

# Harvest Global REIT Leaders Income ETF

June 30, 2024

Interim Management Report of Fund Performance



# Harvest Global REIT Leaders 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 Global REIT Leaders 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 in REIT securities of issuers that are leaders in the space, as determined by the Manager of the Fund based on certain predetermined criteria, and sells covered call options on up to 33% of its holdings with the investment objective to generate monthly cash flow for the unitholders and help lower the volatility of the Fund's overall return. In addition, the Fund provides unitholders with the opportunity to participate in capital appreciation.

To achieve its objective, the Fund invests in 20 to 30 REIT issuers chosen from a group of companies that are REIT leaders as defined and reconstituted quarterly, by the manager of the Fund. The Fund is rebalanced quarterly to include REIT leaders with the following characteristics (i) a market capitalization of at least \$2 billion at the time of investment; and (ii) have only equity securities that are listed on a recognized stock exchange of a developed market. The Fund primarily focuses on securities of leading REIT issuers with operations and/or offices outside of Canada.

## 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 World Real Estate Investment Trusts Gross Total Return Local Index (USD)<sup>±</sup> for the Period is as follows:

	Return %
Class A	(1.03)
MSCI World Real Estate Investment Trusts Gross Total Return Local Index (USD) <sup>±</sup>	(1.84)

The primary reason for the divergence is that the index is market-capitalization weighted, has a larger number of holdings, holds companies that do not have liquid options, and does not account for the use of a covered calls strategy, compared to the Fund that has an active security selection and active covered call option writing processes.

### Factors Affecting Fund Results

REITs have traded relatively flat during the Period, after showing signs of recovering in the fall of 2023 when the Fed suggested that the rate hike was nearing the end. Despite signs of potential rate declines, high interest rates are still weighing on the sector. However, the silver line that continued to support the sector was the emerging narrative around the U.S. economy experiencing a soft-landing, along with the market anticipation of coming rate cuts in the fall of 2024.

Within the sub-sectors, generally anything linked to the office real estate market area suffered relatively larger underperformance over the Period. The Fund generally targeted positions that are believed to have better credit quality, lower debt rollover risk, strong dividend coverage, and positions that generally have financial metrics associated with quality valuation factors. This had a positive impact to the Fund's performance with select holdings outperforming, namely office REIT Highwoods Properties. Some of the sunbelt markets they concentrate in are back to seeing growth, which has been a rarity in the office market. Meanwhile, data centers, residential and industrial (warehousing) related real estate generally performed well, in part driven by sub-sector specific secular drivers, such as the adoption of the cloud and increase in online shopping and artificial intelligence data demand needs driving performance of positions with exposure to these areas and themes.

There was one name that was removed and two names that entered the Fund during the Period, with no material impact or changes to the sub-sector, or strategic geographic allocations for the Fund during the Period.

The Fund remains diversified across sub-sectors, and styles, as well as throughout North America, Europe, and APAC. The Fund sold call options on the underlying holdings during the Period to meet its investment objectives.

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## 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 the Bank of Canada will continue to cut interest rates, while the U.S. Federal Reserve will start cuts in the fall, and that has been a source of bullishness for the 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.

High interest rates over shorter periods can be potentially negative for the real estate sectors. This is because rising interest rate costs can increase the cost of debt, which tends to be higher in the real estate sectors compared to many other sectors. Secondly, higher interest rates can be seen as competition for investors seeking to earn steady cash flows. While the interest rate environment appears to be stabilizing, it could be headed lower at least in the short-end of the curve. That could be a positive for the sector, but there is no assurance that the interest rates do not increase further in the future.

### 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 0.85%, 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 \$1,603 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 \$77,239 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 6,152 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</b>	\$ 6.29	\$ 6.60	\$ 10.41	\$ 8.79	\$ 10.27	\$ 8.89
<b>Increase (decrease) from operations</b>						
Total revenue	0.12	0.23	0.24	0.25	0.26	0.28
Total expenses	(0.04)	(0.08)	(0.09)	(0.12)	(0.15)	(0.25)
Realized gains (losses) for the period	0.01	(0.56)	(1.00)	0.39	(0.72)	0.54
Unrealized gains (losses) for the period	(0.09)	0.65	(2.30)	1.81	(0.01)	1.39
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$ -	\$ 0.24	\$ (3.15)	\$ 2.33	\$ (0.62)	\$ 1.96
<b>Distributions<sup>2</sup></b>						
From net investment income (excluding dividends)	(0.08)	(0.16)	(0.15)	(0.14)	(0.10)	(0.04)
From capital gains	-	-	-	(0.18)	-	(0.29)
Return of capital	(0.19)	(0.39)	(0.40)	(0.23)	(0.45)	(0.22)
<b>Total annual distributions<sup>2</sup></b>	\$ (0.27)	\$ (0.55)	\$ (0.55)	\$ (0.55)	\$ (0.55)	\$ (0.55)
<b>Net assets - end of the period<sup>1</sup></b>	\$ 5.94	\$ 6.29	\$ 6.60	\$ 10.41	\$ 8.79	\$ 10.27

