significant components of the Canadian economy. As the Canadian economy generally expands, the Investment Manager and the Manager believe that a diversified portfolio invested across these sectors will provide investors with an attractive yield and strong capital appreciation potential.

Should you require any additional information on this product, please review our information at www.harvestportfolios.com or on SEDAR at www.sedar.com, or call us at 866 998 8298.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The semi-annual management report of fund performance contains financial highlights for the Fund. For your reference, the semi-annual unaudited financial statements of the Fund are attached to the semi-annual management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1(866) 998-8298; by writing to us at HARVEST Portfolios Group Inc., 710 Dorval Drive, Suite 200, Oakville, Ontario, L6K 3V7; or by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund's investment objectives are:

i. to provide Unitholders with monthly distributions (initially targeted to be $0.07 per Trust Unit ($0.84 per annum) representing an annual cash distribution of 7.0% based on the $12.00 per Unit issue price); and

ii. to maximize total return for Unitholders.

The Fund will be invested in an actively managed portfolio that will consist primarily of Banking Issuers, other Financial Issuers and Real Estate Issuers. The investment strategies of the Fund include buying issuers that have had a history of consistent distributions or dividends. The Investment Manager, in its analysis of an issuer's balance sheet will focus on such leverage metrics as debt/EBITDA, debt/total capitalization, capital ratios and upcoming debt maturity schedules in order to reduce the likelihood of potential debt distress. The Investment Manager will focus on free cash flow and free cash flow yield, earning potential, and the investment's intrinsic value in order to assess dividend sustainability and possible growth in distributions.

RISK

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

RESULTS OF OPERATIONS

During the six month period ended June 30, 2011 the Harvest Banks and Buildings Fund returned 3.60%. This compares with a return of 4.82% for the blended index compromised of a 50% weighting of S&P/TSX Financial Index and a 50% weighting of the S&P/TSX Real Estate Index.

The 2nd quarter was affected by event driven news. The earthquake in Japan, the European Sovereign Debt Crisis, and recent US economic softness has changed the equity market's tone to negative. North American Financials specifically were exposed to the volatility of the soft U.S. economic data releases. The only positive from this volatility was lower long term interest rates that helped underpin the Real Estate sector which most issues either traded "sideways" or some making new highs.

The market had "priced in" higher interest rates for 2011. It has not come to pass and actually rates are lower than the beginning of the year. The presence of lower rates puts pressure on investors to purchase higher dividend paying investments such as financials and real estate companies. Flows should stay positive for these two sectors. Both financials and real estate companies are meeting expectations on profitability and cash flow.

We believe the Japanese earthquake has caused large supply chain disruption. Coupled with lower commodity pricing, we should see better US economic numbers going into the fall. This improvement should help underpin valuations of financials and real estate.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

CHANGES IN FINANCIAL POSITION

Net Assets of the Fund increased by 45.5% or $24.1 million during the period, from $28.8 million at December 31, 2010 to $52.9 million at June 30, 2011. The change in Net Assets is attributed to net proceeds from the issue of additional units (the exercise of warrants) of $24.7 million, less agents' fees of $619 thousand, $1.7 million due to investment operations, including market appreciation, income and expenses, before distributions paid of $1.4 million and redemptions of 240 thousand.

The Fund renewed the normal course issuer bid programme for the period from December 13, 2010 to October 18, 2011, which allows the Fund to purchase up to 210,118 listed trust units of the Fund (the "Units") for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange (the "TSX"). During the period ended June 30, 2011, 18,200 units (2010 – 36,800) were purchased for cancellation.

RECENT DEVELOPMENTS

At the close of business on April 15, 2011, the Fund issued an additional 2.1 million Units through the exercising of the outstanding Warrants, this raised additional net proceeds of $24.1 million to the Fund.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees paid to Harvest**.**

MANAGEMENT AND SERVICE FEES

The Fund pays its manager, Harvest, a management fee calculated based on the net asset value and paid monthly in arrears, based on an annual rate of 1.1% of the net asset value of the Fund.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

The Manager has retained Avenue Investment Management Inc (''Avenue'') to provide investment management services to the Fund and pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

The Fund is also responsible for payment of all expenses relating to the operation of the Fund and the carrying on of its business. This includes, but is not limited to, legal, audit and custodial fees, taxes, brokerage fees, interest, operating and administrative fees, costs and expenses.

The Manager is reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of extraordinary services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to Unitholders and other Unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses were $69 for the period ended June 30, 2011 (December 31, 2010 - $88).

