

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Harvest Portfolios Group Inc. at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7, or by calling 1-866-998-8298 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

Warrant Offering

May 7, 2014



Australian REIT Income Fund

**Warrants to Subscribe for up to
2,665,637 Class A Units at a
Subscription Price of \$8.93 per Class A
Unit**

**Warrants to Subscribe for up to
69,835 Class F Units at a Subscription
Price of \$9.26 per Class F Unit**

If a holder (“Unitholder”) of Class A Units or Class F Units (collectively, “Units”) does not exercise or sells its Class A Warrants or Class F Warrants (collectively, “Warrants”), then the value of the Units held by that Unitholder may be diluted as a result of the exercise of the Warrants by others. If a Unitholder does not exercise or sells its Warrants and other holders of Warrants exercise any of their Warrants, that Unitholder’s percentage ownership in the Fund will be diluted. Additionally, the exercise of Warrants may have a dilutive impact on the Fund’s distributable income per Unit. See “*Details of the Offering – Dilution to Existing Unitholders*” and “*Risk Factors – Dilution to Existing Unitholders*”. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “*Risk Factors – No Public Market for the Warrants*”.

Australian REIT Income Fund will issue, to holders of record of outstanding Class A Units and Class F Units at the close of business (Toronto time) on May 21, 2014, up to 5,331,275 Class A Warrants and up to 139,670 Class F Warrants to subscribe for and purchase up to 2,665,637 Class A Units and up to 69,835 Class F Units, respectively. This short form prospectus qualifies the distribution of Warrants and the Units issuable upon the exercise thereof. See “*Details of the Offering*”.

Record Date: May 21, 2014 subject to obtaining all necessary regulatory and exchange approvals.

Commencement Date: Warrants may be exercised commencing on May 21, 2014.

Expiry Date and Time: Warrants not exercised by 5:00 p.m. (Toronto time) on October 31, 2014 will be void and have no value. See “*Details of the Offering - Commencement Date, Exercise Period and Expiry Date and Time*”.

Subscription Price: The Subscription Price for the Class A Units is \$8.93, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of the preliminary short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.

The Subscription Price for the Class F Units is \$9.26, which is the sum of the most recently calculated NAV per Class F Unit prior to the date of the preliminary short form prospectus plus the estimated per Class F Unit fees and expenses of the Offering.

Basic Subscription Privilege: Each Unitholder at the close of business (Toronto time) on the Record Date will be entitled to receive one Warrant for each Unit held. Two Warrants entitle the holder thereof to subscribe for one Unit at the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “Details of the Offering - Basic Subscription Privilege”.

Additional Subscription Privilege: Holders of Warrants who exercise their Warrants under the Basic Subscription Privilege may also subscribe *pro rata* for Additional Units not subscribed for initially, if any, on the basis set forth under “Details of the Offering – Additional Subscription Privilege”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Fund of any minimum amount of subscription proceeds.

The outstanding Class A Units are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the trading symbol “HRR.UN”. The closing price for the outstanding Class A Units on the TSX on May 6, 2014 was \$8.79 per Class A Unit. The TSX has conditionally approved the listing of the Class A Warrants distributed under this short form prospectus and the Class A Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX. The Class F Warrants and the Class F Units are not and will not listed on any exchange, including the TSX. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “Risk Factors”.**

Harvest Portfolios Group Inc. is the trustee, manager, and promoter of the Fund and has retained Macquarie Private Portfolio Management Limited as the portfolio manager of the Fund.

	<u>Subscription Price⁽¹⁾</u>	<u>Proceeds to the Fund⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾</u>
Per Class A Unit	\$8.93	\$8.89
Total	\$23,804,138	\$23,697,513
Per Class F Unit	\$9.26	\$9.22
Total	\$646,672	\$643,879

Notes:

- (1) The Subscription Price for the Class A Units is \$8.93, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of the preliminary short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering. The Subscription Price for the Class F Units is \$9.26, which is the sum of the most recently calculated NAV per Class F Unit prior to the date of the preliminary short form prospectus plus the estimated per Class F Unit fees and expenses of the Offering.
- (2) Assumes that all Warrants distributed to Unitholders of record on the Record Date are exercised.
- (3) The Fund will pay a Class A Warrant exercise fee at the time the Class A Warrants are exercised equal to \$0.09 per Class A Unit to the CDS Participant whose client is exercising the Class A Warrants, subject to a maximum of \$2,500 per beneficial subscriber in respect of the Class A Warrants exercised pursuant to the Basic Subscription Privilege and Additional Subscription Privilege. No exercise fee is payable in respect of the exercise of the Class F Warrants into Class F Units. See “Fees and Expenses — Warrant Exercise Fee”.
- (4) Before deducting the estimated expenses of the Offering of \$120,000, which will be paid by the Fund.

