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HARVEST Banks & Buildings Income Fund
Interim Management Report of Fund Performance

June 30, 2013

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

HARVEST Banks & Buildings Income Fund

CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian 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 reports 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 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, Harvest believes that a diversified portfolio invested across these sectors will provide investors with an attractive yield and strong capital appreciation potential.

HARVEST Banks & Buildings Income Fund

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

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

- i. to provide unitholders with monthly distributions; and
- ii. to maximize total return for unitholders.

The Fund will invest in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers.

INVESTMENT STRATEGY

To achieve the investment objective, the portfolio sub-advisor of the Fund, Avenue Investment Management Inc. ("Avenue" or "Investment Manager"), invests in an actively managed portfolio that consists primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers. Avenue believes that in this environment, dividend paying issuers in the financial and real estate sectors will continue to maintain their dividends or distributions. The issuers in the Canadian banking, other financial and real estate industries have capital ratios and leverage ratios that are conservative in nature and therefore justify consistent dividend payout policies.

Avenue uses a combination of top-down, macro analysis to evaluate and identify the most attractive companies and types of securities in the sectors mentioned above. Avenue also employs a value-based, bottom-up fundamental analysis to identify issuers based on the quality of their assets and the strength of their balance sheets and cash flows. Generally, each company or investment held in the portfolio will have consistent dividend payout history and offers a yield component that will help aid the objectives of the Fund. Avenue seeks to acquire securities that it believes have strong free cash flow metrics and will not defer future dividend or interest payments and will focus on issuers that it believes offer high levels of income and potential for capital appreciation, and that it believes provide the most attractive total return, relative to risk.

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 the period that affected the overall level of risk of the Fund.

RESULTS OF OPERATIONS

The Fund's return for the second quarter ending June 30, 2013 was 0.3% outperforming the benchmark index comprised of 50% weighting of the S&P/TSX Financial Index and 50% weighting of the S&P/Real Estate Index return of (-3.3%). Year to date June 30, 2013, the Fund has returned 5.4% versus the benchmark return of (-0.4%).

Pent up consumer demand, increased capital expenditure and positive market sentiment outweighed the negative effects of higher sequestration taxes early in the year. Economic data on both sides of the border was reasonably optimistic through the first half of the year. While some data missed estimates in the US early in the second quarter, consumer sentiment data was very strong in June. There are also signs that this is translating into higher real disposable personal income and accelerating consumer spending and we would expect this to be positive for the US Financials sectors. Domestically in Canada, economic data continued to be strong with solid GDP growth, housing data and strong employment data over recent months.

HARVEST Banks & Buildings Income Fund

RESULTS OF OPERATIONS (continued)

Over recent quarters, the Fund's exposure towards the US Financials has been relatively high. With the strong US economic growth, we expect this to be positive for the US Financials, in particular when compared to the Canadian banks. In Canada, we continue to focus on the banks that we expect will have relatively less exposure towards domestic retail credit growth and prefer Canadian REITs that offer organic growth.

We believe that many of the higher yielding equities, in particular select financials and broader real estate sectors have adjusted for the higher interest rates that are projected. We selectively increased exposure late in the second quarter as the broader markets were selling off.

RECENT DEVELOPMENTS

There are no recent developments to report.

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, plus applicable taxes, based on a percentage of the average daily NAV of the assets of the Fund attributable to that applicable series (the "Management Fee").

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

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

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.10%	0.40%	1.50%
A	1.10%	1.25%	2.35%
F	1.10%	0.00%	1.10%

Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the

HARVEST Banks & Buildings Income Fund

Harvest Portfolios Group Inc. Funds, and series of each applicable fund. These expenses were \$14,600 for the period ended June 30, 2013 (2012 - \$26,181) and are included in the unitholder reporting costs on the Statements of Operations in the interim financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

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

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

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

As at June 30, 2013, the Manager believes that the major areas of difference between the Fund’s current accounting policies and those expected to apply under IFRS have been identified, including the:

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

The Manager and the Fund service providers are in the process of developing the Fund’s approach to financial statement presentation and disclosure related to these items, as well as finalizing any quantitative impacts upon transition. The Manager does not currently expect that the transition to IFRS will have a significant impact on the Fund’s net asset value per unit.

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, 2013.