LOAN FACILITY

The Fund has established a loan facility with a Canadian chartered bank. The amount of the loan is not to exceed 25 per cent of total net asset value. The Fund has the option of borrowing at the prime rate plus .75 per cent of interest. In addition, the Fund is required to pay a standby fee based on the amount of unused borrowings during the period, which is calculated daily, payable quarterly and is included in "Interest expense" on the Statements of Operations. The amount drawn on the loan facility throughout the period ended June 30, 2011, and 2010 was $5,625 million. There were no standby fees applicable as the Fund is utilizing the full amount of the facility.

The initial interest paid on the drawdown or renewal of the Bankers Acceptance ("BA") is deferred and amortized over the term of the BA. The unamortized portion of the deferred interest is included under the "Prepaid Interest – loan facility" on the Statements of Financial Position. For the period ended June 30, 2011, the Fund recorded interest expense of $98 thousand (2010 - $141 thousand).

The Loan function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2011, the Canadian Accounting Standards Board ("AcSB") amended their mandatory requirement for all Canadian publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), permitting investment companies, which includes mutual funds, to defer the adoption of IFRS to fiscal years beginning on or after January 1, 2013.

The AcSB has deferred the mandatory IFRS adoption date to coincide with a new consolidation standard for investment companies that the IASB is scheduled to publish in the first quarter of 2012. Under the current IFRS guidance, investment companies are required to consolidate their controlled investments. The IASB has announced that they will propose that investment companies be exempted from consolidating their controlled investments and account for them at fair value. Canadian GAAP permits investment companies to fair value their investments regardless of whether those investments are controlled.

The Fund will adopt the IFRS on January 1, 2013. The Fund expects to report its financial results for the six month period ended June 30, 2013 prepared on an IFRS basis. The Fund will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013. Further revisions by the AcSB to the IFRS adoption date for investment companies are possible.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as we finalize our assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Fund's adoption of IFRS.

FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six month periods ended June 30, 2011 and December 31, 2010 and 2009.

THE FUND'S NET ASSETS PER UNIT[1]	2011	2010	2009
Net assets - beginning of period[3]	$13.64	$12.02	$11.17
Increase /(decrease) from operations			
Total revenue	0.40	0.69	0.17
Total expenses	(0.20)	(0.48)	(0.06)
Realized gains (losses) for the period	0.20	1.16	-
Unrealized gains for the period	0.18	1.18	0.89
Total increase from operations[2]	**0.58**	**2.55**	**1.00**
Distributions[4]			
From income (excluding dividends)	(0.45)	-	-
From dividends	-	-	-
From net investment income	-	-	-
From capital gains		(0.96)	-
Return of capital	-	-	(0.14)
Total annual distributions[4]	**(0.45)**	**(0.96)**	**(0.14)**
Net assets - end of period[2]	**$12.74**	**$13.64**	**$12.02**

RATIOS AND SUPPLEMENTAL DATA	2011	2010	2009
Total net asset value (000's)[1]	$53,113	$28,951	$26,078
Number of units outstanding (000's)[1]	4,156	2,114	2,155
Management expense ratio[5]	2.96%	3.76%	9.94%
Management expense ratio before waivers or absorptions[5]	2.96%	3.76%	3.16%
Trading expense ratio[6]	0.15%	0.29%	0.33%
Portfolio turnover rate[7]	14.30%	56.98%	2.79%
Net asset value per unit[1]	$ 12.78	$ 13.69	$ 12.10
Closing market price (HBB.UN)	**$12.40**	**$12.65**	**$11.48**

Explanatory Notes:

1. This information is derived from the Fund's unaudited financial statements as at June 30, 2011 and audited annual financial statements at December 31, 2010 and 2009. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for weekly Net Asset Value purposes. An explanation of these differences can be found in the Notes to Financial Statements.

2. Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of securities outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.

3. Net assets, at the beginning of the period was $11.17, net of agents' commissions and issuance costs of $0.83 per unit. On April 15, 2011, the Fund issued an additional 2.1million units through the exercising of the outstanding warrants at $12.00 per unit for net proceeds of $24.7million to the Fund.

4. Distributions were paid in cash.

5. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average NAV during the period.

6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period.