The Fund is an investment fund established under the laws of the Province of Ontario. The principal place of business and the registered office of the Fund is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7. The Fund’s investment objectives are to provide Unitholders with: (i) stable monthly cash distributions; and (ii) the opportunity for capital appreciation. The Fund invests 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. **There is no assurance that the Fund will be able to achieve its investment objectives. If a Unitholder does not exercise or elects to sell the Unitholder’s Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of the Warrants by others. See “Risk Factors” for a discussion of certain factors that should be considered by holders of Warrants and investors in Units.**

The Fund utilizes the book-entry only system administered by CDS with respect to the Units and the Warrants. A holder of Warrants may subscribe for Units by instructing the CDS Participant holding the subscriber’s Warrants to

exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. See “Details of the Offering – Basic Subscription Privilege”. Holders of Warrants who exercise their Warrants pursuant to the Basic Subscription Privilege may subscribe *pro rata* for Units, if any, not initially subscribed for pursuant to the Additional Subscription Privilege. See “Details of the Offering – Additional Subscription Privilege”.

Equity Financial Trust Company will be appointed the Warrant Agent of the Fund to receive subscriptions from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Holders of Warrants desiring to exercise their Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants submitted to the Warrant Agent during the Exercise Period will be exercised in accordance with the practices and procedures of the Warrant Agent and the applicable CDS Participants. **A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Warrants on such subscriber’s behalf. Units will be issued on a fully-paid basis only. Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have an earlier cut-off time.** See “Details of the Offering - Exercise of Warrants and Warrant Agent”.

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, provided that the Fund qualifies at all times as a “mutual fund trust” under the Tax Act, and provided that the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of a particular retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plans, registered disability savings plans and tax-free savings accounts (each a “**Registered Plan**”), the Warrants and the Units issued on the exercise of Warrants, would be, if issued on the date hereof, qualified investments under the Tax Act for a trust governed by the Registered Plan. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

No underwriter has been involved in the preparation of this short form prospectus or has performed any review of the contents of this short form prospectus.

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GLOSSARY OF TERMS

In this short form prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this short form prospectus are to Canadian dollars.

“**1933 Act**” means the *United States Securities Act of 1933*, as it may be amended from time to time.

“**Additional Subscription Privilege**” means the subscription privilege to subscribe for Additional Units to which all holders of Warrants that have subscribed for Units pursuant to the Basic Subscription Privilege are entitled to.

“**Additional Units**” means the number of Units available for all subscriptions pursuant to the Additional Subscription Privilege.

“**ASX**” means the Australian Securities Exchange.

“**AUD\$**” means Australian dollars.

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

“**Basic Subscription Privilege**” means the subscription privilege pursuant to which holders of Warrants may exercise the Warrants and subscribe for Units at the Subscription Price during the Exercise Period.

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

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participants**” means participants in CDS.

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

“**Class A Warrants**” means the class of warrants of the Fund designated as the “Class A Warrants”.

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

“**Class F Warrants**” means the class of warrants of the Fund designated as the “Class F Warrants”.

“**Commencement Date**” means May 21, 2014.

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

“**CRA**” means the Canada Revenue Agency.

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

“**Exercise Period**” means the period beginning at market open (Toronto time) on the Commencement Date and ending at 5:00 p.m. (Toronto time) on the Expiry Date.

“**Expiry Date**” means October 31, 2014.

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

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

“**IRC**” means the independent review committee established by the Manager for the Fund as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Manager**” or “**Harvest**” means Harvest Portfolios Group Inc., in its capacity as manager of the Fund, or if applicable, its successor.

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

“**Minister**” means the Minister of Finance (Canada).

“**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 (on either a basic or diluted basis) on the applicable calculation date.

“**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 (on either a basic or diluted basis) on the applicable calculation date.

“**NAV per Unit**” means, in respect of a class of Units, the Net Asset Value of the Fund allocated to the Units of such class, divided by the number of Units of such class outstanding (on either a basic or diluted basis) on the applicable calculation date.

“**Net Asset Value**” 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 current annual information form of the Fund.

“**Offering**” means the offering of up to: 5,331,275 Class A Warrants, 139,670 Class F Warrants and up to 2,665,637 Class A Units and 69,835 Class F Units issuable upon the exercise thereof, respectively, as contemplated in this short form prospectus.

“**Portfolio**” means an actively managed portfolio of assets held by the Fund 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.

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof.

“**Record Date**” means May 21, 2014 subject to obtaining all necessary regulatory and exchange approvals.

“**Registered Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

“**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.

“**RRIF**” means a “registered retirement income fund” as defined in the Tax Act.

“**RRSP**” means a “registered retirement savings plan” as defined in the Tax Act.

“**SIFT Rules**” means the provisions of the Tax Act that apply to a “SIFT trust”, as that term is defined in section 122.1 of the Tax Act, and the unitholders of a SIFT trust.

“**Special Situations**” means foreign equities and non-dividend paying equities.

“**Subscription Price**” means, with respect to the Class A Units, \$8.93, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of the preliminary short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering; and with respect to the Class F Units, \$9.26, which is the sum of the most recently calculated NAV per Class F Unit prior to the date of the preliminary short form prospectus plus the estimated per Class F Unit fees and expenses of the Offering.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as the same may be amended from time to time.

“**TFSA**” means a “tax-free savings account” as defined in the Tax Act.

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

“**Trustee**” means Harvest Portfolios Group Inc., in its capacity as trustee under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” means the Class A Units and/or the Class F Units, as applicable, which, for greater certainty, includes the Units issuable on exercise of the Warrants.

