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## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Brand Leaders Income Fund

December 31, 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).

# Brand Leaders 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 and 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 financial reports 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 Brand Leaders Income Fund (the "Fund") invests in an equally-weighted portfolio of fifteen of the world's top one hundred rated brand companies, each with a market capitalization of at least US\$10 billion. As the US and global economy generally expands, Harvest believes that a diversified portfolio invested in these blue chip companies will provide investors with an attractive yield and strong capital appreciation potential.

# Brand Leaders Income Fund

## PRESIDENT'S MESSAGE

Brand Leaders Income Fund

Unitholder letter March 2019

Dear Valued Investor,

Like 2017, 2018 proved to be a year of unexpected surprises, though this time with considerably more volatility and global markets ending the year in negative territory.

Should we really be that surprised? As we break into the tenth year since the financial crisis when the market put in a bottom in March 2009, we can point to three additional periods of market disruption: 1) in 2011, 2) late 2015 to early 2016, and 3) most of 2018. I have heard people referring to the current situation as a trader's market while investors have been sidelined. Though the volatility is tough to endure, remaining focused on long term growth by staying invested in great businesses will prove itself now as it has in the past.

A stockholder or unitholder never thinks of himself/herself as a business owner, though in the case of equity investing, that's what you are. You own a piece of many businesses through your ETF or Fund holdings, and if you like what you own and feel comfortable with the underlying companies its best to ignore noise and stay with the program. In short periods of time, interest rates, inflation, analyst reports and media articles can move a company's share price around, but over longer time horizons the trendline economics of the underlying business will override short term price fluctuations with the true direction of the stock price.

One thing we do know is that 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 ETFs, allows us to reduce some of the shorter-term risk of a portfolio and monetize that portion of return for income generation. Most of the portfolio will remain long due to our positive bias towards the businesses we hold.

Early in 2018 Harvest launched its first specialty index ETF, the Blockchain Technologies ETF, as a long-term proxy on the transformational Blockchain technology. We truly believe this technology will change the way businesses and consumers transact, track and verify goods and services in a secure and non-corruptible manner. The sell off in crypto currencies early in the year washed through the burgeoning Blockchain technology sector due to its close association to cryptos as Blockchain provides the framework for the crypto currencies to transact upon. As tough as the inaugural year was, we hold steadfast in our belief that it is still early days for Blockchain technology, and it will continue to emerge as the go to transactional technology of the future.

As we look towards 2019, we expect to see some of the macro trade issues resolved and a relatively flat trend for interest rates, it wouldn't surprise us to see markets end the year on a positive note, but to predict how much or how we will get there is like trying to predict the weather. Plan your picnic, just keep an umbrella in the car.

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

# Brand Leaders Income Fund

## 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 has been created to provide investors with exposure to a portfolio ("Portfolio") of Equity Securities of issuers selected from the world's top 100 rated brand companies, as recognized by Interbrand in its annual study of the best global brands (the "**Brand Leaders**"), from the Brand Leaders Investable Universe. "**Brand Leaders Investable Universe**" means those Brand Leaders that are eligible to have options written on their Equity Securities and where such Equity securities and options are traded on a North American stock exchange.

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

- (i) monthly cash distributions;
- (ii) the opportunity for capital appreciation; and
- (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity securities of the Brand Leaders directly.

To achieve its investment objectives, the Fund invests in an equally-weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US\$10 billion at the time of investment and meet the investment characteristics described below. In order to seek to generate additional returns, the Fund's manager and investment manager, Harvest Portfolios Group Inc. ("Harvest") will sell "at-the-money" call options each month on Equity Securities held in the Portfolio. Harvest will not sell call options on more than 25% of the Equity Securities of each Brand Leader held in the Fund.

Harvest will annually rebalance the Portfolio such that, at the time of the initial investment and immediately following each annual rebalancing, the Portfolio will have the following investment characteristics:

- Growth** – An average 5-year Annual Compound Earnings per Share growth rate greater than the average for the Brand Leaders Investable Universe;
- Value** – An average Price-to-Earnings ratio lower than the average for the Brand Leaders Investable Universe;
- Quality** – An average 5-year Return On Equity growth greater than the average for the Brand Leaders Investable Universe; and
- Yield** – An average Yield greater than the average for the Brand Leaders Investable Universe.

