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## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Harvest Healthcare Leaders Income ETF (formerly Healthcare Leaders Income ETF)

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).

# Harvest Healthcare Leaders Income ETF

## (formerly Healthcare 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 Healthcare Leaders Income ETF (formerly Healthcare Leaders Income ETF) (the “Fund”) invests in an equally-weighted portfolio of 20 Equity Securities that are included in the Health Care sector of the Global Industry Classification Standards or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s, any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare Leaders Income ETF)

## PRESIDENT'S MESSAGE

Harvest Healthcare Leaders Income ETF

Unitholder letter March 2019

Dear Valued Investor,

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

# Harvest Healthcare Leaders Income ETF

## (formerly Healthcare Leaders Income ETF)

### 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 that are included in the Health Care sector of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor's (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development, each with a market capitalization of at least US\$5 billion.

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

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

To achieve its investment objectives, the Fund will invest in an equally-weighted portfolio of Equity Securities of 20 Healthcare Issuers from the Healthcare Leaders Investable Universe that have a market capitalization of at least US\$5 billion at the time of investment and 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 Healthcare Issuer held in the Fund.

Harvest will semi-annually reconstitute and rebalance the Portfolio such that, at the time of the initial investment and immediately following each semi-annual reconstitution and rebalancing, will have the following investment characteristics:

- Value** – An average Price-to-Earnings ratio lower than the average for the Healthcare Leaders Investable Universe; and
- Quality** – An average 5-year Return on Equity greater than the average for the Healthcare Leaders Investable Universe.

### 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 Healthcare Leaders Income ETF (formerly Healthcare Leaders Income ETF) returned 2.74% for Series A and 3.69% for Series U compared to the MSCI World Health Care Index (net Total Return in USD) of 2.51% for the year ended December 31, 2018.

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 administration's 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 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 net prices for consumers. This coincided with a shift in sentiment toward the group and resulted in a rebound in the underlying shares of the drug manufacturers. The Fund has had limited exposure towards the drug supply chain focused companies during the period in favour of being relatively overweight the drug manufacturers. This allocation had a positive impact on the Fund during the period.

# Harvest Healthcare Leaders Income ETF

## (formerly Healthcare Leaders Income ETF)

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 Healthcare Leaders, was particularly high surrounding these events. The results of the mid-term election were in fact a divided congress, having 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.

Despite the macro headwinds and heightened volatility, corporate balance sheets remain in solid shape while quarterly profits have continued to grow, and this is particularly evident during the period for the Healthcare sector. 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. The Healthcare sector was the top performing sector in the S&P 500 Index. M&A activity also started to pick up during the period also adding to the sectors performance. Shortly after the end of the period, one of the portfolios holdings was subject to a takeover at a substantial premium.

The Fund was invested in 20 Healthcare Leaders during the period and sold call options on the underlying holdings during the period to meet its investment and income objectives.

### RECENT DEVELOPMENTS

On June 14, 2018, the Fund changed its name from Healthcare Leaders Income ETF to Harvest Healthcare Leaders Income ETF. No changes were made to the investment objective, strategies or management of the Fund.

### 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 of 0.85%, plus applicable taxes, 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. In 2018 and 2017, none of the Fund's operating expenses were absorbed by the Manager. The management expense ratios of the Fund with and without the 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 \$326,068 for the year ended December 31, 2018 (2017 - \$349,585) and are included in the unitholder reporting costs on the Statements 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 year ended December 31, 2018.

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare 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 year ended December 31, 2018 and past annual periods. This information is derived from the Fund's annual financial statements.

### Series A

THE FUND'S NET ASSETS PER UNIT					
	2018	2017	2016	2015	2014
<b>Net assets - beginning of the year<sup>2</sup></b>	<b>\$ 8.26</b>	<b>\$ 7.91</b>	<b>\$ 8.93</b>	<b>\$ 9.23</b>	<b>\$ 9.39</b>
<b>Increase (decrease) from operations</b>					
Total revenue	0.17	0.16	0.17	0.19	0.01
Total expenses	(0.10)	(0.12)	(0.12)	(0.13)	(0.01)
Realized gains (losses) for the year	0.06	0.24	0.61	(1.00)	-
Unrealized gains (losses) for the year	0.08	0.58	(0.95)	1.13	(0.16)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 0.21</b>	<b>\$ 0.86</b>	<b>\$ (0.29)</b>	<b>\$ 0.19</b>	<b>\$ (0.16)</b>
<b>Distributions<sup>3</sup></b>					
Capital gains	(0.02)	-	-	-	-
Return of capital	(0.68)	(0.70)	(0.70)	(0.70)	-
<b>Total annual distributions<sup>3</sup></b>	<b>\$ (0.70)</b>	<b>\$ (0.70)</b>	<b>\$ (0.70)</b>	<b>\$ (0.70)</b>	<b>\$ -</b>
<b>Net assets - end of the year<sup>1</sup></b>	<b>\$ 7.80</b>	<b>\$ 8.26</b>	<b>\$ 7.91</b>	<b>\$ 8.93</b>	<b>\$ 9.23</b>

