

# Harvest Healthcare Leaders Enhanced Income ETF

June 30, 2024

Interim Management Report of Fund Performance



# Harvest Healthcare Leaders Enhanced 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 Healthcare Leaders Enhanced 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 utilizes approximately 25% leverage to provide 1.25 times exposure to Harvest Healthcare Leaders Income ETF ("Underlying ETF" or "HHL") with the investment objective of providing unitholders with high monthly cashflow and an opportunity for capital appreciation.

HHL invests in equity securities of companies that are determined by the Manager of the Fund to be leaders in the healthcare sector and sells covered call options on up to 33% of its holdings with the investment objective to generate monthly cashflow 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.

The Fund is considered an alternative mutual fund within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to invest in other alternative mutual funds, borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the Fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which an investment decreases in value.

## 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 MSCI World Health Care Net Total Return Index (USD)<sup>±</sup> for the Period is as follows:

	Return %
Class A	9.41
MSCI World Health Care Net Total Return Index (USD) <sup>±</sup>	7.99

Below is a discussion of the results of operations of HHL during the Period.

The primary reason for the divergence is that the index is market-capitalization weighted, holds international positions that are priced in foreign currencies without a currency hedge, has a larger number of holdings, holds companies that do not have liquid options, does not use covered calls and is a passive index, compared to HHL that has an active security selection and active covered call option writing processes.

### Factors Affecting Fund Results

For this Period, the Health Care sector posted strong positive returns, albeit they lagged the broader market. The broader market was, in part, heavily skewed by strong performance mainly towards Technology, Communications and select Consumer Discretionary stocks.

Within HHL, individual stocks did not perform uniformly, due to certain stock specific catalysts that drove their relative performance. The difference between the top and bottom performers was very wide within sub-sectors and among individual stocks. For example, both the top performing stock and the bottom performing stock in the Fund were once again from the pharmaceutical sectors. There were no material changes to the sub-sector allocations for HHL during the Period outside of market movements and rebalancing.

Across the Health Care sector, clinical trial results for diabetes and weight loss treatments highlighted the potential for a very large market and benefitted the top performing position in the Fund, Eli Lilly and Company, a market leader in this therapeutic area. In addition, several of the medical equipment manufacturers benefited from the momentum behind the positive sentiment that commenced in the fourth quarter of 2023. That resulted in several of HHL's holdings being amongst the best performing stocks during the Period.

On the other hand, Bristol-Myers Squibb Company saw increased competition coupled with concerns surrounding loss of exclusivity in certain drugs later in the decade. Zoetis Inc., one of the world's largest animal health companies, had concerns surrounding a weakening consumer and its impact on companion animal spending coupled with some concerns surrounding new product launches.

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The varied underlying performance and key stock catalysts highlight the benefits of diversification while still being somewhat concentrated in an actively managed portfolio of 20 large capitalization stocks. HHL remains diversified across Health Care Equipment & Supplies, Pharmaceuticals, Life Sciences Tools & Services, Biotechnology, and Health Care Providers & Services.

HHL sold call options on the underlying holdings during the Period to meet its investment objectives.

## 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 and the Health Care sector 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.

Regardless of the shorter-term macro environment, the primary long-term drivers for the Health Care sector over the medium-longer term remain intact: global aging populations, developing markets, and technological innovation (both across devices and bio/pharmaceutical drugs). These medium- to longer-term drivers form the basis of our positive view on the sector. It is also well positioned to withstand some of the shorter-term macro uncertainty that may persist and remains positioned to participate in the upside recovery as the breadth of participation continues to expand across the broader 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.

### Other

On June 25, 2024, the Manager announced an increase to the monthly distribution amount from \$0.0913 per unit per month to \$0.0934 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 ETF held by the Fund will pay management fees and incur operating and trading expenses. The Fund invests in an ETF that is managed by the Manager. With respect to such investment, no management fees or incentive fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by such Underlying ETF for the same service. The Underlying ETF 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.

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## 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 \$3,274 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 \$83,458 of expenses of the Fund for the Period. The Manager may cease doing so at any time without notice to unitholders.

The Manager absorbed \$179,401 of expenses of the Underlying ETF for the Period.

## 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 1,907 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.

## LOAN PAYABLE

The Fund has entered into prime broker agreements with wholly owned subsidiaries of Canadian chartered banks (the "Prime Brokers") in order to facilitate borrowing for the purpose of investing in accordance with its investment strategy. The Fund may borrow against collateral on deposit with the Prime Brokers with such borrowing being repayable on demand. Interest is payable on any borrowings at a variable rate of interest that is calculated daily and payable monthly. The interest incurred during the Period is presented as interest expense on the Statement of Comprehensive Income (Loss) in the financial statements.

The table below summarizes the minimum and maximum amount borrowed under the agreement, the interest incurred, and the range of variable rate of interest during the Period:

For the period ended	June 30, 2024
Minimum amount borrowed	\$5,992,147
Maximum amount borrowed	\$9,319,589
Interest expense	\$218,058
Range of variable rate of interest	5.30% - 5.55%

The Fund may borrow up to 33% but intends to borrow approximately 25% of its net asset value at any given time. The amount of borrowing and the percentage of the net asset value of the Fund as at June 30, 2024 are as follows:

As at	June 30, 2024
Amount of borrowing	\$9,296,243
Amount borrowed as % of net assets	25.5%
Market value of Underlying ETF held as collateral at Prime Broker	\$34,620,764

