



Evolve ETFs

Evolve E-Gaming Index ETF

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 E-Gaming Index ETF (the "Fund") seeks to replicate, to the extent reasonable possible and before fees and expenses, the performance of the Solactive E-Gaming Index, or any successor thereto. The Fund primarily invests in equity securities of companies listed domestically and globally, and other issuers, with business activities in the gaming industry.

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, the Hedged ETF Units returned 31.6% versus the Solactive eGaming Index PR CAD Hedged return of 33.0%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administrative fees 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 \$12.5MM as at June 30, 2020.

Portfolio Manager Commentary

Unlike many other industries which were affected by the COVID-19 pandemic, the e-gaming industry flourished during the first half of the year.

In fact, video games and e-sports became the go-to form of entertainment for tens of millions of people who were confined to their homes in the wake of government imposed lock down conditions. This resulted in record sales and massive levels of engagement.

According to market research from the NPD Group, April was one of the strongest month for the industry, with sales totaling \$1.5 billion, 73% higher than last year and besting the previous record for the month in 2008.(i)

During the period new releases became immediate blockbusters, with Nintendo's life simulator Animal Crossing: New Horizons selling a staggering 13.4 million copies in its first six weeks of launch and Square Enix's Final Fantasy VII Remake becoming the top game of April, with the best launch month in the 32-year-old franchise, according to the NPD Group.

Nintendo has been one of the companies to see a surge in demand. Sales of its popular Switch console more than doubled in March 2020, compared to the same month a year earlier, according to market research from the NPD Group. In comparison, other leading gaming consoles like Microsoft's Xbox One and Sony's PlayStation 4 saw their sales jump by 25% in March, according to NPD.(ii)

According to a Nielsen survey, a global data analytics group, there was a sharp rise in both the e-gaming and e-sports markets during the pandemic so far. The survey found that 83% of esports fans aged 18 to 34 are spending more time playing games. Meanwhile, 29% of this demographic are viewing more esports content than they were before lockdown orders took effect.

The report states that one-third of the esports fans that responded to Nielsen's survey were watching games-based video content as an alternative to television, with roughly 18%, who are self-proclaimed "sports fans," watching esports as an alternative to traditional sports.

Elsewhere, Nielsen noted a substantial impact on consumer spending during the pandemic. Reportedly, 37% of survey respondents said that they're spending more money on video game downloads, with 34% stating that they've spent more on in-game microtransactions as well.(iii)

Consumer spending on video gaming overall was up by 9% compared to last year, totaling \$10.86 billion. Video game content sales totaled \$9.58 billion, an 11% increase from last year, according to the report.

"Gains were seen across digital console and PC content, mobile and subscription spending, as well as across hardware and accessories categories," the report said.

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Hardware platforms sales reached \$773 million, increasing 2% from last year, while sales of video game accessories such as headsets and gamepads, reached \$503 million, an increase of 1%.

According to NPD, hardware sales were spurred on by sales of the Nintendo Switch hardware.^(iv)

As a result, major game companies enjoyed improved performance, including Activision Blizzard, Electronic Arts, Take-Two and Nintendo, which are all owned by the Fund.^(v)

The Fund was one of the best performing equity ETFs on the S&P/TSX in March. According to Raj Lala, President of Evolve Funds, in addition to gaming, e-sports, which the fund invests in, can keep running while traditional sports leagues have closed. He expects sports fans to start paying more attention to e-sports, and advertisers to follow those eyeballs and notes that even after the pandemic, the economic devastation wrought means we're likely to be stuck in a recession for some time. In that environment, he sees more people firing up their consoles for entertainment than spending money at restaurants or hockey games.

The industry also continued to hold live on-line events during the period. Entertainment Arts (EA) held its Play Live 2020 event in June, featuring new games such as Star Wars: Squadrons and the new FIFA, as well as updates on what's coming for games such as Apex Legends; gaming website IGN's also hosted its Summer of Gaming in June, featuring reveals, charity live streams in support of the World Health Organization's COVID-19 Solidarity Response Fund and The Bail Project, and gameplay demos; and GameSpot launched Play For All, a summer digital event that featured more than 30 publishers in a weeks-long event that got started on June 1, among several other events.^(vi)

Performance Attribution

As at June 30, the Fund held a diversified pool of gaming companies, with its largest exposures by weight to Netease Inc. ADR, followed by Activision Blizz. The best performing stock in the first half of the year was Sea Ltd. ADR, followed by Bilibili Inc. ADR. The largest contribution to the Fund's performance was made by Seal Ltd. ADR, followed by Netease Inc. ADR.

