



Evolve ETFs

Evolve Dividend Stability Preferred Share 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 Dividend Stability Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Dividend Stability Canada Preferred Share Index, or any successor thereto. The Fund invests primarily in preferred equity securities of companies listed in Canada.

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

Since the Fund was launched on September 26, 2019, no performance data can be shown. The Fund's net assets were \$33.4MM as at June 30, 2020.

Portfolio Manager Commentary

Canadian preferred shares underperformed all major asset classes during the first half of the year, led by floating rate and fixed reset preferreds with low resets which experienced a sharp sell-off.

During the first quarter, preferreds did not escape market volatility triggered by the coronavirus, and were further impacted by central banks around the world cutting interest rates to record lows in their quest to stimulate their economies which had slowed to a crawl.

The Bank of Canada cut interest rate three times in the month of March alone, with rates declining dramatically, from 1.75% to 0.25%.

As a result, interest rates came under substantial pressure with global yields courting negative territory on the back of an uncertain global economic outlook. Fixed reset preferreds which make up almost three-quarters of the Canadian preferred market were the most affected by low yields.

In the second quarter, preferreds regained some ground on the back of tightening credit spreads and stabilizing fund flows, albeit in a continuing low rate environment. Credit spreads tightened in June in the wake of government and central bank stimulus.

The Fund outperformed its peers because it has no exposure to floating rate preferreds, and the portfolio has a higher allocation to P1 credit quality which has proven to be more resilient during market sell offs. In addition, all rate reset preferreds held by the Fund have a minimum floor built in.

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 0.45% 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 ended June 30, 2020, the Fund incurred \$80,092 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 ended June 30, 2020, the Fund incurred \$26,697 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:		
Unhedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	25.38	25.02
Increase (decrease) from operations:		
Total revenue	0.65	0.34
Total expenses	(0.09)	(0.07)
Realized gains (losses)	(0.20)	0.01
Unrealized gains (losses)	(0.78)	0.39
Total increase (decrease) from operations²	(0.42)	0.67
Distributions:		
From income (excluding dividends)	(0.57)	-
From dividends	-	(0.12)
Return of capital	-	(0.17)
Total annual distributions³	(0.57)	(0.29)
Net Assets per Unit, end of period	23.51	25.38

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 September 26, 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
Unhedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	33,416,060	29,944,328
Number of units outstanding ⁴	1,421,144	1,180,000
Management expense ratio ⁵	0.68%	0.67%
Trading expense ratio ⁶	0.11%	0.31%
Portfolio turnover rate ⁷	38.68%	11.28%
Net Asset Value per unit (\$)	23.51	25.38
Closing market price (\$)	23.39	25.38

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

Since the Fund is a reporting issuer for less than one year, with inception date September 26, 2019, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
TC Energy Corporation, Preferred, Series '15', Perpetual	8.0
Enbridge Inc., Preferred, Series '17', Perpetual	6.0
TC Energy Corporation, Preferred, Series '13', Perpetual	4.3
Royal Bank of Canada, Preferred, Series 'AA', Perpetual	2.6
Emera Inc., Preferred, Series 'H', Perpetual	2.6
Westcoast Energy Inc., Preferred, Series '12', Perpetual	2.6
Royal Bank of Canada, Preferred, Series 'W', Perpetual	2.5
Great-West Lifeco Inc., Preferred, Series 'G', Perpetual	2.4
Brookfield Asset Management Inc., Preferred, Series '48', Perpetual	2.4
Brookfield Asset Management Inc., Preferred, Series '46', Perpetual	2.3
Pembina Pipeline Corporation, Preferred, Series '23', Perpetual	2.1
Brookfield Asset Management Inc., Preferred, Series '44', Perpetual	2.1
George Weston Limited, Preferred, Series 'I', Perpetual	2.1
Canadian Utilities Limited, Preferred, Series 'FF', Perpetual	2.1
Pembina Pipeline Corporation, Preferred, Series '13', Perpetual	2.1
Power Financial Corporation, Preferred, Series 'R', Perpetual	2.1
Brookfield Infrastructure Partners Limited Partnership, Preferred, Series '5', Perpetual	2.0
Great-West Lifeco Inc., Preferred, Series 'P', Perpetual	2.0
Loblaws Companies Limited, Preferred, Series 'B', Perpetual	1.9
Power Financial Corporation, Preferred, Series 'V', Perpetual	1.9

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Power Corporation of Canada, Preferred, Series 'D', Perpetual	1.9
Brookfield Renewable Partners Limited Partnership, Preferred, Series '11', Perpetual	1.8
Royal Bank of Canada, Preferred, Series 'AC', Perpetual	1.8
Royal Bank of Canada, Preferred, Series 'AF', Perpetual	1.8
Power Financial Corporation, Preferred, Series 'I', Perpetual	1.7
Total	65.1

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Staples	5.7
Energy	26.6
Financials	44.4
Utilities	23.0
Cash and Cash Equivalents	0.7
Other Assets, less Liabilities	(0.4)
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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