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**HARVEST Canadian Income & Growth Fund**  
Annual Management Report of Fund Performance

December 31, 2017

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 Inc., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at [www.harvestportfolios.com](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

# **HARVEST Canadian Income & Growth 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 and is focused on developing investment products that follow three investment criteria:

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

Harvest endeavours 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 annual report and know exactly what they own. Our funds are 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.

## **INVESTMENT PRODUCT**

The Harvest Canadian Income & Growth Fund (the “Fund”) invests to provide investors with income and the potential for capital appreciation by investing primarily in dividend paying securities of publicly-traded utilities, industrials, communications, real estate and retail issuers domiciled in Canada.

# HARVEST Canadian Income & Growth Fund

## PRESIDENT'S MESSAGE

Harvest Canadian Income & Growth Fund

Unitholder letter March 2018

Dear Valued Unitholder,

Fresh off the US Election, 2017 markets started off strong, coasted through the summer months and ended on an upswing. The US Federal Reserve raised the benchmark interest rate three times with December's quarter point hike being the 5th since 2006. President Trump managed to get his tax bill passed while US unemployment drifted ever lower and looks to breach below 4% in 2018. It was also the year of Bitcoin and the crypto currency mania, though back on earth, not a bad year for the portfolios with lower volatility than we have been used to for some time.

As per Warren Buffett, "In the business world, the rearview mirror is always clearer than the windshield". That said, 2017 will go down in the history of markets as one of the surprising "up" years as the preponderance of investors did not feel positive at the outset of the year. We have all heard the term "the most hated bull market", because it was hard to be long equities after what has been one volatile ride for the previous 16 years. It is sometimes forgotten that the S&P 500 highs of March 2000, were not achieved again until October 2007, and then achieved for a third time and finally surpassed in March 2013. If one was long the S&P 500 Index, one basically spent 13 years riding a roller coaster to end up on the same platform where one started. Since the Financial crisis bottomed in March 2009, we have had successive years of negative sentiment, quantitative easing, a new US President, a flash crash and two large pullbacks, the last between May 2015 and February 2016 with the S&P 500 down over 15% during that time. No doubt equity investors were skittish going into 2017.

Our investment philosophy at Harvest doesn't change, markets will change and we accept that, we will fine tune portfolios when the dynamics for a company change, but we maintain our long term thesis. Option writing, in our Leaders Funds, allows us to reduce some of the shorter term risk of a portfolio and monetize that portion of return for income generation. The majority of the portfolio will remain long due to our positive bias towards the businesses we hold. When we develop a new portfolio (Fund) at Harvest, the first thing we look at is the industry or theme, does it have growth characteristics, and will it continue to be part of human, industrial, technological or some other positive advancement. If we can answer "yes", then the deeper work begins on the portfolio construction.

Looking towards 2018, our belief is that investors stay the course. This is not a view of complacency as volatility will reemerge and markets will face new challenges, but one of long term belief that quality companies with established franchises, solid cash flow, earnings and track records of growth will prevail over time. Most importantly is patience, to hold on when times are good and when times are tough.

On behalf of Harvest, I would like to thank you for your trust and investment in our products.

Sincerely,

*Signed* "Michael Kovacs"

Michael Kovacs  
President and Chief Executive Officer

# HARVEST Canadian Income & Growth Fund

## ANNUAL MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The annual 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 annual 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](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://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's investment objectives are to:

- (i) provide unitholders with monthly distributions; and
- (ii) maximize long-term total return for unitholders while reducing volatility.

The Fund was created to provide investors with income and the potential for capital appreciation.

To achieve the Fund's objectives, the Fund invests in an actively managed portfolio comprised primarily of dividend-paying equity and debt securities of publicly-traded utilities, industrial, communications, real estate and retail issuers domiciled in Canada. The investment manager focuses on the less cyclical segments of the Canadian equities market with the goal of reducing volatility by diversifying away from the main sectors (financials, energy and materials) that make up the majority of the market capitalization on the Toronto Stock Exchange (the "TSX").

The Fund invests primarily in companies that have: (i) proven long-term histories of earnings; (ii) established and experienced management; and (iii) business models that are not primarily dependent on commodity prices.

The investment manager focuses on free cash flow and free cash flow yield, earnings potential, and the investment's intrinsic value in order to assess dividend sustainability and growth in distributions, with a view to delivering:

1. Attractive income generation;
2. Opportunity for capital gains; and
3. Lower volatility relative to the overall S&P/TSX Composite Index.

