



INTERIM FINANCIAL STATEMENTS
(Unaudited)

Brand Leaders Income Fund

June 30, 2021



Brand Leaders Income Fund

STATEMENTS OF FINANCIAL POSITION			
(Unaudited)			
As at		June 30, 2021	December 31, 2020
Assets			
Current assets			
Investments	\$	4,815,362	\$ 4,297,180
Cash		76,072	28,251
Dividends receivable		-	1,584
Unrealized appreciation on foreign currency forward contracts (Note 6)		-	122,225
		4,891,434	4,449,240
Liabilities			
Current liabilities			
Distributions payable (Note 4)		24,082	24,179
Payable for options contracts written		22,997	25,415
Unrealized depreciation on foreign currency forward contracts (Note 6)		125,087	-
		172,166	49,594
Net assets attributable to holders of redeemable units	\$	4,719,268	\$ 4,399,646
Number of redeemable units outstanding (Note 4)		370,486	371,986
Net assets attributable to holders of redeemable units per unit	\$	12.74	\$ 11.83

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

Brand Leaders Income Fund

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)			
(Unaudited)			
For the period ended June 30,	2021		2020
Income			
Net gain (loss) on investments			
Dividends	\$	35,451	\$ 42,227
Net realized gain (loss) on sale of investments		280,784	546,729
Net change in unrealized appreciation (depreciation) of investments		107,346	(715,352)
Net gain (loss) on investments		423,581	(126,396)
Net gain (loss) on derivatives			
Net realized gain (loss) on options written		46,547	23,514
Net realized gain (loss) on foreign exchange		357,976	(225,518)
Net change in unrealized appreciation (depreciation) of options written		(866)	8,659
Net change in unrealized appreciation (depreciation) of foreign exchange		(247,048)	1,793
Net gain (loss) on derivatives		156,609	(191,552)
Total income (net)	\$	580,190	\$ (317,948)
Expenses (Note 5)			
Management fees	\$	21,619	\$ 20,088
Service fees		10,218	8,714
Withholding taxes		5,341	6,280
Unitholder reporting costs		4,789	4,106
Audit fees		6,752	6,498
Transfer agency fees		4,575	4,365
Custodian fees and bank charges		12,353	11,063
Independent Review Committee fees		137	170
Filing fees		22,093	19,412
Legal fees		4,495	4,184
Transaction costs (Note 9)		6,041	7,899
Total expenses	\$	98,413	\$ 92,779
Increase (decrease) in net assets attributable to holders of redeemable units	\$	481,777	\$ (410,727)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 4)	\$	1.30	\$ (1.09)

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STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Unaudited)			
For the period ended June 30,	2021		2020
Net assets attributable to holders of redeemable units beginning of period	\$	4,399,646	\$ 4,676,189
Increase (decrease) in net assets attributable to holders of redeemable units	\$	481,777	\$ (410,727)
Redeemable unit transactions			
Redemption of redeemable units		(17,639)	(308,063)
Net redeemable unit transactions	\$	(17,639)	\$ (308,063)
Distributions to holders of redeemable units			
Net investment income		-	(145,075)
Return of capital		(144,516)	-
Total distributions to holders of redeemable units	\$	(144,516)	\$ (145,075)
Net assets attributable to holders of redeemable units end of period	\$	4,719,268	\$ 3,812,324

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,	2021		2020
Operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	481,777	\$ (410,727)
Add (deduct) items not affecting cash			
Foreign exchange (gain) loss of cash		246	(431)
Realized (gain) loss on sale of investments		(280,784)	(546,729)
Realized (gain) loss on options written		(46,547)	(23,514)
Change in unrealized (appreciation) depreciation of investments		(107,346)	715,352
Change in unrealized (appreciation) depreciation of options written		866	(8,659)
Change in unrealized (appreciation) depreciation of foreign exchange		247,048	(1,793)
Proceeds from sale of investments		1,091,636	2,054,306
Purchases of investments		(1,178,425)	(1,325,968)
Net change in non-cash assets and liabilities		1,848	4,318
Net cash flow provided by (used in) operating activities	\$	210,319	\$ 456,155
Financing activities			
Redemption of redeemable units		(17,639)	(308,063)
Distributions paid to holders of redeemable units		(144,613)	(146,742)
Net cash flow provided by (used in) financing activities	\$	(162,252)	\$ (454,805)
Net increase (decrease) in cash during the period		48,067	1,350
Foreign exchange gain (loss) of cash		(246)	431
Cash, beginning of the period		28,251	67,038
Cash, end of the period	\$	76,072	\$ 68,819
Supplemental disclosure of cash flow information			
Dividends received, net of withholding taxes*	\$	31,694	\$ 40,128

