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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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### HARVEST US Bank Leaders Income ETF

June 30, 2018



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., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; by visiting our website at [www.harvestportfolios.com](http://www.harvestportfolios.com); or on SEDAR at [www.sedar.com](http://www.sedar.com).

# Harvest US Bank Leaders Income ETF

## CORPORATE OVERVIEW

Harvest Portfolios Group Inc. (“Harvest”) is a Canadian Investment Manager founded in 2009. Harvest is focused on developing investment products that follow the investment philosophy of:

1. Clear investment objectives
2. Transparency
3. Consistent income and growth

Harvest endeavours to develop investment products that are clear in their mandate and easy for our investors to understand. We strive to be transparent, so that our investors can open their financial reports and know exactly what they own. Our funds are invested to provide investors with consistent monthly or quarterly income; therefore, we seek to invest our fund portfolios in well managed companies that have a history of steady cash flow and pay dividends.

## INVESTMENT PRODUCT

The Harvest US Bank Leaders Income ETF (the “Fund”) invests in an equally weighted portfolio of Equity Securities of not less than 15 US Bank Leaders and not more than 20 US Bank Leaders, chosen from the US Bank Leaders Investable Universe that, immediately following each quarterly reconstitution, (i) have a market capitalization that is at least US\$10 billion as determined at the time of investment; (ii) are listed on a US stock exchange; and (iii) pay a dividend.

# Harvest US Bank Leaders Income ETF

## 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., 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7; 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 has been created to provide investors with a unique exposure to a portfolio of Equity Securities that are primarily included in the Banks sector of the Global Industry Classification Standards and (i) have a market capitalization that is at least US\$10 billion as determined at the time of investment; (ii) are listed on a US stock exchange; and (iii) pay a dividend.

The Fund's investment objectives are to provide Unitholders with:

- (i) monthly cash distributions; and
- (ii) the opportunity for capital appreciation.

To achieve its investment objectives, the Fund will invest in an equally-weighted portfolio of Equity Securities of not less than 15 US Bank Leaders and not more than 20 US Bank Leaders, chosen from the US Bank Leaders Investable Universe that meet the investment characteristics described below. In order to seek to generate additional returns, the Fund's manager and investment manager, Harvest Portfolios Group Inc. ("Harvest") will sell call options on no more than 33% of the Equity Securities of each US Bank Leader held in the Fund.

- Value** – Price-to-Earnings Ratio, Price-to-Book Value Ratio, Price-to-Cash Flow Ratio and Yield;
- Quality** – Return-on-Equity, Debt-to-Equity, Debt-to-Cash Flow Ratio and debt maturity profile; and
- Growth** – Long term earnings and dividend per share growth.

## 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 Harvest US Bank Leaders Income ETF began trading following the listing its units on February 5, 2018 consisting of 100,000 units of Class A Shares at \$20.00 per unit for gross proceeds of \$2,000,000 and 100,000 units of Class U Shares at US\$20.00 per unit for gross proceeds of US\$2,000,000. Performance information is not available for periods less than one year.

Shorter term interest rates rose relative to longer term interest rates during the period. This is often referred to as a flattening of the yield curve and caused the volatility in banking related issuers, it can impact operating and lending margins. The Fund subsequently invested the proceeds into a portfolio of 15 issuers consisting primarily of large capitalization US Banks & related financial institutions and wrote call options in accordance with its investment objectives.

Given the short time period since the inception of the Fund to the end of the period, there is limited information pertaining to the results of operation.

## RECENT DEVELOPMENTS

The Fund was established on January 26, 2018 and commenced operations on January 31, 2018 and trades under the symbol HUBL and HUBL.U.

# Harvest US Bank Leaders Income ETF

## 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

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing the Fund's overall business and operations and provides key management personnel to the Fund. The Fund pays the Manager an annual management fee, plus applicable taxes, of 0.75% based on a percentage of the average daily net asset value ("NAV") of the Fund.

### 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.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. For the period ended June 30, 2018 the Manager absorbed \$27,451 of expenses of the Fund. The Manager may cease doing so at any time without notice to unitholders. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table.

### 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, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses were \$2,071 for the period ended June 30, 2018 and are included in the unitholder reporting costs on the Statement of Comprehensive Income (Loss) in the financial statements.

