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HARVEST Banks & Buildings Income Fund
Annual Management Report of Fund Performance

December 31, 2013

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 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.

HARVEST Banks & Buildings 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 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 Harvest Banks & Buildings Income Fund (the “Fund”) invests primarily in the Canadian banking, other financial and real estate sectors. The banking, other financial and real estate sectors represent significant components of the Canadian economy. As the Canadian economy generally expands, Harvest believes that a diversified portfolio invested across these sectors will provide investors with an attractive yield and strong capital appreciation potential.

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PRESIDENT'S MESSAGE

Harvest Banks and Buildings Income Fund

Unitholder letter March 2014

Dear Valued Unitholder,

As 2013 appears in the rear-view mirror, it will be remembered as the year US Equities rebounded on the back of positive economic sentiment both in the US and abroad. It will also be remembered as the year the Euro zone emerged from recession driving additional positive sentiment into previously beaten down stock markets. Here at home, our heavily resource weighted markets turned out positive numbers but at lower levels than our US and European counterparts. All in though, a good year for developed Western markets producing returns beyond expectations at the outset of the year.

Leading into the fourth quarter economic data continued to strengthen led by strong US manufacturing and housing data coupled with strengthening employment statistics. In addition the US Federal Reserve announced that it would begin to taper bond-buying stimulus starting in January 2014 which was also positively viewed by market as a signal of confidence in the economy. Though some may argue that a strengthening economy may lead to higher interest rates we don't believe that over the balance of 2014, rates will climb much higher than they are today. We also believe that the markets have become more comfortable with a potential 3% 10 year US Treasury Yield.

When constructing Harvest products we want to ensure that the underlying securities can meet the tests of all economic conditions. Being invested in market traded securities will lead to volatility which is a reality we can endeavor to dampen but can't completely control. What we can control are the investments we make and the quality of the companies we buy. All of our Funds are built on the basic investment principals of i) simple and understandable mandates, ii) transparency and iii) income generation.

As we look towards 2014 and into the future we want to assure our investors that Harvest Portfolios will remain committed to quality products that generate consistent income over the long term.

We appreciate your investment and support of Harvest Funds.

Sincerely,

(Signed) "Michael Kovacs"

Michael Kovacs
President and Chief Executive Officer

HARVEST Banks & Buildings Income Fund

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The 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 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:

- i. to provide unitholders with monthly distributions; and
- ii. to maximize total return for unitholders.

The Fund will invest in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers.

INVESTMENT STRATEGY

To achieve the investment objectives, the portfolio sub-advisor of the Fund, Avenue Investment Management Inc. ("Avenue" or "Investment Manager"), invests in an actively managed portfolio that consists primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers. Avenue believes that in this environment, dividend paying companies in the financial and real estate sectors will continue to maintain their dividends or distributions. The issuers in the Canadian banking, other financial and real estate industries have capital ratios and leverage ratios that are conservative in nature and therefore justify consistent dividend payout policies.

Avenue uses a combination of top-down, macro analysis to evaluate and identify the most attractive companies and types of securities in the sectors mentioned above. Avenue also employs a value-based, bottom-up fundamental analysis to identify issuers based on the quality of their assets and the strength of their balance sheets and cash flows. Generally, each company or investment held in the portfolio will have consistent dividend payout history and offers a yield component that will help aid the objectives of the Fund. Avenue seeks to acquire securities that it believes have strong free cash flow metrics and will not defer future dividend or interest payments and will focus on issuers that it believes offer high levels of income and potential for capital appreciation, and that it believes provide the most attractive total return, relative to risk.

RISK

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

RESULTS OF OPERATIONS

The Fund's return for the year ending December 31, 2013 was 14.73% for Series R, 13.76% for Series A and 15.58% for Series F outperforming the benchmark index comprised of 50% weighting of the S&P/TSX Financials Total Return Index and a 50% weighting of the S&P/Real Estate Total Return Index return of 8.43%. The outperformance was in large part due to the Fund's early strategic allocation towards US financials and timely additions of select REITs throughout the year. The difference in the overall return between Series is the result of different fee structures for each Series.