### 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

Despite having a strong 2016 bounce from the energy-related losses of 2015, the S&P TSX was a clear laggard again in 2017 and was amongst the worst performing of the developed markets around the world during 2017. The Fund's return for the period ending December 31, 2017 was 1.99% for Series R, 1.70% for Series A, 3.18% for Series F and 2.87% for Series D compared to the S&P/TSX Composite Total Return Index return of 9.10%.

Despite the relatively weaker equity market in 2017, the Canadian economy surprised expectations with its strength on the year despite late year disappointments and NAFTA related uncertainty. The Bank of Canada hiked three times boosting financials stocks, which are generally not part of the Fund positioning by design, and was key in the index performance during the year. In general, positioning away from the Big-3 sub-sectors in Canada, financials, energy, and materials was also a significant factor in the relative divergence compared to the broad S&P TSX Index. Other focus sectors of the Fund, such as industrial and REITs, were positive return sources in 2017.

The Fund remained well diversified and primarily invested in a portfolio of Canadian equity securities in the utilities, industrials, communications, real estate and retail sub-sectors, augmented with select U.S. equities.

# HARVEST Canadian Income & Growth Fund

## RECENT DEVELOPMENTS

The Manager completed the process of assuming the investment management responsibilities of the Fund from Avenue Investment Management Inc. effective January 16, 2017.

## 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

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible 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 net asset value (“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 R and Series D units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes, 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           | 1.25%                 | 1.00%              | 2.25%      |
| A           | 1.25%                 | 1.25%              | 2.50%      |
| F           | 1.25%                 | 0.00%              | 1.25%      |
| D           | 1.25%                 | 0.25%              | 1.50%      |

## 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.

The Manager may, in some cases, absorb a portion of the Fund’s operating expenses. There were no absorptions for the year ended December 31, 2017 and 2016. 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 \$43,729 for the year ended December 31, 2017 (2016 - \$42,944) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss).

# HARVEST Canadian Income & Growth Fund

## RECOMMENDATION OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

As noted in the “Recent Developments” section above, effective January 16, 2017, the Manager assumed the investment management responsibilities of the Fund. This matter was brought to the attention of the IRC on November 1, 2016 and the committee resolved that the change provides a fair and reasonable result for the Fund.

## 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 year ended December 31, 2017 and past periods. This information is derived from the Fund’s annual financial statements and past annual audited financial statements.

| <b>THE FUND’S NET ASSETS PER UNIT – SERIES R</b>             | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets - beginning of year<sup>2</sup></b>            | <b>\$ 14.02</b>  | <b>\$ 11.81</b>  | <b>\$ 14.66</b>  | <b>\$ 14.47</b>  | <b>\$ 13.72</b>  |
| <b>Increase (decrease) from operations</b>                   |                  |                  |                  |                  |                  |
| Total revenue  | 0.47             | 0.76             | 0.62             | 0.65             | 0.70             |
| Total expenses   | (0.51)           | (0.43)           | (0.42)           | (0.45)           | (0.44)           |
| Realized gains (losses) for the year                         | 1.25             | 0.71             | 0.63             | 1.45             | 0.58             |
| Unrealized gains (losses) for the year                       | (0.97)           | 1.93             | (2.60)           | (0.53)           | 0.77             |
| <b>Total increase (decrease) from operations<sup>1</sup></b> | <b>\$ 0.24</b>   | <b>\$ 2.97</b>   | <b>\$ (1.77)</b> | <b>\$ 1.12</b>   | <b>\$ 1.61</b>   |
| <b>Distributions<sup>3</sup></b>                             |                  |                  |                  |                  |                  |
| From net investment income                                   | -                | (0.20)           | -                | -                | -                |
| From capital gains   | (0.48)           | -                | (0.45)           | (0.49)           | -                |
| Return of capital  | (0.36)           | (0.64)           | (0.39)           | (0.35)           | (0.84)           |
| <b>Total annual distributions<sup>3</sup></b>                | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> |
| <b>Net assets - end of year<sup>1,7</sup></b>                | <b>\$ 13.44</b>  | <b>\$ 14.02</b>  | <b>\$ 11.81</b>  | <b>\$ 14.66</b>  | <b>\$ 14.47</b>  |

