ANNUAL FINANCIAL STATEMENTS

Big Pharma Split Corp.

December 31, 2018

Big Pharma Split Corp.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.

On behalf of Harvest Portfolios Group Inc.,

Signed "Michael Kovacs"

Michael Kovacs
President and Chief Executive Officer

Signed "Daniel Lazzer"

Daniel Lazzer
Chief Financial Officer

Oakville, Canada
March 14, 2019

Independent auditor's report

To the Shareholders of Big Pharma Split Corp. (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the year ended December 31, 2018 and for the period from November 24, 2017 (commencement of operations) to December 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income (loss) for the year ended December 31, 2018 and for the period from November 24, 2017 (commencement of operations) to December 31, 2017;
- the statements of changes in net assets attributable to holders of redeemable class A shares for the year ended December 31, 2018 and for the period from November 24, 2017 (commencement of operations) to December 31, 2017;
- the statements of cash flows for the year ended December 31, 2018 and for the period from November 24, 2017 (commencement of operations) to December 31, 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Pitts.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario,
March 14, 2019

Big Pharma Split Corp.

STATEMENTS OF FINANCIAL POSITION				
As at December 31,		**2018**		**2017**
Assets				
Current assets				
Investments	$	33,143,804	$	30,178,140
Cash		417,071		1,845,524
Dividends receivable		70,067		16,103
Unrealized appreciation on foreign currency forward contracts (Note 6)		-		447,554
		33,630,942		**32,487,321**
Liabilities				
Current liabilities				
Distributions payable (Note 4)		305,859		210,433
Unrealized depreciation on foreign currency forward contracts		1,073,058		-
Class J shares (Note 4)		100		100
Preferred shares (Note 4)		13,409,000		13,600,000
		14,788,017		**13,810,533**
Net assets attributable to holders of redeemable Class A shares	**$**	**18,842,925**	**$**	**18,676,788**
Number of redeemable shares outstanding (Note 4)				
Class A shares		1,340,900		1,360,000
Preferred shares		1,340,900		1,360,000
Class J shares		100		100
Net assets attributable to holders of redeemable shares per share				
Class A shares	$	14.05	$	13.73
Preferred shares		10.00		10.00
Class J shares		1.00		1.00

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

Big Pharma Split Corp.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS) For the year ended December 31, 2018 and the period from November 24, 2017 (commencement of operations) to December 31, 2017		2018		2017
Income				
Net gain (loss) on investments				
Dividends	$	1,039,263	$	31,125
Net realized gain (loss) on sale of investments		1,543,581		16,223
Net change in unrealized appreciation (depreciation) of investments		4,092,632		61,559
Net gain (loss) on investments		6,675,476		108,907
Net gain (loss) on derivatives				
Net realized gain (loss) on options written		(289,172)		(53,722)
Net realized gain (loss) on foreign exchange		(1,358,844)		(132,263)
Net change in unrealized appreciation (depreciation) of foreign exchange		(1,520,612)		447,554
Net gain (loss) on derivatives		(3,168,628)		261,569
Total income (net)	**$**	**3,506,848**	**$**	**434,959**
Expenses (Note 5)				
Management fees	$	274,751	$	27,848
Withholding taxes		120,060		4,669
Shareholder reporting costs		87,642		6,543
Audit fees		47,502		15,000
Transfer agency fees		11,972		1,672
Custodian fees and bank charges		55,050		5,000
Independent Review Committee fees		3,389		200
Filing fees		40,458		1,611
Legal fees		28,130		29,618
Transaction costs (Note 9)		57,814		19,577
Total expenses		**726,768**		**111,738**
Net investment income (loss) before distributions, agent fees and issue costs on Preferred shares	**$**	**2,780,080**	**$**	**323,221**
Agent fees and issue costs on Preferred shares		-		(571,200)
Distribution paid on Preferred shares		(675,225)		(70,217)
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	**$**	**2,104,855**	**$**	**(318,196)**
Increase (decrease) in net assets attributable to holders of redeemable shares per share - **Class A shares (Note 4)**	$	1.56	$	(0.23)

