



HARVEST Canadian Income & Growth Fund
Interim Management Report of Fund Performance

June 30, 2012

The Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, can be obtained at your request, and at no cost, by calling us at 866 998 8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

HARVEST Canadian Income & Growth Fund

CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Asset Investment Manager focused on unique 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 the investment philosophy of:

1. Clear investment objectives
2. Transparency
3. Income generation

Harvest’s mandate is to develop investment products that are clear in their mandate and easy for our investors to understand. We strive to be transparent, so that our investors can open their annual report and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

INVESTMENT PRODUCT

The Harvest Canadian Income and Growth Fund (the “Fund”) has been created to provide investors with income and the potential for capital appreciation over the course of the business cycle by investing primarily in dividend paying securities of publicly-traded utilities, industrials, communications, real estate and retail issuers domiciled in Canada.

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The management report of fund performance contains financial highlights for the Fund. For your reference, the unaudited, interim, financial statements of the Fund are attached to this interim 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 209, 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 to:

- (i) provide unitholders with monthly distributions; and
- (ii) maximize long-term total return for unitholders while reducing volatility.

The Fund has been created to provide investors with income and the potential for capital appreciation.

INVESTMENT STRATEGY

To achieve the Fund's objectives, the Fund's portfolio sub-advisor, Avenue Investment Management Inc. ("Avenue" or "Investment manager") invests in an actively managed portfolio comprised primarily of dividend-paying equity and debt securities of publicly-traded utilities, industrial, communications, real estate and retail issuers domiciled in Canada. The Investment manager focuses on the less cyclical segments of the Canadian equities market with the goal of reducing volatility by diversifying away from the main sectors (financials, energy and materials) that make up the majority of the market capitalization on the Toronto Stock Exchange (the "TSX").

The Fund invests primarily in companies that have: (i) proven long-term histories of earnings; (ii) established and experienced management; and (iii) business models that are not primarily dependent on commodity prices.

The Investment Manager focuses on free cash flow and free cash flow yield, earnings potential, and the investment's intrinsic value in order to assess dividend sustainability and growth in distributions, with a view to delivering:

1. Attractive income generation;
2. Opportunity for capital gains; and
3. Lower volatility relative to the overall S&P/TSX Composite Index.

RISK

The risks associated with investing in the Fund are as described in the 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

The Harvest Canadian Income & Growth Fund significantly outperformed its benchmark and was up 8.19% for the period ended June 30th 2012 versus the benchmark which was down -2.97%.

During the quarter, Canada and U.S. data (specifically manufacturing and service) showed signs of modest economic growth. On the international stage, fear of a global recession due to a mismanaged European debt crisis and uncertainty over a China slow-down remained of primary concern. This created safe haven US Treasury buying pushing 10-year yields to a record low of just under 1.5%. Inflation in Canada and the rest of the developed world will continue to remain subdued and interest rates will remain low.

The Fund benefitted from its overweight in Consumer Staples, Telecom and Utilities while underweight Financials and Energy. We believe the slow economic growth and de-leveraging environment will benefit dividend paying stocks with good balance sheets in the present low interest rate environment.

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CHANGES IN FINANCIAL POSITION

Net assets of the Fund decreased by 30.4% or \$14,931,854 during the period, from \$49,054,915 at December 31, 2011 to \$34,123,061 at June 30, 2012. The decrease is attributable to the units submitted for cancellation on June 1, 2012, the annual redemption date, of 1,145,982 for a total value of \$14,831,643, as well as regular redemptions of \$3,564,081 for the period. There was an increase of \$3,932,948 due to net investment income of \$771,221, market depreciation of \$263,011 and realized gains on investments of \$3,424,738.

Distributions of \$1,563,418 or \$0.42 per unit (\$0.07 per unit per month) were paid during the period.

RECENT DEVELOPMENTS

On June 20, 2012 (“Conversion Day”) the Fund completed its conversion to an open-end mutual fund, transferring all existing investors into the R Series on a unit-for-unit basis. The Fund ceased trading as HCF.UN on the Toronto Stock Exchange (“TSX”) on June 7, 2012 and became available as a daily valued fund available on the broker dealer network under the FundSERV code HRV on June 20, 2012. The new front-end Series A and Series F also became available immediately upon conversion.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees and other expense reimbursements paid to Harvest, as noted below in Management and Other Fees.

