

PROSPECTUS

Initial Public Offering

February 26, 2013



Australian REIT Income Fund

Maximum: \$125,000,000

(Maximum: 10,416,667 Class A Units and/or Class F Units)

\$12.00 per Class A Unit or Class F Unit

Australian REIT Income Fund (the “Fund”) is a closed-end investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Class A Units and Class F Units (collectively, the “Units”), and this prospectus qualifies the issuance of Units, each at a price of \$12.00 per Unit (the “Offering”). Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but are convertible into Class A Units on a monthly basis. See “Attributes of the Units – Conversion of Class F Units”.

The Fund’s investment objectives are to provide holders of Units (the “Unitholders”) with: (i) stable monthly cash distributions; and (ii) the opportunity for capital appreciation.

To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in an actively managed portfolio (the “Portfolio”) comprised primarily of equity securities listed on the Australian Securities Exchange (the “ASX”) issued by Australian real estate investment trusts and to a lesser extent, issuers principally engaged in the real estate industry in Australia (collectively, “Real Estate Issuers”). See “Investment Objectives”.

Harvest Portfolios Group Inc. (“Harvest” or the “Manager”) will act as the trustee, manager and promoter of the Fund and will provide all administrative services required by the Fund. See “Organization and Management Details of the Fund – The Manager”.

Macquarie Private Portfolio Management Limited (the “Portfolio Manager” or “MPPM”) has been retained as portfolio manager for the Fund. The Portfolio Manager is a member of the Macquarie Group. Macquarie Group Limited is a global financial services provider listed on the ASX. MPPM will be responsible for the Fund’s investment strategy and will provide portfolio management services to the Fund. See “Organization and Management Details of the Fund – The Portfolio Manager”.

Price: \$12.00 per Class A Unit
or
\$12.00 per Class F Unit
(Minimum Purchase: 200 Units (\$2,400))

	Price to the Public ⁽¹⁾	Agents’ Fee	Net Proceeds to the Fund ⁽²⁾
Per Class A Unit	\$12.00	\$0.63	\$11.37
Per Class F Unit	\$12.00	\$0.27	\$11.73
Total Minimum Offering ⁽³⁾	\$20,000,000	\$1,050,000	\$18,950,000
Total Maximum Offering ⁽⁴⁾	\$125,000,000	\$6,562,500	\$118,437,500

Notes:

- (1) The Offering price was established by negotiation between the Agents (as defined herein) and the Manager.
- (2) Before deducting the expenses of this issue (estimated at \$750,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 1,666,667 Class A Units are sold. If subscriptions for a minimum of 1,666,667 Class A Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Class A Units on or before such date. If subscriptions for a minimum of 25,000 Class F

Units have not been received by the Closing Date (as defined herein), the Class F Units will not be issued. The minimum Offering assumes an Offering of 1,666,667 Class A Units.

- (4) The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of 30 days following the closing of the Offering (the “**Closing**”), to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at Closing on the same terms set forth above (the “**Option Units**”). If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering of Class A Units will be \$143,750,000, the Agents’ fees will be \$7,546,875 and the net proceeds to the Fund before deducting the expenses of the Offering will be \$136,203,125. This prospectus also qualifies the granting of the Over-Allotment Option and the distribution of Option Units that may be offered in relation to the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Agents’ over-allocation position acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

There are certain risk factors associated with an investment in Units including that the Fund may not be able to meet its investment objectives. See “Risk Factors” for a discussion of certain factors that should be considered by prospective purchasers of Units, including with respect to the use of leverage.

There is currently no market through which the Units may be sold.

The TSX has conditionally approved the listing of the Class A Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before May 26, 2013. The Class A Units will be listed on the TSX under the symbol HRR.UN.

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Macquarie Private Wealth Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Raymond James Ltd., All Group Financial Services Inc., Burgeonvest Bick Securities Limited and MGI Securities Inc. (collectively, the “**Agents**”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain legal matters by Borden Ladner Gervais LLP, on behalf of the Fund and the Manager, and Blake, Cassels & Graydon LLP, on behalf of the Agents.

Macquarie Private Wealth Inc., which is one of the Agents, is an affiliate of the Portfolio Manager. Consequently, the Fund may be considered a “related issuer” and/or a “connected issuer” of Macquarie Private Wealth Inc. under applicable securities legislation. Macquarie Private Wealth Inc. will receive no benefit in connection with this Offering other than receiving from the Fund a portion of the Agents’ fees.

The Portfolio Manager has its offices, and has all or a substantial portion of its assets, located outside of Canada and an investor may encounter difficulties enforcing legal rights against it.

Prospective purchasers may purchase Units either by (i) cash payment or (ii) an exchange (the “**Exchange Option**”) of each of the securities listed under the heading “Purchase of Securities – The Exchange Eligible Securities” (the “**Exchange Eligible Securities**”). **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Issuer (as defined herein).** See “Purchase of Securities – The Exchange Option”.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 21, 2013 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued (the “**Closing Date**”). The Offering will be conducted under the book-entry only system; accordingly, a subscriber who purchases Units will receive a customer confirmation from the registered dealer from or through whom Units are purchased. CDS will record the CDS Participants (as defined herein) who hold Units on behalf of owners who have purchased or transferred Units in accordance with the book-entry only system. Certificates evidencing Units will not be issued.

Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542, or any of its affiliates (collectively the “Macquarie Group”) and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees any particular rate of return or the performance of the Fund, the repayment of capital from the Fund or any tax treatment of any distribution from the Fund.

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GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“Agency Agreement” means the agency agreement dated as of February 26, 2013 among the Fund, the Manager, the Portfolio Manager, the Investment Advisor and the Agents.

“Agents” means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Macquarie Private Wealth Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Raymond James Ltd., All Group Financial Services Inc., Burgeonvest Bick Securities Limited and MGI Securities Inc.

“Annual Redemption” means the annual redemption of Units as described under “Redemption of Units – Annual Redemption”.

“Annual Redemption Date” means the second last Business Day of September in each year commencing in 2014.

“ASX” means the Australian Securities Exchange.

“AUD\$” means Australian dollars.

“Australian REIT” means a REIT which is governed under the laws of Australia.

“Business Day” means any day on which the TSX is open for trading.

“cash equivalents” means:

- (a) cash on deposit with the Custodian or a broker;
- (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest by:
 - (i) any of the Federal or Provincial Governments of Canada; or
 - (ii) a Canadian financial institution;provided that, in the case of (ii), such evidence of indebtedness has a rating of at least R-1 (mid) by Dominion Bond Rating Service or the equivalent rating from another approved credit rating organization (as defined in NI 81-102); or
- (c) other cash cover as defined in NI 81-102.

“CDS” means CDS Clearing and Depository Services Inc.

“CDS Participants” means participants in CDS.

“Class A Meeting” means a meeting of holders of Class A Units called in accordance with the Declaration of Trust.

“Class A Units” means the class of units of the Fund designated as the “Class A Units”.

“Class F Meeting” means a meeting of holders of Class F Units called in accordance with the Declaration of Trust.

“Class F Units” means the class of units of the Fund designated as the “Class F Units”.

“Closing” means the closing of the Offering on the Closing Date.

“Closing Date” means the date of the Closing, which is expected to be on or about March 21, 2013 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued.

“Conversion Date” means the first Business Day of a month.

“CRA” means the Canada Revenue Agency.

“Custodian” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

“Declaration of Trust” means the declaration of trust dated February 26, 2013, as it may be amended from time to time.

“Distribution Payment Date” means the date that is on or before the 15th day of the month following the applicable distribution date.

“Exchange Agent” means Equity Financial Trust Company, the exchange agent for the Exchange Option.

“Exchange Eligible Securities” means each class or series of securities listed under the heading “Purchases of Securities — The Exchange Eligible Securities”.

“Exchange Issuer” means an issuer of Exchange Eligible Securities in respect of which the Exchange Option Election is made.

“Exchange Option” means the option to satisfy the purchase price of the Units under the Offering by exchanging Exchange Eligible Securities at the applicable Exchange Ratio.

“Exchange Option Election” means an election by a prospective purchaser of Units to use the Exchange Option.

“Exchange Ratio” means the number of Units issuable for an Exchange Eligible Security to be determined by dividing the volume weighted average trading price of such securities on the TSX during the Pricing Period, as adjusted to reflect distributions declared by the applicable Exchange Issuer that will not be received by the Fund, by \$12.00.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least two thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“Fund” means Australian REIT Income Fund, a closed-end investment fund established under the laws of Ontario pursuant to the Declaration of Trust.

“HST” means Harmonized Sales Tax.

“Indicative Distribution Amount” means the indicative distribution amount of the Fund, initially \$0.055 per Unit per month for the first 12 months of the Fund, and thereafter as determined by the Manager annually.

“Indicative Portfolio” has the meaning ascribed thereto under “Investments of the Fund – Indicative Portfolio”.

“Investment Advisor” or **“Avenue”** means the investment advisor in respect of the Fund’s currency hedging strategy, Avenue Investment Management Inc.

“Investment Advisory Agreement” means the investment advisory agreement dated on or before the Closing Date, as it may be amended from time to time.

“Manager” or **“Harvest”** means the manager of the Fund, Harvest Portfolios Group Inc.

“Macquarie Group” means Macquarie Group Limited ABN 94 122 169 279 and any of its affiliates.

“Maximum Ownership Level” means the number of Exchange Eligible Securities of any one Exchange Issuer that the Fund may acquire under the Offering pursuant to the Exchange Option, which is the least of: (i) that number that would constitute 10% of the net assets of the Fund, (ii) that number that, if combined with the other securities of such Exchange Issuer held, directly or indirectly, or over which control or direction is exercised by the Manager, the Portfolio Manager or any party acting jointly or in concert with the Manager or the Portfolio Manager, would result in the Manager, Portfolio Manager and any such party directly or indirectly holding or exercising control or direction over 19.9% of the outstanding securities of such Exchange Issuer, (iii) if the Exchange Issuer is a corporation or a trust resident in Canada under the Tax Act, that number of securities with a fair market value that constitutes 9.9% of the equity value of such Exchange Issuer for purposes of section 122.1 of the Tax Act, (iv) if the Exchange Issuer is a corporation that is not resident in Canada, that number of securities that would ensure that the Exchange Issuer is not a “foreign affiliate” of the Fund under the Tax Act, and (v) if the Exchange Issuer is a trust that is not resident in Canada, that number of securities that would result in the total fair market value of all interests in the Exchange Issuer held by the Fund and persons not dealing at arm’s length with the Fund being less than 10% of the total fair market value of all interests in the Exchange Issuer.

“Monthly Redemption” means the monthly redemption of Class A Units and Class F Units as described under “Redemption of Class Units – Monthly Redemption”.

“Monthly Redemption Date” means the last Business Day of each month on which Class A Units and Class F Units are surrendered for a Monthly Redemption.

“NAV per Class A Unit” means, in respect of the Class A Units, the NAV of the Fund allocated to the Class A Units, divided by the number of Class A Units outstanding at the time the calculation is made.

“NAV per Class F Unit” means, in respect of the Class F Units, the NAV of the Fund allocated to the Class F Units, divided by the number of Class F Units outstanding at the time the calculation is made.

“NAV per Unit” means, in respect of a class of Units, the NAV of the Fund allocated to the Units of such class, divided by the number of Units of such class outstanding at the time the calculation is made.

“Net Asset Value” or **“NAV”** means the net asset value of the Fund on a particular date, equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund as more particularly set forth in the Declaration of Trust.

“NI 81-102” means National Instrument 81-102 *Mutual Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“NI 81-106” means National Instrument 81-106 *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as it may be amended from time to time.

“NI 81-107” means National Instrument 81-107 *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“Offering” means collectively, the offering of Class A Units at a price of \$12.00 per Class A Unit, the offering of Class F Units at a price of \$12.00 per Class F Unit and the offering of additional Class A Units under the Over-Allotment Option at a price of \$12.00 per Class A Unit, all pursuant to this prospectus.

“Offering Price” means a price of \$12.00 per Class A Unit and \$12.00 per Class F Unit.

“Option Units” means Class A Units issued under the Over-Allotment Option.

“Ordinary Resolution” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“Over-Allotment Option” means the option granted by the Fund to the Agents, exercisable for a period of 30 days following Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at Closing solely to cover over-allotments, if any.

“Portfolio” means an actively managed portfolio of assets held by the Fund from time to time.

“Portfolio Management Agreement” means the portfolio management agreement dated on or before the Closing Date, as it may be amended from time to time.

“Portfolio Manager” or **“MPPM”** means the portfolio manager of the Fund, Macquarie Private Portfolio Management Limited ABN 26 089 987 388.

“Pricing Period” means the period of the three consecutive trading days ending on, and including, February 22, 2013.

“Real Estate Issuer” means Australian REITs and other issuers principally engaged in the real estate industry in Australia, which the Manager and Portfolio Manager defines as an issuer that is involved in activities including, but not limited to, the ownership, operation, leasing, development, management, brokerage or sale of real estate, land or infrastructure, provided that the determination by the Manager and Portfolio Manager that an issuer is a “Real Estate Issuer” shall be conclusive for all purposes herein.

“REIT” means a real estate investment trust.

“Redemption Payment Date” means the date that is on or before the 15th Business Day in the following month after the Monthly Redemption Date or Annual Redemption Date, as applicable.

“Registrar and Transfer Agent” means the registrar and transfer agent, Equity Financial Trust Company.

“SIFT Rules” mean the provisions of the Tax Act providing for a tax on certain income earned by a “SIFT trust” as defined in the Tax Act.

“Tax Act” means the *Income Tax Act* (Canada) as amended and the regulations thereunder.

“Tax Proposals” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“Total Assets” means the total value of the assets of the Fund.

“Trustee” means initially Harvest, in its capacity as trustee under the Declaration of Trust, and thereafter such successor as may be appointed trustee in accordance with the provisions of the Declaration of Trust.

“TSX” means the Toronto Stock Exchange.

“Units” means the Class A Units and/or the Class F Units, as applicable.

“United States” or **“U.S.”** means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“Unitholders” means holders of Units.

“Valuation Time” means 4:15 p.m. (Toronto time) on each Business Day during the year, and any other time as may be determined by the Manager from time to time.

“\$” means Canadian dollars unless otherwise indicated.

INFORMATION REGARDING PUBLIC INFORMATION

Certain information contained in this prospectus relating to the Australian real estate market, real property sectors, Australian REIT Issuers, exchange rates and interest rates are taken from and based solely upon information published by public sources, including research reports published by Jones Lang LaSalle (“JLL”). JLL has consented to the inclusion in this prospectus of information taken from its reports on the condition that the prospectus include the disclaimer set out in the following two paragraphs.

JLL is not operating under an Australian financial services licence in providing the data and commentary contained in its reports. The JLL reports have been produced solely as a general guide and do not constitute advice. JLL has used and relied upon information from sources generally regarded as authoritative and reputable, but the information obtained from these sources may not have been independently verified by JLL. The material presented in JLL reports (“JLL Material”) is based on data available as of the dates stated in the reports.

While JLL has prepared the JLL Material in good faith and with due care, JLL makes no representation as to the accuracy of the whole or any part of the data. No liability for negligence or otherwise is assumed by JLL for any loss or damages suffered by any party resulting from the use of the data. Forward looking statements and information contained in JLL reports are also subject to risks and uncertainties of the type discussed under “Forward Looking Statements” in this prospectus.

None of the Manager, the Portfolio Manager, the Investment Advisor, the Fund or the Agents has independently verified the accuracy or completeness of any information included in this prospectus taken from and based solely upon information published by public sources or assumes any responsibility for the completeness or accuracy of such information.

FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus constitute forward looking statements or information, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager, the Portfolio Manager or the Investment Advisor. The forward looking statements and information are not historical facts but reflect the Fund’s, the Manager, the Portfolio Manager and/or the Investment Advisor’s current expectations regarding future results or events. The prospectus includes, from a number of third party sources, forward looking statements or information and although the Fund, the Manager, the Portfolio Manager and/or the Investment Advisor believes such statements or information to be reliable, no assurance can be given that such forward looking statements or information will be accurate. These forward looking statements and information are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus. Accordingly, readers should not place undue reliance on forward looking statements and information. All forward looking statements and information is qualified by this cautionary statement.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information, financial data and statements contained elsewhere in this prospectus. All dollar amounts are expressed in Canadian dollars (\$) or Australian dollars (AUD\$). On February 25, 2013, the noon rate of exchange between Canadian dollars and Australian dollars as quoted by the Bank of Canada was \$1.00 = AUD\$0.9475.

THE FUND

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated February 26, 2013.

THE OFFERING

- Offering:** The Fund is offering Class A Units and Class F Units (collectively, the “Units”). See “Plan of Distribution”. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents’ fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) no Servicing Fee is payable in respect of the Class F Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See “Fees and Expenses”.
- Amount:** A minimum of \$20,000,000 of Class A Units (1,666,667 Class A Units), a minimum of \$300,000 of Class F Units (25,000 Class F Units) and a maximum of \$125,000,000 of Class A Units and/or Class F Units (10,416,667 Class A Units and/or Class F Units).
- Offering Price:** \$12.00 per Unit purchased either by (i) cash payment or (ii) the Exchange Option (See “Purchases of Securities – The Exchange Option”).
- Minimum Purchase:** 200 Units (\$2,400)
- Investment Objectives:** The Fund’s investment objectives are to provide Unitholders with: (i) stable monthly cash distributions; and (ii) the opportunity for capital appreciation.
- The Fund will invest in an actively managed portfolio comprised primarily of equity securities listed on the ASX issued by Australian real estate investment trusts and to a lesser extent, issuers principally engaged in the real estate industry in Australia.
- See “Investment Objectives.”
- Investment Strategy:** The Fund will invest in an actively managed portfolio comprised primarily of equity securities listed on the ASX issued by Real Estate Issuers. The Fund will be actively managed to take advantage of opportunities within the Australian real estate sector with a focus on Real Estate Issuers that provide an attractive current cash yield and/or capital appreciation opportunities.
- The Manager believes that Australian REITs offer attractive income and an opportunity for capital gains based on the market’s recognition and revaluation of these issuers. In the view of the Portfolio Manager, (i) since the financial crisis of 2008, many participants in the Australian REIT sector have reduced leverage, simplified corporate and investment structures, raised additional capital and are positioned to grow capital values and distributions; (ii) this restructuring has had a positive effect on share prices though the sector remains considerably undervalued relative to previous peaks; and (iii) distributions from Australian REITs provide a stable yield which together with the possibility of capital growth provides a total return which is appealing relative to fixed interest alternatives. The Manager believes that the Fund will provide Canadian investors with an opportunity to gain exposure to a large REIT market in Australia that has only recently started to experience upward revaluations.
- The Fund will invest in Real Estate Issuers in various sectors, including industrial,

residential, office, retail and other real estate sectors.

See “Investments of the Fund – Investment Strategy”.

Manager:

Harvest is responsible for providing or arranging for the provision of administration services required by the Fund. See “Organization and Management Details of the Fund – The Manager”.

Harvest has taken the initiative in organizing the Fund and accordingly, may be a “Promoter” of the Fund within the meaning of applicable securities legislation. See “Organization and Management Details of the Fund – Promoter”.

Portfolio Manager:

Harvest has retained Macquarie Private Portfolio Management Limited to provide portfolio management services to the Fund. MPPM is a member of the Macquarie Group. Macquarie Group Limited is a global financial services provider listed on the ASX which had AUD\$341 billion of assets under management as at September 30, 2012. MPPM provides discretionary portfolio management services, custodial administration and comprehensive reporting. Established in 1999, MPPM currently administers and manages more than AUD\$1 billion.

See “Organization and Management Details of the Fund – The Portfolio Manager”.

Monthly Distributions:

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. The initial Indicative Distribution Amount (as defined herein) will be \$0.055 per Unit per month (\$0.66 per Unit per annum representing an annual cash distribution of 5.5% based on the \$12.00 per Unit issue price). The initial cash distribution is anticipated to be payable on or before May 15, 2013 to Unitholders of record on April 30, 2013. Beginning in March 2014, the Manager and the Portfolio Manager will at least annually determine and announce the Indicative Distribution Amount for the following 12 months based upon, among other factors, income received from the Fund’s investments and the prevailing real estate market conditions in Australia.