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES For the year ended December 31, 2018 and the period from November 24, 2017 (commencement of operations) to December 31, 2017		2018		2017
Net assets attributable to holders of redeemable Class A shares beginning of year	$	**18,676,788**	$	**-**
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	$	**2,104,855**	$	**(318,196)**
Redeemable Class A shares transactions				
Proceeds from issue of redeemable Class A shares		-		20,400,000
Redemption of redeemable Class A shares		(265,085)		-
Agents' fees		-		(1,020,000)
Cost of issue		-		(244,800)
Net Class A shares transactions	$	**(265,085)**	$	**19,135,200**
Distributions to holders of redeemable Class A shares				
Dividend		(1,673,633)		(140,216)
Total distributions to holders of redeemable Class A shares	$	**(1,673,633)**	$	**(140,216)**
Net assets attributable to holders of redeemable Class A shares end of year	$	**18,842,925**	$	**18,676,788**

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

Big Pharma Split Corp.

STATEMENTS OF CASH FLOWS For the year ended December 31, 2018 and the period from November 24, 2017 (commencement of operations) to December 31, 2017		2018		2017
Operating activities				
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	$	2,104,855	$	(318,196)
Add (deduct) items not affecting cash				
Distribution paid on Preferred Shares		675,225		-
Foreign exchange (gain) loss of cash		(10,390)		(64,483)
Realized (gain) loss on sale of investments		(1,543,581)		(16,223)
Realized (gain) loss on options written		289,172		53,722
Change in unrealized (appreciation) depreciation of investments		(4,092,632)		(61,559)
Change in unrealized (appreciation) depreciation of foreign exchange		1,520,612		(447,554)
Proceeds from sale of investments		18,608,777		1,003,608
Purchases of investments		(16,227,400)		(31,157,688)
Net change in non-cash assets and liabilities		(53,964)		54,114
Net cash flow provided by (used in) operating activities	**$**	**1,270,674**	**$**	**(30,954,259)**
Financing activities				
Proceeds from redeemable Class A shares issued		-		20,400,000
Proceeds from issuance of Class J shares		-		100
Proceeds from issuance of Preferred shares		-		13,600,000
Redemption of redeemable Class A shares		(265,085)		-
Redemption of Preferred shares		(191,000)		-
Distribution paid on Preferred shares		(577,829)		-
Distributions paid to holders of redeemable Class A shares (net of reinvestments)		(1,675,603)		-
Agents' fees on Class A shares		-		(1,020,000)
Issuance costs on Class A shares		-		(244,800)
Net cash flow provided by (used in) financing activities	**$**	**(2,709,517)**	**$**	**32,735,300**
Net increase (decrease) in cash during the year		(1,438,843)		1,781,041
Foreign exchange gain (loss) on cash		10,390		64,483
Cash, beginning of the year		1,845,524		-
Cash, end of the year	**$**	**417,071**	**$**	**1,845,524**
Supplemental disclosure of cash flow information				
Dividends received, net of withholding taxes*	$	865,239	$	10,353

*included in operating activities

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

Big Pharma Split Corp.

SCHEDULE OF INVESTMENTS
As at December 31, 2018

Number of Shares	Security	Average Cost ($)	Carrying Value ($)	% of Net Assets
	EQUITIES			
	Health Care			
27,300	AbbVie Inc.	3,307,612	3,435,918	18.2
12,700	Amgen Inc.	2,918,660	3,375,196	17.9
65,300	AstraZeneca PLC, ADR	2,937,972	3,385,824	18.0
44,300	Bristol-Myers Squibb Company	3,392,523	3,143,665	16.7
23,000	Eli Lilly and Company	2,585,295	3,633,562	19.4
60,500	GlaxoSmithKline PLC, ADR	3,057,930	3,155,940	16.7
17,700	Johnson & Johnson	3,097,938	3,118,369	16.5
29,800	Merck & Co., Inc.	2,268,289	3,108,585	16.5
57,600	Pfizer Inc.	2,613,126	3,432,440	18.2
56,600	Sanofi SA, ADR	2,865,462	3,354,305	17.8
	Total investments	**29,044,807**	**33,143,804**	**175.9**
	Foreign currency forward contracts (Note 6)		**(1,073,058)**	**(5.7)**
	Preferred shares		**(13,409,000)**	**(71.2)**
	Cash and other assets and liabilities		**181,179**	**1.0**
	Net assets attributable to holders of redeemable Class A shares		**18,842,925**	**100.0**