MANAGEMENT AND OTHER 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 pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund’s net assets.

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

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

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

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

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.

Each series of Units is responsible for the operating expenses that relate specifically to that series and for its proportionate share of the operating expenses that are common to all series of the Fund. Expenses that are specific to a series include items such as filing fees, and unitholder servicing costs. The Manager may, in some cases, absorb a portion of the Fund’s operating expenses. The Manager may cease doing so at any time without notice to unitholders.

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The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members; 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 \$81,304 for the period ended June 30, 2012 (2011 - \$76,193) and are included in the unitholder reporting costs on the Statement of Operations in the unaudited interim financial statements.

LOAN FACILITY

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

For the period ended June 30, 2012 the Fund recorded interest expense of \$93,690 (2011 - \$ 141,562).

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

As previously confirmed by the Canadian Accounting Standards Board ("AcSB"), most Canadian publicly accountable entities adopted all IFRS, as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. However, the AcSB had initially allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. At its December 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises to 2014. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014. Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences between the net assets per series unit and NAV per series unit at the financial statements reporting dates.

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

RECOMMENDATION OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended June 30, 2012.

HARVEST Canadian Income & Growth Fund

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 past periods. This information is derived from the Fund's audited annual and unaudited, interim financial statements.

THE FUND'S NET ASSETS PER UNIT ¹	Series R			Series A*
	2012	2011	2010	2012
Net assets - beginning of period³	\$12.43	\$12.42	\$11.17	\$13.01
Increase /(decrease) from operations				
Total revenue	0.41	1.06	0.46	0.01
Total expenses	(0.21)	(0.42)	(0.25)	-
Realized gains (losses) for the period	0.90	0.16	0.55	(0.04)
Unrealized gains for the period	(0.06)	0.31	1.04	0.19
Total increase /(decrease) from operations²	\$1.04	\$1.11	\$1.80	\$0.16
Distributions⁴				
From income (excluding dividends)	-	-	-	-
From dividends	-	(0.16)	-	-
From net investment income	(0.42)	-	-	(0.07)
From capital gains	-	(0.12)	(0.55)	-
Return of capital	-	(0.56)	-	-
Total annual distributions⁴	(0.42)	(0.84)	(0.55)	(0.07)
Net assets - end of period²	\$13.07	\$12.43	\$12.42	\$13.06

Series R

RATIOS AND SUPPLEMENTAL DATA	2012	2011	2010
Total net asset value¹	\$34,055,064	\$49,180,568	\$37,406,232
Number of units outstanding ¹	2,598,780	3,945,599	3,007,822
Number of warrants outstanding	-	-	3,028,322
Management expense ratio ⁵	3.29%	3.03%	10.99%
Management expense ratio before waivers or absorptions ⁵	3.29%	3.03%	10.99%
Trading expense ratio ⁶	0.15%	0.10%	0.35%
Portfolio turnover rate ⁷	14.35%	66.53%	46.92%
Net asset value per unit¹	\$ 13.10	\$ 12.46	\$ 12.44
Closing market price (HCF.UN)	n/a	\$ 12.09	\$ 11.70
Closing market price (HCF.WT)	n/a	\$ -	\$ 0.11

Series A*

RATIOS AND SUPPLEMENTAL DATA	2012
Total net asset value¹	\$ 146,858
Number of units outstanding ¹	11,223
Management expense ratio ⁵	2.69%
Management expense ratio before waivers or absorptions ⁵	2.69%
Trading expense ratio ⁶	0.15%
Portfolio turnover rate ⁷	14.35%
Net asset value per unit¹	\$ 13.09

*Series A commenced operations on June 25, 2012

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FINANCIAL HIGHLIGHTS (continued)

Explanatory Notes:

1. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing 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 units outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of units 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 commencement of operations was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit. On Conversion Day, June 2, 2012, all Fund units were exchanged one-for-one into Series R, at an NAV of \$11.27. Series A commenced Operations on June 25, 2012
4. Distributions were paid in cash until Conversion Day, June 20, 2012, after which, an automatic reinvestment or cash option was made available.
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 net asset value during the period. The MER for 2012 includes interest expense of \$93,960, without which the MER would be 2.52%.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value 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.

