



HARVEST Banks & Buildings Income Fund

Interim Financial Statements
(Unaudited)

June 30, 2017

HARVEST Banks & Buildings Income Fund

STATEMENTS OF FINANCIAL POSITION			
(Unaudited)			
As at		June 30, 2017	December 31, 2016
Assets			
Current assets			
Investments	\$	12,079,764	\$ 13,077,624
Cash		578,463	992,737
Dividends and interest receivable		36,482	28,498
		12,694,709	14,098,859
Liabilities			
Current liabilities			
Payable for investments purchased		151,479	-
Redemptions payable		62,656	505
Distributions payable (Note 4)		23,132	26,592
		237,267	27,097
Net assets attributable to holders of redeemable units	\$	12,457,442	\$ 14,071,762
Net assets attributable to holders of redeemable units			
Series R	\$	5,059,087	\$ 5,461,668
Series A		5,592,043	6,507,514
Series F		1,630,704	1,968,823
Series D		175,608	133,757
Number of redeemable units outstanding (Note 4)			
Series R		345,310	365,649
Series A		400,448	454,319
Series F		105,142	124,982
Series D		11,816	8,839
Net assets attributable to holders of redeemable units per unit			
Series R	\$	14.65	\$ 14.94
Series A		13.96	14.32
Series F		15.51	15.75
Series D		14.86	15.13

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

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STATEMENTS OF COMPREHENSIVE INCOME (LOSS)			
(Unaudited)			
For the period ended June 30,	2017		2016
Income			
Net gain (loss) on investments			
Dividends	\$	261,027	\$ 516,274
Net realized gain (loss) on sale of investments		1,779,577	72,689
Net change in unrealized appreciation (depreciation) of investments		(1,681,403)	(281,159)
Net gain (loss) on investments		359,201	307,804
Other income			
Net realized gain (loss) on foreign exchange		3,705	(202)
Net change in unrealized appreciation (depreciation) of foreign exchange		(8,111)	(58)
Other income		(4,406)	(260)
Total income (net)	\$	354,795	\$ 307,544
Expenses (Note 5)			
Management fees	\$	82,435	\$ 96,898
Service fees		54,963	67,813
Withholding taxes		6,290	6,174
Unitholder reporting costs		19,441	20,156
Audit fees		5,177	5,861
Transfer agency fees		21,444	23,276
Custodian fees and bank charges		18,752	23,164
Independent Review Committee fees		1,527	1,374
Filing fees		21,962	23,708
Legal fees		1,017	3,840
Transaction costs (Note 7)		7,672	2,046
Total expenses	\$	240,680	\$ 274,310
Increase (decrease) in net assets attributable to holders of redeemable units	\$	114,115	\$ 33,234
Increase (decrease) in net assets attributable to holders of redeemable units -			
Series R	\$	51,841	\$ 18,355
Series A		36,636	(34,430)
Series F		24,459	48,711
Series D		1,179	598
Increase (decrease) in net assets attributable to holders of redeemable units per			
unit - Series R (Note 4)	\$	0.15	\$ 0.04
unit - Series A (Note 4)		0.09	(0.06)
unit - Series F (Note 4)		0.22	0.33
unit - Series D (Note 4)		0.11	0.24

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STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ALL SERIES (Unaudited)			
For the period ended June 30,		2017	2016
Net assets attributable to holders of redeemable units beginning of period	\$	14,071,762	\$ 17,009,965
Increase (decrease) in net assets attributable to holders of redeemable units	\$	114,115	\$ 33,234
Redeemable unit transactions			
Proceeds from issue of redeemable units		215,740	181,919
Reinvestments of distributions to holders of redeemable units		230,892	294,153
Redemption of redeemable units		(1,798,529)	(1,754,274)
Net increase (decrease) in redeemable unit transactions	\$	(1,351,897)	\$ (1,278,202)
Distributions to holders of redeemable units			
Net investment income		(376,538)	(499,844)
Total distributions to holders of redeemable units	\$	(376,538)	\$ (499,844)
Net assets attributable to holders of redeemable units end of period	\$	12,457,442	\$ 15,265,153

