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## MANAGEMENT REPORT OF FUND PERFORMANCE

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**Big Pharma Split Corp.**

**December 31, 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).

# Big Pharma Split Corp.

## CORPORATE OVERVIEW

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

1. Clear investment objectives
2. Transparency
3. Income generation

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

Big Pharma Split Corp. (the “Company” or “Fund”) will invest in an initially equally-weighted portfolio (the “Portfolio”) comprised of Equity Securities of ten issuers, selected by the Portfolio Manager from the Investable Universe, that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. The Portfolio will be comprised primarily of the largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe.

# Big Pharma Split Corp.

## PRESIDENT'S MESSAGE

Big Pharma Split Corp.

Unitholder letter March 2019

Dear Valued Unitholder,

Like 2017, 2018 proved to be a year of unexpected surprises, though this time with considerably more volatility and global markets ending the year in negative territory.

Should we really be that surprised? As we break into the tenth year since the financial crisis when the market put in a bottom in March 2009, we can point to three additional periods of market disruption: 1) in 2011, 2) late 2015 to early 2016, and 3) most of 2018. I have heard people referring to the current situation as a trader's market while investors have been sidelined. Though the volatility is tough to endure, remaining focused on long term growth by staying invested in great businesses will prove itself now as it has in the past.

A stockholder or unitholder never thinks of himself/herself as a business owner, though in the case of equity investing, that's what you are. You own a piece of many businesses through your ETF or Fund holdings, and if you like what you own and feel comfortable with the underlying companies its best to ignore noise and stay with the program. In short periods of time, interest rates, inflation, analyst reports and media articles can move a company's share price around, but over longer time horizons the trendline economics of the underlying business will override short term price fluctuations with the true direction of the stock price.

One thing we do know is that our investment philosophy at Harvest doesn't change, markets will change, and we accept that, we will fine tune portfolios when the dynamics for a company change, but we maintain our long-term thesis. Option writing, in our Leaders ETFs, allows us to reduce some of the shorter-term risk of a portfolio and monetize that portion of return for income generation. Most of the portfolio will remain long due to our positive bias towards the businesses we hold.

Early in 2018 Harvest launched its first specialty index ETF, the Blockchain Technologies ETF, as a long-term proxy on the transformational Blockchain technology. We truly believe this technology will change the way businesses and consumers transact, track and verify goods and services in a secure and non-corruptible manner. The sell off in crypto currencies early in the year washed through the burgeoning Blockchain technology sector due to its close association to cryptos as Blockchain provides the framework for the crypto currencies to transact upon. As tough as the inaugural year was, we hold steadfast in our belief that it is still early days for Blockchain technology, and it will continue to emerge as the go to transactional technology of the future.

As we look towards 2019, we expect to see some of the macro trade issues resolved and a relatively flat trend for interest rates, it wouldn't surprise us to see markets end the year on a positive note, but to predict how much or how we will get there is like trying to predict the weather. Plan your picnic, just keep an umbrella in the car.

On behalf of Harvest, I would like to thank you for your trust and investment in our products.

Sincerely,

*Signed* "Michael Kovacs"

Michael Kovacs  
President and Chief Executive Officer

# Big Pharma Split Corp.

## ANNUAL MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. For your reference, the annual financial statements of the Fund are attached to the annual management report of fund performance. You may obtain additional copies of these documents at your request, and at no cost, by calling toll free at 1-866-998-8298; by writing to us at Harvest Portfolios Group Inc., 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 of ten issuers, selected by the Portfolio Manager from the Investable Universe, that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. The Portfolio will be comprised primarily of the largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe.

The investment objectives for the Preferred shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.125 per Preferred share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred share) until December 31, 2022 (the "Maturity Date") and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.1031 per Class A share representing a yield on the issue price of the Class A shares of 8.25% per annum on the issue price of \$15.00 per Class A share and to provide holders with the opportunity for growth in the net asset value per Class A share.

To achieve its investment objectives, the Company will invest in an initially equally-weighted Portfolio comprised of Equity Securities of ten issuers from the Investable Universe, eight of which will be selected by the Portfolio Manager from the ten largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe and the remaining two issuers will be selected by the Portfolio Manager from the Investable Universe.

