

# Harvest Covered Call ETFs

March 2024

## Why Active Strategies Stand Out

Harvest Covered Call ETFs aim to build and preserve wealth by generating high monthly income for investors through an active covered call option strategy.

### Benefits of Harvest ETFs’ Active Covered Call Option Strategy

- High income paid monthly
- Monetizing market volatility and offsetting some downside
- Long-term growth exposure while ensuring cashflow

## Harvest ETFs using Covered Call Options

Ticker	Name	Distribution Frequency
<b>Equity Income ETFs</b>		
HHL	Harvest Healthcare Leaders Income ETF	Monthly
HBF	Harvest Brand Leaders Plus Income ETF	Monthly
HTA	Harvest Tech Achievers Growth & Income ETF	Monthly
HUTL	Harvest Equal Weight Global Utilities Income ETF	Monthly
HGR	Harvest Global REIT Leaders Income ETF	Monthly
HPF	Harvest Energy Leaders Plus Income ETF	Monthly
HUBL	Harvest US Bank Leaders Income ETF	Monthly
HLIF	Harvest Canadian Equity Income Leaders ETF	Monthly
TRVI	Harvest Travel & Leisure Income ETF	Monthly
<b>Fixed Income ETF</b>		
HPYT	Harvest Premium Yield Treasury ETF	Monthly
HPYM	Harvest Premium Yield 7-10 Year Treasury ETF	Monthly

# Harvest ETFs Call Option Writing Strategy

## Equity Income ETFs

Harvest Equity Income ETFs generate tax advantaged income for unitholders largely through an active covered call option writing strategy. That strategy draws upon our team's decades of experience in option writing and equity investing. We are one of the largest investment fund companies engaged in call option strategies in Canada. We are a privately owned company, and we take pride in our investment management experience and rigorous analyses to effectively implement and execute our call option writing strategy.

Covered call options generate two key benefits for investors. They generate income on equity portfolios in the form of premiums, which are treated as capital gains and are therefore more tax efficient than other forms of income.

A call option strategy also reduces an ETF's volatility because the premium protects against the downside up to the amount of the premium. For example, when the ETF buys a stock at \$50 per share and sells a call option that pays a premium of \$2 per share, if the stock price declines, the ETF is \$2 per share better off than the ETF that did not write calls.

Flexibility is key to a successful call option strategy.

## Active and Flexible

There are four components to the Harvest Equity Income ETFs call writing strategy which are important in helping the ETF achieve its income objective while leaving as much "upside" potential as possible for capital appreciation. It is Harvest ETF's objective to ensure the ETF has a long bias at all times, as it is our philosophy that wealth is created over the long term by owning prominent businesses and generating enhanced income through the writing of covered call options.

### 01 Flexible Write Mandate:

Harvest ETFs may choose to write on all the holdings in an ETF, a select few, or none if market conditions warrant, which is rarely the case. Not all equities move in unison and at times specific news related to a corporate announcement or expected announcement can move an equity's price. This flexibility allows us to react to changing conditions in real time.

### 03 Flexible Multiple Strike Levels:

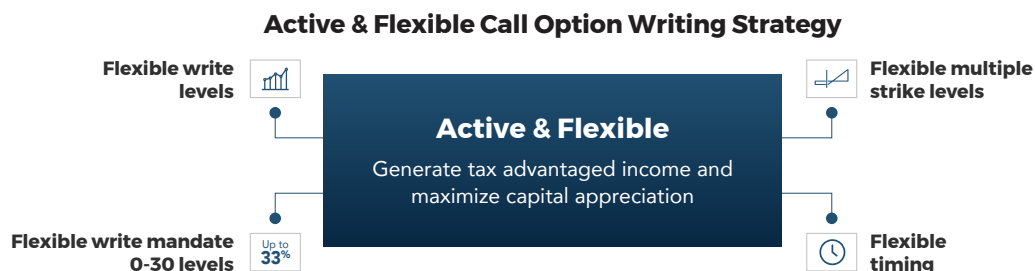
Harvest ETFs can write several options on an individual equity at different strike prices through the month. This is usually implemented when an equity is experiencing strong short term upward price movement providing higher premium income and an opportunity for the ETF to capitalize on a short term pull back on the price of the equity.

### 02 Flexible Write Level:

Harvest ETFs can write up to 33% on any individual equity in the ETF. Harvest ETFs can choose to write less on an individual position, this flexibility gives the portfolio manager the ability to judge the current volatility of the individual equities in the portfolio. This also means that there will always be a minimum of 67% of the ETF's portfolio exposed to the upside.

