



---

## ANNUAL FINANCIAL STATEMENTS

---

### Harvest Banks & Buildings Income Fund

December 31, 2022



# Harvest Banks & Buildings Income Fund

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.

On behalf of Harvest Portfolios Group Inc.,

*Signed* "Michael Kovacs"

Michael Kovacs  
President and Chief Executive Officer

*Signed* "Daniel Lazzer"

Daniel Lazzer  
Chief Financial Officer

Oakville, Canada  
March 15, 2023



## Independent auditor's report

To the Unitholders and Trustee of Harvest Banks & Buildings Income Fund (the Fund)

---

### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of comprehensive income (loss) for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

---

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215



---

## **Other information**

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

---

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

---

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 15, 2023

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF FINANCIAL POSITION</b>				
<b>As at December 31,</b>	<b>2022</b>		<b>2021</b>	
<b>Assets</b>				
<b>Current assets</b>				
Investments	\$	5,331,224	\$	7,389,862
Cash		55,668		157,196
Dividends and interest receivable		14,980		21,363
Subscriptions receivable		5,304		-
		<b>5,407,176</b>		<b>7,568,421</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Redemptions payable		2,533		9,594
Distributions payable (Note 4)		11,917		13,772
		<b>14,450</b>		<b>23,366</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>5,392,726</b>	<b>\$</b>	<b>7,545,055</b>
<b>Net assets attributable to holders of redeemable units</b>				
Series R	\$	2,169,675	\$	3,105,610
Series A		1,900,211		2,978,622
Series F		736,253		999,215
Series D		586,587		461,608
<b>Number of redeemable units outstanding (Note 4)</b>				
Series R		197,092		213,627
Series A		198,774		231,428
Series F		61,381		63,709
Series D		50,496		30,305
<b>Net assets attributable to holders of redeemable units per unit</b>				
Series R	\$	11.01	\$	14.54
Series A		9.56		12.87
Series F		11.99		15.68
Series D		11.62		15.23

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

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</b>			
<b>For the year ended December 31,</b>	<b>2022</b>		<b>2021</b>
<b>Income</b>			
Net gain (loss) on investments			
Dividends	\$	197,885	\$ 156,945
Interest for distribution purposes		34,627	63,818
Net realized gain (loss) on sale of investments		283,567	257,768
Net realized gain (loss) on foreign exchange		5,014	(2,345)
Net change in unrealized appreciation (depreciation) of investments		(1,578,450)	1,675,350
Net change in unrealized appreciation (depreciation) of foreign exchange		(1,235)	1,351
Net gain (loss) on investments		(1,058,592)	2,152,887
<b>Total income (net)</b>	<b>\$</b>	<b>(1,058,592)</b>	<b>\$ 2,152,887</b>
<b>Expenses (Note 5)</b>			
Management fees	\$	76,336	\$ 84,795
Service fees		46,926	55,106
Withholding taxes		6,844	6,178
Unitholder reporting costs		53,496	46,702
Audit fees		37,602	32,955
Transfer agency fees		60,434	56,095
Custodian fees and bank charges		35,526	35,362
Independent Review Committee fees		338	349
Filing fees		17,062	21,973
Legal fees		15,624	6,399
Transaction costs (Note 8)		944	2,361
<b>Total expenses</b>		<b>351,132</b>	<b>348,275</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(1,409,724)</b>	<b>\$ 1,804,612</b>
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series R</b>	\$	(550,883)	\$ 750,557
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series A</b>		(560,279)	714,534
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series F</b>		(174,309)	242,030
Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series D</b>		(124,253)	97,491
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series R (Note 4)</b>	\$	(2.68)	\$ 3.45
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series A (Note 4)</b>		(2.48)	3.01
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series F (Note 4)</b>		(2.84)	3.79
Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series D (Note 4)</b>		(2.96)	3.58