HARVEST Banks & Buildings Income 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 interim financial statements at June 30, 2013 and past audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT ¹	Series R				
	2013	2012	2011	2010	2009
Net assets - beginning of period³	\$ 12.46	\$ 11.60	\$ 13.64	\$ 12.02	\$ 11.17
Increase (decrease) from operations					
Total revenue	0.18	0.41	0.61	0.69	0.17
Total expenses	(0.15)	(0.34)	(0.41)	(0.48)	(0.06)
Realized gains (losses) for the period	0.13	0.81	0.12	1.16	-
Unrealized gains (losses) for the period	0.58	0.91	(0.92)	1.18	0.89
Total increase (decrease) from operations²	\$ 0.74	\$ 1.79	\$ (0.60)	\$ 2.55	\$ 1.00
Distributions⁴					
From net investment income	(0.42)	-	-	-	-
From dividends	-	-	(0.03)	-	-
From capital gains	-	-	-	(0.96)	-
Return of capital	-	(0.84)	(0.81)	-	(0.14)
Total annual distributions⁴	\$ (0.42)	\$ (0.84)	\$ (0.84)	\$ (0.96)	\$ (0.14)
Net assets - end of period²	\$ 12.71	\$ 12.46	\$ 11.60	\$ 13.64	\$ 12.02

THE FUND'S NET ASSETS PER UNIT ¹	Series A			Series F		
	2013	2012	2011	2013	2012	2011
Net assets - beginning of period³	\$ 12.42	\$ 11.60	\$ 11.27	\$ 12.62	\$ 11.63	\$ 11.27
Increase (decrease) from operations						
Total revenue	0.17	0.41	0.11	0.19	0.41	0.05
Total expenses	(0.21)	(0.36)	(0.07)	(0.13)	(0.21)	(0.04)
Realized gains (losses) for the period	0.12	0.72	(0.21)	0.09	0.76	(0.56)
Unrealized gains (losses) for the period	0.43	0.39	0.68	0.28	0.59	0.63
Total increase from operations²	\$ 0.51	\$ 1.16	\$ 0.51	\$ 0.43	\$ 1.55	\$ 0.08
Distributions⁴						
From net investment income	(0.42)	-	-	(0.42)	-	-
From capital gains	-	-	(0.21)	-	-	(0.21)
Return of capital	-	(0.84)	-	-	(0.84)	-
Total annual distributions⁴	\$ (0.42)	\$ (0.84)	\$ (0.21)	\$ (0.42)	\$ (0.84)	\$ (0.21)
Net assets - end of period²	\$ 12.60	\$ 12.42	\$ 11.60	\$ 12.90	\$ 12.62	\$ 11.63

HARVEST Banks & Buildings Income Fund

Series R

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011	2010	2009
Total net asset value¹	\$ 10,319,993	\$ 13,288,152	\$ 16,155,009	\$ 28,950,939	\$ 26,078,036
Number of units outstanding ¹	810,830	1,064,817	1,390,604	2,114,483	2,155,483
Number of warrants outstanding	-	-	-	2,115,483	2,155,483
Management expense ratio ⁵	2.42%	2.78%	4.14%	3.76%	9.94%
Management expense ratio before waivers or absorptions ⁵	2.42%	2.78%	4.14%	3.76%	3.16%
Trading expense ratio ⁶	0.10%	0.20%	0.47%	0.29%	0.33%
Portfolio turnover rate ⁷	11.08%	48.83%	79.38%	56.98%	2.79%
Net asset value per unit¹	\$ 12.73	\$ 12.48	\$ 11.62	\$ 13.69	\$ 12.10
Closing market price (HBB.UN)	\$ n/a	\$ n/a	\$ n/a	\$ 12.65	\$ 11.48
Closing market price (HBB.WT)	\$ n/a	\$ n/a	\$ n/a	\$ 0.52	\$ 0.16

Series A

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011
Total net asset value¹	\$ 12,225,362	\$ 9,190,296	\$ 1,404,702
Number of units outstanding ¹	968,780	739,087	120,977
Management expense ratio ⁵	3.38%	2.98%	3.15%
Management expense ratio before waivers or absorptions ⁵	3.38%	3.81%	3.15%
Trading expense ratio ⁶	0.10%	0.20%	0.47%
Portfolio turnover rate ⁷	11.08%	48.83%	79.38%
Net asset value per unit¹	\$ 12.62	\$ 12.43	\$ 11.61

Series F

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011
Total net asset value¹	\$ 1,614,155	\$ 608,262	\$ 154,631
Number of units outstanding ¹	124,927	48,147	13,283
Management expense ratio ⁵	1.96%	1.74%	1.73%
Management expense ratio before waivers or absorptions ⁵	1.96%	2.42%	1.73%
Trading expense ratio ⁶	0.10%	0.20%	0.47%
Portfolio turnover rate ⁷	11.08%	48.83%	79.38%
Net asset value per unit¹	\$ 12.92	\$ 12.63	\$ 11.64

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.

HARVEST Banks & Buildings Income Fund

FINANCIAL HIGHLIGHTS (continued)

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, all Fund units were exchanged one-for-one into Series R, at an NAV of \$11.27. Series A and F commenced operations on October 22, 2011 and October 27, 2011 respectively.
4. Distributions were paid in cash until Conversion Day, 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 2011 MER for Series R includes a one-time conversion cost, not annualized, of \$190,113 and interest expense of \$120,832, without which the MER was 3.05%.
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.

