

A large, light gray, stylized cursive 'H' watermark is centered on the page, serving as a background for the title text.

Brand Leaders Income Fund

**Interim Financial Statements
(Unaudited)**

June 30, 2014

The Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, can be obtained at your request, and at no cost, by calling us at 866 998 8298; by writing to us at Harvest Portfolios Group, 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.



Brand Leaders Income Fund

STATEMENTS OF FINANCIAL POSITION			
(Unaudited)			
As at	June 30, 2014	December 31, 2013	January 1, 2013
Assets			
Current assets			
Investments (cost: June 30, 2014 - \$20,623,528; December 31, 2013 - \$22,118,908; January 1, 2013 - \$25,069,489)	\$ 27,438,693	\$ 29,915,604	\$ 27,436,352
Cash	912,591	75,415	824,009
Dividends receivable	60,112	44,307	9,443
Receivable for investments sold	40,512	-	-
Unrealized appreciation on foreign currency forward contracts (Note 6)	522,950	-	-
	28,974,858	30,035,326	28,269,804
Liabilities			
Current liabilities			
Distributions payable	147,674	155,769	165,534
Warrants (Note 4)	261,000	-	-
Payable for option contracts written (cost: June 30, 2014 - \$41,329; December 31, 2013 - \$Nil; January 1, 2013 - \$75,003)	39,976	-	70,142
Unrealized depreciation on foreign currency forward contracts (Note 6)	-	98,521	298,367
	448,650	254,290	534,043
Net assets attributable to holders of redeemable units	\$ 28,526,208	\$ 29,781,036	\$ 27,735,761
Number of units outstanding (Note 4)	2,271,907	2,396,448	2,546,678
Number of warrants outstanding (Note 4)	1,186,621	n/a	n/a
Net assets attributable to holders of redeemable units per unit	\$ 12.56	\$ 12.43	\$ 10.89

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

Brand Leaders Income Fund

STATEMENTS OF COMPREHENSIVE INCOME			
(Unaudited)			
For the six-month period ended June 30,		2014	2013
Income			
Net gain (loss) on investments			
Dividends	\$	365,820	\$ 422,228
Interest for distribution purposes		121	-
Net realized gain (loss) on sale of investments		2,611,839	875,124
Net change in unrealized appreciation (depreciation) of investments		(980,178)	2,431,387
<hr/>			
Net gain (loss) on investments		1,997,602	3,728,739
<hr/>			
Net gain (loss) on derivatives			
Net realized gain (loss) on foreign exchange		(759,709)	(870,739)
Net change in unrealized appreciation (depreciation) of foreign exchange		616,141	(643,246)
Net change in warrant appreciation (depreciation)		(108,000)	-
<hr/>			
Net gain (loss) on derivatives		(251,568)	(1,513,985)
<hr/>			
Total income (net)		1,746,034	2,214,754
<hr/>			
Expenses (Note 5)			
Management fees		131,531	138,940
Service fees		57,733	61,372
Withholding taxes		48,254	56,250
Unitholder reporting costs		101,384	100,411
Audit fees		8,449	7,774
Transfer agency fees		4,772	5,020
Custodian fees and bank charges		22,613	27,818
Independent review committee fees		4,355	4,032
Filing fees		28,433	22,894
Legal fees		9,723	10,043
Transaction costs (Note 7)		13,736	12,989
<hr/>			
Total expenses		430,983	447,543
<hr/>			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	1,315,051	\$ 1,767,211
<hr/>			
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$	0.62	\$ 0.73

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

Brand Leaders Income Fund

STATEMENTS OF CHANGES IN NET ASSETS			
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
(Unaudited)			
For the six-month period ended June 30,		2014	2013
Net assets attributable to holders of redeemable units beginning of period	\$	29,781,036	\$ 27,735,761
Increase (decrease) in net assets attributable to holders of redeemable units		1,315,051	1,767,211
Redeemable unit transactions			
Proceeds from issue of redeemable units on warrants exercised		4,291,698	-
Cancellation of redeemable units		(5,755,991)	(1,660,139)
Warrants		(153,000)	-
Agents' fees		(43,867)	-
Cost of issue		(100,814)	-
Net unitholders' transactions	\$	(1,761,974)	\$ (1,660,139)
Distributions to holders of redeemable units			
Net investment income		(807,905)	(945,459)
Capital gains		-	-
Return of capital		-	-
Total distributions to holders of redeemable units		(807,905)	(945,459)
Net assets attributable to holders of redeemable units end of period	\$	28,526,208	\$ 26,897,374