*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, 2021				
Number of Shares*	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
EQUITIES				
Communication Services				
116	Alphabet Inc., Class A	125,410	351,114	7.4
1,389	The Walt Disney Company	167,468	302,641	6.4
		292,878	653,755	13.8
Consumer Discretionary				
1,063	McDonald's Corporation	248,579	304,375	6.4
2,310	Starbucks Corporation	276,026	320,165	6.8
		524,605	624,540	13.2
Consumer Staples				
1,717	PepsiCo, Inc.	277,966	315,364	6.7
1,869	The Procter & Gamble Company	310,121	312,608	6.6
		588,087	627,972	13.3
Financials				
1,660	JPMorgan Chase & Co.	237,455	320,060	6.8
3,150	Morgan Stanley	227,265	358,026	7.6
		464,720	678,086	14.4
Health Care				
1,493	Johnson & Johnson	246,804	304,888	6.5
		246,804	304,888	6.5
Industrials				
1,080	Caterpillar Inc.	234,925	291,356	6.2
1,171	United Parcel Service, Inc., Class B	196,460	301,883	6.4
		431,385	593,239	12.6
Information Technology				
2,014	Apple Inc.	192,122	341,928	7.2
4,453	Intel Corporation	298,383	309,889	6.6
1,039	Microsoft Corporation	184,127	348,904	7.4
1,146	Visa Inc., Class A	221,032	332,161	7.1
		895,664	1,332,882	28.3
Total equities		3,444,143	4,815,362	102.1

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SCHEDULE OF INVESTMENTS (continued)				
(Unaudited)				
As at June 30, 2021				
Number of Shares*	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
OPTIONS				
Communication Services				
(300)	The Walt Disney Company - Jul 2021 @ USD \$175	(1,168)	(1,265)	-
		(1,168)	(1,265)	-
Consumer Discretionary				
(200)	McDonald's Corporation - Jul 2021 @ USD \$235	(571)	(275)	-
(500)	Starbucks Corporation - Jul 2021 @ USD \$111	(1,310)	(1,333)	-
		(1,881)	(1,608)	-
Consumer Staples				
(400)	PepsiCo, Inc. - Jul 2021 @ USD \$147	(1,088)	(1,294)	-
(400)	The Procter & Gamble Company - Jul 2021 @ USD \$134	(692)	(1,007)	-
		(1,780)	(2,301)	-
Financials				
(400)	JPMorgan Chase & Co. - Jul 2021 @ USD \$152.5	(1,187)	(2,082)	(0.1)
(700)	Morgan Stanley - Jul 2021 @ USD \$86	(2,016)	(5,380)	(0.1)
		(3,203)	(7,462)	(0.2)
Health Care				
(300)	Johnson & Johnson - Jul 2021 @ USD \$165	(635)	(643)	-
		(635)	(643)	-
Industrials				
(200)	Caterpillar Inc. - Jul 2021 @ USD \$215	(1,175)	(1,487)	(0.1)
(200)	United Parcel Service, Inc. - Jul 2021 @ USD \$205	(939)	(1,173)	-
		(2,114)	(2,660)	(0.1)
Information Technology				
(500)	Apple Inc. - Jul 2021 @ USD \$133	(1,446)	(2,963)	(0.1)
(1,100)	Intel Corporation - Jul 2021 @ USD \$57	(1,237)	(1,009)	-
(200)	Microsoft Corporation - Jul 2021 @ USD \$262.5	(1,194)	(2,355)	(0.1)
(200)	Visa Inc. - Jul 2021 @ USD \$235	(1,039)	(731)	-
		(4,916)	(7,058)	(0.2)
Total options		(15,697)	(22,997)	(0.5)
Total investments		3,428,446	4,792,365	101.6
Foreign currency forward contracts (Note 6)			(125,087)	(2.7)
Other assets less liabilities			51,990	1.1
Net assets attributable to holders of redeemable units			4,719,268	100.0

* For options, this represents the total number of shares of the equity position available for assignment under the terms of the option contracts.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

June 30, 2021

1. GENERAL INFORMATION

Brand Leaders Income Fund (the “Fund”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 29, 2011 and as amended and restated, being the inception date. There was no significant activity in the Fund from the date of inception to commencement of operations on July 19, 2011. On July 19, 2011, the Fund completed an initial public offering of 2,500,000 units at \$12.00 per unit for gross proceeds of \$30,000,000. On August 3, 2011, an overallotment option was exercised for an additional 101,378 units at a price of \$12.00 per unit for gross proceeds of \$1,216,536. The address of the Fund’s registered office is 610 Chartwell Road, Oakville, Ontario L6J 4A5.

