



MANAGEMENT REPORT OF FUND PERFORMANCE

Australian REIT Income Fund

December 31, 2020



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 2021

Dear Valued Investor,

Thank you for your patience and persistence in what was an unprecedented year of disruption to human health, global economics and markets. As investors your resolve was truly tested, we have all grown to expect market corrections but to face the first truly global pandemic in 100 years, the ensuing economic fall out, a market correction of 35% in 4 weeks and the polarized divisions in American society leading up to and after the US election showed strength and belief in the longer-term direction of markets.

Throughout all this disruption the US Fed has reinforced their desire to maintain record low interest rates for the next 2 years. These low rates have created a strong floor for stock markets as the alternative risk-free interest rate remains basically at "0". I am of the belief that we are in a bottoming process of what has been a 40-year decline of interest rates which has alternatively led to the great bull market in bonds. This too I believe is in a "topping" process as rising rates will lead to dropping bond prices. This process may take the next couple of years to play out if the Fed holds to its policy; that said, their next move could (down the road) very well be higher.

I am admittedly biased as I have never owned a bond in my investing career; rather I have always leaned towards equity ownership and the long-term growth and value add of great companies run by solid, competent management. As we finish 2020 and roll into 2021 the sentiment is that markets have got ahead of themselves and maybe we are due for a pull back. I would argue here that corrections of 5-10% are commonplace in bull markets and unless we see another Black Swan event like COVID-19, the economy should right itself over the coming 2 to 4 quarters and markets will move ahead as they historically have.

I believe younger investors should always be looking for longer term growth through equities. For those looking at retirement, I was recently interviewed and asked about traditional bond/equity positioning. My thoughts again here are stay more heavily weighted to quality, dividend-paying equities or "Equity Income". People are living longer; rates are low and if they eventually go higher the income will improve at a cost to your capital. Equity markets will move up and down but have averaged approximately 8% per annum (S&P 500 since 1957) which is an excellent rate of return while generating income over what could be 2 to 3 decades of retirement.

Harvest has traditionally focused on large capitalization Equity Income ETFs and this will continue to be our core, but over the last couple of years we have built ETFs focused on long term secular growth trends which include smaller and medium capitalized companies with little to no dividends or option markets for income. Most recently we launched the Harvest Clean Energy ETF (HCLN) and the Harvest Travel & Leisure Index ETF (TRVL), both of which are based on great long-term growth themes. I encourage you to go to our website and find out more about them and their unique prospects.

In conclusion, Harvest will remain true to our long-term equity bias focusing on growth industries and secular growth trends, choosing companies that we feel are best in class and generating attractive income within our Equity Income ETFs.

On behalf of Harvest, I would like to thank you for your continued 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 -6.72% for Series A and -3.27% for the Series F for the year ended December 31, 2020 compared to the S&P ASX 200 Accumulation A-REIT Index return of 2.51%. The divergence in the Funds performance versus the index is driven in large part by the A-REIT Index being dominated by the Goodman Group, at approximately 25% weighting versus the Fund max of 15%, per position and that particular stock had outsized relative performance during the year.

The global pandemic that quickly erupted through the end of February caused significant disruptions to the markets and equally caused volatility levels, both realized and implied, to expand to extreme levels in many cases not seen even during the financial crisis of 2008. Uncertainty over the systemic disruptions and timing of any return to normalcy kept volatility at extreme levels for several months. The volatility and uncertainty were met swiftly with significant and in many countries, unprecedented stimulus, both monetary and fiscal. This allowed credit markets to stay fluid and provided some stability to the broader economic systems and resulted in overall extreme volatility subsiding toward early summer. The Australian REIT market is heavily exposed to retail properties, which saw sharp impacts from the global pandemic and the related shutdown of most establishments. However, as highlighted above, industrial companies with warehousing assets like the Goodman Group benefited from the immediate shift to online shopping and performed very strongly during the year and benefited the Funds performance in particular compared to the Canadian REIT market, that tends to be heavily skewed to retail and office assets. While the vaccine rollouts have sparked some positive thoughts on the future, uncertainty remains in the near-term as to the duration and longer-term economic impact of the pandemic and systemic shutdowns.

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 spread of the coronavirus ("COVID-19") has caused volatility in the global financial markets and a slowdown in the global economy over the past year 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 ongoing government

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

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restrictions. If the financial markets and/or the overall economy continue to be 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.

