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**INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**

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**Australian REIT Income Fund**

**June 30, 2022**



# Australian REIT Income Fund

<b>STATEMENTS OF FINANCIAL POSITION</b>			
<b>(Unaudited)</b>			
<b>As at</b>		<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>			
<b>Current assets</b>			
Investments	\$	8,235,631	\$ 11,372,125
Cash		152,342	18,588
Dividends receivable		112,998	115,479
Receivable for investments sold		-	206,085
		<b>8,500,971</b>	<b>11,712,277</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loan payable (Note 10)		2,697,707	2,698,868
Distributions payable (Note 4)		36,806	36,898
Unrealized depreciation on foreign currency forward contracts (Note 6)		-	36,051
		<b>2,734,513</b>	<b>2,771,817</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>5,766,458</b>	<b>\$ 8,940,460</b>
<b>Net assets attributable to holders of redeemable units</b>			
Series A	\$	5,651,919	\$ 8,732,704
Series F		114,539	207,756
<b>Number of redeemable units outstanding (Note 4)</b>			
Series A		658,603	658,267
Series F		10,595	12,595
<b>Net assets attributable to holders of redeemable units per unit</b>			
Series A	\$	8.58	\$ 13.27
Series F		10.81	16.50

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

# Australian REIT Income Fund

<b>STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</b>			
<b>(Unaudited)</b>			
<b>For the period ended June 30,</b>	<b>2022</b>		<b>2021</b>
<b>Income</b>			
Net gain (loss) on investments			
Dividends	\$	203,021	\$ 227,444
Net realized gain (loss) on sale of investments		(344,930)	(219,975)
Net change in unrealized appreciation (depreciation) of investments		(2,791,671)	501,654
Net gain (loss) on investments		(2,933,580)	509,123
Net gain (loss) on derivatives			
Net realized gain (loss) on foreign exchange		150,023	222,886
Net change in unrealized appreciation (depreciation) of foreign exchange		36,728	301,708
Net gain (loss) on derivatives		186,751	524,594
<b>Total income (net)</b>	<b>\$</b>	<b>(2,746,829)</b>	<b>\$ 1,033,717</b>
<b>Expenses (Note 5)</b>			
Management fees	\$	51,960	\$ 52,344
Service fees		-	16,297
Withholding taxes		22,783	37,860
Unitholder reporting costs		15,198	14,324
Audit fees		12,464	10,596
Transfer agency fees		8,257	7,596
Custodian fees and bank charges		11,701	11,743
Independent Review Committee fees		145	243
Interest expense (Note 10)		30,923	23,570
Filing fees		26,805	25,504
Legal fees		664	4,444
Transaction costs (Note 9)		1,919	1,546
<b>Total expenses</b>		<b>182,819</b>	<b>206,067</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(2,929,648)</b>	<b>\$ 827,650</b>
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series A</b>	\$	(2,867,321)	\$ 810,648
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series F</b>		(62,327)	17,002
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series A (Note 4)</b>	\$	(4.35)	\$ 1.14
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series F (Note 4)</b>		(5.22)	1.32

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

## Australian REIT Income Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ALL SERIES (Unaudited)			
For the period ended June 30,	2022		2021
Net assets attributable to holders of redeemable units beginning of period	\$	8,940,460	\$ 8,001,001
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(2,929,648)	\$ 827,650
<b>Redeemable unit transactions</b>			
Reinvestment of distributions to holders of redeemable units		3,826	3,481
Redemption of redeemable units		(26,954)	-
<b>Net redeemable unit transactions</b>	\$	<b>(23,128)</b>	\$ <b>3,481</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(221,226)	(238,715)
<b>Total distributions to holders of redeemable units</b>	\$	<b>(221,226)</b>	\$ <b>(238,715)</b>
<b>Net assets attributable to holders of redeemable units end of period</b>	\$	<b>5,766,458</b>	\$ <b>8,593,417</b>

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## Australian REIT Income Fund

