

HDIV

**HAMILTON
ENHANCED
MULTI-SECTOR
COVERED CALL ETF**

Hamilton Enhanced Multi-Sector Covered Call ETF (HDIV:TSX)



HAMILTON ETFs
FINANCIAL SECTOR SPECIALISTS



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MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Hamilton Enhanced Multi-Sector Covered Call ETF (“HDIV” or the “ETF”) contains financial highlights and is included with the audited annual financial statements for the investment fund. You may request a copy of the investment fund’s audited annual financial statements, annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosures, at no cost, by calling (416) 941-9888, by writing to Hamilton Capital Partners Inc. (“Hamilton ETFs” or the “Manager”), at 70 York Street, Suite 1520, Toronto, Ontario, M5J 1S9, by visiting our website at www.hamiltonetfs.com or through SEDAR at www.sedar.com.

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 ETF may invest and the risks detailed from time to time in the ETF’s prospectus. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. 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 the ETF, 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 Manager 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.

Management Discussion of Fund Performance

Investment Objective and Strategy

The investment objective of HDIV is to provide attractive monthly income and long-term capital appreciation from a diversified, multi-sector portfolio of primarily covered call ETFs focused on Canada.

The ETF is offered for sale on a continuous basis by its prospectus in class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HDIV.

HDIV will use leverage in order to seek to achieve its investment objective. Leverage will be created through the use of cash borrowings or as otherwise permitted under applicable securities legislation.

HDIV seeks to achieve its investment objective by borrowing cash to invest in a diversified, multi-sector portfolio of primarily covered call exchange traded funds focused on Canada. HDIV may also hold cash and cash equivalents or other money market instruments in order to meet its obligations.

The maximum aggregate exposure of HDIV to cash borrowing, short selling and specified derivatives will not exceed approximately 25% of its NAV, such that its leverage ratio will not exceed approximately 125%, or 1.25x, of its NAV.



Management Discussion of Fund Performance (continued)

The Manager expects HDIV's holdings in aggregate to be diversified by sector, with an emphasis on yield, while considering the sector mix of the Canadian market and the universe of available related exchange traded funds. The Manager will review the portfolio holdings on an ongoing basis for possible additions, removals, or substitutions that in its discretion would be beneficial to HDIV and its Unitholders. At the holding level, the rationale for such additions, removals, or substitutions may include but not be limited to; (i) a change in the management fees or management expense ratio charged (net of any fee rebates); (ii) a change in distribution yield, either on an absolute level or relative to similar exchange traded funds; (iii) a change in the frequency by which it distributes income; (iv) a change in its investment objective; and/or (v) underperformance relative to similar sector exchange traded funds.

Risk

Investments in the units of the ETF can be speculative, involve a degree of risk and are suitable only for persons who are able to assume the risk of losing their entire investment. The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. **Prospective investors should read the ETF's prospectus and consider the full description of the risks contained therein before purchasing units.**

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's prospectus. A full description of each risk listed below may also be found in the prospectus. The prospectus is available at www.hamiltonetfs.com or from www.sedar.com, or by contacting Hamilton Capital Partners Inc. directly via the contact information on the back page of this document.

- Alternative mutual fund risk
- Leverage risk
- Aggressive investment technique risk
- No assurances on achieving investment objective
- Market risk
- Specific issuer risk
- Equity risk
- Short selling risk
- Legal and regulatory risk
- Cyber security risk
- Derivatives risk
- Corresponding net asset value risk
- Risk of suspended subscriptions
- Distributions risk
- Designated broker/dealer risk
- Reliance on key personnel
- Potential conflicts of interest
- Counterparty risk
- Cease trading of securities risk
- No ownership interest
- Exchange risk
- Early closing risk
- Redemption price
- Reliance on historical data risk
- Liquidity risk
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Fund of funds investment risk
- Exchange-traded funds risk
- Absence of an active market and lack of operating history
- Prime broker risk
- No guaranteed return
- Volatile market risk
- Foreign stock exchange risk
- Foreign markets risk

Results of Operations

For the year ended December 31, 2022, Class E units of the ETF returned -2.51%, when including distributions paid to unitholders. By comparison, the S&P/TSX 60 Index, a subset of the S&P/TSX Composite that includes 60 constituents representing Canadian large cap securities with a view to reflecting the sector mix of the S&P/TSX Composite, returned -6.24% for the same period, also on a total return basis.

Management Discussion of Fund Performance (continued)

Market Review

While equity markets broadly declined in 2022, the Canadian equity market's large exposure to the energy resulted in strong relative performance globally. Several headwinds weighed on investor sentiment during the year, beginning with Russia's invasion of Ukraine. Higher than expected inflation readings throughout the year lead global central banks to abruptly turn hawkish; the Bank of Canada raised its overnight lending rate by 400 bps over the year to 4.25%. The result was significant downward pressure on most asset classes, including equities, bonds, and real estate. One of the few bright spots in the year was commodities, which benefitted from supply chain challenges and strong demand after most countries ended pandemic-era lockdowns and re-opened their economies in 2022.

Portfolio Review

For the year ended December 31, 2022, the top contributors to the ETF's performance were CI Energy Giants Covered Call ETF, Harvest Healthcare Leaders Income ETF and Hamilton Enhanced Canadian Financials ETF. In contrast, the largest negative contributors were the Harvest Tech Achievers Growth & Income ETF, BMO Covered Call Canadian Banks ETF and BMO Covered Call Utilities ETF.

