



Evolve ETFs

Evolve Active Global 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 Global Fixed Income Fund (the "Fund") seeks to generate positive returns throughout the interest rate and economic cycles, first by allocating to different credit asset classes, and also through bottom-up individual security selection. The Fund seeks to provide long term returns in excess of the 3-month U.S. dollar London Interbank Offered Rate ("LIBOR") by investing primarily in global debt securities of corporate issuers.

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

Since the Fund was launched on November 14, 2018, no performance data can be shown. The Fund's net assets were \$28.069MM as at June 30, 2019.

Portfolio Manager Commentary

June proved to be another strong month for credit, as the universe more than recovered the drawdown in May and reclaimed the strongest first half of a year since the Financial Crisis. While the US Federal Reserve decided to maintain policy rates at their current levels, their tone for future moves turned increasingly dovish. Markets are now pricing in around 100bps of rate cuts in the US over the next twelve months. Likewise, outgoing ECB President Mario Draghi sent core euro area yields to new all-time lows by suggesting that there may be a need to ease policy further later this year, in the absence of an improvement in the inflation outlook. Along with the fall in underlying government rates, credit spreads tightened in most areas, though with the risk-on environment it was interesting to see a 21bp widening in CCC spreads vs. a 34bp tightening for the BB-B universe and a 9bp tightening for investment grade corporates. European credit performed well in spread terms on speculation that additional purchase activities by the ECB may be forthcoming.

In this context the Fund produced a solid positive return with most of the return driven by credit spread movements, although duration exposure was also beneficial. By sector, all areas were positive, but our holdings in financials were strongest, followed by those in high yield. At an issuer level, there were only a handful of names that marginally detracted.

During the month we added a couple of names in European banks and some utility exposure. We kept the portfolio duration at 3y and our headline risk declined as a result of tightening spreads.

Outlook

Looking ahead, our proprietary leading indicators continue to signal a period of underwhelming global growth momentum through H2 2019, although there are tentative signs of a stabilization in activity. Meanwhile, indicators of narrow and broad money supply growth continue to run below their long-term averages, suggesting soft global economic growth and inflation dynamics ahead. Along with central banks signaling a more dovish policy bias, it suggests that government bond markets are likely to remain supported over the coming months, though there is the potential for the Fed to disappoint on rate cuts given the current market pricing.

It is important to stress that anticipated growth levels should be adequate to support higher quality companies. Selectivity is called for in investment grade, while in high yield we believe valuations are around fair overall given decent bottom-up fundamentals and our default expectations, with opportunities particularly in US single Bs.

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.

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Management Fees

The management fees are calculated based on 0.65% 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 \$59,308 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 \$13,688 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:		
Hedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	49.22	50.00
Increase (decrease) from operations:		
Total revenue	1.01	0.24
Total expenses	(0.33)	(0.06)
Realized gains (losses)	0.82	-
Unrealized gains (losses)	0.89	(0.83)
Total increase (decrease) from operations²	2.39	(0.65)
Distributions:		
From income (excluding dividends)	(0.75)	(0.13)
Total annual distributions³	(0.75)	(0.13)
Net Assets per Unit, end of period	51.02	49.22
Hedged Class A - Net Assets per Unit		
Net Assets per Unit, beginning of period ⁴	50.00	-
Increase (decrease) from operations:		
Total revenue	0.39	-
Total expenses	(0.21)	-
Realized gains (losses)	1.05	-
Unrealized gains (losses)	(0.24)	-
Total increase (decrease) from operations²	0.99	-
Distributions:		
From income (excluding dividends)	(0.25)	-
Total annual distributions³	(0.25)	-
Net Assets per Unit, end of period	50.37	-

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The Fund's Net Assets Per Unit¹ (cont'd)

	June 30, 2019	December 31, 2018
	(\$)	(\$)
For the periods ended:		
Hedged Class F - Net Assets per Unit		
Net Assets per Unit, beginning of period ⁴	50.00	-
Increase (decrease) from operations:		
Total revenue	0.39	-
Total expenses	(0.09)	-
Realized gains (losses)	(0.02)	-
Unrealized gains (losses)	1.16	-
Total increase (decrease) from operations²	1.44	-
Net Assets per Unit, end of period	51.01	-

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2019, and the audited financial statements as at December 31, 2018. The Fund began operations on November 14, 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:		
Hedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	28,062,122	9,843,937
Number of units outstanding ⁵	550,000	200,000
Management expense ratio ⁶	0.90%	0.92%
Trading expense ratio ⁷	0.43%	-
Portfolio turnover rate ⁸	30.79%	5.58%
Net Asset Value per unit (\$)	51.02	49.22
Closing market price (\$)	51.02	49.28
Hedged Class A - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	1,571	-
Number of units outstanding ⁵	31	-
Management expense ratio ⁶	1.59%	-
Trading expense ratio ⁷	0.43%	-
Portfolio turnover rate ⁸	30.79%	-
Net Asset Value per unit (\$)	50.37	-

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

For the periods ended:	June 30, 2019	December 31, 2018
Hedged Class F - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	5,086	-
Number of units outstanding ⁵	100	-
Management expense ratio ⁶	0.73%	-
Trading expense ratio ⁷	0.43%	-
Portfolio turnover rate ⁸	30.79%	-
Net Asset Value per unit (\$)	51.01	-

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

Since the Fund is a reporting issuer for less than one year, with inception date November 14, 2018, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
U.S. Treasury, Treasury Bill	3.7
Phoenix Group Holdings	2.5
Arrow CMBS, Series '2018-1', Class 'A1', Floating Rate	1.9
Royal Bank of Scotland Group PLC	1.8
Selecta Group BV, Callable	1.7
FCT Credit Agricole Habitat, Series '2018-1', Class 'A', Floating Rate, Callable	1.6
Paragon Mortgages PLC, Series '25', Class 'A', Floating Rate, Callable	1.5
Dutch Property Finance, Series '2017-1', Class 'A'	1.4
Madrid RMBS II FTA, Floating Rate, Series '2006-2'	1.4
Petrobras Global Finance BV	1.3
General Electric Company	1.3
Edison International, Callable	1.2
ASR Nederland NV, Variable, Callable	1.2
Sumitomo Mitsui Financial Group Inc.	1.2
Mitsubishi UFJ Financial Group Inc.	1.2
Erste Group Bank AG, Variable, Callable, Perpetual	1.2
NN Group NV, Variable, Callable, Perpetual	1.2
Anglo American Capital PLC	1.2
CYBG PLC, Variable, Callable	1.2
CIT Group Inc.	1.1
Sprint Corporation	1.1

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
CenturyLink Inc., Series 'S'	1.1
Votorantim Cimentos International SA	1.1
Aviva PLC, Variable, Callable, Perpetual	1.1
Tesco Corporate Treasury Services PLC, Callable	1.1
Total	36.3

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Asset-Backed Securities	8.3
Communication Services	9.9
Consumer Discretionary	6.3
Consumer Staples	1.9
Energy	12.5
Financials	29.4
Health Care	6.6
Industrials	5.0
Information Technology	3.8
Materials	3.1
Real Estate	1.6
Utilities	3.9
Short-Term Investments	3.7
Derivative Assets	1.3
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	2.0
Other Assets, less Liabilities	0.7
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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