Energy 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.

Energy 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 Energy Leaders Income Fund (“the Fund”) has been created to invest in a portfolio of Equity securities of 15 Energy Issuers listed on a North American stock exchange (the “**Energy Issuers Investable Universe**”) that have the following characteristics:

- a market capitalization of at least $10 billion determined at the time of investment;
- are currently paying a dividend/distribution;
- are eligible to have options written on their equity securities;
- and have operations and/or offices in at least two countries.

Energy 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'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 Energy Issuers directly.

INVESTMENT STRATEGY

To seek to achieve its investment objectives, the Fund will invest in equity securities of 15 energy issuers from the Energy Issuers Investable Universe that have the following characteristics:

- a market capitalization of at least $10 billion determined at the time of investment;
- are currently paying a dividend/distribution;
- are eligible to have options written on their equity securities; and
- have operations and/or offices in at least two countries.

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.

In order to seek to generate additional returns, the Investment manager will sell call options each month on up to 33% of equity securities held in the Fund. Such call options may be either exchange-traded options or over-the-counter options.

The Investment Manager will acquire 15 Equity securities of Energy Issuers for the Fund, and thereafter rebalance quarterly on an equally weighted basis within 15 business days following the last business day of March, June, September and December. Equity securities of an Energy Issuer will be replaced for the Fund at the time of each quarterly rebalancing only if:

i) an Energy Issuer no longer has a market capitalization of at least $10 billion;
ii) an Energy Issuer has publicly announced that it will cease the payment of its dividend/distribution;
iii) the Investment Manager, in its discretion, is no longer able to write call options on the Equity security of an Energy Issuer on terms acceptable to the Investment Manager; or
iv) an Energy Issuer ceases to have operations and/or offices in at least two countries.

In such circumstances, the equity security that is removed from the Fund will be replaced with another Equity security from the Energy Issuers Investable Universe at the discretion of the Investment Manager. At the time of any rebalancing, it is the Investment Manager's intention to acquire a new equity security for the Fund only when an equity security needs to be replaced.

Energy 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

The Fund returned (-1.1%) for second quarter of 2013 versus the benchmark index of (-0.2%). Year to date June 30, 2013, the Fund has returned 3.0% versus the benchmark return of 5.9%.

Following a strong start to 2013, the S&P 500 delivered additional impressive performance returning 6.5% in the second quarter which brought year-to-date index performance to 20.7%. Some of the positive economic 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 broader energy markets responded positively with both WTI crude oil prices and US natural gas prices appreciating for the first six months of the year. We expect this trend to continue believe in the strong long term dynamics of this sector and the growing demand for Energy in both developed and developing nations.

During the second quarter of 2013, monthly call options expired in April, May, and June. These call options were written on approximately 26% of the underlying shares held in the portfolio. The average strike price was 102.5% over the period and average volatility was 21%. The Fund remains invested in the original 15 Energy Issuers.

RECENT DEVELOPMENTS

The Fund commenced a normal course issuer bid program for the period from June 22, 2012 to June 21, 2013 and has renewed the program for the period from June 21, 2013 to June 20, 2014, which allows the Fund to purchase up to 227,570 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, 9,600 (2012 - $NIL) units were purchased for cancellation for $109,404 (2012 - $NIL).

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, plus applicable taxes, calculated based on the net asset value and paid monthly in arrears, based on an annual rate of 1.00% 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 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.

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 Portfolios Group Inc. funds, and series of each applicable fund. These expenses were $95,435 for the period ended June 30, 2013 (2012 - $2,840) and are included in the unitholder reporting costs on the Statement 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.

Energy 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 period ended June 30, 2013.This information is derived from the Fund's interim financial statements and past audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT[1]		2013		2012
Net assets - beginning of the period[3]	**$**	**11.37**	**$**	**11.17**
Increase (decrease) from operations				
Total revenue		0.22		0.23
Total expenses		(0.17)		(0.24)
Realized gains (losses) for the period		0.29		0.13
Unrealized gains (losses) for the period		0.04		0.59
Total increase (decrease) from operations[2]	**$**	**0.38**	**$**	**0.71**
Distributions[4]				
From income		(0.42)		-
Return of capital		-		(0.49)
Total annual distributions[4]	**$**	**(0.42)**	**$**	**(0.49)**
Net assets - end of the period[2]	**$**	**11.32**	**$**	**11.37**

