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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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### Australian REIT Income Fund

June 30, 2022



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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Fund. For your reference, the interim financial statements of the Fund are attached to the interim 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 -33.32% for Series A and -32.86% for the Series F for the period ended June 30, 2022 compared to the S&P ASX 200 Accumulation A-REIT Index return of -25.95%. The difference compared to the broader benchmark is driven by several factors, most notably the divergence in underlying holdings compared to the benchmark and underlying weightings, with the Index historically holding positions at significantly higher weights than the maximum 15% of any holding in the Fund.

After a strong 2021, with REITs rising on building inflationary pressures and yet still low interest rates, the performance has suffered in the first half of 2022, as inflationary pressures were exacerbated by the Russia's invasion of Ukraine. This caused interest rates to move higher with central banks globally starting to accelerate their move away from emergency rates near zero. With macro uncertainty and volatility surrounding how quickly can how high interest rates will move; all asset classes were under pressure.

Specific to Australia, concerns surrounding shutdowns at major ports in China during the period further exacerbated economic concerns. Domestic inflation also remained significantly below other developed markets, coupled with some economic benefit from significantly higher commodity export prices, this led to less significant increases in interest rates by the Reserve Bank of Australia during the period. This coupled with uncertainty around rent growth keeping pace with inflation, and the growing potential for an economic slowdown, which might impact negatively on tenant occupancy rates, further impacted the relative performance of the REIT sectors and the flows of capital are global and so the Australian REITs were also significantly impacted.

The Fund substantially hedged the Australian dollar exposure back to the Canadian dollar for most of the period, With the relatively lower rates and concerns surrounding economic re-openings of key trading partners, the Australian dollar compared to the Canadian dollar was significantly under pressure and the currency hedge was removed as the Australian dollar traded near multi-year lows versus the Canadian dollar.

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.

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

# Australian REIT Income Fund

## RECENT DEVELOPMENTS

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.

Effective January 1, 2022 the Fund no longer pays 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.

## 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. 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.

### 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).

### 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. 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 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 \$30,922 (2021 - \$23,570).

# Australian REIT Income Fund

## 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 period ended June 30, 2022.

# 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 period ended June 30, 2022 and past annual periods. This information is derived from the Fund's interim financial statements and past annual audited financial statements.

### Series A

<b>THE FUND'S NET ASSETS PER UNIT</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net assets - beginning of period</b>	\$ 13.27	\$ 11.02	\$ 12.65	\$ 10.44	\$ 11.34	\$ 11.31
<b>Increase (decrease) from operations</b>						
Total revenue	0.27	0.54	0.46	0.59	0.62	0.69
Total expenses	(0.23)	(0.49)	(0.44)	(0.48)	(0.41)	(0.41)
Realized gains (losses) for the period	(0.29)	0.45	0.52	2.11	1.04	0.63
Unrealized gains (losses) for the period	(4.10)	2.35	(1.72)	0.95	(1.33)	(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ (4.35)</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	(0.33)	(0.60)	(0.66)	(0.54)	(0.33)	(0.66)
<b>Total annual distributions<sup>2</sup></b>	<b>\$ (0.33)</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 period<sup>1</sup></b>	<b>\$ 8.58</b>	<b>\$ 13.27</b>	<b>\$ 11.02</b>	<b>\$ 12.65</b>	<b>\$ 10.44</b>	<b>\$ 11.34</b>

<b>RATIOS AND SUPPLEMENTAL DATA</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total net asset value</b>	\$ 5,651,919	\$ 8,732,704	\$ 7,807,320	\$ 10,057,155	\$ 13,127,190	\$ 18,044,889
Number of units outstanding	658,603	658,267	708,516	794,937	1,257,909	1,591,756
Management expense ratio <sup>3</sup>	4.24%	4.18%	4.34%	3.87%	3.74%	3.67%
Management expense ratio before waivers or absorptions <sup>3</sup>	4.24%	4.18%	4.34%	3.87%	3.74%	3.67%
Trading expense ratio <sup>4</sup>	0.05%	0.03%	0.09%	0.04%	0.05%	0.04%
Portfolio turnover rate <sup>5</sup>	15.42%	18.04%	18.95%	0.00%	13.69%	12.77%
<b>Net asset value per unit</b>	<b>\$ 8.58</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>\$ 10.98</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	2022	2021	2020	2019	2018	2017
<b>Net assets - beginning of period</b>	\$ 16.50	\$ 13.50	\$ 14.77	\$ 12.09	\$ 12.90	\$ 12.72
<b>Increase (decrease) from operations</b>						
Total revenue	0.32	0.67	0.56	0.72	0.70	0.78
Total expenses	(0.30)	(0.54)	(0.48)	(0.51)	(0.42)	(0.41)
Realized gains (losses) for the period	(0.43)	0.48	0.85	2.81	0.95	0.76
Unrealized gains (losses) for the period	(4.81)	2.92	(3.44)	0.44	(1.57)	(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ (5.22)</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	(0.33)	(0.56)	(0.62)	(0.49)	(0.19)	(0.66)
<b>Total annual distributions<sup>2</sup></b>	<b>\$ (0.33)</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 period<sup>1</sup></b>	<b>\$ 10.81</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	2022	2021	2020	2019	2018	2017
<b>Total net asset value</b>	\$ 114,539	\$ 207,756	\$ 193,682	\$ 273,981	\$ 242,347	\$ 339,466
Number of units outstanding	10,595	12,595	14,345	18,545	20,045	26,308
Management expense ratio <sup>3</sup>	4.23%	3.76%	3.91%	3.52%	3.35%	3.25%
Management expense ratio before waivers or absorptions <sup>3</sup>	4.23%	3.76%	3.91%	3.52%	3.35%	3.25%
Trading expense ratio <sup>4</sup>	0.05%	0.03%	0.09%	0.04%	0.05%	0.04%
Portfolio turnover rate <sup>5</sup>	15.42%	18.04%	18.95%	0.00%	13.69%	12.77%
<b>Net asset value per unit</b>	<b>\$ 10.81</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

