



Evolve ETFs

# Evolve Global Minerals & Mining Enhanced Yield Index ETF

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 Global Materials & Mining Enhanced Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Materials & Mining Index, or any successor thereto, while mitigating downside risk. The Fund invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, while writing covered call options on up to 33% of the portfolio securities, at the direction of the Manager. The level of covered call option writing may vary based on market volatility and other factors.

## 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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Since the Fund was launched on June 12, 2019, no performance data can be shown. The Fund's net assets were \$2.599MM as at June 30, 2019.

## Portfolio Manager Commentary

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At the end of June, the Fund held a diversified portfolio of securities, with almost 50% domiciled in the US, approximately 10% in each of Brazil and Luxembourg, and about 5% in each of South Africa, Australia, Russia, India, Britain and Peru.

The Fund benefited significantly from its holdings in gold stocks which performed well on the back of a sharp increase in the price of gold in June.

Gold, a safe haven investment, rose on the back of several factors, including the assumption of a peak U.S. dollar, expectations of Federal Reserve rate cuts, as well as geopolitical conflict stemming US trade protectionist measures with China and the European Union.

In the meanwhile, chemical and metal stocks were hurt by their exposure to China. Lower demand from China due to a slowdown in economic growth has had a negative impact on exporters of metals, particularly from Brazil and Australia. China has traditionally been one of the largest importers of raw materials such as base metals.

## 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 0.65% 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 \$833 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.

# Evolve Global Minerals & Mining Enhanced Yield Index ETF

June 30, 2019

## 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 \$208 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,<br>2019<br>(\$) |
|--|--------------------------|
| For the periods ended:                                       |                          |
| <b>Unhedged Units - Net Assets per Unit</b>                  |                          |
| Net Assets per Unit, beginning of period <sup>2</sup>        | 20.00                    |
| <b>Increase (decrease) from operations:</b>                  |                          |
| Total revenue  | 0.09                     |
| Total expenses   | (0.04)                   |
| Realized gains (losses)                                      | 0.02                     |
| Unrealized gains (losses)                                    | 0.62                     |
| <b>Total increase (decrease) from operations<sup>3</sup></b> | <b>0.69</b>              |
| <b>Net Assets per Unit, end of period</b>                    | <b>20.69</b>             |
| <b>Hedged Units - Net Assets per Unit</b>                    |                          |
| Net Assets per Unit, beginning of period <sup>2</sup>        | 20.00                    |
| <b>Increase (decrease) from operations:</b>                  |                          |
| Total revenue  | 0.09                     |
| Total expenses   | (0.04)                   |
| Realized gains (losses)                                      | 0.10                     |
| Unrealized gains (losses)                                    | 0.85                     |
| <b>Total increase (decrease) from operations<sup>3</sup></b> | <b>1.00</b>              |
| <b>Net Assets per Unit, end of period</b>                    | <b>20.86</b>             |

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2019. The Fund began operations on June 12, 2019.
- 2 This amount represents the initial launch price.
- 3 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.

# Evolve Global Minerals & Mining Enhanced Yield Index ETF

June 30, 2019

## The Fund's Ratios/Supplemental Data

|  | June 30,<br>2019 |
|--|------------------|
| For the periods ended:                           |                  |
| <b>Unhedged Units - Ratios/Supplemental Data</b> |                  |
| Total Net Asset Value (\$) <sup>4</sup>          | 1,034,675        |
| Number of units outstanding <sup>4</sup>         | 50,000           |
| Management expense ratio <sup>5</sup>            | 0.85%            |
| Trading expense ratio <sup>6</sup>               | 1.51%            |
| Portfolio turnover rate <sup>7</sup>             | 25.09%           |
| Net Asset Value per unit (\$)                    | 20.69            |
| Closing market price (\$)                        | 20.67            |
| <b>Hedged Units - Ratios/Supplemental Data</b>   |                  |
| Total Net Asset Value (\$) <sup>4</sup>          | 1,564,653        |
| Number of units outstanding <sup>4</sup>         | 75,000           |
| Management expense ratio <sup>5</sup>            | 0.83%            |
| Trading expense ratio <sup>6</sup>               | 1.51%            |
| Portfolio turnover rate <sup>7</sup>             | 25.09%           |
| Net Asset Value per unit (\$)                    | 20.86            |
| Closing market price (\$)                        | 20.86            |

4 This information is provided as at June 30, 2019.

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

Since the Fund is a reporting issuer for less than one year, with inception date June 12, 2019, providing performance data for the period is not permitted.

## Summary of Investment Portfolio

### Top 25 Positions

| Security                                | Percentage of Net<br>Asset Value<br>(%) |
|---|---|
| AngloGold Ashanti Limited, ADR          | 7.1                                     |
| Royal Gold Inc.                         | 5.7                                     |
| Newmont Goldcorp Corporation            | 5.6                                     |
| Cia Siderurgica Nacional SA, ADR        | 5.4                                     |
| Reliance Steel & Aluminum Company       | 5.4                                     |
| Vale SA, ADR                            | 5.2                                     |
| BHP Group PLC, ADR                      | 5.2                                     |
| MMC Norilsk Nickel PJSC, ADR            | 5.2                                     |
| Vedanta Limited, ADR                    | 5.1                                     |
| Rio Tinto PLC, ADR                      | 5.1                                     |
| Southern Copper Corporation             | 4.9                                     |
| Nucor Corporation                       | 4.9                                     |
| LyondellBasell Industries NV, Class 'A' | 4.8                                     |

# Evolve Global Minerals & Mining Enhanced Yield Index ETF

June 30, 2019

## Top 25 Positions (cont'd)

|                          | Percentage of Net<br>Asset Value<br>(%) |
|--------------------------|---|
| Security                 |   |
| Eastman Chemical Company | 4.8                                     |
| Steel Dynamics Inc.      | 4.6                                     |
| Freeport-McMoRan Inc.    | 4.4                                     |
| Ternium SA, ADR          | 4.3                                     |
| Alcoa Corporation        | 4.2                                     |
| ArcelorMittal            | 4.1                                     |
| DuPont de Nemours Inc.   | 3.3                                     |
| <b>Total</b>             | <b>99.3</b>                             |

## Industry Allocation

| Portfolio by Category          | Percentage of Net<br>Asset Value<br>(%) |
|--------------------------------|---|
| <b>Equities</b>                |   |
| Materials                      | 99.3                                    |
| Derivative Assets              | 0.4                                     |
| Derivative Liabilities         | (1.0)                                   |
| Cash and Cash Equivalents      | 1.0                                     |
| Other Assets, less Liabilities | 0.3                                     |
| <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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