RATIOS AND SUPPLEMENTAL DATA		2013		2012
Total net asset value [1]	**$**	**25,790,554**	**$**	**25,994,725**
Number of units outstanding [1]		2,275,300		2,284,900
Number of warrants outstanding [1]		-		2,300,000
Management expense ratio[5]		2.87%		10.27%
Management expense ratio before waivers or absorptions[5]		2.87%		10.27%
Trading expense ratio[6]		0.21%		0.42%
Portfolio turnover rate[7]		18.71%		19.65%
Net asset value per unit[1]	**$**	**11.34**	**$**	**11.38**
Closing market price (HEN.UN)	**$**	**10.86**	**$**	**10.80**
Closing market price (HEN.WT)	**$**	**-**	**$**	**0.01**

Explanatory Notes:

1. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing purposes. An explanation of these differences can be found in the Notes to Financial Statements.
2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.
3. Net assets, at the beginning of the period in 2012 was $11.17, net of agents' commissions and issuance costs of $0.83 per unit.
4. Distributions were paid in cash.
5. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for 2012, the year of inception, included agents' fees of $1,449,000 and issue costs of $467,820, which were treated as one-time expenses and therefore were not annualized. The MER without these costs is 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.

Energy Leaders Income Fund

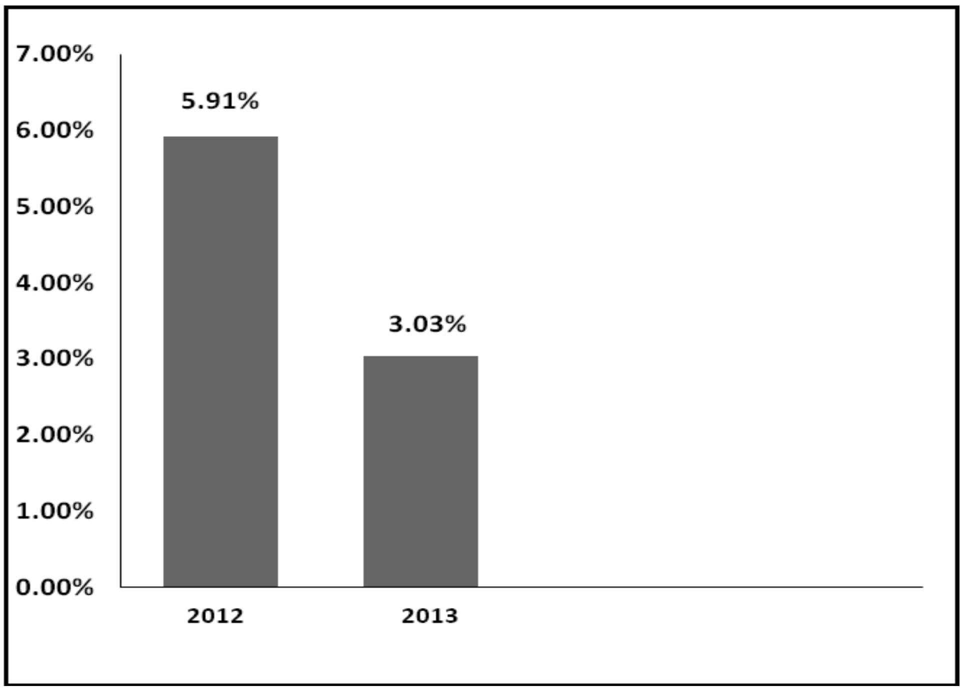
Past Performance

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. 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



2012 represents the period from May 18 to December 31

Energy Leaders Income Fund

SUMMARY OF INVESTMENT PORTFOLIO

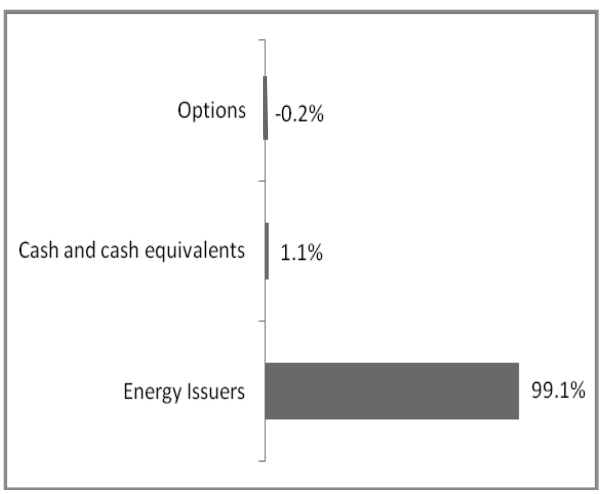
The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the ''Statement of Investments'' section of the Fund's interim financial statements.

