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## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Harvest Healthcare Leaders Income ETF

December 31, 2019



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., 610 Chartwell Rd, Suite 204, Oakville, Ontario, L6J 4A5; 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

## CORPORATE OVERVIEW

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

We (i) endeavor to develop investment products that are clear in their mandate and easy for investors to understand, (ii) strive to be transparent so that our investors can review their financial reports and know exactly what they own and (iii) seek to provide investors with consistent monthly or quarterly income by investing the fund portfolios in well managed companies that have a steady cash flow and dividend-paying history.

## INVESTMENT PRODUCT

The Harvest Healthcare Leaders Income ETF (the “Fund”) invests in an equally-weighted portfolio of 20 Equity Securities<sup>1</sup> that are included in the Health Care sector of the Global Industry Classification Standards<sup>1</sup> 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.

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<sup>1</sup> As defined in the Fund’s prospectus dated June 14, 2019.

# Harvest Healthcare Leaders Income ETF

## PRESIDENT'S MESSAGE

Harvest Healthcare Leaders Income ETF

Unitholder letter March 2020

Dear Valued Investor,

*"In the business world, the rear-view mirror is always clearer than the windshield"*

- Warren Buffet

As a long time follower of Warren Buffett, I think this particular quote makes sense when looking back at the previous year of activity in markets, what is difficult is looking ahead and trying to adjust your investments accordingly. To that end I hold steadfast in my belief that owning quality and steady streams of earnings will provide the confidence one needs as an investor looking ahead.

The immediate challenges of 2020 circle around the U.S. election, global trade issues, Middle East tensions, negative interest rates and, at the time of writing, the coronavirus. These are all important issues that will affect shorter term movements in markets, but like the Vietnam war in the 60's, the oil embargo of the 70s, the market crash of 1987 and many other events through the decades, they become blips on an overall long term trend of growth and increasing value and global GDP.

For a saver, retired investor or those approaching retirement, a more pressing concern is the record low interest rates that persist today and look to remain for some time. I believe this is another compelling reason to own quality companies through our ETFs. As an investor in equities, one must be willing to accept the risk that is associated with market volatility and we believe methods of mitigating that market risk is through time and quality of investment.

Our first objective is to position in growth industries or mega trends that we see continuing for many years if not decades to come. The second criteria is to select companies that are leaders in their respective fields, are making money now and generate steady dividends. Thirdly, we write (sell) call options across the portfolio to generate additional income for our investors. Throughout this process we continue to monitor, analyse and rebalance the positions which also results in portfolio constituent changes from time to time.

I read a number of Annual Reports that simply look through the rear-view mirror at the previous year to explain what happened due to various events as no one can predict the future with any degree of certainty. That said, what we can be sure of is disruptions, recessions and natural disasters will occur but will be overcome while more goods and services are consumed. Global GDP will continue to expand and throughout we will focus on businesses that we believe provide the best outcome due to their track records of success.

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

## 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., 610 Chartwell Rd, Suite 204, Oakville, Ontario, L6J 4A5; 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<sup>1</sup> from the Healthcare Leaders Investable Universe<sup>1</sup> 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 Manager 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 Fund returned 13.75% for Series A and 14.66% for Series U compared to the MSCI World Health Care Net Total Return Index (USD) of 23.24% for the year ended December 31, 2019.

Through the end of 2018, the broader market volatility picked up significantly on uncertainty surrounding global trade, interest rate policies and diverging views about the pace at which the global economies were slowing, and that resulted in an abrupt pull-back in late December. During this time, however, Healthcare reacted as it has in many past market corrections and highlighted its defensive characteristics by being one of the better performing sub-sectors amidst the market pull-back. As 2019 emerged, renewed confidence of accommodative fiscal policy and slightly muted trade rhetoric resulted in the broader market rebounding quickly and the S&P 500 Index touching an all-time high by early May. During the first six months of 2019, momentum resumed for the traditionally more cyclical Information Technology, Consumer Discretionary and Industrials sub-sectors. This momentum continued through the end of the year with Technology taking the top-performing sector by a wide margin after Healthcare led in 2018.

Health Care lagged the broader market during the first six months of the year. A key drug failure in an Alzheimer's study put further pressure on large-capitalization biotechnology stocks and resulted in the sentiment towards those companies sending

<sup>1</sup> As defined in the Fund's prospectus dated June 14, 2019.

