

# **Blockchain Technologies ETF**

**June 30, 2024**

**Interim Management Report of Fund Performance**



# Blockchain Technologies ETF

## CORPORATE OVERVIEW

Harvest Portfolios Group Inc. ("Harvest" or the "Manager") manages the Harvest ETFs and 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.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Blockchain Technologies ETF (the "Fund"). You can get a copy of the interim financial statements at your request, and at no cost, by calling toll free at 1-866-998-8298; by writing to us at Harvest ETFs, 610 Chartwell Rd, Suite 204, Oakville, Ontario, L6J 4A5; or by visiting our website at [www.harvestetfs.com](http://www.harvestetfs.com); or on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

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 seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Harvest Blockchain Technologies Index (the "Index"). The Fund invests in equity securities of issuers exposed, directly or indirectly, to the development and implementation of blockchain and distributed ledger technologies.

To achieve its investment objective, the Fund will invest directly or indirectly in the constituents of the Harvest Blockchain Technologies Index to replicate the performance of the Index. The Index is made of two segments of blockchain technology issuers, namely a large capitalization segment and an emerging segment. The large capitalization segment consists of issuers with at least CAD\$10 billion in market capitalization that are part on the technology sector, are listed on a North American stock exchange and have indirect or direct exposure to blockchain or distributed ledger technologies. The emerging segment contains issuers that are exposed to the development of blockchain and have at least CAD\$50 million in market capitalization, are traded on a North American exchange (excluding Over-the-Counter) and satisfy the criteria of a multi-factor ranking model.

## 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 six-month period ended June 30, 2024 (the "Period") that affected the overall level of risk of the Fund.

## RESULTS OF OPERATIONS

### Overall Performance

The Fund's return by Class compared to the MSCI ACWI Small Information Technology Net Return USD Index<sup>±</sup> and Harvest Blockchain Technologies Index for the Period is as follows:

	Return %
Class A	5.75
MSCI ACWI Small Information Technology Net Return USD Index <sup>±</sup>	4.76
Harvest Blockchain Technologies Index	6.33

### Factors Affecting Fund Results

Over the past six months, the Fund's performance has been influenced by significant developments in the cryptocurrency and blockchain sectors. The approval of the first U.S.-listed spot Bitcoin ETFs by the U.S. Securities and Exchange Commission (the "SEC") was a key event. Despite experiencing volatility and a brief period of underperformance due to broader market pullbacks and risk-off sentiment, stocks within the dedicated blockchain segment rebounded along with Bitcoins' price as money flowed back into Bitcoin and other cryptocurrencies. The approval of spot Ether ETFs by the SEC further buoyed some stocks within the dedicated blockchain portfolio.

Large cap tech stocks performance was notably positive for the six months ending June, and aided the large cap segment of the portfolio which is majorly comprised of large cap tech companies in addition to Visa Inc. and Mastercard Incorporated.

Throughout the Period, the emerging segment, particularly crypto miners and companies involved in trading and wallets, outperformed the large-cap segment. However, divergence within the segment was notable due to company specific factors. Core Scientific, Inc., a crypto miner secured an agreement to host CoreWeave's NVIDIA GPUs; and DeFi Technologies Inc. deployed an independent node on Core Chain to stake Bitcoins. These positive developments led to these companies contributing to significant outperformance.

Changes to the allocations to the dedicated blockchain segment during the Period were driven by the Index methodology and market movements. Specifically, there was net addition to the dedicated blockchain segment as several companies grew in market capitalization (equity value) and satisfied the liquidity and/or size requirements again as outlined in the Index methodology.

The Fund tracks the Index which consists of two components: The dedicated blockchain segment and the large-cap segment. The design of the Index is such that over time, and as the industry matures, a growing proportion of the Fund's allocations will be towards the dedicated blockchain companies. The exact trigger points for the progression are detailed in the Index methodology. The Fund started the year and remains in Stage 2 - 65% allocated to the dedicated blockchain segment and 35% to the large-cap segment. The dedicated blockchain segment currently consists of 29 companies. The large-cap segment is fixed at 10 companies until it moves to zero when the Index has over 50 investible companies in the dedicated segment.

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The Fund remains diversified across 10 established large capitalization technology issuers that are engaged in the blockchain technologies and across dedicated blockchain companies, which include technologies associated with crypto trading & wallets, software and technology services, crypto miners, digital assets & services, payment processors and other blockchain related issuers.

## RECENT DEVELOPMENTS

### Potential Impact for the Fund

In the shorter-term, the macro environment (both economic and geopolitical), while appearing to stabilize, continues to have some uncertainty. Inflationary pressures have subsided and expectations that central banks will not increase rates further have been a reprieve for broader markets. Nonetheless, inflationary pressures and potential for interest rate increases can change quickly based on economic data.

Global geopolitical tensions remain elevated, although the markets seemed to be less sensitive to the geopolitical headlines this Period relative to previous periods. Notwithstanding, as the conflicts in Eastern Europe and the Middle East prolong, there remain potential threats to the world economies and the stock markets.

