



Harvest Microsoft Enhanced High Income Shares ETF

Management Report of Fund Performance

December 31, 2024



Harvest Microsoft Enhanced High Income Shares ETF

PRESIDENT'S MESSAGE

Unitholder Letter March 2025

Dear Valued Investor,

Thank you for placing your trust and confidence in Harvest's investment products through 2024. Harvest ETFs invests in strong, industry-leading companies, and in secular trends. That philosophy has held strong in our ETFs and funds through the past year. We will remain committed to this philosophy going forward.

In 2024, Harvest Portfolios Group Inc. celebrated its 15th year in business. On October 23, 2009, we launched our first income-oriented equity fund – The Harvest Banks & Buildings Income Fund. It was a market traded closed-end fund at the time. Banks and REITs offered some exceptional yields at the tail end of the financial crisis. This would form the basis of Harvest's first monthly income fund. Today, it is a small mutual fund but has a steady 15-year track record of consistent monthly income.

Our company has been a steadfast equity investor. Back in late September of 2023, we expanded into the fixed income space launching two fixed income covered call ETFs that provided exposure to high-quality treasury securities, which have done well with investors. Our focus as an equity investor is grounded in taking advantage of the long-term growth in capital markets, major industries, and the growth of well-positioned and managed companies. Using our finely tuned and time-tested covered call option writing strategy we aim to generate predictable, consistent, and high levels of income for unitholders in both our Equity Income and Fixed Income ETFs.

2024 saw long-term bond rates rise more than expected due to U.S. inflationary pressures. The biggest takeaway over the past year is that expectations can change quickly and significantly over a relatively short period of time in the market. For Harvest covered call treasury ETFs, large movements in the yield curve have been challenging as the funds have longer duration exposure. However, Harvest's approach reiterates that the consistent cash flow is a critical component when bond markets are volatile. This can provide a tactical advantage during times of extreme rate movements, as portfolio managers can write more options, or less options, depending on market dynamics.

Equity markets shined through 2024, finishing in the black for the second year in a row with a 20% upward movement. That was despite a negative December 2024, where the market was impacted by many factors, including tax loss selling and policy rhetoric.

In 2024 we added yet another new category to our product lineup with the launch of Harvest High Income Shares ETFs. High Income Shares ETFs are single stock ETFs that offer exposure to top U.S. companies. These ETFs are overlaid with an active covered call strategy and seek to generate high levels of monthly income.

Harvest ETFs was again honoured the LSEG Lipper Funds Awards Canada 2024 Winner, Harvest Tech Achievers Growth & Income ETF as Best Sector Equity Fund Over 5 Years (Class U) and Best Sector Equity Fund Over 3 Years (Class B). This is the third year in a row as winner of this award. This ETF also announced the 5th and 6th distribution increase in its history.

Today, Harvest manages \$5.5 billion for Canadian investors across 45 ETF strategies with most of our products still built on long-term equity mandates with steady monthly income where we have now paid over \$1 billion of income to unitholders. We have built a 15-year pedigree of quality and award-winning products for Canadian investors and are proud of our track record.

Moving ahead to 2025, we remain steadfast to our philosophy of choosing long-term growth industries or mega-trends. Our outlook on these industries is framed by our orientation towards high quality companies and long-term trends.

Thank you again for your support and confidence in the Harvest team and our products. We will remain dedicated in our management and development of innovative and income generating products for many years to come.

Sincerely,

Signed "Michael Kovacs"

Michael Kovacs,

President and Chief Executive Officer



Harvest Microsoft Enhanced High Income Shares 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 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 annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Harvest Microsoft Enhanced High Income Shares ETF (the "Fund"). You can get a copy of the annual 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; or on SEDAR+ at 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's investment objective is to provide unitholders with high monthly cash flow and an opportunity for long-term capital appreciation on a levered basis through purchasing and holding the common stock of Microsoft Corporation ("Microsoft").

To achieve its investment objectives, the Fund purchases and holds up to 100% of its total assets (including assets acquired with borrowings) in the common stock of Microsoft and sells covered call options up to 50% of its holdings.

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 period from August 19, 2024 to December 31, 2024 (the "Period") that affected the overall level of risk of the Fund.