## RISK

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

## RESULTS OF OPERATIONS

The Brand Leaders Income Fund returned -5.79% compared to the S&P 100 Index Total Return in USD of -4.47% for the year ended December 31, 2018.

The US equity market started strong in 2018 following a positive performance in 2017. The performance of the market continued to be strong through the 3rd quarter driven by the strong performance of the US economy and tax reforms that generally helped support continued strong earnings reports. As the latter part of 2018 emerged however, the broader market volatility increased significantly driven macro concerns surrounding US / China trade relations and the extent and pace at which global economic growth was slowing. Other broad based geo-political issues that exacerbated the volatility included the US mid-term elections, the partial US government shutdown and uncertain risks and implications surrounding the noisy exit of the United Kingdom from the Eurozone. This added to the downside pressure in the market as investors feared that earnings growth may have peaked and resulted in the performance over the year being negative. Despite the macro

## Brand Leaders Income Fund

uncertainty, heightened volatility, a maturing business cycle and ever-present political noise, the US corporate balance sheets remained in solid shape while quarterly profits remained robust.

The Fund performed in line with expectations during the period given the underlying holdings and structure of the Portfolio. The nature of the companies within the broader Universe are amongst the leading global brands. Companies with solid global brands can benefit from strong customer loyalty, have reduced competitive threats and many have proven resiliency across many economic cycles.

The Fund sold call options on underlying holdings held in the Portfolio during the year in order to meet its investment and income objectives. The Fund was invested in 15 Brand Leaders during the period.

### RECENT DEVELOPMENTS

No new recent developments to note for the year ended December 31, 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.

### MANAGEMENT AND OTHER FEES

The Fund pays its manager, Harvest, a management fee calculated based on the average weekly net asset value ("NAV") and paid monthly in arrears, based on an annual rate of 0.90%, plus applicable taxes, of the NAV of the Fund. The Fund also pays service fees to registered dealers at the rate on 0.40% of the average weekly NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers quarterly.

#### 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.

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. During the year 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.

#### 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 \$5,921 for the year ended December 31, 2018 (2017 - \$15,187) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss) in the financial statements.

### RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended December 31, 2018.

# Brand Leaders 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 year ended December 31, 2018 and past annual periods. This information is derived from the Fund's audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT						
	2018	2017	2016	2015	2014	
<b>Net assets - beginning of the year</b>	\$ 11.57	\$ 10.96	\$ 10.83	\$ 12.26	\$ 12.43	
<b>Increase (decrease) from operations</b>						
Total revenue	0.19	0.21	0.26	0.31	0.29	
Total expenses	(0.46)	(0.36)	(0.29)	(0.25)	(0.32)	
Realized gains (losses) for the year	2.59	2.92	3.84	(0.10)	0.42	
Unrealized gains (losses) for the year	(2.65)	(1.36)	(4.02)	(0.71)	0.41	
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$ (0.33)	\$ 1.41	\$ (0.21)	\$ (0.75)	\$ 0.80	
<b>Distributions<sup>3</sup></b>						
Return of capital	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	
<b>Total annual distributions<sup>2</sup></b>	\$ (0.78)	\$ (0.78)	\$ (0.78)	\$ (0.78)	\$ (0.78)	
<b>Net assets - end of the year<sup>1</sup></b>	\$ 10.17	\$ 11.57	\$ 10.96	\$ 10.83	\$ 12.26	

RATIOS AND SUPPLEMENTAL DATA						
	2018	2017	2016	2015	2014	
<b>Total net asset value</b>	\$ 4,403,174	\$ 8,478,952	\$ 10,640,447	\$ 24,065,966	\$ 35,085,601	
Number of units outstanding	433,051	732,582	971,029	2,222,285	2,862,717	
Management expense ratio <sup>3</sup>	4.01%	3.17%	2.68%	2.15%	3.27%	
Management expense ratio before waivers or absorptions <sup>3</sup>	4.01%	3.17%	2.68%	2.15%	3.27%	
Trading expense ratio <sup>4</sup>	0.12%	0.13%	0.14%	0.08%	0.12%	
Portfolio turnover rate <sup>5</sup>	23.35%	73.71%	25.79%	10.45%	47.72%	
<b>Net asset value per unit</b>	\$ 10.17	\$ 11.57	\$ 10.96	\$ 10.83	\$ 12.26	
<b>Closing market price (HBL.UN)</b>	\$ 9.88	\$ 11.50	\$ 10.78	\$ 10.78	\$ 12.22	

### 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. Distributions were paid in cash.
3. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) of the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the year December 31, 2014 includes agents' fees and issue costs of \$210,849 related to the warrants issued. These costs are treated as one-time expenses and therefore were not annualized. The MER without these costs is 2.57% for 2014.
4. 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 year.
5. 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.

