A large, light gray, stylized letter 'H' is centered on the page, serving as a watermark. It has a decorative, calligraphic style with curved lines and a thick stroke.

Energy Leaders Income Fund

Annual Management Report of Fund Performance

December 31, 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 Inc., 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

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 financial reports and know exactly what they own. Our funds are 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 Energy Leaders Income Fund (“the Fund”) invests in a portfolio of Equity Securities of 15 Energy Issuers listed on a North American stock exchange (the “Energy Issuers Investable Universe”) that have the following characteristics:

- 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.

Energy Leaders Income Fund

PRESIDENT'S MESSAGE

Energy Leaders Income Fund

Unitholder letter March 2017

Dear Valued Unitholder,

2016 can be characterized as another year of volatility as investors faced political uncertainty and tough market decisions. As the year started, markets continued their steady decline over economic concerns after the first Fed rate hike in almost a decade, only to bottom out in February and rally back up through the spring and summer. As September approached, the political rhetoric and steady diet of 2am Tweets unnerved markets leading to declines as the US election drew closer. As the event passed and the world woke up to the new realities of a Trump Presidency, the markets turned and rallied into the end of the year.

Looking ahead, we believe the U.S. will be a strong performer in the world market due to an economy that has been bubbling along with just under a 2% inflation rate and just over a 2% growth rate for the last 5 years. Any "Trump" effect would more than likely trickle down into the economy later in 2017 and 2018. That said, we know that markets are forward indicators of economic performance and should therefore give consideration to US corporate tax cuts and the potential tax break on the \$1 trillion USD sitting offshore in corporate coffers which would no doubt result in a positive effect on corporate earnings. Mr. Trump has also proposed to reduce regulation, which would have a fairly immediate impact on the Financial and Healthcare Industries and their abilities to expand and develop products.

Predicting markets and outcomes can be a frustrating experience and lends more credence to the old term "time in the market not timing the market". Regardless of short term events and market movements, Harvest focuses on industries, sectors or themes with long-term growth dynamics while collecting dividends and selling call options to generate income for our investors. Given our long-term view, we adhere to guiding investment principals which follow our mantra "*Investing doesn't have to be complicated*".

Keep it Simple: A complex product does not mean it is a better product. We want our investors to understand exactly what they are investing in and are comfortable that it meets their objectives.

Transparent: A portfolio should reflect what an investor thought they were buying. Check your statement or our website and "*know what you own*".

Consistent income: All of our funds provide consistent monthly or quarterly income.

2017 and beyond will provide its own steady diet of surprises and challenges, which is why the adherence to an investment philosophy and process helps maintain a calm mindset and long term view of the markets.

Harvest remains committed to its philosophy and we appreciate the confidence you have placed with us as an investor in our funds.

Sincerely,

Signed "Michael Kovacs"

Michael Kovacs
President and Chief Executive Officer

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ANNUAL MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. For your reference, the annual financial statements of the Fund are attached to the annual 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's investment objectives are to provide unitholders with:

- (i) monthly cash distributions;
- (ii) the opportunity for capital appreciation; and
- (iii) lower overall volatility of portfolio returns than would otherwise be experienced by owning Equity Securities of the Energy Issuers directly.

To achieve its investment objectives, the Fund invests in Equity Securities of 15 energy issuers from the Energy Issuers Investable Universe that have the following characteristics:

- 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.

In order to seek to generate additional returns, the Fund's manager and investment manager, Harvest Portfolios Group Inc. ("Harvest") will sell call options each month on up to 33% of Equity Securities held in the Fund. Such call options may be either exchange-traded options or over-the-counter options.

Harvest will rebalance the Fund quarterly on an equally weighted basis within 15 business days following the last business day of March, June, September and December. Equity Securities of an Energy Issuer will be replaced for the Fund at the time of each quarterly rebalancing only if:

- i) an Energy Issuer no longer has a market capitalization of at least \$10 billion;
- ii) an Energy Issuer has publicly announced that it will cease the payment of its dividend/distribution;
- iii) the Investment Manager, in its discretion, is no longer able to write call options on the Equity security of an Energy Issuer on terms acceptable to the Investment Manager; or
- iv) an Energy Issuer ceases to have operations and/or offices in at least two countries.

In such circumstances, the Equity Security that is removed from the Fund will be replaced with another Equity Security from the Energy Issuers Investable Universe at the discretion of the Investment Manager. At the time of any rebalancing, it is the Investment Manager's intention to acquire a new Equity Security for the Fund only when an Equity Security needs to be replaced.