1. GENERAL INFORMATION

Big Pharma Split Corp. (the “Company” or “Fund”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated October 27, 2017 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 November 24, 2017. On November 24, 2017, the Fund completed an initial public offering of 1,360,000 Preferred shares at $10.00 per share for gross proceeds of $13,600,000 and 1,360,000 Class A shares at $15.00 per share for gross proceeds of $20,400,000 (the “Offering”). As part of the initial Offering the Fund paid agent fees of $1,428,000 and issue costs of $408,000. Also, at the initial Offering, 100 Class J shares were issued at $1 per share. The address of the Fund’s registered office is 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7.

The investment objectives for the Preferred shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of $0.125 per Preferred share ($0.50 per annum or 5.0% per annum on the issue price of $10.00 per Preferred share) until December 31, 2022 (the “Maturity Date”) and to return the original issue price of $10.00 to holders on the Maturity Date.

The investment objectives for the Class A shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be $0.1031 per Class A share representing a yield on the issue price of the Class A shares of 8.25% per annum on the issue price of $15.00 per Class A share and to provide holders with the opportunity for growth in the net asset value per Class A share.

2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). These financial statements were authorized for issue by Harvest Portfolios Group Inc. (the “Manager”) on March 14, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss (FVTPL). Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund’s investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL) based on its business model. The Fund’s obligation for net assets attributable to holders of redeemable Class A shares is presented at the redemption amount, which approximates fair value. 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. Carrying values of other financial assets and liabilities (excluding Preferred shares) at amortized cost approximate their fair values due to the short term to maturity. Preferred shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Preferred shares is included in gain (loss) on remeasurement of Preferred shares in the Statement of Comprehensive Income (Loss). 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 December 31, 2018 and December 31, 2017 there were no differences between the Fund’s NAV per security and its net assets per security calculated in accordance with IFRS 9.

Fair value of investments and derivatives

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

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

Classification of redeemable shares

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 Class A shares contain multiple redemption features and the Preferred shares are not the most subordinate class of shares. The Preferred shares rank prior to the Class A and Class J shares and are therefore not subordinate to all other classes. As a result, all share classes 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

Net realized gain (loss) on investments and net change in unrealized appreciation (depreciation) on investments are determined on an average cost basis. Dividend income is accounted for on the ex-dividend date. The cost of investments is determined using the average cost method.

Foreign currency translation

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

Foreign currency forward contracts

The Fund will enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The fair value of these contracts is based on the difference between the contract rate and current forward market rate for the underlying currency at the measurement date applied to the contract's notional amount and adjusted for counterparty risk. Upon closing of a contract, the gain or loss is included in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on foreign exchange". The unrealized gains or losses on forward contracts are included in the Statements of Comprehensive Income (Loss) in "Net change in unrealized appreciation (depreciation) of foreign exchange".

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Redeemable Class A shares valuation

The NAV on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities (including Preferred shares) of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per share will be calculated on any day on which the TSX is open for trading ("Business Day").

Options

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

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

The gain or loss on sale or expiry of options is reflected in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on sale of options written".

Increase (decrease) in net assets attributable to holders of redeemable Class A shares
"Increase (decrease) in net assets attributable to holders of redeemable Class A shares" in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable Class A shares, divided by the weighted average shares outstanding for the financial period.

Income and other taxes
The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada) and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net realized taxable capital gains, if any, at the rate applicable to mutual fund corporations. The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Company's expenses including management fees, administration fees and operating expenses will be taken into account in determining its overall tax liability.

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of $1.15 for every $3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Company qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Company recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. Given the income earned in the Fund and amount of expenses incurred, the Fund is currently not subject to tax. As at the Fund's last taxation year end, the Fund had $226,319 of non-capital losses and $113,883 net capital losses available to be carried forward for income tax purposes.

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

As the Manager is a resident of Ontario, the expenses paid by the Fund 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 7 for further information about the fair value measurement of the Fund's financial instruments.

b) Classification and measurement of investments and derivatives under IFRS 9

   In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about the business model in which the portfolio of investments and derivatives is held. The Manager has determined that the Fund's business model is one in which its portfolio is managed and performance evaluated on a fair value basis under IFRS 9.