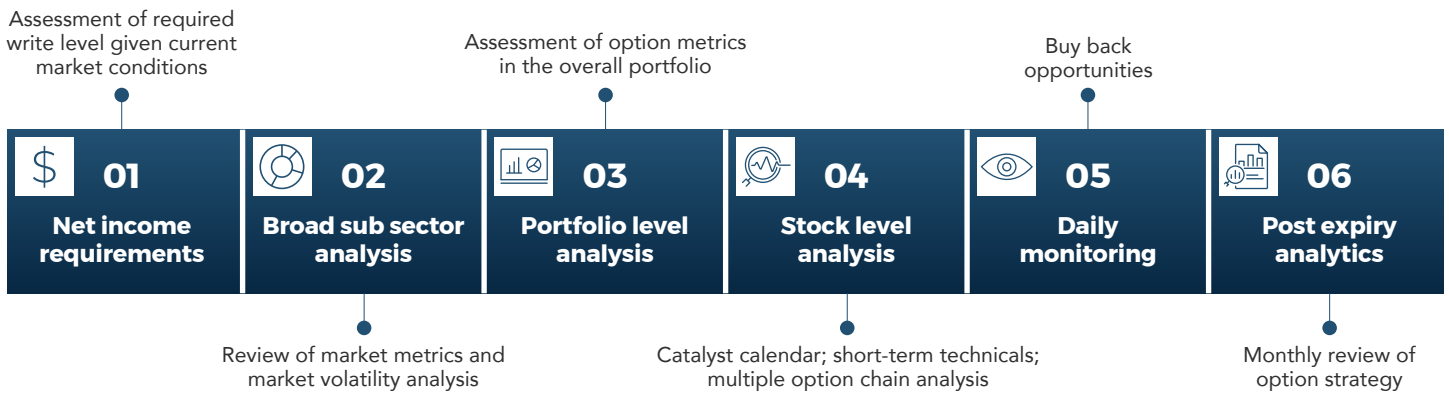
### 04 Flexible Timing:

Harvest ETFs is not required to enter into new option positions immediately following the latest expiry. Instead, the strategy allows positions to be entered into, in whole or in part, at any time during the expiry period. In conjunction with the use of multiple strike levels this allows for a tactical approach to maximizing capital appreciation while receiving option premiums.



# Monetizing Returns

## Monthly Option Process



The objective of the Harvest Equity Income ETFs covered call strategy is to provide the necessary income required to meet the monthly distribution obligations for the ETF. The portfolio manager (PM), using proprietary models, will assess the cash flow needs based on the required monthly distribution less current dividend yields. At this point the PM will assess the various positions, events that are in play, the volatility on the individual positions and corresponding premiums in order to write the required amount of options to generate the premium income.

The positions will be monitored, in some cases bought back when short term profits can be attained, left to expire and in cases where the market is very strong, possibly get called away on a position. The offset to getting called away is that the underlying position has moved up considerably and the premium remains in the ETF. If the position rolls back, the options will expire worthless allowing the ETF to maintain both the stock position and premium received.

Harvest ETF's active covered call strategy generates attractive income by enhancing the natural dividend yield of the portfolio and may reduce some of the volatility associated with equity investing. The maximum 33% write level ensures that the majority of the portfolio remains exposed to the market and tethered to the growth of great businesses.

## Fixed Income ETFs

Harvest Fixed Income ETFs employ an active covered call options strategy with up to 100% write level on each portfolio to generate high income for unitholders. To provide investors access to intermediate to longer-duration US Treasury bonds, we assembled two separate portfolios of US Treasury ETFs, one targeting exposure to intermediate duration US Treasury bonds and the other targeting exposure to long duration US Treasury bonds.

<b>Active Covered Calls</b>	Using Harvest’s covered call strategy, target a 75% baseline write level and adjusting to market conditions for set distributions
-----------------------------	---

### Active & Flexible Call Option Writing Strategy



# Harvest Enhanced Equity Income ETFs

---

Harvest ETFs also offers a suite of Enhanced Equity Income ETFs. These ETFs apply approximately 25% leverage to an underlying Harvest Equity Income ETF, generating an even higher yield paid as monthly cashflow with an elevated risk-return profile.

## Covered Call Option Takeaways

---

- Writing covered call options can generate high income yields from equity or fixed income portfolios, by trading off some potential upside exposure.
- Active management of an options strategy can generate high income yields while maximizing market upside exposure.
- Harvest Covered Call ETFs have paid consistent monthly distributions earned through covered call option writing since their inception.



## Harvest Covered Call ETFs

---

At Harvest ETFs, we offer a wide range of covered call ETF options, each tailored to address various financial goals and risk tolerances. Explore our selection, which includes Equity Income ETFs, Enhanced Equity Income ETFs, and Fixed Income ETFs.

To learn more about our Enhanced Equity Income ETFs, please visit [harvestportfolios.com/enhanced-equity-income-etfs/](https://harvestportfolios.com/enhanced-equity-income-etfs/).  
To learn more about our Fixed Income ETFs, please visit [harvestportfolios.com/fixed-income-etfs/](https://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](https://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.