# Global Advantaged Telecom & Utilities 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.

# Global Advantaged Telecom & Utilities 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 annual report and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

## INVESTMENT PRODUCT

The Global Advantaged Telecom and Utilities Income Fund (the “Fund”) has been created to provide investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Fund obtains exposure through a Forward Agreement to a portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers (the GTU Portfolio Trust or the “GTU Trust”).

# 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) tax-advantaged monthly distributions; and

(ii) capital appreciation.

The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers. The Fund obtains exposure through a Forward Agreement to a portfolio (the GTU Trust) comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

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

The yields on many Global Telecom Issuers continue to remain above average historical levels and attractive when compared to other equity, bond and fixed income securities. Over the longer term, Avenue believes that Global Telecom Issuers will benefit from the mass acceptance of mobile and broadband communications which will be reflected through increasing distributions and capital appreciation of the individual securities.

The yields on Global Utilities Issuers remain at attractive levels due to the stability of earnings and the long track records of consistent dividends that these issuers provide. Avenue believes that the Global Utilities Issuers in developing markets will continue to benefit and expand with the growth of these economies, while the Global Utilities Issuers in developed economies often have natural monopolies or operate in monopolistic-like markets that give them the ability to maintain pricing levels throughout the economic cycle. Avenue also believes that Global Utilities Issuers offer reduced exposure to inflation due to their ability to pass through higher costs to the end consumer.

## RISK

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

## RESULTS OF OPERATIONS

The fund's return for the second quarter ending June 30, 2013 was 2.02% and has returned 6.51% year to date. Economic data in North America was reasonably optimistic coming into the second quarter. US consumer sentiment data hit a 5 year high in June and Canadian economic data in general have also been strong. While economic data has been somewhat muted in the Eurozone, sentiment towards the broader equity markets appears to have stabilized with positive performance coming from a number of the broader equity markets since the start of the year.

In the latter half of the second quarter, expectations of rising rates in North America rippled through the global markets impacting many higher yielding equities. The utilities sub-sectors globally were hit hard over a short period however have since started to recover. We continue to see attractive valuations, stable balance sheets with high dividends and reasonable payouts for many of the underlying telecom services and selected utilities companies held in the portfolio. In particular the Fund continues to be overweight European Telecom Services and Utilities. We believe that these sectors and the underlying positions will benefit from continued re-ratings as the broader economic recovery there gains momentum.

# Global Advantaged Telecom & Utilities Income Fund

## 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 from the Fund and GTU Trust equal in the aggregate to 1.25% per annum of the applicable Net Asset Value, (0.25% from the Fund and 1.0% from the GTU Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and GTU Trust on a combined basis during the year ended June 30, 2013 were $129,018, inclusive of taxes (2012 - $168,689). The Manager is responsible for payment of the sub-advisory fees out of these management fees.

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

The Manager pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

### 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 counterparty and forward fees which are paid directly by the Fund, 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 $55,327 for the period ended June 30, 2013 (2012 - $42,913) and are included in the unitholder reporting costs on the Statement of Operations in the interim financial statements.

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

## RECOMMENDATION OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended June 30, 2013.

# Global Advantaged Telecom & Utilities 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 at June 30, 2013 and past annual audited financial statements.

| **THE FUND'S NET ASSETS PER UNIT[1]** | | **2013** | | **2012** | | **2011** |
|---|---|---|---|---|---|---|
| **Net assets - beginning of period[3]** | **$** | **8.80** | **$** | **9.35** | **$** | **11.17** |
| Increase (decrease) from operations | | | | | | |
| Total revenue | | 0.01 | | - | | - |
| Total expenses | | (0.14) | | (0.24) | | (0.26) |
| Realized gains (losses) for the period | | (0.47) | | (0.21) | | (0.57) |
| Unrealized gains (losses) for the period | | 1.19 | | 0.51 | | (0.46) |
| **Total increase (decrease) from operations[2]** | | **0.59** | | **0.06** | | **(1.29)** |
| **Distributions[4]** | | | | | | |
| From income | | - | | - | | - |
| Return of capital | | (0.36) | | (0.72) | | (0.54) |
| **Total annual distributions[4]** | | **(0.36)** | | **(0.72)** | | **(0.54)** |
| **Net assets - end of period[2]** | **$** | **9.03** | **$** | **8.80** | **$** | **9.35** |

| **RATIOS AND SUPPLEMENTAL DATA** | | **2013** | | **2012** | | **2011** |
|---|---|---|---|---|---|---|
| **Total net asset value [1]** | **$** | **18,211,177** | **$** | **17,788,685** | **$** | **25,412,339** |
| Number of units outstanding [1] | | 2,015,591 | | 2,016,291 | | 2,711,162 |
| Number of warrants outstanding | | - | | - | | 2,723,662 |
| Management expense ratio[5] | | 5.07% | | 4.63% | | 11.40% |
| Management expense ratio before waivers or absorptions[5] | | 5.07% | | 4.63% | | 11.40% |
| Trading expense ratio[6] | | 0.00% | | 0.00% | | 0.00% |
| Portfolio turnover rate[7] | | 15.03% | | 37.60% | | 19.04% |
| **Net asset value per unit[1]** | **$** | **9.04** | **$** | **8.82** | **$** | **9.37** |
| **Closing market price (HGI.UN)** | **$** | **8.74** | **$** | **8.45** | **$** | **8.90** |
| **Closing market price (HGI.WT)** | **$** | **n/a** | **$** | **n/a** | **$** | **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 2011 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 Fund and the GTU Trust expenses. The MER without GTU Trust expenses is 3.09%, and the MER for the Fund for the year without GTU Trust expenses, the counterparty and the forward fees is 1.98%.
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.

# Global Advantaged Telecom & Utilities Income Fund

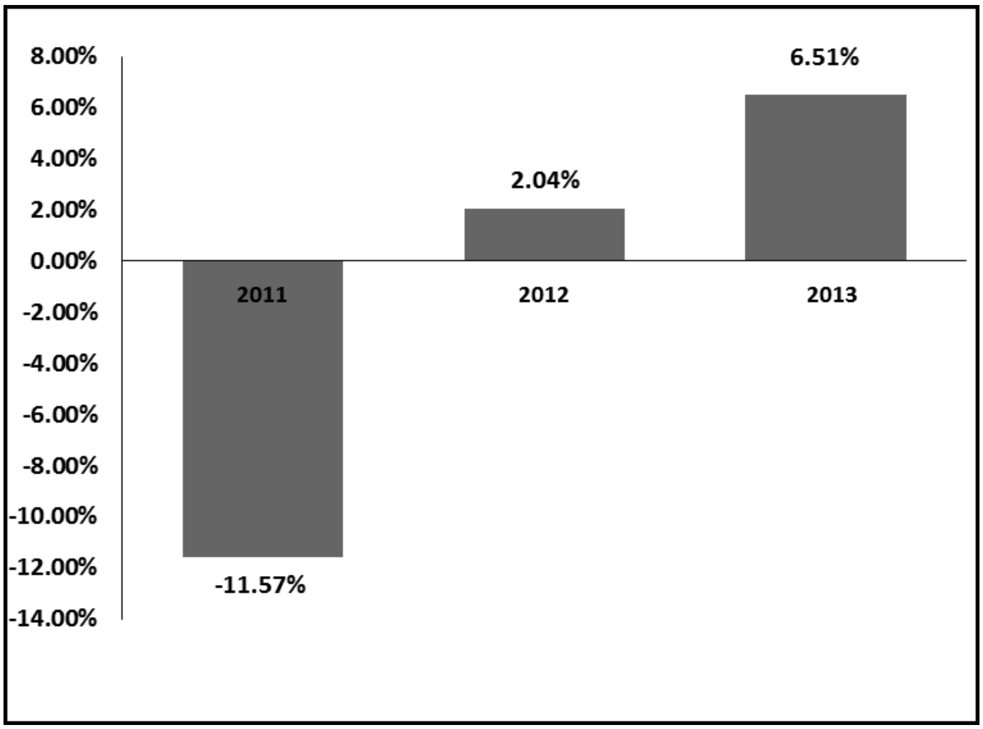
## Past Performance

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 chart presents the Fund's performance for each of the periods shown and illustrates how the Fund's performance varied. The chart show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