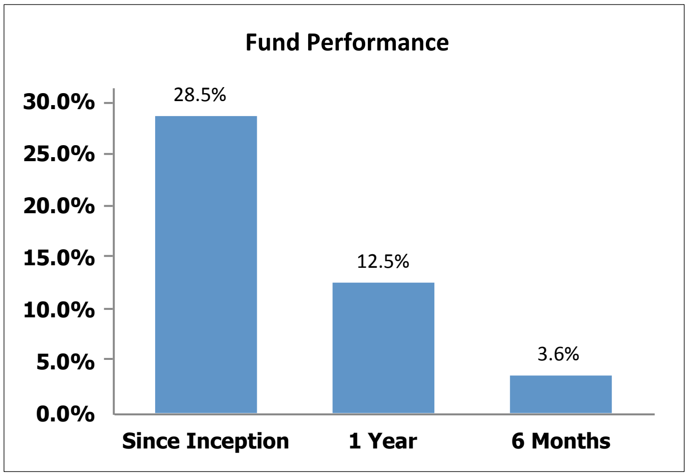
7. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. These ratios are annualized.

Past Performance

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

YEAR-BY-YEAR RETURNS

The following charts present the Fund's annual performance for each of the periods shown and illustrate how the Fund's performance varied. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



SUMMARY OF INVESTMENT PORTFOLIO

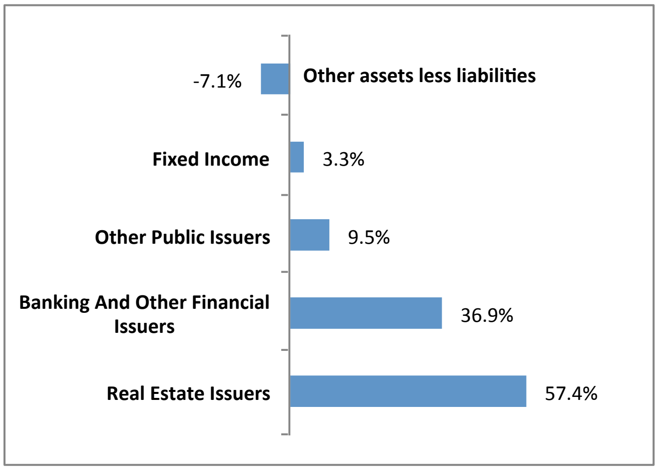
The Portfolio by category chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the ''Statement of Investments'' section of the Fund's semi-annual unaudited financial statements.

As at June 30, 2011

Top 25 holdings	% of Net Asset Value
Crombie Real Estate Investment Trust	6.7
Artis Real Estate Investment Trust	6.2
First Capital Realty Inc.	5.5
Killam Properties Inc.	5.1
Timbercreek Mortgage Investments Corp.	4.6
Cominar Real Estate Investment Trust	4.1
E-L Financial Corporation Limited	3.9
Pure Industrial Real Estate Investment Trust	3.6
Leisure World Senior Care Corp.	3.4
Lloyds Banking Group plc	3.3
Manulife Financial Corp.	3.2
Northern Property Real Estate Investment Trust	3.2
Canadian Imperial Bank of Commerce	3.2
Bank of Montreal	3.0
Veresen Inc.	2.8
Inter Pipeline Fund LP, Class A	2.7
Pembina Pipeline Corporation	2.7
Bank of America Corporation	2.7
Pacific & Western Credit Corp.	2.6
Royal Bank of Canada	2.4
Calloway Real Estate Investment Trust	2.4
Whiterock Real Estate Investment Trust	2.3
The Bank of Nova Scotia	2.2
BTB Real Estate Investment trust	2.1
Brookfield Office Properties Canada	2.0

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from Harvest Portfolios Group Inc. at **www.harvestportfolios.com**.

SECTOR ALLOCATION
Total Net Assets (100.0%)



HARVEST BANKS & BUILDINGS INCOME FUND

2011 Interim Financial Statements
(Unaudited)

Notice to Reader:

These interim financial statements and related notes for the six month period ended June 30, 2011 have been prepared by Management of Harvest Portfolios Group Inc. The auditors of the Fund have not audited these interim financial statements.

