



Energy Leaders Income Fund

Annual Financial Statements

December 31, 2014

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 1-866-998-8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.



Energy Leaders Income Fund

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 International Financial Reporting Standards 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 3 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 "Daniel Lazzar"

Daniel Lazzar
Chief Financial Officer

Oakville, Canada
March 19, 2015



March 19, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units, and cash flows 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 these financial statements in accordance with International Financial Reporting Standards, 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 audits 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

Energy Leaders Income Fund

STATEMENTS OF FINANCIAL POSITION			
As at	December 31, 2014	December 31, 2013	January 1, 2013
Assets			
Current assets			
Investments	\$ 16,720,427	\$ 22,796,255	\$ 25,928,722
Cash	263,699	259,697	276,559
Dividends receivable	53,095	40,459	27,216
	17,037,221	23,096,411	26,232,497
Liabilities			
Current liabilities			
Distributions payable	128,352	133,559	159,943
Payable for option contracts written	-	-	77,830
Unrealized depreciation on foreign currency forward contracts (Note 6)	10,326	-	-
	138,678	133,559	237,773
Net assets attributable to holders of redeemable units	\$ 16,898,543	\$ 22,962,852	\$ 25,994,724
Number of redeemable units outstanding (Note 4)	1,833,599	1,907,992	2,284,900
Number of warrants outstanding (Note 4)	-	-	2,300,000
Net assets attributable to holders of redeemable units per unit	\$ 9.22	\$ 12.04	\$ 11.38

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

Energy Leaders Income Fund

STATEMENTS OF COMPREHENSIVE INCOME			
For the year ended December 31,	2014		2013
Income			
Net gain (loss) on investments			
Dividends	\$	1,022,694	\$ 963,319
Net realized gain (loss) on sale of investments		(61,505)	1,610,025
Net change in unrealized appreciation (depreciation) of investments		(4,539,318)	1,407,581
Net gain (loss) on investments		(3,578,129)	3,980,925
Net gain (loss) on derivatives			
Net realized gain (loss) on options written		(7,107)	142,813
Net realized gain (loss) on foreign exchange		(75,660)	66,346
Net change in unrealized appreciation (depreciation) of foreign exchange		(7,586)	(710)
Net gain (loss) on derivatives		(90,353)	208,449
Total income (net)		(3,668,482)	4,189,374
Expenses (Note 5)			
Management fees		306,406	294,667
Service fees		120,352	117,194
Withholding taxes		107,079	82,504
Unitholder reporting costs		147,945	187,700
Audit fees		39,573	19,078
Transfer agency fees		10,375	8,754
Custodian fees and bank charges		42,655	44,512
Independent review committee fees		7,544	7,299
Filing fees		36,953	18,830
Legal fees		20,711	16,415
Transaction costs		57,485	55,128
Total expenses		897,078	852,081
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(4,565,560)	\$ 3,337,293
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 4)	\$	(2.00)	\$ 1.46

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

Energy Leaders Income Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
For the year ended December 31,	2014		2013
Net assets attributable to holders of redeemable units beginning of year	\$	22,962,852	\$ 25,994,724
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(4,565,560)	\$ 3,337,293
Redeemable unit transactions			
Proceeds from issue of redeemable units on warrants exercised		11,571,971	-
Cancellation of redeemable units		(10,984,239)	(4,508,958)
Agents' fees		(74,459)	-
Cost of issue		(125,382)	-
Net unitholders' transactions	\$	387,891	\$ (4,508,958)
Distributions to holders of redeemable units			
Capital gains		-	(519,464)
Return of capital		(1,886,640)	(1,340,743)
Total distributions to unitholders		(1,886,640)	(1,860,207)
Net assets attributable to holders of redeemable units end of year	\$	16,898,543	\$ 22,962,852