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

Brand Leaders Income Fund

STATEMENTS OF CASH FLOWS (Unaudited)

For the six-month period ended June 30,

2014

2013

Operating activities

Increase (decrease) in net assets attributable to holders of redeemable units \$ 1,315,051 \$ 1,767,211

Add (deduct) items not affecting cash

Realized (gain) loss on sale of investments (2,611,839) (875,124)

Change in unrealized (appreciation) depreciation of investments 980,178 (2,431,387)

Proceeds from sale of investments 9,517,531 5,406,307

Purchases of investments (5,409,495) (2,565,156)

Net change in non-cash assets and liabilities (529,276) 600,468

Net cash flow provided by (used in) operating activities 3,262,150 1,902,319

Financing activities

Proceeds from redeemable units issued 4,291,698 -

Redemption and cancellation of redeemable units (5,755,991) (1,660,139)

Agents' fees (43,867) -

Issuance costs (100,814) -

Distributions paid to holders of redeemable units (816,000) (954,996)

Net cash flow provided by (used in) financing activities \$ (2,424,974) \$ (2,615,135)

Net increase (decrease) in cash during the period 837,176 (712,816)

Cash, beginning of the period 75,415 824,009

Cash, end of the period \$ 912,591 \$ 111,193

Supplemental disclosure of cash flow information

Interest received during the period* \$ 121 \$ -

Dividends received, net of withholding taxes* \$ 301,751 \$ 331,114

*included in operating activities

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

Brand Leaders Income Fund

SCHEDULE OF INVESTMENTS

(Unaudited)

As at June 30, 2014

Number of Shares	Security	Average Cost (\$)	Carrying Value (\$)	% of Net Assets
EQUITIES				
Banking and Other Financial Issuers				
18,900	American Express Company	1,222,945	1,909,860	6.7
32,700	HSBC Holdings PLC ADR	1,610,555	1,769,384	6.2
		2,833,500	3,679,244	12.9
Consumer Discretionary Issuers				
20,700	The Walt Disney Company	972,965	1,890,447	6.6
		972,965	1,890,447	6.6
Consumer Staple Issuers				
15,500	Anheuser-Busch InBev NV ADR	1,208,910	1,897,640	6.7
25,700	Kellogg Co.	1,497,972	1,798,495	6.3
40,000	The Coca-Cola Company	1,393,404	1,804,790	6.3
		4,100,286	5,500,925	19.3
Energy Issuers				
20,300	Royal Dutch Shell PLC Cl. A ADR	1,487,501	1,781,049	6.2
		1,487,501	1,781,049	6.2
Industrials Issuers				
11,800	3M Co.	1,261,461	1,800,350	6.3
15,600	Caterpillar Inc.	1,541,235	1,805,698	6.3
12,300	Siemens AG	1,398,481	1,731,867	6.1
16,300	United Parcel Service, Inc. Cl. B	1,393,455	1,782,377	6.2
		5,594,632	7,120,292	24.9
Information Technology Issuers				
19,600	Apple Inc.	1,277,602	1,940,094	6.8
60,100	Intel Corporation	1,378,224	1,978,079	6.9
9,200	International Business Machines Corporation	1,687,988	1,776,334	6.2
39,900	Microsoft Corporation	1,290,830	1,772,229	6.2
		5,634,644	7,466,736	26.1
Total equities		20,623,528	27,438,693	96.0
OPTIONS				
Banking and Other Financial Issuers				
(4,500)	American Express Company - Jul 2014 @ USD \$98	(2,061)	(2,061)	-
		(2,061)	(2,061)	-
Consumer Discretionary Issuers				
(4,900)	The Walt Disney Company - Jul 2014 @ USD \$88	(2,140)	(2,296)	-
		(2,140)	(2,296)	-

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



Brand Leaders Income Fund

SCHEDULE OF INVESTMENTS (continued)

(Unaudited)

