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Brand Leaders 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.

Brand Leaders 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 financial 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 Brand Leaders Income Fund (the “Fund”) has been created to invest in an equally-weighted underlying portfolio of fifteen of the world’s top one hundred rated brand companies, each with a market capitalization of at least US\$10 billion. As the US and global economy generally expands, Harvest believes that a diversified portfolio invested in the blue chip companies will provide investors with an attractive yield and strong capital appreciation potential.

Brand Leaders 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 has been created to provide investors with a unique exposure to a portfolio of assets ("Portfolio") of Equity securities of issuers selected from the world's top 100 rated brand companies, as recognized by Interbrand in its annual study of the best global brands (the "**Brand Leaders**"), from the Brand Leaders Investable Universe. "**Brand Leaders Investable Universe**" means those Brand Leaders that are eligible to have options written on their Equity securities and where such Equity securities and options are traded on a North American stock exchange.

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

- (i) monthly cash distributions;
- (ii) the opportunity for capital appreciation; and
- (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity securities of the Brand Leaders directly.

The Fund's manager, Harvest Portfolios Group Inc. ("Harvest") has retained Highstreet Asset Management Inc. ("Highstreet" or "Investment Manager") to provide investment management services to the Fund.

To achieve its investment objectives, the Fund will invest in an equally-weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US\$10 billion at the time of investment and meet the investment characteristics described below. In order to seek to generate additional returns, Highstreet will sell "at-the-money" call options each month on equity securities held in the Portfolio. The Investment Manager will not sell call options on more than 25% of the equity securities of each Brand Leader held in the Fund.

INVESTMENT STRATEGY

Highstreet will select the Fund's initial equity securities for the Fund and will annually rebalance the Portfolio such that, at the time of the initial investment and immediately following each annual rebalancing, the Portfolio will have the following investment characteristics:

- Growth** – An average 5-year Annual Compound Earnings per Share growth rate greater than the average for the Brand Leaders Investable Universe;
- Value** – An average Price-to-Earnings ratio lower than the average for the Brand Leaders Investable Universe;
- Quality** – An average 5-year Return On Equity growth greater than the average for the Brand Leaders Investable Universe; and
- Yield** – An average Yield greater than the average for the Brand Leaders Investable Universe.

Brand Leaders Income Fund

RISK

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

During the six month period ending June 30, 2013 the Brand Leaders Income Fund returned 6.50%. This compares with a return of 19.1% in Canadian currency for the Standard & Poors 100 Index.

While the markets avoided the “sell in May” phenomenon that has been observed over the past several years the market did experience a significant sell-off in June. This sell off was due primarily to the US Federal reserve’s comments that there would be an increased likelihood they would begin the process of reducing their current Quantitative Easing (QE) program if warranted by economic fundamentals. Some of these fundamentals include stronger job numbers, continued strength in the housing recovery, and improving volumes in automobile sales, all pointing to overall general improvement in the US economy. The news of tapering was initially seen as negative and the market rushed to price in the potential elimination of the QE program. Several follow-up comments by members of the Federal Reserve tempered some of the initial negativity and provided support. Performance was positive in every sector with the strongest contributions coming from Financials (+11.0) and Consumer Discretionary (+10.5%), the latter mostly being supported by the improving US job market and housing market.

During the second quarter of 2013, monthly call options expired in April, May and June. These call options were written on approximately 24% of the underlying shares held in the portfolio. The average strike price was 103% over the period and average volatility was 18. The Fund remains invested in the original 15 brand leaders.

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

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 0.90%, plus applicable taxes, of the net asset value of the Fund. The Manager pays Highstreet, a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund’s net asset value. The Fund also pays service fees to registered dealers at the rate on 0.40 % of the NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers.

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.

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.

Brand Leaders Income 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 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 \$100,126 for the period ended June 30, 2013 (2012 - \$47,610) 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.

RECOMMENDATIONS 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.

