



MANAGEMENT REPORT OF FUND PERFORMANCE

Australian REIT Income Fund

December 31, 2019



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., 610 Chartwell Road, Suite 204, Oakville, Ontario, L6J 4A5; by visiting our website at www.harvestportfolios.com; or on SEDAR at www.sedar.com.

Australian REIT Income Fund

CORPORATE OVERVIEW

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

We (i) endeavor to develop investment products that are clear in their mandate and easy for investors to understand, (ii) strive to be transparent so that our investors can review their financial reports and know exactly what they own and (iii) seek to provide investors with consistent monthly or quarterly income by investing the fund portfolios in well managed companies that have a steady cash flow and dividend-paying history.

INVESTMENT PRODUCT

The Australian REIT Income Fund (“the Fund”) invests in a portfolio comprised primarily of Equity Securities¹ listed on the ASX¹ issued by Real Estate Issuers¹. The Fund will be actively managed to take advantage of opportunities within the Australian real estate sector with a focus on Real Estate Issuers that provide attractive current cash yield and/or capital appreciation opportunities.

¹ As defined in the Fund’s prospectus dated February 26, 2013.

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PRESIDENT'S MESSAGE

Australian REIT Income Fund

Unitholder letter March 2020

Dear Valued Investor,

"In the business world, the rear-view mirror is always clearer than the windshield"

- Warren Buffet

As a long time follower of Warren Buffett, I think this particular quote makes sense when looking back at the previous year of activity in markets, what is difficult is looking ahead and trying to adjust your investments accordingly. To that end I hold steadfast in my belief that owning quality and steady streams of earnings will provide the confidence one needs as an investor looking ahead.

The immediate challenges of 2020 circle around the U.S. election, global trade issues, Middle East tensions, negative interest rates and, at the time of writing, the coronavirus. These are all important issues that will affect shorter term movements in markets, but like the Vietnam war in the 60's, the oil embargo of the 70s, the market crash of 1987 and many other events through the decades, they become blips on an overall long term trend of growth and increasing value and global GDP.

For a saver, retired investor or those approaching retirement, a more pressing concern is the record low interest rates that persist today and look to remain for some time. I believe this is another compelling reason to own quality companies through our ETFs. As an investor in equities, one must be willing to accept the risk that is associated with market volatility and we believe methods of mitigating that market risk is through time and quality of investment.

Our first objective is to position in growth industries or mega trends that we see continuing for many years if not decades to come. The second criteria is to select companies that are leaders in their respective fields, are making money now and generate steady dividends. Thirdly, we write (sell) call options across the portfolio to generate additional income for our investors. Throughout this process we continue to monitor, analyse and rebalance the positions which also results in portfolio constituent changes from time to time.

I read a number of Annual Reports that simply look through the rear-view mirror at the previous year to explain what happened due to various events as no one can predict the future with any degree of certainty. That said, what we can be sure of is disruptions, recessions and natural disasters will occur but will be overcome while more goods and services are consumed. Global GDP will continue to expand and throughout we will focus on businesses that we believe provide the best outcome due to their track records of success.

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

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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., 610 Chartwell Drive, Suite 204, Oakville, Ontario, L6J 4A5; or by visiting our website at www.harvestportfolios.com; or on SEDAR at 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) stable monthly cash distributions; and
- (ii) the opportunity for capital appreciation

To seek to achieve its investment objectives, the Fund invests in an actively managed portfolio comprised primarily of Equity Securities listed on the ASX issued by Australian real estate investment trusts and to a lesser extent, issuers principally engaged in the real estate industry in Australia.

The Fund invests in Real Estate Issuers in various sectors, including industrial, residential, office, retail and other real estate sectors and from time to time may invest in debt securities.

Harvest believes that Australian REITs¹ offer attractive income and an opportunity for capital gains.

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 27.83% for Series A and 27.89% for the Series F for the year ended December 31, 2019 compared to the S&P ASX 200 Accumulation A-REIT Index return of 13.16%. The divergence in performance is a result of the index being highly concentrated along with security selection adding to the Fund's relative performance.

