

# Harvest Diversified Equity Income ETF

June 30, 2024

Interim Management Report of Fund Performance



# Harvest Diversified Equity Income 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 Harvest Diversified Equity Income 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 invests primarily in equity income ETFs managed by the Manager ("Underlying ETFs") with the investment objective of providing unitholders with high monthly cash distributions and opportunity for long-term capital appreciation from access to a diversified portfolio of ETFs.

To achieve its investment objective, the Fund invests primarily in a portfolio of exchange traded mutual funds managed by Harvest that are listed on a recognized Canadian stock exchange and engage in covered call strategies.

## 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 compared to the Solactive GBS United States 500 Index TR (USD)<sup>y</sup> for the Period is as follows:

	Return %
Class A	7.14
Solactive GBS United States 500 Index TR (USD) <sup>y</sup>	15.24

The primary reason for the divergence is that the index is market-capitalization weighted, compared to most of the Underlying ETFs that are equally weighted.

### Factors Affecting Fund Results

The Fund began the Period initially invested in eight ETFs managed by the Manager.

Large cap technology indexes rose strongly during the first half of 2024. While returns across the sector were generally positive, market capitalization weighted indexes 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 focused infrastructure. This benefited the portfolios technology holdings. The Harvest Tech Achievers Growth & Income ETF posted very strong returns for the Period. U.S. bank stocks also performed well during the first half of 2024 as investor expectations for a transition from an interest rate hiking cycle to an easing cycle by the U.S. Federal Reserve led to brighter outlooks for bank fundamentals. This had a positive impact on the Fund's investments in the Harvest US Bank Leaders Income ETF, which was up double digits for the Period.

Towards the end of the Period, the Harvest Industrial Leaders Income ETF was added to the Fund. Given the low overlap in underlying holdings between this ETF and the other holdings in the Fund, its inclusion provides additional diversification and exposure to an area of the market that is positioned to benefit from the longer-term growth dynamics in the industrials related sectors. The Fund exited the small allocation towards the fixed income as bond yields came down and underlying bond prices moved higher towards the end of the Period. At the end of the Period the Fund was invested in eight ETFs.

## 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.

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Similarly, the ongoing geopolitical tensions and trade disputes between the U.S. and China, specifically relating to the semi-conductor manufacturing and equipment, continues to be a source of potential risk particularly for the Technology related issuers within the portfolio. However, markets and the sector were less sensitive to the headlines during the most recent Period.

Regardless of the shorter-term macro environment outlook, the portfolio remains well diversified across multiple ETFs and underlying holdings.

## 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.

## Other

On June 25, 2024, the Manager announced an increase to the monthly distribution amount from \$0.1000 per unit per month to \$0.1100 per unit per month commencing with distributions declared in July 2024.

## 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 does not pay management fees directly to the Manager. However, the Underlying ETFs held by the Fund will pay management fees and incur operating and trading expenses. The Fund invests in ETFs that are managed by the Manager. With respect to such investments, no management fees or incentive fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by such Underlying ETFs for the same service. The Underlying ETFs in which the Fund invests will pay applicable management fees. As a result, the actual aggregate management fees indirectly payable to the Manager in respect of an investment in the Fund will be greater than nil.

### 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 \$944 for the Period and are included in the unitholder reporting costs on the Statement of Comprehensive Income (Loss) in the financial statements.

### 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 \$52,568 of expenses of the Fund for the Period. The Manager may cease doing so at any time without notice to unitholders.

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

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## 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
<b>Net assets - beginning of the period<sup>2</sup></b>	<b>\$ 15.32</b>	<b>\$ 15.00</b>
<b>Increase (decrease) from operations</b>		
Total revenue	0.19	0.24
Total expenses	-	(0.02)
Realized gains (losses) for the period	0.05	0.15
Unrealized gains (losses) for the period	0.83	1.14
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 1.07</b>	<b>\$ 1.51</b>
<b>Distributions<sup>3</sup></b>		
From net investment income (excluding dividends)	-	(0.13)
From dividends	-	(0.08)
From capital gains	(0.19)	(0.03)
Return of capital	(0.41)	(0.56)
<b>Total annual distributions<sup>3</sup></b>	<b>\$ (0.60)</b>	<b>\$ (0.80)</b>
<b>Net assets - end of the period<sup>1</sup></b>	<b>\$ 15.80</b>	<b>\$ 15.32</b>