The Portfolio would be required to generate a return of approximately 6.4% per annum in order for the Fund to maintain a stable NAV per Unit, after accounting for the fees and expenses of the Offering and withholding tax, while making the initial cash distributions of \$0.66 per Unit per annum (assuming an offering size of \$100 million, fees and expenses are as disclosed herein, leverage of approximately 35% of Total Assets (54% of NAV) and no changes in exchange rates and interest rates). Based on its initial anticipated composition and employing leverage of approximately 35% of Total Assets (54% of NAV), the Portfolio is expected to generate income per annum, which, after deduction of fees and expenses of the Offering and withholding tax, will be sufficient to fund the monthly cash distributions at the initial Indicative Distribution Amount. If the return on the Portfolio is less than the amount necessary to fund the monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders so that the distribution is paid and, accordingly, NAV per Unit will be reduced. **The amount of monthly cash distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

See “Distributions Policy” and “Risk Factors”.

If, in any taxation year, after such distributions there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for non-refundable income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date.

Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units

as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Income Tax Considerations".

Exchange Option:

Prospective purchasers may purchase Units either by (i) cash payment or (ii) an exchange (the "**Exchange Option**") of each of the securities listed under the heading "Purchase of Securities – The Exchange Eligible Securities" (the "**Exchange Eligible Securities**"). **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Issuer.**

A prospective purchaser of Units who elected to pay for such Units by using the Exchange Option must have done so by means of a book-entry deposit through CDS. Prospective purchasers intending to use the Exchange Option must have deposited the Exchange Eligible Securities with the Exchange Agent through CDS prior to 5:00 p.m. (Toronto time) on February 22, 2013. Such book-entry deposits must have been made by a CDS Participant, who may have had an earlier deadline for receiving instructions from its clients to deposit securities into the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of Exchange Eligible Securities under the Exchange Option (including the transfer authorized thereby) is, subject to the completion of this Offering, irrevocable unless withdrawn as described under the heading "Purchasers' Statutory Rights of Withdrawal and Rescission".

See "Purchase of Securities – The Exchange Option".

A purchaser who holds Exchange Eligible Securities of an Exchange Issuer as capital property may realize a capital gain or capital loss on the exchange of Exchange Eligible Securities of an Exchange Issuer for Units pursuant to the Exchange Option. See "Canadian Income Tax Considerations – The Exchange Option".

Foreign Currency Exposure:

The Fund will initially be unhedged against currency exposure. From time to time, the value of the Portfolio is intended to be 100% hedged back to the Canadian dollar or 100% unhedged. The Manager has engaged Avenue Investment Management Inc. (the "**Investment Advisor**") to act as the investment advisor in respect of the Fund's currency hedging strategy. The Fund may use derivative instruments for currency hedging purposes only.

See "Investments of the Fund – Foreign Currency Exposure".

Leverage:

The Fund may borrow through a traditional loan facility with a major Canadian chartered bank against the assets of the Fund to a maximum of 40% of Total Assets for the purposes of acquiring assets for the Portfolio and such other short term funding purposes as may be determined from time to time and in accordance with the investment strategy. Equivalently, the maximum amount of leverage that the Fund could employ is 1.67 to 1 (total long positions (including leveraged positions) divided by NAV). Initially, the Fund is expected to employ leverage of approximately 35% of Total Assets (54% of NAV). The Fund will borrow in Canadian dollars.

See "Investments of the Fund – Leverage".

Annual Redemption:

Commencing in 2014, Units may be surrendered for redemption during the period from the first Business Day of September to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in September. Units surrendered for redemption during this period will be redeemed on the applicable Annual Redemption Date and the Unitholder will receive payment on or before the 15th Business Day in the following month equal to the NAV per Class A Unit or the NAV per Class F Unit, as

applicable, on the applicable Annual Redemption Date less any nominal costs and expenses associated with the redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

See “Redemption of Units”.

Conversion of Class F Units:

A holder of Class F Units may convert Class F Units into whole Class A Units and it is expected that liquidity for the Class F Units will be largely obtained by means of conversion into Class A Units. Class F Units may be converted in any month on the Conversion Date of such month by delivering written notice to the Fund and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 15 Business Days prior to the Conversion Date. For each Unitholder’s Class F Units so converted, the Unitholder will receive that number of whole Class A Units, equal to the Net Asset Value of such Class F Units as of the close of trading on the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units. Any remaining fraction of a Class F Unit will be redeemed for cash payment at the Net Asset Value per Class F Unit. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into whole Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. See “Attributes of the Units – Conversion of Class F Units”.

Use of Proceeds

	Minimum Offering⁽¹⁾⁽³⁾	Maximum Offering⁽¹⁾
Gross proceeds to the Fund	\$20,000,000	\$125,000,000
Agents’ fees	\$1,050,000	\$6,562,500
Expenses of issue ⁽²⁾	\$300,000	\$750,000
Net proceeds to the Fund	<u>\$18,650,000</u>	<u>\$117,687,500</u>

See “Use of Proceeds”.

- (1) Excluding any proceeds from the exercise of the Over-Allotment Option
- (2) Subject to a maximum of 1.5% of the gross proceeds of the Offering
- (3) There will be no closing unless a minimum of 1,666,667 Class A Units are sold.

Organization and Management of the Fund:

Management of the Fund	Name and Principal Address at which Services are Provided to the Fund	Services Provided to Fund
Trustee, Manager and Promoter	Harvest Portfolios Group Inc. 710 Dorval Drive Suite 209 Oakville, Ontario L6K 3V7	Manages the overall business of the Fund
Portfolio Manager	Macquarie Private Portfolio Management Limited 1 Shelley Street Sydney, NSW 2000 Australia	Provides portfolio management services to the Fund
Investment Advisor	Avenue Investment Management Inc. 47 Colborne Street Suite 300 Toronto, Ontario M5E 1P8	Provides investment advisory services in respect of the Fund’s currency hedging strategy
Custodian and Valuation Agent	State Street Trust Company Canada 30 Adelaide Street East Toronto, Ontario M5C 3G6	Provides custody and valuation services to the Fund
Auditor	PricewaterhouseCoopers LLP PwC Tower 18 York Street, Suite 2600 Toronto, Ontario	Provides audit services to the Fund

M5J 0B2

Registrar, Transfer Agent,
and Exchange Agent

Equity Financial Trust Company
200 University Avenue
Suite 400
Toronto, Ontario
M5H 4H1

Maintains the security register
and the register of transfers of
securities of the Fund; serves as
the exchange agent

See “Organization and Management Details of the Fund”.

Agents:

The Fund has engaged BMO Nesbitt Burns Inc., CIBC World Markets Inc., Macquarie Private Wealth Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Raymond James Ltd., All Group Financial Services Inc., Burgeonvest Bick Securities Limited and MGI Securities Inc. (collectively, the “**Agents**”) as agents to offer Units for sale to the public.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Class A Units in an amount up to 15% of the Class A Units issued at the Closing at a price of \$12.00 per Class A Unit to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering of Class A Units, the total price to the public will be \$143,750,000, the Agents’ fees will be \$7,546,875 and the net proceeds to the Fund before deducting the expenses of the Offering will be \$136,203,125. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Option Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Over-Allotment Option acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	1,562,500 Class A Units	Within 30 days following the Closing Date	\$12.00 per Class A Unit

Termination of the Fund:

The Fund does not have a fixed termination date. See “Termination of the Fund”. For details with respect to a Permitted Merger, see “Unitholder Matters”.

Eligibility for Investment:

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**Registered Plan**”). See “Canadian Income Tax Considerations – Status of the Fund” and “Canadian Income Tax Considerations – Taxation of Registered Plans”.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”) or a tax-free savings account (“**TFSA**”), the annuitant or holder of the RRSP, RRIF or TFSA will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) which does not deal at arm’s length with the annuitant or holder, (ii) which does not deal at arm’s length with a corporation, partnership or trust in which the annuitant or holder has a significant interest, or (iii) in which the annuitant or holder has a significant interest. In general terms, “significant interest” means the ownership of 10% or more of the value of a trust’s or partnership’s outstanding units or interest, or the ownership of 10% or more of the issued shares of any class of a corporation, by the annuitant or holder, either alone or together with persons with whom the annuitant or holder does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “**December 2012 Proposals**”) propose to delete the condition in (ii) above. In addition, pursuant to the December 2012 Proposals, the

Units will generally not be a prohibited investment if the Units are “excluded properties” as defined in the December 2012 Proposals for the particular Registered Plan. Annuitants or holders should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property as defined in the December 2012 Proposals.

See “Canadian Income Tax Considerations – Taxation of Registered Plans”.

Canadian Income Tax Considerations:

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net realized taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year. To the extent that amounts payable to a Unitholder are designated by the Fund as the taxable portion of net realized capital gains and foreign source income, those amounts will retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Units disposed of and any reasonable costs of disposition.

A purchaser who disposes of securities of an Exchange Issuer pursuant to the Exchange Option and holds such securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of the securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the purchaser’s adjusted cost base of such securities. The cost to a Unitholder of Units so acquired will generally be equal to the fair market value of the securities of the Exchange Issuers disposed of in exchange for such Units at the time of disposition.

Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See “Canadian Income Tax Considerations” and “Australian Tax Considerations”.

RISK FACTORS

An investment in Units is subject to various risk factors, including the following risks which prospective purchasers should consider before purchasing Units:

1. there being no assurance that the Fund will achieve its investment objectives;
2. the possible loss of investment;
3. there being no guaranteed return on investment;
4. risks associated with investing in equity securities;
5. volatility and distributions;
6. composition and concentration of Portfolio;
7. risks associated with investing in Real Estate Issuers;
8. risks associated with the performance of the Australian real property market;
9. risks associated with using leverage;
10. foreign currency exposure;

11. use of derivatives risks;
12. risks associated with the Exchange Option;
13. the NAV of the Fund and the trading price of the Class A Units will be sensitive to interest rate fluctuations;
14. Australian economic conditions and credit risk;
15. risk regarding Australian Government policies;
16. risks associated with investing in other types of securities;
17. reliance on the Manager, the Portfolio Manager and the Investment Advisor;
18. risk regarding Portfolio Manager being a non-resident;
19. trading restrictions in connection with the Portfolio Manager;
20. the possibility that the Class A Units will trade at a discount to the Net Asset Value per Class A Unit and risks relating to redemptions;
21. nature of the Units;
22. no market for Class F Units;
23. taxation of the Fund;
24. the fact that the Fund is not a mutual fund for securities law purposes and will not be subject to the Canadian policies and regulations that apply to open-end mutual funds;
25. the potential for conflicts of interest;
26. recent global financial developments;
27. the Fund's lack of operating history and the current absence of a public trading market for the Units;
28. the fact that the Fund is not a trust company; and
29. changes in legislation.

See "Risk Factors".

SUMMARY OF FEES AND EXPENSES PAYABLE BY THE FUND

The following table contains a summary of the fees and expenses payable by the Fund, which will therefore reduce the value of your investment in the Fund. For further details, see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Amount and Description</u>
Fees payable to the Agents:	<p>\$0.63 per Class A Unit (5.25%)</p> <p>\$0.27 per Class F Unit (2.25%)</p>
Expenses of Issue:	The Fund will pay the expenses incurred in connection with the Offering, which are estimated to be \$750,000, subject to a maximum of 1.5% of the gross proceeds of the Offering.
Management Fee:	The Manager is entitled to a management fee (the “ Management Fee ”) at an annual rate of 1.30% of NAV per Unit, plus an amount equal to the Servicing Fee (as defined below), plus applicable taxes including HST. Fees payable to Harvest will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The Management Fee will be paid in cash. The total Management Fee including the Servicing Fee paid by the Fund in respect to Class A Units will be 1.70% of the NAV per Class A Unit per annum. The Portfolio Manager and Investment Advisor will be remunerated by the Manager out of the Management Fee.
Servicing Fee:	The Manager will pay to registered dealers a servicing fee (the “ Servicing Fee ”) equal to 0.40% annually of the NAV per Class A Unit for each Class A Unit held by clients of the registered dealers (calculated and paid at the end of each calendar quarter commencing in June 2013, plus applicable taxes including HST). The Servicing Fee paid in respect of the period from the Closing Date to the end of the first calendar quarter following Closing will be pro-rated accordingly. The Manager may, from time to time, pay the Servicing Fee more frequently than quarterly, in which event the Servicing Fee will be pro-rated for the period to which it relates. No Servicing Fee is payable in respect of the Class F Units.
Operating Expenses:	<p>The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications, fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee), fees payable to the Registrar and Transfer Agent, fees payable to the Custodian for acting as custodian of the assets of the Fund, any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, Independent Review Committee member fees and expenses in connection with the Independent Review Committee, expenses related to compliance with NI 81-107, fees and expenses relating to voting of proxies by a third party, insurance coverage for the members of the IRC, fees payable to the auditors and legal advisors of the Fund, regulatory filing, stock exchange and licensing fees, banking fees and interest with respect to any borrowing, website maintenance costs, taxes, brokerage commissions, costs and expenses of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness, any expenditures incurred upon the termination of the Fund. The aggregate amount of these fees and expenses (exclusive of interest with respect to any borrowing and brokerage commissions related to portfolio transactions) is estimated to be \$250,000 per annum.</p> <p>See “Fees and Expenses”.</p>

THE FUND

Overview of the Legal Structure of the Fund

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated February 26, 2013. The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada and consequently the Fund is not subject to certain policies and regulations that apply to mutual funds under such legislation.

The principal office of the Fund and Harvest is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to provide Unitholders with: (i) stable monthly cash distributions; and (ii) the opportunity for capital appreciation.

The Fund will invest in an actively managed portfolio comprised primarily of equity securities listed on the ASX issued by Australian real estate investment trusts and to a lesser extent, issuers principally engaged in the real estate industry in Australia.

INVESTMENTS OF THE FUND

Investment Strategy

The Fund will invest in an actively managed portfolio comprised primarily of equity securities listed on the ASX issued by Real Estate Issuers. The Fund will be actively managed to take advantage of opportunities within the Australian real estate sector with a focus on Real Estate Issuers that provide an attractive current cash yield and/or capital appreciation opportunities.

The Manager believes that Australian REITs offer attractive income and an opportunity for capital gains based on the market's recognition and revaluation of these issuers. In the view of the Portfolio Manager, (i) since the financial crisis of 2008, many participants in the Australian REIT sector have reduced leverage, simplified corporate and investment structures, raised additional capital and are positioned to grow capital values and distributions; (ii) this restructuring has had a positive effect on share prices though the sector remains considerably undervalued relative to previous peaks; and (iii) distributions from Australian REITs provide a stable yield which together with the possibility of capital growth provides a total return which is appealing relative to fixed interest alternatives.

The Fund will invest in Real Estate Issuers in various sectors, including industrial, residential, office, retail and other real estate sectors.

The Fund may from time to time invest in debt securities.

Investment Philosophy

MPPM utilizes an investment approach which it describes as "Quality at a Reasonable Price". MPPM believes that investment markets are inefficient because they underestimate risk in the short-term and extrapolate recent earnings' growth into the future. MPPM believes that security prices will mean revert to their fundamental value over the medium to longer-term, hence a deep understanding of the risk factors affecting businesses in the longer term is critical (as opposed to a focus on shorter-term earnings). MPPM believes that longer-term earnings will be more sustainable when a Real Estate Issuer has superior management and strategy, and a sound capital position. MPPM believes that a Real Estate Issuer's long-term fundamental value is defined by the discounted value of its future earnings, adjusted for the risk of those earnings. Accordingly, MPPM seeks to invest in Real Estate Issuers with better than average quality factors at discounts to their valuations (based upon risk adjusted future earnings).

Investment Process

MPPM's investment process for investing in Real Estate Issuers for the Fund includes the following:

- Assess trading liquidity to create a pool of eligible securities primarily sourced from rental and other property-related income. If a position in the Portfolio subsequently falls in value and/or no longer meets these requirements it will be removed from the Portfolio.
- Researching the key industry drivers and specific dynamics to determine the intrinsic value of each issuer, as derived by MPPM's proprietary valuation framework.
- The intrinsic valuations of Real Estate Issuers will be regularly compared to the prevailing security prices to identify valuation gaps or "alphas". A Real Estate Issuer with a positive "alpha" will mean it has a security price below the risk-adjusted valuation and, hence, is expected to generate a positive return similar to its "alpha".
- The Portfolio will be constructed to ensure active positions are taken in the highest ranking securities, while minimizing the volatility of portfolio returns. In general, the greater the positive alpha, the greater the expected weighting towards that security.
- Review portfolio weightings on an ongoing basis to ensure they remain appropriate.

Indicative Portfolio

If the Fund had been in existence on January 15, 2013, the Portfolio would have included the following securities (the "**Indicative Portfolio**"):

Real Estate Issuer	ASX Stock Symbol	Real Estate Sector ³	Market Capitalization (AUD\$ Millions) ¹	Weight (% of Indicative Portfolio)	Cash Yield (%) ²
Centro Retail Australia	CRF	Retail	3,254	4.00	5.73
CFS Retail Property Trust Group	CFX	Retail	4,673	13.00	6.68
Charter Hall Retail REIT	CQR	Retail	1,017	10.00	7.04
Westfield Group	WDC	Retail	22,559	2.00	4.48
Westfield Retail Trust	WRT	Retail	8,710	8.00	5.69
Stockland	SGP	Diversified	7,858	14.00	6.79
Dexus Property Group	DXS	Diversified	4,912	7.05	5.47
Abacus Property Group	ABP	Diversified	593	3.00	7.35
Mirvac Group	MGR	Diversified	5,328	3.00	5.46
Brookfield Multiplex SITES Subordinated Step-up units	MXUPA	Diversified	371	4.00	9.45
BWP Trust	BWP	Industrial	940	4.00	6.57
Goodman Group	GMG	Industrial	6,746	2.00	4.20
Goodman Plus Trust Preferred Step-up units	GMPPA	Industrial	307	4.00	7.01
Commonwealth Property Office Fund	CPA	Office	2,535	9.20	5.91
Investa Office Fund	IOF	Office	1,842	2.00	6.13
Australand Property Group	ALZ	Residential	799	4.00	6.23
Australand ASSETS Subordinated Step- up units	AAZPB	Residential	264	1.00	9.03
Cromwell Property Group	CMW	Residential	1,190	3.00	8.38
ALE Property Group	LEP	Other	445	1.50	6.93
ALE Notes 2 Floating Rate Note	LEPHC	Other	170	1.00	7.47
Average			3,725 ⁴		6.51 ⁵

Source: IRESS, as at January 15, 2013.

¹ As at January 15, 2013.

² Current cash yield declared to February 6, 2013.

³ "Diversified" refers to a Real Estate Issuer engaged in more than one real estate sub-sector.

⁴ Average market capitalization.

⁵ Cash yield of the Indicative Portfolio.

Note: Past performance is not an indication or guarantee of future performance. The Indicative Portfolio may vary from the actual Portfolio both on and after the initial investment of the assets of the Fund.

Foreign Currency Exposure

The Fund will initially be unhedged against currency exposure. From time to time, the value of the Portfolio is intended to be 100% hedged back to the Canadian dollar or 100% unhedged. The Manager has engaged Avenue to act as the investment advisor in respect of the Fund's currency hedging strategy. The Fund may use derivative instruments for currency hedging purposes only.

Australian Dollar

The Australian dollar is an independent, free-floating currency and, according to the Bank for International Settlements, is the fifth most traded currency in the global foreign exchange markets behind the U.S. dollar, the Euro, the yen and the pound sterling. In a similar fashion as the Canadian dollar, the Australian dollar has appreciated considerably against the U.S. dollar over the last number of years. As at January 29, 2013, one Australian dollar was equivalent to \$1.05 Canadian dollars. The Manager believes that the Australian dollar offers diversification benefits and is attractive to currency investors because of the comparatively high interest rates in Australia, the general stability of Australia's economy and political system, and Australia's exposure to the growing Asian economies.

The Canadian and Australian economies have similar economic and political characteristics, such as a strong and reputable financial sector, a resilient and growing natural resource sector, direct access to large economic trading partners (US and China) and stable democratic governments. Like Canada, Australia has a "AAA" credit rating which has been granted to it by three global rating agencies according to an Australian Trade Commission report dated February 8, 2012.