## Harvest Healthcare Leaders Income ETF

valuations in many cases to all-time lows. At the same time, the broad Health Care selling pressure increased significantly, driven in large part by comments from Democratic Presidential candidates surrounding drug pricing and insurance reforms, including one extreme comment to eliminate private insurance, caused the selling to spread to other sub-sectors. Specifically, industry stalwarts like Unitedhealth Group Incorporated, Anthem Inc. and a leading hospital company HCA Healthcare, Inc., saw relentless selling over several days despite offering products that have seen bipartisan support. While posturing and headline-grabbing came to the forefront as the Democrats get set to vote for their next Presidential candidate, the healthcare sector in the second quarter rebounded as it became more apparent that the practicality of such extreme policy change is limited. Broader sentiment towards the sector, however, started to shift in the third quarter, a notable positive change in the commentary from media and analysts coincided with extreme political rhetoric subsiding as a realization that implementation of many of the proposals would be difficult in practice to implement. This also coincided with continued strong earnings reports and upwards revisions to guidance for the rest of 2019 and resulted in the sector moving positive for the period and was within the top-performing sub-sectors within the S&P 500 in the back half of 2019.

Despite the macro headwinds and heightened volatility, corporate balance sheets remain in solid shape while quarterly profits have continued to grow, and this was particularly evident during the period for the Health Care sector. Health Care is considered a superior and directly exposed sector 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 and valuation metrics in many cases have compressed to attractive levels compared to historical levels for the sector and compared to the broader market.

The Fund was invested in 20 Healthcare Leaders during the period and remains positioned for a recovery in sentiment within the sector. The Fund remains underweight the Tools and Diagnostics sub-sector that has very high relative valuations and remains market weight versus the benchmark in the Medical Equipment sub-sector, diversified across Pharmaceuticals, Biotechnology, and Health Care Services & Facilities. A positive from the enhanced volatility during the period is that the option premiums earned from the covered calls sold increase as volatility increases. The Fund sold call options on the underlying holdings during the period to meet its investment and income objectives.

### RECENT DEVELOPMENTS

The recent spread of the coronavirus ("COVID-19") and its impact on the financial performance of the Fund's investments will depend on the duration and spread of the outbreak and related advisories and restrictions. The overall impact to financial markets and the economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially adversely affected.

### 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

The Manager 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.

#### 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 were \$280,799 for the year ended December 31, 2019 (2018 - \$326,068) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss) in the financial statements.

#### 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, 2019 or 2018. The management

## Harvest Healthcare Leaders Income ETF

expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

### **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, 2019.

# Harvest 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, 2019 and past annual periods. This information is derived from the Fund's annual audited financial statements.

### Series A

THE FUND'S NET ASSETS PER UNIT					
	2019	2018	2017	2016	2015
<b>Net assets - beginning of the year<sup>2</sup></b>	\$ 7.80	\$ 8.26	\$ 7.91	\$ 8.93	\$ 9.23
<b>Increase (decrease) from operations</b>					
Total revenue	0.15	0.17	0.16	0.17	0.19
Total expenses	(0.09)	(0.10)	(0.12)	(0.12)	(0.13)
Realized gains (losses) for the year	-	0.06	0.24	0.61	(1.00)
Unrealized gains (losses) for the year	0.99	0.08	0.58	(0.95)	1.13
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$ 1.05	\$ 0.21	\$ 0.86	\$ (0.29)	\$ 0.19
<b>Distributions<sup>3</sup></b>					
From income	(0.03)	-	-	-	-
From capital gains	-	(0.02)	-	-	-
Return of capital	(0.67)	(0.68)	(0.70)	(0.70)	(0.70)
<b>Total annual distributions<sup>3</sup></b>	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)
<b>Net assets - end of the year<sup>1</sup></b>	\$ 8.10	\$ 7.80	\$ 8.26	\$ 7.91	\$ 8.93