STATEMENTS OF FINANCIAL POSITION (unaudited)

AS AT JUNE 30, 2011 AND DECEMBER 31, 2010

In thousands ($000's), except per unit figures	2011	2010
Assets		
Investments, at fair value (Cost: $51,717; 2010:$29,287)	$56,771	$33,783
Cash and cash equivalents	2,556	606
Dividends and interest receivable	345	193
Prepaid interest - loan facility (Note 8)	23	29
	59,695	**34,611**
Liabilities		
Loan payable (Note 8)	5,625	5,625
Payable for investments purchased	825	-
Distributions payable	291	148
	6,741	**5,773**
Net assets representing unitholders' equity	**$52,954**	**$28,838**
Unitholders' equity (Note 3)		
Unitholders' capital	47,230	23,068
Warrants	-	259
Retained earnings	5,724	5,511
Unitholders' equity	**$52,954**	**$28,838**

Number of securities outstanding	**4,156**	**2,114**
Number of warrants outstanding	**-**	**2,155**
Net assets per unit	**$12.74**	**$13.64**

STATEMENTS OF OPERATIONS (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30

In thousands ($000's), except per unit figures	2011	2010
Investment income		
Dividends	$ 1,081	$ 440
Interest	120	223
Less: Foreign withholding taxes	(45)	(11)
	1,156	**652**
Expenses (Note 4)		
Management fees	240	151
Service fees	77	52
Unitholder reporting costs	69	88
Audit fees	15	20
Transfer agency fees	4	6
Custodian fees and bank charges	24	17
Independent review committee fees	9	14
Interest expense (Note 8)	98	141
Filing Fees	37	53
Legal Expenses	2	15
	575	557
Expenses absorbed by Manager	-	(24)
	575	**533**
Net investment income	**581**	**119**
Realized gain on sale of investments	560	915
Transaction costs	(58)	(35)
Net realized gain /(loss) on foreign exchange	36	(9)
Change in unrealized appreciation (depreciation) of foreign exchange	15	1
Unrealized appreciation (depreciation) of investments	558	(141)
Net gain on investments	**1,111**	**731**
Increase in net assets from operations	**$1,692**	**$ 850**

Increase in net assets from operations per unit	**$0.58**	**$ 0.40**
Increase in net assets from operations – diluted per unit	**-**	**$ 0.40**

The accompanying notes are an integral part of the financial statements

STATEMENTS OF CHANGES IN FINANCIAL POSITION (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30

In thousands ($000's), except per unit figures	2011	2010
Net assets, beginning of period	**$ 28,838**	**$ 25,900**
Increase /(decrease) in net assets from operations	1,692	850
Unitholder transactions		
Proceeds from issue of units	24,721	-
Cost of units redeemed	(239)	(428)
Agents' and dealers' fees	(619)	-
Net unitholder transactions	**23,863**	**(428)**
Distributions to unitholders		
Net investment income	(1,439)	(38)
Capital gains	-	(860)
Total distributions to unitholders	**(1,439)**	**(302)**
Net assets, end of period	**$ 52,954**	**$ 25,424**

STATEMENTS OF CASH FLOWS (unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30

In thousands ($000's), except per unit figures	2011	2010
Operating Activities		
Increase /(decrease) in net assets from operations	**$ 1,692**	**$ 850**
Add (deduct) items not affecting cash:		
Realized gain on sale of investments	(560)	(915)
Return of capital received	2	8
Unrealized appreciation (depreciation) of investments	(558)	141
Transaction costs	58	35
Proceeds from sale of investments	6,288	9,753
Purchases of investments	(27,393)	(8,775)
Total operating activities	**(20,471)**	**1,097**
Net change in non-cash assets and liabilities	**(146)**	**38**
Financing Activities		
Proceeds from units issued	24,721	-
Cost of units redeemed	(239)	(422)
Agents fees	(619)	-
Distributions to Unitholders	(1,296)	(901)
Net Increase in cash during period from financing activities	**22,567**	**(1,323)**
Net increase (decrease) in cash during the period	**1,950**	**(188)**
Cash and cash equivalents, beginning of period	**606**	**495**
Cash and cash equivalents, end of period	**$ 2,556**	**$ 307**
Supplemental disclosure of cash flow information		
Amount of interest paid during the period - included in net investment income	$ 98	$ 141

The accompanying notes are an integral part of the financial statements

STATEMENT OF INVESTMENTS (unaudited)