Leverage

The Fund may borrow through a traditional loan facility with a major Canadian chartered bank against the assets of the Fund to a maximum of 40% of Total Assets for the purposes of acquiring assets for the Portfolio and such other short term funding purposes as may be determined from time to time and in accordance with the investment strategy. Equivalently, the maximum amount of leverage that the Fund could employ is 1.67 to 1 (total long positions (including leveraged positions) divided by NAV). Initially, the Fund is expected to employ leverage of approximately 35% of Total Assets (54% of NAV). The Fund will borrow in Canadian dollars.

OVERVIEW OF THE SECTORS THAT THE FUND INVESTS IN

The following is an overview and analysis of the Australian economy, the Australian Real Estate Issuer market and the sub-sectors in which the Fund will invest.

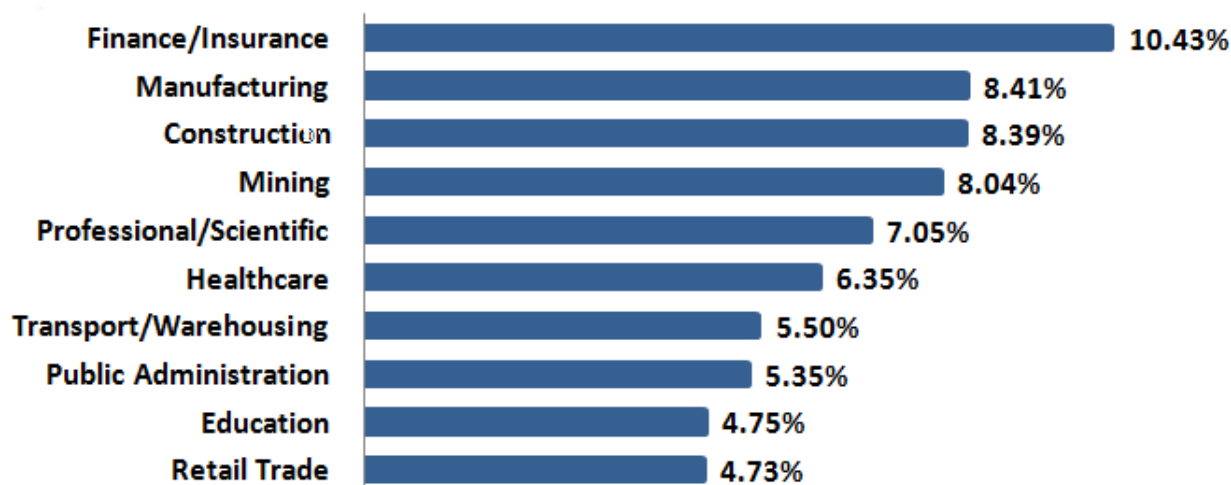
The Australian Economy

The Australian economy is modern and developed with a broad range of economic activity and a GDP of approximately US\$1.3 trillion (according to the World Bank in 2011). The Australian economy is diversified across a number of sectors. According to the Australian Bureau of Statistics, as of March 2012, the largest sector in Australia is the financial sector, followed by manufacturing. In the past 20 years, the Australian economy has experienced continued economic growth according to the International Monetary Fund (IMF) as published by the Australian Trade Commission in a report dated February 8, 2012. The IMF also projects that the GDP growth for Australia will be 3.9% in 2013. Among the world's leading financial systems and capital markets, Australia maintains a steady inflow of foreign direct investment and was ranked fifth in 2011 based on a financial development index developed and published by the World Economic Forum in The Financial Development Report 2011.

A November 2010 report by the Organisation for Economic Co-operation and Development named the Australian economy as one of the most resilient economies in the world during the recent global economic and financial crisis. Unlike many other countries, Australia did not experience a recession, and its banks did not require a "bail-out" from the government. The report credited amongst other things, the effectiveness of monetary and fiscal policies in Australia which mitigated the effects of the global downturn and the debt crisis in Europe.

The chart below displays the top 10 economic sectors of the Australian economy:

Top 10 Australian Economic Sectors, March 2012



Source: Australian Bureau of Statistics, March 2012.

The Australian Real Estate Issuer Market

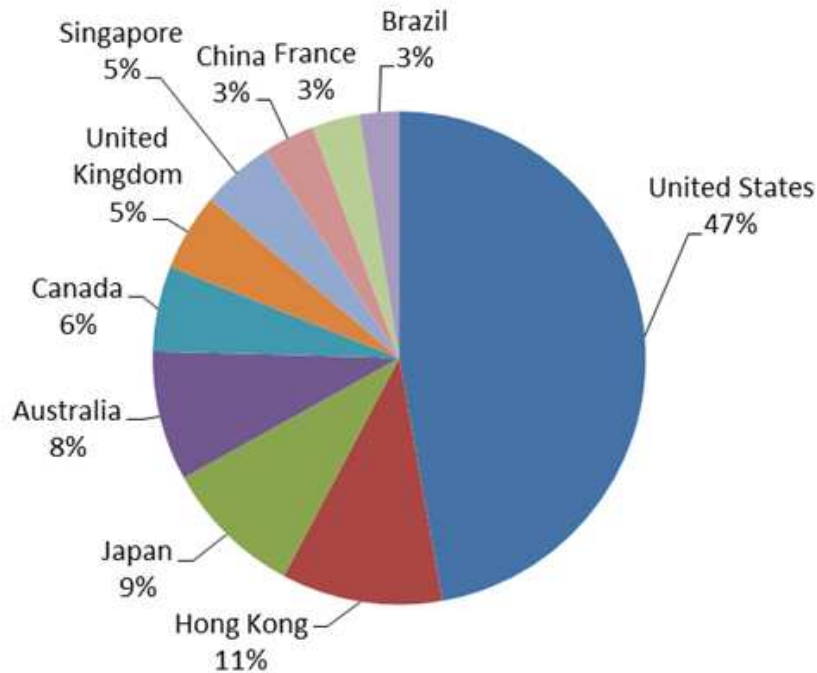
Australia has an active, well developed real property market. MPPM believes the listed property managers and owners in the Australian REIT sector have recovered from the lack of liquidity in the Australian credit markets and are now looking for growth opportunities.

This coincides with investors searching globally for higher rates of return. The Portfolio Manager believes that it is likely that the property sector will remain relatively attractive due to the stable income streams available from diverse property portfolios.

According to Jones Lang LaSalle's Global Market Perspective, Fourth Quarter 2012, transactional activity has also improved with Australia's relatively strong market and yield proving attractive to investors in a low-yield environment. The Australian REITs themselves have also increased their level of activity as they reset their portfolios and commence investing for growth again.

The Australian REIT sector is capitalized at AUD\$88.6 billion as of December 31, 2012 and as illustrated in the chart below, Australia has the fourth largest listed REIT sector after the United States, Hong Kong and Japan. While the sector is composed of over 70 REITs and Real Estate Issuers, the Australian REIT sector is relatively concentrated – approximately 32% of Australian REIT issuers comprise approximately 80% of the sector by market capitalization and issuers related to the Westfield Group comprise 35% of the Australian REIT sector.

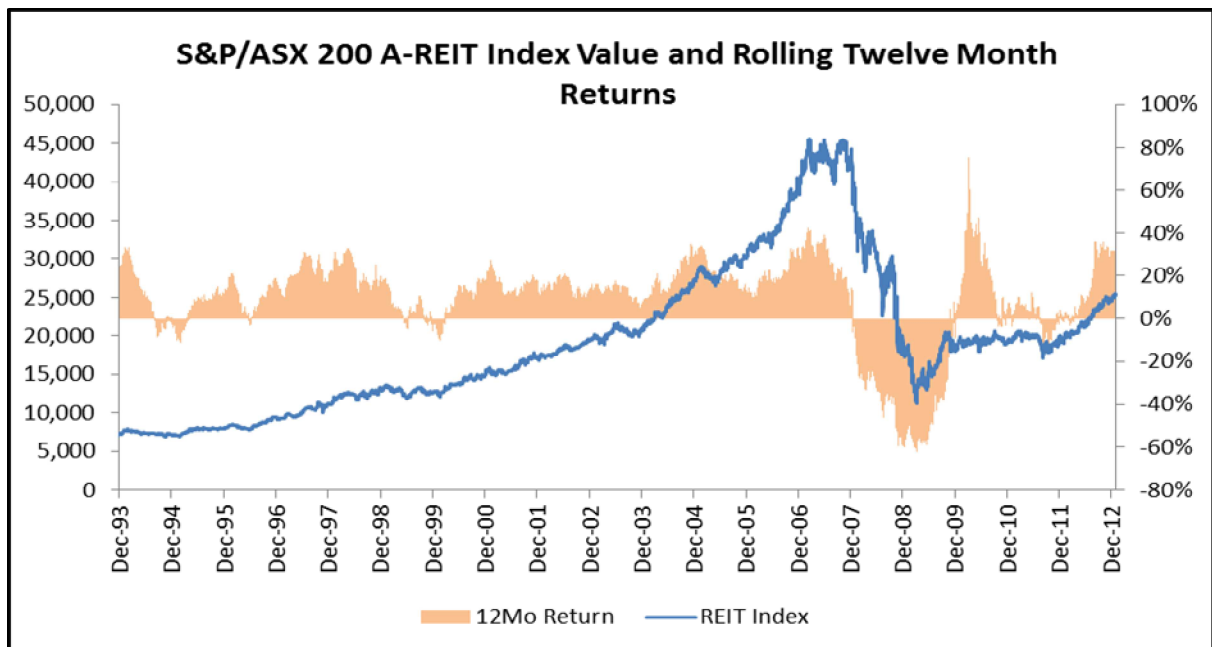
Significant Country and Regional Markets by FTSE EPRA/NAREIT Global Index Capitalization



Source: European Public Real Estate Association, as at July 31, 2012.

Australian Real Estate Issuer Performance

The Australian REIT sector share price performance is reflected in the S&P/ASX 200 A-REIT Index reproduced below. For the period ended December 31, 2012, the sector overall has an average 12 month return of 32.99% and a cumulative annual return of 2.54% per annum since December 31, 2002. As noted below, the S&P/ASX 200 A-REIT Index reflects market values closer to the 2004 levels prior to the 2008 global financial crisis.



Source: IRESS and Bloomberg, December 31, 2012.

The S&P/ASX 200 A-REIT Index returns to December 31, 2012 over one-, three- and six-month periods, as well as one-, two-, three-, five- and ten-years are presented below.

S&P/ASX 200 A-REIT Index Returns to December 31, 2012 in Australian Dollars

	<u>1-mth</u>	<u>3-mth</u>	<u>6-mth</u>	<u>1-yr</u>	<u>2-yr</u>	<u>3-yr</u>	<u>5-yr</u>	<u>10-yr</u>
S&P/ASX 200 A-REIT Index	2.86%	6.86%	14.26%	32.99%	14.46%	9.28%	-8.31%	2.54%

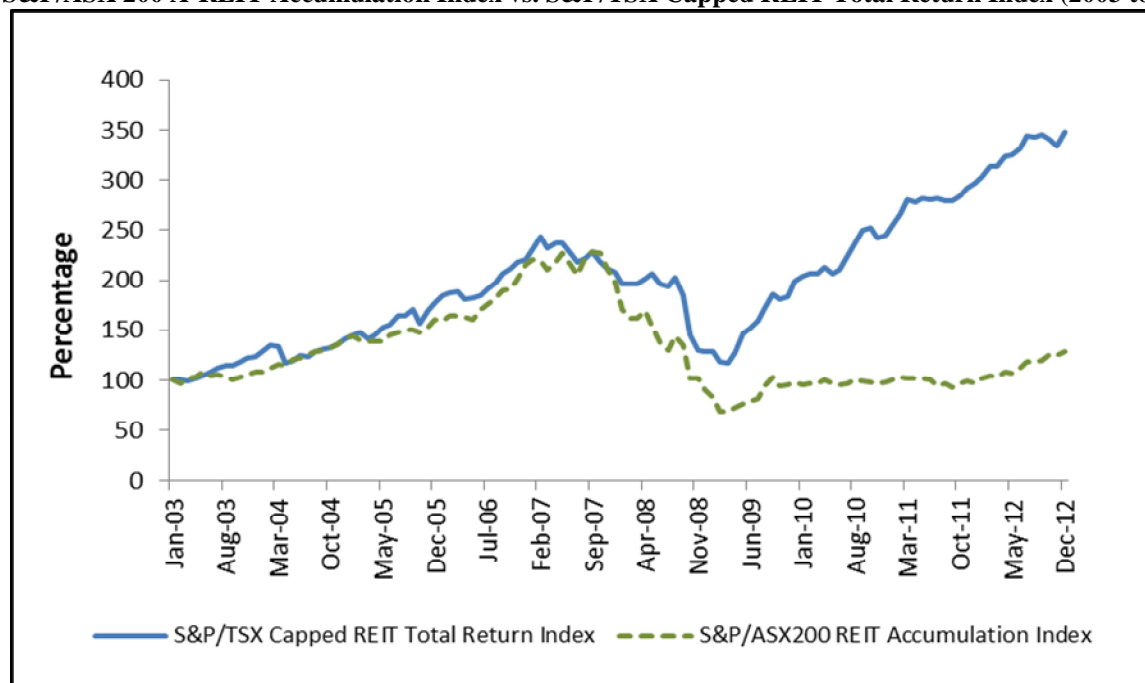
Source: Bloomberg, as of December 31, 2012.

The past performance of S&P/ASX 200 A-REIT Index is not indicative of future performance of the Fund. There is no assurance that the Fund's investment objectives will be achieved and the Fund's performance will vary from those shown above.

Australian REIT vs. Canadian REIT Performance

The chart below compares the returns of Canadian REITs (S&P/TSX Capped REIT Total Return Index) to those of Australian REITs (S&P/ASX 200 A-REIT Accumulation Index) since 2003. The Manager believes that the Fund will provide Canadian investors with an opportunity to gain exposure to a large REIT market in Australia that has only recently started to experience upward re-valuation.

The S&P/ASX 200 A-REIT Accumulation Index vs. S&P/TSX Capped REIT Total Return Index (2003 to 2012)



Note: The above chart does not take into account currency exchange fluctuations between the Australian dollar and the Canadian dollar.
Source: Bloomberg, January 9, 2013, IRESS.

Lower Debt Levels

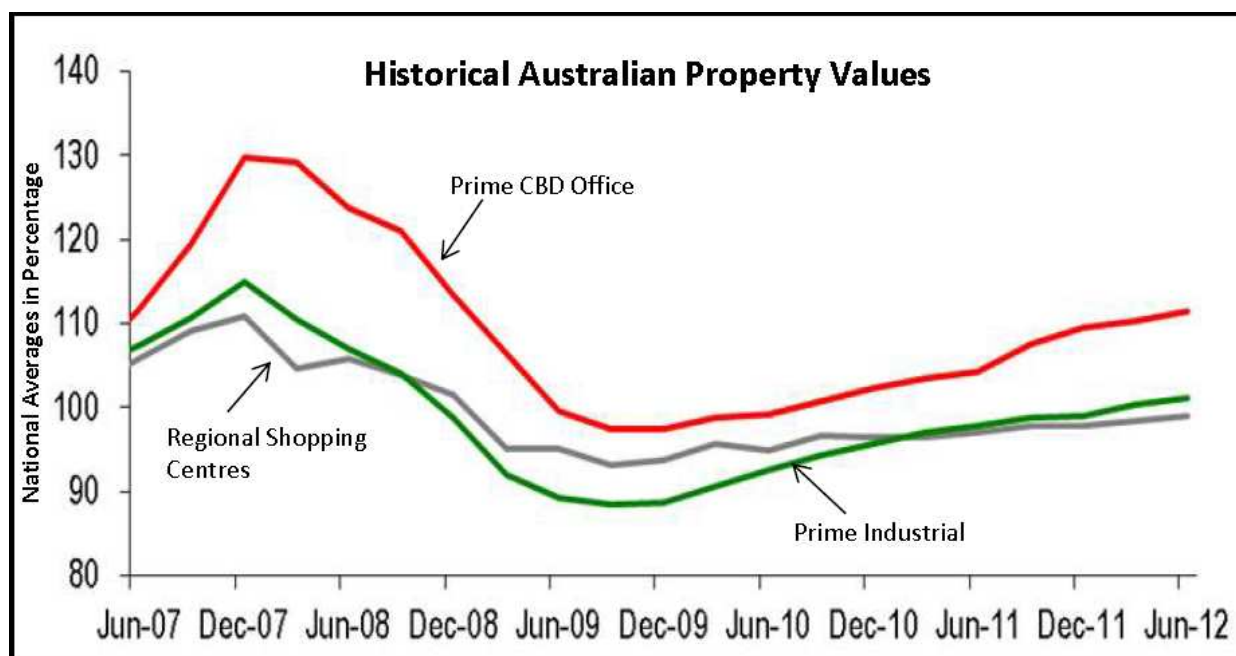
Following the global financial crisis, MPPM believes many Australian REIT management teams responded by restructuring their portfolios, selling assets to reduce debt, revising corporate structures and raising additional capital.

According to MPPM's analysis of Real Estate Issuers' annual reports, debt levels in the sector have substantially reduced and asset quality continues to increase; this reduction in leverage levels has brought down debt levels of Australian REITs relative to other businesses to traditional levels. Financial gearing (Debt/(Debt + Equity)) has declined from a high of 35% in 2007 to near 25% today. The Portfolio Manager believes that the sector has now returned to a stable financial state

and a property portfolio quality more consistent with historic business modes – stable income streams with low but predictable capital growth.

Stabilizing Property Values

According to Jones Lang LaSalle Research as of August 2012, the period of market uncertainty in the past few years saw the value of commercial properties generally decline from a peak in 2007, bottom in 2009 and rise modestly to the current level. The chart below reflects the general stabilization of property values and a trend which indicates that property values may be reverting to historical valuation levels.

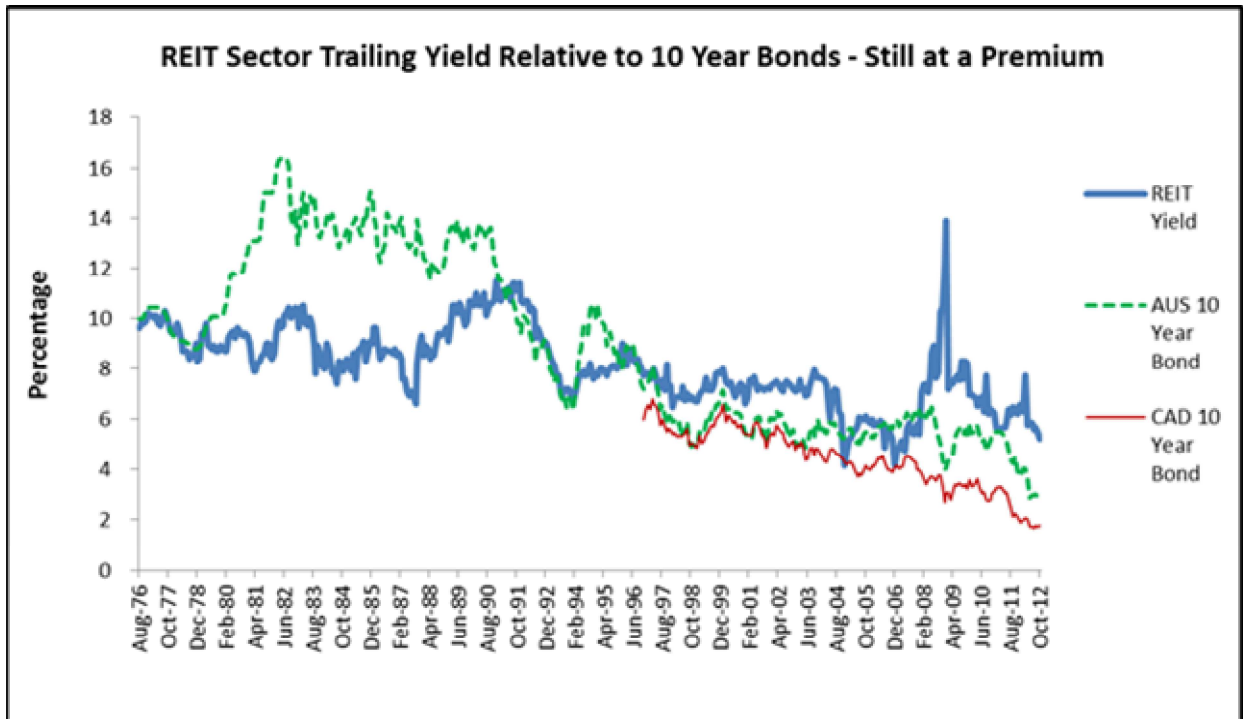


Note: National Average Capital Value Index, December 2006=100

Source: Jones Lang LaSalle, Property Market Update Q2, August 2012.