RATIOS AND SUPPLEMENTAL DATA	2024	2023	2022	2021	2020	2019
<b>Total net asset value (000's)</b>	\$ 17,525	\$ 12,572	\$ 12,204	\$ 16,142	\$ 8,131	\$ 5,647
Number of units outstanding (000's)	2,950	2,000	1,850	1,550	925	550
Management expense ratio <sup>3</sup>	0.99%	0.99%	0.99%	0.99%	1.36%	2.48%
Management expense ratio before waivers or absorptions <sup>3</sup>	2.01%	2.03%	1.85%	2.01%	2.99%	3.99%
Trading expense ratio <sup>4</sup>	0.34%	0.29%	0.24%	0.39%	0.56%	0.12%
Portfolio turnover rate <sup>5</sup>	14.43%	58.12%	51.67%	68.03%	84.19%	45.02%
<b>Net asset value per unit</b>	\$ 5.94	\$ 6.29	\$ 6.60	\$ 10.41	\$ 8.79	\$ 10.27
<b>Closing market price (HGR)</b>	\$ 5.93	\$ 6.32	\$ 6.61	\$ 10.40	\$ 8.83	\$ 10.26

### 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.
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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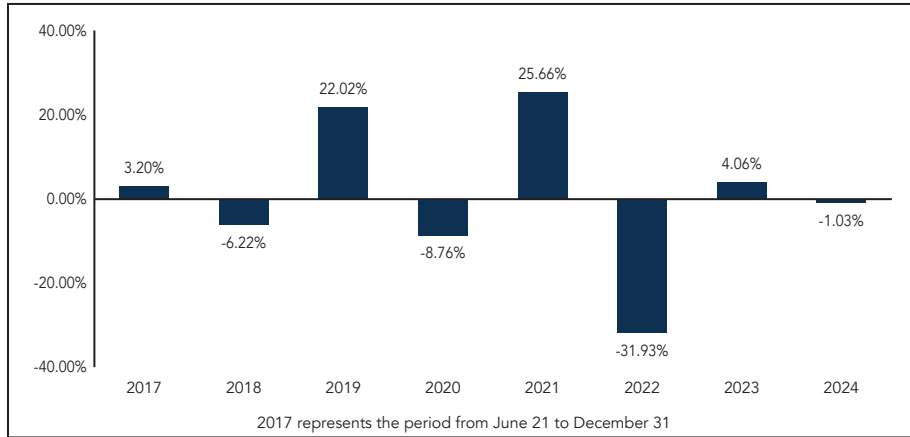
## PAST PERFORMANCE

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
Mid-America Apartment Communities, Inc.	5.6
Agree Realty Corporation	5.3
Regency Centers Corporation	5.3
American Tower Corporation	5.3
Digital Realty Trust, Inc.	4.4
Invitation Homes Inc.	4.3
Sun Communities, Inc.	4.3
UDR, Inc.	4.1
Choice Properties Real Estate Investment Trust	4.0
Public Storage	3.9
STAG Industrial, Inc.	3.6
Healthpeak Properties, Inc.	3.5
Keppel DC REIT	3.5
CapitaLand Ascendas REIT	3.4
Safestore Holdings PLC	3.3
Merlin Properties SOCIMI, S.A.	3.3
PSP Swiss Property AG	3.3
Camden Property Trust	3.2
Highwoods Properties, Inc.	3.1
Realty Income Corporation	3.0
The Unite Group PLC	2.9
Crown Castle Inc.	2.9
Simon Property Group, Inc.	2.8
Prologis, Inc.	2.5
Alexandria Real Estate Equities, Inc.	2.4
<b>Total</b>	<b>93.2</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).

## SECTOR ALLOCATION

Sector	% of Net Asset Value
Real Estate	97.7
Cash and other assets and liabilities	2.3
Foreign currency forward contracts	0.2
Options	(0.2)
<b>Total</b>	<b>100.0</b>

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## GEOGRAPHIC ALLOCATION

Country of Risk	% of Net Asset Value
United States	69.6
United Kingdom	8.5
Singapore	6.9
Canada	4.0
Spain	3.3
Switzerland	3.3
Cash and other assets and liabilities	2.3
Australia	2.1
Foreign currency forward contracts	0.2
Options	(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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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' and 'ETFs' text.

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