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Pent up consumer demand, increased capital expenditure and positive market sentiment outweighed the negative effects of higher sequestration taxes early in the year. Economic data on both sides of the border were reasonably optimistic through the first half of the year. Data in North America, led by the US, continued to show positive momentum through the end of the year. The rise of the US 10 year treasury yield to around 3% in the early summer months put some downward pressure on many higher yielding equities including the broader global REIT and Utilities sectors. However, the Fund's holdings performed relatively well during this period and the Fund added to select REIT positions in the wake of the market volatility.

RECENT DEVELOPMENTS

There are no recent developments to report.

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

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. 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 assets.

Each series of units pays the Manager an annual management fee, plus applicable taxes, based on a percentage of the average daily NAV of the assets of the Fund attributable to that applicable series (the "Management Fee").

Dealers may be paid a servicing fee in connection with Series A units and Series R units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes, are payable monthly in arrears based on the total client assets invested in each series of units of the Fund held by all of a Dealer's clients throughout the month. The Manager can change or cancel servicing fees at any time.

The fees differ among the series of units of the Fund as set out in the chart below:

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.10%	0.40%	1.50%
A	1.10%	1.25%	2.35%
F	1.10%	0.00%	1.10%

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.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for the year ended December 31, 2013 was \$20,550 (2012 - \$63,000). The Manager may cease doing so at any time without notice to unitholders.

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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 \$27,534 for the year ended December 31, 2013 (2012 - \$38,303) and are included in the unitholder reporting costs on the Statements of Operations in the annual financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Investment entities in Canada that are publicly accountable enterprises are required to adopt IFRS for annual periods beginning on or after January 1, 2014. As a result, calendar year reporters need to prepare their comparative financial information on an IFRS basis as of January 1, 2013, the date of transition to IFRS.

The Fund will have to prepare annual financial statements for the first time as of December 31, 2014 with comparatives in accordance with IFRS and semi-annual financial statements for the first time as of June 30, 2014 with comparatives in accordance with IFRS.

The Manager has developed a plan to convert the Fund's financial statements to IFRS by establishing a cross-functional IFRS team represented by management and the Fund's service providers (accounting and transfer agent). The Fund does not anticipate any impact on its business arrangements.

As at December 31, 2013, the Manager believes that the major areas of difference between the Fund's current accounting policies and those expected to apply under IFRS have been identified, including the:

- requirement to include a statement of cash flows,
- classification of redeemable instruments issued by the Fund,
- elimination of the differences between net asset value per unit and net asset per unit, and
- classification and measurement of the Fund's investments.

The table below summarizes the 2013 quantitative impact of the changeover from Canadian GAAP to IFRS.

Per Unit:	NAV	Net asset
As at December 31, 2013		
Series R	\$13.42	\$13.40
Series A	\$13.25	\$13.23
Series F	\$13.70	\$13.68

Per Unit:	NAV	Net asset
As at January 1, 2013		
Series R	\$12.48	\$12.46
Series A	\$12.43	\$12.42
Series F	\$12.63	\$12.62

RECOMMENDATION 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 year ended December 31, 2013.

HARVEST Banks & Buildings Income 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 past periods. This information is derived from the Fund's annual financial statements at December 31, 2013 and past audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT ¹	Series R				
	2013	2012	2011	2010	2009
Net assets - beginning of year³	\$ 12.46	\$ 11.60	\$ 13.64	\$ 12.02	\$ 11.17
Increase (decrease) from operations					
Total revenue	0.37	0.41	0.61	0.69	0.17
Total expenses	(0.32)	(0.34)	(0.41)	(0.48)	(0.06)
Realized gains (losses) for the year	0.68	0.81	0.12	1.16	-
Unrealized gains (losses) for the year	1.06	0.91	(0.92)	1.18	0.89
Total increase (decrease) from operations²	\$ 1.79	\$ 1.79	\$ (0.60)	\$ 2.55	\$ 1.00
Distributions⁴					
From net investment income	-	-	(0.03)	-	-
From capital gains	-	-	-	(0.96)	-
Return of capital	(0.84)	(0.84)	(0.81)	-	(0.14)
Total annual distributions⁴	\$ (0.84)	\$ (0.84)	\$ (0.84)	\$ (0.96)	\$ (0.14)
Net assets - end of year²	\$ 13.40	\$ 12.46	\$ 11.60	\$ 13.64	\$ 12.02

