



---

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

---

### Global Telecom & Utilities Income Fund

June 30, 2018



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).

# Global Telecom & Utilities Income Fund

## CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager founded in 2009. Harvest is focused on developing investment products that follow three investment criteria:

1. Clear investment objectives
2. Transparency
3. Consistent income and growth

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 Global Telecom & Utilities Income Fund (the “Fund”) provides investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers.

# Global Telecom & Utilities Income Fund

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The interim management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. For your reference, the interim financial statements of the Fund are attached to the interim 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 provide unitholders with:

- (i) monthly distributions; and
- (ii) capital appreciation.

The Fund has been established to provide investors with exposure to an actively managed portfolio comprised primarily of Equity Securities of Global Telecom Issuers and Global Utilities Issuers. The Manager believes that this strategy will provide investors with the opportunity for both long term capital growth and attractive income that it anticipates from Global Telecom Issuers and the stable returns that it anticipates from Global Utilities Issuers.

The Fund's manager, Harvest Portfolios Group Inc. ("Harvest"), retained Avenue Investment Management Inc. ("Avenue") to provide investment management services to the Fund. On January 16, 2017, Harvest Portfolios Group Inc. assumed the investment management responsibilities from Avenue.

## 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 Fund returned 0.23% for the period ending June 30, 2018 versus the custom benchmark index comprised of 50% weighting of the MSCI World Utilities Sector Total Return Index in Canadian currency and a 50% weighting of the MSCI World Telecom Service Sector Total Return Index in Canadian currency return of 0.26% over the same period.

With robust & synchronized global economic growth continuing through the first six months of 2018, expectations for further interest rate increases, particularly in the United States, had a negative impact on the higher yielding and traditionally defensive sectors like telecom and utilities. The Canadian dollar declined versus several of the major global currencies and this had a positive impact on the Fund as the portfolio remained un-hedged during the period and resulted in a modestly positive rate of return during the period.

The Fund remained invested primarily in global issuers engaged in the Telecommunications and Utility related sub-sectors.

## RECENT DEVELOPMENTS

No new recent developments to note for the period ended June 30, 2018.

## 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.

# Global Telecom & Utilities Income Fund

## MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee from the Fund of 1.25% per annum of the applicable average weekly NAV calculated and payable monthly in arrears, plus applicable taxes.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. During the period there were no fees waived or absorbed. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

Up until termination, the Manager paid Avenue 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.

### 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 counterparty and forward fees which are paid directly by the Fund 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 \$2,300 for the period ended June 30, 2018 (2017 - \$5,861) and are included in the unitholder reporting costs in the Statements of Comprehensive Income in the financial statements.

## BORROWINGS

The Fund established a revolving margin with its Prime Broker, a Canadian chartered bank. Interest charged at floating rates is included in "Interest expense" on the Statements of Comprehensive Income (Loss). The Fund has the facility in place to borrow up to 25 percent of its total assets or 33.3% of the Fund's NAV. The overdraft function is to borrow for the purpose of making investments in accordance with its investment objectives and restrictions, and to pledge its assets to secure the borrowings. The borrowing is a revolving margin that is due on demand with no fixed repayment terms.

The amount drawn on the margin was \$50,000 (December 31, 2017 - \$nil) or 1.3% (December 31, 2017 - nil%) of net assets attributable to holders of redeemable units at June 30, 2018. For the period ended June 30, 2018 the Fund recorded interest expense of \$336 (2017 - \$7,189). The amount of borrowings ranged between \$nil and \$50,000 during the period (December 31, 2017 between \$nil and \$1,227,279) and represented 0.0% to 1.3% of the Fund's net assets attributable to holders of redeemable units during the period ended June 30, 2018 (December 31, 2017 - 0.0% to 21.9%).

## RECOMMENDATION 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 June 30, 2018.

# Global Telecom & Utilities Income 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 period ended June 30, 2018 and past annual periods. This information is derived from the Fund's interim financial statements and past audited annual financial statements.