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

Energy Leaders Income Fund

STATEMENTS OF CASH FLOWS

For the year ended December 31,	2014	2013
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (4,565,560)	\$ 3,337,293
Add (deduct) items not affecting cash		
Realized (gain) loss on sale of investments	61,505	(1,610,025)
Realized (gain) loss on options written	7,107	(142,813)
Change in unrealized (appreciation) depreciation of investments	4,539,318	(1,407,581)
Change in unrealized (appreciation) depreciation of foreign exchange	7,586	710
Proceeds from sale of investments	19,376,446	13,079,217
Purchases of investments	(17,916,134)	(6,864,872)
Net change in non-cash assets and liabilities	(2,310)	(13,242)
Net cash flow provided by (used in) operating activities	\$ 1,507,958	\$ 6,378,687
Financing activities		
Proceeds from redeemable units issued	\$ 11,571,971	\$ -
Redemption and cancellation of redeemable units	(10,984,239)	(4,508,958)
Agents' fees	(74,459)	-
Issuance costs	(125,382)	-
Distributions paid to holders of redeemable units	(1,891,847)	(1,886,591)
Net cash flow provided by (used in) financing activities	\$ (1,503,956)	\$ (6,395,549)
Net increase (decrease) in cash during the year	4,002	(16,862)
Cash, beginning of the year	259,697	276,559
Cash, end of the year	\$ 263,699	\$ 259,697
Supplemental disclosure of cash flow information		
Dividends received, net of withholding taxes*	\$ 902,979	\$ 867,572

*included in operating activities

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

Energy Leaders Income Fund

SCHEDULE OF INVESTMENTS

As at December 31, 2014

Number of Shares	Security	Average Cost (\$)	Carrying Value (\$)	% of Net Assets
EQUITIES				
Energy Issuers				
25,400	BP PLC-SPONS ADR	1,265,085	1,121,473	6.6
47,100	Cenovus Energy Inc.	1,520,165	1,128,987	6.7
9,000	Chevron Corporation	1,068,496	1,169,393	6.9
14,600	ConocoPhillips	925,000	1,167,836	6.9
69,200	Encana Corporation	1,489,036	1,118,964	6.6
30,700	Ensco PLC, Class A	1,612,244	1,064,970	6.3
10,900	Exxon Mobil Corporation	1,048,334	1,167,174	6.9
33,500	Marathon Oil Corporation	1,067,878	1,097,691	6.5
112,700	Petroleo Brasileiro SA ADR	1,829,764	952,904	5.6
14,900	Royal Dutch Shell PLC Class A ADR	1,234,934	1,155,418	6.8
28,200	Spectra Energy Corp	1,000,182	1,185,654	7.0
54,500	Statoil ASA- SPON ADR	1,440,772	1,111,625	6.6
20,100	The Williams Companies, Inc.	766,903	1,046,240	6.2
18,400	Total SA ADR	1,096,165	1,091,164	6.5
19,900	Valero Energy Corporation	1,113,300	1,140,934	6.8
Total equities		18,478,258	16,720,427	98.9
Total investments		18,478,258	16,720,427	98.9
Foreign currency forward contracts (Note 6)			(10,326)	(0.1)
Other assets less liabilities			188,442	1.2
Net assets attributable to holders of redeemable units			16,898,543	100.0

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

Energy Leaders Income Fund

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

1. GENERAL INFORMATION

Energy Leaders Income Fund (the “Fund”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated April 27, 2012, being the inception date. There was no significant activity in the Fund from the date of inception to commencement of operations on May 18, 2012. On May 18, 2012, the Fund completed an initial public offering of 2,300,000 units and 2,300,000 warrants at \$12.00 per unit for gross proceeds of \$27,600,000. The address of the Fund’s registered office is 710 Dorval Drive, Oakville, Ontario.

The Fund’s investment objectives are to provide unitholders with monthly cash distributions, the opportunity for capital appreciation and lower overall volatility of portfolio returns than would otherwise be experienced by owning Equity Securities of the Energy Issuers directly. As part of the investment strategy, the Fund will invest in equity securities of 15 energy issuers from the Energy Issuers Investable Universe that have a market capitalization of at least \$10 billion determined at the time of investment, are currently paying a dividend/distribution, are eligible to have options written on their equity securities and have operations and/or offices in at least two countries.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Part V of the CPA Canada Handbook (“Canadian GAAP”). The comparative information has been restated from Canadian GAAP to comply with IFRS. The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The impact of the transition to IFRS on the Fund’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund’s financial statements for the year ended December 31, 2013 prepared under Canadian GAAP is disclosed below. These financial statements were authorized for issue by Harvest Portfolios Group Inc. (the “Manager”) on March 19, 2015.

