

*H*ARVEST  
ETFs

**HPYT**

# Harvest Premium Yield Treasury ETF

US Treasury Income, High Yield Through Covered Calls

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November 2023



# Harvest Premium Yield Treasury ETF (HPYT)

The Harvest Premium Income Treasury ETF (HPYT) provides exposure to the US Treasury fixed income market by investing in a portfolio of ETFs that predominately hold long-dated US Treasury Bonds, while incorporating a covered call strategy to generate higher levels of monthly income from its holdings.

US Treasuries are among the highest credit quality and safest government issued securities today.

This ETF aims to provide investors exposure to the credit safety and strong backing of US Government Treasuries, through its portfolio of ETFs holdings. It is focused on providing higher income potential and more tax efficient income through a covered call strategy.



## US Treasuries: A Pillar of Stability

The US Treasuries, predominantly held by this portfolio of ETFs, come with the full faith backing of the US government (Federal), stand as a symbol of confidence in the investment landscape. The assurance that the government will meet its financial commitments renders these securities effectively risk-free, ensuring reliable interest payments that translate into a steady income source for investors. With a range of maturities and high liquidity, US Treasuries present effective portfolio management options and diversification benefits. Their resilience against market uncertainties and tax advantages further enhances their appeal.

- Issued by and fully backed by the US Government
- Highest quality government rated debt: AA+
- Have maturities from 10 year to 30 year and ranges in between (T-notes are typically <10 year)
- Treasury bonds are guaranteed by the federal government of the United States at maturity
- Coupons (and yields) are determined by many factors including the current interest rate environment, inflation expectations and general economic prospects

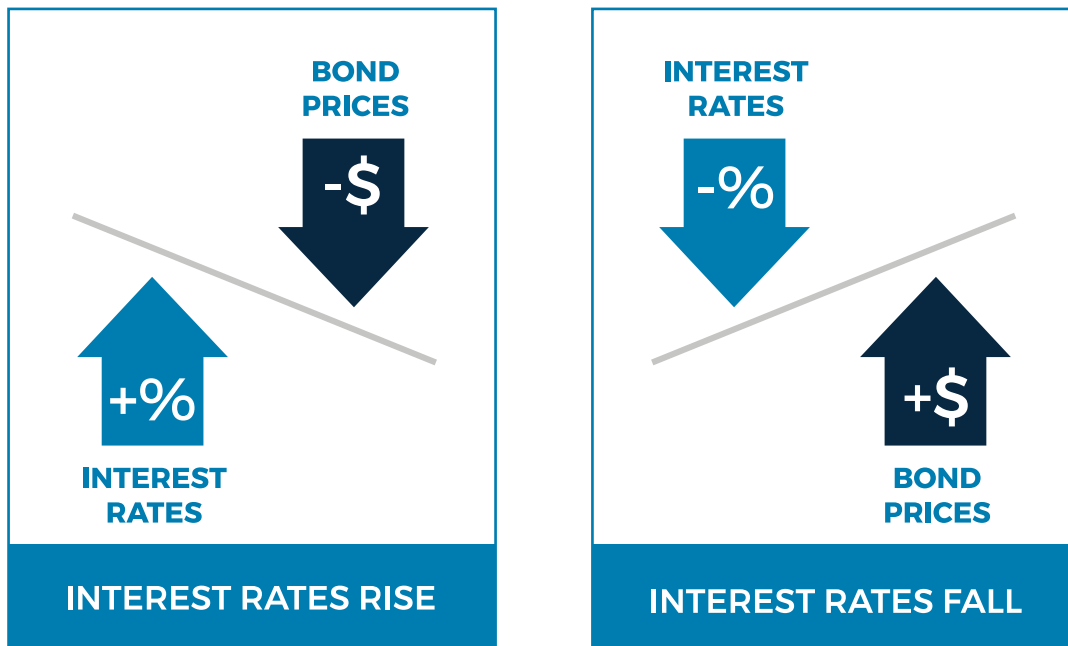
## The Harvest ETFs Covered Call Strategy

At the core of HPYT investment strategy stands the Harvest ETFs' investment team - selecting a portfolio of ETFs that predominately hold long-dated treasury bonds and overlaying that with an active and flexible call option strategy, for which the team is known. This investment team has the hands on experience in deploying the option strategy and finding the appropriate mix of US Treasury based ETFs to help HPYT deliver on its investments objective.

By adding a covered call strategy, investors benefit from holding a portfolio of US Treasury ETFs, which provide a stable foundation for monthly income. Meanwhile, it garners an additional premium through the active selling of call options on those assets. This means an investor will receive high monthly distribution (potentially 3x higher than a savings or cash account) while still benefiting from the credit quality of US Treasuries held in the underlying ETFs.