AS AT JUNE 30, 2011

Number of Shares	Security	Average Cost ($000's)	Fair Value ($000's)	% of Net Assets
	EQUITY			
	Real Estate Issuers (57.4%)			
29,000	American Capital Agency Corporation	820	814	1.5
47,200	Annaly Capital Management Inc.	824	821	1.6
235,000	Artis Real Estate Investment Trust	2,578	3,290	6.2
48,800	Brookfield Office Properties Canada	996	1,084	2.0
1,188,245	BTB Real Estate Investment Trust	733	1,117	2.1
50,000	Calloway Real Estate Investment Trust	1,033	1,257	2.4
100,000	Cominar Real Estate Investment Trust	1,943	2,202	4.2
270,000	Crombie Real Estate Investment Trust	3,097	3,537	6.7
90,000	Extendicare Real Estate Investment Trust	745	933	1.8
178,400	First Capital Realty Inc.	2,547	2,935	5.5
94,600	InnVest Real Estate Investment Trust	509	633	1.2
251,800	Killam Properties Inc.	2,254	2,697	5.1
167,504	LeisureWorld Senior Care Corp.	1,724	1,814	3.4
55,400	Northern Property Real Estate Investment Trust	1,395	1,684	3.2
458,600	Pure Industrial Real Estate Trust	1,693	1,931	3.6
227,800	Timbercreek Mortgage Investment Corp.	2,370	2,442	4.6
90,900	Whiterock Real Estate Investment Trust	957	1,194	2.3
		26,218	30,385	57.4
	Banking and Other Financial Issuers (36.9%)			
134,000	Bank of America Corporation	1,668	1,416	2.7
26,000	Bank of Montreal	1,470	1,592	3.0
22,000	Canadian Imperial Bank of Commerce	1,588	1,674	3.2
3,200	CME Group Inc.	969	900	1.7
42,600	Dundee Corporation Series 1 Preferred	892	1,078	2.0
40,400	Dundee Wealth Management Inc. Series 1 Preferred	929	1,054	2.0
43,800	E-L Financial Corporation Limited Series 1 Preferred	892	994	1.9
50,800	E-L Financial Corporation Limited Series 2 Preferred	863	1,067	2.0
40,000	Great-West Lifeco Inc.	1,001	1,018	1.9
24,000	Industrial Alliance Insurance and Financial Services Inc. Cl. A Series B Preferred	456	543	1.0
580,000	Lloyds Banking Group PLC ADR	1,962	1,752	3.3
101,000	Manulife Financial Corporation	1,840	1,720	3.2
670,000	Pacific & Western Credit Corp.	1,508	1,407	2.7
23,200	Royal Bank of Canada	1,294	1,276	2.4
32,000	Sun Life Financial Inc.	930	926	1.7
20,000	The Bank of Nova Scotia	1,069	1,160	2.2
		19,330	19,577	36.9
	Other Public Issuers (9.6%)			
46,100	H&R Block, Inc.	610	714	1.3
92,000	Inter Pipeline Fund LP, Class A	1,417	1,457	2.8
56,200	Pembina Pipeline Corporation	1,088	1,425	2.7
106,000	Veresen Inc.	1,394	1,471	2.8
		4,509	5,067	9.6
	FIXED INCOME (3.3%)			
785,408	Boralex Inc. 6.75% Jun 30/17	791	803	1.5
33,000	BTB Real Estate Investment Trust 8.00% Oct 03/11	27	33	0.1
336,000	BTB Real Estate Investment Trust 8.50% Mar 31/13	288	341	0.6
1,000,000	Great West Lifeco Delaware Finance LP 7.13% Jun 26/18	554	565	1.1
		1,660	1,742	3.3
	Total Investments (107.2%)	**51,717**	**56,771**	**107.2**
	Liabilities less other assets (-7.2%)		**(3,817)**	**(7.2)**
	Net Assets (100.0%)		**$ 52,954**	**100.0**

NOTES TO STATEMENT OF INVESTMENTS (unaudited)

JUNE 30, 2011

(In thousands ($000's), except per unit figures)

Management of Financial Instrument Risk

Investment Objectives

The Fund's investments are exposed to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial results.

The undertaking of the Fund is to own a portfolio of securities and to derive income and capital gains from these securities and maximize total return for Unitholders.

The Fund's investment objectives are:

i. to provide Unitholders with monthly distributions (initially targeted to be $0.07 per Trust Unit ($0.84 per annum) representing an annual cash distribution of 7.0% based on the $12.00 per Unit issue price); and
ii. to maximize total return for Unitholders.

Other price risk

The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

As at June 30, 2011, 103.9% (December 31, 2010 – 109.2%) of the Fund's net assets were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets would have increased or decreased by approximately $2,751 (December 31, 2010 - $1,575.)

In practice, the actual trading results may differ and the difference could be material.