As at June 30, 2014

Number of Shares	Security	Average Cost (\$)	Carrying Value(\$)	% of Net Assets
Consumer Staple Issuers				
(3,700)	Anheuser-Busch InBev NV - Jul 2014 @ USD \$115	(7,882)	(6,976)	-
(6,100)	Kellogg Co. - Jul 2014 @ USD \$68	(2,269)	(1,949)	-
(9,600)	The Coca-Cola Company - Jul 2014 @ USD \$43	(1,841)	(1,841)	-
		(11,992)	(10,766)	-
Industrials Issuers				
(2,800)	3M Co. - Jul 2014 @ USD \$145	(2,654)	(1,998)	-
(3,600)	Caterpillar Inc. - Jul 2014 @ USD \$110	(3,183)	(2,761)	-
		(5,837)	(4,759)	-
Information Technology Issuers				
(4,700)	Apple Inc. - Jul 2014 @ USD \$94	(5,607)	(7,009)	-
(14,400)	Intel Corporation - Jul 2014 @ USD \$31	(7,669)	(7,669)	-
(2,200)	International Business Machines Corporation - Jul 2014 @ USD185	(4,101)	(4,101)	-
(9,500)	Microsoft Corporation - Jul 2014 @ USD \$43	(1,922)	(1,315)	-
		(19,299)	(20,094)	-
Total options		(41,329)	(39,976)	-
Total investments		20,582,199	27,398,717	96.0
Foreign currency forward contracts (Note 5)			522,949	1.8
Other assets less liabilities			604,541	2.2
Net assets attributable to holders of redeemable units			28,526,208	100.0

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

Brand Leaders Income Fund

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2014

1. GENERAL INFORMATION

Brand Leaders Income Fund (the "Fund") is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 29, 2011, being the inception date. There was no significant activity in the Fund from the date of inception, June 29, 2011 to commencement of operations on July 19, 2011. On June 29, 2011, the Fund completed an initial public offering of 2,500,000 units at \$12.00 per unit for gross proceeds of \$30,000,000. On August 3, 2011, an overallotment option was exercised for an additional 101,378 units at a price of \$12.00 per unit for gross proceeds of \$1,216,536. The address of the Fund's registered office is 710 Dorval Drive, Oakville, Ontario.

The Fund's investment objectives are to provide unitholders with monthly cash distributions, the opportunity for capital appreciation and lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity securities of the Brand Leaders directly. As part of the investment strategy, the Fund will invest in an equally-weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US\$10 billion at the time of investment.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Part V of the CICA Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP is disclosed below.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 15, 2014, which is the date on which the interim financial statements were authorized for issue by Harvest Portfolios Group Inc. (the "Manager"). Any subsequent changes to IFRS that are given effect in the Fund's annual financial statements for the year ending December 31, 2014 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

The effect of the Fund's transition to IFRS is summarized as follows:

Classification of redeemable units

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability unless certain criteria are met. In addition to the annual redemption at 100% of NAV, the Fund's units are redeemable at 95% of their market price monthly. As a result, the Fund's units contain multiple contractual obligations and are presented as financial liabilities on transition to IFRS as they do not meet the criteria for classification as equity.

Brand Leaders Income Fund

Revaluation of investments at fair value through profit and loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investment using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS.

Equity	December 31, 2013	June 30, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$29,772,632	\$26,898,010	\$27,730,075
Revaluation of investments at FVTPL	\$8,404	(\$636)	\$5,686
Net assets attributable to holders of redeemable units	\$29,781,036	\$26,897,374	\$27,735,761

Comprehensive income	December 31, 2013	June 30, 2013
Comprehensive income as reported under Canadian GAAP	\$5,622,447	\$1,773,533
Revaluation of investments at FVTPL	\$2,718	(\$6,322)
Increase (decrease) in net assets attributable to holders of redeemable units	\$5,625,165	\$1,767,211

Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss (FVTPL). Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including investments which have been designated at FVTPL. Derivative assets and liabilities are classified as held-for-trading (HFT). The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Fair value of investments

Investments that are traded in an active market are valued at their closing prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. The Fund uses the last traded market price that falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held include equities, bonds and other debt instruments.

Brand Leaders Income Fund

Investments held that are not traded in an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager. The fair values of certain securities may be determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity.

Cash

Cash is comprised of cash on deposit.

Investment transactions and income recognition

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the fund accounted for on an accrual basis. The fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Net realized gain (loss) on investments and net change in unrealized appreciation (depreciation) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Dividend income is accounted for on the ex-dividend date.

Distributions received from income trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts treated as a return of capital reduce the average cost of the underlying investment trust. Distributions received from mutual funds are recognized in the same form in which they are received from the underlying funds.