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES A (Unaudited)</b>			
<b>For the period ended June 30,</b>	<b>2022</b>		<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of period</b>	<b>\$</b>	<b>8,732,704</b>	<b>\$ 7,807,319</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(2,867,321)</b>	<b>\$ 810,648</b>
<b>Redeemable unit transactions</b>			
Reinvestment of distributions to holders of redeemable units		3,826	3,481
Transfer of units from Series F		-	22,471
<b>Net redeemable unit transactions</b>	<b>\$</b>	<b>3,826</b>	<b>\$ 25,952</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(217,290)	(234,462)
<b>Total distributions to holders of redeemable units</b>	<b>\$</b>	<b>(217,290)</b>	<b>\$ (234,462)</b>
<b>Net assets attributable to holders of redeemable units end of period</b>	<b>\$</b>	<b>5,651,919</b>	<b>\$ 8,409,457</b>

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES F (Unaudited)</b>			
<b>For the period ended June 30,</b>	<b>2022</b>		<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of period</b>	<b>\$</b>	<b>207,756</b>	<b>\$ 193,682</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(62,327)</b>	<b>\$ 17,002</b>
<b>Redeemable unit transactions</b>			
Redemption of redeemable units		(26,954)	-
Transfer of units to Series A		-	(22,471)
<b>Net redeemable unit transactions</b>	<b>\$</b>	<b>(26,954)</b>	<b>\$ (22,471)</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(3,936)	(4,253)
<b>Total distributions to holders of redeemable units</b>	<b>\$</b>	<b>(3,936)</b>	<b>\$ (4,253)</b>
<b>Net assets attributable to holders of redeemable units end of period</b>	<b>\$</b>	<b>114,539</b>	<b>\$ 183,960</b>

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

# Australian REIT Income Fund

<b>STATEMENTS OF CASH FLOWS</b>		
<b>(Unaudited)</b>		
<b>For the period ended June 30,</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (2,929,648)	\$ 827,650
<b>Add (deduct) items not affecting cash:</b>		
Foreign exchange (gain) loss on cash	(389)	(1,567)
Realized (gain) loss on sale of investments	344,930	219,975
Change in unrealized (appreciation) depreciation of investments	2,791,671	(501,654)
Change in unrealized (appreciation) depreciation of foreign exchange	-	(301,708)
Proceeds from sale of investments	1,763,779	545,533
Purchases of investments	(1,557,801)	-
Net change in non-cash assets and liabilities	(33,570)	(2,680)
<b>Net cash flow provided by (used in) operating activities</b>	<b>\$ 378,972</b>	<b>\$ 785,549</b>
<b>Financing activities</b>		
Net (repayment) borrowing of term credit facility (Note 10)	(1,161)	(70)
Redemption of redeemable units	(26,954)	-
Distributions paid to holders of redeemable units (net of reinvestments)	(217,492)	(235,194)
<b>Net cash flow provided by (used in) financing activities</b>	<b>\$ (245,607)</b>	<b>\$ (235,264)</b>
Net increase (decrease) in cash during the period	133,365	550,285
Foreign exchange gain (loss) on cash	389	1,567
Cash, beginning of the period	18,588	121,915
<b>Cash, end of the period</b>	<b>\$ 152,342</b>	<b>\$ 673,767</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid during the period*	\$ 30,923	\$ 23,570
Dividends received, net of withholding taxes*	182,719	188,794

\*included in operating activities

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

## Australian REIT Income Fund

<b>SCHEDULE OF INVESTMENTS</b>				
<b>(Unaudited)</b>				
<b>As at June 30, 2022</b>				
<b>Number of Shares</b>	<b>Security</b>	<b>Average Cost (\$)</b>	<b>Fair Value (\$)</b>	<b>% of Net Assets</b>
<b>EQUITIES</b>				
<b>Real Estate</b>				
147,036	Centuria Industrial REIT	378,236	367,099	6.4
83,915	Charter Hall Group	365,796	807,459	14.0
170,041	Charter Hall Retail REIT	730,452	569,571	9.9
81,264	Dexus	615,786	641,156	11.1
76,790	Goodman Group	577,481	1,217,172	21.1
684,801	HomeCo Daily Needs REIT	890,356	778,802	13.5
100,600	Ingenia Communities Group	488,096	355,741	6.2
358,278	Mirvac Group	646,704	628,695	10.9
236,058	Scentre Group	882,606	543,214	9.4
229,775	Stockland	956,643	736,992	12.8
191,745	The GPT Group	794,720	718,934	12.5
366,264	Vicinity Centres	1,018,500	597,149	10.3
132,755	Waypoint REIT Limited	328,866	273,647	4.7
<b>Total investments</b>		<b>8,674,242</b>	<b>8,235,631</b>	<b>142.8</b>
<b>Loan payable (Note 10)</b>			<b>(2,700,000)</b>	<b>(46.8)</b>
<b>Other assets less liabilities</b>			<b>230,827</b>	<b>4.0</b>
<b>Net assets attributable to holders of redeemable units</b>			<b>5,766,458</b>	<b>100.0</b>