Following the ETF's change in investment objective (as described in the management proxy circular date May 6, 2022 and approved at a special meeting of unitholders on June 7, 2022), the ETF added the Hamilton Enhanced Canadian Financials ETF and sold the CI U.S. & Canada Lifeco Income ETF. In making this change, the ETF benefited from a reduction in fees, and more closely aligned its sector mix to that of the S&P/TSX 60 Index by increasing exposure to Canadian banks and insurers and eliminating its exposure to U.S. insurers.

Leverage

The ETF is classified as an "alternative mutual fund" as defined in National Instrument 81-102 ("NI 81-102"). As an alternative mutual fund, the ETF is permitted to lever its assets per the restrictions outlined in NI 81-102. The ETF measures leverage in terms of the total underlying notional value of the securities as a ratio of the total assets held by the ETF. Although NI 81-102 allows the ETF to use leverage of up to 300% of its net asset value ("NAV"), the maximum aggregate exposure of the ETF to cash borrowing, short selling and specified derivatives will not exceed approximately 25% of NAV. In order to ensure that a unitholder's risk is limited to the capital invested, the ETF's leverage is rebalanced in certain circumstances and when the leverage breaches certain bands. Specifically, the ETF's leverage ratio is rebalanced back to 1.25x of the ETF's NAV within two business days of the ETF's leverage being less than 1.23x or if the leverage is greater than 1.27x.

The table below indicates the minimum and maximum leverage ratio during the period ended December 31, 2022 and for the period ended December 31, 2021, as well the leverage at the end of the reporting period and as a percentage of the ETF's net assets.

| Year/Period Ended | Minimum Leverage | Maximum Leverage | Leverage as the end of the Reporting Period | Approximate Percent of Net Assets |
|--------------------------|-------------------------|-------------------------|--|--|
| December 31, 2022 | 1.224 : 1 | 1.273 : 1 | 1.249 : 1 | 124.94% |
| December 31, 2021 | 1.230 : 1 | 1.268 : 1 | 1.252 : 1 | 125.20% |



Management Discussion of Fund Performance *(continued)*

Other Operating Items and Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2022, the ETF generated gross comprehensive income from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of (\$2,951,354). This compares to \$5,279,006 for the period from when the ETF effectively began operations on July 19, 2021 to December 31, 2021. The ETF incurred management, operating and transaction expenses of \$3,085,432 (2021 – \$302,730) of which \$50,872 (2021 – \$60,523) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed \$18,876,995 to unitholders during the year (2021 – \$2,509,454).

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

Recent Developments

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Investment Objective Changes

On June 7, 2022, a special meeting of unitholders of the ETF was held to consider and vote upon a proposal to change the investment objective of the ETF, as outlined and described in the management proxy circular dated May 6, 2022, that was made available to unitholders. By a large margin, the unitholders of the ETF approved all matters relating to the investment objective changes, and accordingly, the investment objective changes took effect on or about July 1, 2022.

Related Party Transactions

Certain services have been provided to the ETF by related parties and those relationships are described below.

Manager, Trustee and Portfolio Adviser

The manager, trustee and portfolio adviser of the ETF is Hamilton Capital Partners Inc., 70 York Street, Suite 1520, Toronto, Ontario, M5J 1S9, a corporation incorporated under the laws of the Province of Ontario. The Manager has retained Horizons ETFs Management (Canada) Inc. (the "Administrator"), 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7 to provide assistance to the Manager in respect of certain aspects of the day-to-day administration of the ETF.

Any management fees paid to the Manager (described in detail on page 9) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2022 and 2021, are disclosed in the statements of financial position.



Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since it effectively began operations on July 19, 2021. This information is derived from the ETF's audited annual financial statements. Please see the first page for information on how you may obtain the annual or interim financial statements.

The ETF's Net Assets per Unit

| Year/Period ⁽¹⁾ | 2022 | 2021 |
|---|-----------------|---------------|
| Net assets, beginning of year/period | \$ 17.41 | 16.00 |
| Increase (decrease) from operations: | | |
| Total revenue | 0.61 | 0.32 |
| Total expenses | (0.25) | (0.08) |
| Realized gains for the year/period | 0.96 | 0.19 |
| Unrealized gains (losses) for the year/period | (1.81) | 1.25 |
| Total increase (decrease) from operations ⁽²⁾ | (0.49) | 1.68 |
| Distributions: | | |
| From net investment income (excluding dividends) | – | (0.01) |
| From dividends | (0.29) | (0.11) |
| From net realized capital gains | (0.95) | (0.53) |
| From return of capital | (0.25) | – |
| Total distributions ⁽³⁾ | (1.49) | (0.65) |
| Net assets, end of year/period ⁽⁴⁾ | \$ 15.49 | 17.41 |

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

2. Net assets per unit 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 financial period.

3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units.

4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.