The effect of the Fund’s transition to IFRS is summarized as follows:

Classification of redeemable units

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability unless certain criteria are met. In addition to the annual redemption at 100% of NAV, the Fund’s units are redeemable at 95% of their market price monthly. As a result, the Fund’s units contain multiple contractual obligations and are presented as financial liabilities on transition to IFRS as they do not meet the criteria for classification as equity.

Revaluation of investments at fair value through profit and loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investment using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also 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.

Energy Leaders Income Fund

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS.

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$22,958,925	\$25,974,004
Revaluation of investments at FVTPL	\$3,927	\$20,720
Net assets attributable to holders of redeemable units	\$22,962,852	\$25,994,725

Comprehensive income	December 31, 2013
Comprehensive income as reported under Canadian GAAP	\$3,354,086
Revaluation of investments at FVTPL	(\$16,793)
Increase (decrease) in net assets attributable to holders of redeemable units	\$3,337,293

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss (FVTPL). Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including investments which have been designated at FVTPL. Derivative assets and liabilities are classified as held-for-trading (HFT). The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Carrying values of other financial assets and liabilities at amortized cost approximate their fair values due to the short term to maturity. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (NAV) for transactions with unitholders. As at December 31, 2014, December 31, 2013 and January 1, 2013, there were no differences between the Fund's net asset value per security and its net assets per security calculated in accordance with IFRS.

Fair value of investments

Investments that are traded in an active market are valued at their closing prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. The Fund uses the last traded market price that falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held include equities.

Investments held that are not traded in 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. 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.

Cash

Cash is comprised of cash on deposit.

Investment transactions and income recognition

Net realized gain (loss) on investments and net change in unrealized appreciation (depreciation) on investments are determined on an average cost basis. Dividend income is accounted for on the ex-dividend date.

Energy Leaders Income Fund

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars which is also the Fund's functional and presentation currency. 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 Comprehensive Income in "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) of investments", respectively. Realized and unrealized foreign currency gains or losses on derivatives, other than investments denominated in foreign currencies, are included in the Statements of Comprehensive Income in "Net realized gain (loss) on foreign exchange" and "Net change in unrealized appreciation (depreciation) of foreign exchange", respectively. Foreign currency assets and liabilities in the Statements of Financial Position are translated into Canadian dollars on the statement date.

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The fair value of these contracts is based on the difference between the contract rate and current market rate for the underlying currency at the measurement date. Upon closing of a contract, the gain or loss is recorded as a realized gain or loss on foreign exchange.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Redeemable units valuation

The net asset value (NAV) on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per unit will be calculated on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time. "Business Day" means any day on which the TSX is open for trading.

Options

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

The premium paid for purchase options is included in the "Investments" on the Statements of Financial Position. The unrealized gain or loss is reflected in the Statements of Comprehensive Income in "Net change in unrealized appreciation (depreciation) of options written".

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

The gain or loss on sale or expiry of options is reflected in the Statements of Comprehensive Income in "Net realized gain (loss) on sale of options written".

Increase (decrease) in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units, divided by the weighted average units outstanding for the financial period.

Energy Leaders Income Fund

Income and other taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). For tax purposes, the Fund has a December 31 year end. All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be carried forward for 20 years and applied against future taxable income. The Fund had \$271,165 of non-capital losses and \$84,570 of net capital losses available to be carried forward for income tax purposes.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense.

As the Manager is a resident of Ontario, the expenses paid by the Fund generally 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 the Canada Revenue Agency on behalf of the Fund, in arrears, using each province's HST rate or GST rate in the case of non-participating provinces.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

- a) Fair value measurement of derivatives and securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Refer to Note 7 for further information about the fair value measurement of the Fund's financial instruments.

- b) Classification and measurement of investment and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for trading and that the fair value option can be applied to those which are not.

Accounting standards issued but not yet adopted

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

Energy Leaders Income Fund

4. REDEEMABLE UNITS

The authorized capital of the Fund consists of an unlimited number of transferable units of one class representing 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 units trade on the TSX under the symbol HEN.UN. As at December 31, 2014 the closing price of the units was \$8.79 per unit (2013 - \$11.46 per unit).

