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Healthcare Leaders 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; or on SEDAR at 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.

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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; or on SEDAR at 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.

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, the Fund's manager and investment manager, Harvest Portfolios Group Inc. ("Harvest") will sell call options on no more than 33% of the Equity Securities of each Healthcare Issuer held in the Fund.

Harvest 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. The Fund returned 2.88% for the period ended of June 30, 2016 versus the MSCI World Health Care Index (net Total Return in USD) of -1.61%. The Fund has historically been underweight the biotechnology and this had a positive effect on the relative performance during the period as that sub-sector underperformed.

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. Markets quickly stabilized as expectations for a significant global economic disruption subsided and concurrently the prospects for multiple US rate increases for the balance of the year diminished. The Healthcare sectors

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were not immune to the market volatility, however there was a notable divergence within the Healthcare sub-sectors with the S&P 500 Health Care Equipment & Services sub-Index returning 7.1% versus the S&P 500 Biotechnology Industry sub-Index return of -14.9%. This divergence was driven in part by the rise in the political rhetoric surrounding drug pricing policies and procedures in the United States.

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. The Fund is mandated to hedge the foreign currency exposure back to the Canadian dollar

RECENT DEVELOPMENTS

The Fund renewed its normal course issuer bid program for the period from January 20, 2016 to January 19, 2017, which allows the Fund to purchase up to 1,526,051 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, 2016, 130,400 units (2015 – 54,600) were purchased for cancellation for \$1,047,018 (2015 - \$528,334).

In December 2015, the Manager gave notice to Highstreet Asset Management Inc. (“Highstreet”) terminating the investment management agreement effective March 31, 2016. On April 1, 2016 the Manager assumed the investment management responsibilities of the Fund.

Subsequent to June 30, 2016, the Manager has initiated a process where it intends to convert the Fund into an exchange-traded fund (ETF). The conversion into an ETF is expected to occur in October 2016 subject to unitholder approval and any necessary regulatory approvals.

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. Prior to termination, the Manager paid 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 \$137,303 for the period ended June 30, 2016 (2015 - \$128,641) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss) in the financial statements.

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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

As noted in the "Recent Developments" section above, effective April 1, 2016, the Manager assumed the investment management responsibilities of the Fund. This matter was brought to the attention of the IRC on December 11, 2015 and the committee resolved that the change provides a fair and reasonable result for the Fund.

Also as noted above, the Manager has initiated a process where it intends to convert the Fund into an exchange-traded fund (ETF). The conversion into an ETF is expected to occur in October 2016 subject to unitholder approval and any necessary regulatory approvals. This matter was brought to the attention of the IRC on July 27, 2016 and the committee resolved that the change provides a fair and reasonable result for the Fund.

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 audited financial statements.

THE FUND'S NET ASSETS PER UNIT			
	2016	2015	2014
Net assets - beginning of the period²	\$ 8.93	\$ 9.23	\$ 9.39
Increase (decrease) from operations			
Total revenue	0.10	0.19	0.01
Total expenses	(0.06)	(0.13)	(0.01)
Realized gains (losses) for the period	0.53	(1.00)	-
Unrealized gains (losses) for the period	(0.37)	1.13	(0.16)
Total increase (decrease) from operations¹	\$ 0.20	\$ 0.19	\$ (0.16)
Distributions³			
From income	(0.35)	-	-
Return of capital	-	(0.70)	-
Total distributions³	\$ (0.35)	\$ (0.70)	\$ -
Net assets - end of the period¹	\$ 8.81	\$ 8.93	\$ 9.23

RATIOS AND SUPPLEMENTAL DATA			
	2016	2015	2014
Total net asset value	\$ 114,987,567	\$ 137,229,196	\$ 87,712,909
Number of units outstanding	13,047,387	15,372,990	9,500,000
Management expense ratio ⁴	1.38%	3.76%	9.25%
Management expense ratio before waivers or absorptions ⁴	1.38%	3.76%	9.25%
Trading expense ratio ⁵	0.10%	0.11%	0.82%
Portfolio turnover rate ⁶	14.18%	52.25%	0.00%
Net asset value per unit	\$ 8.81	\$ 8.93	\$ 9.23
Closing market price (HHL.UN)	\$ 8.95	\$ 8.55	\$ 10.27

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 on December 18, 2014 was \$9.39, net of agents' commissions and issuance costs of \$0.61 per unit.

