



Evolve ETFs

# Evolve Innovation Index 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](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 Innovation Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Innovation Index. The Solactive Global Innovation Index has been designed to reflect the performance of equity securities of companies listed domestically or internationally that are involved in innovative and disruptive trends across a broad range of industries.

## 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, 2020, Hedged ETF Units returned 10.1%, the Hedged Class A Mutual Fund Units returned 15.2% and the Hedged Class F Mutual Fund Units returned 15.0% versus the Solactive Global Innovation PR Index CAD Hedged return of 9.2%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administrative fees, trailer fees on the Hedged Class A Mutual Fund Units plus applicable sales taxes and to portfolio trading and hedging strategies and the impact of sampling and certain other factors which may have included timing differences versus the Index, and market volatility. The Fund's net assets were \$15.0MM as at June 30, 2020.

## Portfolio Manager Commentary

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With the future of work re-defined by the COVID pandemic, developments in connectivity, big data, artificial intelligence (AI), cloud computing, automation, and cyber security gained increasing attention during the first half of the year.

Although cloud based tools were already popular, the pandemic created a surge in demand as businesses were forced to enable their employees to work remotely from home as a result of the implementation of lockdown conditions to prevent the spread of the virus.

According to a JPMorgan analyst, videoconferencing tool Zoom saw its daily usage rise by more than 300% from before the pandemic, while Microsoft announced that its collaboration tool Teams added 12 million daily users in just one week in the first quarter. Effectively, cloud computing emerged as one of the few saving graces for businesses during this pandemic.(i)

According to a survey by IDG Communications, Inc., the world's leading tech media, data, and marketing services company, 92% of organizations said their IT environment (infrastructure, applications, data analytics, etc.) is in the cloud to some extent today, and this is expected to grow to 95% 18 months from now.(ii)

In similar vein, DocuSign, the largest holding in the Big Data and Cloud segment of the Fund, emerged as one of the hotter work-from-home plays, posting triple digit gains during the first half of the year - as businesses ditched paper and transitioned to e-signatures.(iii)

But with working from home becoming the new normal, the stage was set for an increase in cyberattacks. According to the cloud security company Zscaler Inc., there was a 30,000% increase in COVID-19-themed attacks between January and March. The company saw coronavirus-themed attacks grow from around 1,200 observed and blocked COVID-19-related attacks in January to 380,000 such incidents in March.[i] A senior official from another company Proofpoint Inc. noted that that cybercriminals have "sent waves of emails that have ranged from a dozen to over 200,000 at a time", and the number of campaigns is "trending upwards".(v)

In the meantime, 5G continued to expand in the first half, even as the coronavirus spread across the globe. Evidently, the continued advance of 5G is more critical than ever now, with people working from home and relying on broadband. According to Ericsson, the Swedish networking giant, it is expected that 5G will be in about twice as many hands in 2020 as it had predicted late last year. The total number of subscribers should reach 190 million this year, with the bulk coming from China. Conversely, North America and Europe won't be quite as strong as the company previously projected.(vi)

While major Canadian and European carriers have launched 5G, the pandemic has raised questions about how fast their networks can expand. 5G spectrum auctions have been delayed in Canada and parts of the European Union because of the pandemic, pushing out the launch of 5G in some areas by several months or longer. In the US, the carriers are moving closer to their promised broad coverage maps, with the top three US carriers expected to have nationwide networks by the end of the year. It is projected that by the end of 2021, about 30% of US wireless subscriptions will be 5G.(vii)

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In the social media segment of the portfolio, a growing number of socially-conscious big-name companies, among them, Unilever, Coca-Cola, Verizon and Honda have chosen to boycott Facebook, one of the Fund's holdings, on concerns about their brands propping up divisive and hate-filled speech on social media.

While Facebook has announced policy changes, the lost revenues from the boycotts so far are comparative small compared to its total revenues. (viii)

During the period, Qualcomm, a holding in the Fund, unveiled a program to help small businesses convert to a mobile-first work environment. The program will provide small businesses with products powered by Qualcomm, along with collaboration tools and technical and integration support, so they can continue to maintain operations throughout the current global pandemic and beyond.(ix)

In the genomics space, Exelixis Inc., a holding in the Fund, announced the Initiation of Phase 3 Pivotal Trial of a drug to treat metastatic non-small cell lung cancer. This phase follows positive results from a previous trial. In addition, two additional phase 3 pivotal trials for another drug to treat metastatic castration-resistant prostate cancer and renal cell carcinoma are planned as part of the clinical trial collaboration between Exelixis and Roche.(x) Bristol Myers Squibb and Exelixis also announced positive topline results from pivotal phase 3 trial evaluating a drug for use in previously untreated advanced renal cell carcinoma.(xi)

Another company held by the Fund, Blueprint Medicines, announced a global collaboration with Roche to develop and commercialize a drug for patients with RET-altered cancers.(xii)

## PERFORMANCE ATTRIBUTION:

The Fund tracks a benchmark index designed to expose investors to returns in seven sectors: Big Data and Cloud Computing, Robotics and Automation, 5G, Cyber Security, Automotive Innovation and Social Media, which together accounted for 89% of the weight of the portfolio in roughly equal individual segment weights at the end of June 2020; and Genomics – which has a 11% weight. The Big Data and Cloud Computing segment of the portfolio made the largest contribution to the Fund's performance, followed by the Cyber security segment. The best performing stock was the Big Data and Cloud stock, DocuSign Inc., followed by the Robotics and Automation stock Nvidia Corp.