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES R (Unaudited)			
For the period ended June 30,		2017	2016
Net assets attributable to holders of redeemable units beginning of period	\$	5,461,668	\$ 6,306,733
Increase (decrease) in net assets attributable to holders of redeemable units	\$	51,841	\$ 18,355
Redeemable unit transactions			
Proceeds from issue of redeemable units		-	2,230
Reinvestments of distributions to holders of redeemable units		97,139	124,509
Redemption of redeemable units		(403,231)	(591,432)
Transfer of redeemable units		-	(75,268)
Net increase (decrease) in redeemable unit transactions	\$	(306,092)	\$ (539,961)
Distributions to holders of redeemable units			
Net investment income		(148,330)	(183,141)
Total distributions to holders of redeemable units	\$	(148,330)	\$ (183,141)
Net assets attributable to holders of redeemable units end of period	\$	5,059,087	\$ 5,601,986

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STATEMENTS OF CHANGES IN NET ASSETS			
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
SERIES A			
(Unaudited)			
For the period ended June 30,		2017	2016
Net assets attributable to holders of redeemable units beginning of period	\$	6,507,514	\$ 9,119,811
Increase (decrease) in net assets attributable to holders of redeemable units	\$	36,636	\$ (34,430)
Redeemable unit transactions			
Proceeds from issue of redeemable units		47,374	118,099
Reinvestments of distributions to holders of redeemable units		103,223	139,730
Redemption of redeemable units		(851,246)	(993,874)
Transfer of redeemable units		(73,787)	(1,004,646)
Net increase (decrease) in redeemable unit transactions	\$	(774,436)	\$ (1,740,691)
Distributions to holders of redeemable units			
Net investment income		(177,671)	(251,307)
Total distributions to holders of redeemable units	\$	(177,671)	\$ (251,307)
Net assets attributable to holders of redeemable units end of period	\$	5,592,043	\$ 7,093,383

STATEMENTS OF CHANGES IN NET ASSETS			
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
SERIES F			
(Unaudited)			
For the period ended June 30,		2017	2016
Net assets attributable to holders of redeemable units beginning of period	\$	1,968,823	\$ 1,554,410
Increase (decrease) in net assets attributable to holders of redeemable units	\$	24,459	\$ 48,711
Redeemable unit transactions			
Proceeds from issue of redeemable units		107,370	41,590
Reinvestments of distributions to holders of redeemable units		28,500	28,940
Redemption of redeemable units		(526,255)	(168,968)
Transfer of redeemable units		73,787	1,070,008
Net increase (decrease) in redeemable unit transactions	\$	(316,598)	\$ 971,570
Distributions to holders of redeemable units			
Net investment income		(45,980)	(64,241)
Total distributions to holders of redeemable units	\$	(45,980)	\$ (64,241)
Net assets attributable to holders of redeemable units end of period	\$	1,630,704	\$ 2,510,450

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES D (Unaudited)			
For the period ended June 30,		2017	2016
Net assets attributable to holders of redeemable units beginning of period	\$	133,757	\$ 29,011
Increase (decrease) in net assets attributable to holders of redeemable units	\$	1,179	\$ 598
Redeemable unit transactions			
Proceeds from issue of redeemable units		60,996	20,000
Reinvestments of distributions to holders of redeemable units		2,030	974
Redemption of redeemable units		(17,797)	-
Transfer of redeemable units		-	9,906
Net increase (decrease) in redeemable unit transactions	\$	45,229	\$ 30,880
Distributions to holders of redeemable units			
Net investment income		(4,557)	(1,155)
Total distributions to holders of redeemable units	\$	(4,557)	\$ (1,155)
Net assets attributable to holders of redeemable units end of period	\$	175,608	\$ 59,334