Financial Highlights (continued)

Ratios and Supplemental Data

| Year/Period ⁽¹⁾ | 2022 | 2021 |
|---|-------------|-------------|
| Total net asset value (000's) | \$ 274,434 | 100,426 |
| Number of units outstanding (000's) | 17,712 | 5,769 |
| Management expense ratio excluding the costs of financing and proportion of expenses from underlying investment funds | 0.80% | 0.80% |
| Management expense ratio excluding the costs of financing | 1.69% | 1.85% |
| Management expense ratio ⁽²⁾⁽⁵⁾ | 2.39% | 2.09% |
| Management expense ratio before waivers and absorptions ⁽³⁾ | 2.57% | 2.35% |
| Trading expense ratio ⁽⁴⁾⁽⁵⁾ | 0.25% | 0.27% |
| Trading expense ratio excluding proportion of costs from underlying investment funds | 0.03% | 0.01% |
| Portfolio turnover rate ⁽⁶⁾ | 23.14% | 4.75% |
| Net asset value per unit, end of year/period | \$ 15.49 | 17.41 |
| Closing market price | \$ 15.49 | 17.42 |

1. This information is provided as at December 31 of the year/period shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year/period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as portfolio manager compensation, service fees and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at its discretion.
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 year/period.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year/period. Any management fees rebated for the purpose of avoiding duplication of fees are deducted from the ETF's total expenses.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year/period. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.



Financial Highlights (continued)

Management Fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in units of the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.65%, plus applicable sales taxes, of the net asset value of the ETF, calculated and accrued daily and payable monthly in arrears.

Any expenses of the ETF that are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

The table below details, in percentage terms, the services received by the ETF from the Manager in consideration of the management fees paid during the year.

| Marketing | Portfolio management fees, general administrative costs and profit | Waived/absorbed expenses of the ETF |
|------------------|---|--|
| - | 96% | 4% |

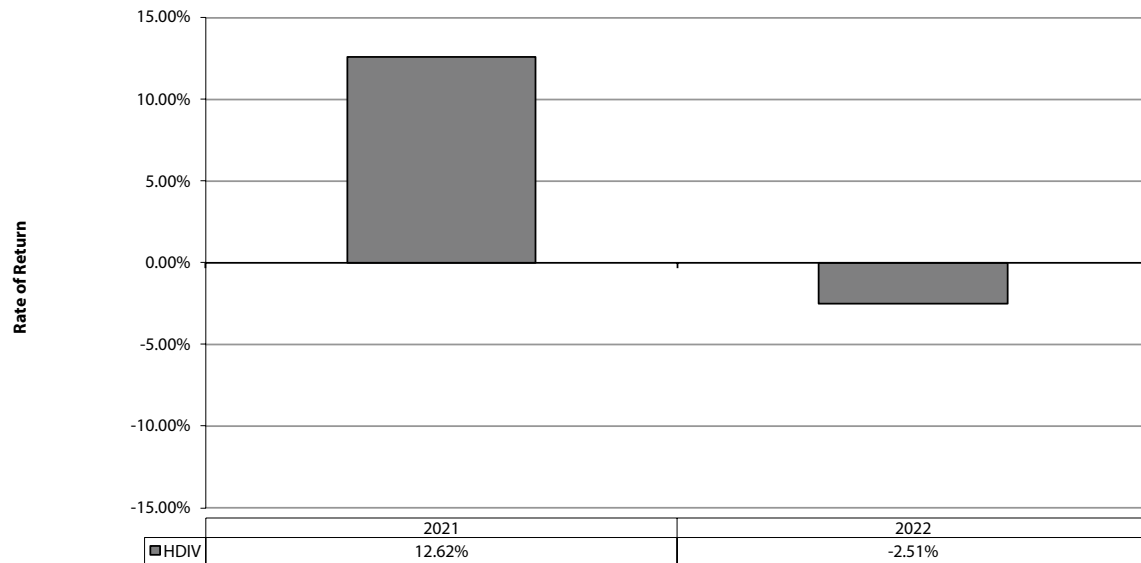


Past Performance

Commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions, and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the ETF is not guaranteed. Its value changes frequently and past performance may not be repeated. The ETF's performance numbers assume that all distributions, if any, are reinvested in additional units of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

The following chart presents the ETF's performance for the year/period shown, and illustrates how the performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on July 19, 2021.

**Past Performance** (continued)**Annual Compound Returns**

The following table presents the ETF's annual compound total return since inception to December 31, 2022, along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

| | 1 Year | Since Inception |
|---|---------------|------------------------|
| Hamilton Enhanced Multi-Sector Covered Call ETF | -2.51% | 6.65% |
| Solactive Multi-Sector Covered Call ETFs Index | -0.55% | 6.72% |
| S&P/TSX 60 Total Return Index™ | -6.24% | 2.07% |

The ETF effectively began operations on July 19, 2021. The annual compound returns table has included two indices for comparative purposes of the annual compound returns. The S&P/TSX 60 Total Return Index™ is a more appropriate broad-based market index as a result of the change in investment objectives further discussed above in the recent developments.

**Summary of Investment Portfolio**

As at December 31, 2022

| Asset Mix | Net Asset Value | % of ETF's Net Asset Value |
|-------------------------------|------------------------|---------------------------------------|
| Global Equities | \$ 192,137,653 | 70.01% |
| Canadian Equities | 150,659,794 | 54.90% |
| Cash and Cash Equivalents | 1,238,591 | 0.45% |
| Other Assets less Liabilities | (69,601,614) | -25.36% |
| | \$ 274,434,424 | 100.00% |

| Sector Mix | Net Asset Value | % of ETF's Net Asset Value |
|-------------------------------|------------------------|---------------------------------------|
| Financials | \$ 102,779,993 | 37.45% |
| Energy | 58,458,913 | 21.30% |
| Materials | 50,579,107 | 18.43% |
| Utilities | 47,879,801 | 17.45% |
| Health Care | 46,769,194 | 17.04% |
| Information Technology | 36,330,439 | 13.24% |
| Cash and Cash Equivalents | 1,238,591 | 0.45% |
| Other Assets less Liabilities | (69,601,614) | -25.36% |
| | \$ 274,434,424 | 100.00% |