RATIOS AND SUPPLEMENTAL DATA	2024	2023
<b>Total net asset value (000's)</b>	<b>\$ 12,640</b>	<b>\$ 8,044</b>
Number of units outstanding (000's)	800	525
Management expense ratio <sup>4</sup>	0.99%	0.95%
Management expense ratio before waivers or absorptions <sup>4</sup>	2.20%	2.84%
Trading expense ratio <sup>5</sup>	0.19%	0.23%
Portfolio turnover rate <sup>6</sup>	9.99%	34.07%
<b>Net asset value per unit</b>	<b>\$ 15.80</b>	<b>\$ 15.32</b>
<b>Closing market price (HRIF)</b>	<b>\$ 15.80</b>	<b>\$ 15.32</b>

### 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. Net assets, at the commencement of operations on April 6, 2023 was \$15.00.
3. Distributions, if any, are paid in cash or reinvested in additional units of the Fund. 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.
4. Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) and the proportionate share of the Underlying ETFs' related expenses of the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.
5. The trading expense ratio represents total commissions and other portfolio transaction costs and the proportionate share of the Underlying ETF's related expenses expressed as an annualized percentage of daily average net asset value during the period.
6. 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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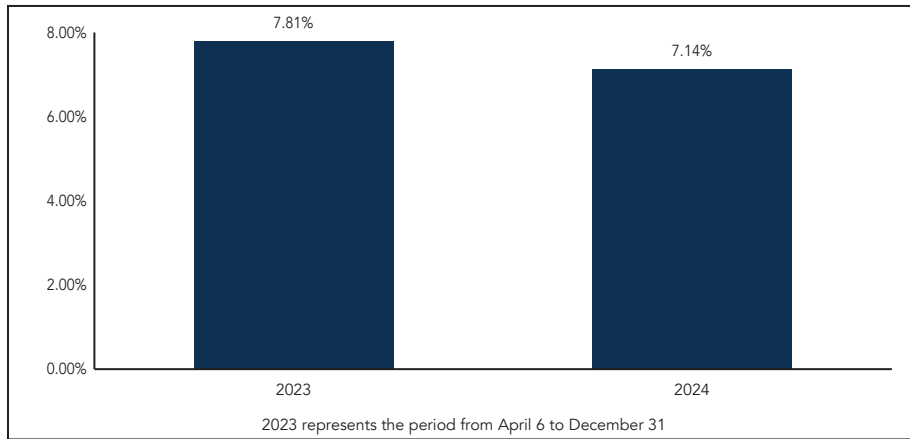
## PAST PERFORMANCE

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 Holdings	% of Net Asset Value
Harvest US Bank Leaders Income ETF, Class A Units	14.3
Harvest Brand Leaders Plus Income ETF, Class A Units	14.2
Harvest Canadian Equity Income Leaders ETF, Class A Units	14.1
Harvest Tech Achievers Growth & Income ETF, Class A Units	13.7
Harvest Healthcare Leaders Income ETF, Class A Units	13.4
Harvest Travel & Leisure Income ETF, Class A Units	13.4
Harvest Equal Weight Global Utilities Income ETF, Class A Units	13.3
Harvest Industrial Leaders Income ETF, Class A Units	3.1
Cash and other assets and liabilities	0.5
<b>Total</b>	<b>100.0</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).

The prospectus and other information about the Underlying ETFs are available at [www.harvestetfs.com](http://www.harvestetfs.com) or [www.sedarplus.ca](http://www.sedarplus.ca).

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Diversified	41.7
US Banks	14.3
Information Technology	13.7
Health Care	13.4
Utilities	13.3
Industrial	3.1
Cash and other assets and liabilities	0.5
<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.

- y The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index Price at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Manager, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade mark for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in said Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.



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The logo features a large, stylized white 'H' in a script font. To its right, the word 'ARVEST' is written in a white, all-caps serif font. Below 'ARVEST', the letters 'ETFs' are written in a smaller, white, all-caps sans-serif font. A thin white horizontal line is positioned below the 'ARVEST' text.

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