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

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ALL SERIES</b>			
<b>For the year ended December 31,</b>	<b>2022</b>		<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of year</b>	<b>\$</b>	<b>7,545,055</b>	<b>\$ 6,485,839</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(1,409,724)</b>	<b>\$ 1,804,612</b>
<b>Redeemable unit transactions</b>			
Proceeds from issue of redeemable units		326,925	169,124
Reinvestments of distributions to holders of redeemable units		290,805	291,702
Redemption of redeemable units		(912,829)	(748,924)
<b>Net redeemable unit transactions</b>	<b>\$</b>	<b>(295,099)</b>	<b>\$ (288,098)</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(447,506)	(457,298)
<b>Total distributions to holders of redeemable units</b>	<b>\$</b>	<b>(447,506)</b>	<b>\$ (457,298)</b>
<b>Net assets attributable to holders of redeemable units end of year</b>	<b>\$</b>	<b>5,392,726</b>	<b>\$ 7,545,055</b>

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES R</b>			
<b>For the year ended December 31,</b>	<b>2022</b>		<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of year</b>	<b>\$</b>	<b>3,105,610</b>	<b>\$ 2,612,821</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(550,883)</b>	<b>\$ 750,557</b>
<b>Redeemable unit transactions</b>			
Proceeds from issue of redeemable units		34,775	43,500
Reinvestments of distributions to holders of redeemable units		119,033	129,207
Redemption of redeemable units		(167,786)	(237,230)
Transfer of redeemable units		(199,604)	(11,157)
<b>Net redeemable unit transactions</b>	<b>\$</b>	<b>(213,582)</b>	<b>\$ (75,680)</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(171,470)	(182,088)
<b>Total distributions to holders of redeemable units</b>	<b>\$</b>	<b>(171,470)</b>	<b>\$ (182,088)</b>
<b>Net assets attributable to holders of redeemable units end of year</b>	<b>\$</b>	<b>2,169,675</b>	<b>\$ 3,105,610</b>

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

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES A</b>			
<b>For the year ended December 31,</b>		<b>2022</b>	<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of year</b>	\$	<b>2,978,622</b>	\$ <b>2,716,729</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	\$	<b>(560,279)</b>	\$ <b>714,534</b>
<b>Redeemable unit transactions</b>			
Proceeds from issue of redeemable units		255,329	1,700
Reinvestments of distributions to holders of redeemable units		114,181	119,766
Redemption of redeemable units		(553,885)	(375,513)
Transfer of redeemable units		(145,301)	-
<b>Net redeemable unit transactions</b>	\$	<b>(329,676)</b>	\$ <b>(254,047)</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(188,456)	(198,594)
<b>Total distributions to holders of redeemable units</b>	\$	<b>(188,456)</b>	\$ <b>(198,594)</b>
<b>Net assets attributable to holders of redeemable units end of year</b>	\$	<b>1,900,211</b>	\$ <b>2,978,622</b>

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES F</b>			
<b>For the year ended December 31,</b>		<b>2022</b>	<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of year</b>	\$	<b>999,215</b>	\$ <b>818,357</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	\$	<b>(174,309)</b>	\$ <b>242,030</b>
<b>Redeemable unit transactions</b>			
Proceeds from issue of redeemable units		-	2,500
Reinvestments of distributions to holders of redeemable units		27,504	28,075
Redemption of redeemable units		(64,642)	(49,373)
Transfer of redeemable units		-	11,157
<b>Net redeemable unit transactions</b>	\$	<b>(37,138)</b>	\$ <b>(7,641)</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(51,515)	(53,531)
<b>Total distributions to holders of redeemable units</b>	\$	<b>(51,515)</b>	\$ <b>(53,531)</b>
<b>Net assets attributable to holders of redeemable units end of year</b>	\$	<b>736,253</b>	\$ <b>999,215</b>

