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**Healthcare Leaders Income Fund**

**Interim Management Report of Fund Performance**

**June 30, 2015**

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](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

# Healthcare Leaders Income Fund

## CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager focused on unique income generating investment products. Harvest was founded in 2009 by long term members of the investment management industry and is focused on developing investment products that follow the investment philosophy of:

1. Clear investment objectives
2. Transparency
3. Income generation

Harvest’s mandate is to develop investment products that are clear in their mandate and easy for our investors to understand. We strive to be transparent, so that our investors can open their financial reports and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

## INVESTMENT PRODUCT

The Healthcare Leaders Income Fund (the “Fund”) invests in an equally-weighted portfolio of 20 Equity Securities that is included in the health care sector of the Global Industry Classification Standards or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s, any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

# Healthcare Leaders Income Fund

## INTERIM MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The interim management report of fund performance contains financial highlights but does not contain the complete condensed interim financial statements of the Fund. For your reference, the condensed interim financial statements of the Fund are attached to the interim management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1-866-998-8298; by writing to us at Harvest Portfolios Group Inc., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; or by visiting our website at [www.harvestportfolios.com](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## INVESTMENT OBJECTIVES AND STRATEGY

The Fund has been created to provide investors with a unique exposure to a portfolio of Equity Securities that is included in the health care sector of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor's (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

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

- (i) the opportunity for capital appreciation; and
- (ii) monthly cash distributions.

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

To achieve its investment objectives, the Fund will invest in an equally-weighted portfolio of Equity Securities of 20 Healthcare Issuers from the Healthcare Leaders Investable Universe that have a market capitalization of at least US\$5 billion at the time of investment and meet the investment characteristics described below. In order to seek to generate additional returns, Highstreet will sell call options on no more than 33% of the Equity Securities of each Healthcare Issuer held in the Fund.

Highstreet will semi-annually reconstitute and rebalance the Portfolio such that, at the time of the initial investment and immediately following each semi-annual reconstitution and rebalancing, will have the following investment characteristics:

- Value** – An average Price-to-Earnings ratio lower than the average for the Healthcare Leaders Investable Universe; and
- Quality** – An average 5-year Return on Equity greater than the average for the Healthcare Leaders Investable Universe.

## RISK

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

## RESULTS OF OPERATIONS

The Healthcare Leaders Income Fund commenced operations following the closing of its initial public offering on December 18, 2014 of 9,500,000 units at \$10.00 per unit for gross proceeds of \$95,000,000. Performance information is not available for periods less than one year. The opening NAV on December 18, 2014 was \$9.39 and the Fund has accounted for \$0.35 in distributions since the inception of the Fund as at the end of June, 2015.

## Healthcare Leaders Income Fund

The Fund listed for trading on the Toronto Stock Exchange under the ticker symbol of HHL.UN following the closing of its IPO. The Fund subsequently invested the net proceeds of the offering into 20 Healthcare Leaders in accordance with its investment objectives. Despite broader market volatility that increased in the second quarter, healthcare companies in general performed strongly during the first six months of 2015. In the U.S., healthcare stocks were led by biotechnology stocks and managed care related equities also benefitted from continued speculation surrounding industry consolidation. European focused healthcare stocks were not immune to the uncertainty surrounding Greece however and lagged their U.S. peers.

The Fund was invested in 20 Healthcare Leaders during the period and sold call options on the underlying holdings during the period in order to meet its investment and income objectives.

### RECENT DEVELOPMENTS

On January 13, 2015, an overallotment option was exercised for an additional 259,149 units at a price of \$10.00 per unit for gross proceeds of \$2,591,490.

On March 13, 2015, the Fund completed a secondary offering of 3,000,000 units at \$10.10 per unit for gross proceeds of \$30,300,000. Related to this offering an overallotment option was exercised for an additional 450,000 units at a price of \$10.10 per unit for gross proceeds of \$4,545,000. On May 7, 2015, the Fund completed a secondary offering of 2,360,000 units at \$10.20 per unit for gross proceeds of \$24,072,000. Related to this offering an overallotment option was exercised for an additional 145,000 units at a price of \$10.20 per unit for gross proceeds of \$1,479,000.

The Fund entered into a normal course issuer bid program for the period from January 20, 2015 to January 19, 2016, which allows the Fund to purchase up to 975,914 units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange and other Canadian markets. During the period ended June 30, 2015, 54,600 units were purchased for cancellation for \$528,334.

### RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees and other expense reimbursements paid to Harvest, as noted below in Management and Other Fees.

### MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee calculated based on the average weekly net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 0.85%, plus applicable taxes, of the NAV of the Fund. The Manager pays Highstreet, a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund’s NAV.