Brand Leaders 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 the 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 UNIT¹					
	2013		2012		2011
Net assets - beginning of the period³	\$	10.89	\$	10.42	\$ 11.17
Increase (decrease) from operations					
Total revenue		0.15		0.25	0.10
Total expenses		(0.16)		(0.27)	(0.14)
Realized gains (losses) for the period		-		0.74	(0.66)
Unrealized gains (losses) for the period		0.74		0.53	0.28
Total increase (decrease) from operations²	\$	0.73	\$	1.25	\$ (0.42)
Distributions⁴					
From income		(0.39)		-	-
Return of capital		-		(0.78)	(0.33)
Total annual distributions⁴	\$	(0.39)	\$	(0.78)	\$ (0.33)
Net assets - end of the period²	\$	11.21	\$	10.89	\$ 10.42

RATIOS AND SUPPLEMENTAL DATA					
	2013		2012		2011
Total net asset value¹	\$	26,897,374	\$	27,735,762	\$ 26,874,375
Number of units outstanding ¹		2,399,948		2,546,678	2,577,778
Management expense ratio ⁵		2.77%		2.35%	11.06%
Management expense ratio before waivers or absorptions ⁵		2.77%		2.35%	11.06%
Trading expense ratio ⁶		0.09%		0.11%	0.32%
Portfolio turnover rate ⁷		9.35%		16.33%	9.25%
Net asset value per unit¹	\$	11.21	\$	10.89	\$ 10.43
Closing market price (HBL.UN)	\$	11.00	\$	10.79	\$ 10.00

Explanatory Notes:

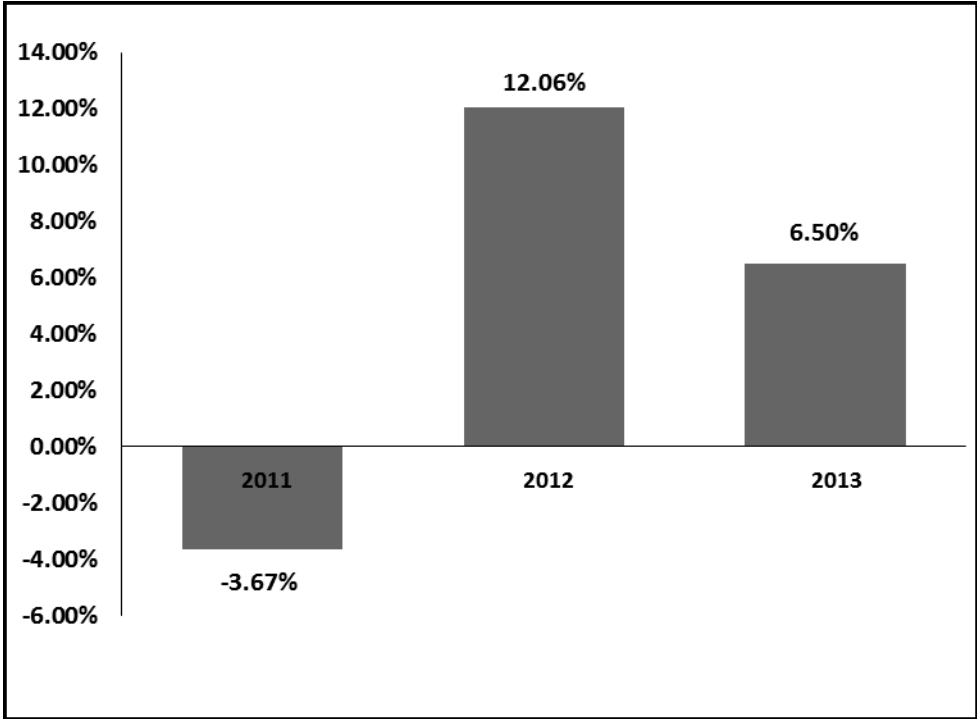
- The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing purposes. An explanation of these differences can be found in the Notes to Financial Statements.
- 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.
- Net assets, at the beginning of the period in 2011 was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit.
- Distributions were paid in cash.
- 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 2011 (the year of inception) included agents' fees and issue costs of \$2,167,988, which were treated as one-time expenses and therefore were not annualized.
- 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.
- 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.

Brand Leaders Income Fund

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. 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.

