



Evolve ETFs

# Evolve Global Materials & Mining Enhanced Yield Index ETF

June 30, 2021

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, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 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 Global Materials & Mining Enhanced Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Materials & Mining Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, while writing covered call options on up to 33% of the portfolio securities, at the direction of the portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

## 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 period ended June 30, 2021, the Hedged ETF Units returned 19.7% versus the Solactive Materials & Mining Index PR CAD Hedge return of 21.2%. The Unhedged ETF Units returned 18.6% versus the Solactive Materials & Mining Index PR return of 18.8%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes and to portfolio trading and hedging strategies. The difference in performance of the unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes and to portfolio trading. The Fund's net assets were \$52.5MM as at June 30, 2021.

## Portfolio Manager Commentary

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The rising price of copper through the first half of 2021 suggests that the recovery of the industrial economy is beginning to pick up speed as many regions of the world look to the end of the global pandemic. Demand for copper is likely to increase as spending on construction, electrical networks, transportation, and industrial machinery opens up post-pandemic. Likewise, the accelerating shift toward green energy from solar power and wind farms, as well as growing consumer preference for electric vehicles, mean that large quantities of copper will be needed in these industries for use in storage and transmission.(i)

The first half of the year also saw a boom in steel and iron ore. North American prices for the benchmark hot-rolled coil steel were up 300% from pandemic lows, with prices also climbing in Europe. According to the World Steel Association, worldwide steel demand is projected to grow 5.8%, exceeding pre-pandemic levels by the end of the year in China, where steel is already at its most expensive since 2008, consumption will keep growing from record levels. China already accounts for half of the total global demand for steel.(ii)

In June, the World Steel Association reported that global crude steel production had reached a new record high of 174.4 million tons, a 16.5% year-over-year increase. Production rose across all 64 reporting nations, especially amongst major producers India, Japan, the United States, and especially China, which account for more than half of global steel output. In May alone, China produced 99.5 million tons of crude steel, up 6.6% year over year. This follows output growth of 13.9% year over year to 473.1 million tons of crude steel for the early part of 2021.(iii)

In March, Nucor announced the construction of a new tube mill near the Nucor Steel Gallatin sheet mill site in Kentucky. This location will expand the capacity of the Gallatin sheet mill and add a galvanizing line. The new tube mill will have a production capacity of roughly 250,000 tons of hollow structural section (HSS) steel tubing, mechanical steel tubing, and galvanized solar torque tube. The project, worth \$164 million, is expected to commence operations by mid-2023.(iv)

Nucor also announced a 10-year Virtual Power Purchase Agreement (VPPA) with Orsted Onshore North America for 100 megawatts from Orsted's Western Trail wind farm (WTW) in North Texas. Coupled with a similar VPPA deal struck in 2020 with EDFR Renewables North America, the WTW deal give Nucor the potential to supply renewable power to the regional electric grid 24 hours a day. The wind project is designed to withstand extreme weather events like the deep freeze that crippled the state's energy system in February.(v)

In its capacity as North America's largest steel recycler, Nucor also boosted its ongoing sustainability initiative in May with an announced partnership with Array Technologies. Array is one of the world's largest manufacturers of ground-mounting systems for solar power projects. While also incorporating renewable energy sources in its manufacturing processes, participating in the renewable sector as a supplier has been lucrative for Nucor. Last year, the company said orders for its products by the renewable energy sector exceeded the 2019 volume by 15% just through September 2020.(vi)

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Sibanye-Stillwater, a leading international precious metals mining group held by the Fund, announced a strategic partnership with Johnson Matthey, a global leader in sustainable technologies. The new partnership will aim to identify and develop decarbonization solutions and the more secure, efficient, and ethically sourced acquisition of critical platinum group metals (PGMs) supply for key technologies and end-users, including in the battery technology industry. The companies will also pool their collective experience to support the development of more sustainable supply chains for battery materials, including metals recycling of 'difficult to recover' materials.(vii)

Steel products manufacturer Ternium announced a \$500 million US plan for environmentally friendly emission reduction, effluent management, and materials management projects and technologies for its plants in Mexico, Argentina, and Brazil. The company announced this environmental investment while also announcing its Decarbonization Roadmap, an initiative to reduce the company's specific CO2 emissions by 20% by the year 2030.(viii)

South African miner Gold Fields, held by the Fund, announced major capital spending plans for 2021, including a \$46.11 million US solar plant at its South African South Deep mine. Construction of the 40 MW solar plant is expected to begin in Q2 2021 and will consist of 116,000 solar panels and cover 118 ha, roughly the size of 200 soccer fields. When completed, the plant will generate 20% of the mine's electricity and save the mine more than \$8.8 million US (ZAR 120 million) on the cost of electricity per year.(ix)

The use of self-generated, renewable energy will likewise boost Gold Fields Group's use of renewable electricity from 3% to more than 11%. This will reduce the company's overall carbon footprint by around 100,000 tonnes of CO2 a year, contributing to Gold Fields' long-term commitment to carbon-neutral operations.(x)

## Performance Attribution

For the first six months of 2021, Nucor Corporation made the biggest contribution to the Fund, followed by Steel Dynamics Inc, and Cia Siderurgica Nacional. By weight, the Fund's largest exposure over the first six months of 2021 was to Nucor Corporation, followed by Freeport-McMoRan Inc. and Cia Siderurgica Nacional.