THE FUND'S NET ASSETS PER UNIT ¹	Series A			Series F		
	2013	2012	2011	2013	2012	2011
Net assets - beginning of year³	\$ 12.42	\$ 11.60	\$ 11.27	\$ 12.62	\$ 11.63	\$ 11.27
Increase (decrease) from operations						
Total revenue	0.37	0.41	0.11	0.39	0.41	0.05
Total expenses	(0.43)	(0.36)	(0.07)	(0.23)	(0.21)	(0.04)
Realized gains (losses) for the year	0.73	0.72	(0.21)	0.81	0.76	(0.56)
Unrealized gains (losses) for the year	0.95	0.39	0.68	0.84	0.59	0.63
Total increase from operations²	\$ 1.62	\$ 1.16	\$ 0.51	\$ 1.81	\$ 1.55	\$ 0.08
Distributions⁴						
From capital gains	-	-	(0.21)	-	-	(0.21)
Return of capital	(0.84)	(0.84)	-	(0.84)	(0.84)	-
Total annual distributions⁴	\$ (0.84)	\$ (0.84)	\$ (0.21)	\$ (0.84)	\$ (0.84)	\$ (0.21)
Net assets - end of year²	\$ 13.23	\$ 12.42	\$ 11.60	\$ 13.68	\$ 12.62	\$ 11.63

HARVEST Banks & Buildings Income Fund

Series R

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011	2010	2009
Total net asset value¹	\$ 9,579,114	\$ 13,288,152	\$ 16,155,009	\$ 28,950,939	\$ 26,078,036
Number of units outstanding ¹	713,792	1,064,817	1,390,604	2,114,483	2,155,483
Number of warrants outstanding	-	-	-	2,115,483	2,155,483
Management expense ratio ⁵	2.51%	2.78%	4.14%	3.76%	9.94%
Management expense ratio before waivers or absorptions ⁵	2.51%	2.78%	4.14%	3.76%	3.16%
Trading expense ratio ⁶	0.10%	0.20%	0.47%	0.29%	0.33%
Portfolio turnover rate ⁷	33.91%	48.83%	79.38%	56.98%	2.79%
Net asset value per unit¹	\$ 13.42	\$ 12.48	\$ 11.62	\$ 13.69	\$ 12.10
Closing market price (HBB.UN)	\$ n/a	\$ n/a	\$ n/a	\$ 12.65	\$ 11.48
Closing market price (HBB.WT)	\$ n/a	\$ n/a	\$ n/a	\$ 0.52	\$ 0.16

Series A

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011
Total net asset value¹	\$ 14,143,047	\$ 9,190,296	\$ 1,404,702
Number of units outstanding ¹	1,067,273	739,087	120,977
Management expense ratio ⁵	3.38%	2.98%	3.15%
Management expense ratio before waivers or absorptions ⁵	3.50%	3.81%	3.15%
Trading expense ratio ⁶	0.10%	0.20%	0.47%
Portfolio turnover rate ⁷	33.91%	48.83%	79.38%
Net asset value per unit¹	\$ 13.25	\$ 12.43	\$ 11.61

Series F

RATIOS AND SUPPLEMENTAL DATA	2013	2012	2011
Total net asset value¹	\$ 1,933,833	\$ 608,262	\$ 154,631
Number of units outstanding ¹	141,152	48,147	13,283
Management expense ratio ⁵	1.74%	1.74%	1.73%
Management expense ratio before waivers or absorptions ⁵	2.11%	2.42%	1.73%
Trading expense ratio ⁶	0.10%	0.20%	0.47%
Portfolio turnover rate ⁷	33.91%	48.83%	79.38%
Net asset value per unit¹	\$ 13.70	\$ 12.63	\$ 11.64

Explanatory Notes:

1. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for fund pricing purposes. An explanation of these differences can be found in the Notes to Financial Statements.
2. 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.