Fund Performance



2011 represents the period from July 19 to December 31

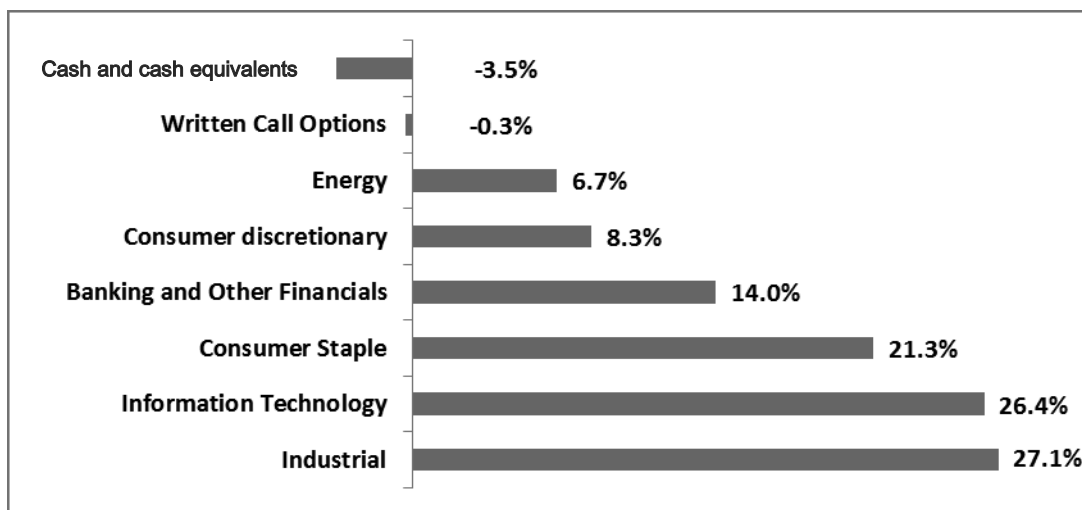
Brand Leaders Income Fund

SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by Sector 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.


SECTOR ALLOCATION

Total Net Asset Value (100.0%)



Top 16 Holdings	% of Net Asset Value
The Walt Disney Company	8.2
Kellogg Company	7.5
The Coca-Cola Company	7.4
United Parcel Service, Inc., Class B	7.4
Microsoft Corporation	7.2
American Express Company	7.2
Intel Corporation	7.2
HSBC Holdings PLC SPONS ADR	6.9
Royal Dutch Shell PLC ADR, Class A	6.7
Siemens AG SPONS ADR	6.7
3M Company	6.6
Caterpillar Inc.	6.4
Anheuser-Busch Inbev SPN ADR	6.3
International Business Machines Corporation	6.1
Apple Inc.	5.9
Foreign Currency Forward Contracts	(3.8)
Total	100.0

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



Brand Leaders Income Fund
Interim Financial Statements (Unaudited)
June 30, 2013

The accompanying unaudited interim financial statements have not been reviewed by the external auditors of the Fund.

Brand Leaders Income Fund

STATEMENTS OF FINANCIAL POSITION		
As at June 30, 2013 (Unaudited) and December 31, 2012	2013	2012
Assets		
Investments, at fair value (cost \$23,091,888; 2012 - \$25,069,489)	\$ 27,907,986	\$ 27,430,666
Cash and cash equivalents	111,193	824,009
Dividends receivable	51,725	9,443
	28,070,904	28,264,118
Liabilities		
Distributions payable	155,997	165,534
Payable for options contracts written (cost \$63,429; 2012 - \$75,003) (Note 2)	75,780	70,142
Unrealized depreciation on foreign currency forward contracts (Note 5)	941,117	298,367
	1,172,894	534,043
Net assets representing unitholders' equity	\$ 26,898,010	\$ 27,730,075
Unitholders' equity (Note 3)		
Unitholders' capital	23,960,273	25,598,748
Contributed surplus	16,757	38,421
Retained earnings (deficit)	2,920,980	2,092,906
Unitholders' equity	\$ 26,898,010	\$ 27,730,075
Number of units outstanding (Note 3)	2,399,948	2,546,678
Net assets per unit (Note 9)	\$ 11.21	\$ 10.89