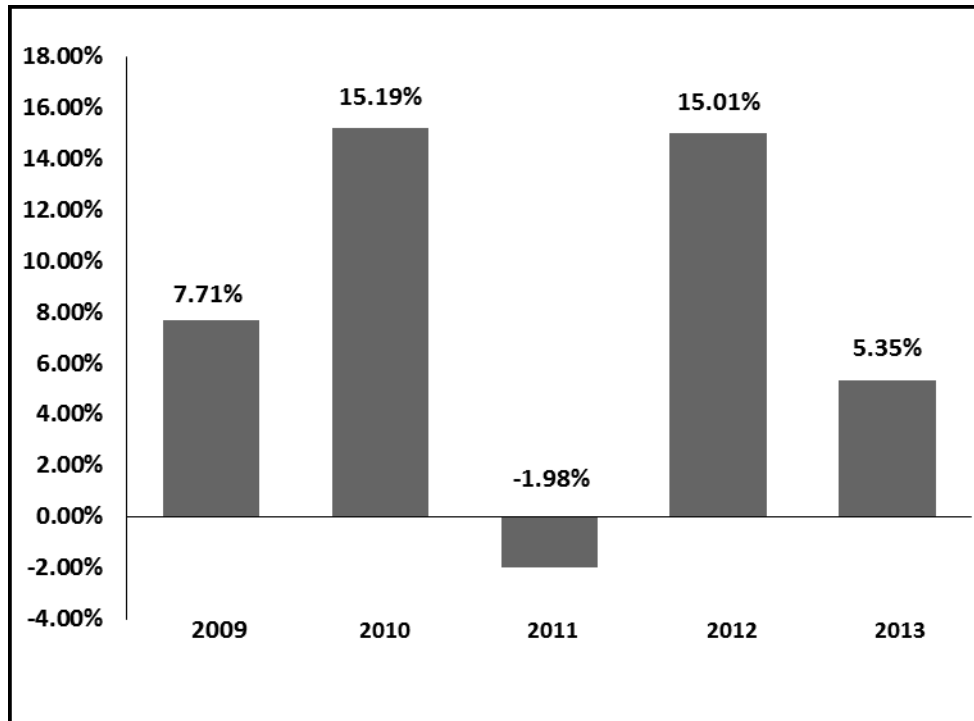
YEAR-BY-YEAR RETURNS

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**. 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.

HARVEST Banks & Buildings Income Fund

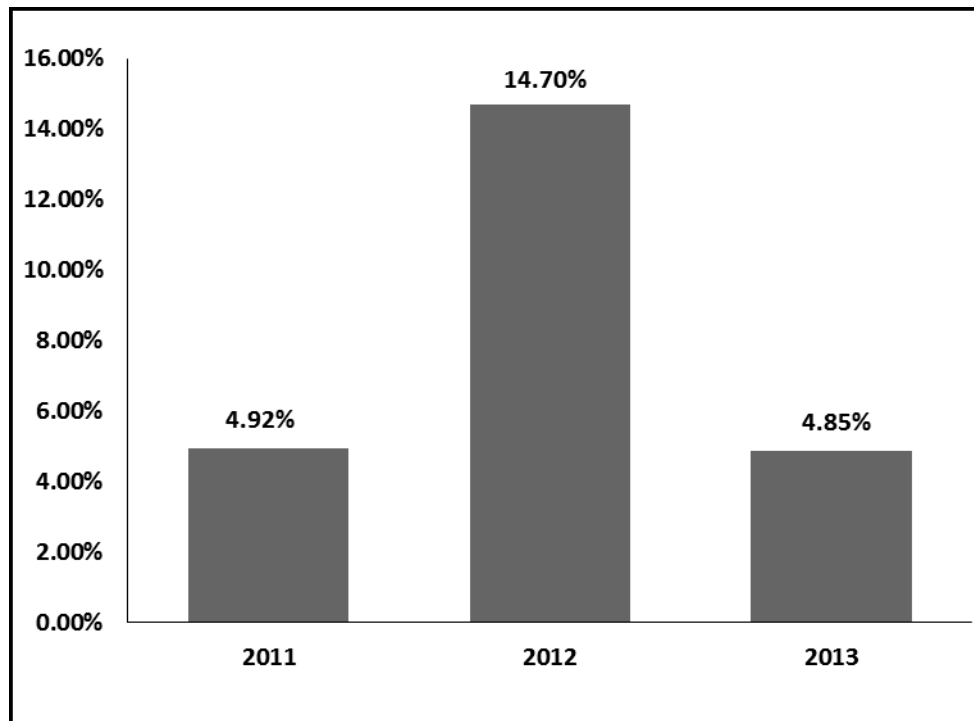
Fund Performance

Series R



2009 represents the period from October 23 to December 31.