Australian REIT Yields at Premium to 10-Year Bonds

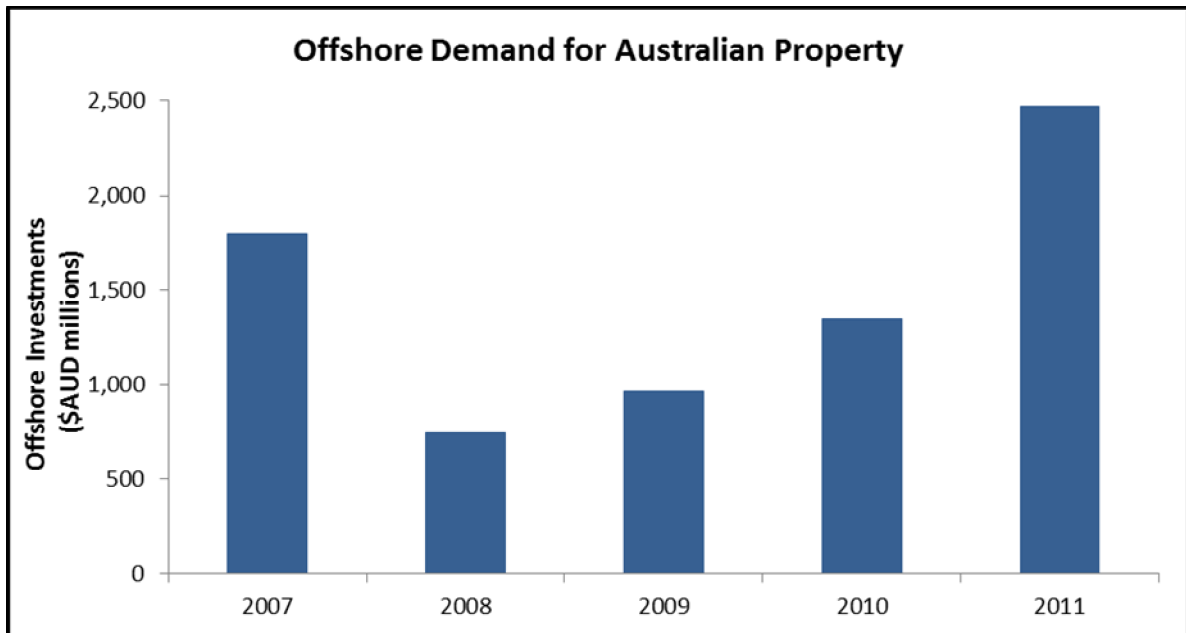
The Portfolio Manager believes that by historical standards, underlying Australian property yields are currently at large premiums to prevailing fixed interest and comparable property markets. According to the Portfolio Manager, as these valuations revert to historical levels, the capital value of the underlying property is expected to increase. This capital increase together with slowly rising rental income, stable vacancy rates and the constrained supply of floor space in many market segments help to generate returns on such properties. Though Australian 10-year bond rates run currently at a 125 basis point premium to Canada 10-year bonds, Australian REIT yields still run at a premium as outlined in the chart below:



Source: IRESS, October 31, 2012.

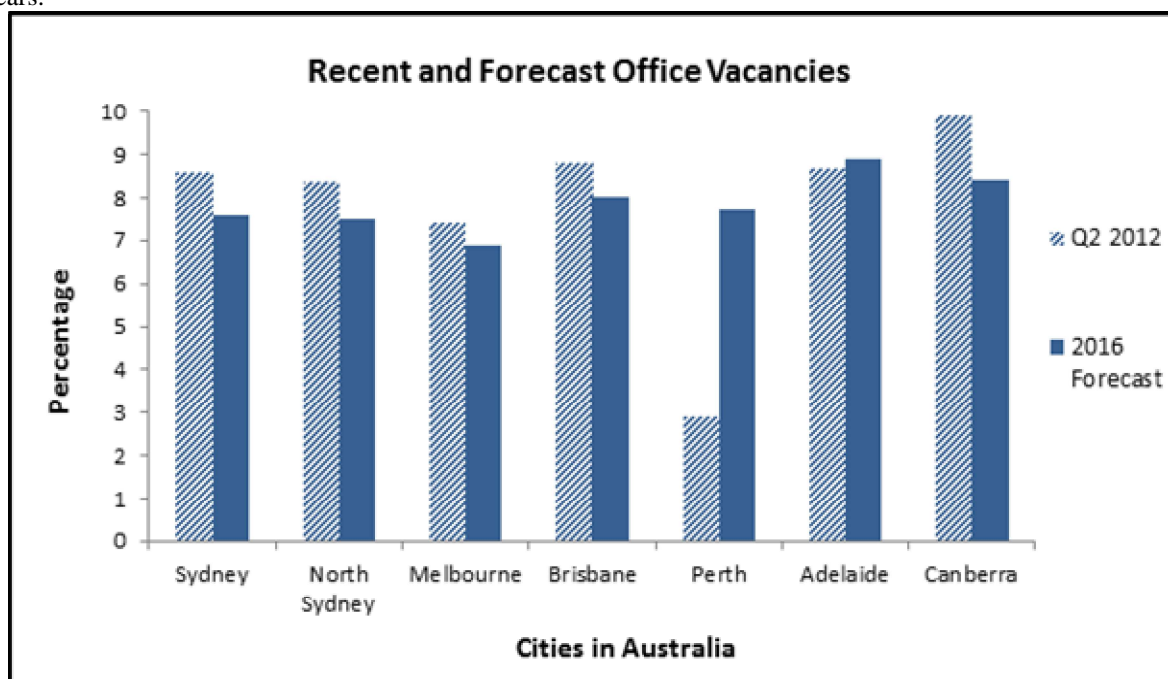
Offshore Australian Property Demand

Australia has maintained a relatively high level of GDP growth through the period between 2007 and 2011 and interest rates have also stayed higher than international levels in order to seek to restrain domestic inflation. This has contributed to international demand for Australian assets by offshore institutional investors particularly over the last two years. The chart below displays the offshore demand for Australian industrial, office and retail property as expressed by the amount of offshore investments.



Source: Jones Lang LaSalle, "advance" newsletter, March 2012.

The following chart highlights that in most major cities in Australia, vacancy rates are expected to decline in the next three years.



Source: Jones Lang LaSalle Research, August 2012.

Real Estate Sub-Sectors

Industrial Sector

Australian REIT investments in industrial property include office parks, light industrial precincts and warehouses, distribution centres and other logistics related property. According to Jones Lang LaSalle Research (March 2012), the industrial market is also demonstrating moderate growth potential in Australia with constrained supply, though demand growth is at a slower pace than a year ago. According to MPPM's review of Real Estate Issuer annual reports, there are now only two REITs specialised in industrial property, however the diversified vehicles also have a significant component of their portfolios invested in this sub-sector of the market with 18% of the REIT sector's assets in total comprised of "Industrial" buildings.

Residential

The residential development sector is represented in Australian REIT portfolios by large land banks which may be held for many years. Profits in this sector are realized as such properties are gradually converted into new communities, integrated apartment precincts or retirement residences. Such Australian REITs can obtain an ongoing profit stream as residences are resold at the end of lease periods. Residential prices have reduced over the past two years, stabilising in September according to the Australian Bureau of Statistics House Price Indexes for the Eight Capital Cities. Australian REIT management in this sector are cautiously optimistic about markets other than in Victoria where a change in regulation has caused an oversupply of lower priced housing.

Office Sector

Less dominated by Australian REITs, the Australian office market enjoyed strong rental growth in 2011 according to Jones Lang LaSalle Research (August 2012) with office rents ranging from a small decline in Canberra to 20% increase in Perth. Melbourne, Sydney and Canberra have been influenced by slower "white collar" employment growth while faster mining project related growth in the North and West have pushed Perth and Brisbane to the highest rental growth rates. These trends are currently moderating with market rental growth and vacancy rate differentials reducing.

Retail Sector

According to a Jones Lang LaSalle report (February 2012), Australia's retail malls typically have very low vacancy rates relative to Canada and the US. There is less available retail space per capita (approximately 2.2 metres per capita vs. U.S. rates near 4.8 square metres per capita) and the mix is much more concentrated in mall type properties. Retail vacancy rates in Sydney and Melbourne remain low across all categories, and despite some areas of oversupply with vacancy over 5% most other major cities maintain low vacancy rates.

INVESTMENT RESTRICTIONS

The Declaration of Trust contains investment restrictions to the effect that on and after the initial investment of assets, the Fund may not:

- (a) make any investment such that:
 - (i) less than 90% of the Total Assets are represented by Real Estate Issuers listed on the ASX; and
 - (ii) less than 75% of the Total Assets are represented by equity securities of Australian REITs;
- (b) invest more than 10% of the Total Assets in the securities of any single issuer, provided that the Fund may invest up to 15% of the Total Assets in the securities of each of up to two issuers at any given time, and provided that the foregoing restriction does not apply to securities issued or guaranteed by the Government of Canada or a province or territory thereof, or the Government of Australia or a province or territory thereof;
- (c) invest more than 10% of the Total Assets in debt securities;
- (d) borrow money, including pursuant to a loan facility if, immediately following the borrowings, the aggregate amount borrowed would exceed 40% of the Total Assets;
- (e) purchase, own or control the securities of any Australian REIT which constitute, or are convertible into or exercisable for, 10% or more of the outstanding voting or equity securities of such issuer or of any class of such issuer;
- (f) invest in equity securities of an Australian REIT if the REIT, prior to time of investment, has publicly disclosed that it does not or will not qualify as a "Managed Investment Trust" under *Schedule 1 of the Taxation Administration Act 1953* (Australia) with regard to an income year for which a fund payment has been made or is expected to be made;
- (g) sell securities short or maintain short positions;
- (h) purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (i) engage in derivative transactions, other than derivative transactions to hedge foreign exchange risk;
- (j) invest in any mortgaged-backed securities;
- (k) invest in asset-backed commercial paper or collateralized debt obligations directly or indirectly by selling credit protection under credit default swaps identifying any asset backed commercial paper or collateralized debt obligations as reference obligations;
- (l) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (m) own securities of an issuer if as a result of such ownership the Manager or Portfolio Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (n) invest in any security that would be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act;
- (o) invest in any securities of an entity that would be a foreign affiliate of the Fund within the meaning of the Tax Act;

- (p) make or hold any investments that would result in the Fund itself being subject to the tax for SIFT Trusts as provided for in section 122 of the Tax Act on the assumption that the proposed amendment to the definition of “Canadian real, immovable or resource property” for the purposes of the SIFT Rules, released on October 24, 2012 (the “**October 24, 2012 Tax Proposal**”), will be enacted;
- (q) acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act if the definition were read without paragraph (b) thereof (or any amendments to that definition) if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund;
- (r) act as an underwriter except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (s) make any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” or a “mutual fund trust” within the meaning of the Tax Act;
- (t) invest in any security of a foreign trust if that investment would result in the total fair market value of all interests in the foreign trust held by the Fund and persons not dealing at arm’s length with the Fund being 10% or more of the total fair market value of all interests in the foreign trust;
- (u) invest in any security of a foreign trust (or a partnership which holds such a security) that would not be an “exempt foreign trust” under the Tax Act; and
- (v) invest in securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds such property, if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Fund will not be considered a violation of the restriction (except for the restrictions in paragraphs (e), (q) or (t)). Investment restrictions that do not provide for a percentage restriction (except for the restriction in paragraph (f)) must be adhered to at all times. If an Australian REIT publicly discloses that it no longer qualifies as a “Managed Investment Trust” under *Schedule 1 of the Taxation Administration Act 1953* (Australia), the Fund will liquidate the position of such REIT prior to the ex-date for such REIT’s next distribution, provided that if such disclosure is made less than 10 Business Days prior to the ex-date for such distribution, the Fund will liquidate the position not later than the ex-date for the following distribution. The Fund may also hold cash equivalents from time to time.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by an Extraordinary Resolution, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time. See “Unitholder Matters”.

In certain circumstances, statutory or internal Macquarie Group imposed restrictions may preclude the acquisition or disposal of securities in the Fund. Without limitation, this includes where the acquisition would cause the Macquarie Group’s aggregated holdings in a company (including holdings that the Macquarie Group is required to aggregate) to exceed applicable takeover thresholds. In addition, where, due to such restrictions, there is limited capacity to acquire particular securities, the Fund will not have priority over any member of, or any other fund associated with, the Macquarie Group to acquire those securities. Such restrictions may result in an adverse effect on the value of the investments in the Fund due to the Portfolio Manager being unable to enter into positions or exit positions as and when desired.

FEES AND EXPENSES

Initial Expenses

The expenses of the Offering (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents’ fees, be paid from the gross proceeds of the Offering. The Offering expenses are estimated to be \$750,000. The Manager has agreed to pay all expenses incurred in connection with the Offering, other than the Agents’ fees, that exceed 1.5% of the gross proceeds of the Offering.

Management Fee

Pursuant to the terms of the Declaration of Trust, Harvest is entitled to a management fee (the “**Management Fee**”) at an annual rate of 1.30% of NAV per Unit, plus an amount equal to the Servicing Fee plus applicable taxes including HST.

Fees payable to Harvest will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The Management Fee will be paid in cash. The total Management Fee including the Servicing Fee paid by the Fund in respect to Class A Units will be 1.70% of the NAV per Class A Unit per annum. The Portfolio Manager and Investment Advisor will be remunerated by the Manager out of the Management Fee.

Servicing Fee

The Manager will pay to registered dealers a servicing fee (the “**Servicing Fee**”) equal to 0.40% annually of the NAV per Class A Unit for each Class A Unit held by clients of the registered dealers (calculated and paid at the end of each calendar quarter commencing in June 2013, plus applicable taxes including HST). The Servicing Fee paid in respect of the period from the Closing Date to the end of the first calendar quarter following Closing will be pro-rated accordingly. The Manager may, from time to time, pay the Servicing Fee more frequently than quarterly, in which event the Servicing Fee will be pro-rated for the period to which it relates. No Servicing Fee is payable in respect of the Class F Units.

Ongoing Fees and Expenses

The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications, fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee), fees payable to the Registrar and Transfer Agent, fees payable to the Custodian for acting as custodian of the assets of the Fund, any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, Independent Review Committee member fees and expenses in connection with the Independent Review Committee, expenses related to compliance with NI 81-107, fees and expenses relating to voting of proxies by a third party, insurance coverage for the members of the IRC, fees payable to the auditors and legal advisors of the Fund, regulatory filing, stock exchange and licensing fees, banking fees and interest with respect to any borrowing, website maintenance costs, taxes, brokerage commissions, costs and expenses of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness, any expenditures incurred upon the termination of the Fund. The aggregate amount of these fees and expenses (exclusive of interest with respect to any borrowing and brokerage commissions related to portfolio transactions) is estimated to be \$250,000 per annum.

Additional Services

Any arrangement for additional services between the Fund and the Manager, exclusive of management fees, debt service and other costs that have not been described in this prospectus shall be on the terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund shall pay all expenses associated with the additional services, subject to approval by the Fund's Independent Review Committee.

RISK FACTORS

Certain risk factors relating to the Fund and the Units are described below which prospective investors should consider before purchasing. Additional risks and uncertainties not currently known to the Manager or the Portfolio Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Units could be materially adversely affected.

No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of income and distributions payments received in respect of the investments in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Unit will appreciate. It is possible that, due to declines in the levels of income, the Fund will have insufficient Portfolio assets to achieve its investment objectives.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss and who can withstand the effect of no distribution being paid in any period.

No Guaranteed Return

There is no guarantee that an investment in the Fund will earn any positive return in the short term or long term. The Indicative Distribution Amount from year to year may be significantly less than the initial targeted Indicative Distribution Amount. The Manager, on behalf of the Fund, may at any time re-evaluate the Indicative Distribution Amount.

Risks Associated with Investing in Equity Securities

Equities such as common shares or units of income trusts give the holder part ownership in the issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect issuers and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Volatility and Distributions

The amount of distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month. The gross current yield on the securities comprising the initial anticipated Portfolio is approximately 6.51% (based on the current cash yield on the Indicative Portfolio which may vary from the actual Portfolio and therefore the actual yield may vary). The Portfolio would be required to generate a return of approximately 6.4% per annum in order for the Fund to maintain a stable NAV per Unit, after accounting for the fees and expenses of the Offering and withholding tax, while making the initial cash distributions of \$0.66 per Unit per annum (assuming an offering size of \$100 million, fees and expenses are as disclosed herein, leverage of approximately 35% of Total Assets (54% of NAV) and no changes in exchange rates and interest rates). If the income from the Portfolio is less than the amount necessary to fund the monthly distributions, the Manager may supplement the amounts needed through capital gains from the Portfolio, or may return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid, in which case the Net Asset Value per Unit would be reduced. Volatility of the Portfolio will be impacted by the foreign currency exposure and leveraging of the Fund.

Composition and Concentration of Portfolio

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated on the real estate sector. The composition of the Portfolio will also be concentrated by geography as investments are made primarily in Australian REITs and to a lesser extent, issuers principally engaged in the real estate industry and listed on the ASX. The Australian REIT sector is relatively concentrated – approximately 32% of Australian REIT issuers comprise approximately 80% of the sector by market capitalization. Therefore, the Portfolio may be considered less diversified than portfolios of other investment vehicles.

Investing in one specific sector of the stock market entails greater risk than investing in all sectors of the stock market. If a sector declines or falls out of favour, the share values of most or all of the companies in that sector will generally fall faster than the market as a whole. The assets, earnings and share values of companies involved in the real estate industry are influenced by a number of different factors including economic cycles, inflation, the cost of capital available to Real Estate Issuers, the level of short and long term interest rates, the timing of increases in supply, consumer confidence, investor confidence in competing asset classes, demographic trends, the policies of various levels of government and the economic well-being of industries such as retail and tourism.

Investing in Real Estate Issuers

Real Estate Issuers generally are subject to certain risks related to their direct ownership of real estate. Real property investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and upon the vacancy rates of the property portfolio. There are also certain types of risks relating to the ownership of real estate, generally of a catastrophic nature, such as wars or environmental contamination, which may be either uninsurable or not insurable on an economically viable basis. In addition, environmental laws may render a Real Estate Issuer liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. Real estate ownership may also require certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges regardless of whether the property is producing any income.

Risks Associated with the Performance of the Australian Real Property Market

The conditions of the Australian property market are subject to change based on general economic conditions such as supply and demand, fluctuations in occupancy rates, financial conditions, political, social and environmental factors. Any of these factors can cause a sharp decline in Australian real property values which will cause a decline in the value of the issuers that invest in them or whose principal business is related to real property. In addition, if the Australian property market is in a decline, capital gains and rental income on real property often decline as well.

Leverage Risk

The Fund's exposure to the Portfolio may be increased due to leverage by borrowing against the assets of the Fund to a maximum of 40% of value of the Total Assets or 1.67 to 1 (total long positions (including leveraged positions) divided by NAV). As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 1.67 to 1. The addition of leverage has the potential to enhance returns but also involves additional risks including foreign currency exposure as described below. There can be no assurance that such leverage will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. The cost of borrowing may also increase which will be an expense of the Fund.

Foreign Currency Exposure

Following the Closing, the Manager will convert substantially all the net cash proceeds of the Offering into Australian dollars. Amounts realized in the sale of securities acquired by the Fund pursuant to the Exchange Option will be converted to Australian dollars as soon as practicable following disposition of such securities. Until such time, the Fund is exposed to increases in the value of the Australian dollar. In addition, any borrowing of the Fund will be in Canadian dollars and such funds will also be converted to Australian dollars. Thereafter, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the Australian dollar relative to the Canadian dollar. The Portfolio may not be fully hedged and distributions received on the Portfolio will not be hedged and accordingly no assurance can be given that the Portfolio and the distributions will not be adversely impacted by changes in the Australian dollar to Canadian dollar exchange rate.