RATIOS AND SUPPLEMENTAL DATA					
	2018	2017	2016	2015	2014
<b>Total net asset value</b>	<b>\$ 269,412,965</b>	<b>\$ 244,315,845</b>	<b>\$ 110,200,635</b>	<b>\$ 137,229,196</b>	<b>\$ 87,712,909</b>
Number of units outstanding	34,549,053	29,574,053	13,924,053	15,372,990	9,500,000
Management expense ratio <sup>4</sup>	1.15%	1.24%	1.37%	3.76%	9.25%
Management expense ratio before waivers or absorptions <sup>4</sup>	1.15%	1.24%	1.37%	3.76%	9.25%
Trading expense ratio <sup>5</sup>	0.15%	0.13%	0.10%	0.11%	0.82%
Portfolio turnover rate <sup>6</sup>	46.92%	42.77%	40.47%	52.25%	0.00%
<b>Net asset value per unit</b>	<b>\$ 7.80</b>	<b>\$ 8.26</b>	<b>\$ 7.91</b>	<b>\$ 8.93</b>	<b>\$ 9.23</b>
<b>Closing market price (HHL)*</b>	<b>\$ 7.77</b>	<b>\$ 8.28</b>	<b>\$ 7.92</b>	<b>\$ 8.54</b>	<b>\$ 10.27</b>

\*On conversion to an ETF, the Fund traded under the symbol HHL. Prior to conversion the Fund traded under the symbol HHL.UN as a closed end fund.

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare Leaders Income ETF)

Series U (CAD)

THE FUND'S NET ASSETS PER UNIT				
	2018		2017	
<b>Net assets - beginning of the year<sup>2</sup></b>	\$	<b>10.29</b>	\$	<b>10.40</b>
<b>Increase (decrease) from operations</b>				
Total revenue		0.22		0.17
Total expenses		(0.13)		(0.13)
Realized gains (losses) for the year		0.56		0.11
Unrealized gains (losses) for the year		0.56		(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$	<b>1.21</b>	\$	<b>(0.21)</b>
<b>Distributions<sup>3</sup></b>				
Capital gains		(0.55)		-
Return of capital		(0.36)		(0.83)
<b>Total annual distributions<sup>3</sup></b>	\$	<b>(0.91)</b>	\$	<b>(0.83)</b>
<b>Net assets - end of the year<sup>1,7</sup></b>	\$	<b>10.68</b>	\$	<b>10.29</b>

RATIOS AND SUPPLEMENTAL DATA				
	2018		2017	
<b>Total net asset value</b>	\$	<b>38,450,049</b>	\$	<b>25,470,718</b>
Number of units outstanding		3,600,000		2,475,000
Management expense ratio <sup>4</sup>		1.15%		1.22%
Management expense ratio before waivers or absorptions <sup>4</sup>		1.15%		1.22%
Trading expense ratio <sup>5</sup>		0.15%		0.15%
Portfolio turnover rate <sup>6</sup>		46.92%		42.77%
<b>Net asset value per unit</b>	\$	<b>10.68</b>	\$	<b>10.29</b>
<b>Closing market price - USD (HHL.U)</b>	\$	<b>7.82</b>	\$	<b>8.23</b>

## Explanatory Notes:

- 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.
- Series A net assets, at the commencement of operations on December 18, 2014 was \$9.39, net of agents' commissions and issuance costs of \$0.61 per unit. Series U commenced operations on February 3, 2017 with net assets of \$10.40 (\$8.00 USD).
- Distributions were paid in cash or reinvested in additional units of the Fund.
- 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. The Series A MER for the period December 31, 2015 included agents' fee of \$2,551,893 and issue costs of \$655,355. The Series A MER for 2014 (the year of inception) included agents' fee of \$4,987,500 and issue cost of \$815,000. In both cases these costs are treated as one-time expenses and therefore were not annualized. The MER without these costs is 1.33% for 2015 and 2.72% for 2014.
- 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.
- 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.
- The USD amount of the net assets at the end of the year was \$7.82 USD.