| <b>THE FUND’S NET ASSETS PER UNIT – SERIES A</b>             | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets - beginning of year<sup>2</sup></b>            | <b>\$ 14.06</b>  | <b>\$ 11.87</b>  | <b>\$ 14.72</b>  | <b>\$ 14.50</b>  | <b>\$ 13.74</b>  |
| <b>Increase (decrease) from operations</b>                   |                  |                  |                  |                  |                  |
| Total revenue  | 0.47             | 0.77             | 0.62             | 0.66             | 0.71             |
| Total expenses   | (0.55)           | (0.46)           | (0.42)           | (0.43)           | (0.41)           |
| Realized gains (losses) for the year                         | 1.26             | 0.68             | 0.60             | 1.48             | 0.72             |
| Unrealized gains (losses) for the year                       | (0.93)           | 1.94             | (2.64)           | (0.61)           | 0.60             |
| <b>Total increase (decrease) from operations<sup>1</sup></b> | <b>\$ 0.25</b>   | <b>\$ 2.93</b>   | <b>\$ (1.84)</b> | <b>\$ 1.10</b>   | <b>\$ 1.62</b>   |
| <b>Distributions<sup>3</sup></b>                             |                  |                  |                  |                  |                  |
| From net investment income                                   | -                | (0.27)           | -                | -                | -                |
| From capital gains   | (0.48)           | -                | (0.45)           | (0.49)           | -                |
| Return of capital  | (0.36)           | (0.57)           | (0.39)           | (0.35)           | (0.84)           |
| <b>Total annual distributions<sup>3</sup></b>                | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> |
| <b>Net assets - end of year<sup>1,7</sup></b>                | <b>\$ 13.44</b>  | <b>\$ 14.06</b>  | <b>\$ 11.87</b>  | <b>\$ 14.72</b>  | <b>\$ 14.50</b>  |

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| <b>THE FUND'S NET ASSETS<br/>PER UNIT – SERIES F</b>         | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets - beginning of year<sup>2</sup></b>            | <b>\$ 15.12</b>  | <b>\$ 12.54</b>  | <b>\$ 15.27</b>  | <b>\$ 14.82</b>  | <b>\$ 13.83</b>  |
| <b>Increase (decrease) from operations</b>                   |                  |                  |                  |                  |                  |
| Total revenue  | 0.51             | 0.80             | 0.66             | 0.68             | 0.70             |
| Total expenses   | (0.38)           | (0.30)           | (0.22)           | (0.23)           | (0.23)           |
| Realized gains (losses) for the year                         | 1.35             | 0.81             | 0.46             | 1.53             | 0.75             |
| Unrealized gains (losses) for the year                       | (1.05)           | 2.01             | (2.78)           | (0.64)           | 0.43             |
| <b>Total increase (decrease) from operations<sup>1</sup></b> | <b>\$ 0.43</b>   | <b>\$ 3.32</b>   | <b>\$ (1.88)</b> | <b>\$ 1.34</b>   | <b>\$ 1.65</b>   |
| <b>Distributions<sup>3</sup></b>                             |                  |                  |                  |                  |                  |
| From net investment income                                   | -                | (0.38)           | -                | -                | -                |
| From capital gains   | (0.51)           | -                | (0.25)           | (0.49)           | -                |
| Return of capital  | (0.33)           | (0.46)           | (0.59)           | (0.35)           | (0.84)           |
| <b>Total annual distributions<sup>3</sup></b>                | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> |
| <b>Net assets - end of year<sup>1</sup></b>                  | <b>\$ 14.74</b>  | <b>\$ 15.12</b>  | <b>\$ 12.54</b>  | <b>\$ 15.27</b>  | <b>\$ 14.82</b>  |

| <b>THE FUND'S NET ASSETS<br/>PER UNIT – SERIES D</b>         | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|------------------|------------------|
| <b>Net assets - beginning of year<sup>2</sup></b>            | <b>\$ 14.42</b>  | <b>\$ 12.02</b>  | <b>\$ 14.70</b>  | <b>\$ 14.93</b>  |
| <b>Increase (decrease) from operations</b>                   |                  |                  |                  |                  |
| Total revenue  | 0.49             | 0.75             | 0.68             | 0.31             |
| Total expenses   | (0.40)           | (0.33)           | (0.23)           | (0.12)           |
| Realized gains (losses) for the year                         | 1.40             | 0.78             | (0.59)           | 0.95             |
| Unrealized gains (losses) for the year                       | (1.09)           | 1.64             | (3.05)           | (0.85)           |
| <b>Total increase (decrease) from operations<sup>1</sup></b> | <b>\$ 0.40</b>   | <b>\$ 2.84</b>   | <b>\$ (3.19)</b> | <b>\$ 0.29</b>   |
| <b>Distributions<sup>3</sup></b>                             |                  |                  |                  |                  |
| From net investment income                                   | -                | (0.22)           | -                | -                |
| From capital gains   | (0.54)           | -                | -                | (0.24)           |
| Return of capital  | (0.30)           | (0.62)           | (0.84)           | (0.18)           |
| <b>Total annual distributions<sup>3</sup></b>                | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.84)</b> | <b>\$ (0.42)</b> |
| <b>Net assets - end of year<sup>1</sup></b>                  | <b>\$ 13.97</b>  | <b>\$ 14.42</b>  | <b>\$ 12.02</b>  | <b>\$ 14.70</b>  |