### Mid-Year Market Review

For the Period, the broader U.S. equity markets recorded above average returns. This came on back of the momentum from 2023, when the U.S. markets also returned above average performance. This was partly aided by the new tone from the Federal Reserve in the United States (the "Fed") in the fall of 2023, suggesting that a pause in the interest rates hiking was warranted. In addition, the U.S. markets saw a few meaningful corrections in the review Period, unlike the significant market volatility of 2022 and 2023 that was the result of several global events.

During the Period, the above average performance of the equity market was not uniform across sub-sectors nor individual stocks. The leadership role of technology companies and communications companies was once again re-enforced with both posting the best returns out of all sub-sectors for the Period. Even within these sub-sectors, returns were highly concentrated in a few large companies. This was borne out in market capitalization weighted indexes that were heavily influenced by above average performance in a relatively small number of mega-cap stocks, particularly those perceived as beneficiaries of investment on artificial intelligence ("AI") focused infrastructure. While select large companies were a key driver of the overall market performance, given their relatively very strong performance and their sizes, the breadth of participation across stocks and sub-sectors expanded over the course of the Period with 10 out of the 11 main sub-sectors in the U.S. all posting positive returns. Bond prices stabilized following the uptick in rates in April. However, longer dated bond yields remained highly sensitive to daily economic data sets as the Fed transitions from a hiking to easing environment and the market tries to pinpoint more accurately as to when it will eventually start to cut interest rates.

In the Fixed Income market, U.S. Treasury 10-Year Bond Yields moved modestly higher early in the year, seemingly bouncing from over-sold conditions coming into the end of 2023. During April, there were some concerns that the inflationary economic indicators were not subsiding sufficiently to warrant the Fed to pause on raising interest rates. This caused a shorter-term pull-back in both equity and bond prices as longer dated bond yields moved higher. However, for both bonds and equities, the pullback was short lived and prices started to recover as economic data that followed over the course of the following month suggested inflation is subsiding.

In Canada, the broader equity markets posted positive returns for the Period. In part due to the economic growth disparities and structural differences between the two markets, the Canadian equity markets lagged those of the U.S. and within the Canadian market's sub-sectors, just over half ended the Period with positive returns. With economic data moderating more quickly in Canada than the U.S., the Bank of Canada announced an interest rate cut in June, the first in four years and the first G7 country to do so this economic cycle.

Global geopolitical tensions remained elevated during the Period and provided some support to safe-haven assets such as gold and helped to keep global oil prices above where they closed in 2023. However, the markets were less sensitive to these geopolitical headlines (i.e. the wars in the Middle East and Europe, and tensions between U.S. and China) compared to previous years.

## RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

### Management fees

The Manager 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 0.65%, plus applicable taxes, based on a percentage of the average daily net asset value ("NAV") of the Fund charged daily and paid monthly.

The Manager may, in its discretion, agree to charge the Fund and/or certain unitholders a reduced management fee as compared with the management fee that it otherwise would be entitled to receive, provided that the amount of the reduced management fee is distributed periodically by the Fund to the unitholder as a management fee distribution. Any reduction will depend on a number of factors, including the amount of account activity. Any tax consequences of a management fee distribution will generally be borne by the unitholder who receives the distribution.

### 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 classes of each applicable fund. These expenses were \$2,818 for the Period and are included in the unitholder reporting costs on the Statement of Comprehensive Income (Loss) in the financial statements.

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## **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. The Manager absorbed \$52,225 of expenses of the Fund for the Period. The Manager may cease doing so at any time without notice to unitholders.

## **Other transactions**

Officers, directors and related entities of the Manager invest in units of the Fund from time to time in the normal course of business and on the same basis as arm's length investors. As at June 30, 2024 officers and directors owned 8,200 units of the Fund.

The management expense ratios of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

## **RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE**

The IRC tabled no special reports and made no extraordinary material recommendations to management of the Fund during the Period.

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## 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 and past annual periods. This information is derived from the Fund's interim financial statements and past annual audited financial statements.

THE FUND'S NET ASSETS PER UNIT	2024	2023	2022	2021	2020	2019
<b>Net assets - beginning of the period<sup>1</sup></b>	\$ 15.30	\$ 8.47	\$ 22.47	\$ 15.85	\$ 6.35	\$ 5.24
<b>Increase (decrease) from operations</b>						
Total revenue	0.07	0.10	0.05	0.12	0.06	0.05
Total expenses	(0.08)	(0.11)	(0.14)	(0.25)	(0.15)	(0.13)
Realized gains (losses) for the period	0.81	(5.47)	(7.15)	6.04	4.20	(0.52)
Unrealized gains (losses) for the period	0.03	12.01	(7.30)	(5.00)	4.88	1.77
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$ 0.83	\$ 6.53	\$ (14.54)	\$ 0.91	\$ 8.99	\$ 1.17
<b>Distributions<sup>2</sup></b>						
From capital gains	-	-	-	(3.83)	-	-
<b>Total annual distributions<sup>2</sup></b>	\$ -	\$ -	\$ -	\$ (3.83)	\$ -	\$ -
<b>Net assets - end of the period<sup>1</sup></b>	\$ 16.18	\$ 15.30	\$ 8.47	\$ 22.47	\$ 15.85	\$ 6.35

