



Evolve ETFs

Evolve Marijuana Fund

June 30, 2019

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 161 Bay Street, Suite 2700, Toronto, ON, M5J 2S1 or by visiting our website at www.evolveetfs.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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Investment Objective and Strategies

The Evolve Marijuana Fund (the "Fund") seeks to provide holders of Units with long-term capital appreciation by actively investing in a diversified mix of equity securities of issuers that are involved in the marijuana industry.

Risk

There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

Results of Operations

For the six-month period ended June 30, 2019, the Fund's net asset value per non-hedged units returned 31.32%. The Fund's net assets were \$11.778MM as at June 30, 2019.

Portfolio Manager Commentary

Canadian cannabis stocks ended higher during the first quarter in spite of significant volatility but lost ground in the second quarter as a result of softer-than-expected sales, supply chain issues, missed revenue targets, and problems associated with compliance and corporate governance at selected companies.

The biggest decliner in the second quarter was CannTrust Holdings which ran into compliance problems with Health Canada for growing cannabis in unlicensed rooms. Aphria, Hexo Corp, Aurora Cannabis, Cronos Group and Canopy Growth Corp. also experienced significant declines.(i) Canopy Growth, for instance, blamed rising expenses for a larger-than-expected loss in its fiscal fourth-quarter results announced in June.

Industry consolidation which commenced last year, continued during the first half, evidenced by a spate of merger and acquisition transactions, as companies sought to build economies of scale. Among the largest transactions during the first half were Canopy's acquisition of 100% of the shares of New York-based Acreage Holdings Inc., a multi-state cannabis operator that has dispensaries, cultivation sites and processing facilities located across the U.S. for \$3.4 billion.

Aurora Cannabis Inc. also announced plans to acquire the remaining 48% of Hempco Food and Fiber Inc. that it does not already own through an exchange of shares;(ii) while in April Cannaccord Genuity Growth Corp., a special purpose acquisition company, completed its merger with Columbia Care, a New York-based vertically integrated cannabis business that operates in 14 U.S. states and territories, which subsequently became the first company listed on Canada's NEO exchange with a market capitalization of more than \$1 billion.

In June, Ontario's Alcohol and Gaming Commission announced that it will hold a lottery on August 20 to grant licences to 50 more cannabis stores starting in October, of which eight will be located on First Nations reserves through a separate licensing process. However, applicants will have to first show they have their finances and retail space in place prior to being granted a licence.(iii)

According to Statistics Canada's most recent quarterly survey published in May, an increasing number of Canadians are using cannabis. At the same time, illegal use of cannabis is declining. During this period, an estimated 38% of Canadian cannabis users obtained cannabis from the black market in the first three months of 2019, as opposed to 51% in the first three months of 2018.

However, a new report from accounting firm Deloitte predicted that Canadians are expected to increase their consumption of cannabis by up to 35% and spend as much as \$7 billion on legal and illegal sales in 2019. Between \$500M and \$1B of those sales expected to be illegal.(iv)

Incidentally, Canada's second wave of recreational legalization of marijuana will permit cannabis edibles for legal sale no later than Oct.17, 2019, according to Health Canada.(v) However, given that federal licence holders, must give 60 days' notice to Health Canada of their intent to sell the new products, the earliest they could hit the shelves would be mid-December. The edibles industry is expected to be worth \$4.1 billion in Canada and the United States by 2022, according to a report by a marijuana market research company called The Arcview.

A number of major licensed producers like Canopy Growth Corp., Quebec-based HEXO Corp. and CannTrust have already forged relationships with major companies in the food and beverage industries in order to prepare for the second wave of legalization. In June, Organigram Holdings Inc. announced an investment commitment of C\$15 million in a high capacity, high speed and fully automated chocolate line in anticipation of the legalization of adult use cannabis edibles. The production capacity of the plant is estimated to be around 4 million kilograms of premium chocolate cannabis edibles annually.(vi)

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Increasing use of cannabis has resulted in most of Canada suffering from a supply shortage of cannabis. In an attempt to address the shortage of cannabis, Health Canada announced in May that it is changing the way it issues cannabis licences in a move that will likely alleviate a bottleneck that observers attribute to a long-running shortage of legal pot in the country. Effective immediately, the regulator said that new applicants seeking to produce, sell or process cannabis must already have a fully built facility. Previously, applicants were only required to make a paper submission. Health Canada said it is making these changes after reviewing its existing process where more than 70% of applicants whose paperwork was approved over the last three years failed to provide evidence of having a cannabis facility that meets regulatory requirements.(vii)

In a move that removes uncertainty over changes in cannabis legislation due to a change in government, Conservative Leader, Andrew Scheer announced in June that legalized cannabis in Canada is here to stay, even if the Conservative Party is victorious in the country's federal elections this October.(viii)

Performance Attribution

The portfolio held a 42% exposure by weight to five of Canada's largest cannabis stocks – Aphria Inc., Aurora Cannabis Inc., Cronos Group Inc, Tilray Inc., and Canopy Growth Corp, plus Charlotte's Web, a US company which is the world's leading CBD brand by market share. The portfolio also had a 34% exposure by weight in emerging cannabis companies and a 24% weight in ancillary cannabis-related securities. The best performing stock during the month of June was Tilray Inc. Class 2 Common shares, which also made the largest contribution to the Fund's return, followed by Charlotte's Web. Aurora Cannabis Inc., was the largest holding by weight.

