



Evolve ETFs

Evolve Active Canadian Preferred Share Fund

June 30, 2020

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 ended June 30, 2020, Unhedged ETF Units returned -19.8%, Unhedged Class A Mutual Fund Units returned -19.4% and Unhedged Class F Mutual Fund Units returned -20.1%. The Fund's net assets were \$129.4MM as at June 30, 2020.

Portfolio Manager Commentary

New year optimism faded during the first quarter of the year amid the growing impact, both human and economic, of the ongoing coronavirus outbreak. Population lockdowns, business shutdowns, and travel restrictions into the country all had a dampening impact on GDP growth. Global trade and industrial supply chains were greatly impacted by the factors which further weakened global growth prospects in the short-to-medium term.

Commodity prices turned sharply lower at the end of February amid concerns the ongoing coronavirus outbreak will lead to weaker demand for raw materials, fuel and food across the globe. Softer energy markets, slow global growth and a general flight-to-quality had bond yields heading lower once again. This decline in yields resulted in positive returns for the overall bond market.

The portfolio underperformed the S&P/TSX Preferred Share Index during the first two calendar quarters, primarily due to security and structure selection. Interest rates have remained low, particularly the Government of Canada 5-year rate, which is a negative factor for the preferred share market. This headwind was more than offset by credit spreads narrowing in this quarter due to very optimistic expectations for a full economic recovery from the COVID impact. The Index's sector returns for Perpetuals, Fixed Resets and Floating Rates, were 17.0%, 14.9%, and -0.6%, respectively.

There has been substantial stimulus by governments and central bankers, which has lessened the economic decline, but it will still require significant time to repair the damage. We are cautious on the outlook for the market, but believe the market is exhibiting good long-term value. Yields are attractive as we expect them to stay low and be range-bound. We have been cautiously adding to the Fund's Fixed Reset exposure and reducing its Perpetuals because of their relative valuations. We are overweight in P2's, focusing on issuers with strong credit fundamentals. We have significantly reduced the Fund's exposure to Floating Rate preferred shares from where it was in the first quarter of the year. The credit quality of the Fund has also been enhanced with the Fund underweight P3 from its previous overweight position during the first quarter of the calendar year.

Recent Developments

Subsequent to year end, COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the financial markets and have had an enormous impact on businesses and consumers in all sectors. The duration and impact of these developments is unknown at this time and as such, the financial impact to investments cannot be estimated.

Effective April 1, 2020, Addenda Capital Inc. has been appointed as the new Sub-Advisor of the Fund. There is no change to the investment objective of the Fund.

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 Manager is entitled to an annual management fee of 0.65% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.40% of the net asset value of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and are generally paid monthly in arrears. For the six-month period ended June 30, 2020, the Fund incurred \$610,250 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, 2020, the Fund incurred \$148,763 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 may, 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, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:				
Unhedged Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	16.86	17.87	20.64	20.10
Increase (decrease) from operations:				
Total revenue	0.45	0.94	0.96	0.26
Total expenses	(0.08)	(0.17)	(0.22)	(0.05)
Realized gains (losses)	(4.11)	(1.34)	(0.30)	0.01
Unrealized gains (losses)	(0.21)	0.22	(5.78)	0.39
Total increase (decrease) from operations²	(3.95)	(0.35)	(5.34)	0.61
Distributions:				
From income (excluding dividends)	(0.42)	-	-	-
From dividends	-	(0.77)	(0.44)	(0.06)
From capital gains	-	-	-	(0.01)
Return of capital	-	(0.14)	(0.40)	(0.14)
Total annual distributions³	(0.42)	(0.91)	(0.84)	(0.21)
Net Assets per Unit, end of period	13.12	16.86	17.87	20.64