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

“**Unitholder**” means a beneficial holder of a Unit.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Warrants**” means the Class A Warrants and/or the Class F Warrants, as applicable, to be issued to Unitholders of record on the Record Date on the terms and conditions of the Warrant Indenture.

“**Warrant Agent**” means Equity Financial Trust Company, in its capacity as warrant agent under the Warrant Indenture.

“**Warrant Indenture**” means the warrant indenture to be entered into on or about May 21, 2014 between the Manager, on behalf of the Fund, and the Warrant Agent.

FORWARD LOOKING STATEMENTS

Certain of the statements contained in this short form prospectus may be forward-looking statements. The use of words such as “may,” “will,” “should,” “could,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “potential,” “continue” and similar expressions have been used to identify these forward-looking statements. These statements are based on the current expectations of the Fund and the Manager, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, no assurance can be given to investors that actual results will be consistent with these forward-looking statements. Potential subscribers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date

hereof and the Fund and the Manager assume no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) the annual information form (“**AIF**”) of the Fund dated April 16, 2014 for the period from March 21, 2013 (commencement of operations) to December 31, 2013;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditors, for the period from March 21, 2013 (commencement of operations) to December 31, 2013; and
- (c) the management report of fund performance of the Fund for the period from March 21, 2013 (commencement of operations) to December 31, 2013.

Any of the documents of the type referred to above including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering, will be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not constitute a part of this short form prospectus, except as so modified or superseded. Information on any of the websites maintained by the Fund or the Manager does not constitute a part of this short form prospectus.

THE FUND

The Fund is an investment fund with a registered office located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7. The Fund was originally established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated as of February 26, 2013.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

MANAGEMENT AND PORTFOLIO MANAGEMENT OF THE FUND

The trustee, manager, and promoter of the Fund is Harvest Portfolios Group Inc. (“Harvest”). Harvest is a Canadian investment fund manager that was founded by long term members of the investment management industry and is focused on developing income investment products. Harvest’s guiding principles are to seek to provide investment products that are clear and understandable, transparent in portfolio structure and seek to generate consistent income. Harvest presently manages two Mutual Funds and four closed end funds and has raised in excess

of \$300 million since being founded in 2009. The registered office of Harvest is 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7.

Harvest has retained Macquarie Private Portfolio Management Limited (“MPPM”) 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\$433 billion of assets under management as at December 31, 2013. MPPM provides discretionary portfolio management services, custodial administration and comprehensive reporting. Established in 1999, MPPM currently administers and manages more than AUD\$1 billion.

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 is the main portfolio manager at Avenue who has been responsible for the currency hedging strategy of the Fund. As of December 31, 2013, Avenue had total assets under management of approximately \$316 million and manages assets on behalf of private individual, corporate and institutional clients since 1990.

DESCRIPTION OF THE BUSINESS

Investment Objectives

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

The Fund invests 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.

Investment Strategies

The Fund invests in an actively managed portfolio comprised primarily of equity securities listed on the ASX issued by Real Estate Issuers. The Fund is 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 invests 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.

Foreign 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 uses derivative instruments for currency hedging purposes only. On December 31, 2013, the value of the Portfolio was hedged back to the Canadian dollar.

Australian Dollar

As at May 6, 2014, one Australian dollar was equivalent to \$1.02 Canadian dollars.

Leverage

The Fund borrows 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). As at December 31, 2013, the Fund employed leverage of approximately 36.6% of Total Assets (58.4% of NAV). The Fund borrows in Canadian dollars.

Investment Restrictions

The Declaration of Trust contains investment restrictions to the effect that on and after the initial investment of the assets of the Fund, 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 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.

Portfolio Composition

The following tables are unaudited information relating to the composition and Real Estate Issuers of the Portfolio net assets as of December 31, 2013:

Portfolio Composition

	<u>Percentage of Portfolio⁽¹⁾</u>
Retail Real Estate Issuers	65.4%
Diversified Real Estate Issuers	50.3%
Industrial Real Estate Issuers	14.7%
Office Real Estate Issuers	10.8%
Residential Real Estate Issuers	7.0%
Other Real Estate Issuers	3.5%
Other Net Assets & Net Liabilities	6.7%
Loan Facility	(58.4%)
Total Portfolio	100%

⁽¹⁾ As a percentage of Net Asset Value.

Real Estate Issuers

<u>Issuer</u>	<u>Percentage of Portfolio⁽¹⁾</u>
CFS Retail Property Trust Group	18.6%
Westfield Retail Trust	18.2%
Charter Hall Retail REIT	14.1%
Dexus Property Group	8.5%
Stockland	8.2%
Abacus Property Group	7.8%
Federation Centres Limited	7.8%
The GPT Group	7.2%
Goodman Group	7.1%
Cromwell Property Group	7.1%
Westfield Group	6.7%
Mirvac Group	6.0%
Challenger Diversified Property Group	5.3%
Australand Property Group	5.1%
Growthpoint Properties Australia	3.9%
Goodman PLUS Trust	3.9%
BWP Trust	3.7%
Investa Office Fund	3.7%
Multiplex SITES Trust	3.5%
Forward Foreign Currency Contracts	2.1%
ALE Property Group	1.9%
Australand ASSETS Trust	1.8%
ALE Property Trust	1.6%

⁽¹⁾ As a percentage of Net Asset Value.