| Top Holdings | % of ETF's Net Asset Value |
|--|---------------------------------------|
| CI Energy Giants Covered Call ETF | 21.30% |
| BMO Covered Call Canadian Banks ETF | 19.41% |
| Horizons Gold Producer Equity Covered Call ETF | 18.43% |
| Hamilton Enhanced Canadian Financials ETF | 18.04% |
| BMO Covered Call Utilities ETF | 17.45% |
| Harvest Healthcare Leaders Income ETF | 17.04% |
| Harvest Tech Achievers Growth & Income ETF | 13.24% |
| Cash and Cash Equivalents | 0.45% |

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent financial statements are available at no cost by calling (416) 941-9888, by writing to us at 70 York Street, Suite 1520, Toronto, Ontario, M5J 1S9, by visiting our website at www.hamiltonetfs.com or through SEDAR at www.sedar.com.



MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Hamilton Enhanced Multi-Sector Covered Call ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Hamilton Capital Partners Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using information available and include certain amounts that are based on the Manager's best estimates and judgements.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditor's report outlines the scope of their audit and their opinion on the financial statements.

Robert Wessel
Director
Hamilton Capital Partners Inc.

Jennifer Mersereau
Director
Hamilton Capital Partners Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hamilton Enhanced Multi-Sector Covered Call ETF (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, the statements of comprehensive income, changes in financial position and cash flows for the year ended December 31, 2022 and the period from inception on July 19, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and the period from inception on July 19, 2021 to December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ETF's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ETF's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ETF to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditor's report is Ziad Said.
Toronto, Canada
March 15, 2023



Statements of Financial Position

December 31, 2022 and 2021

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,238,591 | \$ 722,892 |
| Investments | 342,797,447 | 125,715,116 |
| Amounts receivable relating to accrued income | 2,027,633 | 473,560 |
| Amounts receivable relating to portfolio assets sold | – | 435,983 |
| Amounts receivable relating to securities issued | 778,630 | 1,743,862 |
| Amounts receivable from manager | 85,310 | – |
| Total assets | 346,927,611 | 129,091,413 |
| Liabilities | | |
| Loan facility payable (note 8) | 69,117,943 | 25,753,665 |
| Accrued management fees | 167,239 | 56,792 |
| Accrued operating expenses | 19,631 | 6,564 |
| Amounts payable for portfolio assets purchased | 971,482 | 2,182,036 |
| Distribution payable | 2,207,803 | 666,101 |
| Accrued interest expense | 9,089 | 598 |
| Total liabilities | 72,493,187 | 28,665,756 |
| Total net assets | \$ 274,434,424 | \$ 100,425,657 |
| Number of redeemable units outstanding (note 8) | 17,712,426 | 5,768,946 |
| Total net assets per unit | \$ 15.49 | \$ 17.41 |

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of the Manager:

Robert Wessel
Director

Jennifer Mersereau
Director

**Statements of Comprehensive Income**

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

| | 2022 | 2021 |
|--|-----------------------|---------------------|
| Income | | |
| Dividend income | \$ 7,181,337 | \$ 962,468 |
| Capital gains distributed from underlying fund | 11,127,691 | – |
| Management fee reimbursement | 280,619 | – |
| Securities lending income (note 7) | 20,755 | – |
| Net realized gain on sale of investments and derivatives | 531,555 | 577,013 |
| Net change in unrealized appreciation (depreciation) of investments and derivatives | (22,093,311) | 3,739,525 |
| | (2,951,354) | 5,279,006 |
| Expenses (note 9) | | |
| Management fees | 1,423,289 | 166,760 |
| Audit fees | 15,142 | 6,102 |
| Independent Review Committee fees | 5,239 | 3,590 |
| Custodial and fund valuation fees | 72,133 | 24,022 |
| Legal fees | 12,926 | 19,178 |
| Securityholder reporting costs | 65,712 | 11,850 |
| Administration fees | 46,792 | 13,753 |
| Interest expenses | 1,384,467 | 54,877 |
| Transaction costs | 59,698 | 2,588 |
| Other expenses | 34 | 10 |
| | 3,085,432 | 302,730 |
| Amounts that were payable by the investment fund that were paid or absorbed by the Manager | (50,872) | (60,523) |
| | 3,034,560 | 242,207 |
| Increase (decrease) in net assets for the year | \$ (5,985,914) | \$ 5,036,799 |
| Increase (decrease) in net assets per unit | \$ (0.49) | \$ 1.68 |

(See accompanying notes to financial statements)

**Statements of Changes in Financial Position**

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

| | 2022 | | 2021 | |
|---|-------------|--------------------|-------------|--------------------|
| Total net assets at the beginning of the year | \$ | 100,425,657 | \$ | – |
| Increase (decrease) in net assets | | (5,985,914) | | 5,036,799 |
| Redeemable unit transactions | | | | |
| Proceeds from the issuance of securities of the investment fund | | 197,758,040 | | 97,423,716 |
| Aggregate amounts paid on redemption of securities of the investment fund | | (17) | | – |
| Securities issued on reinvestment of distributions | | 1,113,653 | | 474,596 |
| Distributions: | | | | |
| From net investment income | | (3,698,025) | | (438,830) |
| From net realized capital gains | | (12,065,279) | | (2,070,619) |
| Return of capital | | (3,113,691) | | (5) |
| Total net assets at the end of the year | \$ | 274,434,424 | \$ | 100,425,657 |