## 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, 2018.

# Harvest US Bank Leaders Income ETF

## 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, 2018 and past annual periods. This information is derived from the Fund's interim financial statements.

### Series A

<b>THE FUND'S NET ASSETS PER UNIT</b>		<b>2018</b>
<b>Net assets - beginning of the period<sup>2</sup></b>	<b>\$</b>	<b>20.00</b>
<b>Increase (decrease) from operations</b>		
Total revenue		0.17
Total expenses		(0.15)
Realized gains (losses) for the period		(0.30)
Unrealized gains (losses) for the period		(1.73)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$</b>	<b>(2.01)</b>
<b>Distributions<sup>3</sup></b>		
Income		(0.42)
<b>Total annual distributions<sup>3</sup></b>	<b>\$</b>	<b>(0.42)</b>
<b>Net assets - end of the period<sup>1</sup></b>	<b>\$</b>	<b>17.57</b>

<b>RATIOS AND SUPPLEMENTAL DATA</b>		<b>2018</b>
<b>Total net asset value</b>	<b>\$</b>	<b>1,757,359</b>
Number of units outstanding		100,000
Management expense ratio <sup>4</sup>		1.42%
Management expense ratio before waivers or absorptions <sup>4</sup>		2.99%
Trading expense ratio <sup>5</sup>		0.15%
Portfolio turnover rate <sup>6</sup>		10.30%
<b>Net asset value per unit</b>	<b>\$</b>	<b>17.57</b>
<b>Closing market price (HUBL)</b>	<b>\$</b>	<b>17.71</b>

# Harvest US Bank Leaders Income ETF

Series U (CAD)

THE FUND'S NET ASSETS PER UNIT		2018
Net assets - beginning of the period <sup>2</sup>	\$	24.60
<b>Increase (decrease) from operations</b>		
Total revenue		0.22
Total expenses		(0.19)
Realized gains (losses) for the period		(0.39)
Unrealized gains (losses) for the period		(0.69)
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$	<b>(1.05)</b>
<b>Distributions<sup>3</sup></b>		
Income		(0.54)
<b>Total annual distributions<sup>3</sup></b>	\$	<b>(0.54)</b>
<b>Net assets - end of the period<sup>1, 7</sup></b>	\$	<b>23.01</b>

RATIOS AND SUPPLEMENTAL DATA		2018
<b>Total net asset value</b>	\$	<b>2,301,225</b>
Number of units outstanding		100,000
Management expense ratio <sup>4</sup>		1.42%
Management expense ratio before waivers or absorptions <sup>4</sup>		2.99%
Trading expense ratio <sup>5</sup>		0.15%
Portfolio turnover rate <sup>6</sup>		10.30%
<b>Net asset value per unit</b>	\$	<b>23.01</b>
<b>Closing market price - USD (HUBL.U)</b>	\$	<b>17.73</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. Net assets, at the commencement of operations on January 31, 2018 was \$20.00 for Class A and \$20.00 USD for Class U.
3. Distributions were paid in cash.
4. 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 daily average net asset value during the period.
5. 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.
6. 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.
7. The USD amount of the net assets at the end of the period was \$17.50 USD.

## 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.

# Harvest US Bank Leaders Income ETF

## YEAR-BY-YEAR RETURNS

The Fund's performance is not shown as National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

## SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value of the Fund's portfolio holdings. 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, 2018

Top Holdings	% of Net Asset Value
Wells Fargo & Company	7.0
U.S. Bancorp	7.0
Citigroup Inc.	6.8
SunTrust Banks Inc.	6.7
JPMorgan Chase & Company	6.7
Huntington Bancshares Inc.	6.7
BB&T Corporation	6.6
KeyCorp	6.6
Bank of America Corporation	6.6
Fifth Third Bancorp	6.5
The Bank of New York Mellon Corporation	6.5
Comerica Inc.	6.5
The Goldman Sachs Group Inc.	6.4
Morgan Stanley	6.4
The PNC Financial Services Group Inc.	6.4
Cash and other assets less liabilities	1.5
Options	(0.2)
Foreign currency forward contracts	(0.7)
<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
Banks	80.1
Diversified Financials	19.3
Cash and other assets less liabilities	1.5
Options	(0.2)
Foreign currency forward contracts	(0.7)
<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.