RATIONALE FOR THE OFFERING

Successful completion of the Offering will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities. It is also expected to increase the trading liquidity of the Units and reduce the management expense ratio of the Fund.

DETAILS OF THE OFFERING

The following is a summary only and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Warrant Indenture.

Issue of Warrants and Record Date

Subject to the Fund obtaining all necessary regulatory and exchange approvals, holders of Class A Units will receive Class A Warrants on the basis of one Class A Warrant for each Class A Unit held at the close of business (Toronto time) on the Record Date and holders of Class F Units will receive Class F Warrants on the basis of one Class F Warrant for each Class F Unit held at the close of business (Toronto time) on the Record Date

Two Class A Warrants entitle the holder thereof to subscribe for one Class A Unit at the Subscription Price for the Class A Units prior to 5:00 p.m. (Toronto time) on the Expiry Date. The Class A Units issuable on the exercise of the Class A Warrants will have the same rights and privileges as the issued and outstanding Class A Units.

Two Class F Warrants entitle the holder thereof to subscribe for one Class F Unit at the Subscription Price for the Class F Units prior to 5:00 p.m. (Toronto time) on the Expiry Date. The Class F Units issuable on the exercise of the Class F Warrants will have the same rights and privileges as the issued and outstanding Class F Units.

The Warrants will be registered in the name of CDS or its nominee. Unitholders hold their Units through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants. Only whole Warrants will be issued and any fractional Warrants otherwise issuable to a Unitholder will be rounded down to the nearest whole number. See “Delivery Form and Denomination of the Warrants” below.

Subscription Basis

Two Class A Warrants entitle the holder to subscribe for one Class A Unit at the Subscription Price for the Class A Units. Two Class F Warrants entitle the holder to subscribe for one Class F Unit at the Subscription Price for the Class F Units. Unitholders who exercise some or all of the Warrants held by them under the Basic Subscription Privilege shall be entitled to subscribe *pro rata* for Additional Units pursuant to the Additional Subscription Privilege on the basis described below.

Subscription Price

The Subscription Price for the Class A Units is \$8.93, which is the sum of the most recently calculated NAV per Class A Unit prior to the date of the preliminary short form prospectus plus the estimated per Class A Unit fees and expenses of the Offering.

The Subscription Price for the Class F Units is \$9.26, which is the sum of the most recently calculated NAV per Class F Unit prior to the date of the preliminary short form prospectus plus the estimated per Class F Unit fees and expenses of the Offering.

Commencement Date, Exercise Period and Expiry Date and Time

Warrants may be exercised commencing on the Commencement Date and prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants may be exercised at any time during the Exercise Period. Holders of Warrants who exercise their Warrants will become holders of Units issued through the exercise of such Warrants. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE WILL BE VOID.** If a Unitholder does not exercise, or sell, the Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others. See “Dilution to Existing Unitholders” below.

Exercise of Warrants and Warrant Agent

Equity Financial Trust Company will be appointed Warrant Agent of the Fund to receive subscriptions from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. The Fund will pay for the services of the Warrant Agent. Holders of Warrants desiring to exercise such Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants submitted to the Warrant Agent during the Exercise Period will be exercised in accordance with the practices and procedures of the Warrant Agent and the applicable CDS Participants. Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date as described under “Details of the Offering – Additional Subscription Privilege”.

Delivery Form and Denomination of the Warrants

All Warrants will be deposited with CDS and all Unitholders hold their Units through a CDS Participant. Holders must arrange exercises or transfers of Warrants through CDS Participants. The Fund expects that each Unitholder will receive a confirmation of the number of Warrants issued to such Unitholder from their CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining accounts for its participants holding Warrants.

None of the Fund, the Manager, the Trustee or the Warrant Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Basic Subscription Privilege

A holder of Warrants may subscribe for a whole number of Units by instructing the CDS Participant holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant which holds the subscriber’s Warrants.

The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to the date of the exercise of the Warrants. **Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Warrants on such subscriber’s behalf. Units will be issued on a fully-paid basis only. Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have an earlier cut-off time.**

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Manager and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of Units were holders of record on the Record Date.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may not be distributed to Unitholders located in the United States, and the Warrants, including those purchased in the secondary market, may be exercised only by a holder of Warrants who represents at the time of exercise that the holder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person and is not exercising

the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the Subscription Price will constitute a representation that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person, and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. See “Plan of Distribution – United States Unitholders”.

Holders of Warrants who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the holder.

Additional Subscription Privilege

Each holder of Warrants that subscribes for Units of a class to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for Additional Units of such class pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Holders of Warrants will not be required to fully exercise all of their Warrants under the Basic Subscription Privilege in order to be eligible for the Additional Subscription Privilege.