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

| | 2022 | 2021 |
|---|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets for the year | \$ (5,985,914) | \$ 5,036,799 |
| Adjustments for: | | |
| Capital gains distributed from underlying fund | (11,127,691) | – |
| Net realized gain on sale of investments and derivatives | (531,555) | (577,013) |
| Net change in unrealized depreciation (appreciation) of investments and derivatives | 22,093,311 | (3,739,525) |
| Purchase of investments | (65,802,650) | (2,817,680) |
| Proceeds from the sale of investments | 82,321,460 | 2,767,718 |
| Amounts receivable relating to accrued income | (1,639,383) | (473,560) |
| Accrued expenses | 132,005 | 63,954 |
| Net cash from operating activities | 19,459,583 | 260,693 |
| Cash flows from financing activities: | | |
| Amount received from the issuance of units | (46,086,505) | (23,922,709) |
| Amount paid on redemptions of units | (17) | – |
| Distributions paid to unitholders | (16,221,640) | (1,368,757) |
| Loan facility | 43,364,278 | 25,753,665 |
| Net cash from (used in) financing activities | (18,943,884) | 462,199 |
| Net increase in cash and cash equivalents during the year | 515,699 | 722,892 |
| Effect of exchange rate fluctuations on cash and cash equivalents | – | – |
| Cash and cash equivalents at beginning of year | 722,892 | – |
| Cash and cash equivalents at end of year | \$ 1,238,591 | \$ 722,892 |
| | | |
| Interest received, net of withholding taxes | \$ 534,763 | \$ – |
| Dividends received, net of withholding taxes | \$ 5,092,501 | \$ 488,908 |

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2022

| Security | Shares/ Contracts | Average Cost | Fair Value |
|---|----------------------|-----------------------|-----------------------|
| GLOBAL EQUITIES (70.01%) | | | |
| Energy (21.30%) | | | |
| CI Energy Giants Covered Call ETF | 9,398,539 | \$ 54,359,000 | \$ 58,458,913 |
| Materials (18.43%) | | | |
| Horizons Gold Producer Equity Covered Call ETF | 2,037,016 | 52,546,483 | 50,579,107 |
| Health Care (17.04%) | | | |
| Harvest Healthcare Leaders Income ETF, Class 'A' | 5,689,683 | 47,038,616 | 46,769,194 |
| Information Technology (13.24%) | | | |
| Harvest Tech Achievers Growth & Income ETF, Class 'A' | 3,102,514 | 47,822,001 | 36,330,439 |
| TOTAL GLOBAL EQUITIES | | 201,766,100 | 192,137,653 |
| CANADIAN EQUITIES (54.90%) | | | |
| Financials (37.45%) | | | |
| BMO Covered Call Canadian Banks ETF | 2,947,454 | 58,913,386 | 53,260,494 |
| Hamilton Enhanced Canadian Financials ETF | 3,862,576 | 48,940,348 | 49,519,499 |
| | | 107,853,734 | 102,779,993 |
| Utilities (17.45%) | | | |
| BMO Covered Call Utilities ETF | 4,163,461 | 51,587,980 | 47,879,801 |
| TOTAL CANADIAN EQUITIES | | 159,441,714 | 150,659,794 |
| Transaction Costs | | (56,581) | |
| TOTAL INVESTMENT PORTFOLIO (124.91%) | | \$ 361,151,233 | \$ 342,797,447 |
| Cash and cash equivalents (0.45%) | | | 1,238,591 |
| Other assets less liabilities (-25.36%) | | | (69,601,614) |
| TOTAL NET ASSETS (100.00%) | | | \$ 274,434,424 |

(See accompanying notes to financial statements)



Notes to Financial Statements

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

1. REPORTING ENTITY

Hamilton Enhanced Multi-Sector Covered Call ETF (“HDIV” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust on July 8, 2021. The ETF effectively began operations on July 19, 2021. The address of the ETF’s registered office is: c/o Hamilton Capital Partners Inc., 70 York Street, Suite 1520, Toronto, Ontario, M5J 1S9.

The ETF is offered for sale on a continuous basis by its prospectus in class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) in Canadian dollars under the symbol HDIV. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

The investment objective of HDIV is to provide attractive monthly income and long-term capital appreciation from a diversified, multi-sector portfolio of primarily covered call ETFs focused on Canada.

Hamilton Capital Partners Inc. (“Hamilton ETFs” or the “Manager”) is the manager, trustee and portfolio adviser of the ETF. The Manager is responsible for implementing the ETF’s investment strategies.

Investment Objective Changes

On June 7, 2022, a special meeting of unitholders of the ETF was held to consider and vote upon a proposal to change the investment objective of the ETF, as outlined and described in the management proxy circular dated May 6, 2022, that was made available to unitholders. By a large margin, the unitholders of the ETF approved all matters relating to the investment objective changes, and accordingly, the investment objective changes took effect on or about July 1, 2022.

2. BASIS OF PREPARATION

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on March 15, 2023, by the Board of Directors of the Manager.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(iii) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the ETF’s functional currency.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments***(i) Recognition, initial measurement and classification***

The ETF is subject to IFRS 9, Financial Instruments (“IFRS 9”) for the classification and measurement requirements for financial instruments, including impairment on financial assets and hedge accounting.

