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## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Australian REIT Income Fund

December 31, 2021



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](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://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 Securities<sup>1</sup> listed on the ASX<sup>1</sup> issued by Real Estate Issuers<sup>1</sup>. 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.

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<sup>1</sup> As defined in the Fund’s prospectus dated February 26, 2013.

# Australian REIT Income Fund

## PRESIDENT'S MESSAGE

### Unitholder letter March 2022

#### Dear Valued Investor,

Thank you for placing your trust and confidence in Harvest's investment philosophy through 2021. It is a philosophy that held strong in our ETFs and funds in the past year, and one we will remain committed to in 2022.

As you know, at Harvest Portfolios Group Inc., we are equity investors. All our products are either equity income funds or equity growth focused funds. This is by design in order to take advantage of the long-term growth of capital markets, the growth of industries and the growth of well positioned and managed companies.

Since the dawn of the industrial age, businesses have accounted for the great majority of wealth creation around the world. Regardless of all the disruption that has occurred over the last 300 years, the surge and implementation of ideas and innovation has advanced humanity to higher living standards and longer life spans.

Wealth is not created in subdued societies or by government handouts. It is created in free and open markets where creative people can build their ideas and dreams into global businesses. We are surrounded by these visionary individuals and companies, and we celebrate their innovation continuously.

At Harvest, we invest in those long-term, growth-oriented, industries and mega-trends that show great promise and the signs of progressive change. We aim to select the best businesses in those industries. Businesses with track records of success, solid management teams, and earnings growth.

As a unitholder, you own one of our Harvest ETFs, mutual funds, or market traded closed end funds. That means many of you very likely experienced good returns over 2021. It was a surprisingly good year for markets, returns were well above the norm for most equity markets. Though it was a very enjoyable rise, we expect to see markets trend back into their longer-term norms which fall roughly in the 8%-10% range, depending on which time period you use.

It is in moments like these when your trust in our philosophy proves its value. If you own quality equities, those longer-term returns will provide ample compound growth for your future needs. If you are retired or planning to retire soon, a basket of quality equities generating an attractive distribution is positioned to help grow your capital over time and supplement your income.

As an investor, you will always have to deal with market noise. Currently, that noise is focused on levels of inflation and potentially higher interest rates.

We agree that current inflation levels are running higher than normal, due to a slowdown in production in many industries, a shortage of readily available workers at all levels of manufacturing and services, and disruptions in logistics and delivery systems. This is occurring in a period of much higher demand than was anticipated early in 2021.

Inflation pressure is not just a Canadian or North American issue, it is global in nature and will take time to right itself. This "demand" inflation is creating pressure on Central Banks to step up interest rates in order to tame the potential of it getting out of control.

While interest rate increases may be on the horizon, we believe fewer should be expected. What we are facing can be described as acute symptoms, not a chronic condition. Prior to the pandemic, longer term trends exhibited a pattern of declining inflation. We believe that those conditions still exist, they are just obscured in the current environment.

At Harvest, we make investment decisions based on industry and business fundamentals. We would not let a potential change in interest rate policy influence our decisions. Those types of short-term factors are for traders. We are not traders, we are investors.

As we look ahead to 2022, we remain steadfast in our philosophy of choosing long term growth industries or mega-trends. Our outlook on these mega trends is framed by our orientation towards high quality companies and long-term trends.

Where growth areas like travel or blockchain may be considered themes by some, we view them quite differently. We see the well-established, long-term growth trajectory of the travel industry. We see the fast adoption of efficient and digitally secure blockchain technology. We see these and our other funds as positions or proxies on long term growth for these industries and mega-trends.

## Australian REIT Income Fund

Choose the industry first, choose where you think the puck is going, then drill down and start to find the standout businesses that can expand in those industries. That is how we approach investing.

Investing is not static and we have to fine tune and make changes from time to time. In general, when we take a position, it is to hold for the longer term. That could mean holding a position for 5 years or more especially, in our equity income funds.

Let me again thank you for your support and confidence in the Harvest team and our products. Let me assure you that we will remain steadfast in our management and development of products to meet the needs of investors for both income and growth.