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

Brand Leaders Income Fund

STATEMENTS OF OPERATIONS (Unaudited)			
For the six-month period ended June 30,		2013	2012
Investment income			
Dividends	\$	422,228	\$ 375,527
Less: foreign withholding taxes		(56,250)	(50,640)
		365,978	324,887
Expenses (Note 4)			
Management fees		138,940	144,453
Service fees		61,372	64,080
Unitholder reporting costs		100,411	61,108
Audit fees		7,774	8,286
Transfer agency fees		5,020	6,390
Custodian fees and bank charges		27,818	31,154
Independent review committee fees		4,032	4,848
Filing fees		22,894	15,516
Legal fees		10,043	1,919
		378,304	337,754
Net investment gain (loss)		(12,326)	(12,867)
Realized and unrealized gain (loss) on investments and foreign currencies			
Realized gain (loss) on sale of investments		875,124	(4,814)
Realized gain (loss) on foreign exchange		(870,739)	202,404
Transaction costs		(12,989)	(15,608)
Change in unrealized appreciation (depreciation) of foreign exchange		(643,246)	(201,242)
Change in unrealized appreciation (depreciation) of investments		2,437,709	2,844,139
Net gain (loss) on investments	\$	1,785,859	\$ 2,824,879
Increase (decrease) in net assets from operations	\$	1,773,533	\$ 2,812,012
Increase (decrease) in net assets from operations per unit	\$	0.73	\$ 1.09

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

Brand Leaders Income Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited)			
For the six-month period ended June 30,		2013	2012
Net assets, beginning of the period	\$	27,730,075	\$ 26,868,364
Increase (decrease) in net assets from operations		1,773,533	2,812,012
Unitholders' transactions			
Payments on cancellation of units		(1,660,139)	(173,600)
Net unitholders' transactions	\$	(1,660,139)	\$ (173,600)
Distributions to unitholders			
Net investment income		(945,459)	(1,001,290)
Total distributions to unitholders		(945,459)	(1,001,290)
Net assets, end of the period	\$	26,898,010	\$ 28,505,486
Retained earnings (deficit), beginning of the period	\$	2,092,906	\$ (1,109,886)
Distribution to unitholders		(945,459)	(1,001,290)
Increase (decrease) in net assets from operations		1,773,533	2,812,012
Retained earnings (deficit), end of the period	\$	2,920,980	\$ 700,836
Contributed surplus, beginning of the period	\$	38,421	\$ 35,048
Cost of units repurchased at less (greater) than average cost of unit (Note 3)		(21,664)	2,832
Contributed surplus, end of the period	\$	16,757	\$ 37,880

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

Brand Leaders Income Fund

STATEMENTS OF CASH FLOWS (Unaudited)			
For the six-month period ended June 30,		2013	2012
Operating activities			
Increase (decrease) in net assets from operations	\$	1,773,533	\$ 2,812,012
Add (deduct) items not affecting cash			
Realized gain (loss) on sale of investments		(875,124)	4,814
Change in unrealized appreciation (depreciation) of investments		(2,437,709)	(2,844,139)
Proceeds from sale of investments		5,406,307	2,222,432
Purchases of investments		(2,565,156)	(1,344,527)
Net change in non-cash assets and liabilities		600,468	212,839
Net cash flow provided by (used in) operating activities		1,902,319	1,063,431
Financing activities			
Payments on cancellation of units		(1,660,139)	(178,340)
Distribution to unitholders		(954,996)	(1,002,408)
Net cash flow provided by (used in) financing activities	\$	(2,615,135)	\$ (1,180,748)
Net increase (decrease) in cash and cash equivalents during the period		(712,816)	(117,317)
Cash and cash equivalents, beginning of the period		824,009	588,813
Cash and cash equivalents, end of the period	\$	111,193	\$ 471,496

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

Brand Leaders Income Fund

STATEMENT OF INVESTMENTS (Unaudited)

