HARVEST Banks & Buildings Income Fund

Annual Financial Statements

December 31, 2013

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

HARVEST Banks & Buildings Income Fund

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 is the external auditor 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 included as an integral part of the financial statements.

On behalf of Harvest Portfolios Group Inc.,

(Signed) "Michael Kovacs"

Michael Kovacs
President and Chief Executive Officer

(Signed) "Townsend Haines"

Townsend Haines
Chief Financial Officer

Oakville, Canada
March 19, 2014

March 19, 2014

Independent Auditor's Report

To the Unitholders of
Harvest Banks & Buildings Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of financial position as at December 31, 2013 and 2012 and the statements of operations and changes in financial position for the years then ended, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2013 and 2012 and the results of its operations and the changes in its financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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HARVEST Banks & Buildings Income Fund

STATEMENTS OF FINANCIAL POSITION **As at December 31,**		**2013**		**2012**
Assets				
Investments, at fair value (cost $20,108,614; 2012 - $18,794,199)	$	25,178,926	$	21,963,933
Cash and cash equivalents		463,531		1,119,830
Dividends and interest receivable		86,117		82,398
Subscriptions receivable		30,958		17,435
		25,759,532		**23,183,596**
Liabilities				
Redemptions payable		85,389		73,061
Distributions payable		57,021		53,447
		142,410		**126,508**
Net assets representing unitholders' equity	**$**	**25,617,122**	**$**	**23,057,088**
Net assets representing unitholders' equity				
Series R	$	**9,564,586**	$	**13,271,109**
Series A		**14,121,624**		**9,178,497**
Series F		**1,930,912**		**607,482**
Number of units outstanding (Note 3)				
Series R		**713,792**		**1,064,817**
Series A		**1,067,273**		**739,087**
Series F		**141,152**		**48,147**
Net assets per unit (Note 8)				
Series R	$	**13.40**	$	**12.46**
Series A		**13.23**		**12.42**
Series F		**13.68**		**12.62**

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

HARVEST Banks & Buildings Income Fund

STATEMENTS OF OPERATIONS **For the year ended December 31,**		**2013**		**2012**
Investment income				
Dividends	$	702,410	$	734,335
Interest		55,890		80,159
Less: foreign withholding taxes		(43,788)		(80,059)
		714,512		**734,435**
Expenses (Note 4)				
Management fees		307,084		273,247
Service fees		222,207		167,024
Unitholder reporting costs		39,026		57,849
Audit fees		35,848		25,414
Transfer agency fees		39,126		69,500
Custodian fees and bank charges		46,580		44,326
Independent review committee fees		6,730		6,690
Filing fees		21,864		18,335
Legal fees		16,522		22,884
		734,987		**685,269**
Expenses absorbed by manager (Note 4)		(20,550)		(63,000)
		714,437		622,269
Net investment income (loss)	**$**	**75**	**$**	**112,166**
Realized and unrealized gain (loss) on investments and foreign currencies				
Realized gain (loss) on sale of investments		1,387,385		1,452,247
Realized gain (loss) on foreign exchange		13,755		(4,762)
Transaction costs (Note 6)		(23,635)		(43,573)
Change in unrealized appreciation (depreciation) of foreign exchange		(192)		451
Change in unrealized appreciation (depreciation) of investments		1,900,578		1,324,908
Net gain (loss) on investments	**$**	**3,277,891**	**$**	**2,729,271**
Increase (decrease) in net assets from operations	**$**	**3,277,966**	**$**	**2,841,437**
Increase (decrease) in net assets from operations - **Series R**	$	1,537,787	$	2,097,812
Increase (decrease) in net assets from operations - **Series A**		1,541,450		687,975
Increase (decrease) in net assets from operations - **Series F**		198,729		55,650
Increase (decrease) in net assets from operations per unit - **Series R**	$	1.79	$	1.79
Increase (decrease) in net assets from operations per unit - **Series A**		1.62		1.16
Increase (decrease) in net assets from operations per unit - **Series F**		1.81		1.55