RATIOS AND SUPPLEMENTAL DATA					
	2019	2018	2017	2016	2015
<b>Total net asset value (\$000's)</b>	\$ 351,883	\$ 269,413	\$ 244,316	\$ 110,201	\$ 137,229
Number of units outstanding (000's)	43,449	34,549	29,574	13,924	15,373
Management expense ratio <sup>4</sup>	1.12%	1.15%	1.24%	1.37%	3.76%
Management expense ratio before waivers or absorptions <sup>4</sup>	1.12%	1.15%	1.24%	1.37%	3.76%
Trading expense ratio <sup>5</sup>	0.15%	0.15%	0.13%	0.10%	0.11%
Portfolio turnover rate <sup>6</sup>	61.04%	46.92%	42.77%	40.47%	52.25%
<b>Net asset value per unit</b>	\$ 8.10	\$ 7.80	\$ 8.26	\$ 7.91	\$ 8.93
<b>Closing market price (HHL)*</b>	\$ 8.09	\$ 7.77	\$ 8.28	\$ 7.92	\$ 8.54

\*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

## Series U (CAD)

THE FUND'S NET ASSETS PER UNIT	2019	2018	2017
<b>Net assets - beginning of the year<sup>2</sup></b>	<b>\$ 10.68</b>	<b>\$ 10.29</b>	<b>\$ 10.40</b>
<b>Increase (decrease) from operations</b>			
Total revenue	0.21	0.22	0.17
Total expenses	(0.13)	(0.13)	(0.13)
Realized gains (losses) for the year	0.04	0.56	0.11
Unrealized gains (losses) for the year	0.84	0.56	(0.36)
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 0.96</b>	<b>\$ 1.21</b>	<b>\$ (0.21)</b>
<b>Distributions<sup>3</sup></b>			
From income	(0.09)	-	-
From capital gains	-	(0.55)	-
Return of capital	(0.84)	(0.36)	(0.83)
<b>Total annual distributions<sup>3</sup></b>	<b>\$ (0.93)</b>	<b>\$ (0.91)</b>	<b>\$ (0.83)</b>
<b>Net assets - end of the year<sup>1,7</sup></b>	<b>\$ 10.64</b>	<b>\$ 10.68</b>	<b>\$ 10.29</b>

RATIOS AND SUPPLEMENTAL DATA	2019	2018	2017
<b>Total net asset value (\$000's)</b>	<b>\$ 43,638</b>	<b>\$ 38,450</b>	<b>\$ 25,471</b>
Number of units outstanding (000's)	4,100	3,600	2,475
Management expense ratio <sup>4</sup>	1.11%	1.15%	1.22%
Management expense ratio before waivers or absorptions <sup>4</sup>	1.11%	1.15%	1.22%
Trading expense ratio <sup>5</sup>	0.15%	0.15%	0.15%
Portfolio turnover rate <sup>6</sup>	61.04%	46.92%	42.77%
<b>Net asset value per unit</b>	<b>\$ 10.64</b>	<b>\$ 10.68</b>	<b>\$ 10.29</b>
<b>Closing market price - USD (HHL.U)</b>	<b>\$ 8.16</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 the 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 \$8.20 USD.



# Harvest Healthcare Leaders Income ETF

## Past Performance

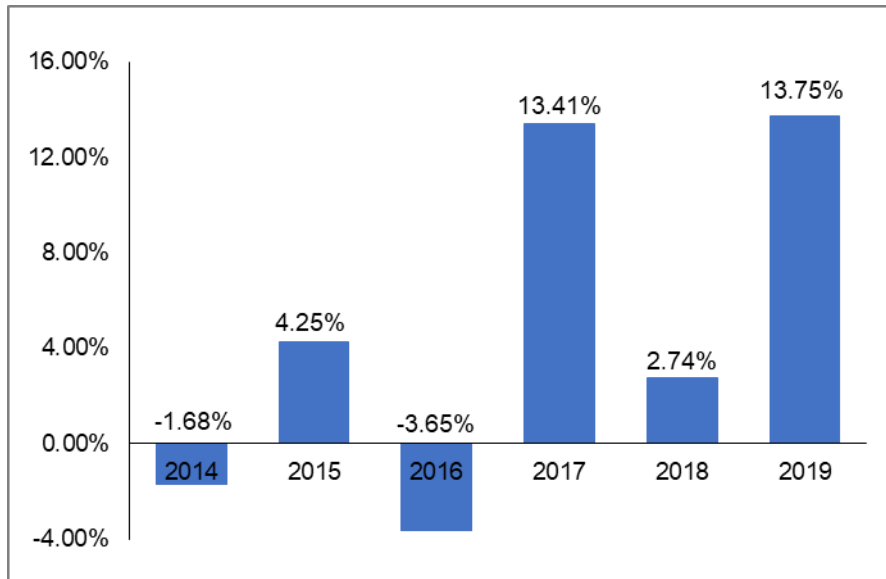
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, or other charges that would have reduced returns or affected performance.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

