BRAND LEADERS INCOME FUND

Annual Financial Statements

December 31, 2011

Brand Leaders Income Fund

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Harvest Portfolios Group Inc.,

(Signed) "Michael Kovacs"
President and Chief Executive Officer

(Signed) "B. Mark Riden CA"
Chief Financial Officer

Oakville, Canada
March 2012

pwc

March 19, 2012

Independent Auditor's Report

To the Unitholders of
Brand Leaders Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of investments and financial position as at December 31, 2011 and the statements of operations, changes in financial position, and cash flows for the period from July 19, 2011 (commencement of operations) to December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2011 and the results of its operations, the changes in its financial position, and its cash flows for the period from July 19, 2011 (commencement of operations) to December 31, 2011 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Brand Leaders Income Fund

STATEMENT OF FINANCIAL POSITION

As at December 31,	2011
Assets	
Investments, at fair value (cost $25,884,225)	$ 26,192,814
Cash and cash equivalents	588,813
Dividends and interest receivable	42,648
Unrealized appreciation on foreign currency forward contracts (Note 6)	464,172
	$ 27,288,447
Liabilities	
Redemptions payable	10,030
Distributions payable	167,679
Payable for options contracts written (cost $176,251)	242,374
	420,083
Net assets representing unitholders' equity	**$ 26,868,364**
Unitholders' equity (Note 3)	
Unitholders' capital	28,785,016
Contributed surplus	35,048
Deficit	(1,951,700)
Unitholders' equity	**$ 26,868,364**
Number of units outstanding (Note 3)	**2,577,778**
Net assets per unit (Note 10)	**$ 10.42**

Approved on behalf of the Manager,

(Signed) "Michael Kovacs"
President and Chief Executive Officer

(Signed) "B. Mark Riden CA"
Chief Financial Officer

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

Brand Leaders Income Fund

STATEMENT OF OPERATIONS

For the period July 19, 2011 (commencement of operations) to December 31, 2011

Investment income	
Dividends	$ 308,458
Interest	25
Less: foreign withholding taxes	(40,478)
	268,005
Expenses	
Management fees (Note 4)	122,780
Service fees (Note 4)	54,458
Unitholder reporting costs (Note 4)	43,088
Audit fees	27,637
Transfer agency fees	11,085
Custodian fees and bank charges	30,545
Filing fees	26,660
Legal fees	37,621
Independent review committee fees	-
	353,874
Expenses absorbed by manager	-
	353,874
Net investment loss	**(85,869)**
Realized and unrealized gain / (loss) on investments and foreign currencies	
Realized gain on sale of investments	545,035
Transaction costs	(38,416)
Net realized loss on foreign exchange	(2,226,685)
Unrealized appreciation of foreign exchange	453,583
Unrealized appreciation of investments	242,466
Net loss on investments	**(1,024,017)**
Decrease in net assets from operations	**$ (1,109,886)**
Decrease in net assets from operations per unit	**$ (0.43)**

The accompanying notes are an integral part of these financial statements

Brand Leaders Income Fund

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the period July 19, 2011 (commencement of operations) to December 31, 2011

Net assets, beginning of the period	**$ -**
Decrease in net assets from operations	(1,109,886)
Unitholders' transactions	
Proceeds from issue of units	31,216,536
Payments on cancellation of units	(228,484)
Agents' fees	(1,638,868)
Cost of issue	(529,120)
Net unitholders' transactions	**28,820,064**
Distributions to unitholders	
Return of capital	(841,814)
Total distributions to unitholders	**(841,814)**
Net assets, end of the period	**$ 26,868,364**
Deficit, beginning of the period	**$ -**
Decrease in net assets from operations	(1,109,886)
Distributions to unitholders	(841,814)
Deficit, end of the period	**$ (1,951,700)**
Contributed surplus, beginning of the period	**$ -**
Cost of shares repurchased at less than par value	35,048
Contributed surplus, end of the period	**$ 35,048**

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

Brand Leaders Income Fund

STATEMENT OF CASH FLOWS

For the period July 19, 2011 (commencement of operations) to December 31, 2011

Operating activities	
Decrease in net assets from operations	$ (1,109,886)
Add (deduct) items not affecting cash	
Realized gain on sale of investments	(545,035)
Unrealized appreciation of investments	(242,466)
Proceeds from sale of investments	3,718,849
Purchases of investments	(28,881,788)
Net change in non-cash assets and liabilities	(506,820)
Net cash flow used in operating activities	(27,567,146)
Financing activities	
Proceeds from units issued	31,216,536
Payments on cancellation of units	(218,454)
Agents' fees	(1,638,868)
Issuance costs	(529,120)
Distributions to unitholders	(674,135)
Net cash flow provided by financing activities	28,155,959
Net increase in cash and cash equivalents during the period	588,813
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period	**$ 588,813**