Accounting standards effective January 1, 2018
The Fund has adopted IFRS 9, Financial Instruments in the current reporting period commencing January 1, 2018, replacing IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 introducing 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. The business model determined by the Fund is the fair value business model.

Upon transition to IFRS 9, the Fund's portfolio investments and derivative instruments previously either designated at fair value through profit and loss or held for trading under IAS 39 continued to be categorized as fair value through profit and loss.

Other financial assets and liabilities previously classified as loans and receivables under IAS 39 are categorized as amortized cost under IFRS 9.

4. REDEEMABLE SHARES

Class A shares

The Fund is authorized to issue an unlimited number of Class A shares. The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) after the payment of the distributions by the Fund, the Net Asset Value per unit (a notional unit consists of one Preferred share and one Class A share) is less than $15.00. The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters. The Class A shares trade on the TSX under the symbol PRM. As at December 31, 2018, the closing price for Class A shares was $12.38 (December 31, 2017 - $14.15).

All Class A shares outstanding on December 31, 2022, are scheduled to be redeemed by the Fund on that date, the terms of which may be extended for an additional term up to five years as determined by the Board of Directors. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the Net Asset Value per unit, less $10.00, and (ii) nil.

Class A shares may be retracted at the option of the shareholders by surrendering Class A shares of the Fund on the 10th business days prior to the second last business day of a month (''Retraction Date''). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a retraction price per Class A share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the Retraction Date and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. If the Net Asset Value per unit is less than $10.00, plus any accrued and unpaid distributions on a Preferred share, the retraction price of a Class A share will be nil. A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the second last business day of June of each year commencing in 2019, other than the year of maturity where shares may concurrently be retracted on the last business day in December ("Annual Retraction Date"). The retraction will occur at a retraction price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and any other such costs. The Preferred shares and Class A shares must both be surrendered for retraction on the 10th business days prior to the Retraction Date.

Preferred shares

The Fund is authorized to issue an unlimited number of Preferred shares. Holders of Preferred shares are entitled to receive fixed, cumulative, preferential quarterly cash distributions of $0.125 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters. The Preferred shares trade on the TSX under the symbol PRM.PR.A. As at December 31, 2018, the closing price for the Preferred shares was $10.17 (December 31, 2017 - $10.30).

All Preferred shares outstanding on December 31, 2022, are scheduled to be redeemed by the Fund on that date, the terms of which may be extended for an additional term up to five years as determined by the Board of Directors. The redemption price payable by the Fund for a Preferred share will be equal to the lesser of (i) $10.00, plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the total number of Preferred shares then outstanding.

Preferred shares may be retracted at the option of shareholders by surrendering Preferred shares of the Fund on the 10th business days prior to the second last business day of a month (''Retraction Date''). Shareholders whose Preferred shares are retracted will be entitled to receive a retraction price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date, less the cost to the Fund of the purchase of a Class A share for cancellation, and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase. A holder of a Preferred share may concurrently retract an equal number of Class A and Preferred shares on the second last business day of June of each year commencing in 2019, other than the year of maturity where shares may concurrently be retracted on the last business day in December (“Annual Retraction Date”). The retraction will occur at a price equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and any costs related to the liquidation of any portion of the portfolio required to fund such retraction.

The following shares were issued and/or redeemed during the period:

	Class A Shares	Preferred Shares	Class J Shares
Total outstanding as at November 24, 2017	-	-	-
Redeemable shares issued	1,360,000	1,360,000	100
Total outstanding as at December 31, 2017	**1,360,000**	**1,360,000**	**100**
Redeemable shares redeemed	(19,100)	(19,100)	-
Total outstanding as at December 31, 2018	**1,340,900**	**1,340,900**	**100**

The weighted average number of shares outstanding during the year ended December 31, 2018 was 1,352,671 shares for Class A (2017 – 1,360,000), 1,352,671 Preferred shares (2017 – 1,360,000) and 100 for Class J shares (2017 – 100).

