



Evolve ETFs

Evolve Active Core Fixed Income 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 Active Core Fixed Income Fund (the "Fund") seeks to provide a stable rate of return, primarily through income, and to a lesser extent, capital appreciation. The Fund invests primarily in domestic and international high quality fixed income securities, and to a lesser extent, adding yield or enhancing returns on the portfolio by opportunistically investing in international fixed income securities, emerging market debt, preferred shares, convertible bonds and non-investment grade bonds.

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 unit returned 4.47%. Since the non-hedged A and F mutual fund classes were launched on June 4, 2019, no performance data can be shown. The Fund's net assets were \$28.329MM as at June 30, 2019.

Portfolio Manager Commentary

The economic weakness experienced at the end of 2018 carried on into the first quarter of 2019. Domestic growth has certainly slowed, weighed down by the combination of lower investment spending, slower household spending and a drop, in exports. Further weighing on growth were the usual suspects: global trade tensions and geopolitical uncertainties. Responding to these events, interest rates fell throughout the quarter. Shorter-dated yields dropped slightly more than longer-dated yields reflecting the growing sentiment that North American central banks had reached the end of their respective rate hiking cycles. The benchmark 10-year Government of Canada bond yield fell by approximately 40 basis points in the quarter and the two-year to 30-year yield spread widened by almost five basis points. Credit performed well as both provincial and corporate bonds exceeded the performance of federal bonds as risk assets in the financial markets rebounded from the weakness seen at the end of last year

Also, during Q1 2019 the credit markets saw a significant change in sentiment and spreads materially tightened across the curve and credit spectrum. The primary factors responsible for performance this quarter were security selection and the credit risk positioning of the fund. Our corporate bonds delivered solid performance relative to the index despite the relatively defensive positioning for the strategy. Even though risk assets (equities, corporate bonds, etc.) performed strongly to start the year, the preferred share market in Canada has been slower to rebound. When viewed with a longer-term investment time horizon we remained quite comfortable with an increased allocation to preferred shares as the asset class is attractively valued and offers a significant yield advantage over other fixed income options available in the market today. Overall portfolio strategy was little changed from the end of 2018. The fund continued to hold increased allocations to both corporate bonds and preferred shares compared to Q4 2018. While the domestic economy is moderating from the highs in previous years, we continue to expect to see growth in the near term which should work to support risk assets going forward.

The broader Canadian bond market had an eventful quarter as both rates and spreads experienced volatility. That being said, there are a number of variables that remain unchanged from the most recently released updates – a moderating global growth environment, subdued (but still positive) inflation profiles across the developed world, and a market obsessively focused on the short term news cycle trying desperately to decipher even the slightest of changes in ongoing trade tensions between global leaders. Corporate credit performed well over the course of the quarter; however, spreads were volatile as the market reacted to surprises on the global trade front. The provincial segment of the market performed well from a spread perspective but also from the rate move as the sector benefited from its long duration in a declining rate environment. With credit markets finishing the quarter strong and spreads tightening across both the curve and credit spectrum we have once again turned our attention to de-risking the portfolio. Our corporate bonds performed relatively well despite the relatively defensive positioning for the strategy

The preferred share market experienced renewed pessimism during the quarter as the credit environment weakened and concerns grew over the trade war eventually having a notable impact on growth. All that being said, the preferred share market was at historically low levels and offered yields and spreads that are exceptionally wide versus other income producing assets. When viewed with a longer-term investment time horizon we remain quite comfortable with our underlying investments in the Fund as well as with an increased allocation to the Fund itself as the asset class is attractively valued and offers a significant yield advantage over other fixed income options available in the market today. With the duration of the portfolio below that of the benchmark the declining interest rate environment was negative for performance. The benchmark 5-year Government of Canada bond yield finished Q2 down 13 basis points while the 30-year fell by 21.

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Overall portfolio strategy was little changed throughout the quarter. The Fund continued to hold increased allocations to both corporate bonds and preferred shares compared to 2018. While the domestic economy moderated from the highs in previous years, we continue to expect to see growth in the near term which should work to support risk assets going forward. Further, we remain confident in the credit quality of the individual investments we have made in each of these asset classes. Portfolio duration remained 1.5 years below the benchmark's duration as Foyston, Gordon & Payne Inc. ("FGP") continued to have an unfavourable long-term view of the bond market's risk/reward characteristics. FGP continued to believe that interest rates remain at a level inconsistent with Canada's economic fundamentals. The portfolio's duration positioning should perform well against its benchmark in a stable to rising rate environment, notwithstanding the Fund's credit exposure and security section being the driving factor in overall Fund performance over time.

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 0.45% 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 \$59,248 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.

Administration Fees

The administration fees are calculated based on 0.15% 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 \$23,504 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.