**Fund performance**

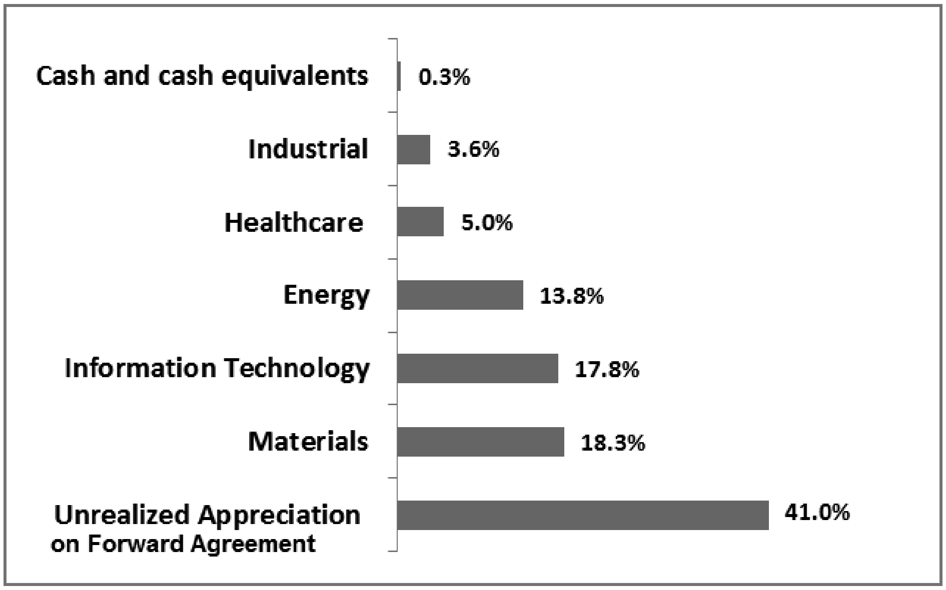



2011 represents the period from March 23 to December 31

# Global Advantaged Telecom & Utilities Income Fund

## SECTOR ALLOCATION

**Total Net Asset Value (100.0%)**




## SUMMARY OF INVESTMENT PORTFOLIO

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

**As at June 30, 2013**

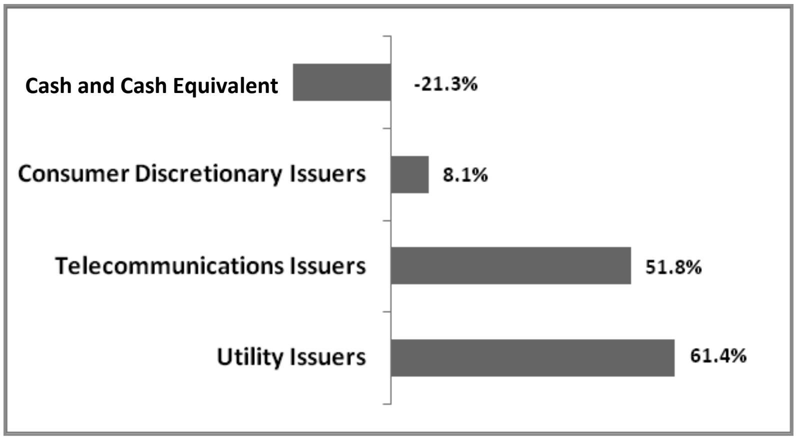
| Top 15 Holdings | % of Net Asset Value |
|---|---|
| CGI Group Inc., Class. A Sub. Voting | 11.2 |
| Canfor Corporation | 10.0 |
| Celestica Inc., Sub. Voting | 6.7 |
| Catamaran Corporation | 5.0 |
| MEG Energy Corp. | 4.5 |
| ATS Automation Tooling Systems Inc | 3.6 |
| Osisko Mining Corporation | 3.5 |
| Athabasca Oil Corporation | 3.5 |
| B2Gold Corp. | 3.0 |
| Bankers Petroleum Ltd. | 2.2 |
| Crew Energy Inc. | 2.0 |
| Detour Gold Corporation | 1.8 |
| BlackPearl Resources Inc. | 1.7 |
| **Total Common Shares Portfolio** | **58.7** |
| Unrealized Appreciation on Forward Agreement | 41.0 |
| Cash and Cash Equivalents | 0.3 |
| **Total** | **100.0** |

# Global Advantaged Telecom & Utilities Income Fund

## GTU Trust

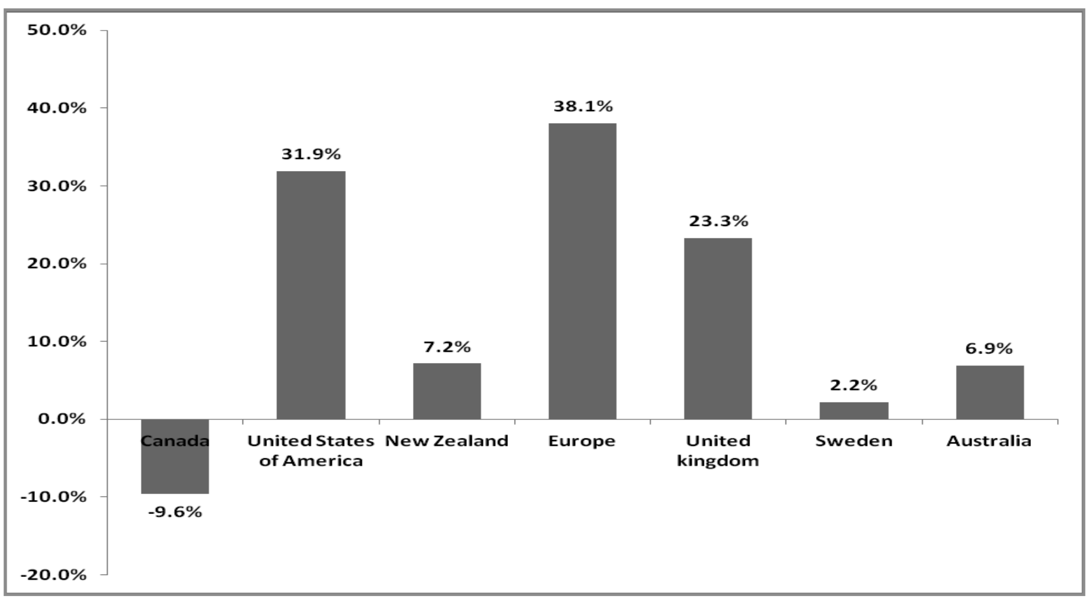
### SECTOR ALLOCATION

**Total Net Asset Value (100.0%)**




### GEOGRAPHIC ALLOCATION

**Total Net Asset Value (100.0%)**



## Global Advantaged Telecom & Utilities Income Fund

**GTU Trust**

**As at June 30, 2013**

| Top 25 Holdings | % of Net Asset Value |
|---|---|
| Telstra Corporation Limited | 6.9 |
| Bell Aliant Inc. | 6.4 |
| Vivendi SA | 6.1 |
| Verizon Communications Inc. | 6.1 |
| Telecom Corporation of New Zealand Limited | 5.9 |
| AT&T Inc. | 5.6 |
| Manitoba Telecom Services Inc. | 5.4 |
| BT Group PLC | 4.2 |
| Drax Group PLC | 4.0 |
| Integrys Energy Group, Inc. | 4.0 |
| Ameren Corporation | 3.9 |
| National Grid PLC | 3.8 |
| Gas Natural SDG, S.A. | 3.6 |
| Duke Energy Corporation | 3.5 |
| United Utilities Group PLC | 3.5 |
| RWE AG | 3.5 |
| PPL Corporation | 3.4 |
| Scottish and Southern Energy PLC | 3.1 |
| Electricidade de Portugal, S.A. | 2.9 |
| Endesa, S.A. | 2.9 |
| Terna S.p.A. | 2.8 |
| Pepco Holdings, Inc. | 2.7 |
| Vodafone Group PLC | 2.6 |
| FirstEnergy Corp. | 2.5 |
| Telefonica SA | 2.3 |
| **Total** | **101.6** |

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**

# Global Advantaged Telecom & Utilities 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.

| STATEMENTS OF FINANCIAL POSITION<br>As at June 30, 2013 (Unaudited) and December 31, 2012 | | 2013 | | 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments, at fair value (cost $15,729,670; 2012 - $17,688,258) | $ | 10,681,918 | $ | 12,860,084 |
| Forward agreement at fair value (Note 4) | | 7,460,642 | | 4,834,912 |
| Cash and cash equivalents | | 24,223 | | 25,711 |
| Receivable for investments sold | | 170,014 | | 165,015 |
| | | **18,336,797** | | **17,885,722** |
| **Liabilities** | | | | |
| Distributions payable | | 120,935 | | 120,977 |
| Counterparty fee payable (Note 4) | | 457 | | 537 |
| Forward fee payable (Note 4) | | 16,439 | | 16,437 |
| | | **137,831** | | **137,951** |
| **Net assets representing unitholders' equity** | **$** | **18,198,966** | **$** | **17,747,771** |
| **Unitholders' equity** (Note 3) | | | | |
| Unitholders' capital | | 18,226,632 | | 18,960,146 |
| Contributed surplus | | 2,134,196 | | 2,132,668 |
| Deficit | | (2,161,862) | | (3,345,043) |
| **Unitholders' equity** | **$** | **18,198,966** | **$** | **17,747,771** |
| **Number of units outstanding** (Note 3) | | **2,015,591** | | **2,016,291** |
| **Net assets per unit** (Note 9) | **$** | **9.03** | **$** | **8.80** |

