



# Harvest Fixed Income ETFs

Stability and Monthly Cashflow

HPYT

HPYT.U

HPYM

HPYM.U

TBIL

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September 2024

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Harvest Fixed Income ETFs provide investors the opportunity to invest in intermediate to long-duration US Treasury bonds, and short-term treasury bills (T-Bills) of the Government of Canada. These are among the safest long-term and short-term bonds, as they are backed by the full faith and credit of the US and Canadian Governments, respectively. The Harvest Fixed Income ETFs Suite delivers three separate ETFs that cover the maturity spectrum:

- Harvest Premium Yield Treasury ETF (“**HPYT**”) focuses on the long maturity segment of 20+ years by investing in US treasury ETFs;
- Harvest Premium Yield 7 – 10 Year Treasury ETF (“**HPYM**”) focuses on the intermediate maturity segment of 7-10 years by investing in US Treasury ETFs; and
- Harvest Canadian T-Bills ETF (“**TBIL**”) focuses on the short maturity segment 0-9 months by investing in the Government of Canada T-BILLS.

## Pillars of Stability

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Canadian and US Treasuries stand as a symbol of confidence in the investment landscape. The assurance that the highly stable Governments backing these securities will meet their financial commitments renders them low risk. That ensures reliable interest payments that translate into a steady income source for investors.

### Canadian and US Treasuries

- Issued by and fully backed by the Canadian and US Governments
- Highest quality government rated debt: A-1+ and AA+
- CAD T-Bills have maturities that stretch from 30-90 Days
- US Treasuries have maturities from 10-30 years, and ranges in between (T-Notes are typically <10 year)
- Treasury bonds are guaranteed by the federal government of Canada and the United States at maturity
- Coupons (and yields) are determined by many factors including the current interest rate environment, inflation expectations and general economic expectations

# The Harvest ETFs Covered Call Strategy

At the core of our fixed income suite's investment strategies stands the Harvest ETFs' investment team. Our experienced team starts by selecting a portfolio of ETFs that predominately hold intermediate and long-duration US Treasury bonds and overlay that with an active and flexible covered call option strategy.

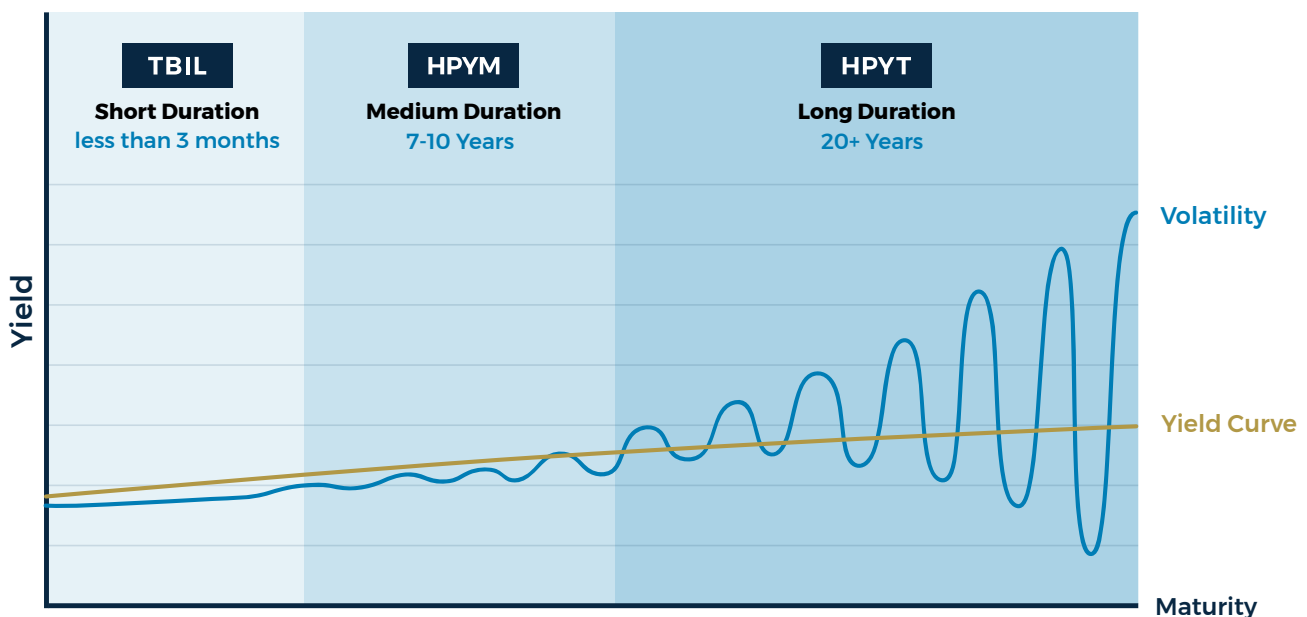
By adding the covered call strategy to HPYT and HPYM, investors have an expanded foundation for monthly income. It serves to garner premium income through the active selling of call options on the portfolios' holdings. That means an investor will receive high monthly distributions while still benefiting from the credit quality of US Treasuries held in the underlying ETFs.