In addition, to the extent the Portfolio is not hedged, a decrease in the Australian dollar relative to the Canadian dollar may have an adverse effect on the Fund, including requiring the Fund to dispose of additional assets or increase the amount of leverage employed by the Fund in order to fund the distribution, interest payments or loan repayments pursuant to leverage employed by the Fund, the Annual Redemptions, the Monthly Redemptions, and other obligations of the Fund denominated in Canadian dollars that it may incur from time to time.

The Fund does not expect to employ any currency hedging initially. The Investment Advisor may hedge, from time to time, all of the value of the Portfolio back to the Canadian dollar when it considers it appropriate to do so. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Portfolio if the Investment Advisor's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging strategy may outweigh the benefits of the arrangements in such circumstances and may reduce the NAV of the Fund.

Use of Derivatives Risks

The Fund may use derivative instruments for currency hedging purposes and only to the extent the Investment Advisor considers it appropriate. There can be no assurance that the Fund's foreign currency hedging strategies will be effective. There is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in a futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on futures or forward contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the futures or forward contract terminates. The inability to close out futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge the currency exposure of the Portfolio.

Risks Associated with the Exchange Option

A portion of the proceeds realized pursuant to the Offering will be by way of deposits under the Exchange Option. Accordingly, the Portfolio may be initially exposed to the value of the securities of a limited number of Exchange Issuers. To achieve the desired Portfolio, the Manager may be required to dispose of securities at prices below the prices at which they are then trading and perhaps at prices which are below what the Manager believes they are worth. This may have a negative

impact on NAV during the period in which the Portfolio is being established. No assurance can be given that this will not adversely and materially affect the performance of the Fund in the near term. Additionally, the price of these securities on the Closing Date may be higher or lower than the price that was used to calculate the Exchange Ratios for such securities. Notwithstanding any such change, the Exchange Ratios will not, unless otherwise disclosed, change from the date on which they are established and, accordingly, if the price of an Exchange Eligible Security on the Closing Date is less than the price used to calculate the Exchange Ratio, the Fund will in effect pay more to acquire the Exchange Eligible Securities than it would if it had acquired the same security in the market on the Closing Date.

Interest Rate Fluctuations

As the Fund is targeting monthly distributions representing a yield on the Offering Price of the Units of 5.5% per annum, the trading price of the Class A Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the trading price of the Class A Units. Changes in interest rates may also adversely affect the business of the issuers in which the Fund invests or the trading price of the securities of such issuers.

Australian Economic Conditions and Credit Risk

There is no assurance however that Australia's economy and credit rating will remain the same. A decline in Australia's economy (or a recession similar to ones experienced recently by other countries) may have a significant effect on Australia's real property market which the Fund invests in. A downgrade of Australia's credit rating may cause borrowing interest rates to rise, and thus decrease the affordability of financing real property projects.

Risk Regarding Australian Government Policies

There can be no assurance that current Australian income tax laws, securities laws and other applicable laws will not be changed in a manner which adversely affects the monthly distributions to be paid out by the Fund to Unitholders.

In addition, changes in legislation can have an adverse effect in real property ownership in Australia or limit the types of development that can take place within a geographic location.

Risks Associated with Investing in Other Types of Securities

The Fund may from time to time invest in securities other than equity securities such as debt securities. Debt securities are subject to certain general investment risks that are similar to equity investments. In addition to credit risk and interest rate risk, a number of other factors may cause the price of a debt security to decline. In the case of corporate debt securities, this could include specific developments relating to the company, as well as general financial, political and economic conditions in the country where the company operates. In the case of government debt securities, this could include general economic, financial and political conditions. The value of the Portfolio will be affected by changes in the prices of the debt securities that it holds. Certain debt securities that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

Debt securities are also subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Reliance on the Manager, the Portfolio Manager and the Investment Advisor

The Manager is responsible for providing, or arranging for the provision of, management and administrative services including investment and portfolio management services required by the Fund. The Portfolio Manager is responsible for making investments of the Fund in Real Estate Issuers, other securities, cash and cash equivalents. The Investment Advisor will act as the investment advisor in respect of the Fund's currency hedging strategy. Investors who are not willing to rely on the Manager, the Portfolio Manager and the Investment Advisor should not invest in the securities of the Fund.

Risk regarding Portfolio Manager being a Non-Resident

The Portfolio Manager has its offices, and has all or a substantial portion of its assets, located outside of Canada and an investor may encounter difficulties enforcing legal rights against it.

Trading Restrictions in connection with the Portfolio Manager

In certain circumstances, statutory or internal Macquarie Group imposed restrictions may preclude the acquisition or disposal of securities in the Fund. Without limitation, this includes where the acquisition would cause the Macquarie Group's aggregated holdings in a company (including holdings that the Macquarie Group is required to aggregate) to exceed

applicable takeover thresholds. In addition, where, due to such restrictions, there is limited capacity to acquire particular securities, the Fund will not have priority over any member of, or any other fund associated with, the Macquarie Group to acquire those securities. Such restrictions may result in an adverse effect on the value of the investments in the Fund due to the Portfolio Manager being unable to enter into positions or exit positions as and when desired.

Trading at a Discount and Risks Relating to Redemptions

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit.

Class A Units will be redeemable at 100% of the Net Asset Value per Class A Unit on an Annual Redemption Date less any nominal costs and expenses associated with the redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any. The purpose of the Annual Redemption right is to reduce the discount at which Class A Units trade to the Net Asset Value per Class A Unit and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Class A Units are redeemed, the trading liquidity of the Class A Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Class A Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager may also suspend the redemption of Class A Units in the circumstances described under “Redemption of Units — Suspension of Redemptions”.

Nature of the Units

The Units are neither equity securities of a company nor debt instruments. The Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

No market for Class F Units

Class F Units will not be listed on any stock exchange. It is expected that liquidity for Class F Units will be obtained primarily by means of conversion of Class F Units into whole Class A Units and the sale of those Class A Units.

Taxation of the Fund

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Canadian Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA (as defined hereinafter) respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities in the Portfolio as capital gains and losses. CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The SIFT Rules will apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because, at any time that the Units are listed or traded on a stock exchange or other public market as defined in the Tax Act, the Fund should not hold “non-portfolio property” based on its investment objectives and investment restrictions. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA’s view should not affect the Fund’s ability to deduct interest on money borrowed to acquire units of Australian REITs included in the Portfolio. If the CRA’s view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Australian REIT securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

It is the Fund's understanding that the Fund will generally be subject to Australian withholding tax at the rate of 10% on interest and 15% on dividends whether received from an Australian corporation or as distributions from an Australian REIT structured as a trust (or 0% if the dividends are paid out of fully taxed profits).

It is the Fund's understanding that Unitholders will generally be subject to Australian withholding tax at the concessional rate of 15% on distributions to the Fund out of rental income and taxable capital gains from an Australian REIT that qualifies as a managed investment trust (a "MIT") for the purposes of the Australian MIT withholding tax provisions. As the Fund is itself a trust and therefore a flow through entity for Australian tax, for the Unitholder to be entitled to the concessional MIT withholding tax rate of 15%, the Unitholder must be a resident of Canada (for Canadian tax purposes) or another qualifying country listed in the relevant Australian regulation. Otherwise, the Unitholder would be subject to 30% MIT withholding tax in Australia (with a credit available for Australian tax purposes for the 15% initially withheld by the Australian REIT). In that case, the Unitholder would be required to lodge an Australian income tax return and pay the additional 15% Australian withholding tax.

The Australian withholding tax withheld from payments of interest and dividends by both Australian corporations or trusts and distributions of net rental income and taxable capital gains made to the Fund by qualifying MITs should be a final tax and no further Australian tax obligations should arise for either the Unitholder or the Fund with regard to the income received by the Fund from its investments in equity and notes issued by an Australian REIT.

If an Australian REIT included as an investment in the Portfolio does not qualify as a MIT or loses this qualification during the time of the investment, the Australian REIT would be required to withhold Australian tax at a rate of 45% on distributions of rental income and capital gains to the Fund. This is not a final tax and as the Fund itself is a trust, a Unitholder would be required to lodge an Australian income tax return and claim a refund for any such tax withheld which exceeds his, her or its Australian income tax liability in respect of Australian income (e.g. for a corporate Unitholder, the applicable rate would be 30%). The investment restrictions of the Fund as set out under "Investment Restrictions" restrict the Fund from investing in equity securities of an Australian REIT if the REIT, at the time of investment, has publicly disclosed that it did not qualify as a "Managed Investment Trust" under *Schedule 1 of the Taxation Administration Act 1953* (Australia).

Based on the Fund's intention to hold its investments in Australian REITs on capital account and on the assumption that the Fund will not hold 10% or more in the equity of any of the Australian REITs included in the Portfolio (whether such Australian REIT qualifies as a MIT or not), any gain on disposal by the Fund of its interest in an Australian REIT should not be taxable in Australia.

These Australian income tax considerations should apply on the basis that the Fund will not have a permanent establishment in Australia, including as a result of the services provided by the Portfolio Manager in Australia, and that the investments by the Fund will be held on capital account for Australian income tax purposes. Should the Australian tax authorities challenge these premises, the Australian tax implications described above would change considerably.

See "Australian Tax Considerations – Taxation of Unitholders" and see also "Canadian Income Tax Considerations – Taxation of Unitholders" for certain income tax considerations relevant to certain Unitholders resident in Canada for purposes of the Tax Act with respect to foreign withholding tax.

The Foreign Account Tax Compliance ("FATCA") provisions of the US Hiring Incentive to Restore Employment Act generally impose a reporting and 30% withholding tax regime with respect to (a) certain US source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source interest or dividends and (b) certain non-US source payments made by non-US financial institutions acting in the capacity of withholding agents pursuant to procedures established under FATCA. For purposes of the FATCA rules, the Fund is expected to be treated as a non-US financial institution. Under FATCA, the Fund can choose to enter into an agreement (a "FATCA Agreement") with the US Internal Revenue Service (the "IRS") pursuant to which it agrees to (i) report to the IRS information regarding the US holders of interests in the Fund and certain US persons that indirectly hold interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), (ii) comply with other reporting, verification, and due diligence requirements, and (iii) act in the capacity of a withholding agent. Accordingly, if the Fund enters into a FATCA Agreement, the Fund may be required under certain circumstances to withhold US tax on non-US source payments that it makes to Unitholders depending on the content of future guidance by the IRS regarding the taxation of non-US source payments under FATCA. In particular, if the Units are not regularly traded on an established securities market, the Fund may be required to withhold US tax on certain non-US source payments that it makes after December 31, 2016 to Unitholders that fail to provide information requested by the Fund to satisfy the terms of its FATCA Agreement. It is expected, however, that the Class A Units will be regularly traded on an established securities market and,

therefore, the Fund will not be required to request such information from any holder of Class A Units. In addition, regardless of whether the Class A Units are regularly traded on an established securities market, the Fund may be required to withhold US tax on certain non-US source payments that it makes after December 31, 2016 to any non-US financial institution that holds Units on behalf of a Unitholder (for example, a Unitholder's Canadian investment dealer) if such non-US financial institution has not entered into a FATCA Agreement (and is not otherwise deemed to comply with FATCA). If such non-US financial institution enters into a FATCA Agreement, the non-US financial institution will not be subject to withholding under FATCA but, as a result of entering into a FATCA Agreement, may be required to comply with the withholding obligations described in the foregoing discussion.

If the Fund does not enter into a FATCA Agreement, the Fund will not be required to act in the capacity of a withholding agent pursuant to FATCA and, therefore, will not be required to withhold under FATCA on any payment that it makes to any Unitholder. However, unless the Fund enters into a FATCA Agreement (or is otherwise deemed to comply with FATCA), the Fund will be subject to a 30% withholding tax on payments of certain US source income (including interest and dividends) that it receives after December 31, 2013 and on gross proceeds that it receives after December 31, 2016 from the sale or other disposition of property that can produce US source interest or dividends. In addition, unless the Fund enters into a FATCA Agreement (or is otherwise deemed to comply with FATCA), the Fund may be subject to withholding tax, depending on future guidance provided by the IRS, on certain non-US source payments that it receives after December 31, 2016 from other non-US financial institutions acting in the capacity of withholding agents pursuant to FATCA. It is not expected that the Fund will receive any US source income that would be subject to withholding under FATCA or any gross proceeds from the sale or other disposition of property that can produce US source interest or dividends. However, depending on future guidance provided by the IRS, a portion of payments from other non-U.S. financial institutions acting in the capacity of withholding agents pursuant to FATCA may constitute a non-US source payment that will be subject to withholding under FATCA after December 31, 2016. The Fund has not yet determined if it will enter into a FATCA Agreement.

This description is based on guidance issued by the IRS, including recently issued final regulations. Future guidance may affect the application of FATCA to the Units, including the potential future release of an intergovernmental agreement between the United States and Canada to implement the provisions of FATCA.

Status of the Fund

The Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, will not apply to the Fund.

Potential Conflicts of Interest

The Manager and the Portfolio Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or portfolio management of other accounts, funds or trusts which invest primarily in the securities held by the Fund. Although officers, directors and professional staff of the Manager and the Portfolio Manager will devote as much time to the Fund as is deemed appropriate to perform its duties, the staff of the Manager and the Portfolio Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Portfolio Manager.

For example, the Portfolio Manager may manage or advise with respect to accounts or funds (including separate accounts and other funds and pooled investment vehicles) that have investment objectives similar to those of the Fund and may engage in similar investments of securities as the Fund. Such investments will be executed independently of investments of the Fund and thus at prices that may be more or less favourable than those obtained by the Fund.

The Portfolio Manager will receive fees for its services and to compensate it for costs and expenses incurred under certain situations, see "Fees and Expenses" and "Organization and Management Details of the Fund – The Portfolio Manager."

Recent Global Financial Market Developments

Global financial markets have been experiencing a sharp increase in volatility since 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. Most recently, several European countries have been documented as having rising debts and are having difficulties refinancing those debts to pay back bondholders. The "European debt crisis" as it has been called, referring to the set of events from late 2009 to present day, has seen the sovereign debt ratings of several

countries downgraded by Standard & Poor's Ratings Services and other ratings agencies, the rise in borrowing costs and the decline in investor confidence.

While the European Union, central banks and governments continue attempts to preserve financial stability in Europe, restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the Portfolio. A substantial decline in the market could be expected to have a negative effect on the Fund and the market price of the Units.

Operating History

The Fund is a newly organized closed-end investment fund with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the offering.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Changes in Legislation

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

DISTRIBUTION POLICY

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. The initial Indicative Distribution Amount will be \$0.055 per Unit per month (\$0.66 per Unit per annum representing an annual cash distribution of 5.5% based on the \$12.00 per Unit issue price). The initial cash distribution is anticipated to be payable on or before May 15, 2013 to Unitholders of record on April 30, 2013. Beginning in March 2014, the Fund will at least annually determine and announce the Indicative Distribution Amount for the following 12 months based upon, among other factors, income received from the Fund's investments.

The Portfolio would be required to generate a return of approximately 6.4% per annum in order for the Fund to maintain a stable NAV per Unit, after accounting for the fees and expenses of the Offering and withholding tax, while making the initial cash distributions of \$0.66 per Unit per annum (assuming an offering size of \$100 million, fees and expenses are as disclosed herein, leverage of approximately 35% of Total Assets (54% of NAV) and no changes in exchange rates and interest rates). Based on its initial anticipated composition and employing leverage of approximately 35% of Total Assets (54% of NAV), the Portfolio is expected to generate income per annum, which, after deduction of fees and expenses of the Offering and withholding tax, will be sufficient to fund the monthly cash distributions at the initial Indicative Distribution Amount. If the return on the Portfolio is less than the amount necessary to fund the monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders so that the distribution is paid and, accordingly, NAV per Unit will be reduced. **The amount of monthly cash distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

If, in any taxation year, after such distributions there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for non-refundable income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date.

Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Income Tax Considerations".

PURCHASES OF SECURITIES

Prospective purchasers may subscribe for Units through any one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about March 21, 2013, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued. The distribution price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution".

The Exchange Option

The maximum number of Exchange Eligible Securities of any one Exchange Issuer that the Fund may acquire under the Exchange Option is the least of (i) that number that would constitute 10% of the net assets of the Fund, (ii) that number that, if combined with the other securities of such Exchange Issuer held, directly or indirectly, or over which control or direction is exercised by the Manager, the Portfolio Manager or any party acting jointly or in concert with the Manager or the Portfolio Manager, would result in the Manager, Portfolio Manager and any such party directly or indirectly holding or exercising control or direction over 19.9% of the outstanding securities of such Exchange Issuer, (iii) if the Exchange Issuer is a corporation or a trust resident in Canada under the Tax Act, that number of securities with a fair market value that constitutes 9.9% of the equity value of such Exchange Issuer for purposes of section 122.1 of the Tax Act, (iv) if the Exchange Issuer is a corporation that is not resident in Canada, that number of securities that would ensure that the Exchange Issuer is not a "foreign affiliate" of the Fund under the Tax Act, and (v) if the Exchange Issuer is a trust that is not resident in Canada, that number of securities that would result in the total fair market value of all interests in the Exchange Issuer held by the Fund and persons not dealing at arm's length with the Fund being less than 10% of the total fair market value of all interests in the Exchange Issuer (such lesser number being referred to as the "**Maximum Ownership Level**"). To the extent that the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Issuer and an excess of securities of such Exchange Issuer above the Maximum Ownership Level has been deposited and not rescinded, then the securities of such Exchange Issuer will be accepted by the Fund up to the Maximum Ownership Level and the balance will be re-credited to purchasers' accounts through CDS.

The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Issuer.

The transfer of Exchange Eligible Securities to the Fund will result in a taxable disposition of such securities by the prospective purchaser who has made an Exchange Option Election. See "Canadian Income Tax Considerations – The Exchange Option".

Procedure for the Exchange Option

A prospective purchaser of Units who elected to pay for such Units by using the Exchange Option must have done so by means of a book-entry deposit through CDS. Prospective purchasers intending to use the Exchange Option must have deposited Exchange Eligible Securities with the Exchange Agent through CDS prior to 5:00 p.m. (Toronto time) on February 22, 2013. Such book-entry deposits must have been made by a CDS Participant, who may have had an earlier deadline for receiving instructions from its clients to deposit securities into the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of Exchange Eligible Securities under the Exchange Option (including the transfer authorized thereby) is, subject to the completion of this Offering, irrevocable unless withdrawn as described under the heading "Purchasers' Statutory Rights of Withdrawal and Rescission".

By authorizing a deposit of securities under the Exchange Option through CDS, a prospective purchaser will have authorized the transfer to the Fund of each such security and represents and warrants that the prospective purchaser has the full right and authority to transfer the securities and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such securities. The Manager's interpretation of the terms and conditions of the Exchange Option will be final and binding. The Manager reserves the right to waive any conditions of the Exchange Option, other than the Maximum Ownership Level, and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option. The Manager also reserves the right to accept or reject any security under

the Exchange Option for any reason, including, without limitation, an unfavourable relationship between the Exchange Ratio, as discussed below, and the prevailing trading price or rating of an Exchange Eligible Security.

If, for any reason, at the discretion of the Manager, the Exchange Eligible Securities deposited pursuant to the Exchange Option are not acquired by the Fund, the holders of such securities will be notified of such fact as soon as practicable following the Closing or the termination of the Offering, as the case may be, and such securities will be re-credited to their accounts through CDS and the CDS Participants.

Determination of Exchange Ratios

The Exchange Ratio was determined by dividing the volume weighted average trading price of such securities on the TSX during the Pricing Period, as adjusted to reflect distributions declared by the applicable Exchange Issuer that will not be received by the Fund, by \$12.00. The Exchange Ratios were rounded down to four decimal places. Fractional Units will not be issued by the Fund. Allocation of cash in respect of fractional Units to purchasers who have authorized the deposit of Exchange Eligible Securities through CDS will be at the discretion of the CDS Participant.

Delivery of Final Prospectus and Issuance of Press Release

Each prospective purchaser who authorized the deposit of Exchange Eligible Securities through CDS by 5:00 p.m. (Toronto time) on February 22, 2013 will be furnished with a copy of the final prospectus relating to this Offering.

The Fund issued a press release on February 22, 2013 announcing for each Exchange Eligible Security, the TSX ticker symbol, CUSIP number, volume weighted average trading price and the applicable Exchange Ratio.