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 17.18% for the year ending December 31, 2016 versus the MSCI ACW Energy Index in Canadian dollars return of 23.99%.

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Energy prices stabilized through the middle of the period following extraordinarily volatile prices that have been under pressure since the latter part of 2014. Innovations in horizontal drilling and fracking techniques in recent years have resulted in improved productivity and allowed for resources that were previously uneconomic to be produced. This has increased the supply and inventory levels in North America. Geopolitical uncertainty remained high during the year with Saudi Arabia and OPEC maintaining relatively high production levels until late in the year when a cut in production was announced, which resulted in an abrupt move higher in the underlying commodity price. The Fund's holdings in the pipelines provided diversity and some volatility buffer during heightened commodity price volatility. The Fund partially hedged the US dollar exposure during the period.

The Fund sold call options on underlying holdings held in the Portfolio during the period in order to meet its investment and income objectives.

RECENT DEVELOPMENTS

The Fund renewed a normal course issuer bid program for the period from June 27, 2016 to June 26, 2017, which allows the Fund to purchase up to 78,522 trust 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 year ended December 31, 2016, no (2015 – 5,000) units were purchased for cancellation for (2015 - \$47,900).

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.

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, plus applicable taxes, calculated based on the average weekly net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 1.00%, plus applicable taxes, of the NAV of the Fund. The Manager paid Highstreet for the period up to March 31, 2016, 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. The Fund also pays service fees to registered dealers at the rate of 0.40% of the average weekly NAV of the Fund, 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 quarterly.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. During the year 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.

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 \$11,286 for the year ended December 31, 2016 (2015 - \$29,462) and are included in the unitholder reporting costs on the Statement of Comprehensive Income (Loss) in the financial statements.

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During the Fund's offerings, 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.

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.

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 year ended December 31, 2016 and past periods. This information is derived from the Fund's annual financial statements and past audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT										
	2016		2015		2014		2013		2012	
Net assets - beginning of the year ²	\$	7.23	\$	9.22	\$	12.04	\$	11.38	\$	11.17
Increase (decrease) from operations										
Total revenue		0.26		0.33		0.40		0.39		0.23
Total expenses		(0.25)		(0.22)		(0.33)		(0.34)		(0.24)
Realized gains (losses) for the year		(0.34)		(1.70)		(0.08)		0.80		0.13
Unrealized gains (losses) for the year		1.35		0.69		1.99		0.61		0.59
Total increase (decrease) from operations¹	\$	1.02	\$	(0.90)	\$	(2.00)	\$	1.46	\$	0.71
Distributions³										
From income		-		-		-		(0.23)		-
Return of capital		(0.84)		(0.84)		(0.84)		(0.61)		(0.49)
Total annual distributions³	\$	(0.84)	\$	(0.84)	\$	(0.84)	\$	(0.84)	\$	(0.49)
Net assets - end of the year^{1,7}	\$	7.52	\$	7.23	\$	9.22	\$	12.04	\$	11.37

RATIOS AND SUPPLEMENTAL DATA										
	2016		2015		2014		2013		2012	
Total net asset value	\$	4,751,254	\$	5,678,547	\$	16,898,543	\$	22,962,852	\$	25,994,724
Number of units outstanding		631,777		785,227		1,833,599		1,907,992		2,284,900
Number of warrants outstanding		-		-		-		-		2,300,000
Management expense ratio ⁴		3.57%		2.49%		3.43%		2.74%		10.27%
Management expense ratio before waivers or absorptions ⁴		3.57%		2.49%		3.43%		2.74%		10.27%
Trading expense ratio ⁵		0.17%		0.24%		0.30%		0.21%		0.42%
Portfolio turnover rate ⁶		38.04%		37.70%		67.72%		26.94%		19.65%
Net asset value per unit^{1,7}	\$	7.52	\$	7.23	\$	9.22	\$	12.04	\$	11.38
Closing market price (HEN.UN)	\$	7.25	\$	6.68	\$	8.79	\$	11.46	\$	10.80
Closing warrant price (HEN.WT)	\$	-	\$	-	\$	-	\$	-	\$	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 on May 18, 2012 was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit.

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- Distributions were paid in cash.
- 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, 2014 includes agents’ fees and issue costs of \$199,841 related to the warrants issued. The MER for 2012, the year of inception, included agents’ fees of \$1,449,000 and issue costs of \$467,820. In both cases these costs are treated as one-time expenses and therefore were not annualized. The MER without these costs is 2.70% for 2014 and 3.05% for 2012.
- 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.
- 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.