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

# Global Advantaged Telecom & Utilities Income Fund

| **STATEMENTS OF OPERATIONS (Unaudited)** | | | | |
|---|---|---|---|---|
| **For the six-month period ended June 30,** | | **2013** | | **2012** |
| **Investment income** | | | | |
| Interest | $ | - | $ | 27 |
| Other income | | 8,468 | | - |
| | $ | **8,468** | $ | **27** |
| **Expenses** | | | | |
| Management fees (Note 5) | | 25,763 | | 33,781 |
| Service fees (Note 5) | | 39,876 | | 53,163 |
| Unitholder reporting costs (Note 5) | | 57,249 | | 52,569 |
| Counterparty fees (Note 4) | | 11,455 | | 25,225 |
| Audit fees | | 4,298 | | 6,469 |
| Transfer agency fees | | 6,176 | | 5,633 |
| Custodian fees and bank charges | | 11,095 | | 10,267 |
| Independent review committee fees | | 2,627 | | 4,661 |
| Forward fee (Note 4) | | 99,179 | | 99,727 |
| Filing fees | | 21,137 | | 21,833 |
| Legal fees | | 4,005 | | 2,874 |
| | | **282,860** | | **316,202** |
| **Net investment loss** | $ | **(274,392)** | $ | **(316,175)** |
| **Realized and unrealized gain (loss) on investments and foreign currencies** | | | | |
| Realized gain (loss) on common share portfolio and forward agreement | | (948,579) | | 456,870 |
| Change in unrealized appreciation (depreciation) on common share portfolio and forward agreement | | 2,406,152 | | (54,772) |
| **Net gain (loss) on investments** | $ | **1,457,573** | $ | **402,098** |
| **Increase (decrease) in net assets from operations** | $ | **1,183,181** | $ | **85,923** |
| **Increase (decrease) in net assets from operations per unit** | $ | **0.59** | $ | **0.03** |

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

| STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited) | | | | |
|---|---|---|---|---|
| **For the six-month period ended June 30** | | **2013** | | **2012** |
| **Net assets, beginning of the period** | **$** | **17,747,771** | **$** | **25,337,392** |
| Increase (decrease) in net assets from operations | | **1,183,181** | | **85,923** |
| **Unitholders' transactions** | | | | |
| Redemption and cancellation of units | | (6,289) | | (872,657) |
| **Net unitholders' transactions** | | **(6,289)** | | **(872,657)** |
| **Distributions to unitholders** | | | | |
| Return of Capital | | (725,697) | | (963,698) |
| **Total distributions to unitholders** | | **(725,697)** | | **(963,698)** |
| **Net assets, end of the period** | **$** | **18,198,966** | **$** | **23,586,960** |
| **Deficit, beginning of the period** | **$** | (3,345,043) | **$** | (3,490,072) |
| Increase (decrease) in net assets from operations | | 1,183,181 | | 85,923 |
| **Deficit, end of the period** | **$** | **(2,161,862)** | **$** | **(3,404,149)** |
| **Contributed surplus, beginning of the period** | **$** | **2,132,668** | **$** | **20,527** |
| Cost of units repurchased at less than average cost per unit (Note 3) | | 1,528 | | 287,738 |
| **Contributed surplus, end of the period** | **$** | **2,134,196** | **$** | **308,265** |

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

# Global Advantaged Telecom & Utilities Income Fund

| STATEMENTS OF CASH FLOWS (Unaudited)<br>For the six-month period ended June 30 | | 2013 | | 2012 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Increase (decrease) in net assets from operations | $ | **1,183,181** | $ | **85,923** |
| **Add (deduct) items not affecting cash:** | | | | |
| Realized gain (loss) on common share portfolio and forward agreement | | 948,579 | | (456,870) |
| Change in unrealized appreciation (depreciation) on common share portfolio and forward agreement | | (2,406,152) | | 54,772 |
| Proceeds from sale of investments | | 2,815,454 | | 7,888,745 |
| Purchases of investments | | (1,810,444) | | (5,738,737) |
| **Net change in non-cash assets and liabilities** | | **(78)** | | **(1,736)** |
| **Net cash flow provided by (used in) operating activities** | **$** | **730,540** | **$** | **1,832,097** |
| **Financing activities** | | | | |
| Redemption and cancellation of units | | (6,289) | | (872,657) |
| Distributions to unitholders | | (725,739) | | (969,933) |
| **Net cash flow provided by (used in) financing activities** | | **(732,028)** | | **(1,842,590)** |
| **Net increase (decrease) in cash and cash equivalents during the period** | | **(1,488)** | | **(10,493)** |
| Cash and cash equivalents, beginning of the period | | 25,711 | | 56,055 |
| **Cash and cash equivalents, end of the period** | **$** | **24,223** | **$** | **45,562** |

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

## Global Advantaged Telecom & Utilities 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** | | | |
| 97,447 | Athabasca Oil Corporation | 1,147,825 | 634,380 | 3.5 |
| 154,688 | Bankers Petroleum Ltd. | 1,316,395 | 403,736 | 2.2 |
| 184,127 | BlackPearl Resources Inc. | 1,316,508 | 292,762 | 1.6 |
| 69,958 | Crew Energy Inc. | 1,314,511 | 362,382 | 2.0 |
| 28,539 | MEG Energy Corporation | 1,450,066 | 822,779 | 4.5 |
| | | 6,545,305 | 2,516,039 | 13.8 |
| | **Information Technology Issuers** | | | |
| 17,652 | Catamaran Corporation | 852,768 | 903,606 | 5.0 |
| 123,128 | Celestica Inc. Sub. Voting | 1,315,007 | 1,220,198 | 6.7 |
| 66,131 | CGI Group Inc. Cl. A Sub. Voting | 1,315,346 | 2,036,835 | 11.2 |
| | | 3,483,121 | 4,160,639 | 22.9 |
| | **Industrial Issuers** | | | |
| 59,875 | ATS Automation Tooling Systems Inc. | 591,565 | 664,613 | 3.7 |
| | | 591,565 | 664,613 | 3.7 |
| | **Materials Issuers** | | | |
| 247,602 | B2Gold Corp. | 784,898 | 554,628 | 3.0 |
| 98,160 | Canfor Corporation | 1,314,363 | 1,825,776 | 10.0 |
| 39,378 | Detour Gold Corporation | 1,315,240 | 324,869 | 1.8 |
| 182,573 | Osisko Mining Corp. | 1,695,178 | 635,354 | 3.5 |
| | | 5,109,679 | 3,340,627 | 18.3 |
| **Total COMMON SHARE PORTFOLIO (pledged to the Counterparty under the Forward Agreement)** | | **15,729,670** | **10,681,918** | **58.7** |

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 |
|---|---|---|
| **Energy Issuers** | 13.8 | 20.1 |
| **Information Technology Issuers** | 22.9 | 21.6 |
| **Industrial Issuers** | 3.7 | - |
| **Materials Issuers** | 18.3 | 30.5 |

| STATEMENT OF INVESTMENTS (Unaudited) (continued) As at June 30, 2013 | | | | |
|---|---|---|---|---|
| **Number of shares** | **Security** | **Average Cost ($)** | **Fair Value ($)** | **% of Net Assets** |
| **Unrealized appreciation on forward agreement:** | | | | |
| **Investments held in GTU Portfolio Trust under the Forward Agreement** | | | | |
| **EQUITIES** | | | | |
| | **Consumer Discretionary Issuers** | | | |
| 28,000 | British Sky Broadcasting Group PLC | 337,234 | 354,825 | 2.0 |
| 56,000 | Vivendi S.A. | 1,329,018 | 1,115,780 | 6.1 |
| | | 1,666,252 | 1,470,605 | 8.1 |
| | **Telecommunication Services Issuers** | | | |
| 27,300 | AT&T Inc. | 771,218 | 1,018,949 | 5.6 |
| 41,000 | Bell Aliant, Inc. | 1,103,265 | 1,156,610 | 6.4 |
| 156,000 | BT Group PLC | 476,982 | 771,784 | 4.3 |
| 117,000 | Chorus Limited | 271,467 | 225,919 | 1.2 |
| 27,300 | Deutsche Telekom AG | 420,522 | 335,313 | 1.9 |
| 27,400 | Manitoba Telecom Services Inc. | 817,145 | 974,892 | 5.4 |
| 585,000 | Telecom Corporation of New Zealand Limited | 852,495 | 1,072,398 | 5.9 |
| 234,000 | Telecom Italia SPA | 350,006 | 171,349 | 0.9 |
| 31,200 | Telefonica SA | 769,409 | 421,206 | 2.3 |
| 58,500 | Teliasonera AB | 451,295 | 399,852 | 2.2 |
| 273,000 | Telstra Corporation Limited | 743,654 | 1,254,841 | 6.9 |
| 21,000 | Verizon Communications Inc. | 767,955 | 1,115,230 | 6.1 |
| 156,000 | Vodafone Group PLC | 427,658 | 468,886 | 2.6 |
| | | 8,223,071 | 9,387,229 | 51.7 |
| | **Utility Issuers** | | | |
| 19,500 | Ameren Corporation | 526,576 | 708,689 | 3.9 |
| 78,000 | Drax Group PLC | 470,115 | 726,980 | 4.0 |
| 9,000 | Duke Energy Corporation | 473,747 | 640,787 | 3.5 |
| 19,500 | E.ON AG | 573,691 | 337,725 | 1.9 |
| 156,000 | Electricidade de Portugal, S.A. | 583,191 | 529,022 | 2.9 |
| 23,400 | Endesa, S.A. | 700,263 | 526,562 | 2.9 |
| 11,700 | FirstEnergy Corp. | 418,276 | 461,008 | 2.5 |
| 18,000 | Fortum OYJ | 321,345 | 354,694 | 2.0 |
| 31,200 | Gas Natural SDG, S.A. | 572,983 | 662,721 | 3.7 |
| 11,700 | GDF Suez | 450,570 | 241,381 | 1.3 |
| 66,300 | Iberdrola, S.A. | 560,801 | 368,754 | 2.0 |
| 11,700 | Integrys Energy Group, Inc. | 569,907 | 722,307 | 4.0 |
| 58,500 | National Grid PLC | 542,535 | 697,807 | 3.9 |
| 23,400 | Pepco Holdings, Inc. | 419,774 | 497,419 | 2.7 |
| 19,500 | PPL Corporation | 469,380 | 622,083 | 3.4 |
| 18,720 | RWE AG | 935,753 | 629,564 | 3.5 |
| 23,400 | Scottish and Southern Energy PLC | 452,655 | 570,226 | 3.2 |