The Fund’s investment objectives are to provide unitholders with monthly cash distributions, the opportunity for capital appreciation and lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity Securities¹ of the Brand Leaders¹ directly. As part of the investment strategy, the Fund will invest in an equally weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe¹ that have a market capitalization of at least US\$10 billion at the time of investment.

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, 2021.

3. SUMMARY OF 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 units 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 at amortized cost approximate their fair values due to the short term to maturity. 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, 2021 and December 31, 2020, there were no differences between the Fund’s NAV per security and its net assets per security calculated in accordance with IFRS 9.

Fair value of investments and derivatives

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

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

¹ As defined in the Fund’s prospectus dated June 29, 2011.

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Classification of redeemable units

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. In addition to the annual redemption at 100% of NAV, the Fund's units are redeemable at 95% of their market price monthly. As a result, the Fund's units contain multiple contractual obligations and are presented as financial liabilities on transition to IFRS 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 by using the average cost method.

Foreign currency translation

The Fund's subscriptions and redemptions are predominately denominated in Canadian dollars which is also the Fund's functional and presentation currency. 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 units 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 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 each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time. "Business Day" means any day on which the Toronto Stock Exchange ("TSX") is open for trading.

Options

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

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

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

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Increase (decrease) in net assets attributable to holders of redeemable units per unit

“Increase (decrease) in net assets attributable to holders of redeemable units per unit” in the Statements of Comprehensive Income (Loss) represents the increase (decrease) in net assets attributable to holders of redeemable units, divided by the weighted average units 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 UNITS

The authorized capital of the Fund consists of an unlimited number of transferable units of one class representing an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally in any and all distributions made by the Fund. The units trade on the TSX under the symbol HBL.UN. As at June 30, 2021, the closing price of the units was \$13.19 per unit (December 31, 2020 - \$11.75 per unit).

Redemptions

Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th Business Day before the last Business Day of the applicable month by the holders for monthly redemption. Upon receipt by the Fund of the redemption notice, the holder of a unit shall be entitled to receive a price per unit equal to the lesser of:

- (a) 95% of the “market price” of the units on the principal market on which the units are quoted for trading during the 20 trading-day period ending immediately before the monthly redemption date; and
- (b) 100% of the “closing market price” on the principal market on which the units are quoted for trading on the monthly redemption date.

Notwithstanding the monthly redemption price formula above, at no time will the Fund pay out redemption proceeds greater than the NAV per Unit as determined on the monthly redemption date for each Unit being redeemed. During the period ended June 30, 2021, 400 units were redeemed and cancelled for \$4,782. In the prior period ended June 30, 2020, no units were redeemed and cancelled.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, units may be surrendered for redemption at the Fund’s NAV per unit, subject to the required redemption notice period, for the second last Business Day of January and the unitholder will receive payment on or before the 15th Business Day of the following month. On January 31, 2021, 1,100 (January 31, 2020 – 25,652) units were redeemed and cancelled for \$12,857 (January 31, 2020 - \$308,063).

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The following units were redeemed during the period:

	Units outstanding
Total outstanding as at January 1, 2020	397,638
Redeemable units redeemed	(25,652)
Total outstanding as at June 30, 2020	371,986
Total outstanding as at January 1, 2021	371,986
Redeemable units redeemed	(1,500)
Total outstanding as at June 30, 2021	370,486

The weighted average number of units outstanding during the period ended June 30, 2021 was 370,725 units (2020 – 376,778 units).

Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. The Fund will annually determine and announce the distribution amount for the following year based upon the prevailing market conditions. The distribution amount was \$144,516 for the period ended June 30, 2021 (2020 - \$145,075).

5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

Management and service fees

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

Operating expenses

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

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 the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$1,300 for the period ended June 30, 2021 (2020 - \$1,597) 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 period ended June 30, 2021 or 2020.

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 each 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.

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At June 30, 2021 and December 31, 2020, the Fund had entered into the following foreign currency forward contracts:

As at June 30, 2021					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
National Bank of Canada credit rating A	July 14, 2021	CAD \$4,566,845	USD \$3,785,000	(\$125,087)	0.8288
Total				(\$125,087)	

As at December 31, 2020					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
National Bank of Canada credit rating A	January 14, 2021	CAD \$4,065,833	USD \$3,100,000	\$120,068	0.7625
National Bank of Canada credit rating A	January 14, 2021	CAD \$116,396	USD \$90,000	\$1,842	0.7732
National Bank of Canada credit rating A	January 14, 2021	CAD \$108,505	USD \$85,000	\$315	0.7834
Total				\$122,225	

Offsetting of foreign currency forward contracts

As at June 30, 2021 and December 31, 2020, 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 not offset as at June 30, 2021 and December 31, 2020. There would be no further offsetting in the event of bankruptcy of the counterparty.