The Fund renewed a normal course issuer bid program for the period from June 24, 2014 to June 23, 2015, which allows the Fund to purchase up to 212,436 trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange. During the year ended December 31, 2014, 35,800 (2013 - 19,600) units were purchased for cancellation for \$423,797 (2013 - \$224,585).

Warrants

On January 14, 2014 the Fund filed a short form prospectus that qualifies the Fund for distribution of warrants. Warrants were issued to unitholders of record on January 23, 2014. A total of 1,907,992 warrants were issued to subscribe for 953,996 units of the fund at a subscription price of \$12.13 per unit. Two whole warrants entitle the holder to purchase one unit on or before 5:00 p.m. (Toronto time) up to July 15, 2014. Warrants not exercised will be void and of no value. Upon the exercise of a warrant, the Fund will pay a fee equal to \$0.12 per unit to the registered dealer whose client is exercising the warrant. For the year ended December 31, 2014, 1,907,992 warrants were exercised for 953,996 units for gross proceeds of \$11,571,971.

Redemptions

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

- (a) 95% of the “market price” of the trust units on the principal market on which the trust units are quoted for trading during the 20 trading day period ending immediately before the monthly redemption date; and
- (b) 100% of the “closing market price” on the principal market on which the trust units are quoted for trading on the monthly redemption date.

Notwithstanding the monthly redemption price formula above, at no time will the Fund pay out redemption proceeds greater than the NAV per Unit as determined on the monthly redemption date for each Unit being redeemed. During the year ended December 31, 2014 16,986 units were redeemed and cancelled for \$164,514.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in November 2013, units may be surrendered for redemption at the Fund’s NAV per unit, subject to the required redemption notice period, by the second last business day of November and the unitholder will receive payment on or before the 15th business day of the following month. On November 27, 2014 975,603 (November 29, 2013- 357,308) units were redeemed and cancelled for \$10,395,928 (November 29, 2013 -\$4,284,373).

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

	Units outstanding	Warrants outstanding
Total outstanding as at January 1, 2013	2,284,900	2,300,000
Warrants expired	-	(2,300,000)
Cancellation of redeemable units	(357,308)	
Redeemable units redeemed	(19,600)	
Total outstanding as at December 31, 2013	1,907,992	-
Warrants Issued	-	1,907,992
Redeemable units redeemed	(992,589)	-
Redeemable units issued on warrants exercised	953,996	(1,907,992)
Cancellation of redeemable units	(35,800)	-
Total outstanding as at December 31, 2014	1,833,599	-

Energy Leaders Income Fund

The weighted average number of units outstanding during the year ended December 31, 2014 was 2,279,241 units (2013 – 2,279,087 units).

Issue costs

Certain offering expenses such as costs of creating the Fund, issuance of warrants, the cost of printing and preparing the prospectus, legal expenses of the Fund, certain remuneration to directors and/or officers of the Manager and other out-of-pocket expenses incurred by the agents together with the agent's fees payable by the Fund are included in the carrying amount of the Fund's obligation for net assets attributable to holders of redeemable units. At the initial public offering, directors and/or officers of the Manager were remunerated \$26,891.

Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last business day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in November 2012, the Fund will annually determine and announce the indicative distribution amount for the following year based upon the prevailing market conditions. The distribution amount was \$1,886,640 or \$0.07 per unit per month for the year ended December 31, 2014 (2013 - \$1,860,207 or \$0.07 per unit per month).

5. RELATED PARTY TRANSACTIONS AND OTHER 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 and provides key management personnel to the Fund. The Manager has retained Highstreet Asset Management Inc. ("Highstreet" or the "Investment manager") to provide investment management services to the Fund and pays Highstreet a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets.

The Manager is entitled to a fee of 1.00% of the average weekly NAV, plus applicable taxes, per annum of the Fund. The Fund pays service fees to registered dealers at the rate on 0.40% of the average weekly NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers.

Operating expenses

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

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$135,812 for the year ended December 31, 2014 (2013 - \$179,674) and are included in the unitholder reporting costs on the Statements of Comprehensive Income.

6. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. Foreign currency forward contracts entered into by the Fund represent a firm commitment to buy or sell a currency at a specified value and point in time based upon an agreed or contracted quantity. The value of the foreign currency forward contract is the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of foreign exchange in the Statements of Comprehensive Income until it is closed out or partially settled.

