



Evolve ETFs

Evolve Active Canadian Preferred Share 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 Canadian Preferred Share Fund (the "Fund") seeks to provide holders of Units with stable income and long-term capital appreciation by investing primarily in a diversified mix of preferred shares of primarily Canadian issuers, in addition to U.S. and international 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

For the six-month period ended June 30, 2019, the Fund's net asset value per unit returned -5.35%. Since the non-hedged A and F mutual fund classes were launched on April 23, 2019, no performance data can be shown. The Fund's net assets were \$243.288MM 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 certainly slowed, weighed down by 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. Despite the slowdown, North American economies performing adequately and had been expected to slow after the good performance in 2018, particularly in the tax cut-fueled U.S. 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. During the quarter there continued to be reactionary selling pressure in pockets of the Canadian preferred share market. Selling activity was less focused on company and security quality and more focused on movements in underlying reference rates. As a result, pricing in the preferred share space continued to be significantly dislocated from long term value and credit quality which has been a drag on performance given the strategies focus on lower risk companies and credit risk-adjusted returns.

Even though risk assets (equities, corporate bonds, etc.) performed strongly to start the year, the preferred share market in Canada was a little slower to rebound. When viewed with a longer-term investment time horizon we remained quite comfortable with our underlying investments in the fund as well as the asset class itself, being attractively valued and offering a significant yield advantage over other fixed income options available in the market. Overall the portfolio strategy made modest changes to keep positioned in companies and their securities that are undervalued relative to the inherent credit risk profile. We continued to allocate capital towards investment opportunities that offered the highest probability for superior risk-adjusted returns throughout a cycle.

The Canadian preferred share market has had a tumultuous period since the Fall of last year. The market was hit by the severe risk off tone that resulted from the beginning of a trade war as well as public attacks on Federal Reserve policy by the US administration. This pressure abated to begin the year and most large risk asset markets had some form of recovery. However, preferred shares continued to suffer from a general aversion to the asset class despite a material yield advantage over other income producing assets. With the trade war being reignited during Q2, uncertainty in the markets was heightened which continued to stoke fears of a recession. This once again translated into negative sentiment in risk markets and general pessimism. However, fundamental data continues to be much better than what the markets are pricing in and in many cases better than estimates.

All that being said, the pref market was at historically low levels and offered yields and spreads that were exceptionally wide versus other income producing assets. Additionally, flows within prefs have been focused on pref type or the reference rates despite significant credit spread dislocation. The primary driver of performance through a cycle for this strategy is security selection, not interest rate anticipation. The portfolio is constructed based on thorough credit research and associated valuation methodologies to identify undervalued securities relative to the market. The Fund's strategy continues to focus on lower risk companies and credit risk-adjusted returns. We expect this asset class to revert to a more properly priced environment as sentiment improves towards the space from stability in the economic data. The pricing dislocations were extremely elevated implying there will be significant opportunity for added value in the coming years.

Even though the domestic economy has moderated from the higher levels seen in previous years, it is our expectation that we will see positive growth in the near term which should work to support risk assets going forward. Given this positive view, Foyston, Gordon & Payne Inc.'s outlook is for Canadian interest rates to gradually trend higher over time. Combining fundamental strength with firming interest rate levels should provide additional stability to market prices for preferred shares while allowing for healthy capital appreciation. As mentioned above, the asset class is currently attractively valued and offers a significant yield advantage over other fixed income options available in the market today – a further source of support.

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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 0.65% 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 \$905,460 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 \$208,945 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 (\$)	December 31, 2017 (\$)
For the periods ended:			
Unhedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	17.87	20.64	20.10
Increase (decrease) from operations:			
Total revenue	0.48	0.96	0.26
Total expenses	(0.09)	(0.22)	(0.05)
Realized gains (losses)	(0.29)	(0.30)	0.01
Unrealized gains (losses)	(1.09)	(5.78)	0.39
Total increase (decrease) from operations²	(0.99)	(5.34)	0.61
Distributions:			
From income (excluding dividends)	(0.42)	-	-
From dividends	-	(0.44)	(0.06)
From capital gains	-	-	(0.01)
Return of capital	-	(0.40)	(0.14)
Total annual distributions³	(0.42)	(0.84)	(0.21)
Net Assets per Unit, end of period	16.51	17.87	20.64

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

For the periods ended:	June 30, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
Unhedged Class A - Net Assets per Unit			
Net Assets per Unit, beginning of period ⁴	20.00	-	-
Increase (decrease) from operations:			
Total revenue	0.22	-	-
Total expenses	(0.08)	-	-
Realized gains (losses)	(0.19)	-	-
Unrealized gains (losses)	(1.14)	-	-
Total increase (decrease) from operations²	(1.19)	-	-
Distributions:			
From income (excluding dividends)	(0.14)	-	-
Total annual distributions³	(0.14)	-	-
Net Assets per Unit, end of period	19.02	-	-
Unhedged Class F - Net Assets per Unit			
Net Assets per Unit, beginning of period ⁴	20.00	-	-
Increase (decrease) from operations:			
Total revenue	0.23	-	-
Total expenses	(0.01)	-	-
Realized gains (losses)	(0.16)	-	-
Unrealized gains (losses)	(0.84)	-	-
Total increase (decrease) from operations²	(0.78)	-	-
Net Assets per Unit, end of period	19.22	-	-

