



INTERIM FINANCIAL STATEMENTS
(Unaudited)

Big Pharma Split Corp.

June 30, 2020



Big Pharma Split Corp.

STATEMENTS OF FINANCIAL POSITION			
(Unaudited)			
As at		June 30, 2020	December 31, 2019
Assets			
Current assets			
Investments	\$	21,564,698	\$ 26,331,675
Cash		934,073	536,059
Dividends receivable		88,151	73,079
Receivable for investments sold		2,945,050	-
Unrealized appreciation on foreign currency forward contracts (Note 6)		6,662	235,802
		25,538,634	27,176,615
Liabilities			
Current liabilities			
Payable for investments purchased		1,066	-
Redemptions payable		2,920,954	-
Distributions payable (Note 4)		213,220	241,373
Payable for option contracts written		84,353	43,769
Class J shares (Note 4)		100	100
Preferred shares (Note 4)		9,347,650	10,581,880
		12,567,343	10,867,122
Net assets attributable to holders of redeemable Class A shares	\$	12,971,291	\$ 16,309,493
Number of redeemable shares outstanding (Note 4)			
Class A shares		934,765	1,058,188
Preferred shares		934,765	1,058,188
Class J shares		100	100
Net assets attributable to holders of redeemable shares per share			
Class A shares	\$	13.88	\$ 15.41
Preferred shares		10.00	10.00
Class J shares		1.00	1.00

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

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STATEMENTS OF COMPREHENSIVE INCOME (LOSS)			
(Unaudited)			
For the period ended June 30,	2020		2019
Income			
Net gain (loss) on investments			
Dividends	\$	480,285	\$ 592,168
Net realized gain (loss) on sale of investments		1,840,716	1,171,300
Net change in unrealized appreciation (depreciation) of investments		(1,516,980)	(3,008,287)
Net gain (loss) on investments		804,021	(1,244,819)
Net gain (loss) on derivatives			
Net realized gain (loss) on options written		(30,619)	84,197
Net realized gain (loss) on foreign exchange		(1,013,774)	(652,434)
Net change in unrealized appreciation (depreciation) of options written		28,936	44,124
Net change in unrealized appreciation (depreciation) of foreign exchange		(248,304)	1,829,375
Net gain (loss) on derivatives		(1,263,761)	1,305,262
Total income (net)	\$	(459,740)	\$ 60,443
Expenses (Note 5)			
Management fees	\$	106,538	\$ 132,295
Withholding taxes		56,164	71,049
Shareholder reporting costs		37,419	32,633
Audit fees		12,299	14,866
Transfer agency fees		5,562	4,714
Custodian fees and bank charges		23,211	23,786
Independent Review Committee fees		1,054	1,469
Filing fees		29,401	29,749
Legal fees		4,924	4,358
Transaction costs (Note 10)		24,178	29,383
Total expenses		300,750	344,302
Net investment income (loss) before distributions, agent fees and issue costs on Preferred shares	\$	(760,490)	\$ (283,859)
Distribution paid on Preferred shares		(249,118)	(299,886)
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	\$	(1,009,608)	\$ (583,745)
Increase (decrease) in net assets attributable to holders of redeemable shares per share - Class A shares (Note 4)	\$	(0.95)	\$ (0.44)

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

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STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES (Unaudited)			
For the period ended June 30,	2020		2019
Net assets attributable to holders of redeemable Class A shares beginning of period	\$	16,309,493	\$ 18,842,925
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	\$	(1,009,608)	\$ (583,745)
Redeemable Class A shares transactions			
Redemption of redeemable Class A shares		(1,686,724)	(3,658,374)
Net Class A shares transactions	\$	(1,686,724)	\$ (3,658,374)
Distributions to holders of redeemable Class A shares			
Dividend		(641,870)	(800,333)
Total distributions to holders of redeemable Class A shares	\$	(641,870)	\$ (800,333)
Net assets attributable to holders of redeemable Class A shares end of period	\$	12,971,291	\$ 13,800,473