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- Distributions were paid in cash or reinvested in additional units of the Fund.
- 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 December 31, 2015 includes agents' fee of \$2,551,893 and issue costs of \$655,355. 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 1.33% for 2015 and 2.72% for 2014.
- 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.
- 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.

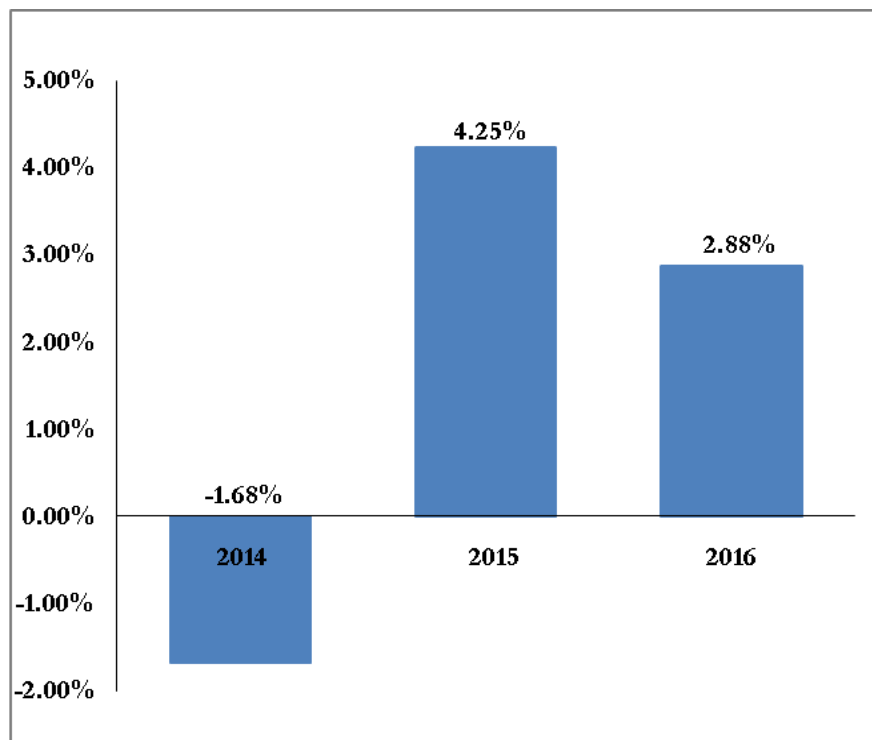
Past Performance

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 charts present the Fund's performance for each of the years shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year except for the 2016 period which represents the interim period.

Fund Performance



2014 represents the period from December 18 to December 31

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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, 2016

Top Holdings	% of Net Asset Value
GlaxoSmithKline PLC ADR	5.0
Novartis AG ADR	4.9
Quest Diagnostics Incorporated	4.9
Boston Scientific Corporation	4.9
Medtronic Public Limited Company	4.9
Eli Lilly and Company	4.9
Merck & Co., Inc.	4.9
Amgen Inc.	4.9
Gilead Sciences, Inc.	4.9
Bristol-Myers Squibb Company	4.9
Abbott Laboratories	4.9
Agilent Technologies, Inc.	4.9
Johnson & Johnson	4.9
Becton, Dickinson and Company	4.9
Pfizer Inc.	4.9
AbbVie Inc.	4.9
Anthem, Inc.	4.9
Teva Pharmaceutical Industries Ltd. ADR	4.9
Sanofi ADR	4.9
UnitedHealth Group Incorporated	4.9
Cash and other assets and liabilities	1.4
Foreign currency forward contracts	0.8
Options	(0.3)
Total	100.0

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.

SECTOR ALLOCATION

Sector	% of Net Asset Value
Healthcare Issuers	98.1
Cash and other assets and liabilities	1.4
Foreign currency forward contracts	0.8
Options	(0.3)
Total	100.0

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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.