



Evolve ETFs

# Evolve Cyber Security 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.

# Evolve Cyber Security Index Fund

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## Investment Objective and Strategies

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The Evolve Cyber Security Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cyber Security Index (the "Benchmark"), or any successor thereto. The Fund invests primarily in equity securities of companies located domestically or internationally that are involved in the cyber security industry through hardware and software development.

## 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 non-hedged units returned 17.21% versus the Solactive Global Cyber Security Index return of 18.02%. The hedged units returned 21.33% versus the Solactive Global Cyber Security Index Canadian Dollar Hedged return of 22.29%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading and hedging strategies. The difference in performance of the non-hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading. Since the US Dollar non-hedged class was launched on May 16, 2019, and the hedged A and F mutual fund classes were launched on April 23, 2019, no performance data can be shown. Fund's net assets were \$74.973MM as at June 30, 2019.

## Portfolio Manager Commentary

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Cybercriminal activity has been at the forefront of global security concerns, fueling growth in the demand for cybersecurity solutions.

During the first half of the year, several research reports highlighted the gravity of cybercrime and cyberthreats, with the 2019 Cybersecurity Almanac, published by Cisco and Cybersecurity Ventures noting that cyberattacks are the fastest growing crime globally, and are increasing in size, sophistication and cost.

The Almanac forecasts that cybercrime damages will cost the world \$6 trillion annually by 2021 – exponentially more than the damage inflicted from natural disasters in a year, and more profitable than the global trade of all major illegal drugs combined.

In fact, cyberattacks and data theft topped the charts of the Global Risks Report 2019, released by World Economic Forum in January; while a Conference Board survey of more than 800 international CEOs and 600 C-suite members ranked cybersecurity as the No. 1 external concern for U.S. CEOs for 2019.

Point Software Technologies, an Israel based cyber security firm, noted that large scale cyberattacks have been targeting mobile, cloud and on-premise networks and that they are scaling and fast moving like never before, with fifth generation cyberattacks increasing and impacting a greater number of firms.

According to Verizon's 2019 data breach investigations report published in May, phishing was deemed one of the web's great scourges, representing 12% of all data breaches. Mobile devices were associated with 18% of phishing email clicks, with hackers increasingly targeting senior executives. The report was based on an analysis of more than 41,000 security incidents and over 2,000 breaches.(i)

The Cisco Cybersecurity Ventures report states that the five most cyber-attacked industries over the past 5 years are healthcare, manufacturing, financial services, government, and transportation. It predicted that healthcare will suffer 2-3 times more cyberattacks in 2019 than the average amount for other industries because of its woefully inadequate security practices, weak and shared passwords, plus vulnerabilities in code. The report also forecasted that retail, oil and gas / energy and utilities, media and entertainment, legal, and education will round out the top 10 most-attacked industries for 2019 to 2022.

Incidentally, social media has become a major platform for cybercrime. According to the Bromium report, "Social Media Platforms and the Cybercrime Economy," nearly 1 in 5 organizations worldwide are now infected by malware distributed by social media,(ii) including Facebook, Twitter, Instagram and YouTube. A study by a criminology expert at the University of Surrey, contends that social media criminals earn nearly \$3.25 billion annually by exploiting popular social platforms. In fact, Facebook, What's App and Twitter have all suffered from security breaches so far this year. Facebook also disclosed that it expected to be fined up to \$5 billion by the Federal Trade Commission for privacy violations.(iii)

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In a breach of privacy in May, the Federal Emergency Management Agency unintentionally shared the personal addresses and banking information of 2.5 million U.S. disaster survivors with a contractor.(iv) Also in May, the city of Baltimore became a victim of a ransomware attack, in which critical files were encrypted remotely until a ransom was paid.(v)

In May, Equifax became the first firm to see its outlook downgraded due to a cyber-attack. The firm, which suffered a major security breach in 2017, had its credit rating outlook slashed by Moody's – from stable to negative.(vi)

In a surprising move to prevent cyberattacks, the U.S. Government announced plans in June to secure its power grids by using "retro" technologies. Rather than using new technology and skills, it will use analog and manual technology to isolate the grid's most important control systems, thwarting the potential for cyberattacks and limiting the reach of a catastrophic outage.(vii)

In news about cyber solutions, CyberArk Software Ltd. launched the industry's first Privileged Access Security Solution for continuous discovery and protection in the cloud. It eliminates the most advanced cyber threats by identifying existing accounts across networks, locking them down, and leveraging advanced analytics and continuous monitoring to detect and isolate anomalous behavior to stop attacks. This solution is on the U.S. Department of Defense Information Network Approved Products List.

CyberArk was also named a Government Security News (GSN) Homeland Security Award winner for the third consecutive year and is the platinum winner for "Best Identity Management Platform".

Fortinet Inc., which leverages leading-edge machine learning and AI tech to develop threat intel, emerged as 2019 Winner of the Best Security Company at the 30th SC Excellence awards; while Fire Eye Inc. was Winner of the Best Email Security Solution.