Foreign currency translation

The Fund's functional and presentation currency is Canadian dollars. Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or (losses) on investments are included in the Statements of Comprehensive Income in "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) of investments", respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Comprehensive Income in "Net realized gain (loss) on foreign exchange" and "Net change in unrealized appreciation (depreciation) of foreign exchange", respectively. Foreign currency assets and liabilities in the Statement of Financial Position are translated into Canadian dollars on the statement date.

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The fair value of these contracts is based on the difference between the contract rate and current market rate for the underlying currency at the measurement date. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign currency forward contracts.

Securities valuation

The net asset value (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 and NAV per unit will be calculated on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time. "Business Day" means any day on which the TSX is open for trading.

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of a future securities price.

Brand Leaders Income Fund

The premium paid for purchase options is included in the “Investments” on the Statements of Financial Position. The unrealized gain or loss is reflected in the Statement of Comprehensive Income in “Net change in unrealized appreciation (depreciation) of investment”.

The premium received upon writing an option is recorded at cost as “Payable for option contracts written” in the Statement of Financial Position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the Statements of Comprehensive Income in “Net changes in unrealized appreciation (depreciation) of investments”.

The gain or loss on sale or expiry of options is reflected in the Statements of Comprehensive Income in “Net realized gain (loss) on sale of investments”.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

“Increase (decrease) in net assets attributable to holders of redeemable units per unit” in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units, divided by the weighted average units outstanding for the financial period.

Income taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). For tax purposes, the Fund has a December 31 year end. All of the Fund’s net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be applied against future taxable income. As at the last taxation year end, the Fund had \$837,563 of non-capital losses and \$262,683 of net capital losses available to be carried forward for income tax purposes.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense.

As the Manager is a resident of Ontario, the expenses paid by the Fund include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the Manager. A blended rate refund is filed with the Canada Revenue Agency on behalf of the Fund, in arrears, using each province’s HST rate or GST rate in the case of non-participating provinces.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

- a) Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Refer to Note 7 for further information about the fair value measurement of the Fund’s financial instruments.

- b) Classification and measurement of investment and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for trading and that the fair value option can be applied to those which are not.

Brand Leaders Income Fund

Accounting standards issued but not yet adopted

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. REDEEMABLE UNITS

The authorized capital of the Fund consists of an unlimited number of transferable, units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, 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 in any and all distributions made by the Fund. The units trade on the TSX under the symbol HBL.UN. As at June 30, 2014, the closing price of the units was \$12.20 per unit (2013 - \$11.00 per unit).

The Fund renewed its normal course issuer bid program for the period from August 23, 2013 to August 22, 2014, which allows the Fund to purchase up to 239,804 trust units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange. During the year ended June 30, 2014 14,400 (2013 – 2,400) units were purchased for cancellation for \$171,365 (2013 - \$26,670).

Warrants

On February 5, 2014 the Fund filed a short form prospectus that qualifies the Fund for distribution of warrants. Warrants were issued to unitholders of record on February 18, 2014. A total of 1,917,745 warrants were issued to subscribe for 958,872 units of the fund at a subscription price of \$11.74 per unit. Two whole warrants entitle the holder to purchase one unit on or before 5:00 p.m. (Toronto time) up to August 15, 2014. Warrants not exercised will be void and of no value. Upon the exercise of a warrant, the Fund will pay a fee equal to \$0.12 per unit to the registered dealer whose client is exercising the warrant.

For the period ended June 30, 2014, 731,124 warrants were exercised and no warrants were purchased for cancellation. The warrants trade on the TSX under the symbol HBL.WT. As at June 30, 2014, the closing price of the warrants was \$0.22.

Warrants are classified as a separate component in liabilities upon initial recognition and revalued based on any change in fair value. The revaluation is recorded in the Statement of Comprehensive Income. This results in a difference between net asset value (“NAV”) calculated based on NI 81-106 and on net assets calculated based on IFRS (“Net assets”). A reconciliation between NAV per unit and Net assets per unit at the period end is as follows:

Per Unit:	NAV	Net assets
As at June 30, 2014	\$12.67	\$12.56
As at December 31, 2013	\$12.43	\$12.43
As at January 1, 2013	\$10.89	\$10.89

Redemptions

Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of the applicable month by the holders for monthly redemption. Upon receipt by the Fund of the redemption notice, the holder of a unit shall be entitled to receive a price per unit equal to the lesser of:

Brand Leaders Income Fund

(a) 95% of the “market price” of the units on the principal market on which the 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 units are quoted for trading on the monthly redemption date.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in January 2013, units may be surrendered for redemption at the Fund’s NAV per unit, subject to the required redemption notice period, for the second last business day of January and the unitholder will receive payment on or before the 15th business day of the following month. On January 31, 2014, 475,703 (January 31, 2013 - 144,330) units were redeemed and cancelled for \$5,584,801 (January 31, 2013 - \$1,633,469).