The Exchange Eligible Securities

The table below sets out the Exchange Eligible Securities. The name of the Exchange Eligible Security, TSX ticker symbol, CUSIP number, volume weighted average trading price and Exchange Ratio are listed.

Exchange Eligible Securities	TSX Ticker Symbol	CUSIP Number	Volume Weighted Average Trading Price	Exchange Ratio
Allied Properties Real Estate Investment Trust	AP.UN	019456102	34.3974	2.8570
Artis Real Estate Investment Trust	AX.UN	04315L105	16.0346	1.3287
Boardwalk Real Estate Investment Trust	BEI.UN	096631106	66.1649	5.5000
Brookfield Canada Office Properties	BOX.UN	112823109	29.2600	2.4302
Brookfield Office Properties Inc.	BPO	112900105	17.0972	1.4131
BTB Real Estate Investment Trust	BTB.UN	11777P300	4.6223	0.3824
Calloway Real Estate Investment Trust	CWT.UN	131253205	29.0652	2.4114
Canadian Apartment Properties Real Estate Investment Trust	CAR.UN	134921105	25.7092	2.1347
Canadian Real Estate Investment Trust	REF.UN	13650J104	46.2162	3.8410
Chartwell Seniors Housing Real Estate Investment Trust	CSH.UN	16141A103	10.8371	0.8993
Cominar Real Estate Investment Trust	CUF.UN	199910100	22.6185	1.8749
Crombie Real Estate Investment Trust	CRR.UN	227107109	14.5021	1.2023
Dundee Real Estate Investment Trust	D.UN	265270207	37.4582	3.1063
First Capital Realty Inc.	FCR	31943B100	19.1673	1.5973
First Service Corporation	FSV	33761N109	31.5198	2.6267
H&R Real Estate Investment Trust	HR.UN	404428203	22.7694	1.8881
InnVest Real Estate Investment Trust	INN.UN	45771T132	4.4096	0.3647
Killam Properties Inc.	KMP	494104870	12.9646	1.0764
Morguard Real Estate Investment Trust	MRT.UN	617914106	18.8642	1.5654
NorthWest Healthcare Properties Real Estate Investment Trust	NWH.UN	667495105	13.2849	1.1015
Northern Property Real Estate Investment Trust	NPR.UN	66562P105	31.8491	2.6435
Partners Real Estate Investment Trust	PAR.UN	70214B118	7.7719	0.6432
Primaris Retail Real Estate Investment Trust	PMZ.UN	74157U109	27.0538	2.2457

Exchange Eligible Securities	TSX Ticker Symbol	CUSIP Number	Volume Weighted Average Trading Price	Exchange Ratio
Riocan Real Estate Investment Trust	REL.UN	766910103	27.6949	2.2981
Temple Hotels Inc.	TPH	879854107	5.8707	0.4855

REDEMPTION OF UNITS

Annual Redemption

Commencing in 2014, Units may be surrendered for redemption (“**Annual Redemption**”) during the period from the first Business Day of September to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in September (the “**Annual Redemption Notice Period**”), subject to the Fund’s right to suspend redemptions in certain circumstances. Units surrendered for redemption during the applicable Annual Redemption Notice Period will be redeemed on the second last Business Day of September (the “**Annual Redemption Date**”) and the Unitholder will receive payment on the applicable Redemption Payment Date equal to the NAV per Class A Unit or the NAV per Class F Unit, as applicable, on the Annual Redemption Date less any nominal costs and expenses associated with the redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any (the “**Annual Redemption Price**”).

Monthly Redemption

Class A Units may be surrendered prior to 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day of the applicable month (the “**Monthly Redemption Notice Period**”) by Unitholders thereof for redemption (“**Monthly Redemption**”). Upon receipt by the Fund of the redemption notice, in the manner described below, the Unitholder shall be entitled to receive a price per Class A Unit (the “**Monthly Redemption Price**”) equal to the lesser of:

- a. 95% of the “market price” of the Class A Units on the principal market on which the Class A Units are quoted for trading during the 20 trading day period ending immediately before the Monthly Redemption Date; and
- b. 100% of the “closing market price” on the principal market on which the Class A Units are quoted for trading on the Monthly Redemption Date.

For the purposes of this calculation, “market price” will be an amount equal to the weighted average of the closing price of the Class A Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Class A Units traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the “market price” shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Class A Units for each day there was no trading; the closing price of the Class A Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Class A Units for each day that there was trading if the market provides only the highest and lowest prices of Class A Units traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Class A Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Class A Units if there was trading and the exchange or other market provides only the highest and lowest prices of the Class A Units traded on a particular day; or the average of the last bid and last asking prices of the Class A Units if there was no trading on that date.

The Monthly Redemption Price payable by the Fund in respect of any Class A Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Class A Units may be suspended if: (i) at the time such Class A Units are tendered for redemption, the outstanding Class A Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Class A Units; or (ii) the normal trading of Class A Units is suspended or halted on any stock exchange on which the Class A Units are listed (or, if not listed on a stock exchange, on any market on which the Class A Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

The Class F Units may be surrendered for Monthly Redemption on the same terms as the Class A Units, provided that the redemption price per Class F Unit redeemed will equal to the product of (i) the Monthly Redemption Price; and (ii) a fraction, the numerator of which is the most recently calculated NAV per Class F Unit and the denominator of which is the most recently calculated NAV per Class A Unit.

It is anticipated by the Manager that the Monthly Redemption will not be the primary mechanism for Unitholders to dispose of their Units.

Exercise of Redemption Privilege

The Monthly Redemption privilege or the Annual Redemption privilege must be exercised by causing written notice (the “**Redemption Notice**”) to be given within the Monthly Redemption Notice Period or Annual Redemption Notice Period, as applicable, in the manner described below. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, the Redemption Notice. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under “Suspension of Redemptions” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder.

Suspension of Redemptions

The Manager may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the applicable securities regulatory authorities, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Trustee to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

Allocations of Capital Gains to Redeeming Unitholders

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redemption price otherwise payable to such Unitholder.

CANADIAN INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with, and is not affiliated with, the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making an election in accordance with the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current published administrative policies and assessing practices of the CRA, the Tax Proposals and certificates of the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumptions that the Fund will at no time be subject to the tax for SIFT Trusts as set out in the Tax Act, and will comply at all times with its investment restrictions as set out under "Investment Restrictions".

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that: (i) the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act; (ii) the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established, and (iii) the Fund will not, at any time, reasonably be considered to be established or maintained primarily for the benefit of non-resident persons.

To qualify as a mutual fund trust: (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act; (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or real rights in immovables); (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the "minimum distribution requirements"). In this regard, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund; (ii) the Fund's undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has advised counsel that it has no reason to believe that, following the closing of the Offering, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below may, in some respects, be materially and adversely different.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel has been advised that the Fund intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be

liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. Provided that the Fund makes distributions in each year of its income, including its net realized capital gains as described under “Distribution Policy”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund will be required to include in its income for each taxation year all interest that accrues (or is deemed to accrue) to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the date of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued (or is deemed to accrue) on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund’s income for that or another taxation year and such income inclusion will reduce the proceeds of disposition for purposes of computing any gain or loss on such disposition or deemed disposition. Gains realized by the Fund from investments in derivatives will generally be taxed on income account, rather than as capital gains.

Distributions of income from an Australian REIT or other Real Estate Issuer structured as a trust whose securities the Fund has invested in will be included in the income of the Fund in the taxation year such distribution was paid or became payable. The taxable portion of net realized capital gains distributed by an Australian REIT or other Real Estate Issuer structured as a trust to the Fund in a taxation year will be included in the income of the Fund for the taxation year. An Australian REIT or other Real Estate Issuer structured as a trust may also distribute a return of capital. A return of capital is not included in the income of the Fund for tax purposes and reduces the adjusted cost base of the Fund’s interest in such issuer.

Dividends received from an Australian REIT or other Real Estate Issuer structured as a corporation in a taxation year will be included in the Fund’s income for the year and the Tax Act does not permit the Fund to designate such dividends to a Unitholder as eligible for the gross-up and dividend tax credit rules in the Tax Act.

A disposition by the Fund of the securities of an Australian REIT or other Real Estate Issuer that the Fund has invested in will result in a capital gain (or a capital loss) in the taxation year of the Fund in which the disposition of the securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the Fund’s adjusted cost base of such securities.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade.

One-half of the amount of any capital gain (a “taxable capital gain”) realized by the Fund in a taxation year on the disposition of Portfolio securities that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (a “capital gains refund”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Portfolio assets in connection with a redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of Australian REITs included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Australian REIT securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

The Fund will enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund, and provided that there is sufficient linkage. If such transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income but will generally reduce the adjusted cost base of the Unitholder's Units. In addition, under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain.

Unitholders of Class A Units pay higher Management Fees and Agents' fees than holders of Class F Units in respect of their investment in the Fund. As a result, the tax characterization of distributions will vary between the two classes such that a higher percentage of the distribution to the holders of Class A Units will be characterized as return of capital rather than income (including net realized taxable capital gains).

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund, and (ii) income of the Fund from foreign sources as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that the Fund so designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the Fund, if any, in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits for tax withheld from the Fund or the Unitholder in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. Investors should consult their own tax advisors in this regard. To the extent that amounts are designated as taxable capital gains, they will be treated as described below.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as an additional distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder

in Units. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into whole Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. The redemption of any fraction of a Class F Unit will result in a capital gain (or capital loss) for the redeeming Unitholder.

One-half of any capital gain (“taxable capital gain”) realized by a Unitholder will be included in the Unitholder’s income and one-half of any capital loss realized must be deducted from taxable capital gains, in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder’s liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in the Registered Plan, provided that the Units are qualified investments under such a Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”) or a tax-free savings account (“**TFSA**”), the annuitant or holder of the RRSP, RRIF or TFSA will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) which does not deal at arm’s length with the annuitant or holder, (ii) which does not deal at arm’s length with a corporation, partnership or trust in which the annuitant or holder has a significant interest, or (iii) in which the annuitant or holder has a significant interest. In general terms, “significant interest” means the ownership of 10% or more of the value of a trust’s or partnership’s outstanding units or interest, or the ownership of 10% or more of the issued shares of any class of a corporation, by the annuitant or holder, either alone or together with persons with whom the annuitant or holder does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “**December 2012 Proposals**”) propose to delete the condition in (ii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a prohibited investment if the Units are “excluded properties” as defined in the December 2012 Proposals for the particular Registered Plan. Annuitants or holders should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property as defined in the December 2012 Proposals.

Taxation Implications of the Fund’s Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, as described under “Distribution Policy”, the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an additional distribution is necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act.

Exchange Option

A Unitholder who disposes of securities of Exchange Issuers in exchange for Units pursuant to this prospectus generally will realize a capital gain (or a capital loss) in the taxation year of the Unitholder in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the Unitholder’s adjusted cost base of such securities. For this purpose, the proceeds of disposition to the Unitholder will equal the aggregate of the fair market value of the Units received and the amount of any

cash received in lieu of fractional Units. The cost to a Unitholder of Units so acquired will be equal to the fair market value of the securities of the Exchange Issuers disposed of in exchange for such Units at the time of disposition less any cash received in lieu of fractional Units, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration for the securities of Exchange Issuers.

To the extent that a Unitholder has received distributions on certain securities of Exchange Issuers which were in excess of the Unitholder's share of the net income and net realized capital gains of the relevant Exchange Issuer (i.e., returns of capital), those distributions may have resulted in a reduction of the Unitholder's adjusted cost base of such securities.

For commentary on the taxation of capital gains and losses see the discussion of "Canadian Income Tax Considerations – Taxation of Unitholders" above.

AUSTRALIAN TAX CONSIDERATIONS

In the view of PricewaterhouseCoopers Australia, in its capacity as Australian tax advisor to the Fund, the following is a general summary of the principal Australian income tax considerations applicable to the Fund and to Unitholders in connection with the Investment Strategy of the Fund set out in this Prospectus.

Taxation of the Fund

The Fund will generally be subject to Australian withholding tax at the rate of 10% on interest and 15% on dividends whether received from an Australian corporation or as distributions of interest or dividends from an Australian REIT structured as a trust (or 0% if the dividends are paid out of fully taxed profits). The Australian withholding tax withheld from payments of interest and dividends by both Australian corporations or trusts should be a final tax and no further Australian tax obligations should arise for the Fund with regard to the income received by the Fund from its investments in equity and notes issued by an Australian REIT.

The Fund is itself a trust and therefore a flow through entity for Australian tax purposes. As such, distributions to the Fund of taxable income from Australian REITs which comprise of net rental income and capital gains realised by the Australian REITs from the disposal of their investments in Australian real property will generally be subject to Australian withholding tax, in the first instance, at the concessional rate of 15% where the Australian REIT qualifies as a managed investment trust (a "MIT") for the purposes of the Australian MIT withholding tax provisions. However, the MIT withholding tax liability will ultimately depend on the residency of the Unitholder (this is described in more detail under "Australian Tax Considerations – Taxation of Unitholders").

If an Australian REIT included as an investment in the Portfolio does not qualify as a MIT or loses this qualification during the time of the investment, the Australian REIT would be required to withhold Australian tax at a rate of 45% on distributions of rental income and Australian capital gains to the Fund. This is not a final tax and as the Fund itself is a trust, a Unitholder would be required to lodge an Australian income tax return to claim a refund for any such tax withheld which exceeds his, her or its Australian income tax liability in respect of Australian income (e.g. for a corporate Unitholder, the applicable rate would be 30%).

Based on the assumption that the Fund will not hold 10% or more in the equity of any of the Australian REITs included in the Portfolio (whether such Australian REIT qualifies as a MIT or not), any gain on disposal by the Fund of its interest in an Australian REIT should not be taxable in Australia. Similarly, gains from the disposal of notes and other debt interest by the Fund should not be taxable in Australia on the basis that the Fund will not have a permanent establishment in Australia and is protected by the Canadian/Australian double tax agreement.

These Australian income tax considerations should apply on the basis that the Fund will not have a permanent establishment in Australia, including as a result of the services provided by the Portfolio Manager in Australia, and that the investments by the Fund will be held on capital account for Australian income tax purposes. Should the Australian tax authorities challenge these premises, the Australian tax implications described above would change considerably.

Taxation of Unitholders

For the Unitholder to be entitled to the concessional MIT withholding tax rate of 15%, the Unitholder must be a resident of Canada (for Canadian tax purposes) or another qualifying country listed in the relevant Australian regulation. Otherwise, the Unitholder would be subject to 30% MIT withholding tax in Australia (with a credit available for Australian tax purposes for the 15% initially withheld by the Australian REIT on distributions to the Fund). In that case, the Unitholder would be required to lodge an Australian income tax return and pay the additional 15% Australian withholding tax.

The Australian withholding tax withheld from payments of interest and dividends by both Australian corporations or trusts and distributions of net rental income and taxable capital gains made to the Fund by qualifying MITs should be a final tax and no further Australian tax obligations should arise for either the Unitholder or the Fund with regard to the income received by the Fund from its investments in equity and notes issued by an Australian REIT.

If an Australian REIT included as an investment in the Portfolio does not qualify as a MIT or loses this qualification during the time of the investment, the Australian REIT would be required to withhold Australian tax at a rate of 45% on distributions of rental income and Australian capital gains to the Fund. This is not a final tax and as the Fund itself is a trust, a Unitholder would be required to lodge an Australian income tax return and claim a refund for any such tax withheld which exceeds his, her or its Australian income tax liability in respect of Australian income (e.g. for a corporate Unitholder, the applicable rate would be 30%). The investment restrictions of the Fund as set out under “Investment Restrictions” restrict the Fund from investing in equity securities of an Australian REIT if the REIT, prior to time of investment, has publicly disclosed that it does not or will not qualify as a “Managed Investment Trust” under *Schedule 1 of the Taxation Administration Act 1953* (Australia) with regard to an income year for which a fund payment has been made or is expected to be made.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

Harvest is a Canadian investment fund manager and was founded by long term members of the investment management industry. Harvest is focused on developing income investment products and its guiding principles are to provide investment products that are clear and understandable, transparent in portfolio structure and seek to generate consistent income. Harvest is the manager of Global Advantaged Telecom & Utilities Income Fund, Brand Leaders Income Fund, Canadian Premium Select Income Fund and Energy Leaders Income Fund which are investment funds that publicly trade on the TSX under the symbols HGI.UN, HBL.UN, HCS.UN and HEN.UN, respectively. Harvest is also the manager of Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund and Harvest Sustainable Income Fund, each a mutual fund.

The Manager will perform the management functions of the Fund pursuant to the Declaration of Trust. The Manager is a company incorporated pursuant to the laws of Ontario. The municipal address of the Manager where it principally provides services to the Fund is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund and is responsible for delegating all investment decisions of the Fund in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions, and for managing and administering the day-to-day business and affairs of the Fund. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager’s duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing or causing to be prepared the reports of the Fund to Unitholders and the Canadian securities regulatory authorities; as applicable, determining the timing and amount of distributions to be made by the Fund; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager will retain the Portfolio Manager to provide portfolio management services with respect to the Portfolio and will monitor the Fund’s investment strategy and ensure compliance with the Fund’s investment restrictions. The Manager is responsible for co-ordinating the leveraging and currency hedging strategy of the Fund.

Pursuant to the Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any loss or damage relating to any matter regarding the Fund, including any loss or diminution in the value of the Portfolio held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager of the Fund until the termination of the Fund. The Manager will be deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; (ii) ceases to be resident in Canada for the purposes of the Tax Act; (iii) ceases to carry out its functions of managing the Fund in Canada; or (iv) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. In addition, the Manager may resign as manager of the Fund upon 60 days' written notice to the Unitholders. If the Manager resigns, it will appoint a successor manager. If the successor manager is not an affiliate of the Manager, or if the Manager fails to appoint a successor manager, the appointment will be required to be ratified or made, as the case may be, by a meeting of Unitholders, as described under the heading "Unitholder Matters".

The Manager may not be removed other than by a meeting of the Unitholders, as described under the heading "Unitholder Matters". In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor manager of the Fund.

The Manager will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund as described under "Fees and Expenses – Ongoing Fees and Expenses". In addition, the Manager and each of its directors, officers and employees will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers or employees, in the exercise of its duties as Manager, except those resulting from the Manager's wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust.

Officers and Directors of the Manager of the Investment Fund

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Michael Kovacs Oakville, Ontario	President and Chief Executive Officer, Chairman of the Board of Directors, Chief Compliance Officer, and Corporate Secretary	President and Chief Executive Officer, Harvest Portfolios Group Inc.
Townsend Haines Toronto, Ontario	Chief Financial Officer, Managing Director and Director	Chief Financial Officer, Managing Director, Harvest Portfolios Group Inc.
Nick Bontis Ancaster, Ontario	Director	Associate Professor, Strategic Management & Director, Undergraduate Programs, DeGroote School of Business, McMaster University
Mary Medeiros Oakville, Ontario	Vice President, Operations and Director	Vice President, Operations, Harvest Portfolios Group Inc.
Paul MacDonald Toronto, Ontario	Vice President, Investments	Vice President, Investments, Harvest Portfolios Group Inc.

The following is a brief description of the background of the key management of Harvest.

Michael Kovacs, President and Chief Executive Officer

Michael is the founder of Harvest Portfolios Group Inc. and a 26 year veteran of the investment management business. Since 1991 he has held senior management positions with 4 companies, the latest as Managing Director of Sentry Select Mutual Funds and Senior Vice President of Sentry Select Capital Inc. from 2002 - 2009. He was a Vice President with Guardian Capital Group from 1991 - 1995, Vice President of National Sales with AIC Funds from 1995 - 2000 and Vice President of Distribution with ING Funds from 2000 - 2002. In 1983 he obtained his BA from York University, and has also

completed the Canadian Securities Course, Canadian Options Course, Canadian Branch Managers Course and the Officers, Partners and Directors exam.

