



Evolve ETFs

# Evolve Innovation Index 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](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://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

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The Evolve Innovation Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Innovation Index. The Solactive Global Innovation Index has been designed to reflect the performance of equity securities of companies listed domestically or internationally that are involved in innovative and disruptive trends across a broad range of industries.

## Risk

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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

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For the six-month period ended June 30, 2019, the Fund's net asset value per unit returned 23.53%. Since the 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 \$9.462MM as at June 30, 2019.

## Portfolio Manager Commentary

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The first half of the year was largely marked by positive developments in connectivity, big data, artificial intelligence (AI), cloud computing, robotics, automaton, cyber security, and social media. These developments led to strong first quarter earnings reports by several leading companies in their respective space.

In January, several automotive companies showcased innovative developments in vehicles of the future at the annual Consumer Electronics Show (CES) in Las Vegas. Audi highlighted the use of virtual reality in in-car entertainment; Bell unveiled a full-scale prototype of a vertical-takeoff-and-landing air taxi; Harley-Davidson revealed its first electric motor; Hyundai unveiled a science fiction-like design of a walking, van-like vehicle developed to help first responders travel over rough terrain; Nissan unveiled an improved version of its electric car, with a longer driving range and more torque; and Qualcomm highlighted its design to make vehicle-to-everything communication a reality.

There were several new developments in the AI space during the first half. In April, Google announced that it wants to position itself as an "AI first" company and plans to establish research centers across the globe in places such as Tokyo, Zurich, New York, and Paris. It opened its first center in Ghana, Africa.<sup>(i)</sup> Google also expanded its partnership with Salesforce in an attempt to create a smarter customer service experience by combining Salesforce's customer knowledge with Google's customer service-related AI products.<sup>(ii)</sup>

Salesforce announced in March that it is targeting an increase in revenue for 2023, driven by innovation in technology, including demand for AI. To achieve this, the company has introduced the next generation of its AI platform, Einstein.

Facebook also confirmed that it is working on an artificial intelligence-based digital voice assistant similar to Amazon's Alexa and Google Assistant. Facebook said it is focusing less on messaging and more on platforms in which hands-free interaction, via voice control and potentially gesture control, is paramount.<sup>(iii)</sup>

Amazon also indicated that it has moved its AI plans from hype to reality. In an interview with the health website Stat, Amazon's Taha Kass-Hout stated that the company sees big potential in developing AI tools for health. Incidentally, Amazon launched Comprehend Medical, a machine learning service for health information in 2018.

In March, U.S. chip supplier Nvidia Corp acquired Israeli chip designer Mellanox Technologies Ltd. in a deal that would help the firm boost its data center and artificial intelligence business. Nvidia provides chips to speed up artificial intelligence tasks such as teaching servers to recognize images while Mellanox makes chips that connect the servers inside the data center.<sup>(iv)</sup>

In the robotics space, the California-based chip-maker, NVIDIA opened its first full-blown robotics research lab and launched its new Jetson AGX Xavier Module that it hopes will become the go-to brain for next-generation robots.

In June, Google announced plans to bolster its cloud computing business by buying the data analytics start-up Looker for \$2.6 billion. The significant size of the deal, implies that Google intends to make a bigger push into the enterprise market, targeting specific industries like retail and finance.<sup>(v)</sup>

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New-York Sidewalk Labs LLC's controversial ambitions to build a futuristic city on Toronto's waterfront returned to the front burner in May. The urban innovation unit of Alphabet Inc., proposes to redevelop 350 derelict acres on the city's waterfront in return for a cut of property taxes, development charges and increased land values.

The popular social media platforms such as Facebook, Twitter, Instagram and YouTube have been identified as major avenues for cybercrime. According to a report published by the cybersecurity firm, Bromium, nearly 1 in 5 organizations worldwide are now infected by malware distributed by social media.(vi)

The Grand Committee on Big Data, Privacy and Democracy held in Ottawa in May, learned that artificial intelligence was at the heart of online toxicity, playing a major role in exacerbating the problems being blamed on large digital platforms. The committee deemed Facebook the number one public enemy.

In June, Facebook announced plans to launch a cryptocurrency called Libra, meant primarily to help unbanked and underbanked people participate in the financial system. While Facebook designed Libra under great secrecy, it intends to turn control over the cryptocurrency to a body of partners, including, non-profits, credit card companies and payment brokers, among others. Libra remains controversial and has not been widely accepted by the banking system.

Several companies held by the Fund during the first half reported better than expected earnings, including Zscaler Inc., Salesforce.com Inc., Broadcom Inc., Nvidia Corp., Palo Alto Networks Inc., Proofpoint, Fortinet Inc; SAP, Facebook Inc., Snap Inc., Twitter, and the biopharmaceutical company, BeiGene Ltd. On the other hand, Google's earnings were below estimates, while FireEye Inc.'s and Symantec Corp's were in line with estimates.

## Performance Attribution

The Fund tracks a benchmark index designed to expose investors to returns in six sectors: big data and cloud computing, robotics and automaton, cyber security, automotive innovation and social media, which together account for 87% of the weight of the portfolio in roughly equal individual segment weights; and genomics – which has a 13% weight.

