



**Global Telecom & Utilities Income Fund  
(formerly Global Advantaged Telecom & Utilities Income Fund)**

**Interim Management Report of Fund Performance**

**June 30, 2016**

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).

# Global Telecom & Utilities Income Fund (formerly Global Advantaged Telecom & Utilities Income Fund)

## CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager focused on unique income generating investment products. Harvest was founded in 2009 and is focused on developing investment products that follow three investment criteria:

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

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

## INVESTMENT PRODUCT

The Global Telecom & Utilities Income Fund (formerly Global Advantaged Telecom & Utilities Income Fund) (the “Fund”) is to provide investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

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## 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's investment objectives are to provide unitholders with:

- (i) monthly distributions; and
- (ii) capital appreciation.

The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

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

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

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

## RISK

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

## RESULTS OF OPERATIONS

The Fund returned -7.63% for the period ending June 30, 2016 versus the custom benchmark index comprised of 50% weighting of the MSCI World Utilities Sector Total Return Index in Canadian currency and a 50% weighting of the MSCI World Telecom Service Sector Total Return Index in Canadian currency return of 4.37% over the same period. In general, selected European Telecom & Utilities issuers dragged the relative performance.

Early in the year, broader global equity markets sold off as investors weighed the economic implications of potential US interest rate hikes during 2016 coupled with the collapse in energy prices and moderating economic data. In the latter part of the period, global markets had a significant increase in short term volatility surrounding the surprising results from the British referendum to leave the European Union. This impacted the Fund's holdings in that market and in particular impacted selected UK and European holdings.

## **Global Telecom & Utilities Income Fund (formerly Global Advantaged Telecom & Utilities Income Fund)**

The Fund continued to focus primarily on the Global Telecommunications and Utilities sub-sectors and has also held select positions in several European and US large-cap positions that offer attractive valuations, dividends and exposure towards global growth that are outside of the core Utilities and Telecommunication sub-sectors.

### **RECENT DEVELOPMENTS**

On June 22, 2016, the Fund changed its name from Global Advantaged Telecom & Utilities Income Fund to Global Telecom & Utilities Income Fund. The amended name of the Fund more accurately reflects the mandate of the Fund following the elimination of favourable treatment of character conversion transactions in the Income Tax Act. No changes were made to the investment objective, strategies or management of the Fund.

### **RELATED PARTY TRANSACTIONS**

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

### **MANAGEMENT AND OTHER FEES**

The Fund pays its manager, Harvest, a management fee from the Fund of 1.25% per annum of the applicable average NAV calculated and payable monthly in arrears, plus applicable taxes.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. During the period there were no fees waived or absorbed. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

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

### **Operating expenses**

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

### **Other expenses**

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses were \$10,485 for the period ended June 30, 2016 (2015 - \$14,036) and are included in the unitholder reporting costs in the Statements of Comprehensive Income in the financial statements.

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

## **Global Telecom & Utilities Income Fund (formerly Global Advantaged Telecom & Utilities Income Fund)**

### **BORROWINGS**

The Fund established a revolving margin with its Prime Broker, a Canadian chartered bank. Interest charged at floating rates is included in “Interest expense” on the Statements of Comprehensive Income. The Fund has the facility in place to borrow up to 25 percent of its total assets or 33.3% of the Fund’s NAV. The overdraft function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings. The borrowing is a revolving margin that is due on demand with no fixed repayment terms. In the prior year the Fund was exposed to the revolving margin through the GTU Trust.

The amount drawn on the margin was \$2,842,373 (December 31, 2015 - \$2,817,137) or 30.2% (December 31, 2015 – 26.8%) of net assets attributable to holders of redeemable units at June 30, 2016. For the period ended June 30, 2016 the Fund recorded interest expense of \$27,609 (2015 - \$nil). The annualized interest rate for the period ranged from 1.67% to 1.8037%. The amount of borrowings ranged between \$2,817,137 and \$2,842,373 during the period (December 31, 2015 between \$2,222,048 and \$2,817,137) and represented 30.0% to 30.2% of the Fund’s net assets attributable to holders of redeemable units during the period ended June 30, 2016 (December 31, 2015 – 18.9% to 26.8%).