The following units were redeemed and/or cancelled during the period:

	Units outstanding	Warrants outstanding
Total outstanding as at January 1, 2013	2,546,678	-
Redeemable units redeemed	(144,330)	-
Cancellation of redeemable units	(2,400)	-
Total outstanding as at June 30, 2013	2,399,948	-
Total outstanding as at January 1, 2014	2,396,448	-
Warrants Issued	-	1,917,745
Redeemable units redeemed	(475,703)	-
Redeemable units issued on warrants exercised	365,562	(731,124)
Cancellation of redeemable units	(14,400)	-
Total outstanding as at June 30, 2014	2,271,907	1,186,621

The weighted average number of units outstanding during the six-month period ended June 30, 2014 was 2,127,781 units (2013 – 2,424,594 units).

Issue costs

Certain offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund, certain remuneration to directors and/or officers of the Manager and other out-of pocket expenses incurred by the agents together with the agent’s fees payable by the Fund are included in the carrying amount of the Fund’s obligation for net assets attributable to holders of redeemable units.

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. Beginning in November 2011, the Fund will annually determine and announce the distribution amount for the following year based upon the prevailing market conditions. The distribution amount was \$807,905 or \$0.065 per unit per month for the period ended June 30, 2014 (2013 - \$945,459 or \$0.065 per unit per month).

5. EXPENSES

Management and service fees

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing or arranging for managing the Fund’s overall business and operations and provides key management personnel to the Fund. The Manager has retained Highstreet Asset Management Inc. (“Highstreet” or the “Investment Manager”) to provide investment management services to the Fund and pays Highstreet a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund’s net assets.

The Manager is entitled to a fee of 0.90 % of the NAV, plus applicable taxes, per annum of the Fund. The Fund pays service fees to registered dealers at the rate on 0.40 % of the NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers.

Brand Leaders Income Fund

Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest, and is then reimbursed by the Fund.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses were \$96,417 for the period ended June 30, 2014 (2013 - \$100,126) and are included in the unitholder reporting costs on the Statements of Comprehensive Income.

6. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. Foreign currency forward contracts entered into by the Fund represent a firm commitment to buy or sell a currency at a specified value and point in time based upon an agreed or contracted quantity. The value of the foreign currency forward contract is the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of forward foreign currency contracts in the Statement of Comprehensive Income until it is closed out or partially settled.

At June 30, 2014, December 31, 2013 and January 1, 2013, the Fund had entered into the following foreign currency forward contracts:

As at June 30, 2014				
Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	July 16, 2014	CDN \$27,693,510	USD \$25,500,000	\$522,950

As at December 31, 2013				
Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	January 15, 2014	CDN \$28,597,860	US \$27,000,000	(\$98,521)

As at January 1, 2013				
Counterparty	Settlement Date	Purchased currency	Sold currency	Unrealized gain (loss)
Royal Bank of Canada credit rating AA-	January 15, 2013	CDN \$27,588,400	US \$28,000,000	(\$298,367)

7. FINANCIAL RISK MANAGEMENT

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

Brand Leaders Income Fund

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

As at June 30, 2014, 96.0% (December 31, 2013 – 97.9%; January 1, 2013 – 98.9%) of the Fund's net assets attributable to holders of redeemable units were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$1,371,935 (December 31, 2013 - \$1,495,780; January 1, 2013 - \$1,371,818).

In practice, the actual trading results may differ and the difference could be material.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the functional currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

The table below summarizes the Fund's net exposure to currency risk. Amounts shown are based on the carrying value of monetary assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any).