## Understanding the Risks

No investment is entirely without risk. For most bond investors, the primary concern is the impact of interest rate changes on the value of 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. That changes 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 Government of Canada T-Bills are considered very low-risk because of their short maturities and the fact that they are backed by the full faith of the Canadian Government. This helps to fully protect investors' principal invested while delivering interest income. This is why TBIL can be considered a secure cash proxy.

### The Longer the Time to Maturity, the Greater Increase in Volatility



Source: Harvest Portfolio Group Inc., for illustrative purposes only.

## The Long-Term Horizon

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As the economic landscape continues to evolve in early 2024, we believe the outlook for fixed income holds promise. If central banks pursue interest rate cuts in 2024, 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 the HPYT and HPYM favourable to seize these opportunities, solidifying its role as a potential source of income growth.

## Tax Efficiency – Tax Advantaged Distributions

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

## Low-Risk Income, Stability and Cash

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**HPYT**

**HPYM**

**TBIL**

HPYM and HPYT diversify their holdings and will own several 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. Harvest ETFs offers TBIL, a low-risk cash proxy that invests in short-term Government of Canada T-Bills.

## Key Benefits of Fixed Income ETFs

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### 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.

# Harvest Fixed Income ETFs Aim to Provide Consistent as well as Competitive and Attractive Monthly Cashflow

Strategy	Category	Estimate Write Levels	Growth	Income	Yield Range
Dividend Equity ETFs	Equity	0%	Moderate Growth	Modest Income	2% - 5%
Equity Income ETFs	Equity	20% - 30%	Modest Growth	High Income	6% - 9%
Premium Treasury ETF Mid Duration	Fixed Income Modest Rate Sensitivity	50% - 100%	Low Growth	High Income	N/A*
Premium Treasury ETF Long Duration	Fixed Income Higher Rate Sensitivity	50% - 100%	Low Growth	Very High Income	N/A*

Source: Harvest Portfolio Group Inc., for illustrative purposes only.  
 \*Securities regulation prohibits funds in operations for less than 12 consecutive months to publish performance data including any yields.

## Reasons to Own Harvest Fixed Income ETFs

HPYM and HPYT are portfolios of intermediate and longer-duration ETFs which hold US Treasuries that are secured by the full faith and credit of the US Federal government.

### Benefits of HPYT and HPYM:

- Experienced covered call writing managers
- Exposure to high quality US Treasury Bonds through US listed ETFs
- Covered call strategy to deliver competitive and maximum monthly income
- Currency hedged with attractive tax efficient income
- Lower volatility than owning underlying holdings
- Competitive management fee of 0.45%

### Benefits of TBIL:

- Experienced active portfolio management
- Exposure to high quality Government of Canada T-Bills
- Low risk and low volatility
- Flexibility of an ETF
- Competitive management fee: 0.10%

# 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 and Fixed Income ETFs. In 2024, Harvest has expanded its income philosophy to introduce Balanced Income ETFs to our innovative lineup. These portfolios are invested in ETFs listed on a recognized North American stock exchange that provide exposure towards large capitalization equity securities, investment grade bonds or money market instruments issued by corporations or governments and will include ETFs that engage in covered call strategies.

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.

Distributions are paid to you in cash unless you request, pursuant to your participation in a distribution reinvestment plan, that they be reinvested into Class A units of the Fund. If the Fund earns less than the amounts distributed, the difference is a return of capital.

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.