(i) <https://www.forbes.com/sites/forbestechcouncil/2020/05/22/the-current-pandemic-gives-cloud-computing-a-needed-jolt/#264321c46a09>

(ii) <https://www.globenewswire.com/news-release/2020/06/18/2050275/0/en/The-Shift-to-Cloud-Computing-Persists-as-Organizations-Use-Multiple-Public-Clouds.html>

(iii) <https://money.yahoo.com/docu-sign-ceo-shift-to-digital-accelerated-by-covid-19-pandemic-155148539.html>

(iv) <https://www.rcrwireless.com/20200428/network-infrastructure/cybersecurity-firm-reports-30000-increase-in-covid-19-themed-attacks-since-january>

(v) <https://www.raconteur.net/technology/covid-19-cybersecurity>

(vi) <https://www.cnet.com/news/not-even-the-coronavirus-can-derail-5gs-global-momentum/>

(vii) <https://www.cnet.com/news/not-even-the-coronavirus-can-derail-5gs-global-momentum/>

(viii) <https://www.politico.com/news/2020/06/26/advertisers-struggle-for-power-over-facebook-as-boycotts-surge-341943>

(ix) <https://www.helpnetsecurity.com/2020/06/16/qualcomm-small-business-accelerator-program/>

(x) <https://ir.exelixis.com/news-releases/news-release-details/exelixis-announces-initiation-contact-01-phase-3-pivotal-trial>

(xi) <https://ir.exelixis.com/news-releases/news-release-details/bristol-myers-squibb-and-exelixis-announce-positive-topline>

(xii) <https://www.streetinsider.com/PRNewswire/Blueprint+Medicines+Announces+Global+Collaboration+with+Roche+to+Develop+and+Commercialize+Pralsetinib+for+Patients+with+RET-Altered+Cancers/17108831.html>

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## Recent Developments

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Subsequent to year end, COVID-19 became a global pandemic and resulted 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.

## 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 Manager is entitled to an annual management fee of 0.40% of the net asset value of the Hedged ETF Units and the Hedged Class F Mutual Fund Unit and 1.40% of the net asset value of the Hedged 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 \$18,839 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, 2020, the Fund incurred \$10,450 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.

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## 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>

For the periods ended:	June 30, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
<b>Hedged Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	22.99	17.35	20.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.12	0.15	0.11
Total expenses	(0.09)	(0.14)	(0.11)
Realized gains (losses)	(1.24)	0.64	(0.10)
Unrealized gains (losses)	2.24	4.99	(4.07)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.03</b>	<b>5.64</b>	<b>(4.17)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.01)	-	-
From dividends	-	(0.02)	-
Return of capital	-	-	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>25.30</b>	<b>22.99</b>	<b>17.35</b>
<b>Hedged Class A - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	21.24	20.00	N/A
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	0.14	N/A
Total expenses	(0.20)	(0.02)	N/A
Realized gains (losses)	(0.95)	0.80	N/A
Unrealized gains (losses)	5.54	0.32	N/A
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>4.54</b>	<b>1.24</b>	<b>N/A</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.01)	-	N/A
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>-</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>24.42</b>	<b>21.24</b>	<b>N/A</b>

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

	June 30, 2020	December 31, 2019	December 31, 2018
	(\$)	(\$)	(\$)
For the periods ended:			
<b>Hedged Class F - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	21.00	20.00	N/A
<b>Increase (decrease) from operations:</b>			
Total revenue	0.18	0.06	N/A
Total expenses	(0.09)	(0.10)	N/A
Realized gains (losses)	(0.37)	0.03	N/A
Unrealized gains (losses)	5.87	0.25	N/A
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>5.59</b>	<b>0.24</b>	<b>N/A</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.01)	-	N/A
Return of capital	-	(0.01)	N/A
<b>Total annual distributions<sup>3</sup></b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>24.17</b>	<b>21.00</b>	<b>N/A</b>

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2020 and the audited annual financial statements as at December 31, 2019 and 2018. The Hedged ETF Units began operations on May 2, 2018. The Hedged Class A and F Mutual Fund Units began operations on June 4, 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