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

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STATEMENTS OF CASH FLOWS		
(Unaudited)		
For the period ended June 30,	2020	2019
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	\$ (1,009,608)	\$ (583,745)
Add (deduct) items not affecting cash		
Foreign exchange (gain) loss on cash	1,540	-
Distribution paid on Preferred Shares	249,118	299,886
Realized (gain) loss on sale of investments	(1,840,716)	(1,171,300)
Realized (gain) loss on options written	30,619	(84,197)
Change in unrealized (appreciation) depreciation of investments	1,516,980	3,008,287
Change in unrealized (appreciation) depreciation of options written	(28,936)	(44,124)
Change in unrealized (appreciation) depreciation of foreign exchange	248,304	(1,829,375)
Proceeds from sale of investments	8,423,607	6,803,953
Purchases of investments	(6,237,977)	(5,216,868)
Net change in non-cash assets and liabilities	(34,236)	(19,335)
Net cash flow provided by (used in) operating activities	\$ 1,318,695	\$ 1,163,182
Financing activities		
Distribution paid on Preferred shares	(264,547)	(335,226)
Distributions paid to holders of redeemable Class A shares	(654,594)	(829,479)
Net cash flow provided by (used in) financing activities	\$ (919,141)	\$ (1,164,705)
Net increase (decrease) in cash during the period	399,554	(1,523)
Foreign exchange gain (loss) on cash	(1,540)	-
Cash, beginning of the period	536,059	417,071
Cash, end of the period	\$ 934,073	\$ 415,548
Supplemental disclosure of cash flow information		
Dividends received, net of withholding taxes*	\$ 409,049	\$ 501,784

*included in operating activities

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

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SCHEDULE OF INVESTMENTS				
(Unaudited)				
As at June 30, 2020				
Number of Shares / Contracts	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
EQUITIES				
Health Care				
16,300	AbbVie Inc.	1,829,612	2,172,613	16.8
6,700	Amgen Inc.	1,777,776	2,145,364	16.5
29,700	AstraZeneca PLC ADR	1,766,756	2,132,563	16.4
27,200	Bristol-Myers Squibb Company	2,067,466	2,171,291	16.8
9,600	Eli Lilly and Company	1,653,940	2,139,751	16.5
38,600	GlaxoSmithKline PLC ADR	2,090,199	2,137,533	16.5
11,400	Johnson & Johnson	2,004,557	2,176,480	16.8
20,800	Merck & Co., Inc.	1,965,302	2,183,651	16.8
48,900	Pfizer Inc.	2,285,347	2,170,843	16.7
30,800	Sanofi S.A. ADR	1,685,178	2,134,609	16.5
Total equities		19,126,133	21,564,698	166.3
OPTIONS				
Health Care				
(4,500)	AbbVie Inc. - Jul 2020 @ USD \$98.5	(13,577)	(11,730)	(0.1)
(1,900)	Amgen Inc. - Jul 2020 @ USD \$240	(14,087)	(9,338)	(0.1)
(6,400)	AstraZeneca PLC - Jul 2020 @ USD \$55	(17,349)	(7,385)	-
(7,000)	Bristol-Myers Squibb Company - Jul 2020 @ USD \$60	(12,445)	(8,363)	(0.1)
(2,400)	Eli Lilly and Company - Jul 2020 @ USD \$162.5	(12,361)	(16,454)	(0.1)
(12,700)	GlaxoSmithKline PLC - Jul 2020 @ USD \$42	(13,771)	(5,172)	-
(3,700)	Johnson & Johnson - Jul 2020 @ USD \$144	(17,552)	(7,685)	(0.1)
(5,600)	Merck & Co., Inc. - Jul 2020 @ USD \$78	(13,359)	(8,515)	(0.1)
(12,100)	Pfizer Inc. - Jul 2020 @ USD \$33.5	(11,982)	(8,706)	(0.1)
(7,400)	Sanofi S.A. - Jul 2020 @ USD \$55	(4,895)	(1,005)	-
Total options		(131,378)	(84,353)	(0.7)
Total investments		18,994,755	21,480,345	165.6
Foreign currency forward contracts (Note 6)			6,662	0.1
Preferred shares			(9,347,650)	(72.1)
Cash and other assets and liabilities			831,934	6.4
Net assets attributable to holders of redeemable Class A shares			12,971,291	100.0

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

June 30, 2020

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 Articles of Incorporation dated September 15, 2017, 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 610 Chartwell Road, Oakville, Ontario, L6J 4A5.