The number of Additional Units of a class available for all additional subscriptions will be the difference, if any, between the total number of Units of the class issuable upon exercise of Warrants of the class and the total number of Units of the class subscribed and paid for prior to 5:00 p.m. (Toronto time) on the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units of the class which that subscriber has subscribed for under the Additional Subscription Privilege; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Units of the class by a fraction, the numerator of which is the number of Warrants of the class exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of Warrants of the class exercised under the Basic Subscription Privilege by holders of Warrants that have subscribed for Additional Units of the class pursuant to the Additional Subscription Privilege. If any holder of Warrants has subscribed for fewer Additional Units of the class than such holder’s *pro rata* allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, a beneficial holder of Warrants must forward its request to a CDS Participant. Payment for Additional Units must accompany the request when it is delivered to the CDS Participant. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise Warrants on such subscriber’s behalf and apply for Additional Units under the Additional Subscription Privilege, as applicable. Payment in full of the Subscription Price must be received by the Fund prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber’s entitlement to such Units will terminate. Any excess funds will be returned by mail or credited to a subscriber’s account with its CDS Participant, without interest or deduction. **Units will be issued on a fully-paid basis only. Units not issued prior to the closing of the record books on a distribution record date will not be eligible to receive the applicable distribution. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have an earlier cut-off time.**

Sale or Transfer of Warrants

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The TSX has conditionally approved the listing of the Class A Warrants distributed under this short form prospectus and the Class A Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX. The Class F Warrants and the Class F Units are not and will not be listed on any exchange, including the TSX.

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 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.

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants held by other Unitholders are exercised, such Unitholder should purchase all of the Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If a Unitholder does not do so and other holders of Warrants exercise all of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted by the issue of Units issued on the exercise of Warrants.

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units of a class of the Fund issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the Expiry Date, the Fund:

- (a) subdivides, redivides or changes its outstanding Units of such class into a greater number of Units;
- (b) reduces, combines or consolidates its outstanding Units of such class into a smaller number of Units;
- (c) distributes to holders of all or substantially all of the outstanding Units of such class, any securities of the Fund including rights, options or warrants to acquire Units of such class or securities convertible into or exchangeable for Units of such class or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Units of such class or reorganizes the capital of the Fund; or
- (e) consolidates, amalgamates, or merges the Fund with or into any other trust or other entity, or sells or conveys the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Units).

IRC Consideration

As required by National Instrument 81-107 - *Independent Review Committee for Investment Funds*, the Manager has established an IRC for the Fund. The Manager referred this Offering to the IRC for its consideration, and the IRC has advised the Manager that the IRC has determined that the Offering would achieve a fair and reasonable result for the Fund. The IRC has come to this conclusion based on the information provided to the IRC by the Manager, the information set out on pages 8 to 11 of this short form prospectus and the information set out in this short form prospectus generally. Warrant holders should review this short form prospectus before making their decision.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering (including the costs of preparing, printing and mailing the short form prospectus, legal expenses, expenses of the auditor and translation fees), which are estimated to be \$120,000 in the aggregate, will be paid by the Fund and will be reflected as a reduction of unitholders' equity.

Warrant Exercise Fee

The Fund will pay a Class A Warrant exercise fee at the time the Class A Warrants are exercised equal to \$0.09 per Class A Unit to the CDS Participant whose client is exercising the Class A Warrants, subject to a maximum of \$2,500 per beneficial subscriber in respect of the Class A Warrants exercised pursuant to the Basic Subscription Privilege and Additional Subscription Privilege. No exercise fee is payable in respect of the exercise of the Class F Warrants into Class F Units. The Class A Warrant exercise fees will be paid by the Fund out of the assets attributable to the Class A Units (in respect of the exercise of Class A Warrants).

Management Fees

The Manager receives a management fee at an annual rate equal to 1.30% of NAV per Unit, plus an amount equal to the servicing fee (as described below), plus applicable taxes. The management fee is calculated and payable monthly in arrears based on the average Net Asset Value calculated at each valuation time during the month. The total management fee including the servicing fee of 0.40% paid by the Fund in respect to Class A Units is 1.70% of the NAV per Class A Unit per annum, plus applicable taxes. The Portfolio Manager and Investment Advisor are remunerated by the Manager out of the management fee.

Servicing Fee

The Manager pays a servicing fee to registered dealers whose clients hold Class A Units equal to 0.40% annually of the Net Asset Value per Class A Unit for each Class A Unit held by clients of the registered dealers. The servicing fee is calculated and paid at the end of each calendar quarter, plus applicable taxes. No servicing fee is payable in respect of the Class F Units.

Ongoing Expenses

The Fund pays for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund are paid in cash. Expenses 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 and fees payable to the Warrant Agent. 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 \$300,000 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.

CAPITALIZATION TABLE

The following table sets forth the unaudited capitalization of the Fund before and after giving effect to the Offering:

Designation	Authorized as at December 31, 2013	Outstanding as at December 31, 2013	Outstanding as at December 31, 2013 after giving effect to the Offering⁽¹⁾
Class A Units	Unlimited	\$44,835,164 (5,311,384 Class A Units)	\$68,282,459 (7,977,021 Class A Units)
Class F Units	Unlimited	\$1,571,646 (179,132 Class F Units)	\$2,215,254 (248,967 Class F Units)
Total Capitalization		\$46,406,810	\$70,497,713

Notes

- (1) Based on the number of Units of a class outstanding less the payment of the fees and expenses of the Offering, estimated to be \$120,000, and assuming payment of a Class A Warrant exercise fee by the Fund equal to \$0.09 per Class A Unit and assuming the exercise of all Warrants issued hereunder at the applicable Subscription Price of each class of Units.