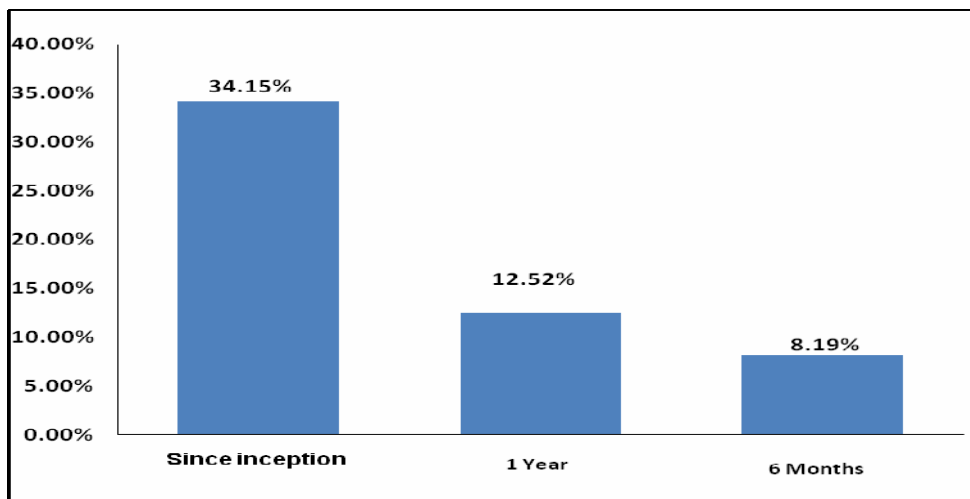
YEAR-BY-YEAR RETURNS

The following charts present the Fund's performance for each of the periods shown and illustrate how the Fund's performance varied for the Series R.

Series A and Series F: National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund or series that has been in existence less than one year. 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.

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Fund Performance



ANNUALIZED COMPOUND RETURNS

The following table shows the annual compound returns for the Fund. All returns are in Canadian dollars, on a total return basis, net of fees.

For comparison purposes, a benchmark of the S&P/TSX Composite Index (the “Index”) is used.

The Index is a capitalization-weighted index that measures market activity of a universe of stocks traded on the Toronto Stock Exchange. The sector weightings are comprised of the universe of stocks identified in the Financials sub sector.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the “Results of Operations” section of this report for a discussion on recent performance.

Investment Return %	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance Series R	12.52	N/A	N/A	N/A	34.15
S&P/TSX Composite Index	(12.77)	N/A	N/A	N/A	3.33

HARVEST Canadian Income & Growth Fund

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 interim, unaudited financial statements.

As at June 30, 2012

Top 25 Holdings	% of Net Asset Value	Yield (%)
American Capital Agency Corp.	5.6	14.9
Bell Aliant Inc.	4.9	7.5
Manitoba Telecom Services Inc.	4.8	5.1
Inter Pipeline Fund LP, Class A	4.4	5.4
Davis and Henderson Income Corporation	4.2	7.1
K-Bro Linen Inc.	4.2	4.8
Parkland Fuel Corporation	4.1	7.2
Corus Entertainment Inc., Class B	3.9	4.2
Rogers Sugar Inc.	3.7	6.2
Leisureworld Senior Care Corporation	3.7	7.3
Brookfield Infrastructure Partners L.P.	3.6	4.4
Medical Facilities Corporation	3.6	8.3
Pembina Pipeline Corporation	3.5	6.2
Altria Group, Inc.	3.5	4.7
Liquor Stores N.A. Ltd.	3.4	5.7
The North West Company Inc.	3.4	4.8
Sprott Power Corp.	3.2	5.5
Yellow Media Inc., 7.30% Feb 02/15	3.2	41.5
Atlantic Power Corporation	3.0	8.8
Bird Construction Inc.	2.9	5.0
Keyera Corp.	2.7	4.8
BCE Inc.	2.7	5.2
Artis Real Estate Investment Trust	2.6	6.6
Annaly Capital Management, Inc.	2.6	13.0
Northland Power Inc.	2.5	6.1
	89.9	

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

HARVEST Canadian Income & Growth Fund

SECTOR ALLOCATION

GEOGRAPHIC ALLOCATION

Total Net Assets (100.0%)