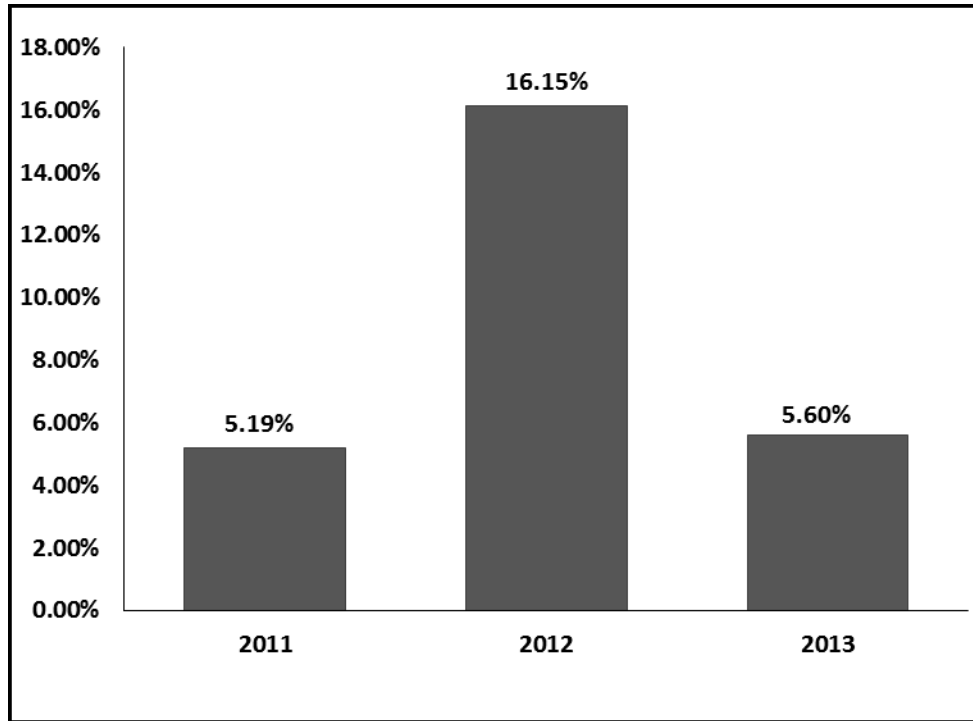
Series A



2011 represents the period from October 18 to December 31.

HARVEST Banks & Buildings Income Fund

Series F



2011 represents the period from October 18 to December 31.

HARVEST Banks & Buildings Income 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 financial statements.

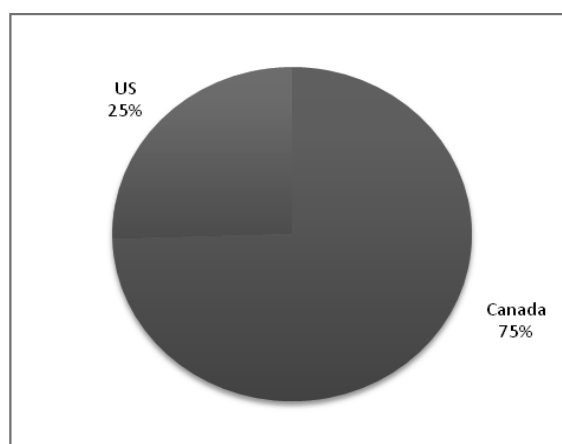
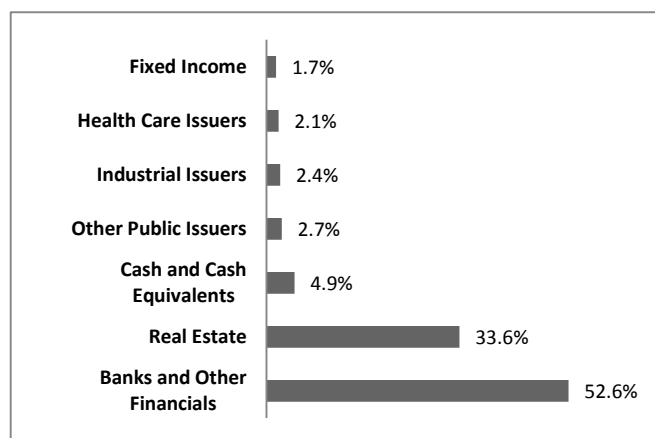
As at June 30, 2013