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare Leaders Income ETF)

## Past Performance

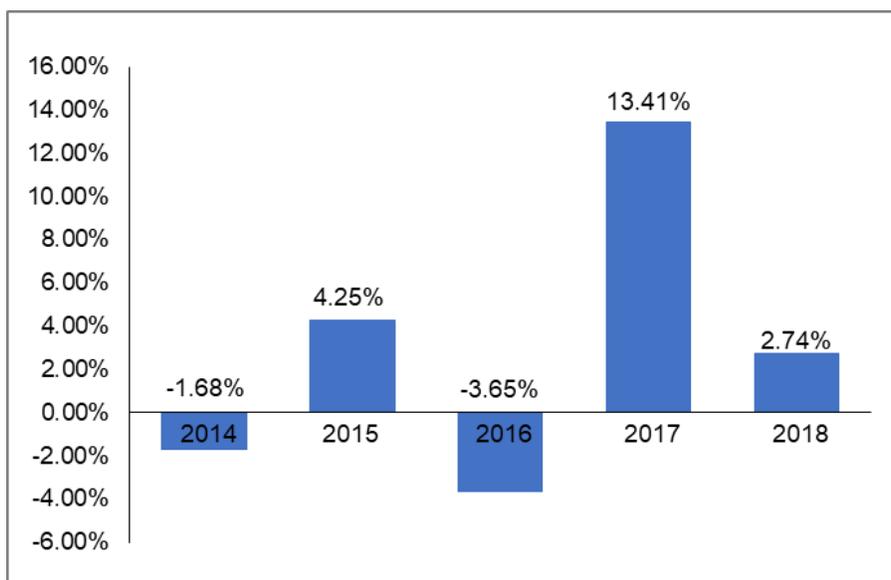
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future.

## YEAR-BY-YEAR RETURNS

The following charts present the Fund's performance for each of the years shown and illustrate how the Fund's performance varied for Series A and Series U. The chart shows, 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

### Series A

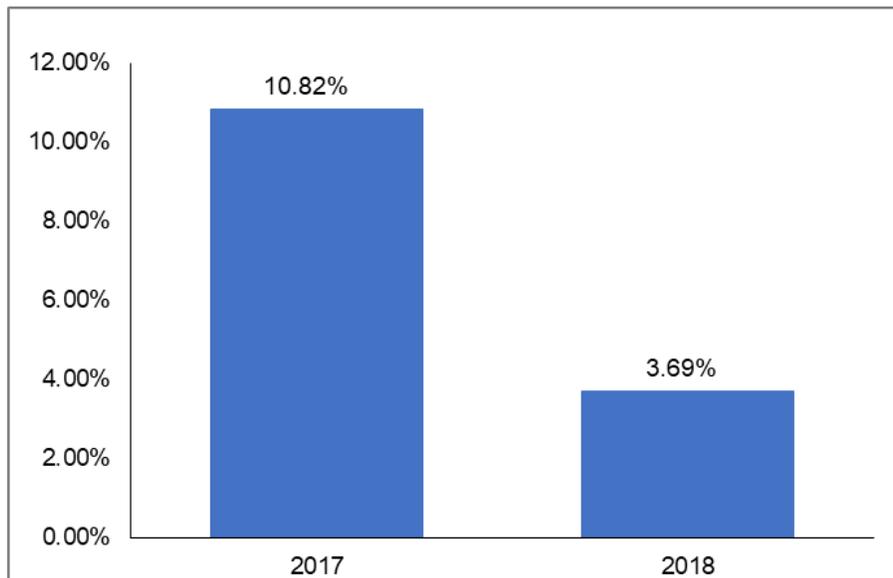


2014 represents the period from December 18 to December 31

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare Leaders Income ETF)

## Series U (USD)



2017 represents the period from February 3 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 TR World Net Health Care Index (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*
Series A Performance	2.74	3.93	-	-	3.54
MSCI Daily TR World Net Health Care Index (USD)	2.51	4.60	-	-	4.44
Series U Performance (USD)	3.69	-	-	-	7.59
MSCI Daily TR World Net Health Care Index (USD)	2.51	-	-	-	10.17

\*Since inception is December 18, 2014 for Series A and February 3, 2017 for Series U.

# Harvest Healthcare Leaders Income ETF

(formerly Healthcare Leaders Income ETF)

## 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 annual financial statements.

As at December 31, 2018

Top Holdings	% of Net Asset Value
AbbVie Inc.	5.7
Eli Lilly and Company	5.7
Pfizer Inc.	5.6
Sanofi SA ADR	5.5
AstraZeneca PLC ADR	5.4
Amgen Inc.	5.4
Boston Scientific Corporation	5.4
Medtronic PLC	5.3
Bristol-Myers Squibb Company	5.2
Stryker Corporation	5.2
Anthem, Inc.	5.2
UnitedHealth Group Incorporated	5.2
Biogen Inc.	5.0
GlaxoSmithKline PLC ADR	5.0
Merck & Co., Inc.	5.0
Johnson & Johnson	4.9
Gilead Sciences, Inc.	4.6
Quest Diagnostics Incorporated	4.5
Celgene Corporation	4.4
Allergan PLC	4.2
Cash and other assets and liabilities	0.5
Foreign currency forward contracts	(2.9)
<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	102.4
Cash and other assets and liabilities	0.5
Foreign currency forward contracts	(2.9)
<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.