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

| Number of shares | Security | Average Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|
| 117,000 | Terna S.p.A | 538,959 | 511,801 | 2.8 |
| 58,500 | United Utilities Group PLC | 540,188 | 640,241 | 3.5 |
| 31,980 | Veolia Environnement | 391,486 | 383,235 | 2.1 |
| 16,000 | Verbund AG | 331,419 | 320,440 | 1.8 |
| | | 10,843,614 | 11,153,446 | 61.5 |
| **Total equity investments** | | **20,732,937** | **22,011,280** | **121.3** |
| **Other assets less liabilities** | | | (3,868,720) | (21.3) |
| **Net assets of GTU Portfolio Trust** | | | **18,142,560** | **100.0** |
| **Unrealized appreciation on forward agreement** | | | **7,460,642** | **41.3** |
| **Other assets less liabilities** | | | **56,406** | **0.0** |
| **Net Assets** | | | **18,198,966** | **100.0** |

## GTU PORTFOLIO TRUST

### CONCENTRATION BY GEOGRAPHY AS AT JUNE 30, 2013

| As at | June 30, 2013 | | December 31, 2013 | |
|---|---|---|---|---|
| **Country of Issue** | **$*** | **As a % of net assets** | **$*** | **As a % of net assets** |
| **Canada** | (2,443,048) | (13.4) | (3,050,257) | (17.2) |
| **United States of America** | 5,883,412 | 32.4 | 5,928,742 | 33.5 |
| **New Zealand** | 1,344,549 | 7.4 | 1,366,683 | 7.7 |
| **Europe** | 7,325,725 | 40.4 | 7,928,707 | 44.8 |
| **United Kingdom** | 4,322,080 | 23.8 | 3,893,361 | 22.0 |
| **Sweden** | 418,093 | 2.3 | 394,504 | 2.2 |
| **Australia** | 1,291,749 | 7.1 | 1,233,256 | 7.0 |
| **Totals** | **18,142,560** | **100.0** | **17,694,996** | **100.0** |

*Stated in Canadian dollars

The GTU Portfolio Trust investment portfolio is concentrated in the following segments:

| | % of net assets as at June 30, 2013 | % of net assets as at December 31, 2012 |
|---|---|---|
| **Consumer Discretionary Issuers** | 8.1 | 9.0 |
| **Telecommunication Services Issuers** | 51.7 | 57.8 |
| **Utility Issuers** | 61.5 | 61.9 |

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

## NOTES TO THE FINANCIAL STATEMENTS

**June 30, 2013**

### 1. ORGANIZATION

Global Advantaged Telecom & Utilities Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 25, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, February 25, 2011 to commencement of operations on March 23, 2011. On March 23, 2011, the Fund completed an initial public offering of 2,600,000 units at $12.00 per unit for gross proceeds of $31,200,000. On April 6, 2011; an over-allotment option was exercised for an additional 123,662 units at a price of $12.00 per unit for gross proceeds of $1,483,944.

The Fund has been established to provide exposure, through a forward agreement (the "Forward Agreement"), to the return, in Canadian dollars, of the underlying performance of the GTU Portfolio Trust (the "GTU Trust").

### 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 listed Canadian and foreign equities. 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.

c) The value of the Forward Agreement will be the amount prepaid pursuant to the agreement and the gain or loss with respect thereto that would be realized if, on the financial reporting date, the position in the Forward Agreement were to be closed out in accordance with its terms.

National Instrument 81-106 – ‘‘Investment Fund Continuous Disclosure’’ (‘‘NI 81-106’’) requires all investment funds to calculate net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This result 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.

**Other assets and liabilities**
For the purposes of categorization in accordance with CICA Handbook Section 3862, receivable for securities issued, amounts due from brokers, the Manager, and other Funds, and other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, redemptions payable, accrued expenses 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 are recognized in the Statement of Operations in the period in which they are incurred.

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

The Forward Agreement is recorded at fair value with unrealized gains or losses recorded as unrealized appreciation (depreciation) during the term of the Forward Agreement. Realized gains or losses relating to the Forward Agreement will be recorded upon partial or final settlement of the Forward Agreement.

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

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

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

**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 liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

**Securities classification:**

| **Investments at fair value as at June 30, 2013** | | | | |
|---|---|---|---|---|
| | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Total ($)** |
| Common shares | 10,681,918 | - | - | 10,681,918 |
| **Total investments at fair value** | **10,681,918** | **-** | **-** | **10,681,918** |
| **Forward agreement at fair value** | **-** | **7,460,642** | **-** | **7,460,642** |

| **Investments at fair value as at December 31, 2012** | | | | |
|---|---|---|---|---|
| | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Total ($)** |
| Common shares | 12,860,084 | - | - | 12,860,084 |
| **Total investments at fair value** | **12,860,084** | **-** | **-** | **12,860,084** |
| **Forward agreement at fair value** | **-** | **4,834,912** | **-** | **4,834,912** |

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

As explained in Note 4 below, the Fund is exposed to the performance of the portfolio held by GTU Trust through the Forward Agreement, and therefore, the following illustrates the classification of the GTU Trust's financial instruments within the fair value hierarchy as at June 30, 2013 and December 31, 2012.

**GTU Trust - Securities Classification:**
All securities held by the GTU Trust as at June 30, 2013 and December 31, 2012, were Level 1 securities.

**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 unit consists of one trust unit and one warrant. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each whole 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 entered into a normal course issuer bid program for the period from May 28, 2012 to May 27, 2013, which allowed the Fund to purchase up to 260,854 listed trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the TSX. During the period ended June 30, 2013, 700 trust units were purchased for cancellation for a total of $6,289 (2012 – 18,400 units). The normal course issuer bid program was not renewed.

**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 units 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 any remaining amounts are charged to retained earnings.

**Warrants**
All warrants expired on March 30, 2012, unexercised. The cost of the warrants expired of $326,839 was recorded in contributed surplus.

**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.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in August 2012, units may be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, for the first business day of August 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 |
|---|---|---|
| **Total outstanding as at December 31, 2011** | **2,711,162** | **2,723,662** |
| Warrants expired (March 30, 2012) | - | (2,723,662) |
| Units redeemed | (676,471) | - |
| Units cancelled | (18,400) | - |
| **Total outstanding as at December 31, 2012** | **2,016,291** | - |
| Units redeemed | (700) | - |
| Units cancelled | - | - |
| **Total outstanding as at June 30, 2013** | **2,015,591** | - |

**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 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 April 2011, the Fund will annually determine and announce the indicative distribution amount for the following year based upon the prevailing market conditions. The distribution amount paid was $725,697 or $0.06 per unit per month ($0.36 per unit in total) for the period ended June 30, 2013 (2012 – $963,698 of $0.36 per unit in total).

**4. FORWARD AGREEMENT**

The Fund obtains exposure to the Portfolio through the forward agreement (the "Forward Agreement"). The Fund invested the net proceeds of the offering in a portfolio of common shares (the "Common Share Portfolio") that are acceptable to the Counterparty. The Fund entered into a Forward Agreement, the terms of which were negotiated by the Manager on behalf of the Fund, with a Canadian chartered bank (the "Counterparty"). Under the terms of the Forward Agreement, the Counterparty agrees to pay to the Fund on the scheduled settlement date of the Forward Agreement (the "Forward Settlement Date"), as the purchase price for the Common Share Portfolio, an amount based on the value of the Portfolio.

The Counterparty may hedge its obligations under the Forward Agreement by purchasing units of the Portfolio Trust. However, there is no obligation on the Counterparty to acquire units of the Portfolio Trust or to otherwise hedge its obligations. The Notional Portfolio will be managed in accordance with the investment strategy described in this prospectus for the Fund and the Portfolio Trust. The Fund will partially settle the Forward Agreement from time to time in order to fund the payment of monthly distributions, any redemption amounts and the expenses of the Fund.