Broader market volatility was elevated during 2019 driven in large part by the trade tensions between the United States and China. With China being Australia's largest trading partner, the heightened trade tensions between China & the United States had a direct impact on the economic outlook for Australia beginning in 2018. This resulted in the RBA cutting the cash rate from 1.5% to 1.25% in June, the first rate cut since 2016. Subsequently in early July with continued uncertainty surrounding the follow-through impact to Australian economic data from the trade tensions, the RBA cut the rate again to 1% from 1.25%, only to be followed by a third cut to 0.75% in September. Generally, cuts to interest rates can have a positive impact on the traditionally more yield sensitive sectors such as Real Estate while there can be pressure on currency if there are significant rate cuts. However, the Fund remained hedged back to the Canadian dollar during the year.

The Fund remained invested in an actively managed portfolio of listed Australian Real Estate Issuers during the year to meet its objectives of (i) stable monthly distributions; and (ii) the opportunity for capital appreciation.

RECENT DEVELOPMENTS

The recent spread of the coronavirus ("COVID-19") and its impact on the financial performance of the Fund's investments will depend on the duration and spread of the outbreak and related advisories and restrictions. The overall impact to financial markets and the economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially adversely affected.

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.

¹ As defined in the Fund's prospectus dated February 26, 2013.

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MANAGEMENT AND OTHER FEES

The Fund pays the Manager a management fee, plus applicable taxes, calculated based on the average daily net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 1.30% of the NAV of the Fund. The Fund pays service fees to registered dealers on Series A units at a rate of 0.40% of the average daily NAV, plus applicable taxes, per annum of the Fund. No service fee is charged to Series F units. 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.

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 and benefits; and other administrative expenses and costs incurred in connection with the Fund’s public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$11,568 for year ended December 31, 2019 (2018 - \$19,136) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss).

Waivers and absorptions

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. There were no management fee waivers or expense absorptions for the year ended December 31, 2019 or 2018. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

LOAN FACILITY

The Fund established a revolving term loan facility with a Canadian chartered bank for the purpose of acquiring assets for the portfolio and such other short-term funding purposes as may be determined from time to time and in accordance with the investment strategy. The loan facility is drawn down by way of a Banker’s Acceptance (BA’s) with a shorter-term maturity and renewed on an ongoing basis. The loan outstanding at December 31, 2019 is interest bearing at a rate of 1.98875% per annum plus a stamping fee of 0.9% per annum for \$3,700,000, (December 31, 2018 – 2.23625% plus 0.9% for \$4,300,000), secured against the assets of the Fund and the amount of the loan cannot exceed 62.471% of the net asset value of the Fund. The outstanding balance on the loan facility was \$3,700,000 at December 31, 2019 (December 31, 2018 - \$4,300,000). The amount of borrowings ranged between \$3,700,000 and \$4,300,000 during the year (2018 – \$4,300,000 and \$6,000,000).

The initial interest paid on the drawdown and renewal of the Banker’s Acceptance is deferred and amortized over the term of the BA’s, which mature on January 15, 2020 for the loan. The loan amount was renewed on January 15, 2020. The unamortized portion of the deferred interest was \$4,096 at December 31, 2019 (December 31, 2018 - \$8,493) and is netted against the loan facility balance on the Statements of Financial Position. For the year ended December 31, 2019, the Fund recorded interest expense of \$125,016 (2018 - \$155,833).

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, 2019.

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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, 2019 and past annual periods. This information is derived from the Fund's audited annual financial statements.

Series A

THE FUND'S NET ASSETS PER UNIT	2019	2018	2017	2016	2015
Net assets - beginning of year	\$ 10.44	\$ 11.34	\$ 11.31	\$ 10.57	\$ 10.06
Increase (decrease) from operations					
Total revenue	0.59	0.62	0.69	0.68	0.35
Total expenses	(0.48)	(0.41)	(0.41)	(0.38)	(0.36)
Realized gains (losses) for the year	2.11	1.04	0.63	1.20	0.11
Unrealized gains (losses) for the year	0.95	(1.33)	(0.36)	0.11	0.52
Total increase (decrease) from operations¹	\$ 3.17	\$ (0.08)	\$ 0.55	\$ 1.61	\$ 0.62
Distributions²					
From net investment income (excluding dividends)	(0.12)	(0.33)	-	-	-
From dividends	-	-	-	-	(0.18)
Return of capital	(0.54)	(0.33)	(0.66)	(0.66)	(0.48)
Total annual distributions²	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)
Net assets - end of year¹	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31	\$ 10.57