RESULTS OF OPERATIONS

Overall Performance

The Fund initially commenced operations on August 19, 2024 with 100,000 Class A units at \$12.00 for proceeds of \$1,200,000 and 100,000 Class U units at \$12.00 USD for proceeds of \$1,200,000 USD and began trading following the listing of its units on August 21, 2024. Performance information is not available for periods less than one year.

Factors Affecting Fund Results

Launched in August of 2024, the Fund invests in shares of Microsoft and writes call options on up to 50% of these shares to generate cash flows. The Fund utilizes a modest amount of leverage, targeting about 25%, in order to enhance returns and the distribution yield when compared to the same portfolio without leverage.

Microsoft is a software company headquartered in the United States. The company is best known for its Windows operating system for personal computers and servers as well as its Microsoft Office suite of productivity software. In recent years the company's Azure infrastructure-as-a-service offering has become a key driver for the stock.

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 continue to cut interest rates further have been a reprieve for broader markets. Nonetheless, inflationary pressures and the potential for fewer interest rate cuts, or even the potential for interest rate increases, and expectations can change quickly based on economic data.

Uncertainty surrounding potential policy changes from the new U.S. administration, including tariffs and geopolitical trade relations, remains a source of negative sentiment and risk within the market. There is no certainty on what policy initiatives may actually be implemented by the incoming administration and this will likely continue to be a cloud overhanging broader markets through 2025.

Israel and Hamas reached an armistice that included a hostages/prisoners exchange on January 15, 2025, giving faint hope for cooling hostilities in that region to begin the year. Meanwhile, the new administration has vowed to work to end the costly war between Russia and Ukraine.



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2024 Market Review

For the Period, the broader U.S. equity markets recorded above average returns of more than 20%. This came on the back of the momentum from 2023, when the broader U.S. markets performed strongly. Back-to-back returns in the broader market of over 20% annually has only occurred a few times over the past 40+ years. Despite performing strongly, the U.S. markets did see some meaningful shorter-term corrections over the course of the review Period.

For the Period, the strong performance of the equity market was not uniform across sectors nor individual stocks. Information Technology and Communication Services posted the best returns of all sectors in the first six months of the Period. Within these two leading sectors, returns were highly concentrated in a few large companies. This saw market capitalization weighted indexes being heavily influenced by above average performance in a relatively small number of mega-cap stocks, particularly those perceived as beneficiaries of investment in artificial intelligence ("AI") focused infrastructure. While select large companies were a key driver of the overall market performance during the first half, owing to their strong relative performances and sizes, the breadth of participation across stocks and sectors expanded over the course of the Period with all the 11 main sectors in the U.S. posting positive returns.

In the Fixed Income market, U.S. Treasury 10-Year Bond Yields moved modestly higher early in 2024, bouncing back from over-sold conditions coming into the end of 2023. For the review Period, the fixed income market, like the equity market, was sensitive to any new data that signaled, or failed to signal, the end of the U.S. Federal Reserve (the "Fed") restrictive monetary policy. For example, in April, new data showed that inflation was still strong. This caused long-term bond yields to move higher and the equity market to pull back. In the months that immediately followed, new data showed that inflation was subsiding. This resulted in a reversal of the pullback in both the bond and equity markets.

As additional data was unveiled through the early fall, we saw stabilization across the economic data and validation through improving corporate earnings. Further, stronger earnings guidance gave rise to improved sentiment and a rebound in equities. Most notably, there was broader market participation across the various sub-sectors and within sub-sectors. Amidst the recovery in stocks and improving economic strength, there were growing inflationary metrics that triggered concerns that the Fed may reduce the number of interest rate cuts over the coming year. This put upward pressure on longer dated interest rates during this time.

Following the U.S. election results in early November, markets continued to move higher as the election results eliminated an uncertainty that had been prevalent in the market. However, that was quickly followed by rhetoric surrounding tariffs that instilled policy concerns across the market. This caused volatility in the equity markets at the end of the Period. Given the fact that many of the proposed tariff policies would likely be inflationary, this added to further speculation that inflation pressures will be forthcoming through 2025. It also served to push longer dated bond yields higher, and changed expectations for the number of Fed's cuts in interest rates expected during 2025. This caused bond prices across durations to come under pressure during the latter part of the Period.

With economic data moderating more quickly in Canada than the U.S., the Bank of Canada ("BoC") announced an interest rate cut in June. This was the first in four years, and the first G7 country to do so this economic cycle. The BoC continued to cut its overnight lending rate for a total of seven effective 0.25% cuts during the Period.