Supplemental disclosure of cash flow information

Amount of interest paid during the period included in net investment income	**$ -**

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

Brand Leaders Income Fund

STATEMENT OF INVESTMENTS

As at December 31, 2011

Number of Shares	Security	Average Cost ($)	Fair Value($)	% of Net Assets
	EQUITIES			
	Banking and Other Financial Issuers			
36,600	American Express Company	1,781,924	1,757,557	6.6
38,900	HSBC Holdings PLC ADR	1,769,832	1,509,534	5.6
		3,551,756	3,267,091	12.2
	Consumer Discretionary Issuers			
47,800	The Walt Disney Company	1,788,344	1,824,240	6.8
		1,788,344	1,824,240	6.8
	Consumer Staple Issuers			
30,200	Anheuser-Busch InBev NV ADR	1,615,923	1,874,897	7.0
34,100	Kellogg Co.	1,789,904	1,756,255	6.5
26,300	The Coca-Cola Company	1,733,416	1,873,795	7.0
		5,139,243	5,504,947	20.5
	Energy Issuers			
25,400	Royal Dutch Shell PLC Class A ADR	1,732,539	1,889,332	7.0
		1,732,539	1,889,332	7.0
	Industrials Issuers			
21,300	3M Co.	1,892,229	1,771,535	6.6
18,700	Caterpillar Inc.	1,923,282	1,725,139	6.4
14,800	Siemens AG	1,840,155	1,440,702	5.4
24,300	United Parcel Service, Inc. Class B	1,679,511	1,810,480	6.7
		7,335,177	6,747,856	25.1
	Information Technology Issuers			
4,400	Apple Computer, Inc.	1,572,354	1,814,477	6.8
71,600	Intel Corporation	1,548,402	1,767,988	6.6
9,000	International Business Machines Corporation	1,560,294	1,685,122	6.3
64,000	Microsoft Corporation	1,656,116	1,691,761	6.3
		6,337,166	6,959,348	25.9
	Total equities	**25,884,225**	**26,192,814**	**97.5**
	OPTIONS			
	Banking and Other Financial Issuers			
(7,000)	American Express Company - Jan 2012 @ USD $47	(10,610)	(8,838)	-
(1,800)	American Express Company - Jan 2012 @ USD $48	(1,913)	(1,411)	-
(5,100)	HSBC Holdings PLC ADR - Jan 2012 @ USD $37	(8,495)	(9,296)	(0.1)
(4,200)	HSBC Holdings PLC ADR - Jan 2012 @ USD $38	(4,812)	(4,918)	-
		(25,830)	(24,463)	(0.1)
	Consumer Discretionary Issuers			
(4,000)	The Walt Disney Company Limited - Jan 2012 @ USD $35	(6,009)	(11,405)	-
(7,500)	The Walt Disney Company Limited - Jan 2012 @ USD $36	(7,227)	(14,968)	(0.1)
		(13,236)	(26,373)	(0.1)

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

Brand Leaders Income Fund

STATEMENT OF INVESTMENTS (continued)