The Fund pays to the Counterparty, a fee under the Forward Agreement of approximately 0.50% per annum, with a minimum annual fee of $200,000, of the net assets of the GTU Trust calculated daily and payable monthly in arrears. The Fund also pays the Counterparty a fee of 0.25% per annum for prime brokerage services including a revolving margin utilized in the GTU Trust. These fees are over and above the interest charged to the GTU Trust.

The GTU Trust has the facility in place to borrow up to 25 percent of its total assets or 33 1/3% of the NAV of the GTU Trust, and pays interest on such borrowings.

For the period ended June 30, 2013, the Fund recorded counterparty fees of $11,455 (2012 - $43,740). Interest charged is included in “Counterparty fees” on the Statement of Operations of the Financial Statements.

The amount drawn on the margin was $3,961,024 or 21.8% of the net assets of GTU Trust at June 30, 2013 (2012 - $5,095,256 or 28.7%).

The Counterparty has an approved credit rating within the meaning of National Instrument 81-102 – Mutual Funds of the Canadian Securities Administrators.

**5. EXPENSES**

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

The Fund pays its manager, Harvest, a management fee from the Fund and GTU Trust equal in the aggregate to 1.25% per annum of the applicable Net Asset Value, (0.25% from the Fund and 1.0% from the GTU Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and GTU Trust on a combined basis during the period ended June 30, 2013 were $129,018, inclusive of taxes (2012 - $168,689). The Manager is responsible for payment of the sub-advisory fees out of these management fees.

The Fund also pays service fees to registered dealers at the rate on 0.40% of the daily NAV plus HST 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 counterparty and forward fees which are paid directly by the Fund, 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 filing and other obligations. These expenses were $55,327 for the period ended June 30, 2013 (2012 - $42,913) and are included in the unitholder reporting costs in the Statements of Operations.

**6. FINANCIAL RISK MANAGEMENT**

The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers. The Fund obtains exposure through a Forward Agreement to a portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

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.

The Fund is exposed to other price risk through the common share portfolio and Forward Agreement held by the Fund. The Investment Manager of the GTU Trust has attempted to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value. Although the Fund holds a common share portfolio that is pledged to the Counterparty under the Forward Agreement, the other price risk exposure is minimal due to the Forward Agreement.

As at June 30, 2013, 121.3% (December 31, 2012 – 128.7%) of the GTU Trust'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 $1,100,564 (December 31, 2012 - $1,138,579).

As at June 30, 2013, 100% (December 31, 2012 - 100%) of the common share 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 $534,096 (December 31, 2012 - $643,004).

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

**Currency risk**

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

The Fund is exposed to currency risk through the Forward Agreement. The table below summarizes the Fund`s exposure to currency risk as at June 30, 2013 and December 31, 2012. Amounts shown are based on the carrying value of the monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of the forward currency contracts (if any) and reported in Canadian dollars.

**GTU Trust:**

| **As at June 30, 2013** | | |
|---|---|---|
| **Currency** | **Currency exposure ($)*** | **As a % of net assets** |
| Euro | 7,325,725 | 40.4% |
| U.S. dollar | 5,883,412 | 32.4% |
| Pound sterling | 4,322,080 | 23.8% |
| New Zealand Dollar | 1,344,549 | 7.4% |
| Australian Dollar | 1,291,749 | 7.1% |
| Swedish Krona | 418,093 | 2.3% |
| **Totals** | **20,585,608** | **113.4%** |

*Amounts are in Canadian dollars

| As at December 31, 2012 | | |
|---|---|---|
| **Currency** | **Currency exposure ($)*** | **As a % of net assets** |
| Euro | 7,928,707 | 44.8 |
| U.S. dollar | 5,928,742 | 33.5 |
| Pound sterling | 3,893,361 | 22.0 |
| New Zealand Dollar | 1,366,683 | 7.7 |
| Australian Dollar | 1,233,257 | 7.0 |
| Swedish Krona | 394,504 | 2.2 |
| **Totals** | **20,745,254** | **117.2** |

*Amounts are in Canadian dollars

As at June 30, 2013, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately $1,029,280 (December 31, 2012 - $1,037,263) or 5.7% of total net assets (December 31, 2012 – 5.8%). 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.

At June 30, 2013 and December 31, 2012, the Fund was primarily invested in equities which are non-interest bearing. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations in any cash and cash equivalent, invested at short-term market interest rates.

However, the Fund is exposed to interest rate risk through the Forward Agreement. The GTU Trust has an interest bearing liability and so the Fund is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at June 30, 2013, GTU Trust had a bank overdraft of $3,961,024 (December 31, 2012 - $5,095,256).The Fund is exposed to the interest rate risk through the Forward Agreement. If interest rates were to change by 1.0%, the interest expense in the GTU Trust could increase (decrease) by $39,610 (2012 - $50,953).

**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. The Fund minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The Fund has exposure to credit risk with the Counterparty in the full amount of the Forward Agreement value. At June 30, 2013, the Counterparty to the Forward Agreement had a credit rating of A+ from Standard & Poor`s. The maximum credit risk of default is the carrying amount of the investments underlying the Forward Agreement, as presented in the Statement of Investments.

### 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.

### 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, there were non-capital losses of $1,787,624 and capital losses of $1,024,760 for income tax purposes.

### 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 | $9.04 | $9.03 |
| As at December 31, 2012 | $8.82 | $8.80 |

**GTU Trust**

| Per Unit ($): | NAV ($) | Net assets ($) |
|---|---|---|
| As at June 30, 2013 | $12.31 | $12.30 |
| As at December 31, 2012 | $11.39 | $11.36 |

# GTU PORTFOLIO TRUST

## 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.

## GTU Portfolio Trust

### 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 annual report and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

### INVESTMENT PRODUCT

The GTU Portfolio Trust (the "Fund") has been created to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

# 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 established to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

The yields on many Global Telecom Issuers remain above average historical levels and attractive when compared to other equity, bond and fixed income securities. Over the longer term, the Investment manager, Avenue Investment Management Inc. (''Avenue'' or "Investment Manager"), believes that Global Telecom Issuers will benefit from the mass acceptance of mobile and broadband communications which will be reflected through increasing distributions and capital appreciation of the individual securities. The yields on Global Utilities Issuers remain at attractive levels due to the stability of earnings and the long track records of consistent dividends that these issuers provide. Avenue also believes that the Global Utilities Issuers in developing markets will continue to benefit and expand with the growth of these economies, while the Global Utilities Issuers in developed economies often have natural monopolies or operate in monopolistic-like markets that give them the ability to maintain pricing levels throughout the economic cycle. Avenue also believes that Global Utilities Issuers offer reduced exposure to inflation due to their ability to pass through higher costs to the end consumer.

## RISK

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

## RESULTS OF OPERATIONS

The fund's return for the second quarter ending June 30, 2013 was 2.02% and has returned 6.51% year to date. Economic data in North America was reasonably optimistic coming into the second quarter. US consumer sentiment data hit a 5 year high in June and Canadian economic data in general have also been strong. While economic data has been somewhat muted in the Eurozone, sentiment towards the broader equity markets appears to have stabilized with positive performance coming from a number of the broader equity markets since the start of the year.

In the latter half of the second quarter, expectations of rising rates in North America rippled through the global markets impacting many higher yielding equities. The utilities sub-sectors globally were hit hard over a short period however have since started to recover. We continue to see attractive valuations, stable balance sheets with high dividends and reasonable payouts for many of the underlying telecom services and selected utilities companies held in the portfolio. In particular the Fund continues to be overweight European Telecom Services and Utilities. We believe that these sectors and the underlying positions will benefit from continued re-ratings as the broader economic recovery there gains momentum.

## 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 Portfolios Group Inc. ("Harvest"), a management fee calculated based on the net asset value and paid monthly in arrears, based on an annual rate of 1.00 %, plus applicable taxes, of the net asset value of the Fund. Harvest pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

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

## BANK OVERDRAFT

The Fund established a revolving margin with its Prime Broker, a Canadian chartered bank. The Fund has the facility in place to borrow up to 33.3 percent of the Fund's NAV. The amount drawn on the margin was $3,961,024 at June 30, 2013 (December 31, 2012 - $5,095,256) or 21.8% of NAV (December 31, 2012 – 28.8%). During the period, the bank overdraft fluctuated daily within its covenants. The amount of borrowings ranged between $3,961,024 and $5,095,256 during the period and represented 21.8% to 28.1% of the Fund's Net Assets during the period ended June 30, 2013.

For the period, the Fund recorded interest expense of $52,799 (2012- $60,803). Interest charged is included in "Interest expense" on the Statements of Operations of the financial statements.

The overdraft function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions.

