

A photograph of the Earth as seen from space, showing the Americas and parts of Europe and Africa. The planet is centered in the frame against a bright blue sky with scattered white clouds.

Harvest Brand Leaders  
Plus Income ETF

*JULY, 2019*

# GLOBAL BRANDS

A SIGN OF SUCCESS

## HARVEST BRAND LEADERS PLUS INCOME ETF

### Can offer growth and a reliable source of income

As the third richest person in the world and nearing 90 years of age, Warren Buffett is as much a global brand as the companies he owns.

At Berkshire Hathaway's annual meeting, he usually makes the point about brand power by having a can of Coke prominently on display. He admits to drinking about five cans a day of the beverage in which Berkshire holds a big stake. Berkshire's portfolio is full of global brands and that has been a big part of its success. In the case of Coca-Cola, Buffett began purchasing it in the 1980s and had invested \$1.3 billion by 1994. At current prices, the stake is worth about US \$20 billion. [1]

Why does Buffet love Brands? Because they have unique qualities that endure over time.



These energizers help increase revenues and profits and support growing dividends. Brands inspire loyalty and encourage repeat business by offering a consistent product that is recognizable in any language and market where it is sold.

Harvest Portfolios Group launched a global brand leaders fund in 2014 for just this reason. Harvest CEO Michael Kovacs - a long-time Warren Buffet fan - wanted to offer investors a way to profit from a defensive strategy of growth and income, drawing on the world's most powerful names.



As of May 31, 2019 the Harvest Brand Leaders Plus Income ETF (TSX: HBF, HBF.U) held 20 global brand leaders who are the dividend elite, with an average dividend yield of 2.08%. The distributions are paid monthly and are payable as cash or through a Distribution Reinvestment Plan (DRIP).

### The Harvest model

The Harvest Brand Leaders Plus Income ETF is an actively managed concentrated portfolio. The ETF's management fee is 0.75% and it is eligible for RRSPs, TFSAs, RESPs and RRIFs.

This ETF takes advantage of Harvest's guiding principle of building wealth for clients through ownership of strong businesses that have the potential to grow and generate steady income over the long term.

An important part of the Harvest model is the use of covered call options to generate additional income. When strong, global businesses with growing dividend streams are combined with the call option strategy it is a powerful energizer.

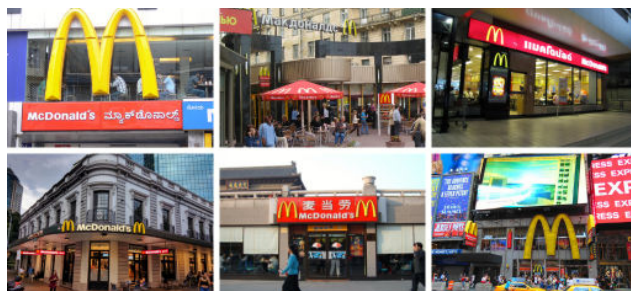
Harvest writes covered calls on up to 33% of each position on its Equity Income ETFs. This generates an attractive tax efficient income while participating in the growth of the companies where it is invested.



A recent article in the Harvard Business Review looked at the main attributes of global brands and came up with five common features which help the brands project the same image no matter where they are sold.

One attribute is a simple marketing message that is consistently used across the different markets. This creates lasting economic value by ensuring consumers can find the brand, recognize it and be assured that if they buy it, it has the same quality and features as their home market.

Coke customers can recognize the same script on the red cans anywhere in the world. The same goes for McDonald's golden arches. The main items on a McDonald's menu and the shape of the packaging and logos are also consistent across all markets.



Images of McDonald's storefront across the world

Another attribute is adapting the brands to local tastes. Canadians like stronger coffee than Americans, so McDonald's offers different strengths in each market.

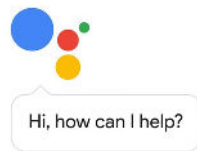
## Attributes of a Global Brand

The Harvard [2] list includes:

- The **same worldwide positioning**: A consistent message, the same product quality and the emotional appeal in marketing and advertising.
- Focus on a **single product** category: Pepsi sells beverages, but the brand appeal is to a youthful spirit. Nike's focus on shoes and sportswear is also clear and simple. Both companies are components of the Harvest Brand Leaders Plus Income ETF.

- **The name is the brand:** All marketing is concentrated on the name.

*Google*, another Harvest Brand Leaders Plus Income ETF holding, is synonymous with Internet search. Its Google Home device reinforces the brand every time you use it. It only responds to: 'Hey, Google.'



When a *Disney* movie comes to your local theatre, you know exactly what you will get - and not get. No excessive violence, or swearing, or drugs and alcohol use, smoking or adult situations. Audiences know they will get original, animated creations, with family-friendly, uplifting messages suitable for audiences of all ages. They leave the theatre feeling good.



Disney has been building its brand power for almost a century.

Recent blockbusters like *Pirates of the Caribbean*, *Star Wars* or *Avengers Endgame*, may come to mind as super hits. But you have a long way back to find its top grossing film.

Adjusted for inflation, the biggest hit for the studio is *Snow White and the Seven Dwarfs* which was first released in 1937, more than 80 years ago. *Snow White* has been released many times since and continues to attract viewers.