Currency risk

When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

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

	As at June 30, 2011		**As at December 31, 2010**	
Currency	Currency exposure ($000's)*	As a % of net assets (%)	Currency exposure ($000's)*	As a % of net assets (%)
U.S. Dollars	**6,487**	**12.3%**	**4,240**	**14.7%**

*In Canadian dollars

The accompanying notes are an integral part of the financial statements

NOTES TO STATEMENT OF INVESTMENTS (unaudited)

JUNE 30, 2011
(In thousands ($000's), except per unit figures)

As at June 30, 2011, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately $324 (December 31, 2010 - $212) or 0.6% (December 31, 2010 – 0.7%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

A Fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. In general, when interest rates are falling, the value of these investments rise. Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. If interest rates were to change by 1.0%, the increase/ (decrease) in interest earned by the Fund would change by $17 (2010 - $23). A Fund that has an interest-bearing liability is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at June 30, 2011, the Fund had a loan facility of $5,625 (December 31, 2010 – 5,625). If interest rates were to change by 1.0%, the interest expense could increase/(decrease) by $ 56 (2010 - $56).

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity for periods ended June 30, 2011 and December 31, 2010.

Debt Instruments: June 30, 2011	Fair value	% of Net Assets
Less than 1 year	33	0.1
1 to 3 years	341	0.6
Greater than 5 years	1,368	2.6
Total	**1,742**	**3.3**
Debt Instruments: December 31, 2010	**Fair value**	**% of Net Assets**
Less than 1 year	33	0.1
1 to 3 years	334	1.1
Greater than 5 years	1,915	6.7
Total	**2,282**	**7.9**

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

The table below analyzes the Fund's financial liabilities into groupings at the remaining period end date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting are not significant.

At June 30, 2011	Less than 1 month	1-3 months	No stated maturity
Loan facility	-	5,625*	-
Payable for investments purchased	825	-	-
Distributions payable	291	-	-
Total financial liabilities	1,116	5,625	-
At December 31, 2010	**Less than 1 month**	**1-3 months**	**No stated maturity**
Loan facility	-	5,625	-
Distributions payable	148	-	-
Total financial liabilities	148	5,625	-

***maturity August 15, 2011**

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has exposure to credit risk in its trading of listed securities. The Fund minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

The Fund's greatest concentration of credit risk is in its holdings of fixed income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the high quality standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at June 30, 2011 and December 31, 2010.

At June 30, 2011 and December 31, 2010, the Fund was invested in debt securities with the following credit ratings:

June 30, 2011 Debt Securities by Credit Rating*	% of Total Debt Instruments	% of Net Assets
A-	32.4	1.1
Not Rated	67.6	2.2
Total	**100**	**3.3**
December 31, 2010 Debt Securities by Credit Rating*	**% of Total Debt Instruments**	**% of Net Assets**
A-	49.0	3.9
Not Rated	51.0	4.0
Total	**100**	**7.9**

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

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

JUNE 30, 2011
(In thousands ($000's), except per unit figures)

1. ORGANIZATION

Harvest Banks & Buildings Income Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 25, 2009, as amended and restated on October 2, 2009, being the inception date. There was no significant activity in the Fund from the date of Inception, October 2, 2009 to commencement of operations on October 23, 2009. On October 23, 2009, the Fund completed an initial public offering of 2 million Units at $12.00 per Unit for gross proceeds of $24 million Each Unit consisted of one trust unit (''Trust Unit'') and one warrant (''Warrant''). Each whole Warrant entitled the holder to purchase one Trust Unit at a subscription price of $12.00 on April 15, 2011. On November 10, 2009, an over-allotment option was exercised for an additional 155,000 Trust Units at a price of $12.00 per Trust Unit for gross proceeds of $1.866 million. On April 15, 2011, Warrants were exercised for net proceeds of $24.72 million. These proceeds resulted in an additional 2.06 million units purchased into the Fund.

The Fund will become an open-end mutual fund on October 18, 2011 (the "Conversion Date"). On and after the conversion, the Units will be redeemable at NAV per Unit on a daily basis, at such time the Units will become subject to NI 81-102. The Fund will provide all Unitholders with notice at least 60 days prior to the Conversion Date.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Financial instruments

The Fund's financial instruments include cash, investments, receivable for securities issued, receivable for investments sold, dividends and interest receivable, accrued management and advisory fees, accrued expenses, payable for securities redeemed, payable for distributions, payable for investments purchased, and payable for the Loan facility and relevant interest charges. Investments are fair valued based on the policies described below.