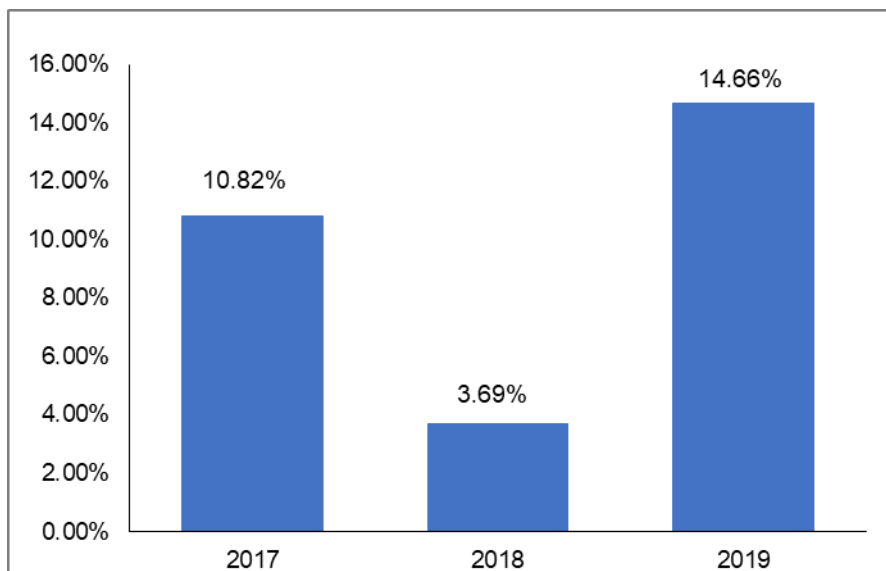
## Fund Performance

### Series A



2014 represents the period from December 18 to December 31

### Series U (USD)



2017 represents the period from February 3 to December 31

# Harvest Healthcare Leaders Income ETF

## 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 World Health Care Net Total Return Index (USD) (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	13.75	9.85	5.89	-	5.49
MSCI World Health Care Net Total Return Index (USD)	23.24	14.82	8.50	-	7.93
Series U Performance (USD)	14.66	-	-	-	9.98
MSCI World Health Care Net Total Return Index (USD)	23.24	-	-	-	14.51

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

# Harvest Healthcare Leaders Income ETF

## SUMMARY OF INVESTMENT PORTFOLIO

The major portfolio categories and top holdings of the Fund at the end of the period are indicated in the following tables. 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, 2019

Top Holdings	% of Net Asset Value
Regeneron Pharmaceuticals, Inc.	5.5
UnitedHealth Group Incorporated	5.3
Bristol-Myers Squibb Company	5.3
Anthem, Inc.	5.2
HCA Healthcare, Inc.	5.2
Eli Lilly and Company	5.1
AbbVie Inc.	5.1
Boston Scientific Corporation	5.1
Johnson & Johnson	5.0
AstraZeneca PLC ADR	5.0
Amgen Inc.	4.8
Sanofi S.A. ADR	4.8
Merck & Co., Inc.	4.8
GlaxoSmithKline PLC ADR	4.7
Pfizer Inc.	4.7
Medtronic PLC	4.7
Abbott Laboratories	4.7
Gilead Sciences, Inc.	4.6
Stryker Corporation	4.5
Allergan PLC	3.2
Cash and other assets less liabilities	1.7
Foreign currency forward contracts	1.2
Options	(0.2)
<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).

# Harvest Healthcare Leaders Income ETF

## SECTOR ALLOCATION

<b>Sector</b>	<b>% of Net Asset Value</b>
Health Care	97.3
Cash and other assets and liabilities	1.7
Foreign currency forward contracts	1.2
Options	(0.2)
<b>Total</b>	<b>100.0</b>

## GEOGRAPHIC ALLOCATION

<b>Country of Risk</b>	<b>% of Net Asset Value</b>
United States	82.8
United Kingdom	9.7
France	4.8
Cash and other assets and liabilities	1.7
Foreign currency forward contracts	1.2
Options	(0.2)
<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.