# HARVEST Canadian Income & Growth Fund

## Series R

| RATIOS AND SUPPLEMENTAL DATA  |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2017                 | 2016                 | 2015                 | 2014                 | 2013                 |
| <b>Total net asset value</b>  | <b>\$ 10,750,594</b> | <b>\$ 14,279,396</b> | <b>\$ 16,299,051</b> | <b>\$ 31,486,334</b> | <b>\$ 44,525,036</b> |
| Number of units outstanding   | 799,656              | 1,018,562            | 1,380,416            | 2,148,465            | 3,077,537            |
| Management expense ratio <sup>4</sup>                               | 3.70%                | 3.34%                | 3.03%                | 3.03%                | 3.15%                |
| Management expense ratio before waivers or absorptions <sup>4</sup> | 3.70%                | 3.34%                | 3.03%                | 3.03%                | 3.15%                |
| Trading expense ratio <sup>5</sup>                                  | 0.15%                | 0.12%                | 0.13%                | 0.13%                | 0.13%                |
| Portfolio turnover rate <sup>6</sup>                                | 41.43%               | 26.90%               | 16.47%               | 30.77%               | 60.33%               |
| <b>Net asset value per unit</b>                                     | <b>\$ 13.44</b>      | <b>\$ 14.02</b>      | <b>\$ 11.81</b>      | <b>\$ 14.66</b>      | <b>\$ 14.47</b>      |

## Series A

| RATIOS AND SUPPLEMENTAL DATA  |                     |                     |                     |                      |                      |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|
|   | 2017                | 2016                | 2015                | 2014                 | 2013                 |
| <b>Total net asset value</b>  | <b>\$ 4,633,835</b> | <b>\$ 6,237,054</b> | <b>\$ 8,876,673</b> | <b>\$ 18,110,870</b> | <b>\$ 19,758,412</b> |
| Number of units outstanding   | 344,758             | 443,757             | 747,881             | 1,230,552            | 1,362,396            |
| Management expense ratio <sup>4</sup>                               | 3.98%               | 3.62%               | 2.99%               | 2.89%                | 2.89%                |
| Management expense ratio before waivers or absorptions <sup>4</sup> | 3.98%               | 3.62%               | 3.06%               | 3.14%                | 3.42%                |
| Trading expense ratio <sup>5</sup>                                  | 0.15%               | 0.12%               | 0.13%               | 0.13%                | 0.13%                |
| Portfolio turnover rate <sup>6</sup>                                | 41.43%              | 26.90%              | 16.47%              | 30.77%               | 60.33%               |
| <b>Net asset value per unit</b>                                     | <b>\$ 13.44</b>     | <b>\$ 14.06</b>     | <b>\$ 11.87</b>     | <b>\$ 14.72</b>      | <b>\$ 14.50</b>      |



# HARVEST Canadian Income & Growth Fund

## Series F

| <b>RATIOS AND SUPPLEMENTAL DATA</b>                                 |      |           |      |           |      |           |      |           |      |           |
|---|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
|   | 2017 |           | 2016 |           | 2015 |           | 2014 |           | 2013 |           |
| <b>Total net asset value</b>  | \$   | 1,980,679 | \$   | 2,094,413 | \$   | 1,907,720 | \$   | 2,713,949 | \$   | 2,647,817 |
| Number of units outstanding   |      | 134,370   |      | 138,523   |      | 152,161   |      | 177,707   |      | 178,720   |
| Management expense ratio <sup>4</sup>                               |      | 2.58%     |      | 2.22%     |      | 1.49%     |      | 1.49%     |      | 1.59%     |
| Management expense ratio before waivers or absorptions <sup>4</sup> |      | 2.58%     |      | 2.22%     |      | 1.65%     |      | 1.80%     |      | 2.01%     |
| Trading expense ratio <sup>5</sup>                                  |      | 0.15%     |      | 0.12%     |      | 0.13%     |      | 0.13%     |      | 0.13%     |
| Portfolio turnover rate <sup>6</sup>                                |      | 41.43%    |      | 26.90%    |      | 16.47%    |      | 30.77%    |      | 60.33%    |
| <b>Net asset value per unit</b>                                     | \$   | 14.74     | \$   | 15.12     | \$   | 12.54     | \$   | 15.27     | \$   | 14.82     |