Valuation of investments

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

a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855. Investments held that are traded on an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. Investments held include equities, listed warrants, short-term notes, treasury bills, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.

b) Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with Section 3855 methodologies. The fair values of certain securities are determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity. At June 30, 2011 and December 31, 2010, there were no securities that required pricing using assumptions.

Cost of investments

The cost of investments represents the amount paid, excluding transactions costs, for each security, and is determined on an average cost basis.

Cash and cash equivalents

Cash is comprised of cash on deposit. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less. Cash and cash equivalents are held for trading and carried at fair market value.

Other assets and liabilities

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

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund are recognized in the Statement of Operations in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS (unaudited)

JUNE 30, 2011
(In thousands ($000's), except per unit figures)

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Realized gains and (losses) from the sale of investments and unrealized appreciation/(depreciation) of investments are calculated on an average cost basis.

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

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

Foreign currency translation

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

Assets and liabilities in the Statement of Financial Position are translated into Canadian dollars on the statement date.

Securities valuation

The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per Trust Unit ("NAVP") will be calculated as of 4:00 p.m. (Toronto time) or such other time as the Manager or its agent deem appropriate (the valuation time) every business day (valuation date). A valuation date is each day on which the Toronto Stock Exchange is open for business.

Increase (decrease) in net assets from operations per unit

"Increase (decrease) in net assets from operations per unit" in the Statements of Operations represents the increase (decrease) in net assets from operations, divided by the weighted average units outstanding for the financial period. The "increase (decrease) in net assets from operations per share – diluted" takes into account the dilutive impact of issuing shares from warrants outstanding when the price that it traded at, was higher than the pre-exercise price of $12.00.

Fair value of financial instruments

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

> **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
>
> **Level 3:** Inputs for the asset or liability that are not based on observable market data.
> Additional quantitative disclosures are required for Level 3 securities.

There were no Level 3 securities held by the Fund as at June 30, 2011 and December 31, 2010. There were no transfers between Level 1 and Level 2 for the period ended June 30, 2011 and December 31, 2010.

Securities Classification: As at June 30, 2011 and December 31, 2010

June 30, 2011	**Level 1**	**Level 2**	**Level 3**	**Totals**
Investment In Securities ($000's)				
Assets at Fair Value				
EQUITIES				
Common Stock	24,145	-	-	24,145
Depository Receipts	1,752	-	-	1,752
Mutual Funds and Partnership Units		3,899	-	3,899
Preferred Stock	4,736	-	-	4,736
Real Estate Inv. Trust	20,497	-	-	20,497
TOTAL EQUITIES	51,130	3,899	-	55,029
FIXED INCOME				
Convertible Bonds	-	1,177	-	1,177
Corporate Bonds	-	565	-	565
TOTAL FIXED INCOME	-	1,742	-	1,742
TOTAL INVESTMENTS IN SECURITIES	51,130	5,641	-	56,771

December 31, 2010	**Level 1**	**Level 2**	**Level 3**	**Totals**
Investment In Securities ($000's)				
Assets at Fair Value				
EQUITIES				
Common Stock	12,685	-	-	12,685
Depository Receipts	572	-	-	572
Mutual Funds		1,254	-	1,254
Preferred Stock	5,581	-	-	5,581
Real Estate Inv. Trust	11,409	-	-	11,409
TOTAL EQUITIES	30,247	1,254	-	31,501
FIXED INCOME				
Convertible Bonds	-	1,163	-	1,163
Corporate Bonds	-	1,119	-	1,119
TOTAL FIXED INCOME	-	2,282	-	2,282
TOTAL INVESTMENTS IN SECURITIES	30,247	3,536	-	33,783

NOTES TO FINANCIAL STATEMENTS (unaudited)

JUNE 30, 2011
(In thousands (000's), except per unit figures)

3. UNITHOLDERS' EQUITY

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

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

	Units outstanding	Warrants outstanding	Unitholders' capital
Total outstanding as at December 31, 2010	2,114	2,155	23,327
Subscriptions	2,060	-	24,102
Redemptions	(18)	-	(239)
Loss on redemptions charged to retained earnings			40
Warrants exercised	-	(2,060)	-
Warrants expired		(95)	
Total outstanding as at June 30, 2011	4,156	-	47,230

The Fund received approval in 2009 from the Toronto Stock Exchange (the "TSX") to undertake a normal course issuer bid program. The Fund renewed the issuer bid for the period from December 13, 2010 to October 31, 2011 which allows the Fund to purchase up to 210,118 listed Trust Units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the TSX when the Net Asset Value of the Fund exceeded its trading price. During the six month period ended June 30, 2011, 18,000 Trust Units (2010 – 41,000) were purchased for cancellation.