Townsend Haines, Chief Financial Officer, Managing Director and Director

Townsend has developed extensive experience in sales, sales management, product development and strategic planning during his 30 years in the investment industry. Townsend has been Vice President of Sales at AGF, Guardian Group of Funds, Franklin Templeton and the Executive Director of Global Strategy. Townsend's board and committee memberships have included the Investment Funds Institute of Canada, University of Western Ontario Senate and Board of Governors and the Board of Trustees of the Toronto School of Theology at University of Toronto. He is currently a member of the Investment Committee of the Board of Regents of Victoria University at University of Toronto. Townsend holds a Bachelor of Economics from the University of Western Ontario, and a Masters of Theological Studies degree from the University of Toronto. He has also successfully completed numerous industry courses including CFA Level I, the Partners, Directors and Senior Officers Qualifying Examination. Townsend has held various registrations and designations including Compliance Officer, Senior Officer, Senior Portfolio Manager and the Charter Financial Planner designation.

Dr. Nick Bontis, Director

Dr. Nick Bontis is a tenured professor of strategic management at the DeGroote School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. His doctoral dissertation on the mutual fund industry went on to become the #1 selling thesis in Canada. He has won over a dozen major teaching awards and the faculty researcher of the year twice. Maclean's magazine has rated him as one of McMaster's most popular professors for six years. He is also a 3M National Teaching Fellow, an honour bestowed upon the top university professors in the country. Prior to his career in academia, Dr. Bontis was a securities analyst at CIBC Securities Inc.

Mary Medeiros, Vice President, Operations and Director

Mary is a financial executive with over 17 years in the investment management business. Prior to joining Harvest in 2009 as Vice President, Operations, Mary managed national administration and sales systems for a Canadian mutual fund company and the branch operations for an investment dealer. She was licensed as an advisor in 1997, working directly with retail investors until joining a Canadian investment fund manager in 2000.

Paul MacDonald, CFA, Vice President, Investments

Paul MacDonald has over 10 years' experience in the investment business. Most recently Paul was Vice President and Portfolio Manager at Creststreet Asset Management. He was responsible for the management of portfolios with a focus on the Canadian and resource markets and has been involved in developing several new closed-end and tax efficient fund structures. Previously, Paul spent five years at a Canadian investment management firm where he focused on specialty tax investments and was the lead manager of an award winning Canadian natural resource fund. Prior to that, Paul spent three years as an investment associate with a major North American investment firm. Paul obtained a Bachelor of International Finance degree from Griffith University in Australia and holds a CFA charter.

The Portfolio Manager

Harvest has retained Macquarie Private Portfolio Management Limited to provide portfolio management services to the Fund. MPPM is a member of the Macquarie Group. Macquarie Group Limited is a global financial services provider listed on the ASX which had AUD\$341 billion of assets under management as at September 30, 2012. MPPM provides discretionary portfolio management services, custodial administration and comprehensive reporting. Established in 1999, MPPM currently administers and manages more than AUD\$1 billion. MPPM's head office and principal place of business is located in Sydney, New South Wales, Australia.

MPPM has extensive market and industry experience. Its investment process relies on in-depth proprietary research process that seeks to identify undervalued assets backed by quality management, strong balance sheets and dominant industry positions.

Macquarie Group is a global provider of banking, financial, advisory, investment and funds management services. Its main business focus is making returns by providing a diversified range of services to clients. Macquarie Group acts on behalf of institutional, corporate and retail clients and counterparties around the world. Macquarie Group has expertise in specific industries, including resources and commodities, energy, financial institutions, infrastructure and real estate.

MPPM is not currently registered as an adviser with the Ontario Securities Commission or any other provincial or territorial regulatory authority in Canada. MPPM provides portfolio management services to the Fund pursuant to the “international adviser” exemption provided by section 8.26 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. MPPM has its offices, and has all or a substantial portion of its assets, located outside of Canada and there may be difficulty enforcing legal rights against it.

The following individuals will be principally responsible for the day-to-day portfolio management of the Fund:

<u>Name and Municipality of Residence</u>	<u>Position with the Advisor</u>	<u>Current Occupation/Title</u>
Scott Maddock..... Sydney, Australia	Head of Research, REITs and International Equities Portfolio Manager	Head of Research, REITs and International Equities Portfolio Manager, Macquarie Private Portfolio Management Limited
Paul Trainor..... Sydney, Australia	Head of Investments and Portfolio Manager	Head of Investments and Portfolio Manager, Macquarie Private Portfolio Management Limited
Michael Frearson Adelaide, Australia	Portfolio Manager	Portfolio Manager, Macquarie Private Portfolio Management Limited

A description of the experience and background for each of these individuals is set out below.

Scott Maddock - Head of Research, REITs and International Equities Portfolio Manager (BEC)

Scott joined MPPM in August 2011 as an Associate Director after five years as Analyst, Portfolio Manager and Chairman at boutique equity manager 2MG Asset Management. Prior to 2MG Scott spent 10 years at Rothschild Australia, Sagitta and Westpac / BT as a Director, responsible for investments in a range of sectors and portfolios. Scott’s prior experience includes three years as a sell-side equity analyst (REITs, Building Materials and Engineers) and experience running large and small cap equity portfolios, REIT portfolios, income focussed portfolios and listed investment companies. Scott commenced his financial services career at Bankers Trust Australia in 1986 and has more than 26 years’ experience in financial markets.

Paul Trainor - Head of Investments and Portfolio Manager (MBA, GDipAppFin)

Paul joined MPPM in 2006 from the boutique Separately Managed Accounts provider, Direct Portfolio, where he was Chief Investment Officer for four years. Prior to this role, Paul spent four years in corporate finance and equities advisory. Before his employment in financial markets, Paul completed a Master in Business Administration (Trinity College, Dublin) after 12 years with a French multinational commodity trading and processing house – holding trading, sales and marketing, operations and risk management positions in Asia, Europe and Australia. Paul is head of the investment team, responsible for Asset Allocation and portfolio manager for two Australian Equities portfolios.

Michael Frearson - Portfolio Manager(CFA, BCom, BFin, GDipAppFin)

Michael has 15 years financial services experience, he joined MPPM in 1999. At MPPM his experience has been in trading, financial planning and portfolio management and equity analysis. Within MPPM, Michael has responsibility for Fixed Income Portfolios and the Defensives sector of the equity market. From 2004 – 2011 he was Portfolio Manager for REITs.

Details of the Portfolio Management Agreement

The Portfolio Manager provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to the Portfolio Management Agreement. Decisions regarding the purchase and sale of securities and the execution of transactions for the Portfolio will be made by the Portfolio Manager, in accordance with and subject to the terms of the Portfolio Management Agreement. Subject to the terms of the Portfolio Management Agreement, the Portfolio Manager will carry out the investment strategy for the Portfolio on an ongoing basis.

Under the Portfolio Management Agreement, the Portfolio Manager covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent professional portfolio manager would exercise in the circumstances. Provided MPPM has acted in accordance with the standard of care, diligence and skill set forth above, MPPM and its affiliates, and their respective directors, officers, employees, agents or affiliates shall not be held liable for any act, omission or mistake of judgment in the course of, or connected with, the performance of its obligations under the Portfolio Management Agreement, nor for the making, retention or sale of any investment under the Portfolio Management Agreement, nor for any resultant or other loss to or diminution of the assets of the Fund, except as is caused by the negligence, lack of good faith or wilful misconduct of MPPM or disregard of the Portfolio Manager's standard of care or by material breach or default of its obligations under the Portfolio Management Agreement.

Pursuant to the Portfolio Management Agreement, the Portfolio Manager and its affiliates and their respective officers, directors, employees, agents and affiliates shall not be held liable to the Fund, Harvest, Unitholders or any other party for any loss or damage relating to the Fund and shall be indemnified from the assets of the Fund against all actions, proceedings, claims, costs, losses (other than loss of profits), damages or expenses, including legal costs, in connection herewith brought, commenced or prosecuted against such party for or in respect of any act, deed, matter or thing whatsoever, made, done, acquiesced in or omitted in or about or in relation to the execution of MPPM's duties as Portfolio Manager and also from and against all other costs, including legal costs, charges and expenses which it sustains or incurs in or about or in relation to the business and affairs of the Fund unless any such indemnified person is finally determined or adjudicated to have committed a material breach or default of its obligations under the Portfolio Management Agreement or an act or omission involving bad faith, negligence, fraud, wilful misconduct or reckless disregard of such person's duties under the Portfolio Management Agreement.

The Portfolio Manager or Manager may terminate the Portfolio Management Agreement in the following circumstances: (i) upon not less than 90 days' written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Portfolio Management Agreement and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Portfolio Management Agreement may be terminated immediately if any of the following events take place: (i) in the event MPPM or Harvest is subject to a material regulatory issue that would affect the ability of MPPM or Harvest to fulfill its obligations under the Portfolio Management Agreement or if MPPM is unable to provide the portfolio management services contemplated in the Portfolio Management Agreement; (ii) in the event that MPPM or Harvest becomes bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) in the event that MPPM or Harvest makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for MPPM or Harvest.

Any termination of the Portfolio Management Agreement shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date of notice of termination is given and the effective date of termination, MPPM agrees to continue to provide investment advisory and management services to the Fund to the best of its ability in accordance with the standard of care set out above.

The Manager is responsible for payment of the portfolio management fees of the Portfolio Manager out of the Management Fee. See "Fees and Expenses".

The Investment Advisor

The Manager has retained Avenue to act as the investment advisor in respect of the Fund's currency hedging strategy. Avenue is a Canadian Investment Manager and investment counsel. Avenue was founded by three investment management professionals: Paul Harris, CFA, Paul Gardner, CFA and Bill Harris, CFA. Paul Harris will be the main portfolio manager at Avenue who will be responsible for the currency hedging strategy of the Fund.

As of December 31, 2012, Avenue had total assets under management of approximately \$270 million and manages assets on behalf of private individual, corporate and institutional clients since 1990. In managing these assets for its clients, Avenue has developed a depth of experience in foreign currency markets. Avenue is also the investment manager for Harvest Banks & Buildings Income Fund, Harvest Canadian Income & Growth Fund, Harvest Sustainable Income Fund and Global Advantaged Telecom & Utilities Income Fund.

The following is a brief description of the background of the key portfolio managers of Avenue.

Paul Gardner, CFA. Paul is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Gardner has more than 22 years' experience in the investment industry. Prior to co-founding Avenue, Mr. Gardner was at TD Asset Management as a senior portfolio manager of the TD Canadian Bond Fund and several of TD's domestic fixed income funds. Much of his expertise has been in corporate debt analysis. Before joining TD Asset Management, Mr. Gardner worked at TD Securities, as Chief Dealer money markets. Prior to that, he was a foreign exchange trader with TD Bank. Mr. Gardner received his B.A. from York University in 1986. He became a Chartered Financial Analyst in 1991. He is a member of the Toronto Society of Financial Analysts and A.I.M.R.

Paul A. M. Harris, CFA is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Harris has more than 22 years of investment experience. Prior to co-founding Avenue in 2002, Mr. Harris worked in New York for Fiduciary Trust International as a senior portfolio manager focusing on global equity portfolios for institutional clients from 2000 to 2002. Before joining Fiduciary Trust International, Mr. Harris was with TD Asset Management for 8 years, where he was a senior portfolio manager of the Greenline Dividend Fund, the Greenline Small-Cap Fund and the TD Bank pension fund. In addition, Mr. Harris was an equity analyst covering financial services and technology globally. Mr. Harris received a B.A. from the University of Toronto in 1986. He became a Chartered Financial Analyst in 1994. He is a member of the New York Society of Financial Analysts and A.I.M.R.

Bill Harris, CFA is a partner and a portfolio manager for the Equity Portfolio and the Fixed Income Portfolio. Mr. Harris has over 20 years of experience in the investment industry. Prior to joining Avenue in 2004, Mr. Harris was at Sentry Select Capital Corp. as a portfolio manager for their resource group of funds from 2002 to 2004. His responsibilities included managing mutual funds, limited partnerships and exchange traded funds that specialized in oil and gas, mining and alternative energy investments. From 1999-2002, Mr. Harris was at TD Asset Management as the senior energy and mining analyst for the Precious Metals, Resources and Energy Funds. From 1992-1999, he was the Canadian equity trader for the Active equity group at TD Asset Management. Mr. Harris received a BA in economics from Dalhousie University in 1990. He became a Chartered Financial Analyst in 1998 and is a member of the Toronto Society of Financial Analysts.

Faroukh E. Kanga is a partner with Avenue. Mr. Kanga has over 22 years of experience in the financial services industry. Prior to joining Avenue in 2008, Mr. Kanga acted as a Managing Director at TD Securities, part of TD Bank Financial Group from 1986 to 2006. His responsibilities included the national mandate for origination, trading and sales of short-term capital market products, the management of the national Foreign Exchange and Money Market distribution teams and the management of the Quebec and Atlantic Canada Money Market distribution team. Mr. Kanga received an Honours BA in political philosophy and communications from the University of Toronto in 1984.

Details of the Investment Advisory Agreement

The Investment Advisor provides investment advisory services to the Fund in respect of the Fund's currency hedging strategy pursuant to the Investment Advisory Agreement. Decisions regarding the Fund's currency hedging strategy will be made by the Investment Advisor, in accordance with and subject to the terms of the Investment Advisory Agreement. Subject to the terms of the Investment Advisory Agreement, the Investment Advisor will carry out the Fund's currency hedging strategy on an ongoing basis.

Under the Investment Advisory Agreement, the Investment Advisor covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent professional portfolio manager would exercise in the circumstances. Provided Avenue has acted in accordance with the standard of care, diligence and skill set forth above, Avenue and its directors, officers, employees, agents or affiliates shall not be held liable for any act, omission or mistake of judgment in the course of, or connected with, the performance of its obligations under the Investment Advisory Agreement, nor for any resultant or other loss to or diminution of the assets of the Fund, except as is caused by the negligence, lack of good faith or wilful misconduct of Avenue or disregard of the Investment Advisor's standard of care or by material breach or default of its obligations under the Investment Advisory Agreement.

Pursuant to the Investment Advisory Agreement, the Investment Advisor and its officers, directors, employees, agents and affiliates shall not be held liable to the Fund, Harvest, the Portfolio Manager, Unitholders or any other party for any loss or damage relating to the Fund and shall be indemnified from the assets of the Fund against all actions, proceedings, claims, costs, losses (other than loss of profits), damages or expenses, including legal costs, in connection herewith brought, commenced or prosecuted against such party for or in respect of any act, deed, matter or thing whatsoever, made, done, acquiesced in or omitted in or about or in relation to the execution of Avenue's duties as Investment Advisor and also from and against all other reasonable costs, including legal costs, charges and expenses which it sustains or incurs in or about or in relation to the business and affairs of the Fund unless any such indemnified person has committed a material breach or

default of its obligations under the Investment Advisory Agreement or an act or omission involving bad faith, negligence, fraud, wilful misconduct or reckless disregard of such person's duties under the Investment Advisory Agreement.

The Investment Advisor or Manager may terminate the Investment Advisory Agreement in the following circumstances: (i) upon not less than 90 days' written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Investment Advisory Agreement and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Investment Advisory Agreement may be terminated immediately if any of the following events take place: (i) in the event Avenue or Harvest is subject to a material regulatory issue that would affect the ability of Avenue or Harvest to fulfill its obligations under the Investment Advisory Agreement or if Avenue is unable to provide the investment advisory services contemplated in the Investment Advisory Agreement or Harvest is unable to provide management and administrative services to the Fund; (ii) in the event that Avenue or Harvest becomes bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) in the event that Avenue or Harvest makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for Avenue or Harvest.

Any termination of the Investment Advisory Agreement shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date of notice of termination is given and the effective date of termination, Avenue agrees to continue to provide investment advisory services to the Fund to the best of its ability in accordance with the standard of care set out above.

The Manager is responsible for payment of the investment advisory fees of the Investment Advisor out of the Management Fee. See "Fees and Expenses".

Conflicts of Interest

The management services of Harvest under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Harvest from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. The portfolio management services of MPPM under the Portfolio Management Agreement and the investment advisory services of Avenue under the Investment Advisory Agreement are not exclusive and nothing in the Portfolio Management Agreement nor Investment Advisory Agreement prevents MPPM or Avenue, as applicable, from providing similar portfolio management or investment advisory services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Portfolio Manager on behalf of the Fund and other investment funds or trusts managed by the Portfolio Manager will be made in accordance with the investment restrictions and policies of the Fund and the other investment funds or trusts.

The Declaration of Trust acknowledges that the Trustee and the Manager may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Fund has invested or may invest.

Independent Review Committee

In accordance with NI 81-107, the Manager has appointed an Independent Review Committee ("IRC") for the Fund and the investment funds managed by it. The IRC is composed of three individuals, each of whom is independent of the Manager, the Fund and entities related to the Manager. The members of the IRC are Jane Davis, Don Hathaway and Adam Conyers:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
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JANE DAVIS	Consultant
Toronto, Ontario	

Jane Davis is an experienced risk management and change management professional. Jane Davis sits on 6 independent review committees. She also sits as an independent director on four corporate boards and one not-for-profit board since obtaining her ICD.D designation in early 2006.

DONALD B. HATHAWAY	Consultant
Willowdale, Ontario	

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
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Author of “Chairs and Tables: Corporate Governance for Directors of Small to Mid-sized Companies” (ISI Publications) published in January 2008.

Don Hathaway is a professional corporate director specializing in corporate governance, strategy and organization to build shareholder value.

His 40-year career has spanned manufacturing, business and academia, with over half spent at senior executive levels, accumulating expertise in strategy, marketing, finance, general management and corporate governance, plus executive contacts across North America and in Europe, India and Hong Kong.

ADAM CONYERS.....
North Pickering, Ontario

Consultant

Adam Conyers is currently interim Chief Financial Officer for a hotel in Bermuda and is Chairman of the Canadian National Stock Exchange. He received his ICD.D designation with the Institute of Corporate Directors in March 2012.

Previously, he served as the CFO for Gedex Inc., a company developing and commercializing new technologies which have applications in mineral and oil and gas exploration.

Prior to joining Gedex, Mr. Conyers served as a senior executive at the TSX where he held a variety of senior management positions, including CFO and Senior Vice President, Equity Markets.

Mr. Conyers started his career with Price Waterhouse, obtaining his CA in 1985. He then joined Price Waterhouse Limited; rising to Vice-President, he managed a variety of operating receiverships and restructurings across a broad cross section of industry.

He also serves as treasurer and a director of Green Durham Association, a local not-for-profit organization.

The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The IRC has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. The mandate and responsibilities of the IRC are to consider and make a recommendation or approval, as applicable, with respect to any conflict of interest matter referred to it by the Manager. The IRC will prepare, at least annually, a report of its activities for Unitholders. This report will be available on Harvest’s website at www.harvestportfolios.com or at the Unitholder’s request, at no cost, by contacting Harvest at 1-866-998-8298. Information contained on the Manager’s website is not part of this prospectus and is not incorporated by reference.

The members of the IRC will be indemnified by the Manager and the Fund in accordance with NI 81-107. The IRC members will not be responsible for the investments made by the Fund or for the performance of the Fund. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager. The Fund’s *pro rata* share of all fees and expenses of the IRC (which is currently anticipated to be \$11,000 per annum) will be paid by the Fund, and the regular fees and expenses of the IRC (based on the amounts agreed by the Manager for the first year) have been included in the Fund’s estimated annual operating expenses (see “Fees and Expenses”). In future years the IRC members will set their own compensation in accordance with NI 81-107. In addition, the IRC has the authority, pursuant to NI 81-107 to retain independent counsel or other advisors, at the expense of the Fund, if the members deem it necessary to do so.

The Trustee

The Manager is the trustee of the Fund under the Declaration of Trust, and is responsible for managing all of the Fund's activities. The address of the Trustee where it principally provides services to the Fund is at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

Pursuant to the Declaration of Trust, Harvest is the trustee of the Fund (the "**Trustee**") and will be responsible for certain aspects of the day-to-day administration of the Fund as described in the Declaration of Trust.

The Trustee may resign upon 60 days' notice to Unitholders. The Trustee must be removed if the Trustee ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its function of managing the Fund in Canada; or (iii) exercise the main powers and discretions of the trustee of the Fund in Canada, and the Trustee may be removed by Ordinary Resolution at a meeting of Unitholders called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Declaration of Trust will provide that the Trustee shall not be liable in carrying out its duties under the Declaration of Trust except where it is in breach of its obligations under the Declaration of Trust or where the Trustee fails to act honestly and in good faith, and in the best interests of the Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust will contain other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Custodian

State Street Trust Company Canada will be appointed as the custodian (the "**Custodian**") and valuation agent of the Fund pursuant to separate custodian and valuation agreements between the Fund and the Custodian. The custodian's principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the custodian agreement (the "**Custodian Agreement**"), the Custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it but not those assets of the Fund not directly controlled or held by the Custodian as the case may be. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- (i) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- (ii) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that it may be terminated by either party at any time on 60 days' written notice unless a different period is agreed to. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

In addition, the Custodian will be responsible for providing valuation services to the Fund and will calculate the NAV and the NAV per Unit pursuant to the terms of a separate valuation service agreement. See “Calculation of Net Asset Value”.