Sincerely,

*Signed* "Michael Kovacs"

Michael Kovacs,

President and Chief Executive Officer

# Australian REIT Income Fund

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. For your reference, the annual financial statements of the Fund are attached to the annual management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1(866) 998-8298; by writing to us at Harvest Portfolios Group Inc., 610 Chartwell Drive, Suite 204, Oakville, Ontario, L6J 4A5; or by visiting our website at [www.harvestportfolios.com](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## INVESTMENT OBJECTIVES AND STRATEGY

The Fund'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 REITs<sup>1</sup> offer attractive income and an opportunity for capital gains.

## RISK

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

## RESULTS OF OPERATIONS

The Fund returned 27.47% for Series A and 27.96% for the Series F for the year ended December 31, 2021 compared to the S&P ASX 200 Accumulation A-REIT Index return of 18.19%. The difference is driven by several factors, most notably the divergence in underlying holdings compared to the benchmark. Despite the Fund is limited in its maximum exposure to Goodman group (over 25% weight in the Index), which was one of the best performing stocks during the period, the Fund performed relatively well during the period.

The Australian REIT market is heavily concentrated to retail and diversified properties, along with industrial REITs in the form of a very high concentration in Goodman Group. The global vaccine rollouts sparked positive thoughts on the future along with the reopening of economies, while interest rates remain historically low despite the pricing in of central bank rate hikes. Inflationary concerns have also been a boon for real assets like REITs, leading the sector higher globally.

The Fund remains invested in an actively managed portfolio of listed Australian Real Estate Issuers during the period 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 impacted the global economy. The ongoing emergence of variants continue to add uncertainty to the global economy. Although financial markets have been strong over the past year, this uncertainty may have an impact on the financial performance of the Fund's investments and the Fund's future investment results may be materially adversely affected.

Effective January 1, 2022 the Fund will no longer pay service fees on Series A units.

## 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.

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<sup>1</sup> As defined in the Fund's prospectus dated February 26, 2013.

# Australian REIT Income Fund

## 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 \$3,959 for year ended December 31, 2021 (2020 - \$6,206) 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, 2021 or 2020. 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, 2021 is interest bearing at a rate of 0.44250% per annum plus a stamping fee of 1.25% per annum for \$2,700,000, (December 31, 2020 – 0.46875% plus 1.25% for \$2,700,000), 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 remained at \$2,700,000 during the year (2020 – \$2,700,000 and \$3,700,000).

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 10, 2022 for the loan. The loan amount was renewed on January 10, 2022. The unamortized portion of the deferred interest was \$1,132 at December 31, 2021 (December 31, 2020 - \$1,530) and is netted against the loan facility balance on the Statements of Financial Position. For the year ended December 31, 2021, the Fund recorded interest expense of \$47,533 (2020 - \$66,637).

## 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, 2021.

# Australian REIT Income Fund

## FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 2021 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					
	2021	2020	2019	2018	2017
<b>Net assets - beginning of year</b>	\$ 11.02	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31
<b>Increase (decrease) from operations</b>					
Total revenue	0.54	0.46	0.59	0.62	0.69
Total expenses	(0.49)	(0.44)	(0.48)	(0.41)	(0.41)
Realized gains (losses) for the year	0.45	0.52	2.11	1.04	0.63
Unrealized gains (losses) for the year	2.35	(1.72)	0.95	(1.33)	(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 2.85</b>	<b>\$ (1.18)</b>	<b>\$ 3.17</b>	<b>\$ (0.08)</b>	<b>\$ 0.55</b>
<b>Distributions<sup>2</sup></b>					
From net investment income	(0.06)	-	(0.12)	(0.33)	-
Return of capital	(0.60)	(0.66)	(0.54)	(0.33)	(0.66)
<b>Total annual distributions<sup>2</sup></b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>
<b>Net assets - end of year<sup>1</sup></b>	<b>\$ 13.27</b>	<b>\$ 11.02</b>	<b>\$ 12.65</b>	<b>\$ 10.44</b>	<b>\$ 11.34</b>