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

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS SERIES D</b>			
<b>For the year ended December 31,</b>	<b>2022</b>		<b>2021</b>
<b>Net assets attributable to holders of redeemable units beginning of year</b>	<b>\$</b>	<b>461,608</b>	<b>\$ 337,932</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$</b>	<b>(124,253)</b>	<b>\$ 97,491</b>
<b>Redeemable unit transactions</b>			
Proceeds from issue of redeemable units		36,821	121,424
Reinvestments of distributions to holders of redeemable units		30,087	14,654
Redemption of redeemable units		(126,516)	(86,808)
Transfer of redeemable units		344,905	-
<b>Net redeemable unit transactions</b>	<b>\$</b>	<b>285,297</b>	<b>\$ 49,270</b>
<b>Distributions to holders of redeemable units</b>			
Return of capital		(36,065)	(23,085)
<b>Total distributions to holders of redeemable units</b>	<b>\$</b>	<b>(36,065)</b>	<b>\$ (23,085)</b>
<b>Net assets attributable to holders of redeemable units end of year</b>	<b>\$</b>	<b>586,587</b>	<b>\$ 461,608</b>

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

## Harvest Banks & Buildings Income Fund

<b>STATEMENTS OF CASH FLOWS</b>			
<b>For the year ended December 31,</b>	<b>2022</b>		<b>2021</b>
<b>Operating activities</b>			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(1,409,724)	\$ 1,804,612
<b>Add (deduct) items not affecting cash:</b>			
Foreign exchange (gain) loss on cash		(1,272)	1,308
Realized (gain) on sale of investments		(283,567)	(257,768)
Change in unrealized (appreciation) depreciation of investments		1,578,450	(1,675,350)
Change in unrealized (appreciation) depreciation of foreign exchange.		1,235	(1,351)
Proceeds from sale of investments		736,608	1,265,095
Purchases of investments		-	(285,527)
Other adjustments to cost of investments		27,147	-
Net change in non-cash assets and liabilities		5,148	(2,973)
<b>Net cash flow provided by (used in) operating activities</b>	<b>\$</b>	<b>654,025</b>	<b>\$ 848,046</b>
<b>Financing activities</b>			
Proceeds from redeemable units issued		321,621	170,124
Redemption of redeemable units		(919,890)	(748,980)
Distributions paid to holders of redeemable units (net of reinvested distributions)		(158,556)	(166,075)
<b>Net cash flow provided by (used in) financing activities</b>	<b>\$</b>	<b>(756,825)</b>	<b>\$ (744,931)</b>
Net increase (decrease) in cash during the year		(102,800)	103,115
Foreign exchange gain (loss) on cash		1,272	(1,308)
Cash, beginning of the year		157,196	55,389
<b>Cash, end of the year</b>	<b>\$</b>	<b>55,668</b>	<b>\$ 157,196</b>
<b>Supplemental disclosure of cash flow information</b>			
Interest received during the year*	\$	31,944	\$ 63,818
Dividends received, net of withholding taxes*		200,107	146,443