As at June 30, 2013

Number of Shares	Security	Average Cost (\$)	Fair Value(\$)	% of Net Assets
EQUITIES				
Banking and Other Financial Issuers				
24,500	American Express Company	1,206,844	1,930,200	7.2
33,700	HSBC Holdings PLC ADR	1,592,509	1,844,783	6.9
		2,799,353	3,774,983	14.1
Consumer Discretionary Issuers				
33,200	The Walt Disney Company	1,338,265	2,212,838	8.2
		1,338,265	2,212,838	8.2
Consumer Staple Issuers				
17,900	Anheuser-Busch InBev SPN ADR	1,229,344	1,704,245	6.4
29,900	Kellogg Co.	1,555,464	2,026,954	7.5
47,000	The Coca-Cola Company	1,570,853	1,989,256	7.4
		4,355,661	5,720,455	21.3
Energy Issuers				
26,800	Royal Dutch Shell PLC Class A ADR	1,854,577	1,804,644	6.7
		1,854,577	1,804,644	6.7
Industrials Issuers				
15,500	3M Co.	1,379,583	1,788,061	6.6
19,900	Caterpillar Inc.	1,965,080	1,731,754	6.4
16,800	Siemens AG SPONS ADR	1,834,428	1,795,534	6.7
21,700	United Parcel Service, Inc. Class B	1,519,834	1,979,507	7.4
		6,698,925	7,294,856	27.1
Information Technology Issuers				
3,800	Apple Inc.	1,453,140	1,588,010	5.9
75,600	Intel Corporation	1,687,912	1,931,647	7.2
8,100	International Business Machines Corporation	1,439,506	1,631,686	6.1
53,500	Microsoft Corporation	1,464,549	1,948,867	7.2
		6,045,107	7,100,210	26.4
	Total equities	23,091,888	27,907,986	103.8
OPTIONS				
Banking and Other Financial Issuers				
(5,800)	American Express Company - Jul 2013 @ USD \$75	(6,158)	(8,260)	-
(8,000)	HSBC Holdings PLC ADR - Jul 2013 @ USD \$53	(7,737)	(6,836)	-
		(13,895)	(15,096)	-
Consumer Discretionary Issuers				
(7,900)	The Walt Disney Company - Jul 2013 @ USD \$65	(4,153)	(4,334)	-
		(4,153)	(4,334)	-

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

Brand Leaders Income Fund

STATEMENT OF INVESTMENTS (Unaudited) (continued)

As at June 30, 2013

Number of Shares	Security	Average Cost (\$)	Fair Value(\$)	% of Net Assets
Consumer Staple Issuers				
(4,200)	Anheuser-Busch InBev NV ADR - Jul 2013 @ USD \$93	(2,208)	(5,317)	(0.1)
(7,100)	Kellogg Co. - Jul 2013 @ USD \$65	(2,612)	(4,494)	-
(11,200)	The Coca-Cola Company - Jul 2013 @ USD \$41	(3,297)	(3,781)	-
		(8,117)	(13,592)	(0.1)
Energy Issuers				
(6,400)	Royal Dutch Shell PLC Class A ADR - Jul 2013 @ USD \$65	(2,691)	(3,376)	-
		(2,691)	(3,376)	-
Industrials Issuers				
(3,700)	3M Co. - Jul 2013 @ USD \$110	(4,045)	(5,504)	(0.1)
(4,700)	Caterpillar Inc. - Jul 2013 @ USD \$85	(2,866)	(2,082)	-
(4,000)	Siemens AG - Jul 2013 @ USD \$105	(1,903)	(2,110)	-
(5,200)	United Parcel Service, Inc. Class B - Jul 2013 @ USD \$88	(3,662)	(3,895)	-
		(12,476)	(13,591)	(0.1)
Information Technology Issuers				
(900)	Apple Inc. - Jul 2013 @ USD \$410	(6,859)	(4,367)	-
(18,100)	Intel Corporation - Jul 2013 @ USD \$25	(3,806)	(5,537)	-
(1,900)	International Business Machines Corporation - Jul 2013 @ USD \$205	(2,417)	(1,303)	-
(12,800)	Microsoft Corporation - Jul 2013 @ USD \$34	(9,015)	(14,584)	(0.1)
		(22,097)	(25,791)	(0.1)
Total options		(63,429)	(75,780)	(0.3)
Total investments		23,028,459	27,832,206	103.5
Foreign currency forward contracts (Note 5)			(941,117)	(3.5)
Other assets less liabilities			6,921	-
Net assets			26,898,010	100.0