## 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.

## GTU Portfolio Trust

### RECOMMENDATION OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended at June 30, 2013.

## 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 at June 30, 2013 and past annual audited financial statements.

| THE FUND'S NET ASSETS PER UNIT[1] | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net assets - beginning of period[1]** | **$ 11.36** | **$ 10.85** | **$ 12.00** |
| **Increase (decrease) from operations** | | | |
| Total revenue | 0.44 | 0.73 | 0.92 |
| Total expenses | (0.12) | (0.20) | (0.16) |
| Realized gains (losses) for the period | (0.26) | (1.13) | (1.03) |
| Unrealized gains (losses) for the period | 0.90 | 0.96 | (0.87) |
| **Total increase (decrease) from operations[2]** | **$ 0.96** | **$ 0.36** | **$ (1.14)** |
| **Distributions[3]** | | | |
| Return of capital | - | - | (0.67) |
| Consolidation of distribution | - | - | 0.67 |
| **Total annual distributions[4]** | **$ -** | **$ -** | **$ -** |
| **Net assets - end of period[2]** | **$ 12.30** | **$ 11.36** | **$ 10.85** |

| RATIOS AND SUPPLEMENTAL DATA | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Total net asset value[1]** | **$ 18,154,771** | **$ 17,735,911** | **$ 23,350,551** |
| Number of units outstanding[1] | 1,474,712 | 1,557,639 | 2,329,130 |
| Management expense ratio[4] | 1.98% | 1.91% | 1.82% |
| Management expense ratio before waivers or absorptions[4] | 1.98% | 1.91% | 1.82% |
| Trading expense ratio[5] | 0.03% | 0.09% | 0.50% |
| Portfolio turnover rate[6] | 0.00% | 9.02% | 10.81% |
| **Net asset value per unit[1]** | **$ 12.31** | **$ 11.39** | **$ 10.88** |

**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. Distributions were automatically reinvested and the units consolidated.

4. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs), but including leverage costs, of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period, without the interest expenses of $128,050 is 1.40%.

5. 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.

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

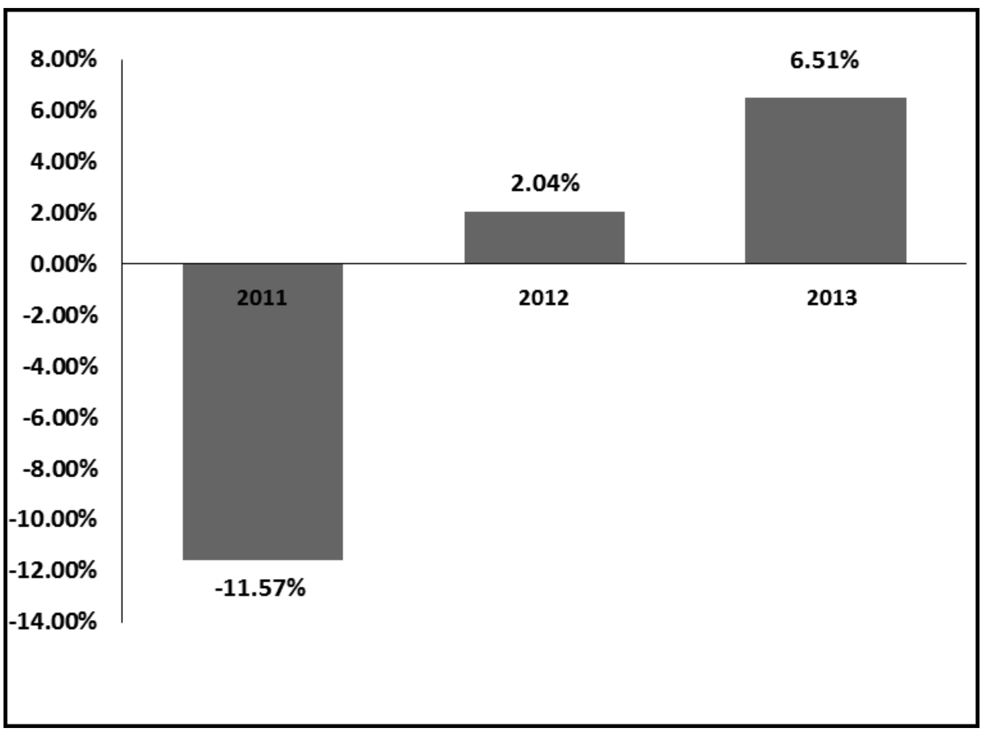
### Past Performance

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

### YEAR-BY-YEAR RETURNS

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

### Fund performance




2011 represents the period from March 23 to December 31

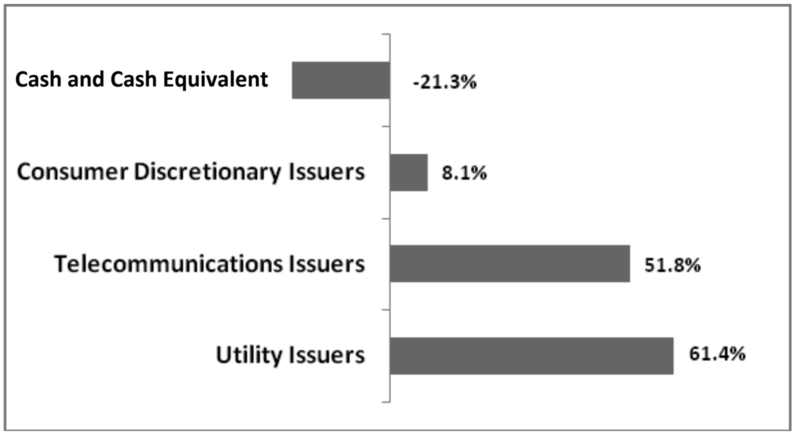
### SUMMARY OF INVESTMENT PORTFOLIO

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

## GTU Portfolio Trust

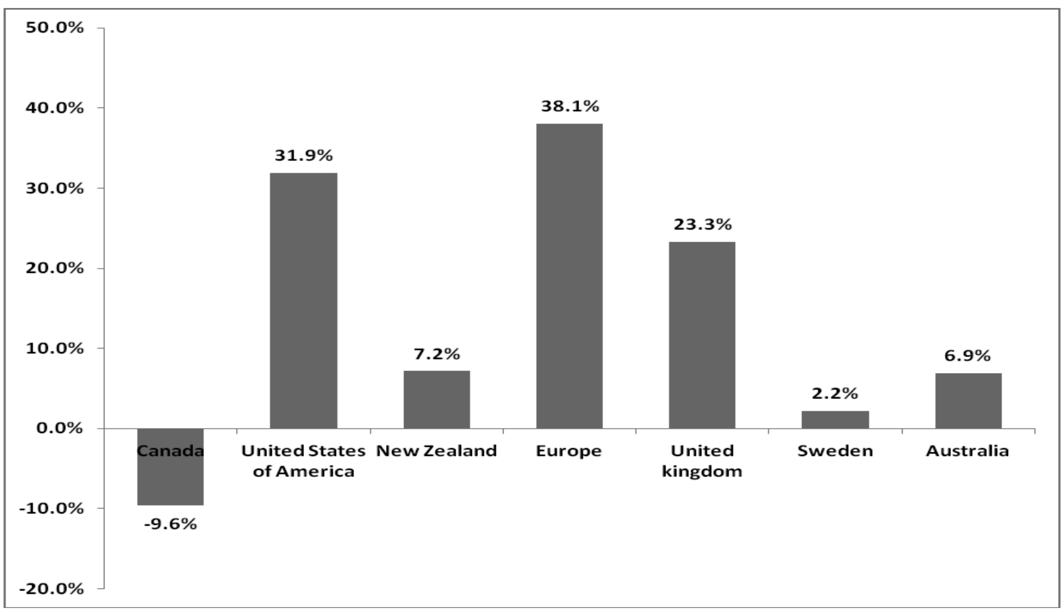
### SECTOR ALLOCATION

**Total Net Asset Value (100.0%)**




### GEOGRAPHIC ALLOCATION

**Total Net Asset Value (100.0%)**



**GTU Portfolio Trust**

**As at June 30, 2013**

| Top 25 Holdings | % of Net Asset Value |
|---|---|
| Telstra Corporation Limited | 6.9 |
| Bell Aliant Inc. | 6.4 |
| Vivendi SA | 6.1 |
| Verizon Communications Inc. | 6.1 |
| Telecom Corporation of New Zealand Limited | 5.9 |
| AT&T Inc. | 5.6 |
| Manitoba Telecom Services Inc. | 5.4 |
| BT Group PLC | 4.2 |
| Drax Group PLC | 4.0 |
| Integrys Energy Group, Inc. | 4.0 |
| Ameren Corporation | 3.9 |
| National Grid PLC | 3.8 |
| Gas Natural SDG, S.A. | 3.6 |
| Duke Energy Corporation | 3.5 |
| United Utilities Group PLC | 3.5 |
| RWE AG | 3.5 |
| PPL Corporation | 3.4 |
| Scottish and Southern Energy PLC | 3.1 |
| Electricidade de Portugal, S.A. | 2.9 |
| Endesa, S.A. | 2.9 |
| Terna S.p.A. | 2.8 |
| Pepco Holdings, Inc. | 2.7 |
| Vodafone Group PLC | 2.6 |
| FirstEnergy Corp. | 2.5 |
| Telefonica SA | 2.3 |
| **Total** | **101.6** |