PRICE RANGE, NET ASSET VALUE, TRADING VOLUME OF UNITS AND DISTRIBUTIONS

The Class A Units trade on the TSX under the symbol "HRR.UN". On May 6, 2014 the closing price of the Class A Units on the TSX was \$8.79 per Class A Unit. The Class F Units are not listed on any exchange, including the TSX.

The following table sets forth the NAV per Class A Unit, the NAV per Class F Unit, the distributions per Unit and the market price range and trading volume of the Class A Units on the TSX, for the period commencing on March 21, 2013, being the date on which the Units were issued pursuant to the initial public offering of the Fund and the date on which the Class A Units began trading on the TSX, and ending the business day immediately prior to the date of this short form prospectus. All such information, other than the NAV per Class A Unit, NAV per Class F Unit and distributions per Unit, was obtained from Bloomberg or the TSX and the Fund, the Manager, the Trustee and the Warrant Agent do not assume any responsibility for the accuracy of such information.

Period	NAV per Class A Unit ⁽¹⁾		NAV per Class F Unit ⁽¹⁾		Distributions per Unit ⁽²⁾	Class A Units		
	High	Low	High	Low		Market Price		Volume
						High	Low	
2014								
May (1-6)	\$9.06	\$9.03	\$9.49	\$9.46	\$0.055	\$8.94	\$8.63	18,055
April	\$9.15	\$8.46	\$9.58	\$8.85	\$0.055	\$8.76	\$8.06	156,218
March	\$8.84	\$8.38	\$9.25	\$8.77	\$0.055	\$8.44	\$8.16	192,000
February	\$8.95	\$8.31	\$9.37	\$8.69	\$0.055	\$8.40	\$7.75	215,000
January	\$8.79	\$8.38	\$9.18	\$8.76	\$0.055	\$8.42	\$7.71	333,000
2013								
December	\$8.56	\$8.02	\$8.90	\$8.33	\$0.055	\$8.18	\$7.55	505,000
November	\$9.18	\$8.65	\$9.53	\$8.98	\$0.055	\$8.81	\$8.00	478,000
October	\$9.22	\$8.70	\$9.57	\$9.03	\$0.055	\$9.15	\$8.21	389,000
September	\$8.91	\$8.62	\$9.23	\$8.92	\$0.055	\$8.43	\$8.10	404,000
August	\$8.91	\$8.67	\$9.22	\$8.98	\$0.055	\$8.56	\$8.11	292,000
July	\$9.12	\$8.82	\$9.44	\$9.13	\$0.055	\$9.27	\$8.20	154,000
June	\$9.85	\$8.42	\$10.18	\$8.71	\$0.055	\$11.22	\$8.03	270,000
May	\$11.51	\$9.81	\$11.90	\$10.14	\$0.055	\$11.59	\$10.80	215,000

Source: Bloomberg and Toronto Stock Exchange (trading data as at May 6, 2014)

Notes:

(1) The Net Asset Value is presented on a diluted basis where applicable, and is calculated and published on a weekly basis.

(2) Distributions are listed by the month in which such distribution was declared.

PRIOR SALES

Since April 30, 2013, being the date the over-allotment option was exercised by the agents for the Fund's initial public offering, no Class A Units or Class F Units have been issued from treasury and sold by the Fund other than the issuance of Class A Units from time to time upon the conversion of Class F Units. See "Conversion of Class F Units".

USE OF PROCEEDS

Assuming that all Warrants distributed to Unitholders of record on the Record Date are exercised, based on the Subscription Price of \$8.93 for the Class A Units and \$9.26 for the Class F Units, the expected net proceeds of the Offering will be approximately \$24,090,903, after the deduction of estimated expenses and applicable warrant exercise fees, which together are estimated to be \$359,907 if all Warrants issued hereunder are exercised. The net proceeds of the Offering will be invested by the Fund in accordance with the investment objectives and investment strategy of the Fund and subject to the investment restrictions of the Fund.

PLAN OF DISTRIBUTION

The Fund has obtained an exemption from the dealer registration requirement in respect of the issuance of the Warrants and the Units issuable upon exercise thereof from the securities regulators pursuant to section 74(1)1 of the Securities Act (Ontario) and equivalent provisions in other provinces and territories of Canada and section 15.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The TSX has conditionally approved the listing of the Class A Warrants distributed under this short form prospectus and the Class A Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX. The Class F Warrants and the Class F Units are not and will not be listed on any exchange, including the TSX. See also "Details of the Offering".

United States Unitholders

The Units are not registered under the 1933 Act. The Offering is made in Canada and not in the United States. The Offering is not, and under no circumstances is to be construed as, an offering of any Units for sale in the United States or an offering to or for the account or benefit of any U.S. person or a solicitation therein of an offer to buy any securities. Accordingly, the Warrants may not be distributed to Unitholders located in the United States, and no subscriptions will be accepted from any person, or their agent, who appears to be, or who the Fund has reason to believe is, resident in the United States.