Class J shares
The Fund is authorized to issue an unlimited number of Class J shares. As at December 31, 2018, 100 Class J shares were outstanding. Class J shares are not entitled to receive distributions but are entitled to one vote per share. All the issued and outstanding Class J shares of the Company are owned by Harvest Big Pharma Split Trust, a trust whose beneficiaries include the holders of the Class A shares and Preferred shares from time to time. Until all the Class A shares and Preferred shares have been retracted, redeemed, or purchased for cancellation, no additional Class J shares shall be issued.

Distributions
The Fund intends to make monthly cash distributions to Class A shareholders of record on the last business day of each month and pay such cash distributions on or before the 10th business day of the following month. The Fund intends to make quarterly cash distributions to Preferred shareholders of record on the last business day of each quarter and pay such cash distributions on or before the 10th business day of the following month. The total distribution amount was $2,348,858 (Class A $1,673,633 and Preferred shares $675,225) for the period ended December 31, 2018 (2017 - $210,433 split between Class A - $140,216 and Preferred - $70,217).

5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

Management 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 Fund pays its manager, Harvest, a management fee calculated based on the average daily net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 0.75%, plus applicable taxes, of the NAV of the Fund. For these purposes, the Preferred shares are not considered a liability of the Fund. At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund.

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

Other expenses
The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to shareholders and other shareholder 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 ongoing operations. These expenses were $38,501 for the year ended December 31, 2018 (2017 - $3,666) and are included in the shareholder reporting costs on the Statements of Comprehensive Income (Loss).

Issue costs
Certain Offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund and other out-of-pocket expenses incurred by the agents together with the agent’s fees payable by the

Fund are included in the carrying amount of the Fund's obligation for net assets attributable to holders of redeemable Class A shares. As a result of the priority of the Preferred shares, the expenses of the Offering will effectively be borne by holders of the Class A shares (as long as the net asset value per unit exceeds the Offering price per Preferred share plus accrued and unpaid distributions) and the net asset value per Class A share will reflect the expenses of the Offering of both the Preferred shares and Class A shares.

6. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. Foreign currency forward contracts entered into by the Fund represent a firm commitment to buy or sell a currency at a specified value and point in time based upon an agreed or contracted quantity. The value of the foreign currency forward contract is the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk.

At December 31, 2018 and December 31, 2017, the Fund had entered into the following foreign currency forward contracts:

As at December 31, 2018					
Counterparty	**Settlement Date**	**Purchased currency**	**Sold currency**	**Unrealized gain (loss)**	**Contract Price**
National Bank of Canada - credit rating A	January 11, 2019	CAD $10,100,213	USD $7,712,500	($426,568)	0.7636
Royal Bank of Canada - credit rating AA -	January 11, 2019	CAD $10,096,897	USD $7,712,500	($429,885)	0.7638
Canadian Imperial Bank of Commerce credit rating A +	February 14, 2019	CAD $12,690,626	USD $9,475,000	($230,716)	0.7466
Canadian Imperial Bank of Commerce credit rating A +	February 14, 2019	USD $620,000	CAD $831,401	$14,111	1.3410
Total				**($1,073,058)**	

As at December 31, 2017					
Counterparty	**Settlement Date**	**Purchased currency**	**Sold currency**	**Unrealized gain (loss)**	**Contract Price**
National Bank of Canada - credit rating A	January 18, 2018	CAD $10,000,000	USD $7,875,628	$102,659	0.7876
Royal Bank of Canada - credit rating AA-	January 18, 2018	CAD $10,000,000	USD $7,875,944	$102,261	0.7876
Canadian Imperial Bank of Commerce credit rating A+	February 14, 2018	CAD $11,297,528	USD $8,800,000	$242,634	0.7789
Total				**$447,554**	

Offsetting of foreign currency forward contracts
In 2018, the Fund had foreign exchange settlements for its foreign currency forward contracts that met the criteria for offsetting in the Statements of Financial Position. The following table presents the recognized financial instruments that were offset, as at December 31, 2018. In 2017, the Fund did not have foreign exchange settlements for its foreign currency forward contracts that met the criteria for offsetting in the Statements of Financial Position.

