

# Evolve North American Gender Diversity 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 North American Gender Diversity Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Equileap North American Gender Equality Index (the "Benchmark"), or any successor thereto. The Fund invests in equity securities of companies domiciled in Canada and the United States that have demonstrated commitment to gender diversity as part of their corporate social responsibility strategy.

## 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 ended June 30, 2019, the non-hedged units returned 11.37% versus the Solactive Equileap North American Gender Equality Index return of 12.06%. The hedged units returned 14.74% versus the Solactive Equileap North American Gender Equality Index Canadian Dollar Hedged return of 14.04%. 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. Fund's net assets were \$3.400MM as at June 30, 2019.

## Portfolio Manager Commentary

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Gender diversity was one of the hottest issues throughout the first half of the year, with several research reports highlighting the importance of gender diversity as a driver of corporate performance.

According to MSCI research, some of the most innovative publicly listed companies in the world — Amazon.com Inc., Nike Inc. and Visa Inc., among others — have something in common: more women on their boards than their industry peers. The research suggests that a culture that embraces new ideas might also be a culture that values diversity and that more diverse groups are more creative. Therefore, investors interested in innovation capacity might do well to take a hard look at gender diversity on corporate boards.(i)

Another report by McKinsey Global Institute states that full gender equality in the work force could add as much as 26 per cent to global annual GDP by 2025. The research also shows that companies with gender-diverse executive teams were 21 per-cent more likely to experience above-average profits compared with less diverse teams.(ii)

In addition, research by CIBC shows that since 2009 S&P/TSX Composite Index companies with a higher proportion of women directors on their boards have outperformed those with fewer female directors.(iii)

As a result, a gender based investment strategy has been adopted by a cross-section of institutions, ranging from large asset management firms such as BNY Mellon Investment Management to development finance institutions of the G7 countries. Incidentally, G7 countries have committed to collectively mobilize \$3 billion to improve female access to quality employment, leadership opportunities and products and services that enhance economic participation.

In Canada, Evolve Funds Group Inc. pioneered gender-based investing and was followed by RBC Asset Management and Mackenzie Investments' which launched similar products.

A special report on Gender Equality in the corporate sector in the U.S., prepared by Equileap, found that companies on the S&P 100 Index scored an average of 45% (grade C-) on gender equality. This score is significantly lower than the average score of the global benchmark comprising of the Top 200 companies, which had a score of 53% (grade C+), based on a study published last October.

In spite of the importance of gender diversity, the Equileap research indicated that Canada's top public companies significantly lag their U.S. and global peers when it comes to gender equality in the workplace.

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New findings published in April by AI Now Institute, a New York University research center, show that the lack of diversity in the artificial intelligence field has reached “a moment of reckoning.” The study states that the “diversity disaster” has contributed to flawed systems that perpetuate gender and racial biases. It stated that the AI field, which is overwhelmingly white and male, is at risk of replicating or perpetuating historical biases and power imbalances.(iv)

In similar vein, a UK Investment Association, shamed 94 listed companies in May for dragging their heels on gender diversity. Among these firms are 57 of the UK’s 350 largest listed companies, 11 of which are on the FTSE 100. The firms have fallen short of targets that aim to push the proportion of women in top leadership roles above 25%.(v)

The Vancouver-based Shareholder Association for Research & Education (SHARE) reported that a proxy proposal on diversity filed by the British Columbia Teachers Federation received 64.5% shareholder support at Waste Connections Inc.’s annual meeting – providing it with a victory for gender diversity. The proposal called on the company to establish a plan to increase the representation of women within its workforce. SHARE also reported that its efforts at encouraging greater gender diversity are generally getting “a progressively stronger response” from companies.(vi)

Evidently, while there has been progress, gender diversity remains a contentious issue and is often an add-on to strategy, rather than a main component. In a speech delivered by Queen Mathilde from Belgium at the European Development Days in June, she noted that while gender equality is increasingly a focus among bilateral donors, it is often part of gender mainstreaming rather than targeting gender specifically.