\*included in operating activities

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

## Harvest Banks & Buildings Income Fund

<b>SCHEDULE OF INVESTMENTS</b>				
<b>As at December 31, 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>Financials</b>				
5,400	Bank of America Corporation	44,243	242,160	4.5
3,200	Bank of Montreal	208,958	392,512	7.3
6,400	Canadian Imperial Bank of Commerce	359,928	350,528	6.5
1,500	JPMorgan Chase & Co.	54,243	272,357	5.1
16,100	Manulife Financial Corporation	355,005	388,815	7.2
2,150	Morgan Stanley	120,077	247,502	4.6
3,100	Royal Bank of Canada	163,410	394,630	7.3
6,200	Sun Life Financial Inc.	157,382	389,670	7.2
5,600	The Bank of Nova Scotia	312,900	371,504	6.9
4,450	The Toronto-Dominion Bank	165,142	390,131	7.2
19,900	Timbercreek Financial Corp.	201,031	141,489	2.6
		2,142,319	3,581,298	66.4
<b>Real Estate</b>				
1,000	Alexandria Real Estate Equities, Inc.	151,440	197,237	3.7
6,500	Allied Properties Real Estate Investment Trust	210,791	166,400	3.1
20,300	Choice Properties Real Estate Investment Trust	296,287	299,628	5.6
1,450	Digital Realty Trust, Inc.	213,584	196,860	3.6
18,100	InterRent Real Estate Investment Trust	192,516	231,680	4.3
13,300	Killam Apartment Real Estate Investment Trust	109,823	215,593	4.0
1,250	Prologis, Inc.	102,116	190,796	3.5
9,400	SmartCentres Real Estate Investment Trust	234,805	251,732	4.7
		1,511,362	1,749,926	32.5
<b>Total investments</b>		<b>3,653,681</b>	<b>5,331,224</b>	<b>98.9</b>
<b>Other assets less liabilities</b>			<b>61,502</b>	<b>1.1</b>
<b>Net assets attributable to holders of redeemable units</b>			<b>5,392,726</b>	<b>100.0</b>

# Harvest Banks & Buildings Income Fund

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

December 31, 2022

### 1. GENERAL INFORMATION

Harvest Banks & Buildings Income Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated September 25, 2009 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 October 23, 2009. The address of the Fund's registered office is 610 Chartwell Road, Oakville, Ontario, L6J 4A5.

The Fund became an open-end mutual fund on October 18, 2011 (the "Conversion Date"). On the Conversion Date, the Units became redeemable at net asset value per unit on a daily basis, and the Fund became subject to National Instrument 81-102 Investment Funds.

The Fund's investment objectives are to provide unitholders with monthly distributions and to maximize total return for unitholders. As part of the investment strategy the Fund will invest in an actively managed portfolio that will consist primarily of Banking Issuers, Other Financial Issuers and Real Estate Issuers.

The Fund offers Series R, Series A, Series F and Series D units, only through registered dealers. Series R is the series in which all existing unitholders at October 18, 2011 were rolled into on the Conversion Date, on a unit-for-unit basis. New purchases in Series R are available to existing unitholders only, with an initial sales charge option. Series A units, which were created on October 18, 2011 but commenced operations on October 22, 2011, are available to all investors with an initial sales charge option and have a higher service fee than Series R. Series F units, which were created on October 18, 2011 but commenced operations on October 27, 2011, have no initial sales charge option and no service fees and are usually only available to investors who have fee-based accounts with the dealers. Series D units, which were created on June 20, 2014 but commenced operations on July 9, 2014, have no initial sales charge option, and no service fees and are available to all investors.

### 2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements were authorized for issue by Harvest Portfolios Group Inc. (the "Manager") on March 15, 2023.

### 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, which approximates fair value. 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 December 31, 2022 and 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

Investments 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.

Investments held that are not traded on 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

## Harvest Banks & Buildings Income Fund

the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity.

### 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. The Fund has issued multiple classes of units which are equally subordinate, but which are subject to different fees (Note 5). As a result, not all units have identical features and are presented as financial liabilities as they do not meet the criteria for classification as equity.

### Cash

Cash is comprised of cash on deposit and bank overdraft, as applicable.

### Investment transactions and income recognition

The interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest received by the Fund accounted for on an accrual basis. Net realized gain (loss) on 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 and service 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.

### Redeemable units valuation

The NAV per unit of each series is determined at the close of business each day the Toronto Stock Exchange is open for business. The NAV of each series of the Fund is computed by calculating the value of that series' proportionate share of the Fund's common assets less common liabilities and less those series-specific liabilities. Expenses directly attributable to a series are charged to that series. Other income and expenses are allocated to each series proportionately based on the relative NAV of each series.

### 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 period.

## Harvest Banks & Buildings 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 6 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 Fund is authorized to issue an unlimited number of transferable units and series. Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any valuation date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscriptions or redemptions is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units of the series of the Fund outstanding at such time.