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 \$6,206 for year ended December 31, 2020 (2019 - \$11,568) 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, 2020 or 2019. 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, 2020 is interest bearing at a rate of 0.46875% per annum plus a stamping fee of 1.25% per annum for \$2,700,000, (December 31, 2019 – 1.98875% plus 0.9% for \$3,700,000), 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 up to the maximum available credit. Throughout the year the Fund was in compliance with all covenants. The amount of borrowings ranged between \$2,700,000 and \$3,700,000 during the year (2019 – \$3,700,000 and \$4,300,000).

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 13, 2021 for the loan. The loan amount was renewed on January 13, 2021. The unamortized portion of the deferred interest was \$1,530 at December 31, 2020 (December 31, 2019 - \$4,096) and is netted against the loan facility balance on the Statements of Financial Position. For the year ended December 31, 2020, the Fund recorded interest expense of \$66,637 (2019 - \$125,016).

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, 2020.

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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, 2020 and past annual periods. This information is derived from the Fund's annual audited financial statements.

Series A

THE FUND'S NET ASSETS PER UNIT					
	2020	2019	2018	2017	2016
Net assets - beginning of year	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31	\$ 10.57
Increase (decrease) from operations					
Total revenue	0.46	0.59	0.62	0.69	0.68
Total expenses	(0.44)	(0.48)	(0.41)	(0.41)	(0.38)
Realized gains (losses) for the year	0.52	2.11	1.04	0.63	1.20
Unrealized gains (losses) for the year	(1.72)	0.95	(1.33)	(0.36)	0.11
Total increase (decrease) from operations¹	\$ (1.18)	\$ 3.17	\$ (0.08)	\$ 0.55	\$ 1.61
Distributions²					
From net investment income	-	(0.12)	(0.33)	-	-
Return of capital	(0.66)	(0.54)	(0.33)	(0.66)	(0.66)
Total annual distributions²	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)
Net assets - end of year¹	\$ 11.02	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31

RATIOS AND SUPPLEMENTAL DATA					
	2020	2019	2018	2017	2016
Total net asset value	\$ 7,807,320	\$ 10,057,155	\$ 13,127,190	\$ 18,044,889	\$ 21,671,695
Number of units outstanding	708,516	794,937	1,257,909	1,591,756	1,915,416
Management expense ratio ³	4.34%	3.87%	3.74%	3.67%	3.40%
Management expense ratio before waivers or absorptions ³	4.34%	3.87%	3.74%	3.67%	3.40%
Trading expense ratio ⁴	0.09%	0.04%	0.05%	0.04%	0.19%
Portfolio turnover rate ⁵	18.95%	0.00%	13.69%	12.77%	11.52%
Net asset value per unit	\$ 11.02	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31
Closing market price (HRR.UN)	\$ 10.49	\$ 12.80	\$ 9.73	\$ 11.04	\$ 10.78

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Series F

THE FUND'S NET ASSETS PER UNIT	2020	2019	2018	2017	2016
Net assets - beginning of year	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72	\$ 11.78
Increase (decrease) from operations					
Total revenue	0.56	0.72	0.70	0.78	0.76
Total expenses	(0.48)	(0.51)	(0.42)	(0.41)	(0.38)
Realized gains (losses) for the year	0.85	2.81	0.95	0.76	1.16
Unrealized gains (losses) for the year	(3.44)	0.44	(1.57)	(0.36)	0.32
Total increase (decrease) from operations¹	\$ (2.51)	\$ 3.46	\$ (0.34)	\$ 0.77	\$ 1.86
Distributions²					
From net investment income (excluding dividends)	(0.04)	(0.17)	(0.47)	-	-
Return of capital	(0.62)	(0.49)	(0.19)	(0.66)	(0.66)
Total annual distributions²	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)	\$ (0.66)
Net assets - end of year¹	\$ 13.50	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72

RATIOS AND SUPPLEMENTAL DATA	2020	2019	2018	2017	2016
Total net asset value	\$ 193,682	\$ 273,981	\$ 242,347	\$ 339,466	\$ 372,057
Number of units outstanding	14,345	18,545	20,045	26,308	29,243
Management expense ratio ³	3.91%	3.52%	3.35%	3.25%	3.00%
Management expense ratio before waivers or absorptions ³	3.91%	3.52%	3.35%	3.25%	3.00%
Trading expense ratio ⁴	0.09%	0.04%	0.05%	0.04%	0.19%
Portfolio turnover rate ⁵	18.95%	0.00%	13.69%	12.77%	11.52%
Net asset value per unit	\$ 13.50	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72

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.
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. In 2020 the calculation was modified to include certain transaction costs charged by the custodian. The trading expense ratio in prior periods was not re-stated.
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