The Custodian will receive fees for custodial and valuation services provided to the Fund as described above.

Promoter

Harvest has taken the initiative in organizing the Fund and accordingly may be considered to be a “promoter” of the Fund within the meaning of the securities legislation of certain provinces of Canada. Harvest will receive fees from the Fund and will be entitled to reimbursement of expenses incurred in relation to the Fund as described under “Fees and Expenses”.

Auditor

The Fund’s auditor is PricewaterhouseCoopers LLP, Chartered Accountants at its principal office located at PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

Registrar and Transfer Agent and Exchange Agent

Equity Financial Trust Company will be appointed the registrar and transfer agent for the Units. Equity Financial Trust Company will also be the Exchange Agent.

CALCULATION OF NET ASSET VALUE

The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV will be calculated using the fair value of the Fund’s assets and liabilities. The NAV per Unit on any day will be obtained by dividing the NAV of the Fund allocated to the Units of such class, divided by the number of Units of such class then outstanding at the time the calculation is made.

Valuation Policies and Procedures of the Fund

Unless otherwise required by law, in determining the NAV of the Fund, the Manager will take into account:

- (i) the value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (ii) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the Valuation Time;
- (iii) the value of any forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, will be the value that would be realized by the Fund if, at the Valuation Time, the forward contract or other derivatives were closed out in accordance with its terms;
- (iv) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (v) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the predecessor in title of the Fund shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Fund was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;

- (vi) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (vii) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (viii) if any date on which the NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Fund will be valued as if such date were the preceding Business Day;
- (ix) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (x) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which the NAV is determined; and
- (xi) the estimated operating expenses of the Fund shall be accrued to the date as of which the NAV is being determined.

Harvest may suspend the calculation of the NAV when the right to redeem a Unit is suspended. See "Redemption of Units – Suspension of Redemptions". During any period of suspension, there will be no calculation of the NAV and the Fund will not be permitted to issue or redeem Units. The calculation of the NAV will resume when trading in the Fund's securities resumes.

Except as described below, NI 81-106 requires an investment fund, such as the Fund, to calculate its net assets in accordance with Canadian GAAP. Canadian GAAP was modified by the introduction of section 3855 *Financial Instruments – Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants*. Section 3855 defines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Therefore, the combined effect of NI 81-106 and section 3855 would require the Fund to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855. However, since September 8, 2008, NI 81-106 permits investment funds, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Units.

Reporting of Net Asset Value

The NAV and the NAV per Unit of a class will be calculated on each Business Day. Such information will be provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298 or via the internet at www.harvestportfolios.com, as applicable.

ATTRIBUTES OF THE UNITS

Units

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) no Servicing Fee is payable in respect of the Class F Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units.

Except as provided under "Unitholder Matters – Non-Resident Unitholders", all Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Units will only be issued through the book-entry only system administered by CDS as described below.

The Declaration of Trust provides that the Fund may not issue additional Units following completion of the Offering, except: (i) for net proceeds per Unit not less than the NAV per Unit calculated on the date immediately prior to the pricing of the offering; (ii) by way of a distribution paid in additional Units; or (iii) with the approval of Unitholders. Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

Registration of interests in and transfers of the Units will be made only through the book-entry only system of CDS. As a result, the Fund will deliver to CDS the aggregate number of Units issued following the closing of the Offering. Units will be evidenced by one or more certificates, or electronically through the non-certificated inventory system operated by CDS. Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the Fund, the Trustee, the Custodian, the Manager, the Portfolio Manager, the Investment Advisor nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Trustee may, at the discretion of the Manager terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

Conversion of Class F Units

A holder of Class F Units may convert Class F Units into whole Class A Units and it is expected that liquidity for the Class F Units will be largely obtained by means of conversion into Class A. Class F Units may be converted in any month on the Conversion Date of such month by delivering written notice to the Fund and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 15 Business Days prior to the Conversion Date. For each Unitholder's Class F Units so converted, the holder will receive that number of whole Class A Units equal to the Net Asset Value of such Class F Units as of the close of trading on the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units. Any remaining fraction of a Class F Unit will be redeemed for cash payment at the Net Asset Value per Class F Unit. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into whole Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. The redemption of any fraction of a Class F Unit will result in a capital gain (or capital loss) to the redeeming Unitholder. See "Canadian Income Tax Considerations – Taxation of Unitholders".

Purchase for Cancellation

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Unit of a Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror

will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Declaration of Trust also provides that, if prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class F Units and such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid and the other offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value of the class), for the Class A Units then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into whole Units of the applicable class and to tender such units to the other offer, as applicable. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into whole Units of the applicable class and to tender such units to other offer.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by the holders of not less than 25% of the Units then outstanding (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. Unitholders may request to change the Manager only if the Manager is in material breach or default under the Declaration of Trust and if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager. Not less than 21 days and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum for a meeting of all Unitholders is two or more Unitholders (whether holders of Class A Units or Class F Units) present in person or represented by proxy except for the purpose of any meeting called to consider item (c) under "Unitholder Matters — Matters Requiring Unitholder Approval" in which case the quorum shall be two or more Unitholders (whether holders of Class A Units or Class F Units) present in person or represented by proxy holding not less than 25% of the outstanding Units. The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than 25% of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than 25% of the Class F Units then outstanding. If no quorum is present at a meeting when called, the meeting, if called on the requisition of Unitholders, shall be terminated, but in any other case, the meeting shall be adjourned for not less than 10 days and at the adjourned meeting, the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval by Extraordinary Resolution as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the investment objectives or investment restrictions of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund that could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (c) a change of the manager of the Fund, other than to an affiliate of the Manager;
- (d) the issuance of additional Units other than (i) for net proceeds per Unit not less than the NAV per Unit calculated on the date immediately prior to the pricing of the offering, or (ii) by way of a distribution paid in additional Units;
- (e) a reorganization (other than a Permitted Merger) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;

- (f) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another entity if the Fund continues after the reorganization or acquisition of assets and the transaction would be a material change to the Fund; or
- (g) a termination of the Fund, other than as described under “Termination of the Fund”.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- (i) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- (ii) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- (iii) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- (iv) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (v) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- (i) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 30 Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Declaration of Trust

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection or benefit to Unitholders;
- (g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; and
- (h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust that require the approval of Unitholders or changes described above that do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee, at the request of the Manager, upon not less than 30 days prior written notice to Unitholders.

Reporting to Unitholders

The Fund will prepare, file and send to Unitholders unaudited semi-annual and audited annual financial statements of the Fund and other documents in accordance with NI 81-106.

Non-Resident Unitholders

The Fund was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the Units (on either a number of Units or fair market value basis) and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Units is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units then outstanding (on either a number of Units or fair market basis) are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such Unitholders, dispose of such Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Units.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days’ written notice by the Trustee provided that the prior approval of Unitholders has been obtained by Extraordinary Resolution at a meeting of Unitholders called for that purpose (the “**Termination Date**”); provided, however, that the Trustee may, in its discretion, on 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Trustee, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows (excluding the Units sold pursuant to the exercise of the Over-Allotment Option):

	Minimum Offering	Maximum Offering
Gross proceeds to the Fund	\$20,000,000	\$125,000,000
Agents’ fees	\$1,050,000	\$6,562,500
Expenses of issue	\$300,000	\$750,000
Net proceeds to the Fund	<u>\$18,650,000</u>	<u>\$117,687,500</u>

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in securities in accordance with the investment objectives and restrictions of the Portfolio as described herein. See “Investments Objectives” and “Investment Restrictions”. Harvest anticipates that the net proceeds of

the Offering will be substantially invested within 120 days from the Closing Date. Pending such investment, the cash portion of the net proceeds will be invested in money market instruments.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement among the Agents, the Manager, the Portfolio Manager, the Investment Advisor and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$0.63 (5.25%) for each Class A Unit sold and \$0.27 (2.25%) for each Class F Unit sold and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units that are not sold.

The Fund has granted the Agents an Over-Allotment Option, exercisable in whole or in part at any time and from time to time during the period of 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the Closing on the same terms set forth above. To the extent that the Over-Allotment Option is exercised, the Option Units will be purchased at the Offering Price and the Agents will be entitled to a fee of \$0.63 per Option Unit in respect of each Option Unit purchased. This prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Option Units that may be offered in relation to the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Agents' over-allocation position acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Class A Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before May 26, 2013. The Class A Units will be listed on the TSX under the symbol HRR.UN.

If subscriptions for a minimum of 1,666,667 Class A Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Class A Units on or before such date. If subscriptions for a minimum of 25,000 Class F Units have not been received by the Closing Date, the Class F Units will not be issued. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Cash proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about March 21, 2013, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over allot and may effect transactions to cover their over allotted position. Such transactions, if commenced, may be discontinued at any time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Harvest will receive the fees described under "Fees and Expenses" for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

Policies and Procedures

Subject to compliance with the provisions of applicable law, the Portfolio Manager has the right to vote proxies relating to the securities in the Portfolio and the securities held directly by the Fund. Proxies must be voted in a manner consistent with the best interests of the Fund.

Because the Fund does not purchase securities for the purposes of exercising control or direction over the securities of the Portfolio, proxies will typically (but need not) be voted with management on routine business or the Portfolio Manager will take a neutral position by abstaining from voting. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Fund's investments. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholder rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

Proxy Voting Record

The Manager will post the proxy voting record of the Fund annually at www.harvestportfolios.com. The Fund will send the most recent proxy voting record, without charge, to any Unitholder upon request made by the Unitholder.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under "Organization and Management Details of the Fund";
- (b) the Portfolio Management Agreement as described under "Organization and Management Details of the Fund";
- (c) the Investment Advisory Agreement as described under "Organization and Management Details of the Fund";
- (d) the Agency Agreement described under "Plan of Distribution"; and
- (e) the Custodian Agreement described under "Organization and Management Details of the Fund".

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

EXPERTS

Borden Ladner Gervais LLP and Blake, Cassels & Graydon LLP have prepared the opinion as to certain tax matters as described under "Canadian Income Tax Considerations". PricewaterhouseCoopers Australia, in its capacity as Australian tax advisor to the Fund has prepared the general summary of the principal Australian income tax considerations applicable to the Fund and to Unitholders as described under "Australian Tax Considerations".

The Fund's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor's report dated February 26, 2013 in respect of the Fund's statement of financial position as at February 26, 2013. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

None of these professional firms has any registered or beneficial interest, direct or indirect, in the securities of the Fund or of an associate or affiliate of the Fund.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a

misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the prospectus of Australian REIT Income Fund (the “**Fund**”) dated February 26, 2013 relating to the issue and sale of Class A Units and Class F Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the Unitholder and the Trustee of the Fund on the statement of financial position of the Fund as at February 26, 2013. Our report is dated February 26, 2013.

Toronto, Canada
February 26, 2013

(Signed) “PricewaterhouseCoopers LLP”
Chartered Accountants
Licensed Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and Trustee of Australian REIT Income Fund (the "Fund")

We have audited the accompanying statement of financial position of the Fund as at February 26, 2013 and the related notes which are comprised of a summary of significant accounting policies and other explanatory information (the "financial statement").

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at February 26, 2013 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 26, 2013

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants
Licensed Public Accountants

**AUSTRALIAN REIT INCOME FUND
STATEMENT OF FINANCIAL POSITION**

As at February 26, 2013

ASSETS

Cash	<u>\$12</u>
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UNITHOLDER'S EQUITY

Unitholder's Equity (Notes 1 and 2): 1 Class A Unit	<u>\$12</u>
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Approved by the Board of Directors of Harvest Portfolios Group Inc.:

(Signed) "Michael Kovacs"
Director

(Signed) "Townsend Haines"
Director

The accompanying notes are an integral part of these financial statements.

AUSTRALIAN REIT INCOME FUND
NOTES TO STATEMENT OF FINANCIAL POSITION

1. NATURE OF OPERATIONS

Australian REIT Income Fund (the “**Fund**”) is a closed-end fund governed by the laws of the Province of Ontario pursuant to a declaration of trust (the “**Declaration of Trust**”) dated February 26, 2013 by Harvest Portfolios Group Inc. (“**Harvest**” or the “**Manager**”), as manager and trustee of the Fund. Pursuant to the Declaration of Trust, Harvest in its capacity as trustee of the Fund, is holding in trust the sum of \$12.00 which Harvest has contributed and which constitutes the initial trust property of the Fund. Macquarie Private Portfolio Management Limited (“**MPPM**” or the “**Portfolio Manager**”) has been retained as the Portfolio Manager for the Fund.

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class F Units (collectively, the “**Units**”). The Fund is authorized to issue an unlimited number of Units of each class. The prospectus qualifies the issuance of Units (the “**Offering**”) at a price of \$12.00 per Unit. Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but are convertible into Class A Units on a monthly basis.

The Fund’s investment objectives are to provide Unitholders with: (i) stable monthly cash distributions; and (ii) the opportunity for capital appreciation. To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in an actively managed portfolio comprised primarily of equity securities listed on the Australian Securities Exchange issued by Australian real estate investment trusts and to a lesser extent, issuers principally engaged in the real estate industry in Australia (collectively, “**Real Estate Issuers**”).

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in March 2014, the Manager and the Portfolio Manager will at least annually determine and announce the Indicative Distribution Amount for the following 12 months based upon, among other factors, income received from the Fund’s investments. The initial Indicative Distribution Amount will be \$0.055 per Unit per month (\$0.66 per Unit per annum representing an annual cash distribution of 5.5% based on the \$12.00 per Unit issue price). The initial cash distribution is anticipated to be payable on or before May 15, 2013 to Unitholders of record on April 30, 2013.

If, in any taxation year, after such distributions there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for non-refundable income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date.

The net asset value (“NAV”) per Unit of each class of Units is computed by dividing the NAV of the class by the number of Units of that class outstanding at the time. The NAV per Unit of each class is calculated as of 4:15 p.m. (Toronto time) on each Business Day (the “**Valuation Time**”).

The NAV of each class of the Fund is computed by calculating the value of that class’ proportionate share of the Fund’s aggregate value of the assets less the aggregate value of the class-specific liabilities, expressed in Canadian dollars at the applicable exchange rate on such date.

Commencing in 2014, Units may be surrendered for redemption during the period from the first Business Day of September to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in September, subject to the Fund’s right to suspend redemptions in certain circumstances. Units surrendered for redemption during this period will be redeemed on the applicable Annual Redemption Date and the Unitholder will receive payment on or before the 15th Business Day in the following month equal to the NAV per Class A Unit or the NAV per Class F Unit, as applicable, on the applicable Annual Redemption Date less any nominal costs and expenses associated with the redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

Units may also be surrendered prior to 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day of any month by Unitholders for Monthly Redemption.

A holder of Class F Units may convert Class F Units into whole Class A Units and it is expected that liquidity for the Class F Units will be largely obtained by means of conversion into Class A Units. Class F Units may be converted in any month on the Conversion Date of such month by delivering written notice to the Fund and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 15 Business Days prior to the Conversion Date. For each Unitholder's Class F Units so converted, the Unitholder will receive that number of whole Class A Units, equal to the Net Asset Value of such Class F Units as of the close of trading on the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units. Any remaining fraction of a Class F Unit will be redeemed for cash payment at the Net Asset Value per Class F Unit. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into whole Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars. The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash is comprised of cash on deposit. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less.

3. MANAGEMENT FEES AND OTHER EXPENSES

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund and, as such, is responsible for providing or arranging for required general and administrative services to the Fund.

Harvest is entitled to a management fee (the "**Management Fee**") at an annual rate of 1.30% of NAV per Unit, plus an amount equal to the Servicing Fee (as defined below) plus applicable taxes including HST. Fees payable to Harvest will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The total Management Fee including the Servicing Fee paid by the Fund in respect to Class A Units will be 1.70% of the NAV per Class A Unit per annum. The Management Fee will be paid in cash and the Portfolio Manager and Investment Advisor will be remunerated by the Manager out of the Management Fee.

The Manager will pay to registered dealers a servicing fee (the "**Servicing Fee**") equal to 0.40% annually of the NAV per Class A Unit for each Class A Unit held by clients of the registered dealers (calculated and paid at the end of each calendar quarter commencing in June 2013, plus applicable taxes including HST). The Servicing Fee paid in respect of the period from the Closing Date to the end of the first calendar quarter following Closing will be pro-rated accordingly. The Manager may, from time to time, pay the Servicing Fee more frequently than quarterly, in which event the Servicing Fee will be pro-rated for the period to which it relates. No Servicing Fee is payable in respect of the Class F Units.

The Agents will receive a fee equal to \$0.63 (5.25%) for each Class A Unit sold and \$0.27 (2.25%) for each Class F Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them.

State Street Trust Company Canada (the "**Custodian**") acts as custodian of the assets of the Fund and is also responsible for certain aspects of the Fund's day to day operations. In consideration for the services provided by the Custodian, the Fund will pay a monthly fee to be agreed upon between the Custodian and Harvest.

The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund will be paid in cash. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications, fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee), fees payable to the Registrar and Transfer Agent, fees payable to the Custodian for acting as custodian of the assets of the Fund, any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, Independent Review Committee member fees and expenses in connection with the Independent Review Committee, expenses related to compliance with NI 81-107, fees and expenses relating to voting of proxies by a third party, insurance coverage for the members of the IRC, fees payable to the auditors and legal advisors of the Fund, regulatory filing, stock exchange and licensing fees, banking fees and interest with respect to any borrowing, website maintenance costs, taxes, brokerage commissions, costs and expenses of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness, any expenditures incurred upon the termination of the Fund.

Any arrangement for additional services between the Fund and the Manager, exclusive of management fees, debt service and other costs that have not been described in the prospectus shall be on the terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund shall pay all expenses associated with the additional services, subject to approval by the Fund's Independent Review Committee.

The expenses of the Offering (including the costs of creating the Fund, the costs of printing and preparing the prospectus, legal expenses of the Fund, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid from the gross proceeds of the Offering. The Manager has agreed to pay all expenses incurred in connection with the Offering, other than the Agents' fees, that exceed 1.5% of the gross proceeds of the Offering. The expenses of the Offering, together with the Agents' fees, payable by the Fund, will be reflected as a reduction of Unitholders' Equity.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: February 26, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

Harvest Portfolios Group Inc.
(as Manager and Promoter of the Fund)

(Signed) "MICHAEL KOVACS"
Chief Executive Officer and President

(Signed) "TOWNSEND HAINES"
Chief Financial Officer

On behalf of the Board of Directors of Harvest Portfolios Group Inc.
(as Manager and Promoter of the Fund)

(Signed) "NICK BONTIS"
Director

(Signed) "MARY MEDEIROS"
Director

CERTIFICATE OF THE AGENTS

Dated: February 26, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

**MACQUARIE PRIVATE WEALTH
INC.**

(Signed) “ROBIN G. TESSIER”

(Signed) “MICHAEL D. SHUH”

(Signed) “BRENT LARKAN”

SCOTIA CAPITAL INC.

(Signed)
“BRIAN D. MCCHESENEY”

**NATIONAL BANK
FINANCIAL INC.**

TD SECURITIES INC.

(Signed)
“TIMOTHY EVANS”

(Signed)
“CAMERON GOODNOUGH”

**CANACCORD GENUITY
CORP.**

**DESJARDINS SECURITIES
INC.**

GMP SECURITIES L.P.

RAYMOND JAMES LTD.

(Signed) “RON SEDRAN”

(Signed) “BETH SHAW”

(Signed) “NEIL SELFIE”

(Signed) “J. GRAHAM FELL”

**ALL GROUP FINANCIAL
SERVICES INC.**

**BURGEONVEST BICK
SECURITIES LIMITED**

MGI SECURITIES INC.

(Signed)
“JAMES MOON”

(Signed)
“VILMA JONES”

(Signed)
“MARK ARTHUR”

