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## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Harvest Clean Energy ETF

December 31, 2021



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 Road, 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 Clean Energy 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 Clean Energy ETF (the “Fund”) invests in an equally weighted portfolio of Equity Securities<sup>1</sup> of 40 Clean Energy Issuers<sup>1</sup> chosen from the Clean Energy Investable Universe<sup>1</sup> that, immediately following each semi-annual reconstitution, rank in the top 40 issuers as measured by market capitalization on an equally weighted basis (in Canadian dollars based on the most recent month end value).

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<sup>1</sup> As defined in the Fund’s prospectus dated November 1, 2021.

# Harvest Clean Energy ETF

## PRESIDENT'S MESSAGE

### Unitholder letter March 2022

#### Dear Valued Investor,

Thank you for placing your trust and confidence in Harvest's investment philosophy through 2021. It is a philosophy that held strong in our ETFs and funds in the past year, and one we will remain committed to in 2022.

As you know, at Harvest Portfolios Group Inc., we are equity investors. All our products are either equity income funds or equity growth focused funds. This is by design in order to take advantage of the long-term growth of capital markets, the growth of industries and the growth of well positioned and managed companies.

Since the dawn of the industrial age, businesses have accounted for the great majority of wealth creation around the world. Regardless of all the disruption that has occurred over the last 300 years, the surge and implementation of ideas and innovation has advanced humanity to higher living standards and longer life spans.

Wealth is not created in subdued societies or by government handouts. It is created in free and open markets where creative people can build their ideas and dreams into global businesses. We are surrounded by these visionary individuals and companies, and we celebrate their innovation continuously.

At Harvest, we invest in those long-term, growth-oriented, industries and mega-trends that show great promise and the signs of progressive change. We aim to select the best businesses in those industries. Businesses with track records of success, solid management teams, and earnings growth.

As a unitholder, you own one of our Harvest ETFs, mutual funds, or market traded closed end funds. That means many of you very likely experienced good returns over 2021. It was a surprisingly good year for markets, returns were well above the norm for most equity markets. Though it was a very enjoyable rise, we expect to see markets trend back into their longer-term norms which fall roughly in the 8%-10% range, depending on which time period you use.

It is in moments like these when your trust in our philosophy proves its value. If you own quality equities, those longer-term returns will provide ample compound growth for your future needs. If you are retired or planning to retire soon, a basket of quality equities generating an attractive distribution is positioned to help grow your capital over time and supplement your income.

As an investor, you will always have to deal with market noise. Currently, that noise is focused on levels of inflation and potentially higher interest rates.

We agree that current inflation levels are running higher than normal, due to a slowdown in production in many industries, a shortage of readily available workers at all levels of manufacturing and services, and disruptions in logistics and delivery systems. This is occurring in a period of much higher demand than was anticipated early in 2021.

Inflation pressure is not just a Canadian or North American issue, it is global in nature and will take time to right itself. This "demand" inflation is creating pressure on Central Banks to step up interest rates in order to tame the potential of it getting out of control.

While interest rate increases may be on the horizon, we believe fewer should be expected. What we are facing can be described as acute symptoms, not a chronic condition. Prior to the pandemic, longer term trends exhibited a pattern of declining inflation. We believe that those conditions still exist, they are just obscured in the current environment.

At Harvest, we make investment decisions based on industry and business fundamentals. We would not let a potential change in interest rate policy influence our decisions. Those types of short-term factors are for traders. We are not traders, we are investors.

As we look ahead to 2022, we remain steadfast in our philosophy of choosing long term growth industries or mega-trends. Our outlook on these mega trends is framed by our orientation towards high quality companies and long-term trends.

Where growth areas like travel or blockchain may be considered themes by some, we view them quite differently. We see the well-established, long-term growth trajectory of the travel industry. We see the fast adoption of efficient and digitally secure blockchain technology. We see these and our other funds as positions or proxies on long term growth for these industries and mega-trends.

## Harvest Clean Energy ETF

Choose the industry first, choose where you think the puck is going, then drill down and start to find the standout businesses that can expand in those industries. That is how we approach investing.