December 31, 2018			
Financial assets and liabilities	**Gross assets (liabilities)**	**Amounts eligible for offset**	**Net offset amounts**
Derivative assets	$14,111	($14,111)	-
Derivative liabilities	($1,087,169)	$14,111	($1,073,058)

7. FINANCIAL RISK MANAGEMENT

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

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 December 31, 2018, 175.9% (2017 – 161.6%) of the Fund's net assets attributable to holders of redeemable Class A shares were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets attributable to holders of redeemable Class A shares would have increased or decreased by approximately $1,657,190 (2017 - $1,508,907).

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

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

The tables below summarize the Fund's net exposure to currency risk as at December 31, 2018 and December 31, 2017. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any).

As at December 31, 2018				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	$33,545,213	$33,129,391	$415,822	2.2

*In Canadian dollars

As at December 31, 2017				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	$30,712,435	$30,849,974	($137,539)	(0.7)

*In Canadian dollars

The non-monetary currency exposure was $33,143,804 (2017 - $30,178,140) and the monetary exposure was $401,409 (2017 - $534,295).

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other variables held constant, the Fund's net assets attributable to holders of redeemable Class A shares would have increased or decreased, respectively, by approximately $20,791 (2017 - $6,877) or 0.1% (2017 - 0.0%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. As at December 31, 2018 and December 31, 2017, the Fund did not hold any bonds or money market instruments; therefore, the Fund has no significant exposure to interest rate risk.

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 retraction of shares as described in Note 4. For the Class A shares and Preferred shares, the Fund receives notice 10 business days prior to the retraction date, which gives the Manager time to sell securities. 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. All Class A shares and Preferred shares outstanding on December 31, 2022 are

scheduled to be redeemed by the Fund on that date, unless the terms of the Fund are extended for an additional term of up to five years as determined by the Board of Directors.

As at December 31, 2018 and December 31, 2017, all of the Fund's financial liabilities (excluding Preferred shares) had maturities of less than three months.

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

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

The Fund enters into foreign currency forward contracts which are exposed to credit risk. The maximum credit risk exposure is the unrealized gain (loss) on the forward contracts.

As at December 31, 2018 and December 31, 2017, the Fund did not have significant credit risk exposure. All cash held by the fund is held with a reputable and regulated financial institution.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

Securities classification:

Investments at fair value as at December 31, 2018				
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Totals ($)**
Financial Assets				
Equities				
Common Stock	23,247,735	-	-	23,247,735
ADR	9,896,069	-	-	9,896,069
Total Financial Assets	**33,143,804**	**-**	**-**	**33,143,804**
Financial Liabilities				
Derivatives				
Foreign currency forward contracts	-	(1,073,058)	-	(1,073,058)
Total Financial Liabilities	**-**	**(1,073,058)**	**-**	**(1,073,058)**

Investments at fair value as at December 31, 2017				
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Totals ($)**
Financial Assets				
Equities				
Common Stock	20,634,661	-	-	20,634,661
ADR	9,543,479	-	-	9,543,479
Derivatives				
Foreign currency forward contracts	-	447,554	-	447,554
Total Financial Assets	**30,178,140**	**447,554**	**-**	**30,625,694**

There were no Level 3 securities held by the Fund as at December 31, 2018 or December 31, 2017, and there were no transfers between Level 1 and Level 2 for the year ended December 31, 2018 or the period ended December 31, 2017.

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

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

Geography:

As at	December 31, 2018	December 31, 2017
	% of net assets	**% of net assets**
United States of America	175.9	161.6
Totals	**175.9**	**161.6**

Market Segment:

As at	December 31, 2018	December 31, 2017
	% of net assets	**% of net assets**
EQUITIES		
Health Care	175.9	161.6
Total	**175.9**	**161.6**

8. CAPITAL MANAGEMENT

The Fund's capital is comprised of Class A, Class J and Preferred shares. The Fund's objectives in managing its capital are:

i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions in the amount of $0.125 per share and to return the original issue price to their holders on December 31, 2022, the terms of which may be extended for an additional term of up to five years as determined by the Board of Directors; and
ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.1031 per share and the opportunity for growth in net asset value per Class A share. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

9. 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 year ended December 31, 2018 and the period ended December 31, 2017 amounted to $nil.

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

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.