The accompanying notes are an integral part of these financial statements

HARVEST Banks & Buildings Income Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION **ALL SERIES** **For the year ended December 31,**		**2013**		**2012**
Net assets, beginning of the year	**$**	**23,057,088**	**$**	**17,695,535**
Increase (decrease) in net assets from operations		**3,277,966**		**2,841,437**
Unitholders' transactions				
Proceeds from issue of units		10,703,089		15,301,660
Reinvestments of distributions		939,771		943,708
Cost of units redeemed		(10,749,637)		(12,201,531)
Net unitholders' transactions	**$**	**893,223**	**$**	**4,043,837**
Distributions to unitholders				
Return of capital		(1,611,155)		(1,523,721)
Total distributions to unitholders	**$**	**(1,611,155)**	**$**	**(1,523,721)**
Net assets, end of the year	**$**	**25,617,122**	**$**	**23,057,088**

STATEMENTS OF CHANGES IN FINANCIAL POSITION **SERIES R** **For the year ended December 31,**		**2013**		**2012**
Net assets, beginning of the year	**$**	**13,271,109**	**$**	**16,137,857**
Increase (decrease) in net assets from operations		**1,537,787**		**2,097,812**
Unitholders' transactions				
Proceeds from issue of units		1,135,540		3,127,309
Reinvestments of distributions		473,545		653,371
Cost of units redeemed		(6,146,705)		(7,772,978)
Net unitholders' transactions		**(4,537,620)**		**(3,992,298)**
Distributions to unitholders				
Return of capital		(706,690)		(972,262)
Total distributions to unitholders	**$**	**(706,690)**	**$**	**(972,262)**
Net assets, end of the year	**$**	**9,564,586**	**$**	**13,271,109**

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

HARVEST Banks & Buildings Income Fund

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES A For the year ended December 31,		2013		2012
Net assets, beginning of the year	$	**9,178,497**	$	**1,403,211**
Increase (decrease) in net assets from operations		**1,541,450**		**687,975**
Unitholders' transactions				
Proceeds from issue of units		8,141,720		11,421,272
Reinvestments of distributions		407,535		268,889
Cost of units redeemed		(4,338,209)		(4,082,555)
Net unitholders' transactions		**4,211,046**		**7,607,606**
Distributions to unitholders				
Return of capital		(809,369)		(520,295)
Total distributions to unitholders	$	**(809,369)**	$	**(520,295)**
Net assets, end of the year	$	**14,121,624**	$	**9,178,497**

STATEMENTS OF CHANGES IN FINANCIAL POSITION SERIES F For the year ended December 31,		2013		2012
Net assets, beginning of the year	$	**607,482**	$	**154,467**
Increase (decrease) in net assets from operations		**198,729**		**55,650**
Unitholders' transactions				
Proceeds from issue of units		1,425,828		753,079
Reinvestments of distributions		58,691		21,448
Cost of units redeemed		(264,723)		(345,998)
Net unitholders' transactions		**1,219,796**		**428,529**
Distributions to unitholders				
Return of capital		(95,095)		(31,164)
Total distributions to unitholders	$	**(95,095)**	$	**(31,164)**
Net assets, end of the year	$	**1,930,912**	$	**607,482**