	June 30, 2020	December 31, 2019	December 31, 2018
For the periods ended:			
<b>Hedged Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	14,548,949	11,493,197	11,280,089
Number of units outstanding <sup>4</sup>	575,000	500,000	650,000
Management expense ratio <sup>5</sup>	0.52%	0.48%	0.60%
Trading expense ratio <sup>6</sup>	0.15%	0.12%	0.15%
Portfolio turnover rate <sup>7</sup>	57.94%	92.88%	20.34%
Net Asset Value per unit (\$)	25.30	22.99	17.35
Closing market price (\$)	25.16	23.01	17.37
<b>Hedged Class A - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	203,586	21	N/A
Number of units outstanding <sup>4</sup>	8,338	1	N/A
Management expense ratio <sup>5</sup>	1.55%	-	N/A
Trading expense ratio <sup>6</sup>	0.15%	0.12%	N/A
Portfolio turnover rate <sup>7</sup>	57.94%	92.88%	N/A
Net Asset Value per unit (\$)	24.42	21.24	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
<b>Hedged Class F - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	240,426	5,030	N/A
Number of units outstanding <sup>4</sup>	9,945	239	N/A
Management expense ratio <sup>5</sup>	0.55%	0.54%	N/A
Trading expense ratio <sup>6</sup>	0.15%	0.12%	N/A
Portfolio turnover rate <sup>7</sup>	57.94%	92.88%	N/A
Net Asset Value per unit (\$)	24.17	21.00	N/A

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

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.

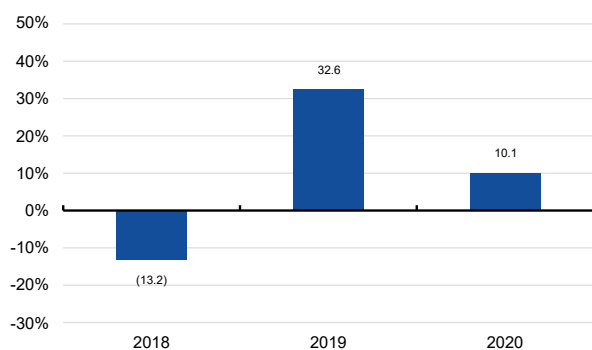
## Past Performance

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.

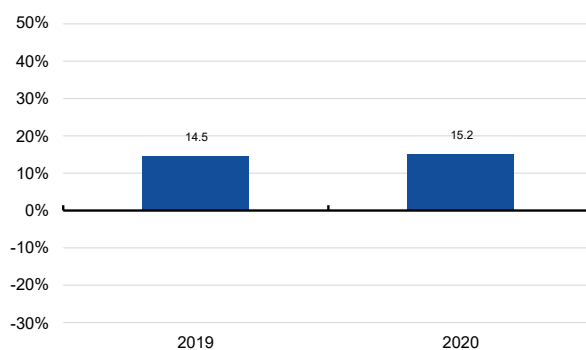
## Year-by-Year Returns

The bar chart below shows the Hedged ETF Units' and the Hedged 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.

**EDGE Hedged ETF Units<sup>1</sup>**



**Hedged Class A Mutual Fund Units<sup>2</sup>**



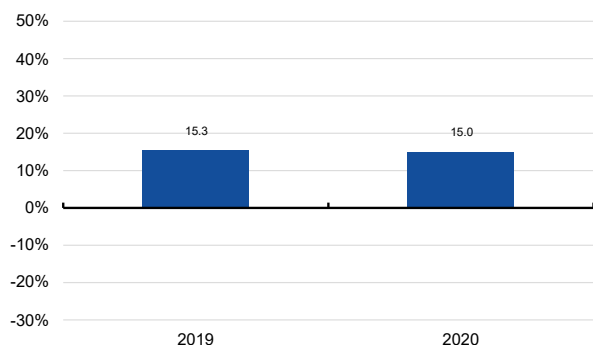
1 The Hedged ETF Units of the Fund effectively began operations on May 2, 2018.

2 The Hedged Class A Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

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## Hedged Class F Mutual Fund Units<sup>3</sup>



<sup>3</sup> The Hedged Class F Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Evolve Automobile Innovation Index Fund Hedged ETF Units	15.8
Evolve Cyber Security Index Fund Hedged ETF Units	14.0
QUALCOMM Inc.	4.5
DocuSign Inc.	2.3
Genmab AS	2.0
Splunk Inc.	1.8
Ipsen SA	1.7
ServiceNow Inc.	1.6
NVIDIA Corporation	1.6
Mail.Ru Group Limited, GDR	1.6
Yandex NV	1.6
Seattle Genetics Inc.	1.6
Paycom Software Inc.	1.6
Pinterest Inc.	1.6
Exelixis Inc.	1.5
OBIC Company Limited	1.5
FANUC Corporation, ADR	1.5
Baidu Inc., ADR	1.5
SoftBank Group Corporation	1.5
T-Mobile US Inc.	1.5
Atlassian Corporation PLC, Class 'A'	1.5
Keyence Corporation	1.5
Deutsche Telekom AG	1.4
Facebook Inc., Class 'A'	1.4
Workday Inc.	1.4
<b>Total</b>	<b>69.5</b>



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## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	21.3
Consumer Discretionary	1.3
ETFs - International Equity	29.8
Health Care	10.7
Industrials	4.3
Information Technology	28.4
Materials	1.1
Derivative Assets	0.1
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	3.2
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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