If the price for the redemption of Trust Units is lower than the average issue price, the difference is included in "contributed surplus" on the Statements of Financial Position. If the price is greater than the original issue price, the difference is charged to "contributed surplus" until the entire amount is eliminated, and the remaining amount is charged to "retained earnings".

Warrants

On April 15, 2011, 2.1 million warrants were exercised. Each whole Warrant entitled the holder to purchase one Trust Unit at a subscription price of $12.00. Warrants not exercised expired and carry no value. Holders of Warrants who exercised the Warrants became holders of Trust Units issued through the exercise of the Warrants. The Fund paid a fee equal to $0.18 per Warrant to the registered dealer whose client exercised the Warrant and $0.12 per Warrant to the Agents.

Redemptions

In accordance with the Fund prospectus, Unitholders who wish to redeem their Trust Units can do so on the September 16, 2011 (the "First NAV Redemption Date"). Unitholders will receive a redemption price per Trust Unit equal to NAV per Trust Unit as at the First NAV Redemption Date.

Trust Units may be surrendered for redemption during the Notice Period by the registered Unitholder to the Registrar and Transfer Agent. Trust Units surrendered for redemption by a Unitholder during the Notice Period will be redeemed on the First NAV Redemption Date and the Unitholder will receive payment on or before the seventh Business Day following the First NAV Redemption Date.

On and after the Conversion Date, Unitholders may redeem Trust Units on any Business Day at the NAV per Trust Unit.

4. EXPENSES

Management and service fees

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing or arranging for managing the Fund's overall business and operations. The Manager has retained Avenue Investment Management Inc. (''Avenue'') to provide investment management services to the Fund and pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

The Manager is entitled to a fee of 1.10 per cent of net assets payable monthly. The Fund pays service fees to registered dealers at the rate on 0.40 per cent of the daily net asset value of the Fund. Service fees are accrued daily and paid monthly to the manager, who in turn pays the dealers.

Other expenses

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

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of extraordinary services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to Unitholders and other Unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses were $69 for the period ended June 30, 2011 (December 31, 2010 - $88).

5. SOFT DOLLAR COMMISSIONS

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

The value of such research services included in commissions paid to brokers for the periods ended June 30, 2011 and December 31, 2010 amounted to $NIL.

(In thousands (000's), except per unit figures)

6. INCOME TAXES

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

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

As at December 31, 2010, the Fund's most recent taxation year, the Fund did not have any tax losses.

Harmonized sales tax

Effective July 1, 2010, goods and services tax ("GST") was replaced by the harmonized sales tax ("HST") in certain provinces and is imposed at higher rates than the GST. Since the applicable HST is being paid by the Fund, it has resulted in an overall increase in expenses incurred by the Fund since the effective date of implementation.

7. NET ASSET VALUE AND NET ASSETS

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

Per Unit ($):	Net asset value ($)	Net asset ($)
As at June 30, 2011	12.78	12.74
As at December 31, 2010	13.69	13.64

8. LOAN FACILITY

The Fund has established a loan facility with a Canadian chartered bank. The amount of the loan is not to exceed 25 per cent of total net asset value. The Fund has the option of borrowing at the prime rate plus .75 per cent of interest. In addition, the Fund is required to pay a standby fee based on the amount of unused borrowings during the period, which is calculated daily, payable quarterly and is included in "Interest expense" on the Statements of Operations. The amount drawn on the loan facility was $5,625 throughout the period ended June 30, 2011 (December 31, 2010 - $5,625). There were no standby fees applicable as the Fund is utilizing the full amount of the facility.

The initial interest paid on the drawdown or renewal of the Bankers Acceptance ("BA") is deferred and amortized over the term of the BA. The unamortized portion of the deferred interest is included under the "Prepaid Interest – loan facility" on the Statements of Financial Position. For the period ended June 30, 2011 and December 31, 2010, the Fund recorded interest expense of $98 and $141 respectively .

The Loan function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings. The loan facility was repaid and cancelled on August 15, 2011, prior to the Conversion Date.

Head Office

710 Dorval Drive, Suite 200
Oakville, ON L6K 3V7
Phone Number: 416.649.4541
Toll Free: 866.998.8298
Fax Number: 416.649.4542
Email: **info@harvestportfolios.com**

Western Canada Office

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

Eastern Canada Office

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.