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

Brand Leaders Income Fund

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
EQUITIES		
Banks and Other Financial Issuers	14.1	12.1
Consumer Discretionary Issuers	8.2	6.6
Consumer Staples Issuers	21.3	20.3
Energy Issuers	6.7	6.7
Industrial Issuers	27.1	27.7
Information Technology Issuers	26.4	25.5
OPTIONS		
Banks and Other Financial Issuers	-	(0.1)
Consumer Discretionary Issuers	-	-
Consumer Staples Issuers	(0.1)	-
Energy Issuers	-	-
Industrial Issuers	(0.1)	-
Information Technology Issuers	(0.1)	(0.1)

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

Brand Leaders Income Fund

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2013

1. ORGANIZATION

Brand Leaders Income Fund (the “Fund”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 29, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, June 29, 2011 to commencement of operations on July 19, 2011. On June 29, 2011, the Fund completed an initial public offering of 2,500,000 units at \$12.00 per unit for gross proceeds of \$30,000,000. On August 3, 2011, an overallotment option was exercised for an additional 101,378 units at a price of \$12.00 per unit for gross proceeds of \$1,216,536.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

- a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855 Financial Instruments - Recognition and Measurement. Investments held that are traded 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, option contracts and foreign currency forward contracts. Investments held with no available bid prices are valued at their closing sale price.
- b) Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with CICA Handbook Section 3855 methodologies. The fair values of certain securities are determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity. At June 30, 2013 and December 31, 2012, there were no securities that required pricing using assumptions.

National Instrument 81-106 – “Investment Fund Continuous Disclosure” (“NI 81-106”) requires all investment funds to calculate net asset value for all purpose other than for financial statements in according 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”). The reconciliation between NAV per unit and Net assets per unit at the period end is provided in Note 9.

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.

Brand Leaders Income Fund

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 and other liabilities are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value for these assets and liabilities.

Transaction costs

Transaction costs, such as brokerage commissions, incurred on the purchase and sale of securities by the Fund are expensed in accordance with Section 3855 and are recognized in the Statements 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 represents the amount paid for each security and is determined on an average cost basis excluding transaction costs. Realized gains (losses) from the sale of investments and unrealized appreciation (depreciation) of investments are calculated on an average cost basis.

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.

Foreign currency translation

Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statement of Operations in “Realized gain (loss) on sale of investments” and “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 Statement of Operations in “Realized gain (loss) on foreign exchange” and “Change in unrealized appreciation (depreciation) of foreign exchange”.

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

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date, and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign currency forward contracts.

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 unit will be calculated on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time. “Business Day” means any day on which the TSX is open for trading.

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of a future securities price.

The premium paid for purchase options is included in the “Investments, at average cost” on the Statements of Financial Position. The unrealized gain or loss is reflected in the Statement of Operations in “Change in unrealized appreciation (depreciation) of investment”.

The premium received upon writing an option is recorded at cost as “Payable for options written” in the Statement of Financial Position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the Statements of Operations in “Changes in unrealized appreciation (depreciation) of investment”.

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The gain or loss on sale or expiry of options is reflected in the Statements of Operations in “Realized gain (loss) on sale of investments”.

Increase (decrease) in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” in the Statement of Operations represents the increase (decrease) in net assets from operations, divided by the weighted average units outstanding for the financial period.

Fair value of financial instruments

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

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

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

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

Securities classification:

Investment at fair value as at June 30, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	20,758,780	-	-	20,758,780
ADR	7,149,206	-	-	7,149,206
Total equities	27,907,986	-	-	27,907,986
Total written options contracts	(75,780)	-	-	(75,780)
Total investments	27,832,206	-	-	27,832,206
Foreign currency forward contracts	-	(941,117)	-	(941,117)
Total investment at fair value	27,832,206	(941,117)	-	26,891,089

Investment at fair value as at December 31, 2012				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	19,686,666	-	-	19,686,666
ADR	7,744,000	-	-	7,744,000
Total equities	27,430,666	-	-	27,430,666
Total written options contracts	(70,142)	-	-	(70,142)
Total investments	27,360,524	-	-	27,360,524
Foreign currency forward contracts	-	(298,367)	-	(298,367)
Total investments at fair value	27,360,524	(298,367)	-	27,062,157

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

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

The Fund renewed its normal course issuer bid program for the period from August 23, 2012 to August 22, 2013, which allows the Fund to purchase up to 255,097 trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange. During the period ended June 30, 2013, 2,400 units were purchased for cancellation for \$26,670 (2012 – 31,100 units).