The following units were issued and/or redeemed during the year.

	Units outstanding			
	Series R	Series A	Series F	Series D
<b>Total outstanding as at January 1, 2021</b>	<b>219,148</b>	<b>253,027</b>	<b>64,184</b>	<b>27,170</b>
Redeemable units issued	3,090	145	198	8,258
Redeemable units issued on reinvestment	9,571	9,945	1,936	1,039
Redeemable units redeemed	(17,276)	(31,689)	(3,455)	(6,162)
Redeemable units transferred between Series	(906)	-	846	-
<b>Total outstanding as at December 31, 2021</b>	<b>213,627</b>	<b>231,428</b>	<b>63,709</b>	<b>30,305</b>
Redeemable units issued	2,547	22,252	-	2,770
Redeemable units issued on reinvestment	9,764	10,676	2,085	2,410
Redeemable units redeemed	(14,415)	(53,225)	(4,413)	(9,093)
Redeemable units transferred between Series	(14,431)	(12,357)	-	24,104
<b>Total outstanding as at December 31, 2022</b>	<b>197,092</b>	<b>198,774</b>	<b>61,381</b>	<b>50,496</b>

The weighted average number of units outstanding during the year ended December 31, 2022 was 205,306 units for Series R (2021 – 217,523 units), 225,726 units for Series A (2021 – 237,337 units), 61,464 units for Series F (2021 – 63,824 units) and 41,982 units for Series D (2021 – 27,228 units).

### Distributions

The Fund is required to pay distributions in an amount not less than the amount necessary to ensure the Fund will not be liable for income taxes on realized capital gains, dividends and interest. Monthly distributions to unitholders are declared and paid to unitholders of record on the valuation date prior to the month-end, and automatically reinvested at NAV into additional units of the Fund at the month-end, unless unitholders specifically requested a cash distribution be paid. The total distributions were \$447,506 for the year ended December 31, 2022 (2021 - \$457,298).

# Harvest Banks & Buildings Income Fund

## 5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

### Management fees and servicing fees

The Manager is responsible for managing the Fund's overall business and operations and provides key management personnel to the Fund. Each series of units pays the Manager an annual management fee, plus applicable taxes, based on a percentage of the average daily NAV of the Fund attributable to that applicable series (the "Management Fee").

Dealers may be paid a servicing fee in connection with Series A and Series R units for ongoing services they provide to investors, including investment advice, account statements and newsletters. Generally, the servicing fees, plus applicable taxes, are payable monthly in arrears based on the total client assets invested in each series of units of the Fund held by all of a Dealer's clients throughout the month. The Manager can change or cancel servicing fees at any time.

The fees differ among the series of units of the Fund as set out in the chart below:

Fund Series	Annual Management Fee	Dealer Service Fee	Total Fees
R	1.10%	0.40%	1.50%
A	1.10%	1.25%	2.35%
F	1.10%	0.00%	1.10%
D	1.10%	0.00%	1.10%

Effective May 1, 2022 the Fund no longer pays service fees on Series D units. Prior to this change, the Fund paid a servicing fee of 0.25% to dealers based on the total client assets invested in Series D 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 continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$40,760 for the year ended December 31, 2022 (2021 - \$36,773) 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, 2022 or 2021.

## 6. FINANCIAL RISK MANAGEMENT

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment. The spread of the coronavirus ("COVID-19") over the last couple of years has had a significant impact on the global economy. Although COVID-19 continues to exist, most countries have largely lifted COVID-19 related restrictions and the world has returned to a more normal level of activity. The lasting impact of COVID-19 has been significant supply chain issues which have begun to subside however persist in some industries, and a significant rise in inflation. Inflationary pressures have been exacerbated by the war in Ukraine and

## Harvest Banks & Buildings Income Fund

continue to impact global commodity supplies and costs. Central banks globally have quickly raised interest rates to address inflation although increasing the likelihood for a global recession. The above factors continue to impact global economies and financial markets, and uncertainty of the impact on financial performance of the Fund's investments persists. The Fund's future investment results may be materially adversely affected as a result.