RATIOS AND SUPPLEMENTAL DATA	2024	2023	2022	2021	2020	2019
<b>Total net asset value (000's)</b>	\$ 22,814	\$ 26,316	\$ 17,612	\$ 57,290	\$ 13,950	\$ 7,234
Number of units outstanding (000's)	1,410	1,720	2,080	2,550	880	1,140
Management expense ratio <sup>3</sup>	0.98%	0.98%	0.98%	0.98%	1.59%	1.99%
Management expense ratio before waivers or absorptions <sup>3</sup>	1.42%	1.48%	1.41%	1.09%	2.63%	2.87%
Trading expense ratio <sup>4</sup>	0.34%	0.32%	0.25%	0.32%	0.70%	0.48%
Portfolio turnover rate <sup>5</sup>	32.40%	54.18%	64.34%	140.80%	102.54%	87.26%
<b>Net asset value per unit</b>	\$ 16.18	\$ 15.30	\$ 8.47	\$ 22.47	\$ 15.85	\$ 6.35
<b>Closing market price (HBLK)</b>	\$ 16.18	\$ 15.27	\$ 8.42	\$ 22.50	\$ 15.86	\$ 6.32

### 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. 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 outside of registered plans. Included in the above amounts is the reinvested distribution of \$3.83 per unit paid to unitholders of record on December 31, 2021.
3. 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.
4. 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. In 2020 the calculation was modified to include certain transaction costs charged by the custodian. The trading expense ratio in prior periods was not re-stated.
5. 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.

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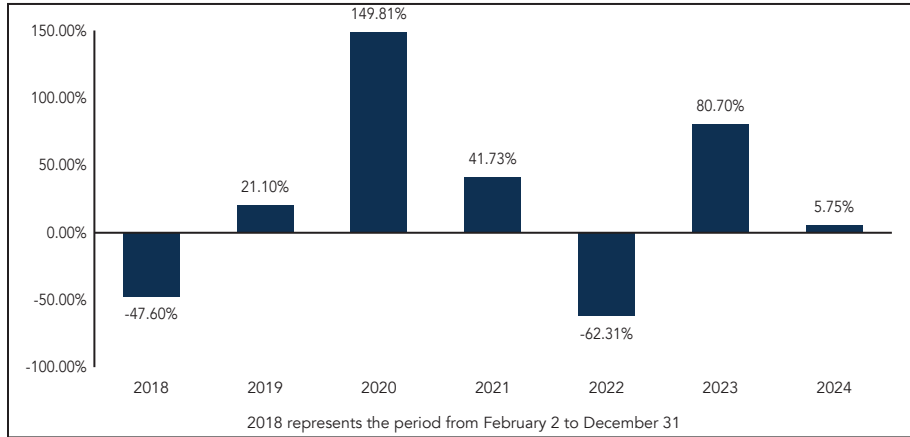
## PAST PERFORMANCE

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 following chart presents the Fund's performance for each of the years shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year except for 2024 which represents the Period.

#### Class A



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## 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 interim financial statements.

As at June 30, 2024

Top 25 Holdings	% of Net Asset Value
Coinbase Global, Inc., Class A	6.6
Marathon Digital Holdings, Inc.	6.0
EPAM Systems, Inc.	5.9
Cleanspark, Inc.	5.7
Riot Platforms, Inc.	5.4
Nuvei Corporation	5.3
Block, Inc.	5.3
Oracle Corporation	3.7
Wipro Limited ADR	3.6
Infosys Limited ADR	3.5
Microsoft Corporation	3.4
SAP SE ADR	3.3
Galaxy Digital Holdings Ltd.	3.3
International Business Machines Corporation	3.3
TeraWulf Inc.	3.2
Accenture PLC, Class A	3.1
Intel Corporation	3.1
Mastercard Incorporated, Class A	3.1
Visa Inc., Class A	3.0
Core Scientific, Inc.	2.8
Hut 8 Corp.	2.8
Iris Energy Limited	2.8
Bitfarms Ltd.	2.2
Beyond, Inc.	1.6
Bitdeer Technologies Group, Class A	1.3
<b>Total</b>	<b>93.3</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 at [www.harvestetfs.com](http://www.harvestetfs.com).

## GEOGRAPHIC ALLOCATION

Country of Risk	% of Net Asset Value
United States	72.8
Canada	12.0
India	7.1
Germany	3.3
Australia	2.8
China	1.1
Cash and other assets and liabilities	0.7
United Kingdom	0.2
<b>Total</b>	<b>100.0</b>

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## Disclaimers

### 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 a 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.

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## Head Office

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

Phone Number: 416.649.4541

Toll Free: 866.998.8298

Fax Number: 416.649.4542

Email: [info@HarvestETFs.com](mailto:info@HarvestETFs.com)



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[HarvestETFs.com](http://HarvestETFs.com)