Investing is not static and we have to fine tune and make changes from time to time. In general, when we take a position, it is to hold for the longer term. That could mean holding a position for 5 years or more especially, in our equity income funds.

Let me again thank you for your support and confidence in the Harvest team and our products. Let me assure you that we will remain steadfast in our management and development of products to meet the needs of investors for both income and growth.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Kovacs", with a stylized flourish at the end.

Michael Kovacs,

President and Chief Executive Officer

# Harvest Clean Energy 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 Road, 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's investment objective is to provide unitholders with the opportunity for capital appreciation. The Fund primarily invests in issuers that are engaged in clean energy related businesses that are listed on a regulated stock exchange in select North American, Asian or European countries.

In order to achieve its investment objectives, the Fund will invest in an equally weighted portfolio of Equity Securities of 40 Clean Energy Issuers chosen from the Clean Energy Investable Universe that, immediately following each semi-annual reconstitution, rank in the top 40 issuers as measured by market capitalization on an equally weighted basis (in Canadian dollars based on the most recent month end value) and in the determination of the Manager, have sufficient liquidity to meet the Fund's investment objectives. If, in the opinion of the Manager, there are not 40 Clean Energy Issuers that meet the investment criteria of the Fund, the Manager may invest in fewer than 40 Clean Energy Issuers.

## 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 began trading following the listing of its units on January 14, 2021 consisting of 50,000 units of Class A units at \$20.00 for proceeds of \$1,000,000. Performance information is not available for periods less than one year.

Clean energy stocks were performing very strongly throughout 2020, as global leaders around the world continued to push toward carbon emission reductions and increased renewable targets. The change in leadership in the US also ushered in a new era of focus on climate change policies with the nomination of Joe Biden to the Presidency bringing along his agenda of Green initiatives and a re-entrance to the Paris Climate Agreement.

However, during the first half of 2021, clean energy stocks encountered a sizeable pullback from the gains witnessed in the year prior. Much of this surrounded a shift in sentiment from growth and momentum focused stocks to value focused stocks, as economic growth assumptions improved, and interest rates started to move higher. Additionally, there seemed to be a pause and some readjustment of aggressive growth expectations as earnings reports were delivered. The renewable equipment & services sub-category has been the bigger source of volatility since the launch of the Fund. Areas where assumptions are very sensitive to longer duration growth modelling changes, such as Hydrogen-related stocks, and where pandemic-related supply chain issues caused short-term margin concerns, such as in solar panel and other equipment manufacturers, were the concentrated sources of underperformance during the period.

While the UN Climate Change Conference (COP26) failed to deliver fireworks in November, it continued to show the commitment that governments and private corporations have toward reaching a collective goal of limiting climate change. As a result, the Clean Energy space continues to search for a near-term catalyst, hopeful that Democrat politicians can put together some form of their Build Back Better bill, with clean energy incentives. Harvest believes that the changing landscape toward renewable energy production and investment represents a long-term structural change and is an environment that the Clean Energy sub-sectors are well positioned to benefit from over the long term, despite the shorter-term volatility.

The Fund invests in a portfolio of the 40 largest Clean Energy Issuers selected from the Clean Energy Investable Universe. The universe includes Equity Securities that are listed on select North American, European and developed Asian stock exchanges that are categorized as renewable energy or renewable energy generation.

The portfolio is equally weighted and follows a systematic process in selecting the top 40 largest Clean Energy Issuers measured by market capitalization and is reconstituted and rebalanced semi-annually.

# Harvest Clean Energy ETF

## RECENT DEVELOPMENTS

The spread of the coronavirus (“COVID-19”) has caused volatility in the global financial markets and impacted the global economy. The ongoing emergence of variants continue to add uncertainty to the global economy. Although financial markets have been strong over the past year, this uncertainty may have an impact on the financial performance of the Fund's investments and 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

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 0.40%, 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 are allocated by the Manager on a reasonable basis, across all the Harvest Portfolios Group Inc. Funds, and series of each applicable fund. These expenses were \$26,335 for the period ended December 31, 2021 and are included in the unitholder reporting costs on the Statement 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 for the period ended December 31, 2021. The Manager absorbed \$54,174 of expenses of the Fund for the period ended December 31, 2021. 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 below.