Contributed Surplus

Contributed surplus is recorded when units of the Fund are redeemed or repurchased at prices per unit which are below the average cost per unit of unitholders capital. If the redemption price is greater than the average cost per unit, the difference is first charged to contributed surplus until the balance in contributed surplus is eliminated and the remaining amount is charged to retained earnings.

Redemptions

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

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

(b) 100% of the “closing market price” on the principal market on which the units are quoted for trading on the monthly redemption date.

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In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in January 2013, units may be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, for the second last business day of January and the unitholder will receive payment on or before the 15th business day of the following month. On January 31, 2013 144,330 (2012 - \$Nil) units were redeemed and cancelled for \$1,633,469 (2012 - \$Nil).

The following units were redeemed and/or cancelled during the period:

	Units outstanding
Total outstanding as at December 31, 2011	2,577,778
Units cancelled	(31,100)
Total outstanding as at December 31, 2012	2,546,678
Units cancelled	(146,730)
Total outstanding as at June 30, 2013	2,399,948

Issue costs

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

Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last business day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in November 2011, the Fund will annually determine and announce the distribution amount for the following year based upon the prevailing market conditions. The distribution amount was \$945,549 or \$0.065 per unit per month (\$0.39 per unit in total) for the period ended June 30, 2013 (2012 - \$1,001,290 or \$0.39 per 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 Highstreet Asset Management Inc. ("Highstreet" or the "Investment Manager") to provide investment management services to the Fund and pays Highstreet 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 0.90 % of the NAV, plus applicable taxes, per annum of the Fund. The Fund pays service fees to registered dealers at the rate on 0.40 % of the NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers.

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. 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 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 \$100,126 for the period ended June 30, 2013 (2012 - \$47,610) and are included in the unitholder reporting costs on the Statements of Operations.

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5. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. Foreign currency forward contracts entered into by the Fund represent a firm commitment to buy or sell a currency at a specified value and point in time based upon an agreed or contracted quantity. The value of the foreign currency forward contract is the gain or loss that would be realized if, on the valuation date, the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of forward foreign currency contracts in the Statement of Operations until it is closed out or partially settled.

At June 30, 2013, the Fund had entered into the following foreign currency forward contract:

Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	July 17, 2013	CDN \$28,080,250	US \$27,500,000	(\$941,117)

At December 31, 2012, the Fund had entered into the following foreign currency forward contract:

Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	January 15, 2013	CDN \$27,588,400	US \$28,000,000	(\$298,367)

6. FINANCIAL RISK MANAGEMENT

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, 103.8% (December 31, 2012 – 98.9%) of the Fund's portfolio investments 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 \$1,395,399 (December 31, 2012 - \$1,371,534).

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.

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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).

Currency	As at June 30, 2013		As at December 31, 2012	
	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	(\$1,059,581)	(3.9)%	\$294,918	1.1%

*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 \$(52,979) (December 31, 2012- \$14,746) or (0.2)% (December 31, 2012 - 0.1%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

As all of the securities in the portfolio investments are denominated in U.S. dollars and expected dividends and premiums from call options received are in U.S. dollars, the Fund has entered into a forward currency contract on substantially all of the value of the portfolio investments back to the Canadian dollar at all times.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund does not hold any bonds or money market instruments; therefore, the Fund has no significant exposure to interest rate risk.

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 described in Note 3. 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 a 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.

As at June 30, 2013 and December 31 2012, the Fund did not have significant credit rate risk exposure.

7. SOFT DOLLAR COMMISSIONS

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

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

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8. INCOME TAXES

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

The amount of net realized taxable capital gains available for distribution is reduced by the amount of net capital gains to be retained in the Fund. This is done in order to enable the Fund to fully utilize any available tax credits due to application of the capital gain refund formula attributable to redemptions during the year. In certain circumstances, the fund may distribute a return of capital. A return of capital is 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 end, the Fund had \$598,831 of non-capital losses 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.

9. NET ASSET VALUE AND NET ASSETS

CICA Handbook Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for long positions held and the asking price for short positions held.

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

Per Unit (\$):	NAV (\$)	Net assets (\$)
As at June 30, 2013	\$11.21	\$11.21
As at December 31, 2012	\$10.89	\$10.89

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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.