Top 25 Holdings	% of Net Asset Value	Yield (%)
Bank of America Corporation	7.0	0.3
Artis Real Estate Investment Trust	5.8	7.1
Wells Fargo & Company	5.6	2.9
First Capital Realty Inc.	5.6	4.7
The Toronto-Dominion Bank	5.1	3.8
Mainstreet Equity Corp.	4.9	0.0
Cash and cash equivalents	4.8	0.0
JPMorgan Chase & Co.	4.7	2.8
Sun Life Financial Inc.	4.7	4.6
Tricon Capital Group Inc.	4.6	3.8
Cominar Real Estate Investment Trust	4.3	6.9
Royal Bank of Canada	4.1	4.1
Crombie Real Estate Investment Trust	4.0	6.5
The Bank of Nova Scotia	3.5	4.3
Bank of Montreal	3.3	4.9
BTB Real Estate Investment Trust	3.1	8.3
State Street Corporation	2.8	1.6
Timbercreek Mortgage Investment Corporation	2.7	8.1
Inter Pipeline Fund LP, Class A	2.7	5.2
Power Corporation of Canada	2.7	4.1
Brookfield Renewable Energy Partners L.P.	2.4	5.1
Great-West Lifeco Inc.	2.4	4.2
The Bank of New York Mellon Corporation	2.2	2.1
Amica Mature Lifestyles Inc.	2.1	5.0
Boralex Inc., 6.75% June 30/17	1.7	3.0
Total	96.8	

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	GEOGRAPHIC ALLOCATION
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Total Net Asset Value (100.0%)





HARVEST Banks & Buildings Income Fund

Interim Financial Statements (Unaudited)

June 30, 2013

HARVEST Banks & Buildings Income Fund

STATEMENTS OF FINANCIAL POSITION			
As at June 30, 2013 (Unaudited) and December 31, 2012		2013	2012
Assets			
Investments, at fair value (cost:\$18,753,788; 2012 :\$18,794,199)	\$	22,872,431	\$ 21,963,933
Cash and cash equivalents		1,185,725	1,119,830
Dividends and interest receivable		110,798	82,398
Subscriptions receivable		36,139	17,435
		24,205,093	23,183,596
Liabilities			
Redemptions payable		30,759	73,061
Distributions payable		54,396	53,447
		85,155	126,508
Net assets representing unitholders' equity	\$	24,119,938	\$ 23,057,088
Net assets representing unitholders' equity			
Series R	\$	10,303,099	\$ 13,271,109
Series A		12,205,328	9,178,497
Series F		1,611,511	607,482
Number of units outstanding (Note 3)			
Series R		810,830	1,064,817
Series A		968,780	739,087
Series F		124,927	48,147
Net assets per unit (Note 8)			
Series R	\$	12.71	\$ 12.46
Series A		12.60	12.42
Series F		12.90	12.62

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

HARVEST Banks & Buildings Income Fund

STATEMENTS OF OPERATIONS (Unaudited)			
For the six-month period ended June 30,		2013	2012
Investment income			
Dividends	\$	338,900	\$ 392,388
Interest		24,959	21,361
Less: foreign withholding taxes		(24,564)	(49,908)
		339,295	363,841
Expenses (Note 4)			
Management fees		150,938	131,344
Service fees		105,192	74,434
Unitholder reporting costs		19,438	26,181
Audit fees		11,660	5,086
Transfer agency fees		20,038	19,393
Custodian fees and bank charges		24,030	13,246
Independent review committee fees		3,481	1,746
Filing fees		2,752	2,487
Legal fees		6,364	8,612
		343,893	282,529
Net investment income (loss)	\$	(4,598)	\$ 81,312
Realized and unrealized gain (loss) on investments and foreign currencies			
Realized gain (loss) on sale of investments		251,376	566,172
Realized gain (loss) on foreign exchange		(1,076)	(4,850)
Transaction costs		(12,125)	(21,750)
Change in unrealized appreciation (depreciation) of foreign exchange		147	304
Change in unrealized appreciation (depreciation) of investments		948,909	816,819
Net gain (loss) on investments	\$	1,187,231	\$ 1,356,695
Increase (decrease) in net assets from operations	\$	1,182,633	\$ 1,438,007
Increase (decrease) in net assets from operations - Series R			
Increase (decrease) in net assets from operations - Series R	\$	704,043	\$ 1,268,838
Increase (decrease) in net assets from operations - Series A			
Increase (decrease) in net assets from operations - Series A		442,694	150,884
Increase (decrease) in net assets from operations - Series F			
Increase (decrease) in net assets from operations - Series F		35,896	18,285
Increase (decrease) in net assets from operations per unit - Series R			
Increase (decrease) in net assets from operations per unit - Series R	\$	0.74	\$ 1.02
Increase (decrease) in net assets from operations per unit - Series A			
Increase (decrease) in net assets from operations per unit - Series A		0.51	0.32
Increase (decrease) in net assets from operations per unit - Series F			
Increase (decrease) in net assets from operations per unit - Series F		0.43	0.64

The accompanying notes are an integral part of these financial statements

HARVEST Banks & Buildings Income Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION ALL SERIES (Unaudited)				
For the six-month period ended June 30,				
	2013		2012	
Net assets, beginning of the period	\$	23,057,088	\$	17,695,535
Increase (decrease) in net assets from operations		1,182,633		1,438,007
Unitholders' transactions				
Proceeds from issue of units		6,862,445		11,335,771
Reinvestments of distributions		465,660		477,502
Cost of units redeemed		(6,649,186)		(6,754,570)
Net unitholders' transactions	\$	678,919	\$	5,058,703
Distributions to unitholders				
Net investment income		(798,702)		(749,328)
Total distributions to unitholders	\$	(798,702)	\$	(749,328)
Net assets, end of the period	\$	24,119,938	\$	23,442,917