## RECOMMENDATION 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 December 31, 2021.

# Harvest Clean Energy 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 December 31, 2021. This information is derived from the Fund's annual financial statements.

THE FUND'S NET ASSETS PER UNIT		2021
<b>Net assets - beginning of period<sup>2</sup></b>		<b>\$ 20.00</b>
<b>Increase (decrease) from operations</b>		
Total revenue		0.23
Total expenses		(0.12)
Realized gains (losses) for the period		(1.01)
Unrealized gains (losses) for the period		(2.68)
<b>Total increase (decrease) from operations<sup>1</sup></b>		<b>\$ (3.58)</b>
<b>Distributions<sup>3</sup></b>		
From net investment income		(0.05)
From dividends		(0.04)
<b>Total annual distributions<sup>3</sup></b>		<b>\$ (0.09)</b>
<b>Net assets - end of period<sup>1</sup></b>		<b>\$ 14.86</b>

RATIOS AND SUPPLEMENTAL DATA		2021
<b>Total net asset value</b>		<b>\$ 65,842,699</b>
Number of units outstanding		4,430,000
Management expense ratio <sup>4</sup>		0.69%
Management expense ratio before waivers or absorptions <sup>4</sup>		0.78%
Trading expense ratio <sup>5</sup>		0.31%
Portfolio turnover rate <sup>6</sup>		44.05%
<b>Net asset value per unit</b>		<b>\$ 14.86</b>
<b>Closing market price (HCLN)</b>		<b>\$ 14.88</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 11, 2021 was \$20.00.
3. Distributions, if any, are paid in cash. The Fund may pay additional year end distributions in the form of reinvested units that are subsequently consolidated. There is no impact on NAV per unit, however such reinvested distributions increase the cost base of units held. Included in the above amounts is the reinvested distribution of \$0.09 per unit paid to unitholders of record on December 31, 2021.
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 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.

# Harvest Clean Energy 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 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.

## **ANNUAL COMPOUND 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.



# Harvest Clean Energy 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, 2021

Top 25 Holdings	% of Net Asset Value
China Longyuan Power Group Corporation Limited, Class H	3.7
China Everbright Environment Group Limited	3.7
Ameresco, Inc., Class A	3.3
VERBIO Vereinigte BioEnergie AG	3.0
Ormat Technologies, Inc.	2.9
SolarEdge Technologies, Inc.	2.9
RWE AG, Class A	2.9
VERBUND AG, Class A	2.8
Plug Power Inc.	2.8
First Solar, Inc.	2.7
Enphase Energy, Inc.	2.7
Infratil Limited	2.7
ERG S.p.A.	2.7
SSE PLC	2.7
EDP Renováveis S.A.	2.6
Neoen S.A.	2.6
ITM Power PLC	2.5
Contact Energy Limited	2.4
Atlantica Sustainable Infrastructure PLC	2.3
SunPower Corporation	2.3
Shoals Technologies Group, Inc., Class A	2.3
Boralex Inc., Class A	2.3
Siemens Gamesa Renewable Energy S.A.	2.3
Meridian Energy Limited	2.3
Northland Power Inc.	2.2
<b>Total</b>	<b>67.6</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 Clean Energy ETF

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Utilities	52.2
Industrials	29.0
Information Technology	14.8
Energy	3.0
Cash and other assets and liabilities	1.0
<b>Total</b>	<b>100.0</b>

## GEOGRAPHIC ALLOCATION

Country of Risk	% of Net Asset Value
United States	32.0
China	13.7
New Zealand	9.6
Canada	8.8
Spain	7.2
Germany	5.9
United Kingdom	5.2
Denmark	4.3
Austria	2.8
Italy	2.7
France	2.6
Norway	2.2
South Africa	2.0
Cash and other assets and liabilities	1.0
<b>Total</b>	<b>100.0</b>



### **Head Office**

610 Chartwell Road, Suite 204  
Oakville, Ontario L6J 4A5

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.