- 1 This information is derived from the Fund's unaudited interim financial statement as at June 30, 2019, and the audited annual financial statements as at December 31 for the years shown. The Fund began operations on September 29, 2017.
- 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

For the periods ended:	June 30, 2019	December 31, 2018	December 31, 2017
Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	243,286,479	226,117,125	6,708,228
Number of units outstanding ⁵	14,735,800	12,650,000	325,000
Management expense ratio ⁶	0.91%	0.90%	0.89%
Trading expense ratio ⁷	0.16%	0.21%	0.13%
Portfolio turnover rate ⁸	31.59%	37.33%	12.01%
Net Asset Value per unit (\$)	16.51	17.87	20.64
Closing market price (\$)	16.45	17.82	20.68
Unhedged Class A - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	1,458	-	-
Number of units outstanding ⁵	77	-	-
Management expense ratio ⁶	1.70%	-	-
Trading expense ratio ⁷	0.16%	-	-
Portfolio turnover rate ⁸	31.59%	-	-
Net Asset Value per unit (\$)	19.02	-	-

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

For the periods ended:	June 30, 2019	December 31, 2018	December 31, 2017
Unhedged Class F - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	19	-	-
Number of units outstanding ⁵	1	-	-
Management expense ratio ⁶	0.00%	-	-
Trading expense ratio ⁷	0.16%	-	-
Portfolio turnover rate ⁸	31.59%	-	-
Net Asset Value per unit (\$)	19.22	-	-

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

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

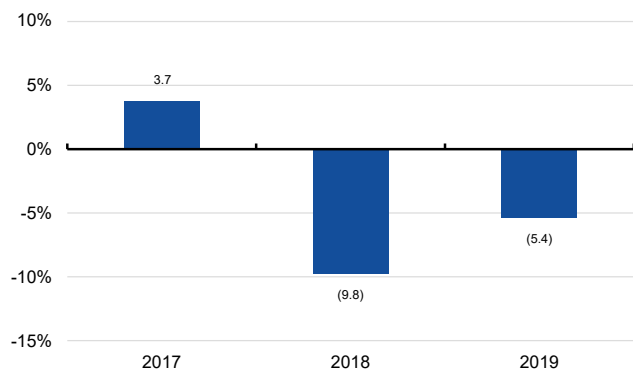
The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment 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 April 23, 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.

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1 The Fund effectively began operations on September 29, 2017.

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Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Enbridge Inc., Preferred, Series 'D'	3.0
Brookfield Office Properties Inc., Preferred, 4.85% Series 'II'	2.7
Sun Life Financial Inc., Preferred, Series '1'	2.6
Sun Life Financial Inc., Class 'C' Preferred, Series '3'	2.6
The Toronto-Dominion Bank, Preferred, Series '18'	2.6
Canadian Imperial Bank of Commerce, Preferred, Series '47'	2.5
Great-West Lifeco Inc., Preferred, Series 'I'	2.3
The Toronto-Dominion Bank, Preferred, Series '20'	2.3
Fairfax Financial Holdings Limited, Preferred, Series 'G'	2.2
Pembina Pipeline Corporation, Preferred, Series '15'	2.2
BCE Inc., Preferred, Series 'AI'	2.1
The Toronto-Dominion Bank, Preferred, 3.80% Series '3'	2.0
BCE Inc., Preferred, Series 'AG'	2.0
The Toronto-Dominion Bank, Preferred, Series '5'	2.0
Enbridge Inc., Preferred, Series '7'	2.0
Brookfield Renewable Partners Limited Partnership, Preferred, Callable	2.0
Enbridge Inc., Preferred, Series 'P'	2.0
Intact Financial Corporation, Preferred, Series '1'	2.0
Bank of Montreal, Preferred, Series '31'	1.9
Brookfield Infrastructure Partners Limited Partnership, Preferred, Series '7'	1.9
Canadian Western Bank, Preferred, Series '5'	1.8
TransCanada Corporation, Preferred, Series '9'	1.8
Manulife Financial Corporation, Preferred, Series '9'	1.7
Manulife Financial Corporation, Preferred, Series '17'	1.7
Brookfield Asset Management Inc., Preferred, Series '9'	1.7
Total	53.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	7.6
Energy	21.4
Financials	53.4
Industrials	0.6
Real Estate	0.8
Utilities	15.0
Cash & Cash Equivalents	1.6
Other Assets, less Liabilities	(0.4)
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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