It is expected that the CDS Participant will, prior to the Expiry Date, attempt to sell for the United States Unitholders the Warrants allotable to such United States Unitholders at the price or prices it determines in its discretion. Neither the Fund, nor the Manager, nor any CDS Participant, nor the Warrant Agent will be subject to any liability for the failure to sell any Warrants for such Unitholders or as a result of the sale of any Warrants at a particular price on a particular day. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such United States Unitholders.

Other Foreign Unitholders and Undeliverable Documents

Unitholders whose recorded addresses are outside of Canada, other than the United States Unitholders, will be permitted to subscribe for Units pursuant to the terms of the Offering or, if they do not wish to exercise any of their Warrants to subscribe for Units, will be permitted to sell or otherwise transfer their Warrants through a CDS Participant provided that they represent to the Fund that the receipt by them of Warrants and the issuance to them of Units upon the exercise of the Warrants will not be in violation of the laws of their jurisdiction of residence.

By exercising Warrants, holders exercising through CDS Participants will be deemed to be confirming to the Fund that such Unitholders are eligible to receive Warrants and to exercise Warrants to subscribe for Units under the Offering.

All Unitholders whose recorded address is outside of Canada, other than those Unitholders who confirm their eligibility to receive and exercise Warrants, are advised that their Warrants will be held by their CDS Participant for the account of such Unitholders. It is expected that the CDS Participant will, prior to the Expiry Date, attempt to sell for such Unitholders the Warrants allotable to such Unitholders at the price or prices it determines in its discretion. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such Unitholders.

If any Warrant offering documents are returned to a CDS Participant prior to the Expiry Date as undeliverable, the Manager expects that the respective Warrants will be sold and the net proceeds will be held by the CDS Participant for the account of the Unitholders whose Warrant offering documents were undeliverable. In the event such proceeds are not claimed before the Expiry Date, such proceeds will be paid to the Fund.

Holders of Warrants who are Unitholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants and Units may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager 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.

RISK FACTORS

In addition to the risks described in this short form prospectus, the AIF contains a detailed discussion of risks and other considerations relating to an investment in Units of the Fund which Unitholders should be aware of (reference should be made to pages 43 through 51 of the AIF). You can obtain a copy of the AIF by contacting the

Manager, or you can download or view it on www.harvestportfolios.com or the internet at www.sedar.com. The contents of the AIF are specifically incorporated by reference herein. See “Documents Incorporated by Reference”. Information contained on the Manager’s website is not part of this short form prospectus and is not incorporated herein by reference.

Certain risk factors relating to the Fund, the Warrants and the Units are described below. Additional risks and uncertainties not currently known to the 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.

Dilution to Existing Unitholders

If a Unitholder does not exercise, or elects to sell, its Warrants, then the value of the Units held by such Unitholder may be diluted as a result of the exercise of Warrants by others. Additionally, the exercise of Warrants may have a dilutive impact on the Fund’s distributable income per Unit.

No Public Market for the Warrants

The TSX has conditionally approved the listing of Class A Warrants distributed under this short form prospectus and the Class A Units issuable upon the exercise thereof on the TSX. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering. The Class F Warrants and the Class F Units are not and will not listed on any exchange, including the TSX.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act with respect to the receipt and exercise of Warrants under the Offering. This summary is only applicable to a Unitholder who is an individual (other than a trust), who acquires Warrants pursuant to the Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund, has not entered and will not enter into a “derivative forward agreement” as that term is defined in the Tax Act with respect to the Warrants or Units and holds his or her Units, and will hold his or her Warrants and Units issued on the exercise of Warrants, as capital property. Warrants and Units will generally be considered to be capital property to a Unitholder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder whose Units might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Units and every other “Canadian security” (as defined in the Tax Act) owned by such Unitholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

Such an election would not apply in respect of the Warrants. Unitholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

This summary is based upon the current provisions of the Tax Act, and counsel's understanding of the current published administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary also takes into account all Proposed Amendments. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative policies or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the acquisition and exercise of a Warrant pursuant to this Offering. This summary does not address the deductibility of

interest on any funds borrowed to exercise Warrants. Moreover, the income and other tax consequences will vary according to the status of the Unitholder, the province or territory or provinces or territories in which the Unitholder resides or carries on business and, generally, the Unitholder's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute legal or tax advice to any particular Unitholder. Unitholders should consult their own tax advisors with respect to the income tax consequences applicable to them of an acquisition and exercise of Warrants, based upon their particular circumstances.

Receipt of Warrants

No amount will be required to be included in computing the income of a Unitholder as a consequence of acquiring Warrants under the Offering, provided that the income of the Fund for its taxation year ending in 2014 does not exceed the total of the cash distributions and distributions in Units from the Fund for 2014 that were or will be deducted by the Fund. However, each Unitholder will be required to reduce the adjusted cost base of his or her Units by the aggregate fair market value of all the Warrants received by such Unitholder under the Offering. 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 capital gain. The cost of a Warrant received under the Offering will be nil.

A Warrant acquired by a Unitholder otherwise than pursuant to the Offering will be regarded as identical to every other Warrant held by the Unitholder at that time as capital property. For the purposes of determining the adjusted cost base of each Warrant held by a Unitholder, the cost of Warrants so acquired must be averaged with the adjusted cost base to the Unitholder of all other Warrants held as capital property immediately prior to such acquisition.