## Performance Attribution

The top performing holding in the Fund for the month of June was Symantec Corp., which was also the largest contributor to its total return. Zscaler Inc., the largest holding by weight, was the next largest contributor to the Fund's performance.

(i) <http://fortune.com/2019/05/11/verizon-data-breach-report-facebook-lawsuit-china-nsa-hacking-tools/>

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

(iii) [https://www.theglobeandmail.com/business/technology/article-instagram-growth-boosts-facebook-revenue-but-potential-privacy/?utm\\_medium=Newsletter&utm\\_source=Top%20Business%20Headlines&utm\\_type=text&utm\\_content=TopBusiness&utm\\_campaign=2019-4-25\\_7&cu\\_id=mpQAeLycsBxdaPMtOjGkqLEdJISySO%2Fu/](https://www.theglobeandmail.com/business/technology/article-instagram-growth-boosts-facebook-revenue-but-potential-privacy/?utm_medium=Newsletter&utm_source=Top%20Business%20Headlines&utm_type=text&utm_content=TopBusiness&utm_campaign=2019-4-25_7&cu_id=mpQAeLycsBxdaPMtOjGkqLEdJISySO%2Fu/)

(iii) <https://globalnews.ca/news/5117201/canada-immigration-tech-trump/>

(iv) <https://www.foxnews.com/tech/were-already-in-the-middle-of-a-major-cyberwar-experts-believe/>

(v) <https://www.nytimes.com/2019/05/22/us/baltimore-ransomware.html/>

(vi) <https://www.forbes.com/sites/kateoflahertyuk/2019/05/28/equifax-becomes-first-firm-to-see-its-outlook-downgraded-due-to-a-cyber-attack/#2184ff3e5671/>

(vii) <https://www.forbes.com/sites/kateoflahertyuk/2019/07/03/u-s-government-makes-surprise-move-to-secure-power-grid-from-cyber-attacks/#725c45d53191/>

## Recent Developments

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

# Evolve Cyber Security Index Fund

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## Related Party Transactions

The Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Independent 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 \$138,215 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.evolveefs.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 \$51,929 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; fees payable to the index provider, 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 (\$)	December 31, 2017 (\$)
For the periods ended:			
<b>Unhedged Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	25.68	21.56	20.32
<b>Increase (decrease) from operations:</b>			
Total revenue	0.04	0.13	0.06
Total expenses	(0.12)	(0.23)	(0.05)
Realized gains (losses)	0.41	0.71	0.18
Unrealized gains (losses)	3.10	0.08	1.14
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.43</b>	<b>0.69</b>	<b>1.33</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.03)	-	-
Return of capital	-	(0.06)	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.03)</b>	<b>(0.06)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>30.08</b>	<b>25.68</b>	<b>21.56</b>

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

	June 30, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
<b>Hedged Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	22.77	20.94	20.15
<b>Increase (decrease) from operations:</b>			
Total revenue	0.04	0.15	0.06
Total expenses	(0.10)	(0.21)	(0.05)
Realized gains (losses)	0.12	(0.53)	(0.84)
Unrealized gains (losses)	4.08	(5.80)	1.79
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>4.14</b>	<b>(6.39)</b>	<b>0.96</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.03)	-	-
Return of capital	-	(0.06)	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.03)</b>	<b>(0.06)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>		<b>22.77</b>	<b>20.94</b>
<b>US Dollar Unhedged Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period <sup>4</sup>	40.72	-	-
<b>Increase (decrease) from operations:</b>			
Total revenue	0.03	-	-
Total expenses	(0.05)	-	-
Realized gains (losses)	0.13	-	-
Unrealized gains (losses)	(0.05)	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.06</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.01)	-	-
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>-</b>	<b>-</b>
<b>Net Assets per Unit, end of period</b>	<b>40.47</b>	<b>-</b>	<b>-</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	0.02	-	-
Total expenses	(0.06)	-	-
Realized gains (losses)	0.12	-	-
Unrealized gains (losses)	0.37	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.45</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.01)	-	-
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>-</b>	<b>-</b>
<b>Net Assets per Unit, end of period</b>	<b>19.42</b>	<b>-</b>	<b>-</b>

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

	June 30, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
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	0.01	-	-
Total expenses	0.00	-	-
Realized gains (losses)	0.24	-	-
Unrealized gains (losses)	(0.77)	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.52)</b>	-	-
<b>Net Assets per Unit, end of period</b>	<b>19.48</b>	-	-

- 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 20, 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