This standard requires assets to be classified based on the ETF’s business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss (“FVTPL”). IFRS 9 requires classification of debt instruments, if any, based solely on payments of principal and interest and business model tests.

The ETF’s financial assets and financial liabilities are managed and its performance is evaluated on a fair value basis. The contractual cash flows of the ETF’s debt securities, if any, consist solely of principal and interest, however, these securities are neither held in held-to-collect, or held-to-collect-and-sell business models in IFRS 9.

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value (see below), with transaction costs recognized in the statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The ETF classifies financial assets and financial liabilities into the following categories:

- Financial assets mandatorily classified at fair value through profit or loss: debt securities, equity investments and derivative financial instruments
- Financial assets at amortized cost: all other financial assets
- Financial liabilities classified at fair value through profit or loss: derivative financial instruments and securities sold short, if any
- Financial liabilities at amortized cost: all other financial liabilities

(ii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the ETF has access at that date. The fair value of a liability reflects its non-performance risk.

Investments are valued at fair value as of the close of business on each day upon which a session of the TSX is held (“Valuation Date”) and based on external pricing sources to the extent possible. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their closing sale price. However, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. Short-term investments, including notes and money market instruments, are valued at amortized cost which approximates fair value.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also, the summary of fair value measurements in note 6.

Fair value policies used for financial reporting purposes are the same as those used to measure the net asset value (“NAV”) for transactions with unitholders.

The fair value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(iv) Specific instruments**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase.

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

The redeemable units are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units. They are classified as financial liabilities as a result of the ETF’s requirement to distribute net income and capital gains to unitholders.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs is recognized when earned.

Income from derivatives is shown in the statements of comprehensive income as net realized gain (loss) on sale of investments and derivatives; net change in unrealized appreciation (depreciation) of investments and derivatives; and, interest income for distribution purposes, in accordance with its nature.

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 7).

If the ETF incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated into the ETF's reporting currency using the exchange rate prevailing on the trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the year-end exchange rate. Foreign exchange gains and losses are presented as "Net realized gain (loss) on foreign exchange", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gain (loss) on sale of investments and derivatives" and "Net change in unrealized appreciation (depreciation) of investments and derivatives" in the statements of comprehensive income.

(d) Cost basis

The cost of portfolio investments is determined on an average cost basis.

(e) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets per unit in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations divided by the weighted average number of units of the ETF outstanding during the reporting year. For management fees please refer to note 9.

(f) Unitholder transactions

The value at which units are issued or redeemed is determined by dividing the net asset value of the class by the total number of units outstanding of that class on the Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the statements of changes in financial position.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

(g) Amounts receivable (payable) relating to portfolio assets sold (purchased)

In accordance with the ETF's policy of trade date accounting for sale and purchase transactions, sales/purchase transactions awaiting settlement, if any, represent amounts receivable/payable for securities sold/purchased, but not yet settled as at the reporting date.

(h) Net assets attributable to holders of redeemable units per unit

Net assets attributable to holders of redeemable units per unit is calculated by dividing the ETF's net assets attributable to holders of redeemable units by the number of units of the ETF outstanding on the Valuation Date.

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and any applicable transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The ETF may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates that the ETF has made in preparing the financial statements. See note 6 for more information on the fair value measurement of the ETF's financial instruments.

5. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the ETF's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the ETF's performance by employing professional, experienced portfolio advisors, by daily monitoring of the ETF's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units of the ETF. Significant financial instrument risks that are relevant to the ETF, and analysis thereof, are presented below.

Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the ETF's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at December 31, 2022 and December 31, 2021, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

As at December 31, 2022 and 2021, the ETF did not hold any long-term debt instruments and did not have any material exposure to interest rate risk.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has implemented internal risk management controls on the ETF which are intended to limit the loss on its trading activities.

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

| Comparative Index | December 31, 2022 | December 31, 2021 |
|--|--------------------------|--------------------------|
| Solactive Multi-Sector Covered Call ETFs Index | \$2,717,373 | \$38,981 |
| S&P/TSX 60 Total Return Index TM | \$2,518,235 | \$50,388 |

The correlation impact table has included two indices for comparative purposes of other market risk. The S&P/TSX 60 Total Return IndexTM is a more appropriate broad-based market index as a result of the change in investment objectives further discussed in Note 1.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables. The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statements of financial position. The ETF's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the ETF's prospectus and, when necessary, receiving acceptable collateral.

As at December 31, 2022 and 2021, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the ETF's reputation. Generally, liabilities of the ETF are due within 90 days. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed. The ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the ETF is considered minimal.

6. FAIR VALUE MEASUREMENT

Below is a classification of fair value measurements of the ETF's investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1: securities that are valued based on quoted prices in active markets.
- Level 2: securities that are valued based on inputs other than quoted prices that are observable, either directly as prices, or indirectly as derived from prices.
- Level 3: securities that are valued with significant unobservable market data.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at December 31, 2022 and 2021, in valuing the ETF's investments and derivatives carried at fair values:

| | December 31, 2022 | | | December 31, 2021 | | |
|---|--------------------|--------------|--------------|--------------------|--------------|--------------|
| | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) |
| Financial Assets | | | | | | |
| Exchange Traded Funds | 342,797,447 | – | – | 125,715,116 | – | – |
| Total Financial Assets | 342,797,447 | – | – | 125,715,116 | – | – |
| Financial Liabilities | – | – | – | – | – | – |
| Total Financial Liabilities | – | – | – | – | – | – |
| Net Financial Assets and Liabilities | 342,797,447 | – | – | 125,715,116 | – | – |

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period/year shown. In addition, there were no investments or transactions classified in Level 3 for the year ended December 31, 2022 and for the period ended December 31, 2021.

7. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102 – *Investment Funds* ("NI 81-102"). Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the period is disclosed in the ETF's statements of comprehensive income.

The aggregate closing market value of securities loaned and collateral received as at December 31, 2022 and 2021, was as follows:

| As at | Securities Loaned | Collateral Received |
|-------------------|-------------------|---------------------|
| December 31, 2022 | \$199,721 | \$209,707 |
| December 31, 2021 | – | – |

Collateral may comprise, but is not limited to, cash and obligations of or guaranteed by the Government of Canada or a province thereof; by the United States government or its agencies; by some sovereign states; by permitted supranational agencies; and short-term debt of Canadian financial institutions, if, in each case, the evidence of indebtedness has a designated rating as defined by NI 81-102.

Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the year ended December 31, 2022 and for the period ended December 31, 2021. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

| For the year/period ended | December 31, 2022 | % of Gross Income | December 31, 2021 | % of Gross Income |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Gross securities lending income | \$31,927 | | \$0 | |
| Lending Agents' fees: | | | | |
| Bank of New York Mellon | (11,172) | 34.99% | – | 0.00% |
| Net securities lending income paid to the ETF | \$20,755 | 65.01% | \$0 | 0.00% |

8. LEVERAGE

The ETF is classified as an “alternative mutual fund” as defined in National Instrument 81-102 (“NI 81-102”). As an alternative mutual fund, the ETF is permitted to leverage its assets per the restrictions outlined in NI 81-102. The ETF measures leverage in terms of the total underlying notional value of the securities as a ratio of the total assets held by the ETF. Although NI 81-102 allows the ETF to use leverage of up to 300% of its net asset value (“NAV”), the maximum aggregate exposure of the ETF to cash borrowing, short selling, and specified derivatives will not exceed approximately 25% of NAV. In order to ensure that a unitholder’s risk is limited to the capital invested, the ETF’s leverage is rebalanced in certain circumstances and when the leverage breaches certain bands. Specifically, the ETF’s leverage ratio is rebalanced back to 1.25x of the ETF’s NAV within two business days of the ETF’s leverage being less than 1.23x or if the leverage is greater than 1.27x.

The table below indicates the minimum and maximum leverage during the year ended December 31, 2022 and for the period ended December 31, 2021, as well as the leverage at the end of the reporting period and as a percentage of the ETF’s net assets.

| Year/Period Ended | Minimum Leverage | Maximum Leverage | Leverage as the end of the Reporting Period | Approximate Percent of Net Assets |
|--------------------------|-------------------------|-------------------------|--|--|
| December 31, 2022 | 1.224 : 1 | 1.273 : 1 | 1.249 : 1 | 124.94% |
| December 31, 2021 | 1.230 : 1 | 1.268 : 1 | 1.252 : 1 | 125.20% |

9. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class E units each of which represents an equal, undivided interest in the net assets of the ETF. Each unit entitles the owner to one vote at meetings of unitholders. Each unit is entitled to participate equally with all other units with respect to all payments made to unitholders, other than management fee distributions, whether by way of income or capital distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to units of the ETF. All units will be fully paid and non-assessable, with no liability for future assessments, when issued and will not be transferable except by operation of law.



Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

The redeemable units issued by the ETF provide an investor with the right to require redemption for cash at a value proportionate to the investor’s share in the ETF’s net assets at each redemption date and are classified as liabilities as a result of the ETF’s requirement to distribute net income and capital gains to unitholders. The ETF’s objectives in managing the redeemable units are to meet the ETF’s investment objective, and to manage liquidity risk arising from redemptions. The ETF’s management of liquidity risk arising from redeemable units is discussed in note 5.

On any Valuation Date, unitholders of the ETF may (i) redeem units of the ETF for cash at a redemption price per unit equal to 95% of the closing price for units of the ETF on the TSX on the effective day of the redemption, where the units being redeemed are not equal to a prescribed number of units (“PNU”) or a multiple PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units.

Units of the ETF are issued or redeemed on a daily basis at the net asset value per security that is determined as at 4:00 p.m. (Eastern Time) each Valuation Date. Purchase and redemption orders are subject to a 2:00 p.m. (Eastern Time) cutoff time on the business day on Valuation Date.

The ETF is required to distribute all of its income (including net realized capital gains) that it has earned in the year to such an extent that the ETF will not be liable for ordinary income tax thereon. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and any such amount distributed by the ETF will be paid as a “reinvested distribution”. Reinvested distributions on units of the ETF will be reinvested automatically in additional units of the ETF at a price equal to the net asset value per unit of the ETF on such day and the units of the ETF will be immediately consolidated such that the number of outstanding units of the ETF held by each unitholder on such day following the distribution will equal the number of units of the ETF held by the unitholder prior to the distribution. Reinvested distributions are reported as taxable distributions and used to increase each unitholder’s adjusted cost base for the ETF. Distributions paid to holders of redeemable units, if any, are recognized in the statements of changes in financial position.

Please consult the ETF’s most recent prospectus for a full description of the subscription and redemption features of the ETF’s units.