Exercise of Warrants

The exercise of Warrants will be deemed not to constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized on the exercise of Warrants. A Unit acquired by a Unitholder upon the exercise of Warrants will have a cost to the Unitholder for tax purposes equal to the aggregate of the Subscription Price for such Unit and the adjusted cost base, if any, to the Unitholder of the Warrants so exercised. The cost of a Unit acquired by a Unitholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Unitholder of all other Units held at the time as capital property to determine the adjusted cost base of each such Unit to the Unitholder.

Disposition and Expiry of Warrants

Upon the disposition or deemed disposition of a Warrant by a Unitholder, which, as discussed above, will be deemed to not include an exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base, if any, of the Warrant to the Unitholder. Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of such a capital gain (a "taxable capital gain") will be included in computing the Unitholder's income, and one-half of such a capital loss (an "allowable capital loss") must be deducted against taxable capital gains realized in such taxation year of the Unitholder in accordance with the detailed rules in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year 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 taxable capital gains in accordance with the provisions of the Tax Act. Capital gains realized by a Unitholder may give rise to alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, provided that the Fund qualifies at all times as a "mutual fund trust" under the Tax Act, and provided that the Fund is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of a particular Registered Plan, the

Warrants and the Units to be issued on the exercise of Warrants, would be, if issued on the date hereof, qualified investments under the Tax Act for a trust governed by the Registered Plan.

Notwithstanding that a Warrant or Unit to be issued on the exercise of Warrants may be a qualified investment for a trust governed by a tax-free savings account (“**TFSA**”), registered retirement savings plan (“**RRSP**”) or registered retirement income fund (“**RRIF**”), the holder of such TFSA or the annuitant under such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of a Warrant or Unit to be issued on the exercise of Warrants held in the TFSA, RRSP or RRIF, as the case may be, if such Warrant or Unit is a “prohibited investment” for the TFSA, RRSP or RRIF, as the case may be. Provided that the holder of a TFSA or the annuitant under an RRSP or RRIF (i) deals at arm’s length with the Fund within the meaning of the Tax Act, and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Fund, the Warrants and Units to be issued on the exercise of Warrants will not be a prohibited investment for a trust governed by such TFSA, RRSP or RRIF. In addition, the Units to be issued on the exercise of Warrants will not be a prohibited investment if such Units are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF. Holders of TFSAs and annuitants under RRSPs or RRIFs who wish to hold Warrants or Units to be issued on the exercise of Warrants in such plans should consult their own tax advisors.

AUDITORS

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

TMX Equity Transfer Services is the registrar and transfer agent for the Units, and Equity Financial Trust Company will be appointed the Warrant Agent and the registrar and transfer agent for the Warrants. State Street Trust Company Canada is the custodian of the Fund.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Borden Ladner Gervais LLP on behalf of the Fund. As of the date hereof, the partners and associates of Borden Ladner Gervais LLP as a group own less than one percent of the outstanding Units and any other outstanding securities of any associate or affiliate of the Fund.

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who have prepared an independent auditors’ report dated March 19, 2014 in respect of the statements of investments and financial position of the Fund as at December 31, 2013 and the statements of operations, changes in financial position and cash flows for the period from March 21, 2013 (commencement of operations) to December 31, 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.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

In September 2013, Michael Kovacs, President and Chief Executive Officer of the Manager, entered into a settlement agreement and order with the Ontario Securities Commission (the “**OSC**”) with respect to certain personal trades and failing to file insider trading reports in connection with a fund managed by the Manager. Pursuant to the settlement agreement reached between the OSC and Mr. Kovacs, he agreed to an order which included that all of his trades be pre-cleared by the chief compliance officer of the Manager for a period of one year following the date of the settlement agreement. Pursuant to the settlement agreement, Mr. Kovacs paid a voluntary payment of \$15,000.00 and paid an administrative penalty and costs of the OSC’s investigation in the amount of \$15,000.00.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

Pursuant to the terms of the Warrant Indenture, the Fund has granted to each holder of Warrants who elects to purchase Units pursuant to the Basic Subscription Privilege a contractual right of rescission. Pursuant to such right, a holder of Warrants that elects to exercise Warrants pursuant to the Basic Subscription Privilege may rescind such exercise by delivering a notice of rescission (in the form attached to the Warrant Indenture) to the Warrant Agent not later than midnight (Toronto time) on the second Business Day after a valid subscription is received by the Warrant Agent (being the date on which both the instruction to exercise the Warrants and payment in full of the Subscription Price therefor is received by the Warrant Agent). Each holder of Warrants validly electing to rescind an exercise of Warrants will receive a full refund of the Subscription Price paid in connection with such exercise and will not receive any Units. Any Warrants rescinded will be cancelled. The contractual right of rescission granted to such holder is in addition to any other right or remedy available to a holder of Warrants at law.

PURCHASERS' STATUTORY RIGHTS

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 short form prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, revision of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price 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.

CERTIFICATE OF THE FUND AND THE MANAGER

Dated: May 7, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories 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.**

(Signed) "NICK BONTIS"
Director

(Signed) "MARY MEDEIROS"
Director