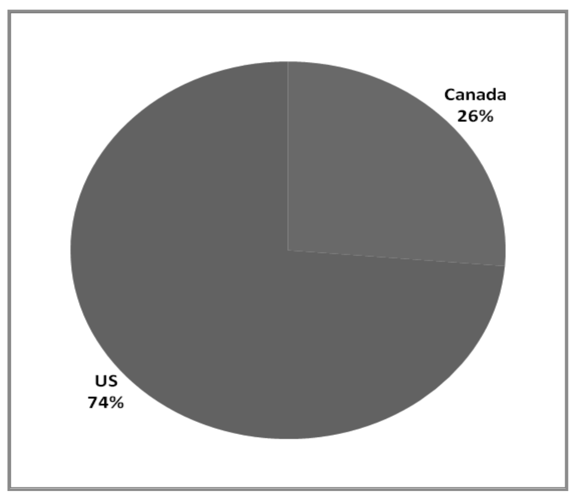
As at June 30, 2013

Top 16 Holdings	% of Net Asset Value
Spectra Energy Corp	7.9
Ensco PLC, Class A	7.1
ConocoPhillips	7.1
Chevron Corporation	6.9
Marathon Oil Corporation	6.9
TOTAL SA - SPON ADR	6.8
BP PLC-SPONS ADR	6.8
Talisman Energy Inc.	6.8
Cenovus Energy Inc.	6.6
Canadian Oil Sands Limited	6.6
Exxon Mobil Corporation	6.3
STATOIL ASA- SPON ADR	6.0
The Williams Companies, Inc.	6.0
Petroleo Brasileiro SA ADR	5.7
Encana Corporation	5.6
Cash and cash equivalents	0.9
	100.0

SECTOR ALLOCATION	GEOGRAPHIC ALLOCATION

Total Net Asset Value (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**

Energy 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.

Energy 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: $24,107,094; 2012 : $24,573,598)	$	25,546,663	$	25,908,002
Cash and cash equivalents		386,872		276,559
Dividends and interest receivable		53,765		27,216
		25,987,300		**26,211,777**
Liabilities				
Distributions payable		159,271		159,943
Payable for options contracts written (cost: $63,984; 2012 - $96,612) (Note 2)		63,686		77,830
		222,957		**237,773**
Net assets representing unitholders' equity	**$**	**25,764,343**	**$**	**25,974,004**
Unitholders' equity (Note 3)				
Unitholders' capital		23,870,710		23,977,909
Warrants		-		414,000
Contributed surplus		411,795		-
Retained earnings		1,481,838		1,582,095
Unitholders' equity	**$**	**25,764,343**	**$**	**25,974,004**
Number of units outstanding (Note 3)		**2,275,300**		**2,284,900**
Number of warrants outstanding (Note 3)		**-**		**2,300,000**
Net assets per unit (Note 8)	**$**	**11.32**	**$**	**11.37**

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

Energy Leaders Income Fund

STATEMENTS OF OPERATIONS (Unaudited) For the six-month period June 30, 2012 and for the period from May 18, 2012 (commencement of operations) to June 30, 2012		2013		2012
Investment income				
Dividends	$	543,732	$	138,442
Interest		-		3,597
Less: foreign withholding taxes		(48,413)		(6,479)
		495,319		**135,560**
Expenses (Note 4)				
Management fees		147,952		35,159
Service fees		59,040		14,064
Unitholder reporting costs		100,692		2,840
Audit fees		8,075		-
Transfer agency fees		5,185		3,176
Custodian fees and bank charges		27,605		4,312
Independent review committee fees		3,836		-
Filing fees		16,574		16,189
Legal fees		6,801		-
		375,760		**75,740**
Net investment income	**$**	**119,559**	**$**	**59,820**
Realized and unrealized gain (loss) on investments and foreign currencies				
Realized gain (loss) on sale of investments		630,959		44,897
Realized gain (loss) on foreign exchange		43,475		(106,363)
Transaction costs		(28,119)		(39,062)
Change in unrealized appreciation (depreciation) of investments		86,681		800,666
Change in unrealized appreciation (depreciation) of foreign exchange		4,102		(1,489)
Net gain (loss) on investments	**$**	**737,098**	**$**	**698,649**
Increase (decrease) in net assets from operations	**$**	**856,557**	**$**	**758,469**
Increase (decrease) in net assets from operations per unit	**$**	**0.38**	**$**	**0.33**