# Brand Leaders Income Fund

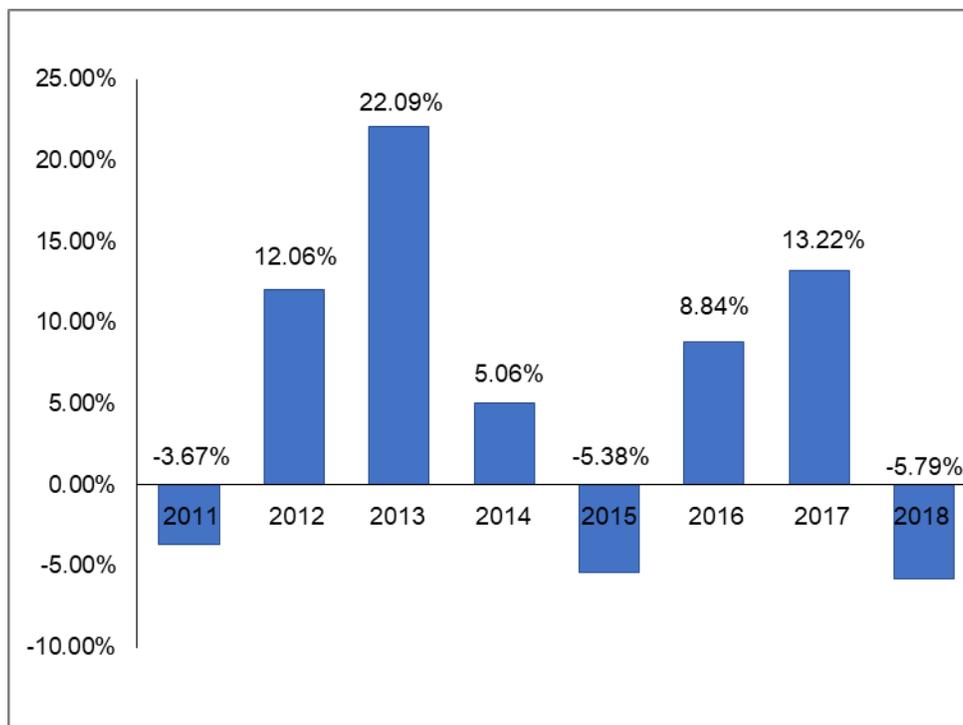
## Past Performance

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 Fund's performance for each of the periods shown and illustrate how the Fund's performance varied. 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



2011 represents the period from July 19 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 the S&P 100 Index, in Canadian dollars (the "Index") is used. 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	-5.79	5.10	2.91	-	5.79
S&P 100 Index, in U.S. dollars	-4.47	8.58	7.88	-	9.57
S&P 100 Index, in Canadian dollars	3.63	8.05	13.41	-	15.02

# Brand Leaders Income Fund

## SUMMARY OF INVESTMENT PORTFOLIO

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

As at December 31, 2018

Top Holdings	% of Net Asset Value
Intel Corporation	7.8
Caterpillar Inc.	7.7
Kimberly-Clark Corporation	7.5
McDonald's Corporation	7.4
PepsiCo, Inc.	7.3
Visa Inc., Class A	7.1
Microsoft Corporation	7.0
The Walt Disney Company	7.0
Royal Dutch Shell PLC ADR	6.8
Johnson & Johnson	6.8
JPMorgan Chase & Co.	6.7
United Parcel Service, Inc., Class B	6.5
Morgan Stanley	6.5
Alphabet Inc., Class A	6.5
Apple Inc.	5.3
Cash and other assets and liabilities	0.5
Foreign currency forward contracts	(4.4)
<b>Total</b>	<b>100.0</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).

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Information Technology	33.7
Consumer Staples	14.8
Consumer Discretionary	14.4
Industrials	14.2
Financials	13.2
Energy	6.8
Health Care	6.8
Cash and other assets and liabilities	0.5
Foreign currency forward contracts	(4.4)
<b>Total</b>	<b>100.0</b>



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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 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.