## Series D

| <b>RATIOS AND SUPPLEMENTAL DATA</b>                                 |      |        |      |        |      |        |      |        |
|---|------|--------|------|--------|------|--------|------|--------|
|   | 2017 |        | 2016 |        | 2015 |        | 2014 |        |
| <b>Total net asset value</b>  | \$   | 12,481 | \$   | 11,148 | \$   | 19,120 | \$   | 1,529  |
| Number of units outstanding   |      | 893    |      | 773    |      | 1,590  |      | 104    |
| Management expense ratio <sup>4</sup>                               |      | 2.85%  |      | 2.50%  |      | 1.68%  |      | 1.69%  |
| Management expense ratio before waivers or absorptions <sup>4</sup> |      | 2.85%  |      | 2.50%  |      | 2.00%  |      | 2.39%  |
| Trading expense ratio <sup>5</sup>                                  |      | 0.15%  |      | 0.12%  |      | 0.13%  |      | 0.28%  |
| Portfolio turnover rate <sup>6</sup>                                |      | 41.43% |      | 26.90% |      | 16.47% |      | 30.77% |
| <b>Net asset value per unit</b>                                     | \$   | 13.97  | \$   | 14.42  | \$   | 12.02  | \$   | 14.70  |

### 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 was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit. On conversion to a mutual fund ("Conversion Day"), June 20, 2012, all Fund units were exchanged one-for-one into Series R, at an NAV of \$13.1442. Series A, Series F and Series D commenced operations on June 25, 2012, July 16 2012 and July 9, 2014 respectively.
3. Distributions were paid in cash until Conversion Day, June 20, 2012, after which, an automatic reinvestment or cash option was made available.

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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.
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.

### Past Performance

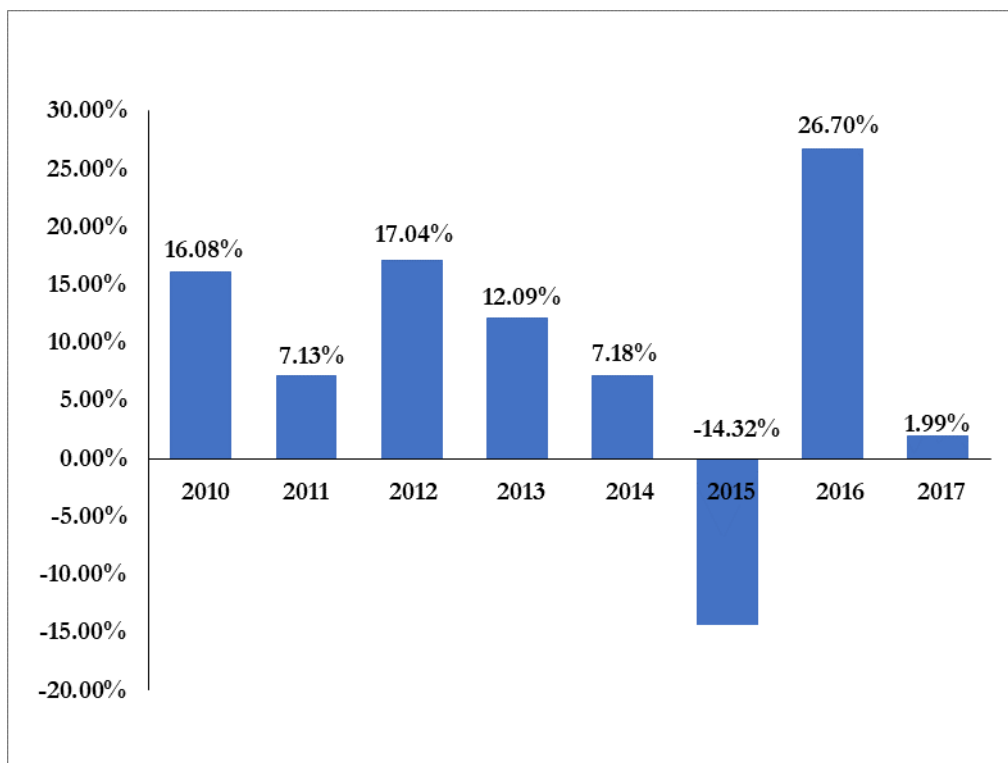
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future.