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

HARVEST Banks & Buildings Income Fund

STATEMENT OF INVESTMENTS
As at December 31, 2013

Number of Shares	Security	Average Cost ($)	Fair Value ($)	% of Net Assets
	EQUITIES			
	Real Estate Issuers			
63,100	Agellan Commercial Real Estate Investment Trust	554,113	546,446	2.1
14,500	American Capital Agency Corporation	415,883	297,186	1.2
30,000	Annaly Capital Management Inc.	504,276	317,794	1.2
92,500	Artis Real Estate Investment Trust	765,160	1,372,700	5.4
208,824	BTB Real Estate Investment Trust	622,627	931,355	3.6
50,000	Cominar Real Estate Investment Trust	806,450	920,000	3.6
70,000	Crombie Real Estate Investment Trust	735,763	947,100	3.7
75,000	First Capital Realty Inc.	1,429,832	1,326,750	5.2
36,000	Mainstreet Equity Corporation	821,831	1,295,640	5.1
124,490	Timbercreek Mortgage Investment Corporation	1,256,218	1,137,839	4.4
175,000	Tricon Capital Group, Inc.	1,039,430	1,349,250	5.3
		8,951,583	10,442,060	40.8
	Banking and Other Financial Issuers			
95,000	Bank of America Corporation	775,489	1,571,597	6.1
13,000	Bank of Montreal	734,897	920,140	3.6
20,000	Great-West Lifeco Inc.	500,729	654,400	2.5
20,300	JPMorgan Chase & Co.	733,064	1,261,125	4.9
23,000	Power Corporation of Canada	609,058	734,160	2.9
84,000	Regions Financial Corporation	847,473	882,682	3.4
16,000	Royal Bank of Canada	842,750	1,142,080	4.5
36,000	Sun Life Financial Inc.	912,750	1,350,360	5.3
24,600	SunTrust Banks, Inc.	844,486	962,383	3.8
15,000	The Bank of Nova Scotia	781,188	996,000	3.9
9,200	The Toronto-Dominion Bank	682,372	920,828	3.6
23,000	Wells Fargo & Company	632,395	1,109,218	4.3
		8,896,651	12,504,973	48.8
	Utility Issuers			
20,000	Brookfield Renewable Energy Partners L.P.	597,318	556,400	2.2
		597,318	556,400	2.2
	Pipeline Issuers			
30,000	Inter Pipeline Fund LP, Class A	726,900	774,900	3.0
		726,900	774,900	3.0
	Other Public Issuers			
60,000	Amica Mature Lifestyles Inc.	540,000	482,400	1.9
		540,000	482,400	1.9
	Total equities	**19,712,452**	**24,760,733**	**96.7**
Par Value				
393,408	Boralex Inc. 6.75% Jun 30/17	396,162	418,193	1.6
	Total fixed income	**396,162**	**418,193**	**1.6**
	Total investments	**20,108,614**	**25,178,926**	**98.3**
	Other assets less liabilities		**438,196**	**1.7**
	Net Assets		**25,617,122**	**100.0**

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

HARVEST Banks & Buildings Income Fund

CONCENTRATION BY GEOGRAPHY AND SEGMENT AS AT December 31, 2013

As at	December 31, 2013		December 31, 2012	
Country of Issue	**$***	**As a % of net assets**	**$***	**As a % of net assets**
Canada	19,191,359	74.9	17,886,638	77.7
United States of America	6,425,763	25.1	5,170,450	22.3
Totals	**25,617,122**	**100.0**	**23,057,088**	**100.0**

*Stated in Canadian dollars

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

	% of Net Assets as at December 31, 2013	% of Net Assets as at December 31, 2012
Real Estate Issuers	40.8	39.7
Banking and Other Financial Issuers	48.8	46.8
Utility Issuers	2.2	-
Pipeline Issuers	3.0	3.1
Other Public Issuers	1.9	2.4
Fixed Income	1.6	3.3

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

1. ORGANIZATION

Harvest Banks & Buildings Income Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 25, 2009, as amended and restated on October 2, 2009, being the inception date. There was no significant activity in the Fund from the date of inception, October 2, 2009 to commencement of operations on October 23, 2009.

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

The Fund's investment objectives are to provide unitholders with monthly distributions and to maximize total return for unitholders. As part of the investment strategy the Fund will invest in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Investments are categorized as held for trading in accordance with CPA Canada Handbook Section 3855 Financial Instruments - Recognition and Measurement. Investments held that are traded in an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. Investments held include equities, bonds and other debt instruments. Investments held with no available bid prices are valued at their closing sale price.

b) Investments held that are not traded on an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager in accordance with Section 3855 methodologies. The fair values of certain securities may be 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, 2013 and 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”). Reconciliation between NAV per unit and Net assets per unit at the year-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 CPA Canada Handbook Section 3862, accrued dividends and interest and other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to unitholders for distributions and redemptions are designated as other financial liabilities and reported at cost or amortized cost, which approximates fair value for these assets and liabilities.

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

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

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

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

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

Foreign currency translation
Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or (losses) on investments are included in the Statements of Operations in ‘‘Realized gain (loss) on sale of investments’’ and ‘‘Change in unrealized appreciation (depreciation) of investments’’, respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Operations in ‘‘Realized gain (loss) on foreign exchange’’ and ‘‘Change in unrealized appreciation (depreciation) of foreign exchange’’, respectively . Foreign currency assets and liabilities in the Statement of Financial Position are translated into Canadian dollars on the statement date.