In June, the Bill & Melinda Gates Foundation launched its first-ever strategy, specifically to tackle gender inequality, with the narrative, equal is greater, aiming to unite global stakeholders on how gender equality benefits everyone—not just women and girls. The Foundation’s strategy focuses on women’s economic empowerment, with three key objectives: women have greater access to income and economic assets; women have better control over their own economic gains; and women have more equitable decision-making power to translate these gains into social, economic, and health benefits for themselves and their families.(vii)

## Performance Attribution

The fund held a widely diversified portfolio, with exposure of less than 1% to each holding. The top performing stock was PG&E Corp., followed by NVIDIA Corp.

(i)<https://hub.biz/blog/what-innovative-companies-and-women-boards-have-common-8326568062849394315>

(ii) <https://www.theglobeandmail.com/investing/investment-ideas/article-canadas-top-public-companies-score-poorly-on-gender-equality-study/>

(iii)<https://www.theglobeandmail.com/investing/investment-ideas/article-canadas-top-public-companies-score-poorly-on-gender-equality-study/>

(iv)<https://www.theguardian.com/technology/2019/apr/16/artificial-intelligence-lack-diversity-new-york-university-study>

(v)<https://www.theguardian.com/business/2019/may/13/investor-group-warns-almost-100-firms-over-lack-of-gender-diversity>

(vi)<https://www.investmentexecutive.com/news/industry-news/gender-diversity-wins-with-shareholders/>

(vii)<https://www.forbes.com/sites/mitsubishiheavyindustries/2019/07/02/shippings-route-to-a-more-sustainable-future/#30a3628d2d49>

## 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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The Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Independent Review Committee.

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## 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 \$8,227 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.

## 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 \$3,085 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

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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	<b>21.44</b>	21.58	20.23
<b>Increase (decrease) from operations:</b>			
Total revenue	<b>0.32</b>	0.70	0.15
Total expenses	(0.14)	(0.32)	(0.06)
Realized gains (losses)	(0.02)	1.55	0.02
Unrealized gains (losses)	<b>2.27</b>	(1.66)	1.56
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.43</b>	<b>0.27</b>	<b>1.67</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.20)	(0.24)	-
From dividends	-	(0.11)	(0.06)
From capital gains	-	(0.02)	-
Return of capital	-	(0.03)	(0.04)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.20)</b>	<b>(0.40)</b>	<b>(0.01)</b>
<b>Net Assets per Unit, end of period</b>	<b>23.68</b>	<b>21.44</b>	<b>21.58</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	<b>19.49</b>	21.41	20.09
<b>Increase (decrease) from operations:</b>			
Total revenue	<b>0.29</b>	0.66	0.14
Total expenses	(0.13)	(0.30)	(0.05)
Realized gains (losses)	(0.48)	0.34	(0.59)
Unrealized gains (losses)	<b>2.99</b>	(2.33)	2.00
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.67</b>	(1.63)	<b>1.50</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.20)	(0.21)	-
From dividends	-	(0.09)	(0.06)
From capital gains	-	(0.07)	-
Return of capital	-	(0.03)	(0.04)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.20)</b>	(0.40)	(0.10)
<b>Net Assets per Unit, end of period</b>	<b>22.16</b>	<b>19.49</b>	<b>21.41</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.