### YEAR-BY-YEAR RETURNS

The following charts present the performance for each of the periods shown and illustrate how the performance varied for Series R, Series A, Series F and Series D. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

### Fund Performance

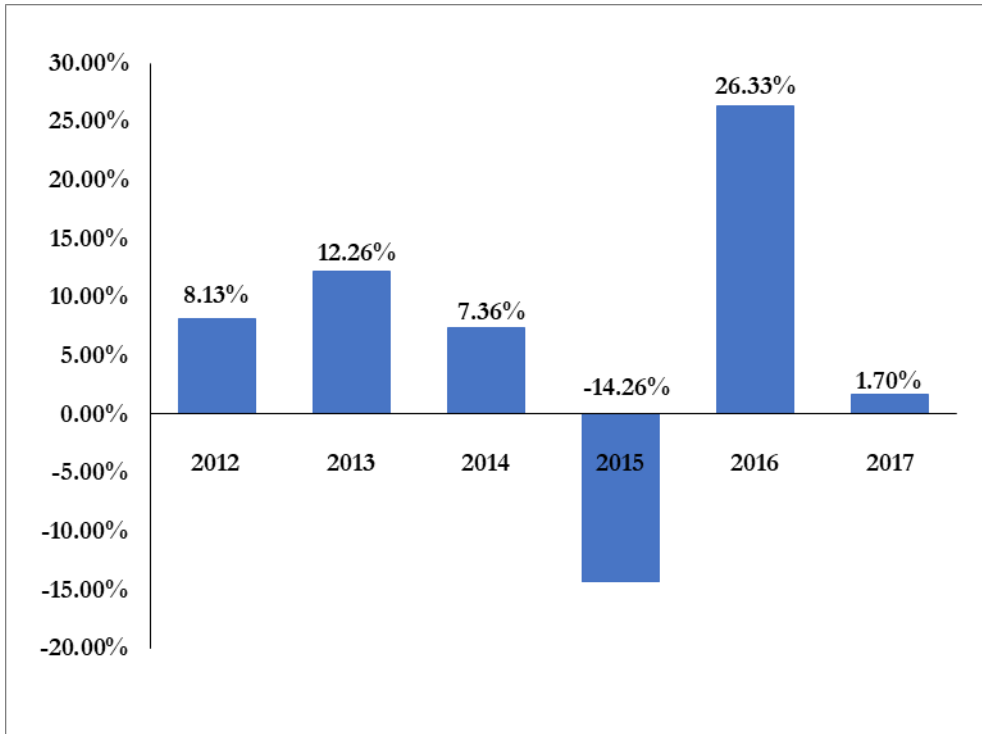
#### Series R



2010 represents the period from June 29 to December 31.

