



Harvest Covered Call ETFs

April 2024



Covered Call Options Explained

A **call option** is a purchased agreement between two parties: the option seller and the option buyer. The buyer pays a **premium** to the seller for the right, but not the obligation, to buy a stock at a fixed price within a specified time frame. The seller keeps the **premium** regardless of what happens later.

For example, you want to buy shares in company ABC, but you also want to see where those shares will go in the next month. You find a seller and pay them a premium which locks in a specific price for 30 days.




If the share price of company ABC goes up during that period you can **exercise** your call option and buy the shares at the agreed-upon lower price.

If the share price drops you can let your option expire, and you are only out the premium you paid.

From the seller's perspective, these are usually called **covered call options**. Sellers engaging in a **covered call option strategy** are looking to earn income in the form of premiums from selling call options—also called writing—on shares they currently own.

For example, let's say you own shares of company ABC, priced at \$100 today. You decide to write covered call options on your shares, selling a buyer call options for a \$3 premium. Here's what would happen in three hypothetical scenarios.

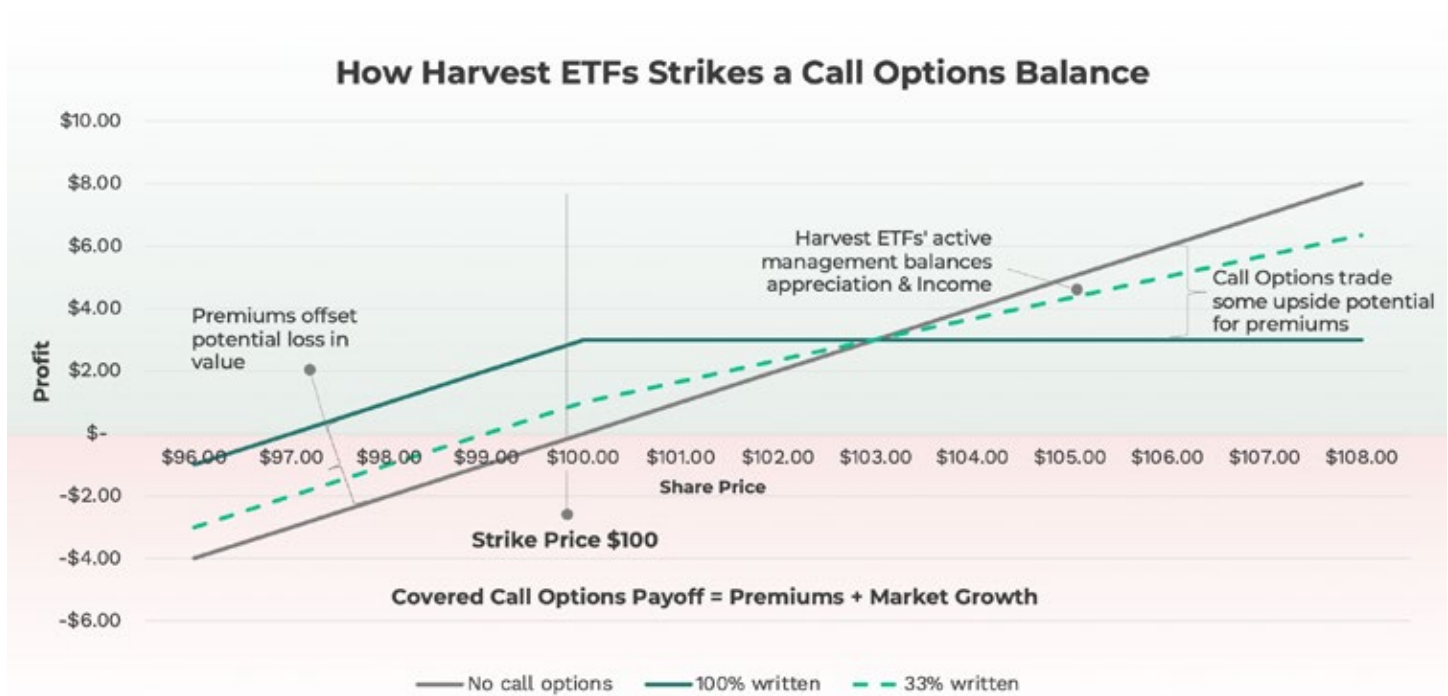
Three Outcomes for Covered Calls in Different Market Scenarios

 Scenario A: ABC shares go up	 Scenario B: ABC shares stay the same	 Scenario C: ABC shares drop
ABC shares go up to \$105, the buyer exercises their call option, and you sell your shares to them for \$100. You lost out on the price increase, but you were covered and you keep the \$3 premium (\$100 + \$3 = \$103).	ABC shares stay at \$100, the buyer does not exercise their call option and you keep the \$3 premium (\$3 premium + your shares).	ABC shares drop to \$95 and the buyer does not exercise their call. The value of your portfolio drops but is cushioned by the \$3 premium leaving a value equivalent to \$98.

The Art of the Covered Call Strategy

Covered call option writing is about striking the right balance and at Harvest ETFs we integrate that balance into our long-term view of investing. At its most basic level, when you write a covered call option, you gain premiums but can miss some market upside.

Because Harvest Equity Income ETFs are designed to seeking long-term growth and consistent income, they must strike the right balance between premiums and upside exposure.



That's why all Harvest Equity Income ETFs use an active & flexible covered call option strategy. We maintain a maximum write level of 33% across all positions, ensuring at least 67% of the portfolio is exposed to potential upside.

Within that 33% limit, our portfolio managers are empowered to move actively, taking advantage of changes on options markets to capture higher premiums and potentially write at lower levels—exposing more of the portfolio to upside.

As the graph shows, active management allows Harvest Equity Income ETFs to capture more upside opportunities, while maintaining their consistent monthly income distributions.

To learn about our Fixed Income ETFs, please visit harvestportfolios.com/fixed-income-etfs.

About Harvest

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, please visit harvestportfolios.com.

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.