Harvest will semi-annually reconstitute and rebalance the Portfolio.

## 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 year that affected the overall level of risk of the Fund.

## RESULTS OF OPERATIONS

The Fund's Class A and Preferred shares returned 11.81% and 5.09%, respectively, compared to the MSCI Daily Total Return World Gross Pharmaceutical Local Index (USD) benchmark return of 3.82%.

Following a robust recovery in the broader Healthcare sectors in 2017, volatility in the sector was elevated early in 2018 as several key drug trials missed expectations and political rhetoric increased ahead of the release of the Trump administrations blueprint to "Lower Drug Prices and Reduce Out-of-Pocket Costs" that was released in early May. Broader market noise surrounding potential US tariffs also was a source of broader market volatility. However, towards the middle of the year, commentary surrounding drug prices started to shift away from the drug manufacturers and was more focused on inefficiencies within the supply chain that might result in lower the net prices for consumer. This coincided with a shift in the sentiment toward the group and resulted in a rebound in the underlying shares of the drug manufacturers. Given the mandate of the Fund to be focused on the top Pharmaceutical issuers measured by market capitalization, this had a positive impact on the Funds positions.

From a macro perspective, broader markets were very volatile in the latter part of the year. Diverging views on interest rates fueled concerns surrounding the pace at which the global economies were slowing with heightened concerns that the rhetoric surrounding trade between the US & China was starting to actually impact the real economy. Uncertainty heading into the mid-term elections in the US was yet another macro concern that caused some healthcare stocks to be more volatile during that time. Premium income earned from the covered call strategies, like that used in the Big Pharma Split Corp, was particularly high surrounding these events. The results of the mid-term election were in fact a divided congress, having

## Big Pharma Split Corp.

Republicans maintaining control of the senate with the Democrats taking control of the house, implying that some political gridlock is in the cards until the 2020 election. The mid-term election results were viewed as neutral to positive for the Healthcare sector in general. US domestic politics surrounding the southern border wall that resulted in partial shutdown in the US government and European politics also served as sources of broader market angst.

Healthcare is considered a superior good and directly exposed to the structurally positive macro tailwind of the global aging population. It is often considered a defensive sector given the necessity of many of the underlying products. This was a key driver of the sectors performance over the past 12 months amidst broader market volatility.

The Fund was invested in 8 Pharmaceutical companies and 2 Biotechnology companies and wrote call options in accordance with its investment objectives during the period.

### RECENT DEVELOPMENTS

During the year ended December 31, 2018, 19,100 units were put back to the Fund in accordance with the retraction privilege of the Class A and Preferred shares.

### RELATED PARTY TRANSACTIONS

There were no related party transactions during the year, 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 its Manager, Harvest, a management fee calculated based on the average daily net asset value ("NAV") and paid monthly in arrears, based on an annual rate of 0.75%, plus applicable taxes, of the NAV of the Fund. For these purposes, the Preferred shares are not considered a liability of the Fund. At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

#### 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 shares, 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 shareholders and other shareholder 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 ongoing operations. These expenses were \$38,501 for the year ended December 31, 2018 (2017 - \$3,666) and are included in the shareholder reporting costs on the Statements of Comprehensive Income (Loss) in the financial statements.

#### Issue costs

Certain Offering expenses such as costs of creating the Fund, the cost of printing and preparing the prospectus, legal expenses of the Fund and other out-of-pocket expenses incurred by the agents together with the agent's fees payable by the Fund are included in the carrying amount of the Fund's obligation for net assets attributable to holders of redeemable Class A shares. As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A shares (as long as the net asset value per unit exceeds the Offering price per Preferred share plus accrued and unpaid distributions) and the net asset value per Class A share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.

### RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended December 31, 2018.

# Big Pharma Split Corp.

## FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 2018 and past periods. This information is derived from the Fund's annual audited financial statements.