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

For the periods ended:	June 30, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
Unhedged Class A - Net Assets per Unit				
Net Assets per Unit, beginning of period	19.41	20.00	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.53	0.77	N/A	N/A
Total expenses	(0.17)	(0.25)	N/A	N/A
Realized gains (losses)	(5.26)	(2.30)	N/A	N/A
Unrealized gains (losses)	1.18	4.63	N/A	N/A
Total increase (decrease) from operations²	(3.72)	2.85	N/A	N/A
Distributions:				
From income (excluding dividends)	(0.42)	-	-	-
From dividends	-	(0.49)	N/A	N/A
Return of capital	-	(0.07)	N/A	N/A
Total annual distributions³	(0.42)	(0.56)	N/A	N/A
Net Assets per Unit, end of period	15.10	19.41	N/A	N/A
Unhedged Class F - Net Assets per Unit				
Net Assets per Unit, beginning of period	20.00	20.00	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.55	0.76	N/A	N/A
Total expenses	(0.02)	(0.02)	N/A	N/A
Realized gains (losses)	(5.51)	(1.41)	N/A	N/A
Unrealized gains (losses)	1.06	0.89	N/A	N/A
Total increase (decrease) from operations²	(3.92)	0.22	N/A	N/A
Net Assets per Unit, end of period	16.30	20.00	N/A	N/A

- 1 This information is derived from the Fund's unaudited interim financial statement as at June 30, 2020, and the audited annual financial statements as at December 31 2019, 2018 and 2017. The Unhedged ETF Units began operations on September 29, 2017 and the Unhedged Class A and F Mutual Fund Units began operations on April 23, 2019.
- 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

For the periods ended:	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Unhedged Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	128,839,701	209,870,181	226,117,125	6,708,228
Number of units outstanding ⁴	9,819,800	12,444,800	12,650,000	325,000
Management expense ratio ⁵	0.93%	0.90%	0.90%	0.89%
Trading expense ratio ⁶	0.27%	0.13%	0.21%	0.13%
Portfolio turnover rate ⁷	45.01%	81.45%	37.33%	12.01%
Net Asset Value per unit (\$)	13.12	16.86	17.87	20.64
Closing market price (\$)	13.14	16.82	17.82	20.68
Unhedged Class A - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	591,858	375,544	N/A	N/A
Number of units outstanding ⁴	39,199	19,345	N/A	N/A
Management expense ratio ⁵	1.82%	1.73%	N/A	N/A
Trading expense ratio ⁶	0.27%	0.13%	N/A	N/A
Portfolio turnover rate ⁷	45.01%	81.45%	N/A	N/A
Net Asset Value per unit (\$)	15.10	19.41	N/A	N/A

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

For the periods ended:	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Unhedged Class F - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	16	20	N/A	N/A
Number of units outstanding ⁴	1	1	N/A	N/A
Management expense ratio ⁵	0.00%	0.00%	N/A	N/A
Trading expense ratio ⁶	0.27%	0.13%	N/A	N/A
Portfolio turnover rate ⁷	45.01%	81.45%	N/A	N/A
Net Asset Value per unit (\$)	16.30	20.00	N/A	N/A

4 This information is provided as at June 30, 2020 and December 31, 2019, 2018 and 2017.

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.

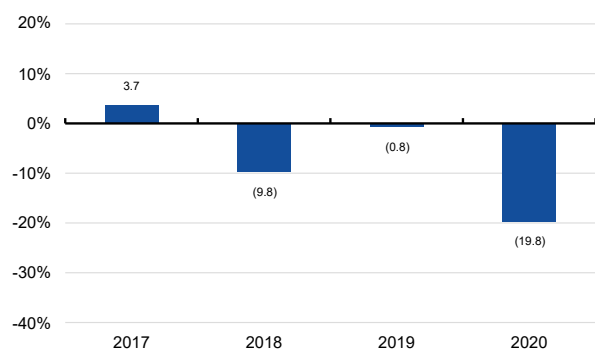
Past Performance

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.