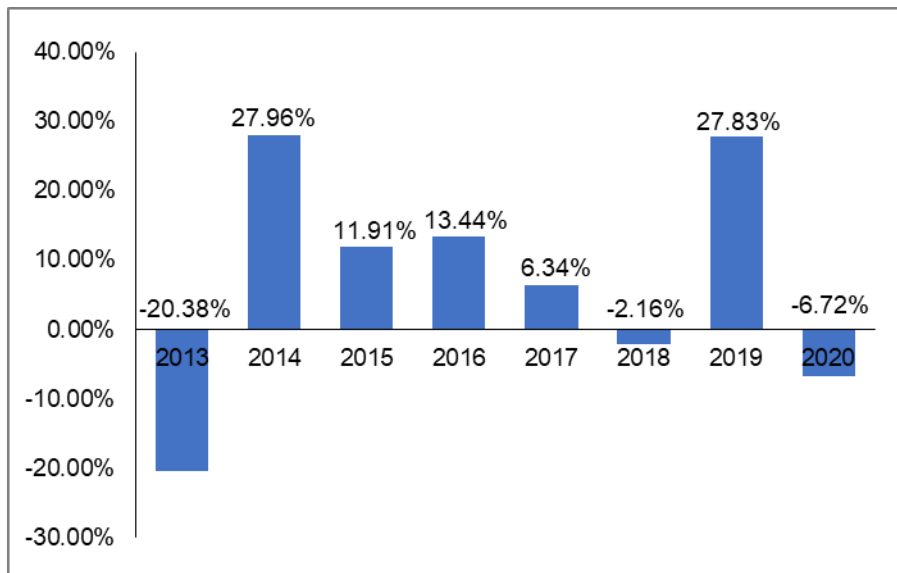
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance.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

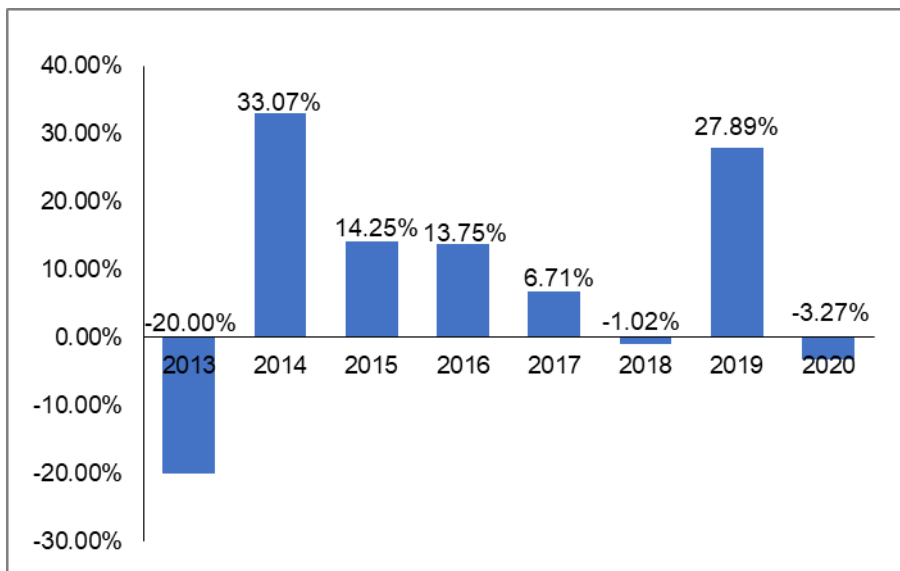
Fund Performance

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 (%)	-6.72	5.27	7.07	-	6.27
Fund Performance Series F (%)	-3.27	6.98	8.25	-	7.91
S&P/ASX 200 Accumulation A-REIT Index (%)	2.51	5.34	6.37	-	8.53

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, 2020

Top Holdings	% of Net Asset Value
Goodman Group	17.0
Charter Hall Group	15.9
Stockland Corporation Limited	11.8
Mirvac Group	11.6
The GPT Group	10.6
Aventus Retail Property Fund	10.5
Centuria Industrial REIT	10.4
Dexus	9.4
Scentre Group	8.0
Charter Hall Retail REIT	7.7
Vicinity Centres	7.2
Unibail-Rodamco-Westfield	5.8
Waypoint REIT	4.7
Charter Hall Long WALE REIT	3.9
Foreign currency forward contracts	(3.5)
Net other liabilities	(31.0)
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	134.5
Foreign currency forward contracts	(3.5)
Net other liabilities	(31.0)
Total	100.0



Head Office

610 Chartwell Road, Suite 204
Oakville, Ontario L6J 4A5

Phone Number: 416.649.4541

Toll Free: 866.998.8298

Fax Number: 416.649.4542

Email: info@harvestportfolios.com

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.