In March 2023, banks within the sector have been impacted by liquidity and solvency concerns and the US government agencies assuming control or otherwise intervening in the operations of certain regional banks as a result. While these liquidity issues are currently isolated within specific regional banks, there is no certainty that these issues will not impact other banks. The ultimate resolution of these liquidity and solvency concerns and the extent of the related impact to the Fund is uncertain and could be significant.

As at December 31, 2022, 98.9% (December 31, 2021 – 97.9%) of the Fund's net assets attributable to holders of redeemable units were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$266,561 (December 31, 2021 - \$369,493).

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

### Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the functional currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

The 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).

Currency	As at December 31, 2022		As at December 31, 2021	
	Currency exposure*	As a % of net assets	Currency exposure*	As a % of net assets
U.S. Dollar	\$1,350,755	25.0	\$2,007,565	26.6

\*In Canadian dollars

The non-monetary currency exposure was \$1,346,912 (December 31, 2021 - \$1,931,693) and the monetary currency exposure is \$3,843 (December 31, 2021 - \$75,872).

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 5% in relation to U.S. dollars, 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 \$67,538 (December 31, 2021 - \$100,378) or 1.3% (December 31, 2021 – 1.3%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. As at December 31, 2022 and 2021 the Fund did not hold any bonds or money market instruments; therefore, the Fund had no significant exposure to interest rate risk.

### Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to redemptions as units are redeemable on demand and Unitholders may redeem their units on each valuation date. 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. Redeemable units are redeemable on demand at the holder's option, however, the Manager does not expect that the contractual maturity will be representative of the actual cash flows as the holder of the instruments typically retain these for a longer period.

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

### Credit risk

Credit risk is the risk that the 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

## Harvest Banks & Buildings 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 has no holdings of fixed income debt instruments as at December 31, 2022 and 2021. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. This risk is largely mitigated by the standards used to select corporate investments. Ongoing credit assessments are performed on all the Fund's holdings and the exposure level is managed through careful diversification across industry sectors and individual issuers, which helps to minimize this risk.

The maximum credit risk of these investments is their fair value at December 31, 2022 and 2021.

### 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 December 31, 2022				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
<b>Financial Assets</b>				
<b>Equities</b>				
Common Stock	3,581,298	-	-	3,581,298
REIT	1,749,926	-	-	1,749,926
<b>Total Financial Assets</b>	<b>5,331,224</b>	-	-	<b>5,331,224</b>

Investments at fair value as at December 31, 2021				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
<b>Financial Assets</b>				
<b>Equities</b>				
Common Stock	4,545,063	-	-	4,545,063
REIT	2,844,799	-	-	2,844,799
<b>Total Financial Assets</b>	<b>7,389,862</b>	-	-	<b>7,389,862</b>

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

The value of equities is based on quoted prices.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry, sector or counterparty type. The following is a summary of the Fund's concentration risk by country and industry in which the companies held in the portfolio operate.

## Harvest Banks & Buildings Income Fund

Geography:

As at December 31,	2022	2021
	% of net assets	% of net assets
Canada	73.9	72.3
United States	25.0	25.6
Cash and other assets and liabilities	1.1	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Market Segment:

As at December 31,	2022	2021
	% of net assets	% of net assets
Financials	66.4	60.2
Real Estate	32.5	37.7
Cash and other assets and liabilities	1.1	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 7. 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 no capital or non-capital losses available to be carried forward for income tax purposes.

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.

### 8. 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 year ended December 31, 2022 and 2021 amounted to \$nil.



### **Head Office**

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

Phone Number: 416.649.4541

Toll Free: 866.998.8298

Fax Number: 416.649.4542

Email: [info@harvestportfolios.com](mailto:info@harvestportfolios.com)

---

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

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