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3. Net assets, at the commencement of operations was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit. On Conversion Day, all Fund units were exchanged one-for-one into Series R, at an NAV of \$11.27. Series A and F commenced operations on October 22, 2011 and October 27, 2011 respectively.
4. Distributions were paid in cash until Conversion Day, after which, an automatic reinvestment or cash option was made available.
5. 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 2011 MER for Series R includes a one-time conversion cost, not annualized, of \$190,113 and interest expense of \$120,832, without which the MER was 3.05%.
6. 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.
7. 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. These ratios are annualized.

Past Performance

The performance information presented herein assumes all dividends of the Fund during the years 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.

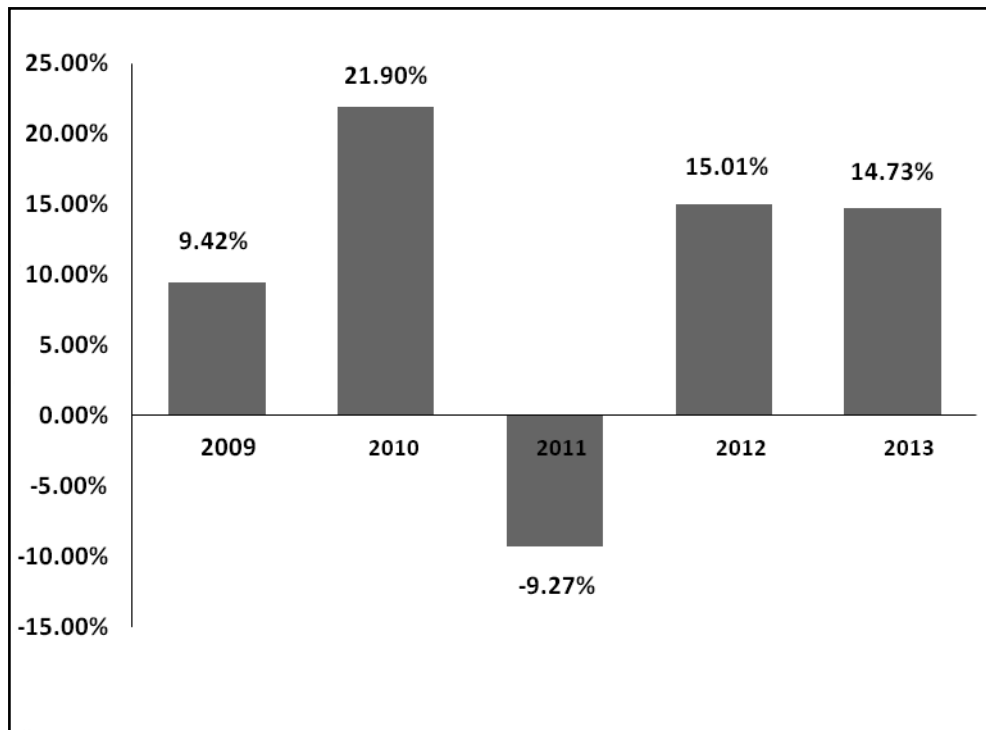
YEAR-BY-YEAR RETURNS

The following charts present the Fund's performance for each of the years shown and illustrate how the Fund's performance varied for the Series R, Series A and Series F. 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 year.