### **RECOMMENDATION OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE**

As noted in the “Recent Developments” section above, the Fund changed its name from Global Advantaged Telecom & Utilities Income Fund to Global Telecom & Utilities Income Fund. This matter was brought to the attention of the IRC on May 16, 2016 and the committee resolved that the change provides a fair and reasonable result for the Fund.

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## 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, 2016 and past annual periods. This information is derived from the Fund's condensed interim financial statements and past annual audited financial statements.

THE FUND'S NET ASSETS PER UNIT							
	2016	2015	2014	2013	2012	2011	
Net assets - beginning of period <sup>2</sup>	\$ 11.59	\$ 10.72	\$ 10.17	\$ 8.82	\$ 9.35	\$ 11.17	
Increase (decrease) from operations							
Total revenue	0.28	0.02	0.01	0.01	-	-	
Total expenses	(0.20)	(0.39)	(0.34)	(0.30)	(0.24)	(0.26)	
Realized gains (losses) for the period	(0.13)	6.24	1.71	(0.14)	(0.21)	(0.57)	
Unrealized gains (losses) for the period	(0.83)	(4.28)	(0.06)	2.39	0.51	(0.46)	
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ (0.88)</b>	<b>\$ 1.59</b>	<b>\$ 1.32</b>	<b>\$ 1.96</b>	<b>\$ 0.06</b>	<b>\$ (1.29)</b>	
<b>Distributions<sup>3</sup></b>							
From income	(0.36)	-	-	-	-	-	
Return of capital	-	(0.72)	(0.72)	(0.72)	(0.72)	(0.54)	
<b>Total distributions<sup>3</sup></b>	<b>\$ (0.36)</b>	<b>\$ (0.72)</b>	<b>\$ (0.72)</b>	<b>\$ (0.72)</b>	<b>\$ (0.72)</b>	<b>\$ (0.54)</b>	
Net assets - end of period <sup>1,7</sup>	\$ 10.35	\$ 11.59	\$ 10.72	\$ 10.17	\$ 8.80	\$ 9.35	

RATIOS AND SUPPLEMENTAL DATA							
	2016	2015	2014	2013	2012	2011	
Total net asset value	\$ 9,398,951	\$ 10,524,382	\$ 11,759,477	\$ 17,002,092	\$ 17,788,685	\$ 25,412,339	
Number of units outstanding	907,709	907,709	1,097,465	1,672,091	2,016,291	2,711,162	
Number of warrants outstanding	-	-	-	-	-	2,723,662	
Management expense ratio <sup>4</sup>	3.68%	5.46%	5.29%	5.20%	4.63%	11.40%	
Management expense ratio before waivers or absorptions <sup>4</sup>	3.68%	5.46%	5.29%	5.20%	4.63%	11.40%	
Trading expense ratio <sup>5</sup>	0.07%	0.00%	0.23%	0.16%	0.09%	0.50%	
Portfolio turnover rate <sup>6</sup>	7.42%	133.04%	11.32%	15.82%	37.60%	19.04%	
Net asset value per unit	\$ 10.35	\$ 11.59	\$ 10.72	\$ 10.17	\$ 8.82	\$ 9.37	
Closing market price (HGI.UN)	\$ 10.04	\$ 10.66	\$ 10.41	\$ 9.62	\$ 8.45	\$ 8.90	
Closing market price (HGI.WT)	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ 0.01	

### Explanatory Notes:

- 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.
- Net assets, at the commencement of operations March 23, 2011 was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit.
- Distributions were paid in cash.

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4. Management expense ratio (“MER”) is based on total expenses (excluding commissions and other portfolio transaction costs), of the Fund. In prior years the MER included expenses of the Fund and the GTU Trust. On December 16, 2015, the Forward Agreement between the Fund and the GTU Trust was settled and the GTU Trust was terminated. The 2015 MER includes the expenses of the GTU Trust up to December 16, 2015. The MER without the GTU Trust is 3.48%.
5. The trading expense ratio (“TER”) represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER without GTU Trust expenses is 0.00%.
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.
7. Amounts reported for 2016 to 2013 periods are reported in accordance with International Financial Reporting Standards. All other prior periods are reported under Canadian generally accepted accounting principles.