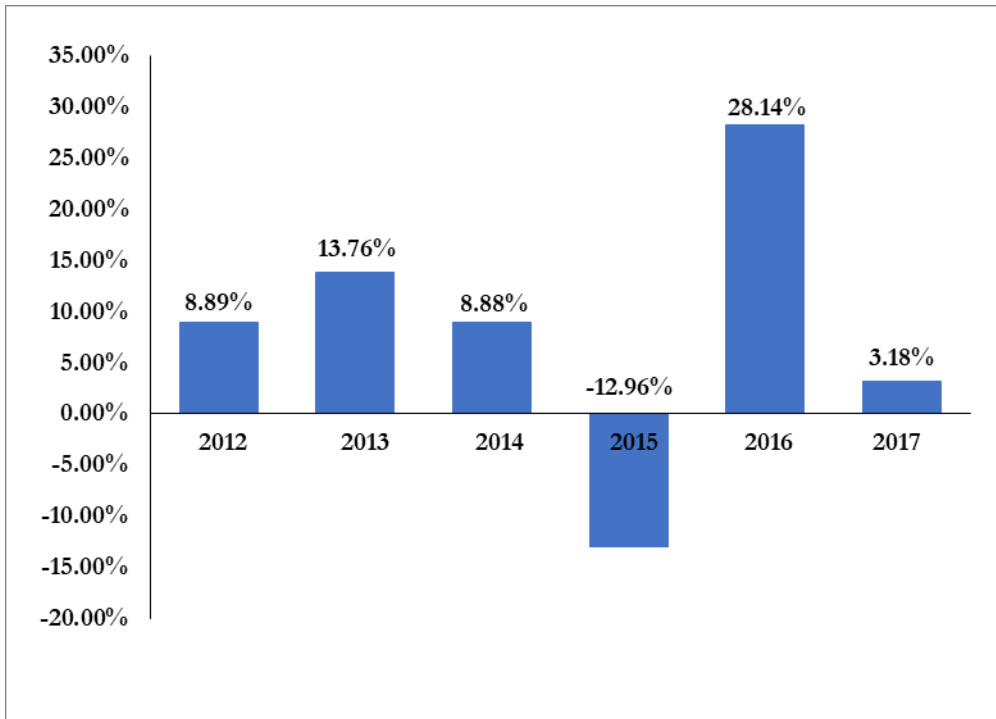
# HARVEST Canadian Income & Growth Fund

## Series A



2012 represents the period from June 25 to December 31.

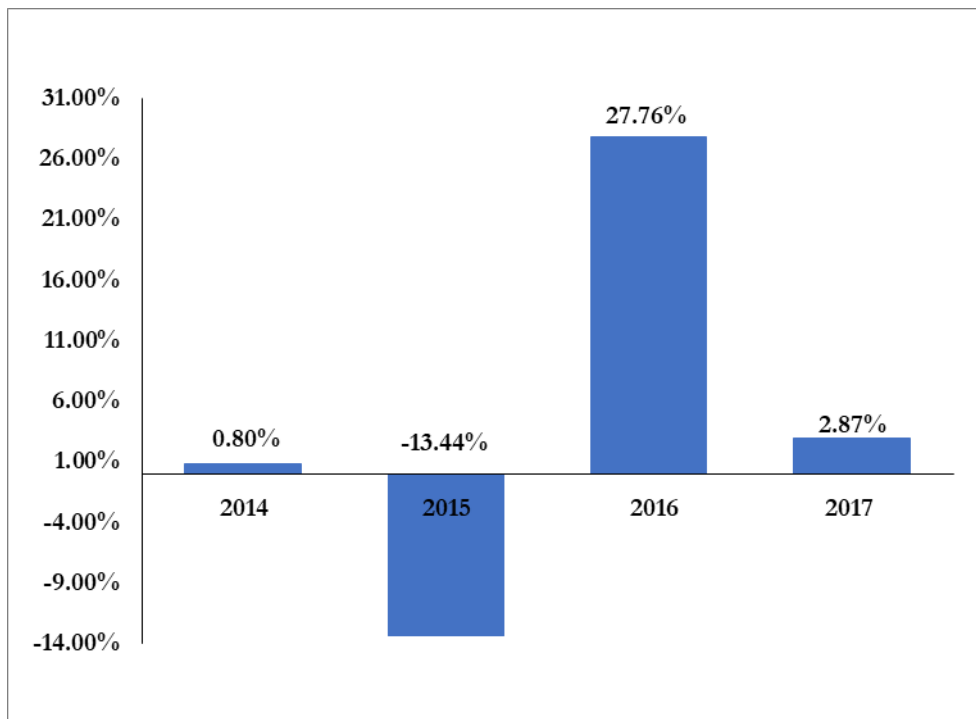
## Series F



2012 represents the period from July 16 to December 31.

# HARVEST Canadian Income & Growth Fund

## Series D



2014 represents the period from July 9 to December 31.

## ANNUAL COMPOUND RETURNS

The following table shows the annual compound returns for the Fund. All returns are in Canadian dollars, on a total return basis, net of fees.