## 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>4</sup>	<b>1,184,051</b>	1,072,237	1,078,756
Number of units outstanding <sup>4</sup>	<b>50,000</b>	50,000	50,000
Management expense ratio <sup>5</sup>	<b>0.64%</b>	0.62%	0.62%
Trading expense ratio <sup>6</sup>	<b>0.30%</b>	0.48%	0.04%
Portfolio turnover rate <sup>7</sup>	<b>16.96%</b>	97.24%	25.22%
Net Asset Value per unit (\$)	<b>23.68</b>	21.44	21.58
Closing market price (\$)	<b>23.69</b>	21.46	21.66
<b>Hedged Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	<b>2,216,346</b>	2,436,688	1,070,385
Number of units outstanding <sup>4</sup>	<b>100,000</b>	125,000	50,000
Management expense ratio <sup>5</sup>	<b>0.65%</b>	0.62%	0.62%
Trading expense ratio <sup>6</sup>	<b>0.30%</b>	0.48%	0.04%
Portfolio turnover rate <sup>7</sup>	<b>16.96%</b>	97.24%	25.22%
Net Asset Value per unit (\$)	<b>22.16</b>	19.49	21.41
Closing market price (\$)	<b>22.17</b>	19.51	21.48

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

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.

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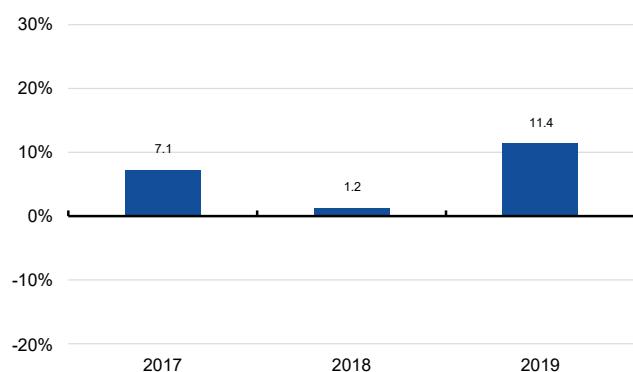
## Past Performance

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.

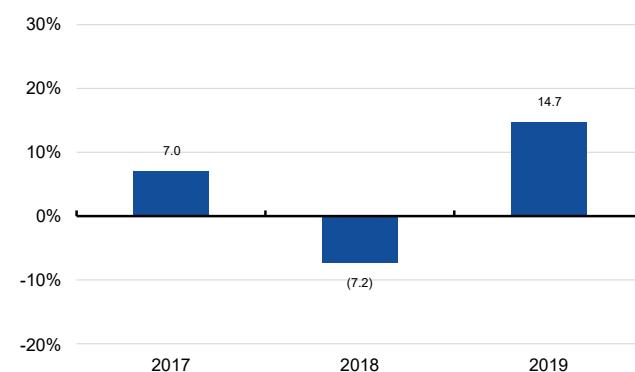
### Year-by-Year Returns

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.

HERS/B<sup>1</sup>



HERS<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.

## Summary of Investment Portfolio

### Top 25 Positions

Security	Percentage of Net Asset Value (%)
Starbucks Corporation	1.0
Air Canada	1.0
Keysight Technologies Inc.	0.9
Workday Inc.	0.9
Air Products and Chemicals Inc.	0.9
ResMed Inc.	0.9
American Water Works Company Inc.	0.9
Motorola Solutions Inc.	0.9
The Walt Disney Company	0.9
The Hershey Company	0.9
Yum! Brands Inc.	0.9
Linde Public Limited Company	0.9
Ecolab Inc.	0.8
Newmont Goldcorp Corporation	0.8
Xerox Corporation	0.8
Welltower Inc., REIT	0.8
Merck & Company Inc.	0.8

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## Top 25 Positions (cont'd)

Security	Percentage of Net Asset Value (%)
Mastercard Inc.	0.8
Verisk Analytics Inc., Class 'A'	0.8
TransCanada Corporation	0.8
Sempra Energy	0.8
Cummins Inc.	0.8
Kimberly-Clark Corporation	0.8
Microsoft Corporation	0.8
PepsiCo Inc.	0.8
<b>Total</b>	<b>21.4</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	6.6
Consumer Discretionary	12.0
Consumer Staples	8.8
Energy	4.5
Financials	18.0
Health Care	10.7
Industrials	9.4
Information Technology	16.2
Materials	5.6
Real Estate	2.1
Utilities	4.2
Derivative Assets	2.1
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	(0.1)
Other Assets, less Liabilities	(0.1)
<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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