# Australian REIT Income Fund

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

June 30, 2022

### 1. GENERAL INFORMATION

Australian REIT Income Fund (the "Fund") is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 26, 2013 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 March 21, 2013. On March 21, 2013, Series A and Series F completed an initial public offering of 5,311,381 and 188,619 units at \$12.00 per unit for gross proceeds of \$63,736,572 and \$2,263,428 respectively. On April 29, 2013, an over-allotment option was exercised on Series A for an additional 33,666 units at a price of \$12.00 per unit for a gross proceed of \$403,992. 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 stable monthly cash distributions and the opportunity for capital appreciation. To seek to achieve its investment objectives, the Fund will invest in an actively managed portfolio comprised primarily of equity securities listed on the Australian Securities Exchange ("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 is offering Series A units and Series F units. The Series F units are designed for fee-based and/or institutional accounts and differ from the Series A units in the following ways: (i) Series F units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Series F units were lower than those payable on the issuance of the Series A units; and (iii) no service fee is payable in respect of the Series F units.

### 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, 2022.

### 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, 2022 and December 31, 2021, 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 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



# Australian REIT Income Fund

ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity.

## Classification of redeemable 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 using the average cost method.

Distributions received from income trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts treated as a return of capital reduce the average cost of the underlying investment trust.

## Allocation of income and expense, and realized and unrealized capital gains and losses

Management fees directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized capital gains and losses are generally allocated proportionately to each series based upon the relative net assets attributable to holders of redeemable units of each series.

## Foreign currency translation

The Fund's subscriptions and redemptions are 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 assets and liabilities, other than investments, 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 of each series on a particular date will be equal to each series' proportionate share of the assets of the Fund less each series' proportionate share of the common liabilities of the Fund and each series specific liabilities, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per unit will be calculated on any day on which the Toronto Stock Exchange ("TSX") is open for trading ("Business Day").

## 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, attributed to each series, divided by the weighted average units outstanding for that series, for the financial year.

# Australian REIT Income Fund

## 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 each series, each of which represents an equal, undivided interest in their respective series' 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. Series A units trade on the TSX under the symbol HRR.UN and Series F units do not trade. As at June 30, 2022, the closing price for Series A units was \$10.98 per unit (December 31, 2021 - \$12.74 per unit).

### Redemptions

Series A units may be surrendered prior to 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day of the applicable month by unitholders for redemption. Upon receipt by the Fund of the redemption notice the unitholder shall be entitled to receive a price per Series A unit equal to the lesser of:

- (a) 95% of the "market price" of the Series A units on the principal market on which the Series A 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 Series A 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.

Series F units may be redeemed or converted to Series A units on a monthly basis on the same terms as the Series A units. During the period ended June 30, 2022 2,000 Series F units were redeemed and cancelled for \$26,955 and no Series F units were converted into Series A units. During the period ended June 30, 2021 no Series F units were redeemed and cancelled and 1,750 Series F units were converted into 2,147 Series A units for \$22,471.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in September 2014, Series A and Series F units may be surrendered for redemption at the NAV per unit of each series, subject to the required redemption notice period, by the second last Business Day of September and the unitholder will receive payment on or before the 15<sup>th</sup> Business Day of the following month.