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STATEMENTS OF CASH FLOWS			
(Unaudited)			
For the period ended June 30,	2017		2016
Operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	114,115	\$ 33,234
Add (deduct) items not affecting cash:			
Realized (gain) on sale of investments		(1,779,577)	(72,689)
Change in unrealized (appreciation) depreciation of investments		1,681,403	281,159
Change in unrealized (appreciation) depreciation of foreign exchange.		8,111	-
Proceeds from sale of investments		4,463,321	2,026,737
Purchases of investments		(3,215,808)	(554,854)
Net change in non-cash assets and liabilities		(16,095)	9,282
Net cash flow provided by (used in) operating activities	\$	1,255,470	\$ 1,722,869
Financing activities			
Proceeds from redeemable units issued		215,740	171,319
Redemption of redeemable units		(1,736,378)	(1,701,308)
Distributions paid to holders of redeemable units (net of reinvested distributions)		(149,106)	(208,832)
Net cash flow provided by (used in) financing activities	\$	(1,669,744)	\$ (1,738,821)
Net increase (decrease) in cash during the period		(414,274)	(15,952)
Cash, beginning of the period		992,737	489,585
Cash, end of the period	\$	578,463	\$ 473,633
Supplemental disclosure of cash flow information			
Dividends received, net of withholding taxes*		246,753	519,317

*included in operating activities

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

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SCHEDULE OF INVESTMENTS (Unaudited)

As at June 30, 2017

Number of Shares	Security	Average Cost (\$)	Carrying Value (\$)	% of Net Assets
EQUITIES				
Banking and Other Financial Issuers				
12,300	Bank of America Corporation	100,405	387,529	3.1
6,500	Bank of Montreal	424,212	618,930	5.0
6,300	Canadian Imperial Bank of Commerce	708,419	663,957	5.3
4,700	JPMorgan Chase & Co.	169,724	557,896	4.5
22,000	Manulife Financial Corporation	484,220	534,820	4.3
7,000	Morgan Stanley	390,668	405,091	3.2
8,200	Royal Bank of Canada	431,909	772,112	6.2
16,100	Sun Life Financial Inc.	408,202	746,396	6.0
7,200	SunTrust Banks, Inc.	247,166	530,368	4.3
9,200	The Bank of Nova Scotia	513,681	717,692	5.8
11,900	The Toronto-Dominion Bank	441,317	777,665	6.2
22,000	Timbercreek Financial Corp.	222,246	206,140	1.7
6,300	Wells Fargo & Company	219,431	453,354	3.6
		4,761,600	7,371,950	59.2
Real Estate Issuers				
2,400	Alexandria Real Estate Equities, Inc.	363,359	375,490	3.0
7,100	Allied Properties Real Estate Investment Trust	260,497	276,332	2.2
35,000	Chartwell Retirement Residences	526,663	542,150	4.3
15,000	Crombie Real Estate Investment Trust	141,030	210,450	1.7
3,400	Digital Realty Trust, Inc.	500,681	498,740	4.0
30,000	First Capital Realty Inc.	571,508	592,800	4.8
39,300	Killam Apartment Real Estate Investment Trust	423,482	500,682	4.0
72,500	Pure Industrial Real Estate Trust	338,584	498,800	4.0
20,000	Smart Real Estate Investment Trust	551,933	642,400	5.2
		3,677,737	4,137,844	33.2
Pipeline Issuers				
14,300	Inter Pipeline, Ltd.	348,098	363,220	2.9
		348,098	363,220	2.9
Utility Issuers				
5,000	Brookfield Renewable Energy Partners LP	162,418	206,750	1.7
		162,418	206,750	1.7
Total investments		8,949,853	12,079,764	97.0
Other assets less liabilities			377,678	3.0
Net assets attributable to holders of redeemable units			12,457,442	100.0

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

June 30, 2017

1. GENERAL INFORMATION

Harvest Banks & Buildings Income Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 25, 2009 and as amended and restated, being the inception date. There was no significant activity in the Fund from the date of inception to commencement of operations on October 23, 2009. The address of the Fund’s registered office is 710 Dorval Drive, Oakville, Ontario, L6K 3V7.

The Fund became an open-end mutual fund on October 18, 2011 (the “Conversion Date”). On the Conversion Date, the Units became redeemable at net asset value per unit on a daily basis, and the Fund became subject to National Instrument 81-102 Investment Funds.

The Fund’s investment objectives are to provide unitholders with monthly distributions and to maximize total return for unitholders. As part of the investment strategy the Fund will invest in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers.