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 interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These interim financial statements were authorized for issue by Harvest Portfolios Group Inc. (the “Manager”) on August 17, 2020.

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 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. 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 Statements 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 June 30, 2020 and December 31, 2019, 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

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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 sale of investments and net change in unrealized appreciation (depreciation) of 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 unit will be calculated on any day on which the Toronto Stock Exchange ("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

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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 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.

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.

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 June 30, 2020, the closing price for Class A shares was \$13.38 (December 31, 2019 - \$14.05).

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.

On June 30, 2020, 123,423 Class A shares (2019 – 282,712) were redeemed as part of the annual retraction for \$1,686,724 (2019 – \$3,658,373). There were no monthly retractions in 2020 (2019 – nil).

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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 June 30, 2020, the closing price for the Preferred shares was \$10.00 (December 31, 2019 - \$10.48).

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.

On June 30, 2020, 123,423 Preferred shares (2019 – 282,712) were redeemed as part of the annual retraction for \$1,234,230 (2019 – \$2,827,120). There were no monthly retractions in 2020 (2019 – nil).

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

	Class A Shares	Preferred Shares	Class J Shares
Total outstanding as at January 1, 2019	1,340,900	1,340,900	100
Redeemable shares redeemed	(282,712)	(282,712)	-
Total outstanding as at June 30, 2019	1,058,188	1,058,188	100
Total outstanding as at January 1, 2020	1,058,188	1,058,188	100
Redeemable shares redeemed	(123,423)	(123,423)	-
Total outstanding as at June 30, 2020	934,765	934,765	100

The weighted average number of shares outstanding during the period ended June 30, 2020 was 1,057,510 shares for Class A (2019 – 1,336,214), 1,057,510 Preferred shares (2019 – 1,336,214) and 100 for Class J shares (2019 – 100).

Class J shares

The Fund is authorized to issue an unlimited number of Class J shares. As at June 30, 2020, 100 Class J shares were outstanding (2019 – 100). 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 \$890,988 (Class A \$641,870 and Preferred shares \$249,118) for the period ended June 30, 2020 (2019 - \$1,100,219 split between Class A - \$800,333 and Preferred - \$299,886).

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5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

Management fees

The Manager 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 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 \$10,003 for the period ended June 30, 2020 (2019 - \$13,438) 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 June 30, 2020 and December 31, 2019, the Fund had entered into the following foreign currency forward contracts:

As at June 30, 2020					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
Canadian Imperial Bank of Commerce credit rating A +	July 2, 2020	CAD \$2,966,393	USD \$2,170,356	\$19,917	0.7316
Canadian Imperial Bank of Commerce credit rating A +	August 18, 2020	USD \$2,170,356	CAD \$2,966,134	(\$19,982)	1.3667
Canadian Imperial Bank of Commerce credit rating A +	August 18, 2020	CAD \$24,101,483	USD \$17,750,000	\$6,727	0.7365
Total				\$6,662	

As at December 31, 2019					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
Canadian Imperial Bank of Commerce credit rating A +	February 19, 2020	CAD \$26,422,397	USD \$20,170,000	\$235,802	0.7634
Total				\$235,802	

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Offsetting of foreign currency forward contracts

As at June 30, 2020 the Fund had foreign exchange settlements for its foreign currency forward contracts that met the offsetting criteria. As at December 31, 2019, the Fund did not have any foreign exchange settlements for its foreign currency forward contracts that met the criteria for offsetting in the Statements of Financial Position. The following tables present the recognized financial instruments that were offset as at June 30, 2020 and that were not offset as at December 31, 2019. There would be no further offsetting in the event of bankruptcy of the counterparty.