## 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
<b>Net assets - beginning of the period<sup>2</sup></b>	<b>\$ 10.10</b>	<b>\$ 10.55</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations</b>			
Total revenue	0.02	0.12	0.02
Total expenses	(0.07)	(0.15)	(0.02)
Realized gains (losses) for the period	0.31	0.67	0.04
Unrealized gains (losses) for the period	0.62	0.43	0.40
<b>Total increase (decrease) from operations<sup>1</sup></b>	<b>\$ 0.88</b>	<b>\$ 1.07</b>	<b>\$ 0.44</b>
<b>Distributions<sup>3</sup></b>			
From net investment income (excluding dividends)	-	(0.02)	-
From capital gains	-	(0.46)	-
Return of capital	(0.55)	(0.62)	(0.18)
<b>Total annual distributions<sup>3</sup></b>	<b>\$ (0.55)</b>	<b>\$ (1.10)</b>	<b>\$ (0.18)</b>
<b>Net assets - end of the period<sup>1</sup></b>	<b>\$ 10.49</b>	<b>\$ 10.10</b>	<b>\$ 10.55</b>

RATIOS AND SUPPLEMENTAL DATA	2024	2023	2022
<b>Total net asset value (\$000's)</b>	<b>\$ 36,456</b>	<b>\$ 24,751</b>	<b>\$ 3,164</b>
Number of units outstanding (000's)	3,475	2,450	300
Management expense ratio <sup>4</sup>	2.50%	2.59%	1.94%
Management expense ratio excluding the cost of financing <sup>4</sup>	1.11%	1.24%	1.18%
Management expense ratio before waivers or absorptions <sup>4</sup>	3.06%	3.37%	11.28%
Trading expense ratio <sup>5</sup>	0.08%	0.10%	0.14%
Portfolio turnover rate <sup>6</sup>	6.58%	44.72%	13.47%
<b>Net asset value per unit</b>	<b>\$ 10.49</b>	<b>\$ 10.10</b>	<b>\$ 10.55</b>
<b>Closing market price (HHLE)</b>	<b>\$ 10.48</b>	<b>\$ 10.10</b>	<b>\$ 10.55</b>

### Explanatory Notes:

- 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.
- Net assets, at the commencement of operations on October 20, 2022 was \$10.00.
- 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.
- Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) and the proportionate share of the Underlying ETF's related expenses of the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.
- 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.
- 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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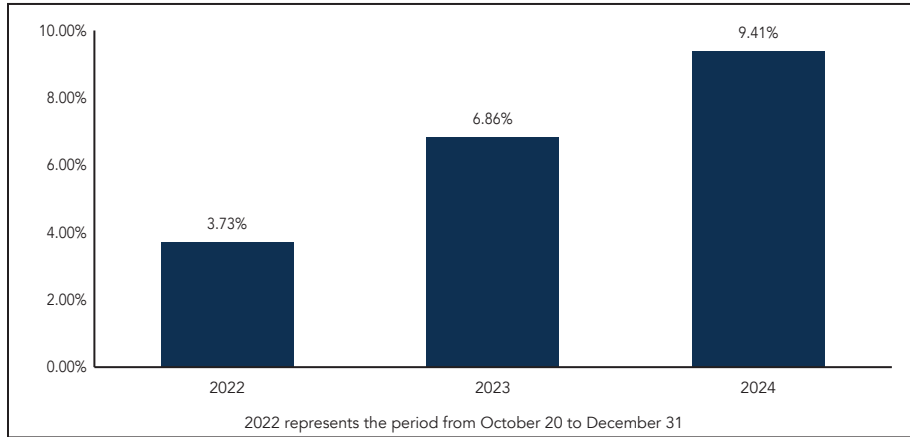
## PAST PERFORMANCE

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.

Information presented is for the Underlying ETF in which the Fund primarily invests.

**As at June 30, 2024**

Top Holdings	% of Net Asset Value
Eli Lilly and Company	5.4
Zoetis Inc., Class A	5.3
Amgen Inc.	5.2
Intuitive Surgical, Inc.	5.2
Novartis AG ADR	5.2
AbbVie Inc.	5.1
Regeneron Pharmaceuticals, Inc.	5.1
Boston Scientific Corporation	5.0
UnitedHealth Group Incorporated	5.0
AstraZeneca PLC ADR	5.0
Elevance Health, Inc.	4.9
Stryker Corporation	4.9
Medtronic PLC	4.8
Johnson & Johnson	4.7
Abbott Laboratories	4.7
Thermo Fisher Scientific Inc.	4.7
Merck & Co., Inc.	4.7
Danaher Corporation	4.7
Bristol-Myers Squibb Company	4.7
Agilent Technologies, Inc.	4.6
Harvest Canadian T-Bill ETF, Class A Unit	1.1
Foreign currency forward contracts	0.1
Cash and other assets and liabilities	0.3
Options	(0.4)
<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 ETF are available at [www.harvestetfs.com](http://www.harvestetfs.com) or [www.sedarplus.ca](http://www.sedarplus.ca).

## SECTOR ALLOCATION

Information displayed is for the Underlying ETF in which the Fund primarily invests.

Sector	% of Net Asset Value
Health Care	98.9
Money Market ETF	1.1
Cash and other assets and liabilities	0.3
Foreign currency forward contracts	0.1
Options	(0.4)
<b>Total</b>	<b>100.0</b>

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## GEOGRAPHIC ALLOCATION

Information displayed is for the Underlying ETF in which the Fund primarily invests.

Country of Risk	% of Net Asset Value
United States	88.7
Switzerland	5.2
United Kingdom	5.0
Canada	1.1
Cash and other assets and liabilities	0.3
Foreign currency forward contracts	0.1
Options	(0.4)
<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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