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES R (Unaudited)				
For the six-month period ended June 30,				
	2013		2012	
Net assets, beginning of the period	\$	13,271,109	\$	16,137,857
Increase (decrease) in net assets from operations		704,043		1,268,838
Unitholders' transactions				
Proceeds from issue of units		725,272		2,271,678
Reinvestments of distributions		253,679		357,793
Cost of units redeemed		(4,260,389)		(5,878,514)
Net unitholders' transactions		(3,281,438)		(3,249,043)
Distributions to unitholders				
Net investment income		(390,615)		(516,325)
Total distributions to unitholders	\$	(390,615)	\$	(516,325)
Net assets, end of the period	\$	10,303,099	\$	13,641,327

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

HARVEST Banks & Buildings Income Fund

STATEMENT OF CHANGES IN FINANCIAL POSITION			
SERIES A (Unaudited)			
For the six-month period ended June 30,		2013	2012
Net assets, beginning of the period	\$	9,178,497	\$ 1,403,211
Increase (decrease) in net assets from operations		442,694	150,884
Unitholders' transactions			
Proceeds from issue of units		5,084,125	8,580,871
Reinvestments of distributions		188,150	111,192
Cost of units redeemed		(2,317,658)	(710,042)
Net unitholders' transactions		(2,954,617)	7,982,021
Distributions to unitholders			
Net investment income		(370,480)	(220,394)
Total distributions to unitholders	\$	(370,480)	\$ (220,394)
Net assets, end of the period	\$	12,205,328	\$ 9,315,722

STATEMENTS OF CHANGES IN FINANCIAL POSITION			
SERIES F (Unaudited)			
For the six-month period ended June 30,		2013	2012
Net assets, beginning of the period	\$	607,482	\$ 154,467
Increase (decrease) in net assets from operations		35,896	18,285
Unitholders' transactions			
Proceeds from issue of units		1,053,048	483,222
Reinvestments of distributions		23,831	8,517
Cost of units redeemed		(71,139)	(166,014)
Net unitholders' transactions		1,005,740	325,725
Distributions to unitholders			
Net investment income		(37,607)	(12,609)
Total distributions to unitholders	\$	(37,607)	\$ (12,609)
Net assets, end of the period	\$	1,611,511	\$ 485,868

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

HARVEST Banks & Buildings Income Fund

STATEMENT OF INVESTMENTS (Unaudited)

As at June 30, 2013

Number of Shares	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
EQUITIES				
Real Estate Issuers				
14,500	American Capital Agency Corporation	415,883	351,826	1.5
30,000	Annaly Capital Management Inc.	504,276	398,138	1.6
92,500	Artis Real Estate Investment Trust	815,110	1,387,500	5.8
158,824	BTB Real Estate Investment Trust	440,975	754,414	3.1
50,000	Cominar Real Estate Investment Trust	839,711	1,037,500	4.3
70,000	Crombie Real Estate Investment Trust	754,491	954,100	4.0
75,000	First Capital Realty Inc.	1,429,832	1,334,250	5.5
36,000	Mainstreet Equity Corporation	821,832	1,188,720	4.9
71,490	Timbercreek Mortgage Investment Corporation	758,647	661,997	2.7
		6,780,757	8,068,445	33.4
Banking and Other Financial Issuers				
125,000	Bank of America Corporation	1,020,381	1,694,514	7.0
13,000	Bank of Montreal	734,897	792,740	3.3
18,000	Bank of New York Mellon Corporation	452,790	532,265	2.2
20,000	Great-West Lifeco Inc.	500,729	568,000	2.3
20,300	JPMorgan Chase & Co.	733,064	1,130,095	4.7
23,000	Power Corporation of Canada	609,058	648,830	2.7
16,000	Royal Bank of Canada	842,750	980,320	4.1
9,800	State Street Corporation	452,910	674,174	2.8
36,000	Sun Life Financial Inc.	912,750	1,116,000	4.6
15,000	The Bank of Nova Scotia	781,188	843,000	3.5
14,500	The Toronto-Dominion Bank	1,075,477	1,224,525	5.1
175,000	Tricon Capital Group, Inc.	1,039,430	1,100,750	4.6
31,000	Wells Fargo & Co.	852,358	1,349,344	5.6
		10,007,782	12,654,557	52.5
Utility Issuers				
20,000	Brookfield Renewable Energy Partners L.P.	600,821	580,200	2.4
		600,821	580,200	2.4
Other Public Issuers				
30,000	Inter Pipeline Fund LP, Class A	428,266	649,200	2.7
		428,266	649,200	2.7
Health Care Issuers				
60,000	Amica Mature Lifestyles Inc.	540,000	504,000	2.1
		540,000	504,000	2.1
	Total equities	18,357,626	22,456,402	93.1
Par Value				
393,408	Boralex Inc. 6.75% Jun 30/17	396,162	416,029	1.7
	Total fixed income	396,162	416,029	1.7
	Total investments	18,753,788	22,872,431	94.8
	Other assets less liabilities		1,247,507	5.2
	Net Assets		24,119,938	100.0