RATIOS AND SUPPLEMENTAL DATA	2019	2018	2017	2016	2015
Total net asset value	\$ 10,057,155	\$ 13,127,190	\$ 18,044,889	\$ 21,671,695	\$ 29,221,142
Number of units outstanding	794,937	1,257,909	1,591,756	1,915,416	2,764,434
Management expense ratio ³	3.87%	3.74%	3.67%	3.40%	3.36%
Management expense ratio before waivers or absorptions ³	3.87%	3.74%	3.67%	3.40%	3.36%
Trading expense ratio ⁴	0.04%	0.05%	0.04%	0.19%	0.28%
Portfolio turnover rate ⁵	0.00%	13.69%	12.77%	11.52%	30.23%
Net asset value per unit	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31	\$ 10.57
Closing market price (HRR.UN)	\$ 12.80	\$ 9.73	\$ 11.04	\$ 10.78	\$ 9.79

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Series F

THE FUND'S NET ASSETS PER UNIT					
	2019	2018	2017	2016	2015
Net assets - beginning of year	\$ 12.09	\$ 12.90	\$ 12.72	\$ 11.78	\$ 10.92
Increase (decrease) from operations					
Total revenue	0.72	0.70	0.78	0.76	0.32
Total expenses	(0.51)	(0.42)	(0.41)	(0.38)	(0.35)
Realized gains (losses) for the year	2.81	0.95	0.76	1.16	0.03
Unrealized gains (losses) for the year	0.44	(1.57)	(0.36)	0.32	1.90
Total increase (decrease) from operations¹	\$ 3.46	\$ (0.34)	\$ 0.77	\$ 1.86	\$ 1.90
Distributions²					
From net investment income (excluding dividends)	(0.17)	(0.47)	-	-	-
From dividends	-	-	-	-	(0.27)
Return of capital	(0.49)	(0.19)	(0.66)	(0.66)	(0.39)
Total annual distributions²	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)
Net assets - end of year¹	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72	\$ 11.78

RATIOS AND SUPPLEMENTAL DATA					
	2019	2018	2017	2016	2015
Total net asset value	\$ 273,981	\$ 242,347	\$ 339,466	\$ 372,057	\$ 470,961
Number of units outstanding	18,545	20,045	26,308	29,243	39,977
Management expense ratio ³	3.52%	3.35%	3.25%	3.00%	2.98%
Management expense ratio before waivers or absorptions ³	3.52%	3.35%	3.25%	3.00%	2.98%
Trading expense ratio ⁴	0.04%	0.05%	0.04%	0.19%	0.29%
Portfolio turnover rate ⁵	0.00%	13.69%	12.77%	11.52%	30.23%
Net asset value per unit	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72	\$ 11.78

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 or reinvested in additional units of the Fund.
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 the daily average net asset value during the period. The MER for 2014, included agents' fee of \$119,247 and issue costs of \$101,651 for Series A, which were treated as one-time expenses and therefore were not annualized. The MER without these costs is 3.95% for Series A.
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 period.
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.