(i) <https://www.bnnbloomberg.ca/cannabis-canada-why-pot-stocks-saw-steep-declines-in-q2-1.1280464/>

(ii) <https://ca.finance.yahoo.com/news/aurora-cannabis-buy-remaining-interest-133229821.html/>

(iii) <https://www.cbc.ca/news/canada/toronto/ontario-cannabis-stores-1.5198257/>

(iv) <https://www.cbc.ca/news/canada/ottawa/cannabis-market-canada-research-deloitte-1.4690533/>

(v) <https://globalnews.ca/news/5096541/marijuana-cannabis-edibles-canada/>

(vi) <https://finance.yahoo.com/news/organigram-announces-investment-c-15m-113012324.html/>

(vii) <https://www.bnnbloomberg.ca/game-changer-health-canada-changes-cannabis-licensing-process-1.1255720/>

(viii) <https://www.bnnbloomberg.ca/cannabis-canada-why-pot-stocks-saw-steep-declines-in-q2-1.1280464/>

Recent Developments

There are no known changes at this time to the investment strategy of the Fund or the Manager.

Related Party Transactions

Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

Management Fees

The management fees are calculated based on 0.75% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2019, the Fund incurred \$48,232 in management fees. These management fees were received by Evolve Funds Group Inc. for the day-to-day operations of the fund, including managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the www.evolveetfs.com website, and providing all other services including marketing and promotion.

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Administration Fees

The administration fees are calculated based on 0.25% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2019, the Fund incurred \$16,235 in administration fees. These administration fees were received by Evolve Funds Group Inc. for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; Registrar and Transfer Agent and Custodian; any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; IRC committee member fees and expenses in connection with the IRC; expenses related to compliance with NI 81-107; fees and expenses relating to voting of proxies by a third party; insurance coverage for the members of the IRC; fees payable to the auditors and legal advisors of the Fund; regulatory filing, stock exchange and licensing fees and CDS fees; costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses; and legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the Fund's activities. The administration fee paid to the Manager by the Fund, in any particular period, be less than or exceed the operating expenses that the Manager incurs for that class.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the period indicated.

The Fund's Net Assets Per Unit¹

	June 30, 2019 (\$)	December 31, 2018 (\$)
For the periods ended:		
Unhedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	18.95	20.00
Increase (decrease) from operations:		
Total revenue	0.24	0.29
Total expenses	(0.21)	(0.49)
Realized gains (losses)	2.81	1.41
Unrealized gains (losses)	1.09	(1.91)
Total increase (decrease) from operations²	3.93	(0.70)
Distributions:		
From income (excluding dividends)	(0.90)	-
From dividends	-	(0.05)
Total annual distributions³	(0.90)	(0.05)
Net Assets per Unit, end of period	24.04	18.95

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2019, and the audited annual financial statements as at December 31, 2018. The Fund began operations on February 12, 2018.

2 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 period.

3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

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The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2019	December 31, 2018
Unhedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	11,778,295	6,916,304
Number of units outstanding ⁴	490,000	365,000
Management expense ratio ⁵	1.16%	1.13%
Trading expense ratio ⁶	0.45%	1.70%
Portfolio turnover rate ⁷	64.17%	233.14%
Net Asset Value per unit (\$)	24.04	18.95
Closing market price (\$)	24.11	18.96

4 This information is provided as at June 30, 2019 and December 31 for the other years shown.

5 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, 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 period.

6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

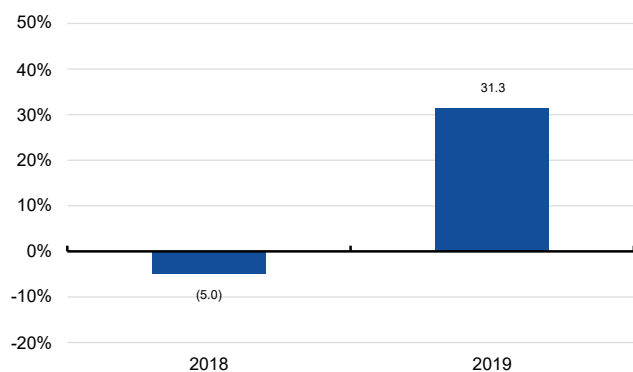
7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Past Performance

The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment Fund in the periods shown were reinvested in additional securities of the investment fund. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

SEED¹



1 The non-hedged class of the Fund effectively began operation on February 12, 2018.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Aurora Cannabis Inc.	14.8
Canopy Growth Corporation	9.2
Charlottes Web Holdings Inc.	5.4
Organigram Holdings Inc.	5.4
HEXO Corporation	5.0
Tilray Inc.	4.9
Cronos Group Inc.	4.9
Neptune Wellness Solutions Inc.	4.4
Valens Groworks Corporation	3.5
The Scotts Miracle-Gro Company, Class 'A'	2.8
CannTrust Holdings Inc.	2.8
The Supreme Cannabis Company Inc.	2.8
Aphria Inc.	2.6
CVS Health Corporation	2.5
KushCo Holdings Inc.	2.5
Loblaw Companies Limited	2.4
Canopy Rivers Inc.	2.4
GW Pharmaceuticals PLC	2.4
Molson Coors Brewing Company, Class 'B'	2.4
Constellation Brands Inc.	2.3
Weedmd Inc.	2.1
Khiron Life Sciences Corporation	1.9
Emerald Health Therapeutics Inc.	1.7
The Green Organic Dutchman Holdings Limited	1.4
Evolve Global Healthcare Enhanced Yield Fund - Hedged Units	1.3
Total	93.8

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Discretionary	14.1
Consumer Staples	11.5
ETFs - International Equity	2.5
Financials	2.4
Health Care	59.1
Industrials	2.5
Materials	2.8
Cash and Cash Equivalents	7.0
Other Assets, less Liabilities	(1.9)
Total	100.0

The summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund. Updates are available quarterly by visiting our website at www.evolveetfs.com.



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