RATIOS AND SUPPLEMENTAL DATA					
	2021	2020	2019	2018	2017
<b>Total net asset value</b>	<b>\$ 8,732,704</b>	<b>\$ 7,807,320</b>	<b>\$ 10,057,155</b>	<b>\$ 13,127,190</b>	<b>\$ 18,044,889</b>
Number of units outstanding	658,267	708,516	794,937	1,257,909	1,591,756
Management expense ratio <sup>3</sup>	4.18%	4.34%	3.87%	3.74%	3.67%
Management expense ratio before waivers or absorptions <sup>3</sup>	4.18%	4.34%	3.87%	3.74%	3.67%
Trading expense ratio <sup>4</sup>	0.03%	0.09%	0.04%	0.05%	0.04%
Portfolio turnover rate <sup>5</sup>	18.04%	18.95%	0.00%	13.69%	12.77%
<b>Net asset value per unit</b>	<b>\$ 13.27</b>	<b>\$ 11.02</b>	<b>\$ 12.65</b>	<b>\$ 10.44</b>	<b>\$ 11.34</b>
<b>Closing market price (HRR.UN)</b>	<b>\$ 12.74</b>	<b>\$ 10.49</b>	<b>\$ 12.80</b>	<b>\$ 9.73</b>	<b>\$ 11.04</b>

# Australian REIT Income Fund

## Series F

THE FUND'S NET ASSETS PER UNIT	2021	2020	2019	2018	2017
<b>Net assets - beginning of year</b>	\$ 13.50	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72
<b>Increase (decrease) from operations</b>					
Total revenue	0.67	0.56	0.72	0.70	0.78
Total expenses	(0.54)	(0.48)	(0.51)	(0.42)	(0.41)
Realized gains (losses) for the year	0.48	0.85	2.81	0.95	0.76
Unrealized gains (losses) for the year	2.92	(3.44)	0.44	(1.57)	(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 3.53</b>	<b>\$ (2.51)</b>	<b>\$ 3.46</b>	<b>\$ (0.34)</b>	<b>\$ 0.77</b>
<b>Distributions<sup>2</sup></b>					
From net investment income (excluding dividends)	(0.10)	(0.04)	(0.17)	(0.47)	-
Return of capital	(0.56)	(0.62)	(0.49)	(0.19)	(0.66)
<b>Total annual distributions<sup>2</sup></b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>	<b>\$ (0.66)</b>
<b>Net assets - end of year<sup>1</sup></b>	<b>\$ 16.50</b>	<b>\$ 13.50</b>	<b>\$ 14.77</b>	<b>\$ 12.09</b>	<b>\$ 12.90</b>

RATIOS AND SUPPLEMENTAL DATA	2021	2020	2019	2018	2017
<b>Total net asset value</b>	\$ 207,756	\$ 193,682	\$ 273,981	\$ 242,347	\$ 339,466
Number of units outstanding	12,595	14,345	18,545	20,045	26,308
Management expense ratio <sup>3</sup>	3.76%	3.91%	3.52%	3.35%	3.25%
Management expense ratio before waivers or absorptions <sup>3</sup>	3.76%	3.91%	3.52%	3.35%	3.25%
Trading expense ratio <sup>4</sup>	0.03%	0.09%	0.04%	0.05%	0.04%
Portfolio turnover rate <sup>5</sup>	18.04%	18.95%	0.00%	13.69%	12.77%
<b>Net asset value per unit</b>	<b>\$ 16.50</b>	<b>\$ 13.50</b>	<b>\$ 14.77</b>	<b>\$ 12.09</b>	<b>\$ 12.90</b>

### 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.



# Australian REIT Income Fund

## Past Performance

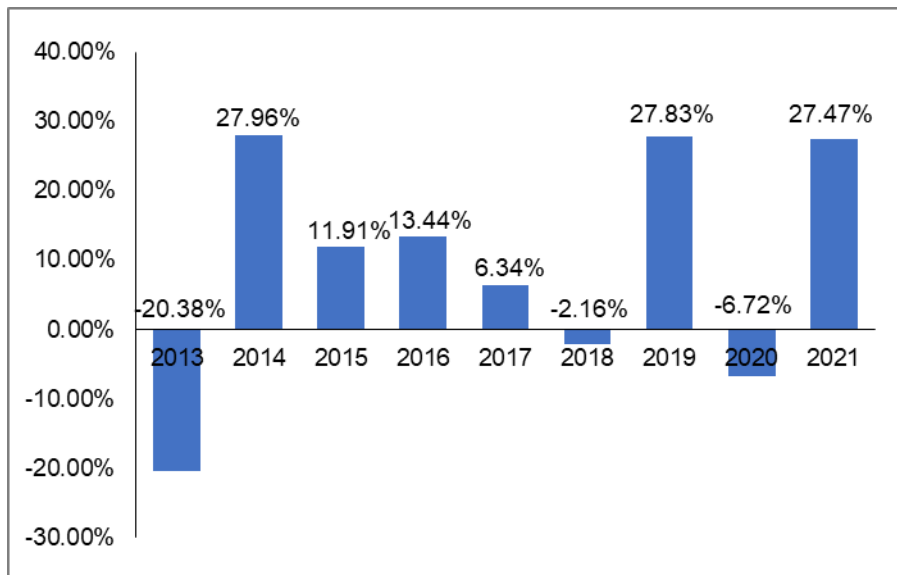
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance.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