### Class A shares

THE FUND'S NET ASSETS PER SHARE				
	2018		2017	
<b>Net assets - beginning of the year<sup>2</sup></b>	\$	<b>13.73</b>	\$	<b>13.65</b>
<b>Increase (decrease) from operations</b>				
Total revenue		0.77		0.02
Total expenses		(0.54)		(0.08)
Preferred share distribution		(0.50)		(0.05)
Preferred shares agent fees and issue costs		-		(0.42)
Realized gains (losses) for the year		(0.09)		(0.07)
Unrealized gains (losses) for the year		1.92		0.37
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$	<b>1.56</b>	\$	<b>(0.23)</b>
<b>Distributions<sup>3</sup></b>				
Dividends		(1.24)		(0.10)
<b>Total annual distributions<sup>3</sup></b>	\$	<b>(1.24)</b>	\$	<b>(0.10)</b>
<b>Net assets - end of the year<sup>1</sup></b>	\$	<b>14.05</b>	\$	<b>13.73</b>

RATIOS AND SUPPLEMENTAL DATA				
	2018		2017	
<b>Total net asset value (including Preferred shares)</b>	\$	<b>32,251,925</b>	\$	<b>32,276,788</b>
<b>Total net asset value – Class A shares</b>	\$	<b>18,842,925</b>	\$	<b>18,676,788</b>
Number of Class A shares outstanding		1,340,900		1,360,000
Management expense ratio <sup>4</sup> – Class A shares		6.48%		17.82%
Management expense ratio before waivers or absorptions <sup>4</sup> – Class A shares		6.48%		17.82%
Trading expense ratio <sup>5</sup>		0.18%		0.58%
Portfolio turnover rate <sup>6</sup>		50.21%		3.33%
<b>Net asset value per unit</b>	\$	<b>24.05</b>	\$	<b>23.73</b>
<b>Net asset value per Class A shares</b>	\$	<b>14.05</b>	\$	<b>13.73</b>
<b>Net asset value per Preferred shares</b>	\$	<b>10.00</b>	\$	<b>10.00</b>
<b>Closing market price – Class A shares</b>	\$	<b>12.38</b>	\$	<b>14.15</b>
<b>Closing market price – Preferred shares</b>	\$	<b>10.17</b>	\$	<b>10.30</b>

### Explanatory Notes:

1. Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the reporting period. It is not intended that the Fund's net assets per share table act as a continuity of opening and closing net assets per Class A share.
2. Net assets, at the commencement of operations on November 24, 2017 was \$13.65, net of agents' commissions and issuance costs of \$1.35 per share.
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 the Class A daily average net asset value during the period. The MER for the period December 31, 2017 includes agent fees of \$1,428,000, issue costs of \$408,000 and Preferred share distributions of \$70,217. Agent fees and issues costs are treated as one-time expenses and therefore were not annualized. The MER without these costs and excluding the Preferred share distribution was 4.47%. The MER without agent fees and issue costs but including the Preferred share distribution was 8.06%. The MER based on the daily average of the total net asset value (including Preferred shares) is 10.34%. This MER includes agent fees, issue costs and Preferred share distribution. This MER without these costs and excluding the Preferred share distribution was 2.59%. The MER without agent fees and issue costs but including the Preferred share distribution was 4.67%.

## Big Pharma Split Corp.

The Class A MER for the year ended December 31, 2018 excluding the Preferred share distribution was 2.91%. The MER based on the daily average of the total net asset value (included Preferred shares) was 3.78%. This MER excluding the Preferred share distribution was 1.69%.

5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value (including preferred shares) 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.

### Past Performance

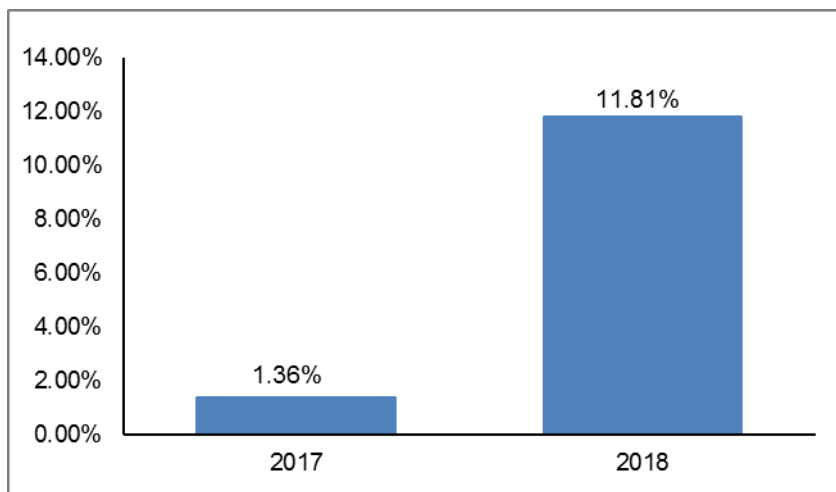
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance. 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 periods shown and illustrate how the Fund's performance varied. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