The Fund offers Series R, Series A, Series F and Series D units, only through registered dealers. Series R is the series in which all existing unitholders at October 18, 2011 were rolled into on the Conversion Date, on a unit-for-unit basis. New purchases in Series R are available to existing unitholders only, with an initial sales charge option. Series A units, which were created on October 18, 2011 but commenced operations on October 22, 2011, are available to all investors with an initial sales charge option and have a higher service fee than Series R. Series F units, which were created on October 18, 2011 but commenced operations on October 27, 2011, have no initial sales charge option and no service fees and are usually only available to investors who have fee-based accounts with the dealers. Series D units, which were created on June 20, 2014 but commenced operations on July 9, 2014, have no initial sales charge option, a lower service fee than Series R and Series A and are available to all investors.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting and should be read in conjunction with the annual financial statements for the period ended December 31, 2016 which have been prepared in accordance with IFRS. These interim financial statements were authorized for issue by Harvest Portfolios Group Inc. (the “Manager”) on August 24, 2017.

3. SUMMARY OF 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. Carrying values of other financial assets and liabilities at amortized cost and net assets attributable to holders of redeemable units approximate their fair values due to the short term to maturity. 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. As at June 30, 2017 and December 31, 2016, there were no differences between the Fund’s NAV per security and its net assets per security calculated in accordance with IFRS.

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

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within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held are represented by equities.

Investments held that are not traded on 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.

Classification of redeemable units

Under IFRS, IAS 32 Financial Instruments – Presentation 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. The Fund has issued multiple classes of units which are equally subordinate, but which are subject to different fees (Note 5). As a result, not all units have identical features and are presented as financial liabilities as they do not meet the criteria for classification as equity.

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 (Loss) 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. 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.

Allocation of income and expense, and realized and unrealized capital gains and losses

Management fees and service fees directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized capital gains and losses are generally allocated proportionately to each series based upon the relative net assets attributable to holders of redeemable units of each series.

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars which is also the Fund's functional and presentation currency. 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 (Loss) 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 (Loss) 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 Statements of Financial Position are translated into Canadian dollars on the statement date.

Redeemable units valuation

The NAV per unit of each series is determined at the close of business each day the Toronto Stock Exchange is open for business. The NAV of each series of the Fund is computed by calculating the value of that series' proportionate share of the Fund's common assets less common liabilities and less those series-specific liabilities. Expenses directly attributable to a series

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are charged to that series. Other income and expenses are allocated to each series proportionately based on the relative NAV of each series.

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 Statements of Comprehensive Income (Loss) represents the increase (decrease) in net assets attributable to holders of redeemable units, attributed to each series, divided by the weighted average units outstanding for that series, for the financial year.

Income and other 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 carried forward 20 years and applied against future taxable income. As at the last taxation year end, the Fund had no capital or non-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 generally 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 may hold 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 6 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.

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

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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 Manager continues to assess the impact of IFRS 9 by analyzing the Fund's business model. The Manager does not expect any change in the measurement of the financial assets and liabilities of the Fund.

4. REDEEMABLE UNITS

The Fund is authorized to issue an unlimited number of transferable units and series. Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscriptions or redemptions is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units of the series of the Fund outstanding at such time.

The following units were issued and redeemed during the year indicated:

	Units outstanding			
	Series R	Series A	Series F	Series D
Total outstanding as at January 1, 2016	462,797	689,629	108,972	2,107
Redeemable units issued	175	9,236	3,021	1,494
Redeemable units issued on reinvestment	9,415	10,929	2,084	73
Redeemable units redeemed	(45,934)	(78,249)	(12,356)	-
Redeemable units transferred between Series	(5,615)	(79,192)	77,772	731
Total outstanding as at June 30, 2016	420,838	552,353	179,493	4,405
Total outstanding as at January 1, 2017	365,649	454,319	124,982	8,839
Redeemable units issued	-	3,297	6,761	4,005
Redeemable units issued on reinvestment	6,541	7,273	1,816	135
Redeemable units redeemed	(26,880)	(59,354)	(33,034)	(1,163)
Redeemable units transferred between Series	-	(5,087)	4,617	-
Total outstanding as at June 30, 2017	345,310	400,448	105,142	11,816

The weighted average number of units outstanding during the period ended June 30, 2017 was 355,929 units for Series R (2016 – 439,725 units), 427,597 units for Series A (2016 – 611,343 units), 110,943 units for Series F (2016 – 146,300 units) and 10,770 units for Series D (2016 – 2,468 units).