Geopolitical tensions worsened in key regions of the globe during the Period. Specifically, ongoing wars in Eastern Europe and in the Middle East were a source of headline risks during and post the end of the Period. The ongoing geopolitical tensions during the Period did provide some support to safe-haven assets such as gold and helped to keep global oil prices trading in relatively high ranges. However, the broader markets were less sensitive to the daily headlines compared to the previous years, even though these headlines remain a source of risks for them.

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 0.40%, plus applicable taxes, based on a percentage of the average daily net asset value ("NAV") of the Fund charged daily and paid monthly. However, the Fund may invest in an underlying ETF that will pay management fees and incur operating and trading expenses. If the Fund invests in ETFs that are managed by the Manager, 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, and reimburse the Fund accordingly with a Management Fee Distribution. As a result, the actual aggregate management fees indirectly payable to the Manager in respect of an investment in the Fund should be nil.

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 \$467 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 \$63,641 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.

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 December 31, 2024 officers and directors did not own units of the Fund.

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	December 31, 2024
Minimum amount borrowed	-
Maximum amount borrowed	\$3,598,409
Interest expense	\$42,083
Range of variable rate of interest	5.05% - 6.05%

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 December 31, 2024 are as follows:

As at	December 31, 2024
Amount of borrowing	\$3,596,311
Amount borrowed as % of net assets	26.8%
Market value of investments held as collateral at Prime Broker	\$10,779,909

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. This information is derived from the Fund's annual audited financial statements.

Class A

THE FUND'S NET ASSETS PER UNIT	2024
Net assets - beginning of the period²	\$ 12.00
Increase (decrease) from operations	
Total revenue	0.04
Total expenses	(0.09)
Realized gains (losses) for the period	0.17
Unrealized gains (losses) for the period	0.78
Total increase (decrease) from operations¹	\$ 0.90
Distributions³	
Return of capital	0.64
Total annual distributions³	\$ 0.64
Net assets - end of the period¹	\$ 12.07

RATIOS AND SUPPLEMENTAL DATA	2024
Total net asset value (000's)	\$ 10,563
Number of units outstanding (000's)	875
Management expense ratio ⁴	1.84%
Management expense ratio excluding the cost of financing ⁴	0.53%
Management expense ratio before waivers or absorptions ⁴	3.92%
Trading expense ratio ⁵	0.13%
Portfolio turnover rate ⁶	59.94%
Net asset value per unit	\$ 12.07
Closing market price (MSHE)	\$ 12.11

Class U (CAD)

THE FUND'S NET ASSETS PER UNIT	2024
Net assets - beginning of the period²	\$ 16.37
Increase (decrease) from operations	
Total revenue	0.04
Total expenses	(0.12)
Realized gains (losses) for the period	0.20
Unrealized gains (losses) for the period	0.98
Total increase (decrease) from operations¹	\$ 1.10
Distributions³	
Return of capital	0.89
Total annual distributions³	\$ 0.89
Net assets - end of the period¹	\$ 16.45

RATIOS AND SUPPLEMENTAL DATA	2024
Total net asset value (000's)	\$ 2,878
Number of units outstanding (000's)	175
Management expense ratio ⁴	1.84%
Management expense ratio excluding the cost of financing ⁴	0.51%
Management expense ratio before waivers or absorptions ⁴	3.93%
Trading expense ratio ⁵	0.13%
Portfolio turnover rate ⁶	59.94%
Net asset value per unit	\$ 16.45
Net asset value per unit (USD)	\$ 11.44
Closing market price - USD (MSHE.U)	\$ 11.45

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 August 19, 2024 was \$12.00 for Class A and \$12.00 USD for Class U.



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3. 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.
4. 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.
5. 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.
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 Fund's performance is not shown as National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.

Annual Compound Returns

The Fund's performance is not shown as National Instrument 81-106, the regulatory guideline for Continuous Disclosure, does not permit reporting of performance for any investment fund that has been in existence less than one year.



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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 annual audited financial statements.

As at December 31, 2024

Top Holdings	% of Net Asset Value
Microsoft Corporation	127.7
Options	(0.0)
Net other liabilities	(27.7)
Total	100.0

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.



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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.





Harvest
HIGH INCOME SHARES

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

highincomeshares.com