HARVEST Banks & Buildings Income Fund

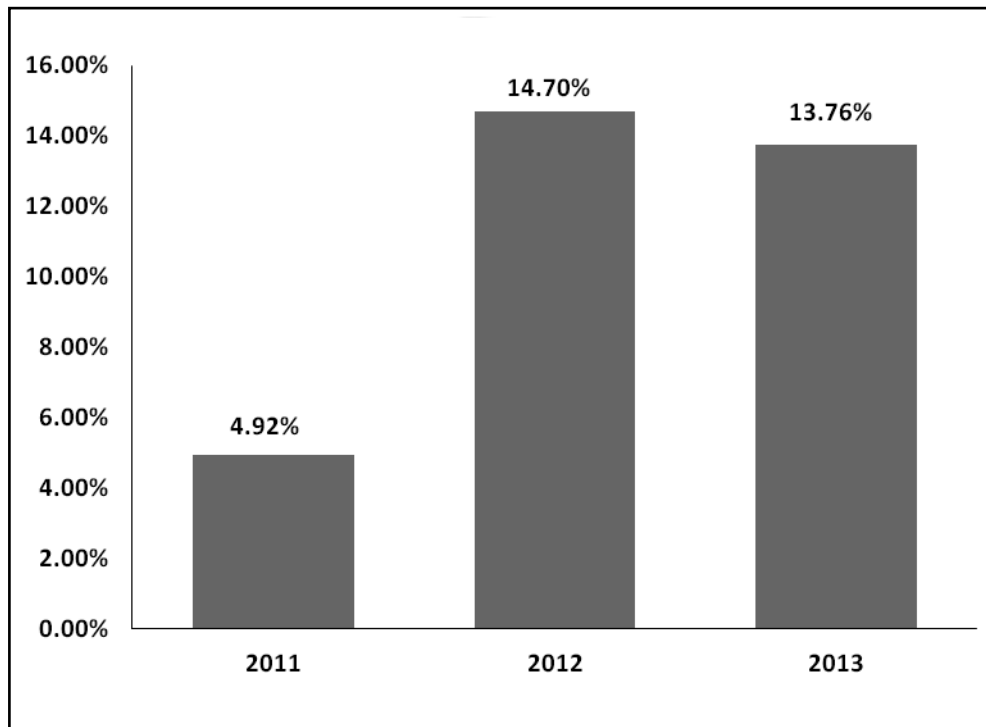
Fund Performance

Series R



2009 represents the period from October 23 to December 31.

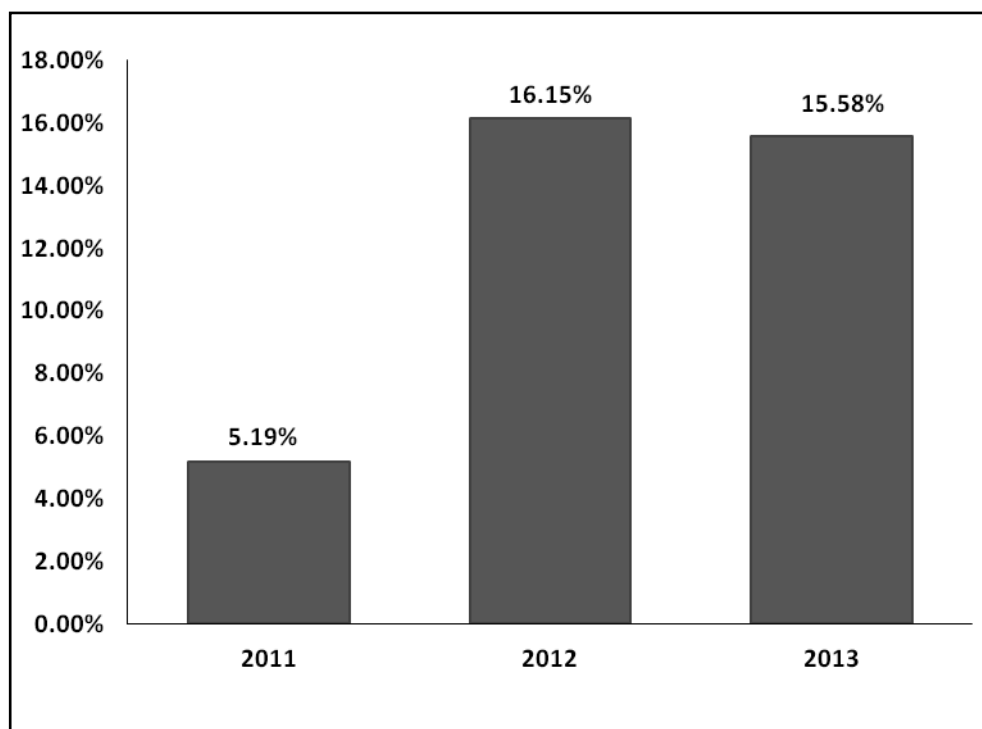
Series A



2011 represents the period from October 18 to December 31.

HARVEST Banks & Buildings Income Fund

Series F



2011 represents the period from October 18 to December 31.

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, a blended benchmark of the S&P/TSX Composite Index (the “Index”) is used. This blended benchmark is comprised of a 50% sector weighting of the S&P/TSX Financial Index and a 50% sector weighting of the S&P/TSX Real Estate Index.