Distributions

Monthly distributions to unitholders are declared and paid to unitholders of record on the Valuation Date prior to the month-end, and automatically reinvested at NAV into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were \$376,538 (\$0.42 per unit) for the period ended June 30, 2017 (2016 - \$499,844 or \$0.42 per unit).

5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

Management fees and servicing 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 retained Avenue Investment Management Inc. ("Avenue" or the "Investment Manager") to provide investment management services to the Fund up until termination on January 15, 2017. Avenue was paid a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net asset value. On January 16, 2017, the Manager assumed the investment management responsibilities of the Fund.

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

Dealers may be paid a servicing fee in connection with Series A, Series D and Series R units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes,

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are payable monthly in arrears based on the total client assets invested in each series of units of the Fund held by all of a Dealer's clients throughout the month. The Manager can change or cancel servicing fees at any time.

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

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.10%	0.40%	1.50%
A	1.10%	1.25%	2.35%
F	1.10%	0.00%	1.10%
D	1.10%	0.25%	1.35%

Operating expenses

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

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for the period ended June 30, 2017 was \$nil (2016 - \$nil). The Manager may cease doing so at any time without notice to unitholders.

Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$14,161 for the period ended June 30, 2017 (2016 - \$14,964) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss).

6. 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.

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, 2017, 97.0% (December 31, 2016 – 92.9%) 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 year end, with all other factors remaining constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$603,988 (December 31, 2016 - \$653,881).

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.

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

Currency	As at June 30, 2017		As at December 31, 2016	
	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollars	\$3,454,977	27.7%	\$3,501,142	24.9%

*Amounts are in Canadian dollars

The non-monetary currency exposure is \$3,208,468 (December 31, 2016 - \$3,270,211) and the monetary currency exposure is \$246,509 (December 31, 2016 - \$230,931).

As at June 30, 2017, 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 \$172,749 (December 31, 2016 - \$175,057) or 1.4% (December 31, 2016 - 1.2% %). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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. A Fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. In general, when interest rates are falling, the value of these investments rises.

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. The Fund held no fixed income securities at the end of June 30, 2017 and December 31, 2016.

As at June 30, 2017 and December 31, 2016 the Fund had no interest bearing liabilities.

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 units are redeemable on demand and Unitholders may redeem their units on each valuation date. 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. Redeemable units are redeemable on demand at the holder's option, however, the Manager does not expect that the contractual maturity will be representative of the actual cash flows as the holder of the instruments typically retain these for a longer period.

As at June 30, 2017 and December 31, 2016, all of the Fund's financial liabilities had maturities of less than three months.

Credit risk

Credit risk is the risk that the 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.

The Fund has no holdings of fixed income debt instruments as at June 30, 2017 and December 31, 2016. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk. The maximum credit risk of these investments is their fair value at June 30, 2017 and December 31, 2016.

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:

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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.

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

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

Securities classification:

Investments at fair value as at June 30, 2017				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	9,744,350	-	-	9,744,350
Limited Partnership	206,750	-	-	206,750
REIT	2,128,664	-	-	2,128,664
Total Financial Assets	12,079,764	-	-	12,079,764

Investments at fair value as at December 31, 2016				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	10,172,631	-	-	10,172,631
Limited Partnership	797,000	-	-	797,000
REIT	2,107,993	-	-	2,107,993
Total Financial Assets	13,077,624	-	-	13,077,624

There were no Level 3 securities held by the Fund as at June 30, 2017 and December 31, 2016. There were no transfers between Level 1 and Level 2 for the period ended June 30, 2017 or for the year ended December 31, 2016.

The value of equities and Level 1 debt securities is based on quoted prices.

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	June 30, 2017		December 31, 2016	
	\$*	% of net assets	\$*	% of net assets
Canada	8,871,296	71.2	9,807,413	69.6
United States of America	3,208,468	25.8	3,270,211	23.3
Totals	12,079,764	97.0	13,077,624	92.9

*Stated in Canadian dollars

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

	June 30, 2017	December 31, 2016
	% of net assets	% of net assets
Banking and Other Financial Issuers	59.2	58.9
Real Estate Issuers	33.2	22.0
Pipeline Issuers	2.9	6.3
Utility Issuers	1.7	5.7
Total	97.0	92.9

7. 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 period ended June 30, 2017 and 2016 amounted to \$nil.

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