	June 30, 2019	December 31, 2018	December 31, 2017
For the periods ended:			
<b>Unhedged Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	9,774,960	4,494,132	1,617,268
Number of units outstanding <sup>5</sup>	325,000	175,000	75,000
Management expense ratio <sup>6</sup>	0.70%	0.67%	0.64%
Trading expense ratio <sup>7</sup>	0.06%	0.11%	0.04%
Portfolio turnover rate <sup>8</sup>	27.31%	46.59%	13.34%
Net Asset Value per unit (\$)	30.08	25.68	21.56
Closing market price (\$)	30.01	25.55	21.70
<b>Hedged Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	64,176,015	34,722,940	2,093,796
Number of units outstanding <sup>5</sup>	2,325,000	1,525,000	100,000
Management expense ratio <sup>6</sup>	0.63%	0.67%	0.64%
Trading expense ratio <sup>7</sup>	0.06%	0.11%	0.04%
Portfolio turnover rate <sup>8</sup>	27.31%	46.59%	13.34%
Net Asset Value per unit (\$)	27.60	22.77	20.94
Closing market price (\$)	27.57	22.77	21.09
<b>US Dollar Unhedged Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	1,011,706	-	-
Number of units outstanding <sup>5</sup>	25,000	-	-
Management expense ratio <sup>6</sup>	0.70%	-	-
Trading expense ratio <sup>7</sup>	0.06%	-	-
Portfolio turnover rate <sup>8</sup>	27.31%	-	-
Net Asset Value per unit (\$)	40.47	-	-
Closing market price (\$)	40.48	-	-

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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
<b>Hedged Class A - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	10,078	-	-
Number of units outstanding <sup>5</sup>	519	-	-
Management expense ratio <sup>6</sup>	1.63%	-	-
Trading expense ratio <sup>7</sup>	0.06%	-	-
Portfolio turnover rate <sup>8</sup>	27.31%	-	-
Net Asset Value per unit (\$)	19.42	-	-
<b>Hedged Class F - 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>	0.06%	-	-
Portfolio turnover rate <sup>8</sup>	27.31%	-	-
Net Asset Value per unit (\$)	19.48	-	-

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 US Dollar non-hedged class with inception date May 16, 2019, and the hedged class A and F mutual fund classes with inception date April 23, 2019, has been in operations for less than one year, providing performance data for the period is not permitted.

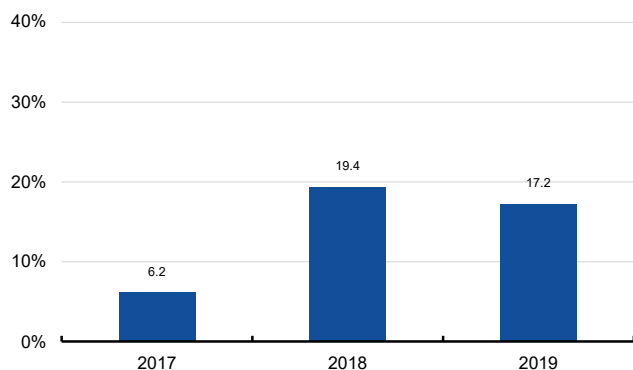
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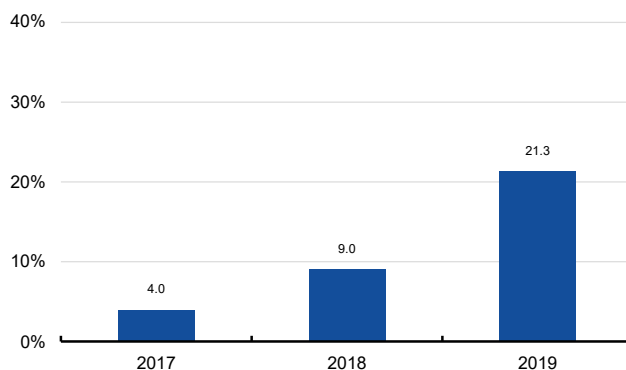
## Year-by-Year Returns

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.

**CYBR/B<sup>1</sup>**



**CYBR<sup>2</sup>**



1 The non-hedged class of the Fund effectively began operation on September 29, 2017.

2 The hedged class of the Fund effectively began operation on September 29, 2017.

2016

2017

2018

2019

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Booz Allen Hamilton Holding Corporation, Class 'A'	8.4
Zscaler Inc.	8.2
Symantec Corporation	6.9
Check Point Software Technologies Limited	6.7
Palo Alto Networks Inc.	6.3
Fortinet Inc.	6.2
Proofpoint Inc.	5.9
Trend Micro Inc.	5.8
InterXion Holding NV	4.9
CACI International Inc.	4.6
CyberArk Software Limited	4.3
Qualys Inc.	3.0
FireEye Inc.	2.7
Mimecast Limited	2.6
Tenable Holdings Inc.	2.5
Rapid7 Inc.	2.5



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## Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
SUNeVision Holdings Limited	1.9
Varonis Systems Inc.	1.7
SailPoint Technologies Holding Inc.	1.6
NEXTDC Limited	1.5
ForeScout Technologies Inc.	1.4
Digital Arts Inc.	1.2
Carbon Black Inc.	1.1
Radware Limited	1.0
NIC Inc.	1.0
<b>Total</b>	<b>93.9</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	5.2
Information Technology	92.6
Derivative Assets	0.6
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	1.6
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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