<b>THE FUND'S NET ASSETS PER UNIT</b>												
	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>		<b>2013</b>	
<b>Net assets - beginning of period<sup>2</sup></b>	\$	<b>9.26</b>	\$	<b>9.94</b>	\$	<b>11.59</b>	\$	<b>10.72</b>	\$	<b>10.17</b>	\$	<b>8.82</b>
Increase (decrease) from operations												
Total revenue		0.20		0.28		0.43		0.02		0.01		0.01
Total expenses		(0.19)		(0.40)		(0.39)		(0.39)		(0.34)		(0.30)
Realized gains (losses) for the period		(0.02)		0.11		(0.52)		6.24		1.71		(0.14)
Unrealized gains (losses) for the period		0.03		0.10		(0.56)		(4.28)		(0.06)		2.39
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$	<b>0.02</b>	\$	<b>0.09</b>	\$	<b>(1.04)</b>	\$	<b>1.59</b>	\$	<b>1.32</b>	\$	<b>1.96</b>
<b>Distributions<sup>3</sup></b>												
From income		(0.36)		-		-		-		-		-
Return of capital		-		(0.72)		(0.72)		(0.72)		(0.72)		(0.72)
<b>Total annual distributions<sup>3</sup></b>	\$	<b>(0.36)</b>	\$	<b>(0.72)</b>	\$	<b>(0.72)</b>	\$	<b>(0.72)</b>	\$	<b>(0.72)</b>	\$	<b>(0.72)</b>
<b>Net assets - end of period<sup>1</sup></b>	\$	<b>8.91</b>	\$	<b>9.26</b>	\$	<b>9.94</b>	\$	<b>11.59</b>	\$	<b>10.72</b>	\$	<b>10.17</b>

<b>RATIOS AND SUPPLEMENTAL DATA</b>												
	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>		<b>2013</b>	
<b>Total net asset value</b>	\$	<b>3,824,727</b>	\$	<b>3,972,145</b>	\$	<b>5,591,022</b>	\$	<b>10,524,382</b>	\$	<b>11,759,477</b>	\$	<b>17,002,092</b>
Number of units outstanding		429,184		429,184		562,445		907,709		1,097,465		1,672,091
Management expense ratio <sup>4</sup>		4.24%		4.03%		3.72%		5.46%		5.29%		5.20%
Management expense ratio before waivers or absorptions <sup>4</sup>		4.24%		4.03%		3.72%		5.46%		5.29%		5.20%
Trading expense ratio <sup>5</sup>		0.00%		0.03%		0.09%		0.00%		0.23%		0.16%
Portfolio turnover rate <sup>6</sup>		0.09%		14.28%		10.74%		133.04%		11.32%		15.82%
<b>Net asset value per unit</b>	\$	<b>8.91</b>	\$	<b>9.26</b>	\$	<b>9.94</b>	\$	<b>11.59</b>	\$	<b>10.72</b>	\$	<b>10.17</b>
<b>Closing market price HGI.UN)</b>	\$	<b>9.06</b>	\$	<b>9.32</b>	\$	<b>9.41</b>	\$	<b>10.66</b>	\$	<b>10.41</b>	\$	<b>9.62</b>

### 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 March 23, 2011 was \$11.17, net of agents' commissions and issuance costs of \$0.83 per unit.
3. Distributions were paid in cash.

## Global Telecom & Utilities Income Fund

- Management expense ratio (“MER”) is based on total expenses (excluding commissions and other portfolio transaction costs), of the Fund. In prior years, the MER included expenses of the Fund and the GTU Trust. On December 16, 2015, the Forward Agreement between the Fund and the GTU Trust was settled and the GTU Trust was terminated. The 2015 MER includes the expenses of the GTU Trust up to December 16, 2015. The MER without the GTU Trust was 3.48%.
- The trading expense ratio (“TER”) represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- 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.