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Past Performance

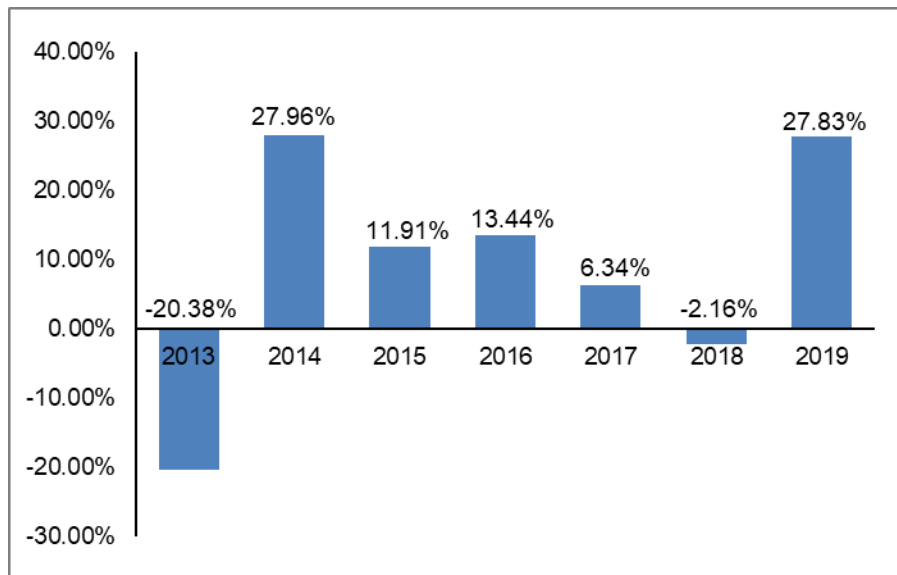
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance. 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 years 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.

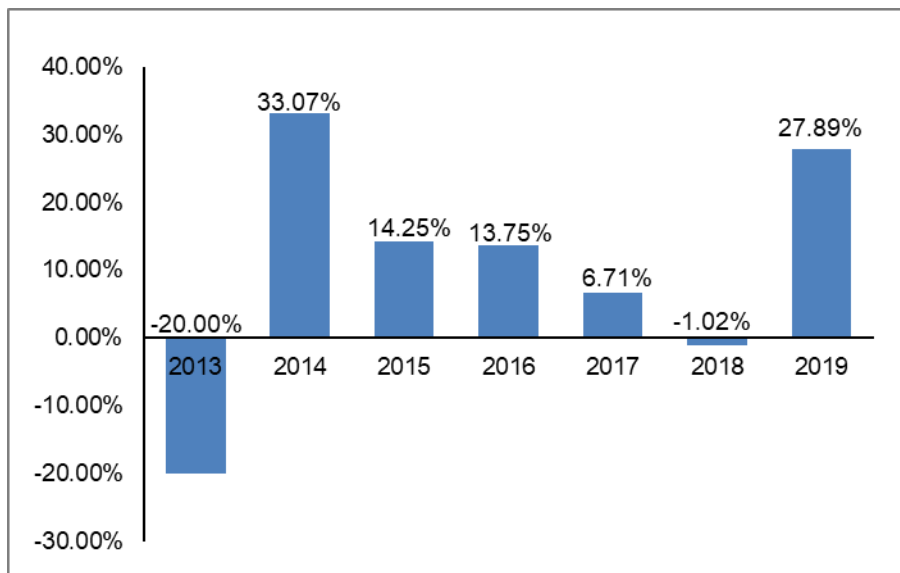
Fund Performance

Series A



2013 represents the period from March 21 to December 31

Series F



2013 represents the period from March 21 to December 31

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ANNUAL COMPOUND RETURNS

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

For comparison purposes, a benchmark of the S&P/ASX 200 Accumulation A-REIT 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 Series A (%)	27.83	9.97	11.04	-	8.33
Fund Performance Series F (%)	27.89	10.54	11.91	-	9.66
S&P/ASX 200 Accumulation A-REIT Index (%)	13.16	6.93	10.02	-	9.45

SUMMARY OF INVESTMENT PORTFOLIO

The major portfolio categories and top holdings of the Fund at the end of the year are indicated in the following tables. 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, 2019

Top Holdings	% of Net Asset Value
Mirvac Group	14.0
Stockland Corporation Limited	12.2
Charter Hall Group	11.5
Dexus	11.5
Goodman Group	11.5
The GPT Group	10.8
Unibail-Rodamco-Westfield	9.1
Scentre Group	8.8
Vicinity Centres	7.7
Lendlease Group	6.9
Aventus Retail Property Fund	6.5
Centuria Industrial REIT	5.8
Charter Hall Retail REIT	5.5
Foreign currency forward contracts	(0.8)
Net other liabilities	(21.0)
Total	100.0

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.

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SECTOR ALLOCATION

Sector	% of Net Asset Value
Real Estate	121.8
Foreign currency forward contracts	(0.8)
Net other liabilities	(21.0)
Total	100.0



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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.