(i)

https://www.forbes.com/sites/mattperetz/2020/05/23/73-growth-and-instant-blockbusters-how-gaming-is-blowing-up-during-the-pandemic/?utm_source=newsletter&utm_medium=newsletter&utm_campaign=newsletter#58c7859e280e

(ii) <https://www.cnn.com/2020/06/02/nintendo-switch-animal-crossing-and-coronavirus-led-to-record-sales.html>

(iii) <https://gamedaily.biz/article/1762/report-82-of-consumers-played-more-video-games-amid-covid-19-pandemic-nielsen>

(iv) <https://www.foxbusiness.com/money/gamestop-video-games-sales-first-quarter-2020>

(v) https://www.nintendolife.com/news/2020/02/video_12_exciting_new_games_coming_to_nintendo_switch_in_march

(vi) <https://www.usatoday.com/story/tech/gaming/2020/06/18/coronavirus-crisis-online-video-game-events-xbox-ps-5-replace-e-3/3203913001/>
<https://www.digitaltrends.com/gaming/video-game-sales-may-new-records/>

Recent Developments

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

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 0.70% 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 \$19,470 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.

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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 \$4,172 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 (\$)
For the periods ended:		
Hedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	22.31	20.00
Increase (decrease) from operations:		
Total revenue	0.10	0.16
Total expenses	(0.20)	(0.24)
Realized gains (losses)	(0.35)	0.11
Unrealized gains (losses)	9.63	2.50
Total increase (decrease) from operations²	9.18	2.53
Distributions:		
From income (excluding dividends)	(0.03)	-
Return of capital	-	(0.03)
Total annual distributions³	(0.03)	(0.03)
Net Assets per Unit, end of period	29.32	22.31

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. The Fund began operations on June 17, 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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2020	December 31, 2019
Hedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁴	12,460,373	2,231,075
Number of units outstanding⁴	425,000	100,000
Management expense ratio⁵	0.96%	0.99%
Trading expense ratio⁶	0.54%	0.98%
Portfolio turnover rate⁷	11.58%	28.57%
Net Asset Value per unit (\$)	29.32	22.31
Closing market price (\$)	29.33	22.32

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

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.

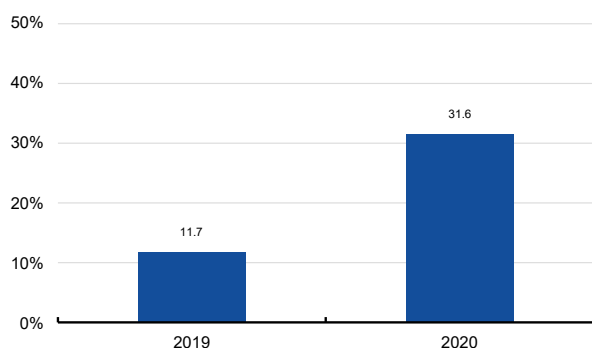
Past Performance

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' performance for the financial year 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

HERO Hedged ETF Units¹



1 The Hedged ETF Units of the Fund effectively began operations on June 17, 2019.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
NetEase Inc., ADR	10.2
Sea Limited, ADR	10.1
Electronic Arts Inc.	9.6
Activision Blizzard Inc.	9.6
Nintendo Company Limited, ADR	8.4
NEXON Company Limited	6.2
Take-Two Interactive Software Inc.	4.8
NCSOFT Corporation	4.8
BANDAI NAMCO Holdings Inc.	3.5
Bilibili Inc., ADR	3.4
iShares MSCI Poland Capped ETF	3.3
Ubisoft Entertainment SA, ADR	3.0
Zynga Inc.	2.8
Netmarble Corporation	2.2
Kingssoft Corp Limited	2.0
Square Enix Holdings Company Limited	1.8
Capcom Company Limited	1.5
Konami Holdings Corporation	1.4
Koei Tecmo Holdings Company Limited	1.3
Embracer Group AB	1.2
Sega Sammy Holdings Inc.	1.0
Stillfront Group AB	0.8
Pearl Abyss Corporation	0.8
Paradox Interactive AB	0.7
GungHo Online Entertainment Inc.	0.5
Total	94.9

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	89.7
Consumer Discretionary	5.0
ETFs - International Equity	3.3
Information Technology	2.0
Derivative Assets	0.2
Derivative Liabilities	(0.3)
Cash and Cash Equivalents	0.2
Other Assets, less Liabilities	(0.1)
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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