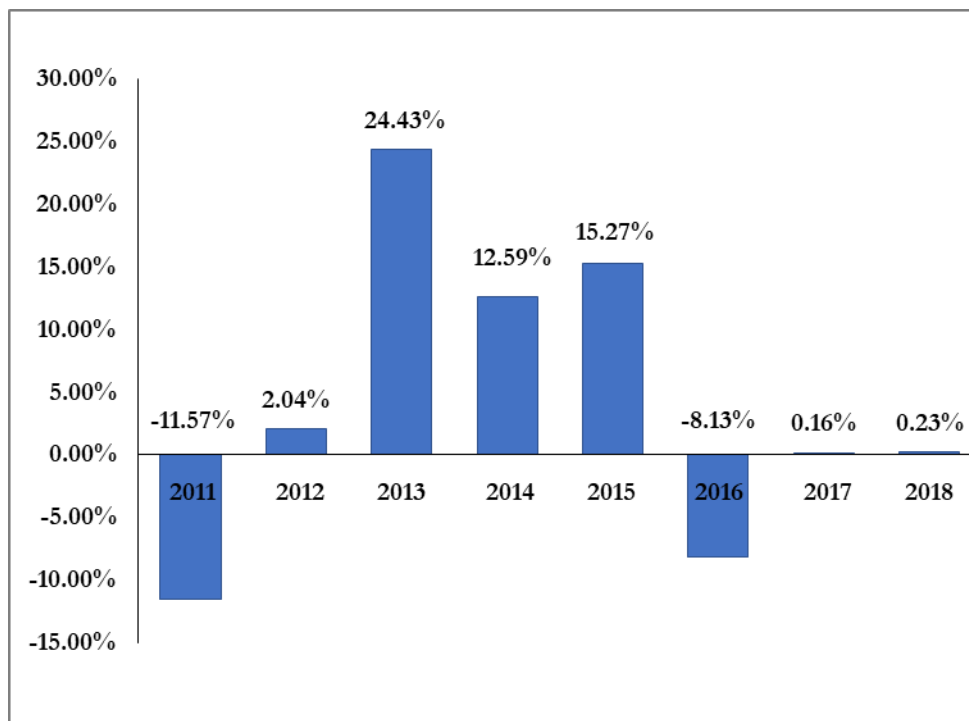
### Past Performance

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 chart presents the Fund’s performance for each of the periods shown and illustrates how the Fund’s performance varied. The chart show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial year except for the 2018 period which represents the interim period.

#### Fund performance



2011 represents the period from March 23 to December 31

# Global Telecom & Utilities Income 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 interim financial statements.

As at June 30, 2018

Top 25 Holdings	% of Net Asset Value
Sky PLC	6.0
Gas Natural SDG, S.A. Series E	5.7
Spark New Zealand Limited	4.8
Iberdrola S.A.	4.2
Vivendi S.A.	4.1
National Grid PLC	4.0
Verizon Communications Inc.	4.0
EDP - Energias de Portugal, S.A.	3.9
TELUS Corporation	3.8
Ameren Corporation	3.8
Veolia Environnement S.A.	3.5
Terna S.p.A.	3.5
Duke Energy Corporation	3.4
Deutsche Telekom AG	3.3
TransCanada Corporation	3.3
United Utilities Group PLC	3.3
AT&T Inc.	3.2
Endesa S.A.	3.1
SSE PLC	3.1
Inter Pipeline Ltd.	3.0
ProSiebenSat.1 Media SE	2.9
PPL Corporation	2.7
Enbridge Inc.	2.5
RWE AG Class A	2.4
Vodafone Group PLC	2.3
<b>Total</b>	<b>89.8</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).

## Global Telecom & Utilities Income Fund

### SECTOR ALLOCATION

<b>Sector</b>	<b>% of Net Asset Value</b>
Utilities	49.6
Telecommunication Services	26.6
Consumer Discretionary	15.2
Energy	8.8
Cash and other assets and liabilities	(0.2)
<b>Total</b>	<b>100.0</b>

### GEOGRAPHIC ALLOCATION

<b>Country of Issue</b>	<b>% of Net Asset Value</b>
Eurozone	45.3
United States of America	17.1
United Kingdom	18.7
Canada	12.5
New Zealand	4.8
Sweden	1.8
<b>Total</b>	<b>100.2</b>





### Head Office

710 Dorval Drive, Suite 209  
Oakville, Ontario L6K 3V7

Phone Number: 416.649.4541

Toll Free: 866.998.8298

Fax Number: 416.649.4542

Email: [info@harvestportfolios.com](mailto: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 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.