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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	19.37	20.01
Increase (decrease) from operations:		
Total revenue	0.35	0.48
Total expenses	(0.06)	(0.12)
Realized gains (losses)	0.07	(0.03)
Unrealized gains (losses)	0.47	(0.40)
Total increase (decrease) from operations²	0.83	(0.07)
Distributions:		
From income (excluding dividends)	(0.33)	(0.32)
From dividends	-	(0.01)
From capital gains	-	(0.01)
Return of capital	-	(0.16)
Total annual distributions³	(0.33)	(0.50)
Net Assets per Unit, end of period	19.88	19.37
Unhedged Class A - Net Assets per Unit		
Net Assets per Unit, beginning of period ⁴	20.00	-
Increase (decrease) from operations:		
Total revenue	0.03	-
Total expenses	(0.00)	-
Realized gains (losses)	0.06	-
Unrealized gains (losses)	0.16	-
Total increase (decrease) from operations²	0.25	-
Net Assets per Unit, end of period	20.25	-
Unhedged Class F - Net Assets per Unit		
Net Assets per Unit, beginning of period ⁴	20.00	-
Increase (decrease) from operations:		
Total revenue	0.03	-
Total expenses	(0.00)	-
Realized gains (losses)	0.07	-
Unrealized gains (losses)	0.18	-
Total increase (decrease) from operations²	0.28	-
Net Assets per Unit, end of period	20.28	-

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2019, and the audited financial statement as at December 31, 2018. The Fund began operations on March 29, 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.

4 This amount represents the initial launch price.

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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 (\$) ⁵	28,329,000	24,693,049
Number of units outstanding ⁵	1,425,000	1,275,000
Management expense ratio ⁶	0.61%	0.60%
Trading expense ratio ⁷	0.06%	0.18%
Portfolio turnover rate ⁸	14.39%	52.41%
Net Asset Value per unit (\$)	19.88	19.37
Closing market price (\$)	19.86	19.33
Unhedged Class A - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	20	-
Number of units outstanding ⁵	1	-
Management expense ratio ⁶	0.00%	-
Trading expense ratio ⁷	0.00%	-
Portfolio turnover rate ⁸	0.06%	-
Net Asset Value per unit (\$)	14.39	-
Closing market price (\$)	20.25	-
Unhedged Class F - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	20	-
Number of units outstanding ⁵	1	-
Management expense ratio ⁶	0.00%	-
Trading expense ratio ⁷	0.00%	-
Portfolio turnover rate ⁸	0.06%	-
Net Asset Value per unit (\$)	14.39	-
Closing market price (\$)	20.28	-

5 This information is provided as at June 30, 2019 and December 31, 2018.

6 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.

7 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.

8 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.

Since the non-hedged class A and F mutual fund classes with inception date June 4, 2019, has been in operation for less than one year, providing performance data for the period is not permitted.

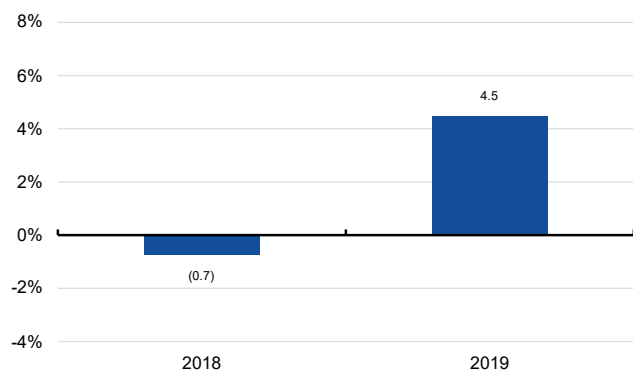
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Year-by-Year Returns

The bar chart below shows the Fund's annual performance for the periods shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day would have grown or decreased by the last day of the period.

FIXD¹



¹ The Fund effectively began operations on March 29, 2018.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Evolve Active Canadian Preferred Share Fund	11.5
Province of Ontario	3.9
Province of Saskatchewan	3.5
Canadian Western Bank, Variable, Callable	3.2
Province of British Columbia	3.1
Province of Alberta	3.1
Canada Housing Trust No. 1	3.1
The Empire Life Insurance Company, Variable, Callable	3.0
Bow Centre Street Limited Partnership	2.9
Canada Housing Trust No. 1	2.5
PSP Capital Inc.	2.3
Enbridge Pipelines Inc., Callable	2.2
Teranet Holdings Limited Partnership	2.1
CPPIB Capital Inc.	2.1
The Toronto-Dominion Bank, Variable, Callable	1.8
Fortis Inc.	1.8
Fifth Avenue Limited Partnership	1.8
Canada Housing Trust No. 1, Floating Rate	1.8
Royal Office Finance Limited Partnership, Series 'A'	1.7
Bell Canada Inc., Callable	1.6
Royal Bank of Canada, Variable, Callable	1.5
Original Wempi Inc.	1.5
Province of Alberta	1.5

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
TransCanada Pipelines Limited	1.4
Royal Bank of Canada	1.4
Total	66.3

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Asset-Backed Securities	2.1
Communication Services	3.5
Consumer Discretionary	4.7
Energy	5.9
Financials	30.6
Government	34.0
Industrials	1.8
Utilities	4.7
Equities	
ETFs - Domestic Equity	11.5
Cash and Cash Equivalents	1.2
Other Assets, less Liabilities	(0.0)
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.evolveeffs.com.



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