## YEAR-BY-YEAR RETURNS

The following charts present the Fund's performance for each of the 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.

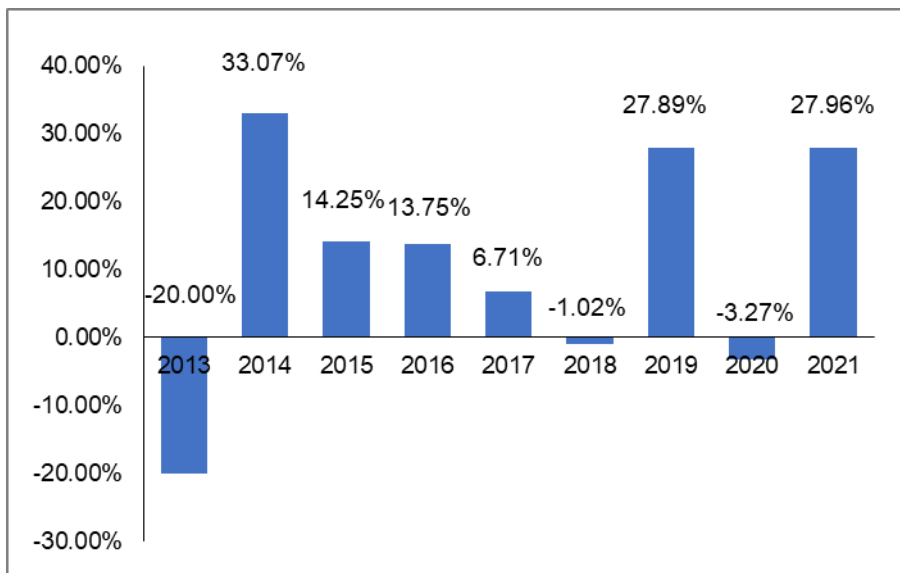
### Fund Performance

#### Series A



2013 represents the period from March 21 to December 31

#### Series F



2013 represents the period from March 21 to December 31

# Australian REIT Income Fund

## ANNUAL COMPOUND RETURNS

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

For comparison purposes, a benchmark of the S&P/ASX 200 Accumulation A-REIT Index, in Canadian dollars (the "Index"), is used. While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. The return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses. Please see the "Results of Operations" section of this report for a discussion on recent performance.

Investment Return %	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance Series A (%)	27.47	14.97	9.60	-	8.49
Fund Performance Series F (%)	27.96	16.54	10.83	-	10.02
S&P/ASX 200 Accumulation A-REIT Index (%)	18.19	11.09	8.18	-	9.59

## 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, 2021

Top Holdings	% of Net Asset Value
Goodman Group	18.6
Charter Hall Group	17.8
Aventus Retail Property Fund	11.5
Mirvac Group	10.7
The GPT Group	10.7
Stockland Corporation Limited	10.0
Centuria Industrial REIT	9.6
Dexus	9.3
Scentre Group	7.7
Charter Hall Retail REIT	7.5
Vicinity Centres	6.4
Waypoint REIT	3.9
Unibail-Rodamco-Westfield	3.5
Foreign currency forward contracts	(0.4)
Net other liabilities	(26.8)
<b>Total</b>	<b>100.0</b>

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from Harvest Portfolios Group Inc. at [www.harvestportfolios.com](http://www.harvestportfolios.com).

# Australian REIT Income Fund

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Real Estate	127.2
Foreign currency forward contracts	(0.4)
Net other liabilities	(26.8)
<b>Total</b>	<b>100.0</b>



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#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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