## Australian REIT Income Fund

The following units were issued, redeemed and/or cancelled during the period:

	Units outstanding	
	Series A	Series F
<b>Total outstanding as at January 1, 2021</b>	<b>708,516</b>	<b>14,345</b>
Reinvestment of distributions to holders of redeemable units	322	-
Transfer between series	2,147	(1,750)
<b>Total outstanding as at June 30, 2021</b>	<b>710,985</b>	<b>12,595</b>
<b>Total outstanding as at January 1, 2022</b>	<b>658,267</b>	<b>12,595</b>
Reinvestment of distributions to holders of redeemable units	336	-
Redeemable units redeemed	-	(2,000)
<b>Total outstanding as at June 30, 2022</b>	<b>658,603</b>	<b>10,595</b>

The weighted average number of units outstanding during the period ended June 30, 2022 was 658,433 units for Series A (2021 – 710,444 units) and 11,943 units for Series F (2021 – 12,904 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 total distribution amount was \$221,226 for the period ended June 30, 2022 (2021 - \$238,715).

During the period the Fund has also made available to unitholders the opportunity to reinvest monthly distributions from the Fund in additional Series A units and/or Series F units, as applicable, by participating in a distribution reinvestment plan which will provide that cash distributions made by the Fund shall, at the election of a unitholder, be automatically reinvested in additional Series A units or Series F units, as applicable, on such unitholder's behalf in accordance with the terms of the plan. Reinvestment of distributions for Series A will occur either through market purchases or units issued from treasury depending on whether the trading price of the Series A units is above or below NAV and if units are available for purchase on the market. Reinvestment of distributions for Series F units will occur through units issued from treasury at NAV. During the period ended June 30, 2022 and 2021 all reinvested Series A units were issued from treasury and no reinvestments were from market purchases. No Series F units were enrolled in the reinvestment plan.

## 5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

### Management and service fees

The Manager is responsible for managing the Fund's overall business and operations and provides key management personnel to the Fund. The Manager is entitled to a fee of 1.30% of the average daily NAV per unit, plus applicable taxes, per annum of the Fund. Prior to January 1, 2022 the Fund paid 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.

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

### 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 \$1,504 for period ended June 30, 2022 (2021 - \$2,227) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss).

# Australian REIT Income Fund

## 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, 2022 or 2021.

## 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.

As at June 30, 2022, the Fund had not entered into any foreign currency contracts. As of December 31, 2021, the Fund had entered into the following foreign currency forward contracts:

As at December 31, 2021					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
The Bank of Nova Scotia credit rating A+	January 14, 2022	CAD \$11,560,273	AUD \$12,600,000	(\$36,051)	1.0899
<b>Total</b>				<b>(\$36,051)</b>	

## Offsetting of foreign currency forward contracts

As at June 30, 2022, the Fund had not entered into any foreign currency contracts. As of December 31, 2021, the Fund did not have foreign exchange settlements for its foreign currency forward contracts that met the criteria for offsetting in the Statements of Financial Position. The following table presents the recognized financial instruments that were not offset, as at December 31, 2021. There would be no further offsetting in the event of bankruptcy of the counterparty.

December 31, 2021			
Financial assets and liabilities	Gross assets (liabilities)	Amount eligible for offset	Net offset amounts
Derivative assets	-	-	-
Derivative liabilities	(\$36,051)	-	(\$36,051)

## 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 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 has caused volatility in the global financial markets and impacted the global economy. Locally and globally restrictions have eased and appear to be less likely in the future however the lasting effects of the previous restrictions have impacted the economy with rising inflation and resulting rising interest rates. In addition to this, the war in Ukraine has further contributed to rising inflation and has added to the economic and financial markets instability. Both events have significantly impacted global economies and financial markets and there is uncertainty as to how long this will last or the impact on the financial performance of the Fund's investments and the Fund's future investments.

As at June 30, 2022, 142.8% (December 31, 2021 – 127.2%) of the Fund's net assets attributable to holders of redeemable units were traded on public stock exchange. 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 \$411,782 (December 31, 2021 - \$568,606).

In practice, the actual trading results may differ, and the difference could be material.