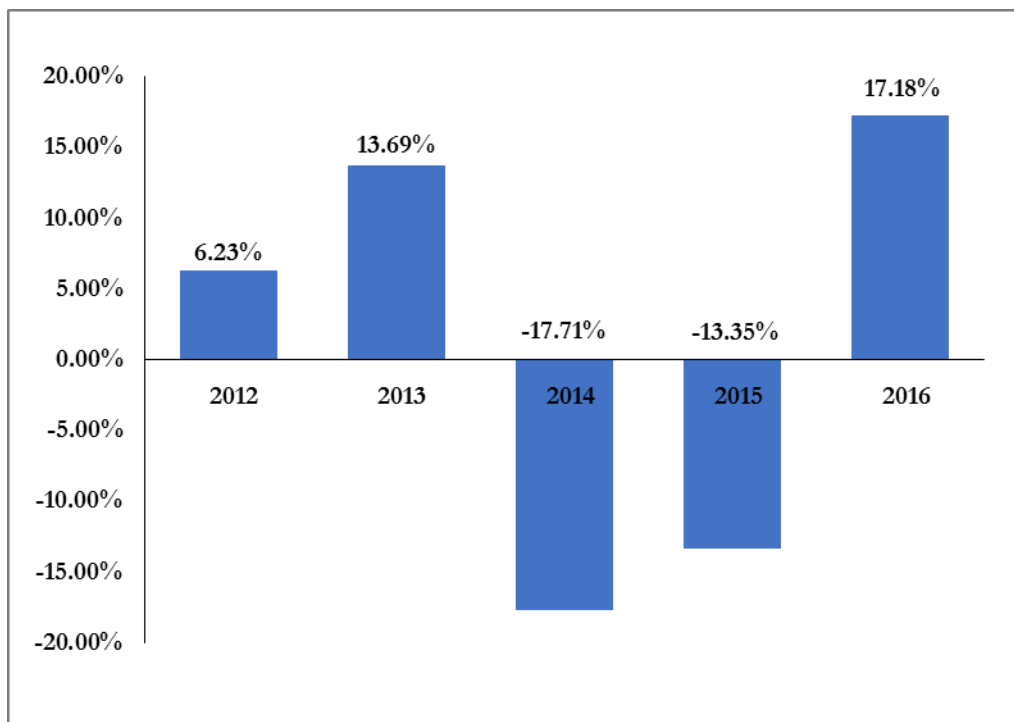
Past Performance

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, redemptions, 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 periods shown and illustrate how the Fund’s performance varied. The charts show, 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.

Fund Performance



2012 represents the period from May 18 to December 31

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ANNUAL COMPOUND RETURNS

The following table shows the annual compound returns for the Fund. All returns are in Canadian dollars, on a total return basis, net of fees.

For comparison purposes the MSCI ACW Energy Index (the “Index”) is used. While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. The return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses. Please see the “Results of Operations” section of this report for a discussion on recent performance.

Investment Return %	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance	17.18	(5.81)	-	-	0.20
MSCI ACW Energy Index, in Canadian dollars	23.99	2.83	-	-	8.09

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 annual financial statements.

As at December 31, 2016

Top Holdings	% of Net Asset Value
The Williams Companies, Inc.	7.1
BP PLC ADR	7.0
Total SA ADR	6.9
Spectra Energy Corp.	6.8
Royal Dutch Shell PLC ADR	6.8
Valero Energy Corporation	6.8
Anadarko Petroleum Corporation	6.7
Chevron Corporation	6.6
Occidental Petroleum Corporation	6.6
TransCanada Corporation	6.6
Exxon Mobil Corporation	6.6
Phillips 66	6.6
Cenovus Energy Inc.	6.5
ConocoPhillips	6.4
National-Oilwell Varco Inc.	6.2
Cash and other assets and liabilities	1.4
Foreign currency forward contracts	(1.3)
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.

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SECTOR ALLOCATION

Sector	% of Net Asset Value
Energy Issuers	100.2
Cash and other assets and liabilities	1.4
Foreign currency forward contracts	(1.3)
Options	(0.3)
Total	100.0

GEOGRAPHIC ALLOCATION

Country of Issue	% of Net Asset Value
United States of America	87.1
Canada	12.9
Total	100.0

Energy Leaders 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.