June 30, 2021			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	-	-	-
Derivative liabilities	(\$125,087)	-	(\$125,087)

December 31, 2020			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	\$122,225	-	\$122,225
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 spread of the coronavirus ("COVID-19") has caused volatility in the global financial markets and a slowdown in the global economy. Uncertainty on the impact and the strength of the economic recovery continues with the spread of variants. Although financial markets have been strong over the past year, this uncertainty may have a continued adverse impact on the financial performance of the Fund's investments. If there is renewed spread of COVID-19, the duration and resulting government restrictions could continue to

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impact the overall economy for an extended period and the Fund's future investment results may be materially adversely affected.

As at June 30, 2021, 102.1% (December 31, 2020 – 97.7%) of the Fund's net assets attributable to holders of redeemable units 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 units would have increased or decreased by approximately \$240,768 (December 31, 2020 - \$214,859).

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).

As at June 30, 2021				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollar	\$4,812,435	\$4,691,931	\$120,504	2.6

*In Canadian dollars

As at December 31, 2020				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollar	\$4,280,164	\$4,168,510	\$111,654	2.5

*In Canadian dollars

The non-monetary currency exposure was \$4,792,365 (December 31, 2020 – \$4,271,765) and the monetary currency exposure was \$20,070 (December 31, 2020 – \$8,399).

As at June 30, 2021, 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 units would have decreased or increased, respectively, by approximately \$6,025 (December 31, 2020 - \$5,583) or 0.1% (December 31, 2020 - 0.1%) based on the net currency exposure. 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 are in U.S. dollars, the Fund enters into a forward currency forward 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, 2021 and December 31, 2020, the Fund did not hold any bonds or money market instruments; therefore, the Fund had 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 redemption of units as described in Note 4. However, the Manager does not expect that the contractual redemptions will be representative of the actual cash outflows as holders of those units typically retain them for a longer period. Therefore, 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.

As at June 30, 2021 and December 31, 2020, all the Fund's financial liabilities have 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.

Brand Leaders Income 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 also 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, 2021 and December 31, 2020, the Fund did not have significant credit risk exposure. All cash held by the fund is held with a reputable and regulated financial institution.

Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

Securities classification:

Investments at fair value as at June 30, 2021				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	4,815,362	-	-	4,815,362
Total Financial Assets	4,815,362	-	-	4,815,362
Financial Liabilities				
Derivatives				
Options	(22,997)	-	-	(22,997)
Foreign currency forward contracts	-	(125,087)	-	(125,087)
Total Financial Liabilities	(22,997)	(125,087)	-	(148,084)

Investments at fair value as at December 31, 2020				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	4,297,180	-	-	4,297,180
Derivatives				
Foreign currency forward contracts	-	122,225	-	122,225
Total Financial Assets	4,297,180	122,225	-	4,419,405
Financial Liabilities				
Derivatives				
Options	(25,415)	-	-	(25,415)
Total Financial Liabilities	(25,415)	-	-	(25,415)

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There were no Level 3 securities held by the Fund as at June 30, 2021 and December 31, 2020, and there were no significant transfers between Level 1 and Level 2 for the period ended June 30, 2021 and 2020.

The value of the equities and written 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 country and industry in which the companies held in the portfolio operate.

Geography:

As at	June 30, 2021	December 31, 2020
	% of net assets	% of net assets
United States	102.1	97.7
Cash and other assets and liabilities	1.1	0.1
Options	(0.5)	(0.6)
Foreign currency forward contracts	(2.7)	2.8
Totals	100.0	100.0

Market Segment:

As at	June 30, 2021	December 31, 2020
	% of net assets	% of net assets
Information Technology	28.3	25.6
Financials	14.4	15.0
Communication Services	13.8	14.2
Consumer Staples	13.3	11.8
Consumer Discretionary	13.2	12.5
Industrials	12.6	12.3
Health Care	6.5	6.3
Cash and other assets and liabilities	1.1	0.1
Options	(0.5)	(0.6)
Foreign currency forward contracts	(2.7)	2.8
Total	100.0	100.0

8. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). For tax purposes, the Fund has a December 15 year end. All the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be carried forward for 20 years and applied against future taxable income.

As at the last taxation year end, the Fund had no capital losses, which can be carried forward indefinitely and applied against future capital gains.

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Non-capital losses are available to offset against income in future years and have been carried forward as follows:

Year of Expiry	Amount (\$)
2033	84,851
2034	115,149
2035	315,465
2039	26,546

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.

9. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the investment manager. The value of such research services included in commissions paid to brokers for the periods ended June 30, 2021 and 2020 amounted to \$nil.



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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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