- **Global access:** Consuming the brand equals membership in a global club: Join the Pepsi Generation!

### Globally Recognized



- **Social responsibility:** Consumers expect global brands to lead on social responsibility.



*UPS*, also in the Harvest Brand Leaders Plus Income ETF, has a Foundation that donates to social and environmental causes. *Nike* reports annually on its efforts to do such things as reduce its carbon footprint by improving manufacturing processes. *Microsoft* donates software to nonprofits, charities and NGOs in 236 countries and territories.

Interbrand, an international marketing firm, recently released its top global brands. It found that Apple, Google, and Amazon are the global top three with Microsoft in 4th. Apple, Google and Microsoft are components of the Harvest Brand Leaders Plus Income ETF.

## The Harvest Story

When Harvest's CEO Michael Kovacs founded the company in 2009, global markets were in the middle of their worst stretch in two decades. Extraordinary interventions by governments and central banks helped stabilize the financial system, but at the time, the outlook was anything but bright.

Kovacs decided to focus on the fundamentals of value and wealth creation. Among his readings and research were the writings of Warren Buffett. The more he read, the more he realized that 'The Buffett' way was simple.

Buffett bought great companies and held on to them. Over time their share prices rose, and they paid dividends. Those twin energizers added up to excellent returns over time.

These insights shaped the evolution of the Harvest way. Kovacs believes the best recipe for success is through ownership of the biggest global players, companies with deep pockets, strong businesses, dividend flows and opportunities for growth.

This is the core of the Harvest ETF philosophy. The Harvest ETF family has grown to a diversified portfolio of investment products of which the Harvest Brand Leaders Plus Income ETF is among the largest.

## Harvest Brand Leaders Plus Income ETF (HBF, HBF.U)



Source: Bloomberg, based on fiscal year end.

Dividend growth payout chart of well known Global Brands from 2000 to 2018. For illustrative purposes.

**20**  
GLOBAL BRANDS

**\$350+**  
**Billion**  
AVERAGE MARKET CAP



**Actively  
Managed**



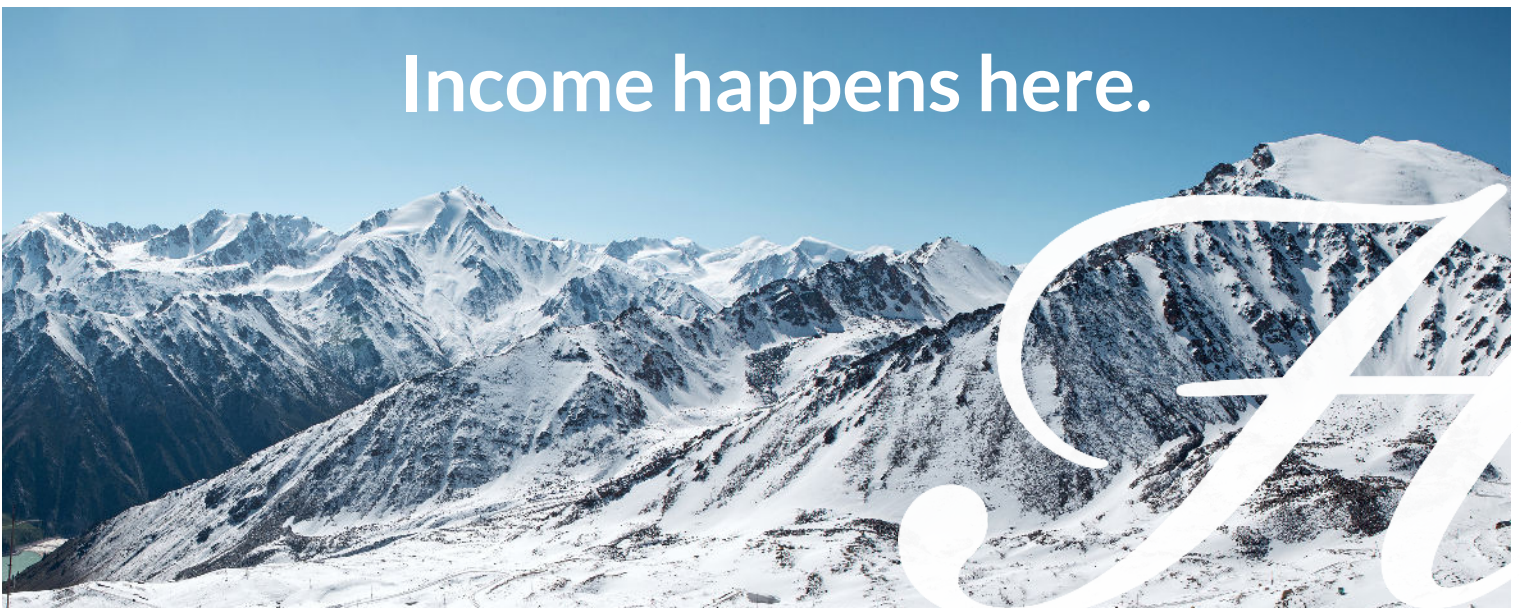
**Globally  
Diversified**



**Monthly  
Distribution**



# Income happens here.



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