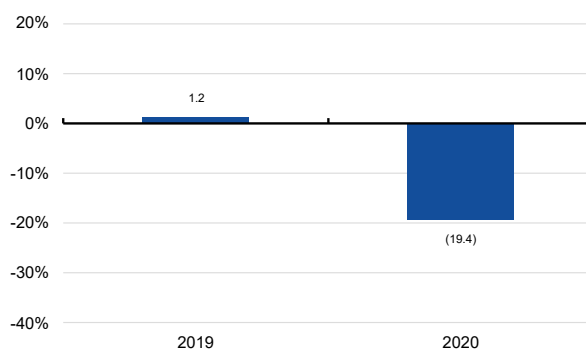
Year-by-Year Returns

The bar chart below shows the Unhedged ETF Units' and the Unhedged Class A and F Mutual Fund Units' performance for each of the financial years shown and for the six-month period ended June 30, 2020. 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.

DIVS Unhedged ETF Units¹



Unhedged Class A Mutual Fund Units²



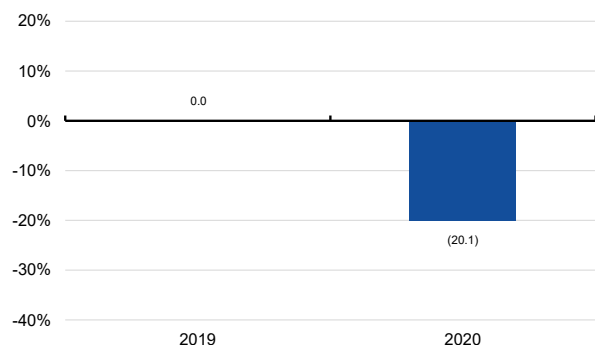
1 The Unhedged ETF Units of the Fund effectively began operations on September 29, 2017.

2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

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Unhedged Class F Mutual Fund Units³



³ The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Enbridge Inc., Preferred, Series 'D'	4.4
Royal Bank of Canada, Preferred, Series 'BK'	3.9
Power Corporation of Canada, Preferred, Series 'G'	3.8
Canadian Imperial Bank of Commerce, Preferred, Series '47'	3.5
The Toronto-Dominion Bank, Preferred, 3.80% Series '3'	2.9
Bank of Montreal, Preferred, Series '31'	2.8
The Toronto-Dominion Bank, Preferred, Series '5'	2.6
Bank of Montreal, Preferred, 3.90% Series '29'	2.6
Sun Life Financial Inc., Preferred, Series '3'	2.5
Power Financial Corporation, Preferred, Series 'V'	2.5
Royal Bank of Canada, Preferred, 4.00% Series 'AZ'	2.5
The Toronto-Dominion Bank, Preferred	2.4
Sun Life Financial Inc., Preferred, 4.75% Series '1'	2.4
Royal Bank of Canada, Preferred, Series 'BB'	2.4
Canadian Imperial Bank of Commerce, Preferred, Series '45'	2.3
Pembina Pipeline Corporation, Preferred, Series '15'	2.2
Manulife Financial Corporation, Preferred, Series '11'	2.1
Brookfield Office Properties Inc., Preferred, 4.85% Series 'II'	2.0
TC Energy Corporation, Preferred, Series '7'	2.0
Manulife Financial Corporation, Preferred, Series '17'	2.0
The Toronto-Dominion Bank, Preferred, Series '18'	1.9
Enbridge Inc., Preferred, Series '7'	1.9
Manulife Financial Corporation, Preferred, Series '9'	1.8
Great-West Lifeco Inc., Preferred, Series 'I'	1.8
TC Energy Corporation, Preferred, Series '9'	1.8
Total	63.0

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	2.4
Energy	18.0
ETFs - Domestic Equity	0.1
Financials	68.3
Real Estate	0.7
Utilities	7.6
Cash and Cash Equivalents	0.7
Other Assets, less Liabilities	2.2
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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