#### Fund Performance

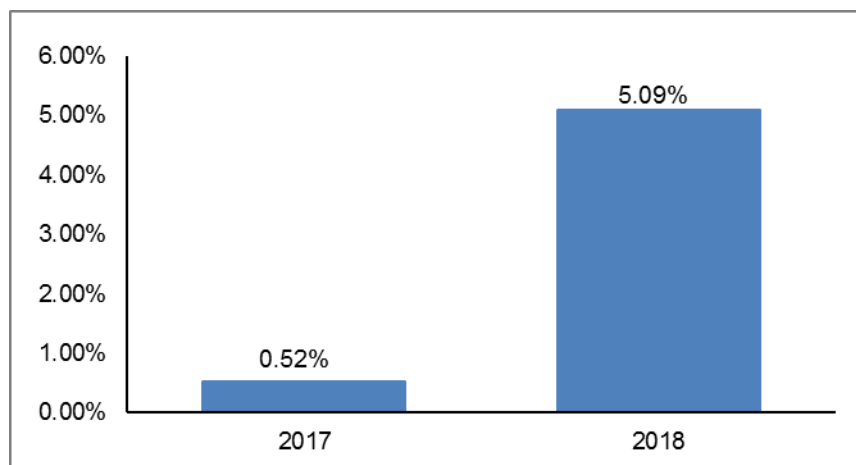
##### Class A shares



2017 represents the period from November 24 to December 31

# Big Pharma Split Corp.

## Preferred shares



2017 represents the period from November 24 to December 31

## ANNUAL COMPOUND RETURNS

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

For comparison purposes the MSCI Daily Total Return World Gross Pharmaceuticals Local Index, in U.S. dollars (the "Index") is used. While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. The return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses. Please see the "Results of Operations" section of this report for a discussion on recent performance.

Investment Return %	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A share Performance	11.81	-	-	-	12.02
Preferred share Performance	5.09	-	-	-	5.10
MSCI World Pharmaceuticals Gross Total Return Local Index, in U.S. dollars	3.82	-	-	-	4.44



# Big Pharma Split Corp.

## SUMMARY OF INVESTMENT PORTFOLIO

The Portfolio by Sector chart below provides a portfolio breakdown based on the total transactional net asset value attributable to holders of redeemable Class A shares. A detailed breakdown of the Fund's holdings is available in the "Schedule of Investments" section of the Fund's annual financial statements.

As at December 31, 2018

Top Holdings	% of Net Asset Value
Eli Lilly and Company	19.4
AbbVie Inc.	18.2
Pfizer Inc.	18.2
AstraZeneca PLC, ADR	18.0
Amgen Inc.	17.9
Sanofi SA, ADR	17.8
GlaxoSmithKline PLC, ADR	16.7
Bristol-Myers Squibb Company	16.7
Johnson & Johnson	16.5
Merck & Co., Inc.	16.5
Cash and other assets and liabilities	1.0
Foreign currency forward contracts	(5.7)
Preferred shares	(71.2)
<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
Health Care	175.9
Cash and other assets and liabilities	1.0
Foreign currency forward contracts	(5.7)
Preferred shares	(71.2)
<b>Total</b>	<b>100.0</b>



### **Head Office**

710 Dorval Drive, Suite 209

Oakville, Ontario L6K 3V7

Phone Number: 416.649.4541

Toll Free: 866.998.8298

Fax Number: 416.649.4542

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

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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.