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

#### Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund’s Independent Review Committee (“IRC”), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. 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 were \$128,641 for the period ended June 30, 2015 and are included in the unitholder reporting costs on the Statements of Comprehensive Income in the condensed interim financial statements.

## Healthcare Leaders Income Fund

During the Fund's initial and subsequent offerings, certain offering expenses such as costs of creating the Fund, issuance of additional units, the cost of printing and preparing the prospectus, legal expenses of the Fund and other out-of-pocket expenses incurred by the agents together with the agent's fees payable by the Fund are included in the carrying amount of the Fund's obligation for net assets attributable to holders of redeemable units.

### RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended June 30, 2015.

### FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2015 and past periods. This information is derived from the Fund's condensed interim financial statements and past audited financial statements.

<b>THE FUND'S NET ASSETS PER UNIT</b>				
	<b>2015</b>		<b>2014</b>	
<b>Net assets - beginning of the period<sup>2</sup></b>	<b>\$</b>	<b>9.23</b>	<b>\$</b>	<b>9.39</b>
<b>Increase (decrease) from operations</b>				
Total revenue		0.11		0.01
Total expenses		(0.07)		(0.01)
Realized gains (losses) for the period		(0.23)		-
Unrealized gains (losses) for the period		0.71		(0.16)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$</b>	<b>0.52</b>	<b>\$</b>	<b>(0.16)</b>
<b>Distributions<sup>3</sup></b>				
From income		(0.35)		-
<b>Total annual distributions<sup>3</sup></b>	<b>\$</b>	<b>(0.35)</b>	<b>\$</b>	<b>-</b>
<b>Net assets - end of the period<sup>1</sup></b>	<b>\$</b>	<b>9.52</b>	<b>\$</b>	<b>9.23</b>

<b>RATIOS AND SUPPLEMENTAL DATA</b>				
	<b>2015</b>		<b>2014</b>	
<b>Total net asset value</b>	<b>\$</b>	<b>149,206,278</b>	<b>\$</b>	<b>87,712,909</b>
Number of units outstanding		15,665,019		9,500,000
Management expense ratio <sup>4</sup>		3.90%		9.25%
Management expense ratio before waivers or absorptions <sup>4</sup>		3.90%		9.25%
Trading expense ratio <sup>5</sup>		0.13%		0.82%
Portfolio turnover rate <sup>6</sup>		34.45%		0.00%
<b>Net asset value per unit</b>	<b>\$</b>	<b>9.52</b>	<b>\$</b>	<b>9.23</b>
<b>Closing market price (HHL.UN)</b>	<b>\$</b>	<b>9.51</b>	<b>\$</b>	<b>10.27</b>

#### Explanatory Notes:

1. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.
2. Net assets, at the commencement of operations on December 18, 2014 was \$9.39, net of agents' commissions and issuance costs of \$0.61 per unit.
3. Distributions were paid in cash.
4. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period June 30, 2015 includes agents' fee of \$2,551,893 and issue costs of \$644,462. The MER for 2014 (the year of inception) included agents' fee of \$4,987,500 and issue cost of \$815,000. In both cases these costs are treated as one-time expenses and therefore were not annualized. The MER without these costs is 1.32% for 2015 and 2.72% for 2014.

## Healthcare Leaders Income Fund

5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
6. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

### YEAR-BY-YEAR RETURNS

National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

### SUMMARY OF INVESTMENT PORTFOLIO

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

As at June 30, 2015

Top Holdings	% of Net Asset Value
Gilead Sciences, Inc.	5.5
Baxter International Inc.	5.3
Becton, Dickinson and Company	5.2
Anthem, Inc.	5.2
Eli Lilly and Company	5.2
Quest Diagnostics Incorporated	5.1
Bristol-Myers Squibb Company	5.1
AbbVie Inc.	5.1
Sanofi ADR	5.1
Pfizer Inc.	5.1
Medtronic Public Limited Company	5.1
St. Jude Medical, Inc.	5.0
Smith & Nephew PLC ADR	5.0
Johnson & Johnson	5.0
Merck & Co., Inc.	5.0
Amgen Inc.	4.9
Teva Pharmaceutical Industries Ltd. ADR	4.9
Novartis AG ADR	4.9
GlaxoSmithKline PLC ADR	4.8
Agilent Technologies, Inc.	4.8
Cash and other assets and liabilities	0.1
Foreign currency forward contracts	(1.4)
<b>Total</b>	<b>100.0</b>

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from Harvest Portfolios Group Inc. at [www.harvestportfolios.com](http://www.harvestportfolios.com).

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## SECTOR ALLOCATION

Sector	% of Net Asset Value
Healthcare Issuers	101.3
Cash and other assets and liabilities	0.1
Foreign currency forward contracts	(1.4)
<b>Total</b>	<b>100.0</b>

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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.