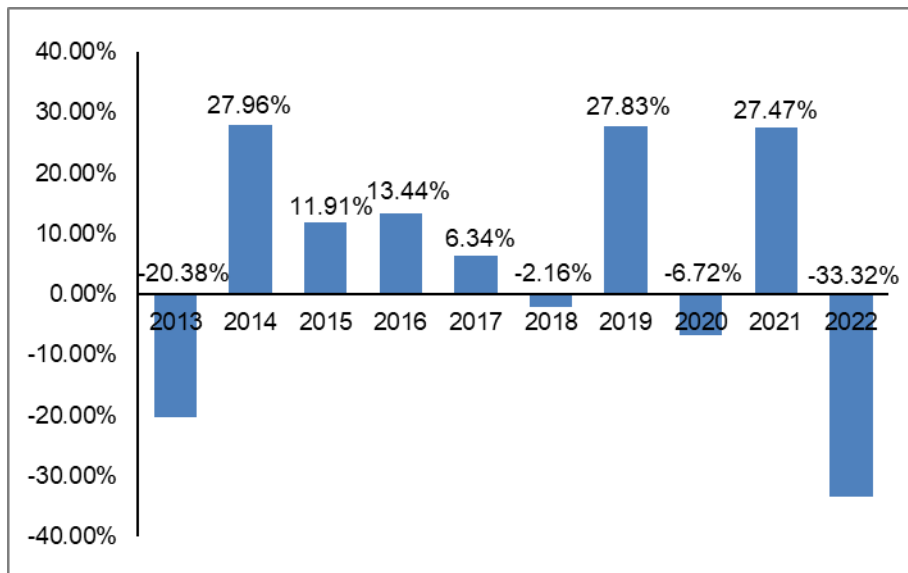
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance. 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 except for 2022 which represents the interim period.

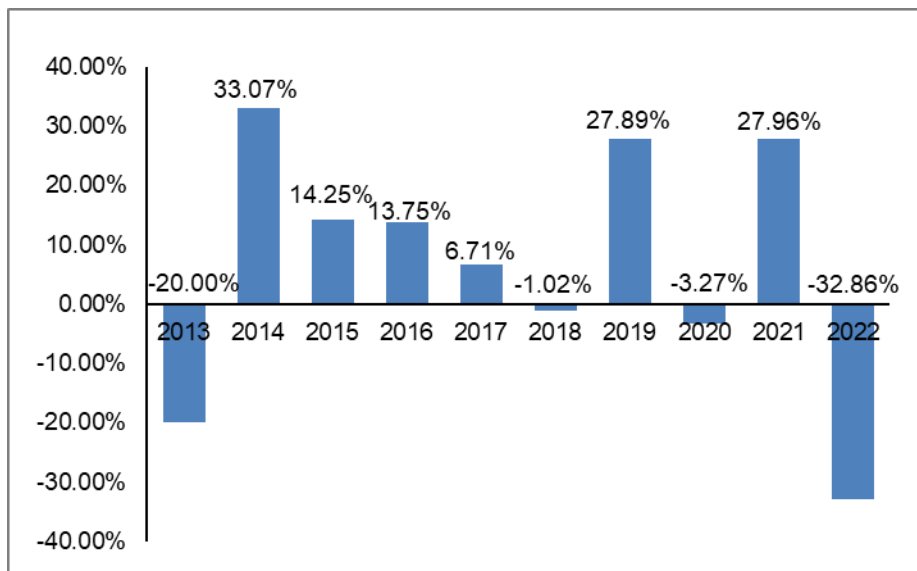
## Fund Performance

### 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

## SUMMARY OF INVESTMENT PORTFOLIO

The major portfolio categories and top holdings of the Fund at the end of the period 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 interim financial statements.

As at June 30, 2022

Top Holdings	% of Net Asset Value
Goodman Group	21.1
Charter Hall Group	14.0
HomeCo Daily Needs REIT	13.5
Stockland	12.8
The GPT Group	12.5
Dexus	11.1
Mirvac Group	10.9
Vicinity Centres	10.3
Charter Hall Retail REIT	9.9
Scentre Group	9.4
Centuria Industrial REIT	6.4
Ingenia Communities Group	6.2
Waypoint REIT	4.7
Net other liabilities	(42.8)
<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).

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Real Estate	142.8
Net other liabilities	(42.8)
<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.