(i) <https://www.cnn.com/2019/04/14/africa/google-ai-center-accra-intl/index.html>

(ii) <https://techcrunch.com/2019/04/10/salesforce-and-google-want-to-build-a-smarter-customer-service-experience/>

(iii) <https://www.theverge.com/2019/4/17/18412757/facebook-ai-voice-assistant-portal-oculus-vr-ar-products>

(iv) <https://ca.reuters.com/article/technologyNews/idCAKBN1QS197-OCATC>

(v) <https://www.cnbc.com/2019/07/03/david-marcus-facebook-wont-control-libra-cryptocurrency.html>

(vi) <https://www.cpomagazine.com/cyber-security/cyber-criminals-have-turned-social-media-cyber-crime-into-a-3-billion-business/>

## Recent Developments

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

## Related Party Transactions

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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 0.40% 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 \$20,272 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](http://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 0.15% 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 \$11,572 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 Unit<sup>1</sup>

	June 30, 2019 (\$)	December 31, 2018 (\$)
For the periods ended:		
<b>Hedged Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	17.35	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.08	0.11
Total expenses	(0.07)	(0.11)
Realized gains (losses)	0.16	(0.10)
Unrealized gains (losses)	3.23	(4.07)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.40</b>	<b>(4.17)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.01)	-
Return of capital	-	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>21.03</b>	<b>17.35</b>
<b>Hedged Class A - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period <sup>4</sup>	20.00	-
<b>Increase (decrease) from operations:</b>		
Total revenue	0.07	-
Total expenses	(0.00)	-
Realized gains (losses)	0.28	-
Unrealized gains (losses)	(0.94)	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.59)</b>	-
<b>Net Assets per Unit, end of period</b>	<b>19.41</b>	-

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## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

	June 30, 2019	December 31, 2018
	(\$)	(\$)
For the periods ended:		
<b>Hedged Class F - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period <sup>4</sup>	20.00	-
<b>Increase (decrease) from operations:</b>		
Total revenue	0.02	-
Total expenses	(0.00)	-
Realized gains (losses)	0.28	-
Unrealized gains (losses)	(0.96)	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.66)</b>	<b>-</b>
<b>Net Assets per Unit, end of period</b>	<b>19.34</b>	<b>-</b>

- 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 May 2, 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.

## The Fund's Ratios/Supplemental Data

	June 30, 2019	December 31, 2018
For the periods ended:		
<b>Hedged Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>5</sup>	9,461,695	11,280,089
Number of units outstanding <sup>5</sup>	450,000	650,000
Management expense ratio <sup>6</sup>	0.47%	0.60%
Trading expense ratio <sup>7</sup>	0.11%	0.15%
Portfolio turnover rate <sup>8</sup>	43.61%	20.34%
Net Asset Value per unit (\$)	21.03	17.35
Closing market price (\$)	21.03	17.37
<b>Hedged Class A - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>5</sup>	19	-
Number of units outstanding <sup>5</sup>	1	-
Management expense ratio <sup>6</sup>	0.00%	-
Trading expense ratio <sup>7</sup>	0.11%	-
Portfolio turnover rate <sup>8</sup>	43.61%	-
Net Asset Value per unit (\$)	19.41	-

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## The Fund's Ratios/Supplemental Data (cont'd)

For the periods ended:	June 30, 2019	December 31, 2018
<b>Hedged Class F - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$)⁵	19	-
Number of units outstanding⁵	1	-
Management expense ratio⁶	0.00%	-
Trading expense ratio⁷	0.11%	-
Portfolio turnover rate⁸	43.61%	-
Net Asset Value per unit (\$)	19.34	-

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

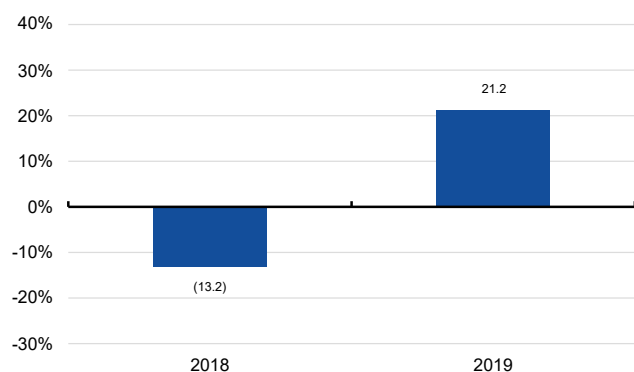
The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment 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.

## 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.

### EDGE¹



1 The Fund effectively began operations on May 2, 2018.

# Evolve Innovation Index Fund

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## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Evolve Cyber Security Index Fund	16.8
Evolve Automobile Innovation Index Fund	16.2
Array BioPharma Inc.	3.3
QUALCOMM Inc.	2.2
Paycom Software Inc.	2.1
SAP SE, ADR	2.0
Snap Inc.	2.0
Blueprint Medicines Corporation	2.0
Atlassian Corporation PLC, Class 'A'	2.0
OBIC Company Limited	1.9
Facebook Inc., Class 'A'	1.9
Advanced Micro Devices Inc.	1.8
ServiceNow Inc.	1.8
Open Text Corporation	1.8
Genmab AS	1.8
Mail.Ru Group Limited, GDR	1.8
Twitter Inc.	1.7
Workday Inc.	1.7
FANUC Corporation, ADR	1.7
Celgene Corporation	1.7
Yandex NV	1.6
Ipsen SA	1.6
Splunk Inc.	1.6
BeiGene Limited, ADR	1.6
Emerson Electric Company	1.6
<b>Total</b>	<b>76.2</b>

### Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	13.3
Consumer Discretionary	1.2
ETFs - International Equity	32.9
Health Care	18.0
Industrials	3.2
Information Technology	29.5
Derivative Assets	0.5
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	1.4
Other Assets, less Liabilities	(0.0)
<b>Total</b>	<b>100.0</b>

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](http://www.evolveetfs.com).



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