As at December 31, 2011

Number of Shares	Security	Average Cost ($)	Fair Value($)	% of Net Assets
	Consumer Staple Issuers			
(2,500)	Anheuser-Busch InBev NV - Jan 2012 @ USD $55	(9,014)	(16,546)	(0.1)
(4,700)	Anheuser-Busch InBev NV - Jan 2012 @ USD $60	(3,598)	(9,093)	-
(2,900)	Kellogg Co. - Jan 2012 @ USD $48	(4,957)	(9,745)	-
(5,300)	Kellogg Co. - Jan 2012 @ USD $50	(1,984)	(6,476)	-
(4,700)	The Coca-Cola Company - Jan 2012 @ USD $68	(6,476)	(13,400)	(0.1)
(1,600)	The Coca-Cola Company - Jan 2012 @ USD $70	(597)	(1,564)	-
		(26,626)	(56,824)	(0.2)
	Energy Issuers			
(4,600)	Royal Dutch Shell PLC ADR - Jan 2012 @ USD $70	(11,437)	(18,267)	(0.1)
(1,500)	Royal Dutch Shell PLC ADR - Jan 2012 @ USD $75	(668)	(1,222)	-
		(12,105)	(19,489)	(0.1)
	Industrials Issuers			
(1,300)	3M Co. - Jan 2012 @ USD $78	(4,445)	(6,420)	-
(3,800)	3M Co. - Jan 2012 @ USD $80	(7,559)	(11,105)	(0.1)
(2,500)	Caterpillar Inc. - Jan 2012 @ USD $88	(11,008)	(11,837)	(0.1)
(2,000)	Caterpillar Inc. - Jan 2012 @ USD $90	(6,320)	(6,212)	-
(900)	Siemens AG - Jan 2012 @ USD $90	(5,128)	(6,140)	-
(2,700)	Siemens AG - Jan 2012 @ USD $95	(7,833)	(8,248)	-
		(42,293)	(49,962)	(0.2)
	Information Technology Issuers			
(1,100)	Apple Inc. - Jan 2012 @ USD $385	(14,702)	(27,386)	(0.1)
(4,300)	Intel Corporation - Jan 2012 @ USD $23	(6,059)	(8,319)	-
(12,900)	Intel Corporation - Jan 2012 @ USD $24	(7,083)	(10,246)	-
(2,100)	International Business Machines Corporation - Jan 2012 @ USD $185	(10,226)	(7,912)	-
(100)	International Business Machines Corporation - Jan 2012 @ USD $190	(269)	(173)	-
(18,900)	Microsoft Corporation - Jan 2012 @ USD $26	(17,417)	(10,969)	(0.1)
(2,300)	Microsoft Corporation - Jan 2012 @ USD $28	(405)	(258)	-
		(56,161)	(65,263)	(0.2)
	Total options	**(176,251)**	**(242,374)**	**(0.9)**
	Total investments	**25,707,974**	**25,950,440**	**96.6**
	Foreign currency forward contracts (Note 6)		**464,172**	**1.7**
	Other assets less liabilities		**453,752**	**1.7**
	Net assets		**26,868,364**	**100.0**

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

a) Investments are categorized as held for trading in accordance with CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Investments held that are traded on 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 December 31, 2011, 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"). A reconciliation between NAV per unit and Net assets per unit at the period end is provided in Note 10.

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 interest and dividends, prepaid interest, 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, 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 and are recognized in the Statement of Operations in the period in which they are incurred.

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

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

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 “Net realized foreign exchange gain/(loss)” and “Unrealized foreign exchange gain (loss)”.

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 as of 4:00 p.m. (Toronto time) or such other time as the Manager or its agent deem appropriate (the “valuation time”) every business day (the “valuation date”). A valuation date is each day on which the Toronto Stock Exchange (the “TSX”) is open for business.

Increase / (decrease) in net assets from operations per unit

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

Fair value of financial instruments

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

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

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

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

There were no Level 3 securities held by the Fund as at December 31, 2011.

Securities classification:

Investments at fair value as at December 31, 2011				
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at fair value				
Equities				
Common shares	19,478,349	-	-	19,478,349
ADR	6,714,465	-	-	6,714,465
Total equities	**26,192,814**	**-**	**-**	**26,192,814**
Total written options contracts	-	(242,374)	-	(242,374)
Total investments	**26,192,814**	**(242,374)**	**-**	**25,950,440**
Foreign currency forward contract		464,172		464,172
Total investments at fair value	**26,192,814**	**221,798**	**-**	**26,414,612**

Transition to International Financial Reporting Standards ("IFRS")

As previously confirmed by the Canadian Accounting Standards Board ("AcSB"), most Canadian publicly accountable entities adopted all IFRS, as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. However, the AcSB had initially allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. At its December 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises to 2014. The decision was in response to the possibility that the IASB may not complete its Investment Entities project before January 1, 2013. The AcSB expects to issue the amendment in March 2012. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, including comparative financial information, for the interim period ending June 30, 2014. Management has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training.

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

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

3. UNITHOLDERS' EQUITY

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

The Fund entered into a normal course issuer bid programme for the period from August 15, 2011 to August 14, 2012, which allows the Fund to purchase up to 259,747 listed units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the TSX. During the period ended December 31, 2011, 23,600 units were purchased for cancellation.

If the price for the redemption of the Fund units is lower than the original average price, the difference is included in "Contributed surplus" on the Statement of Financial Position. If the price is greater than the original issue price, the difference is charged to "Contributed surplus" until the entire amount is eliminated, and the remaining amount is charged to "Retained earnings (deficit)".

The following units were issued and redeemed during the period:

	Units outstanding
Initial issuance July 19, 2011 and over-allotment August 3, 2011	2,601,378
Units cancelled	(23,600)
Total outstanding as at December 31, 2011	**2,577,778**

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 thereof for monthly redemption. Upon receipt by the Fund of the redemption notice, in the manner described below, 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 2013, units may be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, for the second last business day of January and the unitholder will receive payment on or before the 15th business day of the following month.

Issue costs

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

Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last business day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in November 2011, the Fund will annually determine and announce the indicative distribution amount for the following year based upon the prevailing market conditions. The indicative distribution amount was $841,814 or $0.065 per unit per month ($0.325 in total) for the period ended December 31, 2011.