HARVEST Banks & Buildings Income Fund

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

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

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

> **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
> **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
> **Level 3:** Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Securities classification:

Investments at fair value as at December 31, 2013				
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Totals ($)**
Equities				
Common stock	18,871,752	-	-	18,871,752
Limited partnership	556,400	-	-	556,400
REIT	5,332,581	-	-	5,332,581
Total equities	**24,760,733**	**-**	**-**	**24,760,733**
Fixed income				
Corporate bonds	418,193	-	-	418,193
Total fixed income	**418,193**	**-**	**-**	**418,193**
Total investments at fair value	**25,178,926**	**-**	**-**	**25,178,926**

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

There were no Level 3 securities held by the Fund as at December 31, 2013 and December 31, 2012. There were no transfers between Level 1 and Level 2 for the years ended December 31, 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 December 31, 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 table in Note 8 summarizes the 2013 quantitative impact of the changeover from Canadian GAAP to IFRS.

3. UNITHOLDERS' EQUITY

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

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

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

	Units outstanding		
	Series R	**Series A**	**Series F**
Total outstanding as at December 31, 2011	**1,390,604**	**120,977**	**13,283**
Subscriptions	11,495	756,969	44,318
Reinvestment of distributions	53,285	22,014	1,737
Redemptions	(369,741)	(180,841)	(12,084)
Transfers between Series	(20,826)	19,968	893
Total outstanding as at December 31, 2012	**1,064,817**	**739,087**	**48,147**
Subscriptions	9,395	442,286	88,599
Reinvestment of distributions	36,603	31,750	4,456
Redemptions	(380,480)	(153,434)	(8,994)
Transfers between Series	(16,543)	7,584	8,944
Total outstanding as at December 31, 2013	**713,792**	**1,067,273**	**141,152**

Distributions
Monthly distributions to unitholders are declared and paid to unitholders of record on the Valuation Date prior to the month-end, and automatically reinvested into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were $0.84 per unit ($0.07 per unit per month) for the year ended December 31, 2013 (2012 - $0.84 per unit).

4. EXPENSES

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

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

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

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

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

Operating expenses
The Fund is responsible for all expenses relating to the operation and the carrying on of its business, including legal fees and audit fees, interest, taxes and administrative costs relating to the redemption of securities as well as the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest, and is then reimbursed by the Fund.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for the year ended December 31, 2013 was $20,550 (2012 - $63,000). The Manager may cease doing so at any time without notice to unitholders.

Other expenses
The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were $27,534 for the year ended December 31, 2013 (2012 - $38,303) and are included in the unitholder reporting costs on the Statement of Operations.

5. FINANCIAL RISK MANAGEMENT

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

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

As at December 31, 2013, 96.7% (December 31, 2012 – 92.0%) of the Fund's net assets were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at year end, with all other factors remaining constant, net assets would have increased or decreased by approximately $1,238,037 (December 31, 2012 - $1,060,454).

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

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

The table below summarizes the Fund's exposure to currency risk. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any).

As at December 31,	2013		2012	
Currency	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	$6,425,763	25.1%	$5,170,450	22.3%

*Amounts are in Canadian dollars

As at December 31, 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 $321,288 (December 31, 2012 - $258,523) or 1.3% (December 31, 2012 – 1.1%) of total net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. If interest rates were to change by 1.0%, the increase (decrease) in interest earned by the Fund would change by $4,182 (2012 - $7,549).

As at December 31, 2013 and 2012 the Fund had no interest bearing liabilities.

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

Debt Instruments: December 31, 2013	Fair Value ($)	% of Net Assets
3 to 5 years	418,193	1.6
Total	**418,193**	**1.6**

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

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

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

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

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

The Fund has holdings of fixed income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at December 31, 2013.

At December 31, 2013 and 2012, the Fund was invested in debt securities which were not rated.

6. SOFT DOLLAR COMMISSIONS

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

The value of such research services included in commissions paid to brokers for the years ended December 31, 2013 and 2012 amounted to $NIL.

7. INCOME TAXES

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

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

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

As at the Fund's 2013 taxation year, the Fund had no losses available for income tax purposes.

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

8. NET ASSET VALUE AND NET ASSETS

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

Per Unit:	NAV	Net asset
As at December 31, 2013		
Series R	$13.42	$13.40
Series A	$13.25	$13.23
Series F	$13.70	$13.68

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

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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