For the year ended December 31, 2022, and for the period ended December 31, 2021, the number of units issued by subscription, the number of units redeemed, the total and average number of units outstanding was as follows:

| Year/Period | Beginning Units Outstanding | Units Issued | Units Redeemed | Ending Units Outstanding | Average Units Outstanding |
|-------------|-----------------------------|--------------|----------------|--------------------------|---------------------------|
| 2022 | 5,768,946 | 11,943,481 | (1) | 17,712,426 | 12,196,519 |
| 2021 | – | 5,768,946 | – | 5,768,946 | 2,998,657 |

10. EXPENSES AND OTHER RELATED PARTY TRANSACTIONS

Management fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF;

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in units of the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.65%, plus applicable sales taxes, of the net asset value of the ETF, calculated and accrued daily and payable monthly in arrears.

Any expenses of the ETF that are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

In addition to the management fees, unless otherwise waived or absorbed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; administration costs; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; CDS Clearing and Depository Services Inc. fees; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; and withholding taxes.

The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

Management fee reimbursements

Where the ETF holds other exchange traded funds offered for sale by the Manager or its affiliates, the ETF may be reimbursed by such ETFs it has invested in for any management fees charged by those ETFs that would be considered as duplicating the management fees of the ETF.

11. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

Brokerage commissions paid on securities transactions may include amounts paid to related parties of the Manager for brokerage services provided to the ETF.

Research and system usage related services received in return for commissions generated with specific dealers are generally referred to as soft dollars.

Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

Total brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the year ended December 31, 2022, and for the period ended December 31, 2021, were as follows:

| Year/Period Ended | Brokerage Commissions Paid | Soft Dollar Transactions | Amount Paid to Related Parties |
|--------------------------|-----------------------------------|---------------------------------|---------------------------------------|
| December 31, 2022 | \$59,698 | \$nil | \$nil |
| December 31, 2021 | \$2,588 | \$nil | \$nil |

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both fees are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at December 31, 2022 and 2021, are disclosed in the statements of financial position.

The ETF may invest in other ETFs managed by the Manager or its affiliates, in accordance with the ETF's investment objectives and strategies. Such investments, if any, are disclosed in the schedule of investments.

12. INCOME TAX

The ETF has qualified as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act") and accordingly, is not taxed on the portion of taxable income that is paid or allocated to unitholders. As well, tax refunds (based on redemptions and realized and unrealized gains during the year) may be available that would make it possible to retain some net capital gains in the ETF without incurring any income taxes.

13. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2022 and 2021, the ETF has no net capital or non-capital losses available.

14. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. As at December 31, 2022 and 2021, the ETF did not have any financial instruments eligible for offsetting.

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in units of other ETFs as part of its investment strategies ("Investee ETF(s)"). The nature and purpose of these Investee ETFs generally, is to manage assets on behalf of third party investors in accordance with their investment objectives, and are financed through the issue of units to investors.

Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on July 19, 2021 to December 31, 2021

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 – Consolidated Financial Statements, and therefore accounts for investments it controls at fair value through profit and loss. The ETF's primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the ETF's prospectus to meet those objectives. The ETF also measures and evaluates the performance of any Investee ETFs on a fair value basis.

Investee ETFs over which the ETF has control or significant influence are categorized as subsidiaries and associates, respectively. All other Investee ETFs are categorized as unconsolidated structured entities. Investee ETFs may be managed by the Manager, its affiliates, or by third-party managers.

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at December 31, 2022 and 2021, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

| Investee ETF as at December 31, 2022 | Place of Business | Type | Ownership % | Carrying Amount |
|--|-------------------|------|-------------|-----------------|
| CI Energy Giants Covered Call ETF | Canada | SE | 17.94% | \$58,458,913 |
| BMO Covered Call Canadian Banks ETF | Canada | SE | 1.96% | \$53,260,494 |
| Horizons Gold Producer Equity Covered Call ETF | Canada | Assc | 22.62% | \$50,579,107 |
| Hamilton Enhanced Canadian Financials ETF | Canada | Sub | 64.9% | \$49,519,499 |
| BMO Covered Call Utilities ETF | Canada | SE | 2.74% | \$47,879,801 |
| Harvest Healthcare Leaders Income ETF | Canada | SE | 4.04% | \$46,769,194 |
| Harvest Tech Achievers Growth & Income ETF | Canada | SE | 11.90% | \$36,330,439 |

| Investee ETF as at December 31, 2021 | Place of Business | Type | Ownership % | Carrying Amount |
|---|-------------------|------|-------------|-----------------|
| CI Energy Giants Covered Call ETF | Canada | SE | 11.66% | \$19,531,459 |
| Harvest Tech Achievers Growth & Income ETF | Canada | SE | 7.95% | \$19,170,227 |
| BMO Covered Call Canadian Banks ETF | Canada | SE | 0.71% | \$18,137,142 |
| Harvest Healthcare Leaders Income ETF | Canada | SE | 2.24% | \$17,977,325 |
| CI US & Canada LifeCo Income ETF | Canada | SE | 13.80% | \$17,918,331 |
| BMO Covered Call Utilities ETF | Canada | SE | 1.16% | \$17,301,250 |
| Horizons Enhanced Income Gold Producers ETF | Canada | SE | 10.88% | \$15,679,382 |

16. COMPARATIVE FINANCIAL STATEMENTS

Certain information in the comparative notes to the financial statements for 2021 has been included to conform to the financial statement presentation adopted for 2022.

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