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Healthcare Leaders Income Fund

Annual Management Report of Fund Performance

December 31, 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 1-866-998-8298; 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.

Healthcare Leaders Income Fund

CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager focused on unique income generating investment products. Harvest was founded in 2009 by long term members of the investment management industry and is focused on developing investment products that follow the investment philosophy of:

1. Clear investment objectives
2. Transparency
3. Income generation

Harvest’s mandate is to develop investment products that are clear in their mandate and easy for our investors to understand. We strive to be transparent, so that our investors can open their financial reports and know exactly what they own. Our funds are also invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends or distributions.

INVESTMENT PRODUCT

The Healthcare Leaders Income Fund (the “Fund”) invests in an equally-weighted portfolio of 20 Equity Securities that is included in the health care sector of the Global Industry Classification Standards or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s, any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

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PRESIDENT'S MESSAGE

Healthcare Leaders Income Fund

Unitholder letter February 2015

Dear Valued Unitholder,

In 1985 I started my career in the investment business as an advisor; two years later in 1987 the markets suffered their worst one day loss since 1929. That was difficult time for all investors but there were many lessons to be learned over the next several years. I learned that investments in products that are transparent and invested in businesses that I understand will result in long term gains despite market volatility.

As a unitholder of Harvest it is important to understand our philosophy. The three guiding principles we use when developing our products are:

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

Transparent: A portfolio should reflect what an investor thought they were buying. Investors can check their statements and our website to verify and most importantly to “know what you own”.

Consistent Income: All of our funds provide consistent monthly or quarterly income. We want to provide income from diverse sources.

We are in a period of low interest rates and whether one feels they are being held there artificially or due to deflationary pressures, it is our opinion that this will continue for the foreseeable future. Investors who are in or approaching retirement, or simply want a structure that pays income, should have comfort that Harvest is focused on that feature and will endeavour to ensure all of our products meet their income and investment objectives.

During my 30 years in the business, I have never seen the volatility and technological influences that move markets like we see today and it is likely here to stay. Regardless, these factors don't change the basics of fundamental investing and Harvest's focus on products that meet your needs. Our goal is to establish products invested in good quality companies that can provide solid returns over the long term.

As we look forward, we want to assure our investors that Harvest will remain committed to its philosophy and appreciate the confidence you have placed in us by investing with us.

Sincerely,

Signed “Michael Kovacs”

Michael Kovacs
President and Chief Executive Officer

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. For your reference, the annual financial statements of the Fund are attached to the management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1-866-998-8298; by writing to us at Harvest Portfolios Group Inc., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; or by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund has been created to provide investors with a unique exposure to a portfolio of Equity Securities that is included in the health care sector of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor's (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

The Fund's investment objectives are to provide Unitholders with:

- (i) the opportunity for capital appreciation; and
- (ii) monthly cash distributions.

The Fund's manager, Harvest Portfolios Group Inc. ("Harvest") has retained Highstreet Asset Management Inc. ("Highstreet" or "Investment Manager") to provide investment management services to the Fund.

To achieve its investment objectives, the Fund will invest in an equally-weighted portfolio of Equity Securities of 20 Healthcare Issuers from the Healthcare Leaders Investable Universe that have a market capitalization of at least US\$5 billion at the time of investment and meet the investment characteristics described below. In order to seek to generate additional returns, Highstreet will sell call options on no more than 33% of the Equity Securities of each Healthcare Issuer held in the Fund.

Highstreet will select the Fund's initial Equity Securities and will semi-annually reconstitute and rebalance the Portfolio such that, at the time of the initial investment and immediately following each semi-annual reconstitution and rebalancing, will have the following investment characteristics:

- Value** – An average Price-to-Earnings ratio lower than the average for the Healthcare Leaders Investable Universe; and
- Quality** – An average 5-year Return on Equity greater than the average for the Healthcare Leaders Investable Universe.

RISK

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

RESULTS OF OPERATIONS

The Healthcare Leaders Income Fund commenced operations following the closing of its initial public offering on December 18, 2014 of 9,500,000 units at \$10.00 per unit for gross proceeds of \$95,000,000. Performance information is not available for periods less than one year. The Fund listed for trading on the Toronto Stock Exchange under the ticker symbol of HHL.UN following the closing of its IPO. The Fund subsequently invested the net proceeds of the offering into 20 Healthcare Leaders in accordance with its investment objectives. Given the short time period since the inception of the Fund to the end of the period, there is limited information pertaining to the results of operations.