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

Energy Leaders Income Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited) For the six-month period June 30, 2013 and for the period from May 18, 2012 (commencement of operations) to June 30, 2012		2013		2012
Net assets, beginning of the period	$	**25,974,004**	$	**-**
Increase (decrease) in net assets from operations		**856,657**		**758,469**
Unitholders' transactions				
Proceeds from issue of units		-		27,600,000
Payments on cancellation of units		(109,404)		-
Agents' fees		-		(1,449,000)
Cost of issue		-		(467,820)
Net unitholders' transactions	$	**(109,404)**	$	**25,683,180**
Distributions to unitholders				
Net investment income		(956,914)		(161,000)
Return of capital		-		-
Total distributions to unitholders		**(956,914)**		**(161,000)**
Net assets, end of the period	$	**25,764,343**	$	**26,280,649**
Retained earnings (deficit), beginning of the period	$	**1,582,095**	$	**-**
Distribution to unitholders		(956,914)		(161,000)
Increase (decrease) in net assets from operations		856,657		758,469
Retained earnings (deficit), end of the period	$	**1,481,838**	$	**597,469**
Contributed surplus, beginning of the period	$	**-**	$	**-**
Cost of units repurchased at less (greater) than average cost per unit (Note 3)		(2,205)		-
Warrants expired		414,000		-
Contributed surplus, end of the period	$	**411,795**	$	**-**

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

HARVEST PORTFOLIOS GROUP

Energy Leaders Income Fund

STATEMENT OF CASH FLOWS (Unaudited) For the six-month period June 30, 2013 and for the period from May 18, 2012 (commencement of operations) to June 30, 2012		2013		2012
Operating activities				
Increase (decrease) in net assets from operations	**$**	**856,657**	**$**	**758,469**
Add (deduct) items not affecting cash				
Realized gain (loss) on sale of investments		(630,959)		(44,897)
Change in unrealized appreciation (depreciation) of investments		(86,681)		(800,666)
Proceeds from sale of investments		5,294,251		2,233,847
Purchases of investments		(4,229,416)		(27,452,301)
Net change in non-cash assets and liabilities		(26,549)		(22,548)
Net cash flow provided by (used in) operating activities	**$**	**1,177,303**	**$**	**(25,328,096)**
Financing activities				
Proceeds from units issued	$	-	$	27,600,000
Payments cancellation of units		(109,404)		-
Agents' fees		-		(1,449,000)
Issuance costs		-		(467,820)
Distribution to unitholders		(957,586)		-
Net cash flow provided by (used in) financing activities	**$**	**(1,066,990)**	**$**	**25,683,180**
Net increase (decrease) in cash and cash equivalents during the period		110,313		355,084
Cash and cash equivalents, beginning of the period		276,559		-
Cash and cash equivalents, end of the period	**$**	**386,872**	**$**	**355,084**