Energy Leaders Income Fund

At December 31, 2014 the Fund had entered into the following foreign currency forward contracts:

As at December 31, 2014				
Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	January 14, 2015	CDN \$13,312,975	USD \$11,500,000	(\$10,326)

There were no forward currency contracts as at December 31, 2013 and January 1, 2013.

7. 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 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, 2014, 98.9% (December 31, 2013 - 99.3%; January 1, 2013 - 99.7%) of the Fund's net assets attributable to holders of redeemable units were traded on public stock exchange. If equity prices on these exchanges had increased or decreased by 5%, as at year end, with all other factors remaining constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$836,021 (December 31, 2013 - \$1,139,813; January 1, 2013 - \$1,296,436).

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 functional currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When the Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

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

As at December 31, 2014				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	\$14,643,545	\$13,323,301	\$1,320,244	7.8

	As at December 31, 2013		As at January 1, 2013	
Currency	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	\$17,144,035	74.7	\$19,571,940	75.3

*In Canadian dollars

The non-monetary currency exposure is \$14,472,476 (December 31, 2013 - \$17,007,595; January 1, 2013 - \$19,375,345) and the monetary currency exposure is \$171,069 (December 31, 2013 - \$136,440; January 1, 2013 - \$196,595).

Energy Leaders Income Fund

As at December 31, 2014, 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 attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$66,012 (December 31, 2013 - \$857,202; January 1, 2013 - \$976,597) or 0.4% (December 31, 2013 - 3.7%; January 1, 2013 - 3.8%) based on the net currency exposure. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

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

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to redemption of units as described in Note 4. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows as holders of those units typically retain them for a longer period. 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, 2014, December 31, 2013 and January 1, 2013, 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 also enters into foreign currency forward contracts which are exposed to credit risk. The maximum credit risk exposure is the unrealized gain (loss) on the forward contracts.

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Fund did not have significant credit risk exposure.

Fair value of financial instruments

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

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

Energy Leaders Income Fund

Securities classification:

Investments at fair value as at December 31, 2014				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	11,287,843	-	-	11,287,843
ADR	5,432,584	-	-	5,432,584
Total equities	16,720,427	-	-	16,720,427
Foreign currency forward contract (Note 6)	-	(10,326)	-	(10,326)
Total investments at fair value	16,720,427	(10,326)	-	16,710,101

Investments at fair value as at December 31, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Shares	16,730,293	-	-	16,730,293
ADR	6,065,962	-	-	6,065,962
Total equities	22,796,255	-	-	22,796,255
Total investments at fair value	22,796,255	-	-	22,796,255

Investments at fair value as at January 1, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Shares	19,205,418	-	-	19,205,418
ADR	6,723,304	-	-	6,723,304
Total equities	25,928,722	-	-	25,928,722
Total written options contracts	(77,830)	-	-	(77,830)
Total investments at fair value	25,850,892	-	-	25,850,892

There were no Level 3 securities held by the Fund as at December 31, 2014, December 31, 2013 and January 1, 2013, and there were no significant transfers between Level 1 and Level 2 for the year ended December 31, 2014 or for the year ended December 31, 2013.

The value of the equities and written options is based on quoted prices. The value of the foreign currency forward contract is determined as the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk by geography and segment.

Energy Leaders Income Fund

Geography:

As at	December 31, 2014		December 31, 2013		January 1, 2013	
Country of Issue	\$*	% of net assets	\$*	% of net assets	\$*	% of net assets
Canada	2,247,951	13.3	5,829,134	25.4	6,568,170	25.3
United States of America	14,472,476	85.6	16,967,121	73.9	19,360,552	74.4
Totals	16,720,427	98.9	22,796,255	99.3	25,928,722	99.7

*Stated in Canadian dollars

Market Segment (percentage of net assets attributable to holders of redeemable units):

	December 31, 2014	December 31, 2013	January 1, 2013
	% of net assets	% of net assets	% of net assets
EQUITIES			
Energy Issuers	98.9	99.3	99.7
OPTIONS			
Energy Issuers	-	-	(0.3)
Total	98.9	99.3	99.4

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 years ended December 31, 2014 and 2013 amounted to \$NIL.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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