# Australian REIT Income Fund

## Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the financial currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When the 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 table below summarizes the Fund's 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, 2022				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
Australian Dollar	\$8,253,319	\$ -	\$8,253,319	143.1

\* In Canadian dollars

As at December 31, 2021				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
Australian Dollar	\$11,388,075	\$11,596,324	(\$208,249)	(2.3)

\* In Canadian dollars

The non-monetary currency exposure was \$8,235,631 (December 31, 2021 – \$11,372,125) and the monetary currency exposure was \$17,688 (December 31, 2021 – \$15,950).

As at June 30, 2022, if the Canadian dollar had strengthened or weakened by 5% in relation to the Australian 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 \$412,666 or 7.2% (December 31, 2021 - \$10,412 or 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 Australian dollars, the Fund from time to time may enter into a foreign currency forward contract on substantially all of the value of the portfolio investments back to the Canadian dollar. There is no requirement to hedge the currency 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. A Fund that invests in fixed income securities, such as bonds and money market instruments, is sensitive to changes in interest rates. In general, when interest rates are falling, the value of these investments rises.

Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. As at June 30, 2022 and December 31, 2021, the Fund did not hold any fixed income securities.

A fund that has an interest-bearing liability is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at June 30, 2022 the Fund had \$2,697,707 (December 31, 2021 - \$2,698,868) net of prepaid interest of interest-bearing liabilities. The interest-bearing liabilities have a fixed interest rate and a maturity of less than three months, therefore the exposure to interest rate risk is not considered significant.

## 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, 2022 and December 31, 2021, all the Fund's financial liabilities had maturities of less than three months.

## Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment

## Australian REIT Income Fund

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, 2022 and December 31, 2021, 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, 2022				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
<b>Financial Assets</b>				
<b>Equities</b>				
Real Estate	8,235,631	-	-	8,235,631
<b>Total Financial Assets</b>	<b>8,235,631</b>	-	-	<b>8,235,631</b>

Investments at fair value as at December 31, 2021				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
<b>Financial Assets</b>				
<b>Equities</b>				
Real Estate	11,372,125	-	-	11,372,125
<b>Total Financial Assets</b>	<b>11,372,125</b>	-	-	<b>11,372,125</b>
<b>Financial Liabilities</b>				
<b>Derivatives</b>				
Foreign currency forward contracts	-	(36,051)	-	(36,051)
<b>Total Financial Liabilities</b>	-	<b>(36,501)</b>	-	<b>(36,501)</b>

There were no Level 3 securities held by the Fund as at June 30, 2022 and December 31, 2021 and there were no significant transfers between Level 1 and Level 2 for the period ended June 30, 2022 and 2021.

The value of equities 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 industry segment. All investments held operate in Australia as outlined in the investment objectives of the Fund.

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Market Segment:

As at	June 30, 2022	December 31, 2021
	% of net assets	% of net assets
Real Estate	142.8	127.2
Net other liabilities	(42.8)	(26.8)
Foreign currency forward contracts	-	(0.4)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 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 of 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 \$2,155,048 of capital losses, which can be carried forward indefinitely and applied against future capital gains. There are no non-capital losses available to offset against income in future years.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income (Loss).

As the Manager is a resident of Ontario, the expenses paid by the Fund generally include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the Manager. A blended rate refund is filed with the Canada Revenue Agency on behalf of the Fund, in arrears, using each province's HST rate or GST rate in the case of non-participating provinces.

## 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 period ended June 30, 2022 and 2021 amounted to \$nil.

## 10. 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 June 30, 2022 is interest bearing at a rate of 1.85000% per annum plus a stamping fee of 1.25% per annum for \$2,700,000, (December 31, 2021 – 0.44250% 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 period the Fund was in compliance with all covenants. The amount of borrowings remained at \$2,700,000 during the period (2021 – \$2,700,000).

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 July 11, 2022 for the loan. The loan amount was renewed on July 11, 2022. The unamortized portion of the deferred interest was \$2,293 at June 30, 2022 (December 31, 2021 - \$1,132) and is netted against the loan facility balance on the Statements of Financial Position. For the period ended June 30, 2022, the Fund recorded interest expense of \$30,923 (2021 - \$23,570).



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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.