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**

# GTU Portfolio Trust

## Interim Financial Statements (Unaudited)

## June 30, 2013

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

| STATEMENTS OF FINANCIAL POSITION<br>As at June 30, 2013 (Unaudited) and December 31, 2012 | | 2013 | | 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments, at fair value (cost $20,732,937; 2012 - $22,852,137) | $ | 22,011,280 | $ | 22,771,570 |
| Dividends receivable | | 269,664 | | 193,275 |
| | | **22,280,944** | | **22,964,845** |
| **Liabilities** | | | | |
| Bank overdraft (Note 9) | | 3,961,024 | | 5,095,256 |
| Redemptions payable | | 170,000 | | 165,000 |
| Interest payable | | 7,360 | | 9,593 |
| | **$** | **4,138,384** | **$** | **5,269,849** |
| **Net assets representing unitholder's equity** | **$** | **18,142,560** | **$** | **17,694,996** |
| **Net assets representing unitholder's equity** | | | | |
| Unitholder's capital | **$** | 18,729,200 | **$** | 19,739,200 |
| Deficit | | (586,640) | | (2,044,204) |
| **Unitholder's equity** | **$** | **18,142,560** | **$** | **17,694,996** |
| **Number of units outstanding** (Note 3) | | **1,474,712** | | **1,557,639** |
| **Net assets per unit** (Note 8) | **$** | **12.30** | **$** | **11.36** |

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

| STATEMENTS OF OPERATIONS (Unaudited)<br>For the six-month period ended June 30, | | 2013 | | 2012 |
|---|---|---|---|---|
| **Investment income** | | | | |
| Dividends | $ | 745,293 | $ | 1,107,775 |
| Interest | | 6 | | - |
| Less: foreign withholding taxes | | (75,752) | | (136,509) |
| | | **669,547** | | **971,266** |
| **Expenses** | | | | |
| Management fees (Note 4) | | 103,255 | | 134,908 |
| Unitholder reporting costs (Note 4) | | - | | 1,711 |
| Audit fees | | 502 | | 2,308 |
| Custodian fees and bank charges | | 15,907 | | 17,336 |
| Interest expense ( Note 9) | | 52,799 | | 60,803 |
| Filing fees | | 7,347 | | 4,189 |
| Legal fees | | 1,039 | | 1,234 |
| | | **180,849** | | **222,489** |
| **Net investment income** | **$** | **488,698** | **$** | **748,777** |
| | | | | |
| **Realized and unrealized gain (loss) on investments and foreign currencies** | | | | |
| Realized gain (loss) on sale of investments | $ | (404,508) | $ | (1,102,182) |
| Realized gain (loss) on foreign exchange | | 8,508 | | 12,167 |
| Transaction costs | | (2,462) | | (4,111) |
| Change in unrealized appreciation (depreciation) of foreign exchange | | 8,418 | | (32,464) |
| Change in unrealized appreciation (depreciation) of investments | | 1,358,910 | | 779,903 |
| **Net gain (loss) on investments** | **$** | **968,866** | **$** | **(346,687)** |
| **Increase (decrease) in net assets from operations** | | **1,457,564** | | **402,090** |
| **Increase (decrease) in net assets from operations per unit** | **$** | **0.96** | **$** | **0.17** |

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

| STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited) | | | | |
|---|---|---|---|---|
| **For the six-month period ended June 30,** | | **2013** | | **2012** |
| **Net assets, beginning of the period** | **$** | **17,694,996** | **$** | **25,275,605** |
| Increase (decrease) in net assets from operations | | **1,457,564** | | **402,090** |
| **Unitholder's transactions** | | | | |
| Cost of units redeemed | | (1,010,000) | | (2,170,000) |
| **Net unitholders' transactions** | **$** | **(1,010,000)** | **$** | **(2,170,000)** |
| **Net assets, end of the period** | **$** | **18,142,560** | **$** | **23,507,695** |
| **Deficit, beginning of period** | **$** | **(2,044,204)** | **$** | **(4,405,964)** |
| Increase (decrease) in net assets from operations | | **1,457,564** | | **402,090** |
| **Deficit, end of period** | **$** | **(586,640)** | **$** | **(4,003,874)** |

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

| STATEMENTS OF CASH FLOWS (Unaudited)<br>For the six-month period ended June 30, | | 2013 | | 2012 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| **Increase (decrease) in net assets from operations** | **$** | **1,457,564** | **$** | **402,090** |
| **Add (deduct) items not affecting cash:** | | | | |
| Realized gain (loss) on sale of investments | | 404,508 | | 1,102,182 |
| Change in unrealized appreciation (depreciation) of investments | | (1,358,910) | | (779,903) |
| Proceeds from sale of investments | | 1,714,692 | | 1,279,726 |
| Purchases of investments | | - | | (835,557) |
| **Net change in non-cash assets and liabilities** | | **(78,622)** | | **(28,494)** |
| **Net cash flow used in operating activities** | **$** | **2,139,232** | **$** | **1,140,044** |
| **Financing Activities** | | | | |
| Units redeemed | | (1,005,000) | | (2,150,000) |
| **Net cash flow provided by financing activities** | | **(1,005,000)** | | **(2,150,000)** |
| **Net change in bank overdraft during the period** | | 1,134,232 | | (1,009,956) |
| Bank overdraft, at beginning of the period | | **(5,095,256)** | | **(4,557,901)** |
| **Bank overdraft, at end of the period** | **$** | **(3,961,024)** | **$** | **(5,567,857)** |
| **Supplemental disclosure of cash flow information** | | | | |
| Amount of interest paid during the period | **$** | **52,799** | **$** | **60,803** |

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

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

| Number of shares | Security | Average Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|
| | **EQUITIES** | | | |
| | **Consumer Discretionary Issuers** | | | |
| 28,000 | British Sky Broadcasting Group PLC | 337,234 | 354,825 | 2.0 |
| 56,000 | Vivendi S.A. | 1,329,018 | 1,115,780 | 6.1 |
| | | 1,666,252 | 1,470,605 | 8.1 |
| | **Telecommunication Services Issuers** | | | |
| 27,300 | AT&T Inc. | 771,218 | 1,018,949 | 5.6 |
| 41,000 | Bell Aliant, Inc. | 1,103,265 | 1,156,610 | 6.4 |
| 156,000 | BT Group PLC | 476,982 | 771,784 | 4.3 |
| 117,000 | Chorus Limited | 271,467 | 225,919 | 1.2 |
| 27,300 | Deutsche Telekom AG | 420,522 | 335,313 | 1.9 |
| 27,400 | Manitoba Telecom Services Inc. | 817,145 | 974,892 | 5.4 |
| 585,000 | Telecom Corporation of New Zealand Limited | 852,495 | 1,072,398 | 5.9 |
| 234,000 | Telecom Italia SPA | 350,006 | 171,349 | 0.9 |
| 31,200 | Telefonica SA | 769,409 | 421,206 | 2.3 |
| 58,500 | Teliasonera AB | 451,295 | 399,852 | 2.2 |
| 273,000 | Telstra Corporation Limited | 743,654 | 1,254,841 | 6.9 |
| 21,000 | Verizon Communications Inc. | 767,955 | 1,115,230 | 6.1 |
| 156,000 | Vodafone Group PLC | 427,658 | 468,886 | 2.6 |
| | | 8,223,071 | 9,387,229 | 51.7 |
| | **Utility Issuers** | | | |
| 19,500 | Ameren Corporation | 526,576 | 708,689 | 3.9 |
| 78,000 | Drax Group PLC | 470,115 | 726,980 | 4.0 |
| 9,000 | Duke Energy Corporation | 473,747 | 640,787 | 3.5 |
| 19,500 | E.ON AG | 573,691 | 337,725 | 1.9 |
| 156,000 | Electricidade de Portugal, S.A. | 583,191 | 529,022 | 2.9 |
| 23,400 | Endesa, S.A. | 700,263 | 526,562 | 2.9 |
| 11,700 | FirstEnergy Corp. | 418,276 | 461,008 | 2.5 |
| 18,000 | Fortum OYJ | 321,345 | 354,694 | 2.0 |
| 31,200 | Gas Natural SDG, S.A. | 572,983 | 662,721 | 3.7 |
| 11,700 | GDF Suez | 450,570 | 241,381 | 1.3 |
| 66,300 | Iberdrola, S.A. | 560,801 | 368,754 | 2.0 |
| 11,700 | Integrys Energy Group, Inc. | 569,907 | 722,307 | 4.0 |
| 58,500 | National Grid PLC | 542,535 | 697,807 | 3.9 |
| 23,400 | Pepco Holdings, Inc. | 419,774 | 497,419 | 2.7 |
| 19,500 | PPL Corporation | 469,380 | 622,083 | 3.4 |
| 18,720 | RWE AG | 935,753 | 629,564 | 3.5 |
| 23,400 | Scottish and Southern Energy PLC | 452,655 | 570,226 | 3.2 |
| 117,000 | Terna S.p.A | 538,959 | 511,801 | 2.8 |
| 58,500 | United Utilities Group PLC | 540,188 | 640,241 | 3.5 |
| 31,980 | Veolia Environnement | 391,486 | 383,235 | 2.1 |
| 16,000 | Verbund AG | 331,419 | 320,440 | 1.8 |
| | | 10,843,614 | 11,153,446 | 61.5 |
| | **Total investments** | **20,732,937** | **22,011,280** | **121.3** |
| | **Other assets less liabilities** | | (3,868,720) | (21.3) |
| | **Net assets** | | **18,142,560** | **100.0** |