## Understanding Interest Rate Sensitivity

No investment is entirely without risk. For most bond investors, the primary concern is the impact of interest rate changes on the value of the bonds. When interest rates rise, the value of existing bonds with lower yields may decline because they become less attractive relative to new bonds issued at higher interest rates. But, when you complement a fixed income portfolio with a covered call strategy that can write up to 100% of the value of the underlying assets, you are effectively generating a higher yield than what you would receive from the bond interest alone, thereby changing the dynamic between interest rate movements and the value of the investment. Note too that US Treasuries are backed by the US government and mature at full value.



## The Long-Term Horizon

As the economic landscape continues to evolve, in our opinion HPYT's outlook holds promise. If the period of rising interest rates subsides, the potential for both capital appreciation and income generation becomes more apparent. The strategic use of the covered call strategy, designed to navigate market fluctuations, positions HPYT favorably to seize these opportunities. That solidifies its role as a potential source of income growth.

## Tax Efficiency – Tax Advantaged Distributions

HPYT presents tax-advantaged distributions in two ways. First, the capital gains on distributions, compared to those of a fixed-income ETF, are substantially lower, making it a more compelling option. Second, in order to match the equivalent pre-tax yield that HPYT can generate, one might need to venture further down the yield curve. This means shifting from investment-grade (BBB- and higher) bonds to riskier junk bonds within the fixed-income market to find comparable yields.

## Stability and high income: a dual goal

HPYT diversifies its holdings and will own up to 6 US Treasury ETFs to help reduce issuer concentration risk. This diversification aids in risk management, ensuring that any potential downturns in the Treasury market can be mitigated by the income generated through the covered call strategy. This two-pronged approach provides a balance between the dependable nature of US Treasuries and the flexible use of options.

Tickers	ETF Names	Weight
<b>TLT US</b>	iShares 20+ Year Treasury Bond ETF	68.0%
<b>VGLT US</b>	Vanguard Long-Term Treasury ETF	15.4%
<b>SPTL US</b>	SPDR Portfolio Long Term Treasury ETF	10.0%
<b>TLH US</b>	iShares 10-20 Year Treasury Bond ETF	4.8%
<b>EDV US</b>	Vanguard Extended Duration Treasury ETF	4.6%
	Cash and other assets and liabilities	(0.3)%
	Market value of options	(1.0)%
	Foreign currency forwards	(1.4)%

\*As at October 31, 2023

## Key Benefits of HPYT



### Tax Efficient Income

Tax efficient income above bond yields generated from covered calls.



### Downside Protection

A higher income can cushion returns during bond prices fall in shorter periods.



### Single Ticket Solution

Access multiple ETFs with issuer diversification for optimal option price targeting.



### Portfolio Diversification

Low correlation with equities with a portfolio of longer-dated treasuries & high income.

## Reasons to Own HPYT

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The Harvest Premium Yield Treasury ETF – A portfolio of longer duration ETFs which hold US Treasuries that are secured by the full faith and credit of the US Federal government. Overlaid with up to 100% covered call writing that can generate high yields to maximize monthly cash flow and provide more tax efficient income.

- Exposure to high quality US Treasury Bonds through US listed ETFs
- Covered call strategy increases yields and lowers volatility on underlying holdings
- Experienced active covered call specialists – Harvest ETFs
- Currency hedged with attractive tax efficient income
- Competitive management fee 0.45%



# About Harvest

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Founded in 2009, Harvest Portfolios Group Inc. is an independent Canadian Investment Fund Manager. At Harvest, our guiding principles are premised on building wealth for our clients through ownership of strong businesses that have the potential to grow & generate income over the long term. Harvest has an established track record with its stable of equity ETFs. Now, in 2023, Harvest has expanded its income philosophy to introduce Fixed Income ETFs to our innovative lineup. Harvest now offers exposure to the highest rated bonds like US Treasuries, coupled with its covered call strategy that provides high yields to increase monthly income.

To Learn more about HPYT, please visit [harvestportfolios.com/etf/hpyt](https://harvestportfolios.com/etf/hpyt).

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## Disclaimer

Commissions, management fees and expenses all may be associated with investing in HARVEST Exchange Traded Funds (managed by Harvest Portfolios Group Inc.) Please read the relevant prospectus before investing. The funds are not guaranteed, their values change frequently and past performance may not be repeated. Tax, investment and all other decisions should be made with guidance from a qualified professional. The above is for general information purposes only and does not constitute advice or a solicitation to buy or sell the securities referred to within.

Certain statements included in this communication constitute forward-looking statements ("FLS"), including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The FLS are not historical facts but reflect Harvest's, the Manager of the Fund, current expectations regarding future results or events. These FLS statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Harvest, the Manager of the Fund, believes that the assumptions inherent in the FLS are reasonable, FLS are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Harvest, the Manager of the Fund, undertakes no obligation to update publicly or otherwise revise any FLS or information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

\*The current yield represents an annualized amount that is comprised of 12 unchanged monthly distributions (using the most recent month's distribution figure multiplied by 12) as a percentage of the closing market price of the Fund as of October 31, 2023.