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

Energy Leaders Income Fund

STATEMENT OF INVESTMENTS (Unaudited)
As at June 30, 2013

Number of Shares	Security	Average Cost ($)	Fair Value ($)	% of Net Assets
	EQUITIES			
	Energy Issuers			
39,900	BP PLC-SPONS ADR	1,588,757	1,756,941	6.8
86,600	Canadian Oil Sands Limited	1,799,003	1,684,370	6.6
57,000	Cenovus Energy Inc.	1,793,766	1,707,720	6.6
14,300	Chevron Corporation	1,561,242	1,783,140	6.9
28,800	ConocoPhillips	1,533,280	1,837,233	7.1
80,700	Encana Corporation	1,622,139	1,434,846	5.6
30,000	Ensco PLC, Class A	1,484,597	1,838,778	7.1
17,100	Exxon Mobil Corporation	1,453,248	1,622,305	6.3
48,900	Marathon Oil Corporation	1,329,988	1,782,849	6.9
102,900	Petroleo Brasileiro SA ADR	1,987,425	1,454,628	5.7
56,100	Spectra Energy Corp	1,635,712	2,039,436	7.9
71,400	STATOIL ASA - SPON ADR	1,680,444	1,559,195	6.1
144,800	Talisman Energy Inc.	1,566,755	1,734,704	6.7
45,400	The Williams Companies, Inc.	1,399,700	1,555,621	6.1
34,200	Total SA - SPON ADR	1,671,038	1,754,897	6.8
	Total equities	24,107,094	25,546,663	99.2
	OPTIONS			
	Energy Issuers			
(11,900)	BP PLC-SPONS ADR - Jul 2013 @ USD $43	(3,489)	(2,511)	-
(25,900)	Canadian Oil Sands Limited - Jul 2013 @ CAD $20	(2,590)	(5,180)	-
(17,100)	Cenovus Energy Inc. - Jul 2013 @ CAD $30	(5,472)	(10,602)	(0.1)
(4,200)	Chevron Corporation - Jul 2013 @ USD $120	(4,662)	(4,962)	-
(8,600)	ConocoPhillips - Jul 2013 @ USD $63	(1,917)	(1,724)	-
(24,200)	EnCana Corporation - Jul 2013 @ CAD $19	(4,114)	(3,388)	-
(9,000)	Ensco PLC, Class A - Jul 2013 @ USD $60	(5,183)	(5,697)	(0.1)
(5,100)	Exxon Mobil Corporation - Jul 2013 @ USD $93	(1,549)	(2,044)	-
(14,600)	Marathon Oil Corporation - Jul 2013 @ USD $36	(9,479)	(5,083)	-
(30,800)	Petroleo Brasileiro SA ADR - Jul 2013 @ USD $15	(5,483)	(2,924)	-
(16,800)	Spectra Energy Corp - Jul 2013 @ USD $36	(3,518)	(3,545)	-
(43,400)	Talisman Energy Inc. - Jul 2013 @ CAD $13	(7,378)	(7,812)	(0.1)
(13,600)	The Williams Companies, Inc. - Jul 2013 @ USD $34	(7,548)	(4,448)	-
(10,200)	Total SA - SPON ADR - Jul 2013 @ USD $50	(1,602)	(3,766)	-
	Total options	**(63,984)**	**(63,686)**	**(0.3)**
	Total investments	**24,043,110**	**25,482,977**	**98.9**
	Other assets less liabilities		**281,366**	**1.1**
	Net Assets		**25,764,343**	**100.0**

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

Energy Leaders Income Fund

As at	June 30, 2013		December 31, 2012	
Country of Issue	**$***	**As a % of net assets**	**$***	**As a % of net assets**
Canada	6,598,639	25.6	6,453,046	24.8
United States of America	19,165,704	74.4	19,520,958	75.2
Totals	**25,764,343**	**100.0**	**25,974,004**	**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
EQUITIES		
Energy Issuers	99.2	99.7
OPTIONS		
Energy Issuers	(0.3)	(0.3)

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

Energy Leaders Income Fund

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

1. ORGANIZATION

Energy 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 April 27, 2012, being the inception date. There was no significant activity in the Fund from the date of inception to commencement of operations on May 18, 2012. On May 18, 2012, the Fund completed an initial public offering of 2,300,000 units at $12.00 per unit for gross proceeds of $27,600,000.

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, listed warrants, short-term notes, treasury bills, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.

b) Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with 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 Disclouse" ("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"). The 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 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 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 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.

Securities valuation
The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per Trust Unit 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 purchased options is included in the “Investment, at average cost” on the Statement of Financial Position. The unrealized gain or loss is reflected in the Statement of Operations in “Change in unrealized appreciation (depreciation) in value of investments”. Realized gains and losses related to options are included in “Realized gain (loss) on sale of investments” in the Statement of Operations.

The premium received upon writing an option is recorded at cost as “Payable for options contracts 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 Statement of Operations in “Changes in unrealized appreciation (depreciation) in value of investments”.