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

## GTU Portfolio Trust

## CONCENTRATION BY GEOGRAPHY AS AT JUNE 30, 2013

| As at | June 30, 2013 | | December 31, 2013 | |
|---|---|---|---|---|
| **Country of Issue** | **$*** | **As a % of net assets** | **$*** | **As a % of net assets** |
| **Canada** | (2,443,048) | (13.4) | (3,050,257) | (17.2) |
| **United States of America** | 5,883,412 | 32.4 | 5,928,742 | 33.5 |
| **New Zealand** | 1,344,549 | 7.4 | 1,366,683 | 7.7 |
| **Europe** | 7,325,725 | 40.4 | 7,928,707 | 44.8 |
| **United Kingdom** | 4,322,080 | 23.8 | 3,893,361 | 22.0 |
| **Sweden** | 418,093 | 2.3 | 394,504 | 2.2 |
| **Australia** | 1,291,749 | 7.1 | 1,233,256 | 7.0 |
| **Totals** | **18,142,560** | **100.0** | **17,694,996** | **100.0** |

*Stated in Canadian dollars

The GTU Portfolio Trust investment portfolio is concentrated in the following segments:

| | % of net assets as at June 30, 2013 | % of net assets as at December 31, 2012 |
|---|---|---|
| **Consumer Discretionary Issuers** | 8.1 | 9.0 |
| **Telecommunication Services Issuers** | 51.7 | 57.8 |
| **Utility Issuers** | 61.5 | 61.9 |

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

## 1. ORGANIZATION

GTU Portfolio Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 25, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, February 25, 2011 to commencement of operations on March 23, 2011. The Fund commenced operations on March 23, 2011 with issuance of 2,419,430 units at $12.00 per unit, for total proceeds of $29,033,160. On April 11, 2011, 84,053 additional units were purchased at $12.21 for additional gross proceeds of $1,026,040, for total proceeds of $30,059,200.

## 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 Disclosure'' (''NI 81-106'') requires all investment funds to calculate net asset value for all purposes other than for financial statements in accordance with part 14.2, which differs in some respects from the requirements of Section 3855 of Canadian GAAP. Canadian GAAP includes the requirement that the fair value of financial instruments listed on a recognized public stock exchange be valued at their last bid price for securities held in a long position and at their last ask price for securities held in a short position, instead of their close price or the last sale price of the security for the day as required by NI 81-106. This results in differences between net asset value ("NAV") calculated based on NI 81-106 and on net assets calculated based on Canadian GAAP ("Net assets"). 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, loan payable, accrued expenses and redemptions payable 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 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 which represents the amount paid for each security 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.

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

**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 ‘‘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”, respectively. 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 Business Day, 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.

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

**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 liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

**Securities classification:**

| **Investments at fair value as at June 30, 2013** | | | | |
|---|---|---|---|---|
| **Equities** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Totals ($)** |
| Common stock | 22,011,280 | - | - | 22,011,280 |
| **Total investment in securities** | **22,011,080** | **-** | **-** | **22,011,280** |

| **Investments at fair value as at December 31, 2012** | | | | |
|---|---|---|---|---|
| **Equities** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Totals ($)** |
| Common stock | 22,771,570 | - | - | 22,771,570 |
| **Total investment in securities** | **22,771,570** | **-** | **-** | **22,771,570** |

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. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each whole 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.

**Redemptions**
Units may be redeemed for a redemption price per Unit (the "**Redemption Amount**") equal to the Net Asset value per Unit as at any Business Day (each a "**Redemption Date**"). Units surrendered for redemption by a Unitholder on or before 4:00 p.m. (Toronto time) on any Redemption Date will be redeemed as at such Redemption Date and the

Unitholder will receive payment in respect of any Units surrendered for redemption on the second Business Day after the Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

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

| | **Total units outstanding** |
|---|---|
| **Total outstanding as at December 31, 2011** | **2,329,130** |
| Subscriptions | - |
| Reinvestment of distributions | - |
| Consolidation of units | - |
| Units redeemed | (771,491) |
| **Total outstanding as at December 31, 2012** | **1,557,639** |
| Subscriptions | - |
| Reinvestment of distributions | - |
| Consolidation of units | - |
| Units redeemed | (82,927) |
| **Total outstanding as at June 30, 2013** | **1,474,712** |

**Distributions**
All distributions will be paid in units. Immediately after any distribution in units, the number of outstanding units will be consolidated such that each unitholder will hold the same number of units as it held before the distribution.

## 4. EXPENSES

**Management fees**
Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing or arranging for managing the Fund's overall business and operations. The Manager has retained Avenue Investment Management Inc. (''Avenue'' or the "Investment Manager") to provide investment management services to the Fund and pays Avenue a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets. The Manager is entitled to a fee of 1.00 per cent of the average NAV, plus applicable taxes, payable monthly.

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

## 5. FINANCIAL RISK MANAGEMENT

**Investment objectives**
The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of equity securities of Global Telecom Issuers and Global Utilities Issuers.

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.

The Investment Manager of the Fund has attempted to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

As at June 30, 2013, 121.3%, (December 2012 – 128.7%) 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 $1,100,564 (December 31, 2012 - $1,138,579).

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

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

The table below summarizes the Fund`s exposure to currency risk as at June 30, 2013 and December 31, 2012. Amounts shown are based on the carrying value of the monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of the 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 (%)** |
| Euro | 7,325,725 | 40.4% | 7,928,707 | 44.8 |
| U.S. dollar | 5,883,412 | 32.4% | 5,928,742 | 33.5 |
| Pound sterling | 4,322,080 | 23.8% | 3,893,361 | 22.0 |
| New Zealand Dollar | 1,344,549 | 7.4% | 1,366,683 | 7.7 |
| Australian Dollar | 1,291,749 | 7.1% | 1,233,257 | 7.0 |
| Swedish Krona | 418,093 | 2.3% | 394,504 | 2.2 |
| **Totals** | **20,585,608** | **113.4%** | **20,745,254** | **117.2** |

*Amounts are stated 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 $1,029,280 (December 31, 2012 - $1,037,263) or 5.7% (December 31, 2012 – 5.9%) 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. A fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. The Fund does not hold any bonds or money market instruments, therefore, the Fund's exposure to interest rate risk is insignificant.

A Fund that has an interest-bearing liability is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at June 30, 2013, the Fund had a bank overdraft of $3,961,024 (December 31, 2012 - $5,095,256). If interest rates were to change by 1.0%, the interest expense could increase (decrease) by $39,610 (December 31, 2012- $50,953).

**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 liquidity risk through the Forward Agreement. The Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity. At June 30, 2013 and December 31, 2012, all of the Fund's financial liabilities had maturities of less than three months.

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.

The Fund has exposure to credit risk through its prime brokerage relationship with a Canadian chartered bank (the "Prime Broker"). At June 30, 2013 and December 31, 2012, the Prime Broker had a credit rating of A+ from Standard & Poor`s.

### 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 were $NIL.

### 7. INCOME TAXES

The Trust is a financial institution for purposes of the "specific debt obligation" and "mark-to-market" rules contained in the Income Tax Act (Canada) at any time if more than 50% of the fair market value of all interests in the Trust are held at that time by one or more such financial institutions. The Trust will be subject to tax in each taxation year under Part I of the Income Tax Act (Canada) on the amount of its income for the year, including net realized and unrealized gains, if any, less the portion thereof that it deducts in respect of the amount paid or payable to unitholders in the period. The Trust may also be subject to "minimum tax" under the Tax Act. At the Trust's 2012 taxation year end, there were non-capital losses of $2,148,872 for tax purposes.

### 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 | $12.31 | $12.30 |
| As at December 31, 2012 | $11.39 | $11.36 |

### 9. BANK OVERDRAFT

The Fund established a revolving margin with its Prime Broker, a Canadian chartered bank. Interest charged is included in "Interest expense" on the Statements of Operations. The Fund has the facility in place to borrow up to 33.3 percent of the Fund's NAV. The overdraft function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings.

The amount drawn on the margin was $3,961,024 (December 31, 2012 - $5,095,256) or 21.8% (December 31, 2012 - 28.8%) of total net assets at June 30, 2013. For the period ended June 30, 2013 the Fund recorded interest expense of $52,799 (2012 - $60,803). The amount of borrowings ranged between $3,961,024 and $5,095,256 during the period (December 2012 between $4,557,901 and $5,095,256) and represented 21.8% to 28.1% of the Fund's Net Assets during the period ended June 30, 2013 (December 31, 2012 – 25.8% - 28.8%).

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## CAUTION REGARDING FORWARD-LOOKING STATEMENTS



HARVEST
PORTFOLIOS GROUP