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

HARVEST Banks & Buildings Income Fund

CONCENTRATION BY GEOGRAPHY AS AT JUNE 30, 2013

As at	June 30, 2013		December 31, 2012	
Country of Issue	\$*	As a % of net assets	\$*	As a % of net assets
Canada	17,958,576	74.5	17,886,638	77.7
United States of America	6,161,362	25.5	5,170,450	22.3
Totals	24,119,938	100.0	23,057,088	100.0

*Stated in Canadian dollars

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

	% of Net Assets as at June 30, 2013	% of Net Assets as at December 31, 2012
Real Estate Issuers	33.4	39.7
Banking and Other Financial Issuers	52.5	46.8
Utility Issuers	2.4	-
Other Public Issuers	2.7	3.1
Health Care Issuers	2.1	2.4
Fixed Income	1.7	3.3

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

HARVEST Banks & Buildings Income Fund

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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.

The Fund became an open-end mutual fund on October 18, 2011 (the “Conversion Date”). On the Conversion Date, the Units became redeemable at net asset value per unit on a daily basis, and the Fund became subject to National Instrument 81-102.

The Fund offers Series R, Series A and Series F units, only through registered dealers. Series R is the series in which all existing unitholders at October 18, 2011 were rolled into on the Conversion Date, on a unit-for-unit basis. New purchases in Series R are available to existing unitholders only, in an initial sales charge option. Series A units, which were created on October 18, 2011 but commenced operations on October 22, 2011, are available to all investors in an initial sales charge option and have a higher service fee than Series R. Series F units, which were created on October 18, 2011 but commenced operations on October 27, 2011, have no initial sales charge option and no service fees and are usually only available to investors who have fee-based accounts with the dealers.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

- a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855 Financial Instruments - Recognition and Measurement. Investments held that are traded in an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. Investments held include equities, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.
- 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, 2013 and December 31, 2012, there were no securities that required pricing using assumptions.
- c) Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

HARVEST Banks & Buildings Income Fund

National Instrument 81-106 – “Investment Fund Continuous Disclosure” (“NI 81-106”) requires all investment funds to calculate net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net asset value (“NAV”) calculated based on NI 81-106 and on net assets calculated based on Canadian GAAP (“Net assets”). Reconciliation between NAV per unit and Net assets per unit at the period end is provided in Note 8.

Cash and cash equivalents

Cash is comprised of cash on deposit. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less.

Other assets and liabilities

For the purposes of categorization in accordance with CICA Handbook Section 3862, accrued dividends and interest and other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to unitholders for distributions and redemptions are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value for these assets and liabilities.

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund are expensed in accordance with Section 3855 and are recognized in the Statement of Operations in the period in which they are incurred.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. The cost of investments which represents the amount paid for each security is determined on an average cost basis excluding transaction costs. Realized gains and (losses) from the sale of investments and unrealized appreciation (depreciation) of investments are calculated on an average cost basis.

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

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

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

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

Foreign currency translation

Purchases and sales of 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 “Change in unrealized appreciation (depreciation) of investments”, respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Operations in “Realized gain (loss) on foreign exchange” and “Change in unrealized appreciation (depreciation) of foreign exchange”, respectively.

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

HARVEST Banks & Buildings Income Fund

Securities valuation

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

Increase (decrease) in net assets from operations per unit

"Increase (decrease) in net assets from operations per unit" in the Statements of Operations represents the increase (decrease) in net assets from operations for the period, attributed to each series, divided by the weighted average units outstanding for that series for the period.

Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Securities classification:

Investment at fair values as at June 30, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common stock	15,681,527	-	-	15,681,527
Funds	661,997	-	-	661,997
Limited partnership	1,229,400	-	-	1,229,400
REIT	4,883,478	-	-	4,883,478
Total equities	22,456,402	-	-	22,456,402
Fixed income				
Corporate bonds	416,029	-	-	416,029
Total fixed income	416,029	-	-	416,029
Total investments at fair value	22,872,431	-	-	22,872,431

HARVEST Banks & Buildings Income Fund

Investment at fair values as at December 31, 2012				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common stock	13,315,129	-	-	13,315,129
Funds	726,338	-	-	726,338
Limited partnership	704,400	-	-	704,400
REIT	6,463,206	-	-	6,463,206
Total equities	21,209,073	-	-	21,209,073
Fixed income				
Corporate bonds	754,860	-	-	754,860
Total fixed income	754,860	-	-	754,860
Total investments at fair value	21,963,933	-	-	21,963,933

There were no Level 3 securities held by the Fund as at June 30, 2013 and December 31, 2012. There were no transfers between Level 1 and Level 2 for the periods ended June 30, 2013 and December 31, 2012.