As at June 30, 2014				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	\$27,702,396	\$27,170,561	\$531,835	1.9

*In Canadian dollars

As at December 31, 2013				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	\$29,998,109	\$28,696,381	\$1,301,728	4.4

*In Canadian dollars

As at January 1, 2013				
Currency	Currency exposure*	Forward contracts*	Net Currency exposure*	As a % of net assets
U.S. Dollars	\$28,181,685	\$27,886,767	\$294,918	1.1

*In Canadian dollars

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$26,592 (December 31, 2013 - \$65,086; January 1, 2013 - \$14,746) or 0.1% (December 31, 2013 - 0.2%; January 1, 2013 - 0.1%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

As all of the securities in the portfolio investments are denominated in U.S. dollars and expected dividends and premiums from call options received are in U.S. dollars, the Fund enters into a forward currency contract on substantially all of the value of the portfolio investments back to the Canadian dollar at all times.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund does not hold any bonds or money market instruments; therefore, the Fund has no significant exposure to interest rate risk.

Brand Leaders Income Fund

Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to redemptions as described in Note 4. Therefore in order to maintain sufficient liquidity, the Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity.

As at June 30, 2014, December 31, 2013 and January 1, 2013, all of the Fund's financial liabilities, except for warrants, had maturities of less than three months. The warrants expire on August 15, 2014 and any unexercised warrants will be void and of no value.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2014, December 31, 2013 and January 1, 2013 the Fund did not have significant credit rate risk exposure.

Fair value of financial instruments

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The table below summarizes the fair value of the Fund's financial instruments using the following fair value hierarchy:

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Securities classification:

Investments at fair value as at June 30, 2014				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	20,258,753	-	-	20,258,753
ADR	7,179,940	-	-	7,179,940
Total equities	27,438,693	-	-	27,438,693
Total written options contracts	(39,976)	-	-	(39,976)
Total investments	27,398,717	-	-	27,398,717
Foreign currency forward contract	-	522,950	-	522,950
Total investments at fair value	27,398,717	522,950	-	27,921,667

Brand Leaders Income Fund

Investments at fair value as at December 31, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	22,018,688	-	-	22,018,688
ADR	7,896,916	-	-	7,896,916
Total equities	29,915,604	-	-	29,915,604
Total investments	29,915,604	-	-	29,915,604
Foreign currency forward contracts	-	(98,521)	-	(98,521)
Total investments at fair value	29,915,604	(98,521)	-	29,817,083

Investments at fair value as at January 1, 2013				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Equities				
Common Stock	19,692,620	-	-	19,692,620
ADR	7,743,732	-	-	7,743,732
Total equities	27,436,352	-	-	27,436,352
Total written options contracts	(70,142)	-	-	(70,142)
Total investments	27,366,210	-	-	27,366,210
Foreign currency forward contracts	-	(298,367)	-	(298,367)
Total investments at fair value	27,366,210	(298,367)	-	27,067,843

There were no Level 3 securities held by the Fund as at June 30, 2014, December 31, 2013 and January 1, 2013, and there were no significant transfers between Level 1 and Level 2 for the six-month period ended June 30, 2014 or for the year ended December 31, 2013.

The value of the foreign currency forward contract is determined as the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk by geography and segment.

Geography:

As at Country of Issue	June 30, 2014		December 31, 2013		January 1, 2013	
	\$*	% of net assets	\$*	% of net assets	\$*	% of net assets
United States of America	28,526,208	100.0	29,781,036	100.0	27,735,761	100.0
Totals	28,526,208	100.0	29,781,036	100.0	27,735,761	100.0

*Stated in Canadian dollars

Brand Leaders Income Fund

Market Segment (percentage of net assets attributable to holders of redeemable units):

	June 30, 2014	December 31, 2013	January 1, 2013
EQUITIES			
Banks and Other Financial Issuers	12.9	13.4	12.1
Consumer Discretionary Issuers	6.6	7.2	6.6
Consumer Staples Issuers	19.3	19.4	20.3
Energy Issuers	6.2	6.5	6.7
Industrial Issuers	24.9	26.5	27.7
Information Technology Issuers	26.1	27.4	25.5
OPTIONS			
Banks and Other Financial Issuers	-	-	-
Consumer Discretionary Issuers	-	-	-
Consumer Staples Issuers	-	-	-
Industrial Issuers	-	-	(0.1)
Information Technology Issuers	-	-	(0.1)

8. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the investment manager. The value of such research services included in commissions paid to brokers for the periods ended June 30, 2014 and 2013 amounted to \$NIL.

Head Office

710 Dorval Drive, Suite 209
Oakville, ON L6K 3V7
Phone Number: 416.649.4541
Toll Free: 866.998.8298
Fax Number: 416.649.4542
Email: info@harvestportfolios.com

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.