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”.

Energy Leaders Income Fund

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 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:

Investments at Fair Values as at June 30, 2013				
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Totals ($)**
Equities				
Common Shares	19,021,002	-	-	19,021,002
ADR	6,525,661	-	-	6,525,661
Total equities	**25,546,663**	-	-	**25,546,663**
Total written options contracts	(63,686)	-	-	(63,686)
Total investments at fair value	**25,482,977**	-	-	**25,482,977**

Investments at Fair Values as at December 31, 2012				
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Totals ($)**
Equities				
Common Shares	19,182,689	**-**	**-**	19,182,689
ADR	6,725,313	**-**	**-**	6,725,313
Total equities	**25,908,002**	**-**	**-**	**25,908,002**
Total written options contracts	(77,830)	-	-	(77,830)
Total investments at fair value	**25,830,172**	**-**	**-**	**25,830,172**

There were no Level 3 securities held by the Fund as at June 30, 2013 and December 31, 2012 and 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 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. Each units consists of one trust unit and one warrant. 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 commenced a normal course issuer bid program for the period from June 22, 2012 to June 21, 2013 and has renewed the program for the period from June 21, 2013 to June 20, 2014, which allows the Fund to purchase up to 227,570 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, 9,600 (2012 - $NIL) units were purchased for cancellation for $109,404 (2012 - $NIL).

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 of the contributed surplus is eliminated, and the remaining amount is charged to retained earnings.

Warrants
Each whole warrant entitles the holder to purchase one trust unit at a subscription price of $12.00 on or before 5:00 p.m. (Toronto time) on, and only on, June 14, 2013. Warrants not exercised will be void and of no value. Upon the exercise of a warrant, the Fund will pay a fee equal to $0.18 per warrant to the registered dealer whose client is exercising the warrant and $0.12 per warrant to the Agents. No warrants were exercised on June 14, 2013. The cost of the warrants expired of $414,000 was recorded in contributed surplus.

For the period ended June 30, 2013, no warrants were purchased for cancellation.

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 trust units on the principal market on which the trust units are quoted for trading during the 20 trading day period ending immediately before the monthly redemption date; and
>
> (b) 100% of the "closing market price" on the principal market on which the trust units are quoted for trading on the monthly redemption date.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in November 2013, units may be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, by the second last business day of November and the unitholder will receive payment on or before the 15th business day of the following month. The following units were redeemed and/or cancelled during the period:

For the period ended June 30, 2013	Trust units outstanding	Warrants outstanding
Initial issuance, May 18, 2012 and over-allotment June 18, 2012	2,300,000	2,300,000
Units cancelled	(15,100)	-
Total outstanding as at December 31, 2012	**2,284,900**	**2,300,000**
Units cancelled	(9,600)	(2,300,000)
Total outstanding as at June 30, 2013	**2,275,300**	**-**

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, certain remuneration to directors and/or officers of the Manager and other out-of pocket expenses incurred by the agents together with the agent's 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 2012, the Fund will annually determine and announce the indicative distribution amount for the following year based upon the prevailing market conditions. The distribution amount was $956,914 or $0.07 per unit per month ($0.42 per unit in total) for the period ended June 30, 2013.

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 1.00 % 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 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 $95,435 for the period ended June 30, 2013 (2012 - $2,840) and are included in the unitholder reporting costs on the Statement of Operations.

5. FINANCIAL RISK MANAGEMENT

INVESTMENT OBJECTIVE AND STRATEGY

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, 99.2% (December 31, 2012 – 99.7%) of the Fund’s portfolio investments were traded on public stock exchange. 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 $1,277,333 (December 31, 2012 – $1,295,400).

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 the 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		As at December 31, 2012	
Currency	**Currency exposure***	**As a % of net assets**	**Currency exposure***	**As a % of net assets**
U.S. Dollars	$19,165,704	74.4%	$19,520,958	75.2%

*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 $958,285 (December 31, 2012 - $976,048) or 3.7% (December 31, 2012 – 3.8%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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.

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 period ended June 30, 2013 and 2012 amounted to $NIL.

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 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 $157,328 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.

8. 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	$11.34	$11.32
As at December 31, 2012	$11.38	$11.37

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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.