Transition to International Financial Reporting Standards (“IFRS”)

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

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

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

As at June 30, 2013, the Manager believes that the major areas of difference between the Fund’s current accounting policies and those expected to apply under IFRS have been identified, including the:

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

The Manager and the Fund service providers are in the process of developing the Fund’s approach to financial statement presentation and disclosure related to these items, as well as finalizing any quantitative impacts upon transition. The Manager does not currently expect that the transition to IFRS will have a significant impact on the Fund’s net asset value per unit.

3. UNITHOLDERS’ EQUITY

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

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

HARVEST Banks & Buildings Income Fund

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

	Units outstanding		
	Series R	Series A	Series F
Total outstanding as at December 31, 2011	1,390,604	120,977	13,283
Subscriptions	11,495	756,969	44,318
Reinvestment of distributions	53,285	22,014	1,737
Redemptions	(369,741)	(180,841)	(12,084)
Transfers between Series	(20,826)	19,968	893
Total outstanding as at December 31, 2012	1,064,817	739,087	48,147
Subscriptions	2,916	279,410	75,172
Reinvestment of distributions	19,659	14,670	1,818
Redemptions	(275,702)	(62,324)	(3,089)
Transfers between Series	(860)	(2,063)	2,879
Total outstanding as at June 30, 2013	810,830	968,780	124,927

Distributions

Monthly distributions to unitholders are declared and paid to unitholders of record on the Valuation Date prior to the month-end, and automatically reinvested into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were \$0.42 per unit (\$0.07 per unit per month) for the period ended June 30, 2013 (2012 - \$0.42).

4. EXPENSES

Management fees and servicing fees

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

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

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

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

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.10%	0.40%	1.50%
A	1.10%	1.25%	2.35%
F	1.10%	0.00%	1.10%

HARVEST Banks & Buildings Income Fund

Operating 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, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest, and is then reimbursed by the Fund.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$14,600 for the period ended June 30, 2013 (2012 - \$26,181) and are included in the unitholder reporting costs on the Statement of Operations.

5. FINANCIAL RISK MANAGEMENT

Investment Objectives

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

As at June 30, 2013, 93.1% (December 31, 2012 – 92.0%) 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 \$1,122,820 (December 31, 2012 - \$1,060,454).

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

Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the financial currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

The 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, 2013		December 31, 2012	
	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	\$6,161,362	25.5%	\$5,170,450	22.3%

*Amounts are in Canadian dollars

As at June 30, 2013, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately \$308,068 (December 31, 2012 - \$258,523) or 1.3% (December 31, 2012 – 1.1%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

HARVEST Banks & Buildings Income Fund

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. A Fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. In general, when interest rates are falling, the value of these investments rises.

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. If interest rates were to change by 1.0%, the increase (decrease) in interest earned by the Fund would change by \$4,160 (2012 - \$7,524).

The table below summarizes the Fund's exposure to interest rate risks by either the remaining term to maturity or contractual re-pricing as at June 30, 2013 and December 31, 2012.

Debt Instruments: June 30, 2013	Fair Value (\$)	% of Net Assets
3 to 5 years	416,029	1.7
Total	416,029	1.7

Debt Instruments: December 31, 2012	Fair Value (\$)	% of Net Assets
Less than 1 year	337,848	1.5
3 to 5 years	417,012	1.8
Total	754,860	3.3

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to redemptions as units are redeemable on demand and Unitholders may redeem their units on each valuation date. Therefore in order to maintain sufficient liquidity, the Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

As at June 30, 2013 and December 31, 2012, all of the Fund's financial liabilities had maturities of less than three months.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund has holdings of fixed income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at June 30, 2013.

At June 30, 2013 and December 2012, the Fund was invested in debt securities which were not rated.

6. SOFT DOLLAR COMMISSIONS

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

The value of such research services included in commissions paid to brokers for the periods ended June 30, 2013 and 2012 amounted to \$NIL.

HARVEST Banks & Buildings Income Fund

7. INCOME TAXES

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

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

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

As at the Fund's 2012 taxation year, the Fund had \$340,768 of non-capital losses available for income tax purposes.

Harmonized sales tax

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

8. NET ASSET VALUE AND NET ASSETS

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

Per Unit (\$):	NAV (\$)	Net asset (\$)
As at June 30, 2013		
Class R	\$12.73	\$12.71
Class A	\$12.62	\$12.60
Class F	\$12.92	\$12.90

Per Unit (\$):	NAV (\$)	Net asset (\$)
As at December 31, 2012		
Class R	\$12.48	\$12.46
Class A	\$12.43	\$12.42
Class F	\$12.63	\$12.62

HARVEST Banks & Buildings Income Fund

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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