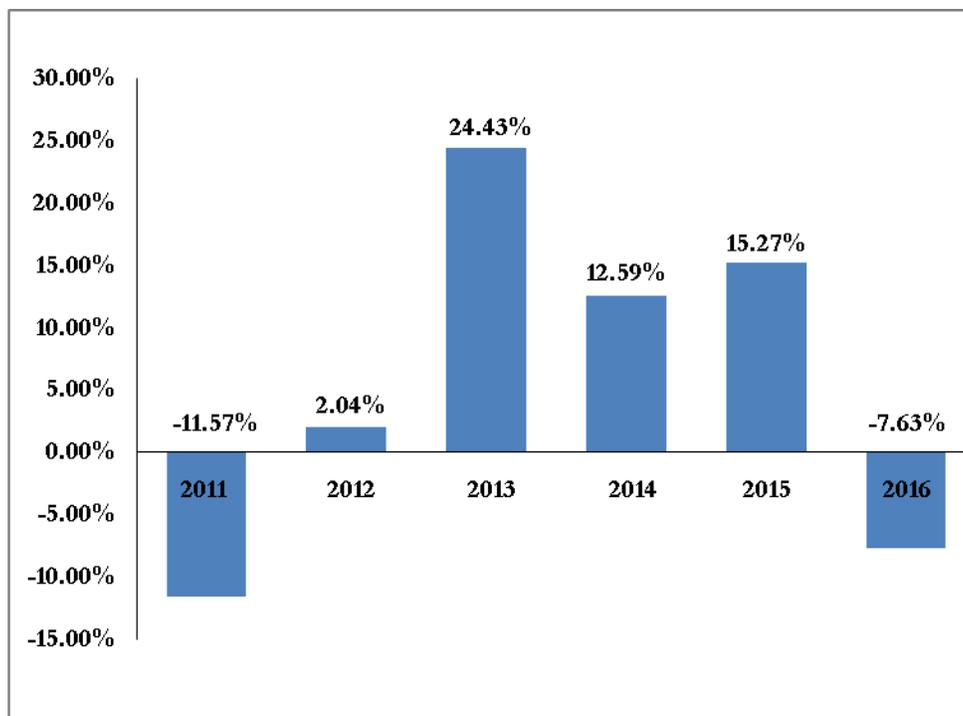
### Past Performance

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

### YEAR-BY-YEAR RETURNS

The following chart presents the Fund’s performance for each of the periods shown and illustrates how the Fund’s performance varied. The chart show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period except for the 2016 period which represents the interim period.

#### Fund performance



2011 represents the period from March 23 to December 31

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## SUMMARY OF INVESTMENT PORTFOLIO

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

As at June 30, 2016

Top 25 Holdings	% of Net Asset Value
Verizon Communications Inc.	6.3
AT&T Inc.	5.6
Ameren Corp.	5.5
United Utilities Group PLC	5.1
ProSiebenSat.1 Media AG Registered	4.7
National Grid PLC	4.6
PPL Corporation	4.5
Veolia Environnement SA	4.3
TELUS Corporation	4.2
Duke Energy Corporation	4.1
Spark New Zealand Limited	3.8
Terna SPA	3.8
Sky PLC	3.8
Comcast Corporation Cl. A	3.4
Gas Natural SDG SA Series E	3.4
Vivendi SA	3.2
Amazon.com, Inc.	3.0
SSE PLC	2.9
Deutsche Telekom AG	2.9
Iberdrola SA	2.8
Energias de Portugal SA	2.8
Element Financial Corporation	2.8
Inter Pipeline Ltd.	2.7
Anheuser-Busch InBev NV	2.7
Luxottica Group SPA	2.7
<b>Total</b>	<b>95.7</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).

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Utility Issuers	44.6
Telecommunication Services Issuers	29.7
Consumer Discretionary Issuers	24.6
Energy Issuers	8.1
Information Technology Issuers	5.9
Banking and Other Financial Issuers	5.3
Consumer Staples Issuers	2.7
Net other liabilities	(20.9)
<b>Total</b>	<b>100.0</b>

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## GEOGRAPHIC ALLOCATION

Country of Issue	% of Net Asset Value
Europe	44.3
United States of America	42.8
United Kingdom	18.8
Canada	9.7
New Zealand	3.8
Sweden	1.5
<b>Total</b>	<b>120.9</b>

# Global Advantaged Telecom & Utilities Income Fund

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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 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.