June 30, 2020			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	\$26,644	(\$19,982)	\$6,662
Derivative liabilities	(\$19,982)	\$19,982	-

December 31, 2019			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	\$235,802	-	\$235,802
Derivative liabilities	-	-	-

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. The recent spread of the coronavirus ("COVID-19") has caused volatility in the global financial markets and a slowdown in the global economy and may have a continued adverse impact on the financial performance of the Fund's investments. The extent of the overall impact to financial markets and the economy are highly uncertain and cannot be predicted as they will depend on the duration and renewed spread of the outbreak along with further government restrictions. 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.

As at June 30, 2020, 166.3% (December 31, 2019 – 161.5%) 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 \$1,078,235 (December 31, 2019 - \$1,316,584).

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. Amounts shown are based on the carrying value of monetary and non-monetary net assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any).

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As at June 30, 2020				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollar	\$24,450,097	\$24,095,080	\$355,017	2.7

*In Canadian dollars

As at December 31, 2019				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollar	\$26,437,344	\$26,186,595	\$250,749	1.5

*In Canadian dollars

The non-monetary currency exposure was \$21,480,345 (December 31, 2019 - \$26,287,906) and the monetary exposure was \$2,969,752 (December 31, 2019 - \$149,438).

As at June 30, 2020, 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 decreased or increased, respectively, by approximately \$17,751 (December 31, 2019 - \$12,537) or 0.1% (December 31, 2019 - 0.1%). 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 June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, all 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 on the forward contracts.

As at June 30, 2020 and December 31, 2019, 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:

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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 June 30, 2020				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	15,159,993	-	-	15,159,993
ADR	6,404,705	-	-	6,404,705
Derivatives				
Foreign currency forward contracts	-	6,662	-	6,662
Total Financial Assets	21,564,698	6,662	-	21,571,360
Financial Liabilities				
Derivatives				
Options	(84,353)	-	-	(84,353)
Total Financial Liabilities	(84,353)	-	-	(84,353)

Investments at fair value as at December 31, 2019				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	18,559,931	-	-	18,559,931
ADR	7,771,744	-	-	7,771,744
Derivatives				
Foreign currency forward contracts	-	235,802	-	235,802
Total Financial Assets	26,331,675	235,802	-	26,567,477
Financial Liabilities				
Derivatives				
Options	(43,769)	-	-	(43,769)
Total Financial Liabilities	(43,769)	-	-	(43,769)

There were no Level 3 securities held by the Fund as at June 30, 2020 or December 31, 2019, and there were no transfers between Level 1 and Level 2 for the period ended June 30, 2020 or 2019.

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

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country and industry in which the companies held in the portfolio operate. The prior year presentation has been updated to conform to the current year methodology of presenting the concentration risk based on the country of risk.

Geography:

As at	June 30, 2020	December 31, 2019
	% of net assets	% of net assets
United States	116.9	113.8
United Kingdom	32.9	31.5
France	16.5	16.2
Cash and other assets and liabilities	6.4	2.3
Foreign currency forward contracts	0.1	1.4
Options	(0.7)	(0.3)
Preferred shares	(72.1)	(64.9)
Totals	100.0	100.0

Market Segment:

As at	June 30, 2020	December 31, 2019
	% of net assets	% of net assets
Health Care	166.3	161.5
Cash and other assets and liabilities	6.4	2.3
Foreign currency forward contracts	0.1	1.4
Options	(0.7)	(0.3)
Preferred shares	(72.1)	(64.9)
Total	100.0	100.0

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. TAXATION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada) and 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 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

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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 last taxation year end, the Fund had no capital losses or non-capital losses available to be carried forward to future years.

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 in the Statements of Comprehensive Income (Loss).

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.

10. 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 period ended June 30, 2020 and 2019 amounted to \$nil.



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