For comparison purposes, a benchmark of the S&P/TSX Composite Index (the “Index”) is used. The Index is a capitalization-weighted index that measures market activity of a universe of stocks traded on the Toronto Stock Exchange.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. The return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses. Please see the “Results of Operations” section of this report for a discussion on recent performance.

| Investment Return %             | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|---------------------------------|--------|---------|---------|----------|-----------------|
| Fund Performance Series R (%)*† | 1.99   | 3.46    | 5.87    | -        | 9.20            |
| S&P/TSX Composite Index †       | 9.10   | 6.59    | 8.63    | -        | 8.08            |
| Fund Performance Series A (%)   | 1.70   | 3.28    | 5.83    | -        | 6.76            |
| Fund Performance Series F (%)   | 3.18   | 4.79    | 7.35    | -        | 8.28            |
| S&P/TSX Composite Index         | 9.10   | 6.59    | 8.63    | -        | 9.21            |
| Fund Performance Series D (%)   | 2.87   | 4.39    | -       | -        | 3.96            |
| S&P/TSX Composite Index         | 9.10   | 6.59    | -       | -        | 4.96            |

\*In connection with the conversion of the Fund into an open-end mutual fund, the trailing commission charged on the Series R units increased by 0.60% (increasing the aggregate annual management fee to 2.25%) and the Fund ceased using leverage in order to achieve its investment objectives. If these changes had been in effect when the Fund was created, the performance would have been lower.

†Since inception June 29, 2010.

# HARVEST Canadian Income & Growth Fund

## SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by category 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.

As at December 31, 2017

| <b>Top 25 Holdings</b>                     | <b>% of Net<br/>Asset Value</b> | <b>Yield<br/>(%)</b> |
|--|---------------------------------|----------------------|
| Keyera Corp.                               | 5.1                             | 4.8                  |
| Alimentation Couche-Tard Inc. Class B      | 5.0                             | 2.4                  |
| Metro Inc.                                 | 5.0                             | 1.6                  |
| Johnson & Johnson                          | 5.0                             | 4.2                  |
| Algonquin Power & Utilities Corp.          | 5.0                             | 0.6                  |
| Chemtrade Logistics Income Fund            | 4.8                             | 4.3                  |
| Smart Real Estate Investment Trust         | 4.8                             | 6.2                  |
| TELUS Corporation                          | 4.8                             | 5.7                  |
| Chartwell Retirement Residences            | 4.3                             | 3.6                  |
| Canadian National Railway Company          | 4.2                             | 1.6                  |
| Canadian Pacific Railway Company           | 4.1                             | 1.0                  |
| Inter Pipeline, Ltd.                       | 4.0                             | 2.8                  |
| Digital Realty Trust, Inc.                 | 4.0                             | 6.4                  |
| Enercare, Inc.                             | 3.8                             | 4.7                  |
| Altria Group, Inc.                         | 3.5                             | 3.7                  |
| WSP Global Inc.                            | 3.5                             | 2.2                  |
| Canadian Tire Corporation, Limited Class A | 3.5                             | 2.5                  |
| Enbridge Inc.                              | 3.3                             | 5.4                  |
| Alexandria Real Estate Equities, Inc.      | 3.3                             | 3.3                  |
| CAE Inc.                                   | 3.3                             | 4.8                  |
| Pembina Pipeline Corporation               | 3.2                             | 1.5                  |
| Corby Spirit and Wine Limited Class A      | 3.0                             | 3.9                  |
| TransCanada Corporation                    | 2.7                             | 4.1                  |
| Timbercreek Financial Corp.                | 2.4                             | 7.1                  |
| Crombie Real Estate Investment Trust       | 2.2                             | 6.5                  |
| <b>Total</b>                               | <b>97.8</b>                     |                      |

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](http://www.harvestportfolios.com).

# HARVEST Canadian Income & Growth Fund

## SECTOR ALLOCATION

| <b>Sector</b>                         | <b>% of Net Asset Value</b> |
|---------------------------------------|-----------------------------|
| Industrials Issuers                   | 19.9                        |
| Real Estate Issuers                   | 18.6                        |
| Consumer Staples Issuers              | 16.5                        |
| Pipeline Issuers                      | 13.2                        |
| Consumer Discretionary Issuers        | 7.3                         |
| Energy Issuers                        | 5.1                         |
| Health Care Issuers                   | 5.0                         |
| Utility Issuers                       | 5.0                         |
| Telecommunication Services Issuers    | 4.8                         |
| Banking & Other Financial Issuers     | 2.4                         |
| Cash and other assets and liabilities | 2.2                         |
| <b>Total</b>                          | <b>100.0</b>                |

## GEOGRAPHIC ALLOCATION

| <b>Country of Issue</b>  | <b>% of Net Asset Value</b> |
|--------------------------|-----------------------------|
| Canada                   | 83.6                        |
| United States of America | 16.4                        |
| <b>Total</b>             | <b>100.0</b>                |

# HARVEST Canadian Income & Growth Fund

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## 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.