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RECENT DEVELOPMENTS

On January 13, 2015, an overallotment option was exercised for an additional 259,149 units at a price of \$10.00 per unit for gross proceeds of \$2,591,490.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period, except for management fees and other expense reimbursements paid to Harvest, as noted below in Management and Other Fees.

MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee calculated based on the average weekly net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 0.85%, plus applicable taxes, of the NAV of the Fund. The Manager 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 NAV.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

Operating expenses

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

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund’s continuous public offering and other obligations. These expenses were \$8,176 for the period ended December 31, 2014 and are included in the unitholder reporting costs on the Statements of Comprehensive Income in the annual financial statements.

During the Fund’s initial offering, certain offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund 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.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period ended December 31, 2014.

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FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past period. This information is derived from the Fund's annual financial statements at December 31, 2014.

THE FUND'S NET ASSETS PER UNIT	2014
Net assets - beginning of the period²	\$ 9.39
Increase (decrease) from operations	
Total revenue	0.01
Total expenses	(0.01)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	(0.16)
Total increase (decrease) from operations¹	\$ (0.16)
Distributions³	-
Net assets - end of the period¹	\$ 9.23

RATIOS AND SUPPLEMENTAL DATA	2014
Total net asset value	\$ 87,712,909
Number of units outstanding	9,500,000
Management expense ratio ⁴	9.25%
Management expense ratio before waivers or absorptions ⁴	9.25%
Trading expense ratio ⁵	0.82%
Portfolio turnover rate ⁶	0.00%
Net asset value per unit	\$ 9.23
Closing market price (HHL.UN)	\$ 10.27

Explanatory Notes:

1. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the reporting period. It is not intended that the Fund's net assets per unit table act as a continuity of opening and closing net assets per unit.
2. Net assets, at the commencement of operations on December 18, 2014 was \$9.39, net of agents' commissions and issuance costs of \$0.61 per unit.
3. Distributions were paid in cash.
4. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period from December 18, 2014 to December 31, 2014 includes agents' fees of \$4,987,500 and issue costs of \$815,000. These costs are treated as one-time expenses and therefore were not annualized. The MER without these costs is 2.72%.
5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
6. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

YEAR-BY-YEAR RETURNS

National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

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SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. A detailed breakdown of the Fund's holdings is available in the "Schedule of Investments" section of the Fund's annual financial statements.

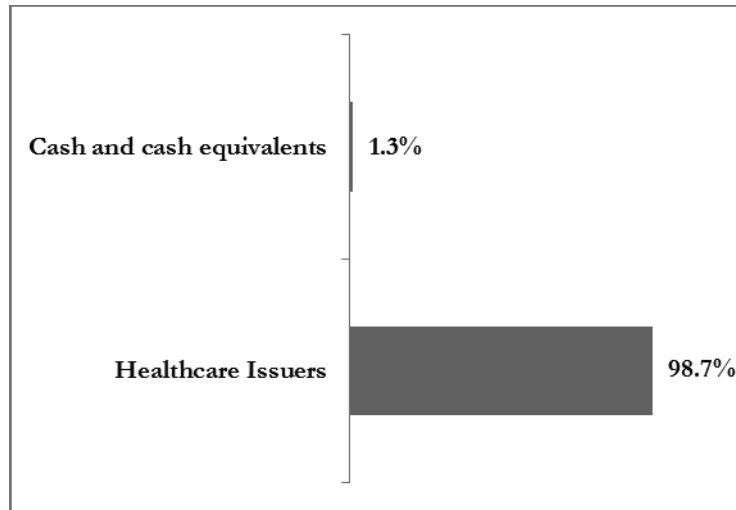
Top 21 Holdings	% of Net Asset Value
Quest Diagnostics Inc.	5.2
Teva Pharmaceutical Industries Limited ADS	5.1
Smith & Nephew PLC ADS	5.1
Agilent Technologies Inc.	5.1
Becton Dickinson and Co.	5.0
Baxter International Inc.	5.0
Anthem Inc.	5.0
Johnson & Johnson	4.9
GlaxoSmithKline PLC ADS	4.9
Novartis AG ADS	4.9
Pfizer Inc.	4.9
Bristol-Myers Squibb Co.	4.9
Medtronic Inc.	4.9
St. Jude Medical Inc.	4.9
Sanofi-Aventis ADS	4.9
Merck & Co. Inc.	4.9
AbbVie Inc.	4.8
Eli Lilly and Co.	4.8
Amgen Inc.	4.8
Gilead Sciences Inc.	4.7
Cash and cash equivalent	1.3
Total	100.0

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from Harvest Portfolios Group Inc. at www.harvestportfolios.com.

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SECTOR ALLOCATION

Total Net Asset Value (100.0%)



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.