The Index is a capitalization-weighted index that measures market activity of a universe of stocks traded on the Toronto Stock Exchange. The sector weightings are comprised of the universe of stocks identified in the Financials sub sector.

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 Series R (%)*	14.73	6.18	N/A	N/A	11.82
50% S&P/TSX Financial, 50% S&P/TSX Real Estate (%)*	8.43	11.57	N/A	N/A	14.12
Fund Performance Series A (%)	13.76	N/A	N/A	N/A	15.33
Fund Performance Series F (%)	15.58	N/A	N/A	N/A	16.97
50% S&P/TSX Financial, 50% S&P/TSX Real Estate (%)	8.43	N/A	N/A	N/A	14.15

*Since inception October 23, 2009

HARVEST Banks & Buildings Income Fund

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 "Statement of Investments" section of the Fund's annual financial statements.

As at December 31, 2013

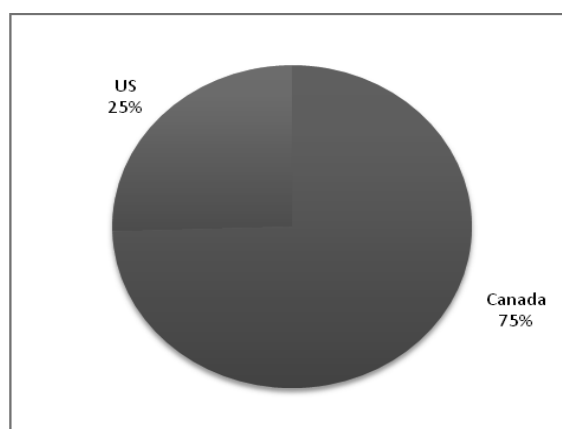
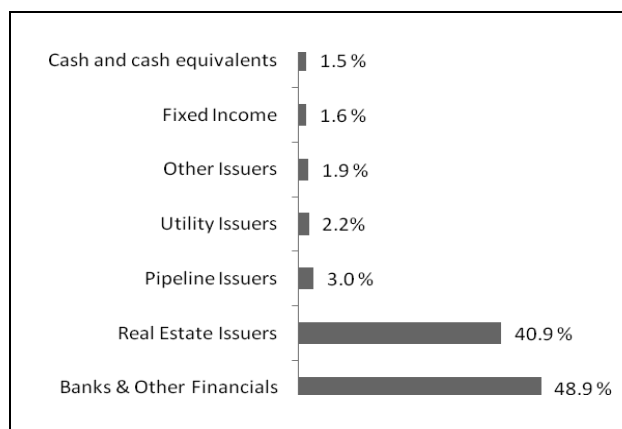
Top 25 Holdings	% of Net Asset Value	Yield (%)
Bank of America Corporation	6.1	0.3
Artis Real Estate Investment Trust	5.4	7.3
Sun Life Financial Inc.	5.3	3.8
Tricon Capital Group Inc.	5.3	3.1
First Capital Realty Inc.	5.2	4.7
Mainstreet Equity Corp.	5.1	0.0
JPMorgan Chase & Co.	4.9	2.5
Royal Bank of Canada	4.5	3.8
Timbercreek Mortgage Investment Corporation	4.5	8.8
Wells Fargo & Company	4.3	2.5
The Bank of Nova Scotia	3.9	3.9
SunTrust Banks, Inc.	3.8	1.0
Crombie Real Estate Investment Trust	3.7	6.6
BTB Real Estate Investment Trust	3.6	9.0
Cominar Real Estate Investment Trust	3.6	7.8
The Toronto-Dominion Bank	3.6	3.6
Bank of Montreal	3.6	4.3
Regions Financial Corporation	3.4	1.0
Inter Pipeline Ltd.	3.0	4.6
Power Corporation of Canada	2.9	3.6
Great-West Lifeco Inc.	2.6	3.8
Brookfield Renewable Energy Partners L.P.	2.2	5.1
Agellan Commercial Real Estate Investment Trust	2.1	0.7
Amica Mature Lifestyles Inc.	1.9	5.2
Cash and cash equivalents	1.5	0.0
Total	96.0	

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

GEOGRAPHIC ALLOCATION

Total Net Asset Value (100.0%)



HARVEST Banks & Buildings 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 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.