4. EXPENSES

Management and service fees

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

The Manager is entitled to a fee of 0.90 per cent of the NAV plus HST per annum of the Fund. The Fund pays service fees to registered dealers at the rate on 0.40 per cent of the NAV plus HST per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers.

Independent Review Committee ("IRC") fees

The IRC, as required under National Instrument 81-107, reviews conflict of interest matters referred to it by the manager and provided recommendations or approves actions, as appropriate, that are in the best interest of the Fund. There are currently three members of the IRC who are independent of Harvest and its affiliates. IRC members are compensated by way of an annual retainer fee and a per meeting attendance fee, as well as reimbursed for expenses associated with IRC duties. These costs are allocated among the individual funds appropriately by assets.

Other expenses

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

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of extraordinary 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; and other administrative expenses and costs incurred in connection with the Fund's continuous public filing and other obligations. These expenses were $40,955 for the period ended December 31, 2011 and are included in the unitholder reporting costs on the Statement of Operations.

5. OPTIONS

A written covered call options strategy may be used by the Fund, but only to the extent considered appropriate by the Manager. Option premiums received by the Fund are, so long as the options are outstanding, reflected in the Statement of Investments. Exchange traded options are valued at current fair value on each valuation day, based on the value that would be realized if the option was closed out in the valuation date.

Realized gains and losses relating to written options may arise from:

i) Expiration of the written options – realized gains will arise equal to the premium received;

ii) Exercise of the written options – realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option; or

iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in "realized gain (loss) on sale of investments" in the Statement of Operations.

6. FOREIGN CURRENCY FORWARD CONTRACTS

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

At December 31, 2011, the Fund had entered into the following foreign currency forward contract:

Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	January 20, 2012	CDN $26,541,056	US $25,600,000	$464,172

7. FINANCIAL RISK MANAGEMENT

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

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

The Fund invests in an equally-weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US$10 billion at the time of investment and meet the investment characteristics described below.

Creating a strong brand is an important concept in business. High brand equity provides competitive advantages such as the opportunity for successful brand extensions, resilience against competitor's promotional pressures, and the creation of barriers to entry. Brand equity of a particular brand stems from the greater consumer confidence placed in the brand over a competitor's brand. This confidence can translate into consumer loyalty and a willingness to pay a premium price for the brand.

To generate additional returns, the Investment Manager sells "at-the-money" covered call options each month on the equity securities held in the Portfolio. The Investment Manager will not sell call options on more than 25% of the equity securities of each Brand Leader held in the Portfolio.

Investment Strategy

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

Growth – An average 5-year Annual Compound Earnings per Share growth rate greater than the average for the Brand Leaders Investable Universe;

Value – An average Price-to-Earnings ratio lower than the average for the Brand Leaders Investable Universe;

Quality – An average 5-year Return On Equity growth greater than the average for the Brand Leaders Investable Universe; and

Yield – An average yield greater than the average for the Brand Leaders Investable Universe.

Other price risk

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

As at December 31, 2011, 97.50% 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 $1,309,641.

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

Currency risk

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

As at December 31, 2011		
Currency	**Currency exposure ***	**As a % of net assets**
U.S. Dollars	$ 467,631	1.7%

*In Canadian dollars

As at December 31, 2011, 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 $23,382 or 0.1% of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund does not hold any bonds or money market instruments, therefore, the Fund's exposure to interest rate risk is insignificant.

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 primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

The table below analyzes the Fund's financial liabilities into groupings based on the remaining period at the period end date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As of December 31, 2011	Less than 1 month	1-3 months	No stated maturity
Redemptions payable	10,030	-	-
Distributions payable	167,679	-	-
Payable for options contract written	242,374	-	-
Total financial liabilities	**420,083**	**-**	**-**

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 a fund. The Fund has exposure to credit risk in its trading of listed securities, as it does not invest in fixed income securities. The Fund minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

8. 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 December 31, 2011 amounted to $NIL.

9. 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 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 December 31, 2011, the Fund did not have any tax losses.

Harmonized sales tax

Effective July 1, 2010, certain provinces have harmonized their provincial sales tax ("PST") with the federal goods and services tax ("GST"). The harmonized sales tax ("HST") combines the GST rate of 5% with the PST rate of certain provinces. For the province of Ontario the HST rate is 13%. As the manager is a resident of Ontario, the expenses paid by the Fund include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the manager. A blended rate refund is filed with Revenue Canada on behalf of the Fund, in arrears, using each province's HST rate or GST rate in the case of non-participating provinces. Any refund received is applied against future HST payable.

10. 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 December 31, 2011	$10.43	$10.42

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

HARVEST PORTFOLIOS GROUP