(i) <https://www.nasdaq.com/articles/why-freeport-mcmoran-stock-soared-in-april-2021-05-06>

(ii) <https://www.bloomberg.com/news/articles/2021-04-27/global-steel-boom-builds-as-rampant-demand-overwhelms-supply>

(iii) <https://finance.yahoo.com/news/global-steel-production-surges-china-113711253.html>

(iv) <https://finance.yahoo.com/news/nucor-nue-build-tube-mill-144002179.html>

(v) <https://finance.yahoo.com/news/nucor-signs-second-virtual-power-130000607.html>

(vi) <https://www.fool.com/investing/2021/05/12/nucor-signs-supply-agreement-with-array-technologi/>

(vii) [https://thevault.exchange/?get\\_group\\_doc=245/1616137267-sibanye-stillwater-johnson-matthey-form-strategic-partnership-19mar2021.pdf](https://thevault.exchange/?get_group_doc=245/1616137267-sibanye-stillwater-johnson-matthey-form-strategic-partnership-19mar2021.pdf)

(viii) <https://www.ternium.com/en/media/news/ternium-environmental-plan--03684499621>

(ix) <https://www.goldfields.com/in-the-news-article.php?articleID=10932>

(x) <https://www.goldfields.com/in-the-news-article.php?articleID=10928>

## Recent Developments

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In the year 2020, 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.

## Related Party Transactions

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Evolve Funds Group Inc. (the "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 management fees are calculated based on 0.60% 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, 2021, the Fund incurred \$136,285 in management fees. These management fees were received by the Manager 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, 2021, the Fund incurred \$34,071 in administration fees. These administration fees were received by the Manager 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 the Fund.

## 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, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>Unhedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	24.91	21.33	20.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.63	0.58	0.41
Total expenses	(0.22)	(0.33)	(0.20)
Realized gains (losses)	1.35	0.81	(0.42)
Unrealized gains (losses)	2.53	5.48	3.46
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>4.29</b>	<b>6.54</b>	<b>3.25</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.80)	-	-
From dividends	-	(0.30)	(0.15)
From capital gains	-	(0.78)	-
Return of capital	-	(0.12)	(0.45)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.80)</b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>28.70</b>	<b>24.91</b>	<b>21.33</b>

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

	June 30, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:			
<b>Hedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	25.71	21.50	20.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.70	0.58	0.44
Total expenses	(0.24)	(0.33)	(0.21)
Realized gains (losses)	0.51	1.08	(0.09)
Unrealized gains (losses)	1.05	5.02	2.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.02</b>	<b>6.35</b>	<b>2.15</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.80)	-	-
From dividends	-	(0.25)	(0.11)
From capital gains	-	(0.65)	-
Return of capital	-	(0.30)	(0.49)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.80)</b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>29.96</b>	<b>25.71</b>	<b>21.50</b>

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2021 and the audited annual financial statements as at December 31, 2020 and 2019. The Fund effectively began operations on June 11, 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, 2021	December 31, 2020	December 31, 2019
For the periods ended:			
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	33,726,954	24,286,886	10,663,210
Number of units outstanding <sup>4</sup>	1,175,000	975,000	500,000
Management expense ratio <sup>5</sup>	0.85%	0.85%	0.84%
Trading expense ratio <sup>6</sup>	0.24%	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	27.76%	82.01%	61.38%
Net Asset Value per unit (\$)	28.70	24.91	21.33
Closing market price (\$)	28.60	24.97	21.29
<b>Hedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>4</sup>	18,724,268	2,571,290	1,612,226
Number of units outstanding <sup>4</sup>	625,000	100,000	75,000
Management expense ratio <sup>5</sup>	0.84%	0.85%	0.85%
Trading expense ratio <sup>6</sup>	0.24%	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	27.76%	82.01%	61.38%
Net Asset Value per unit (\$)	29.96	25.71	21.50
Closing market price (\$)	29.92	25.70	21.50

- 4 This information is provided as at June 30, 2021 and December 31, 2020 and 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.

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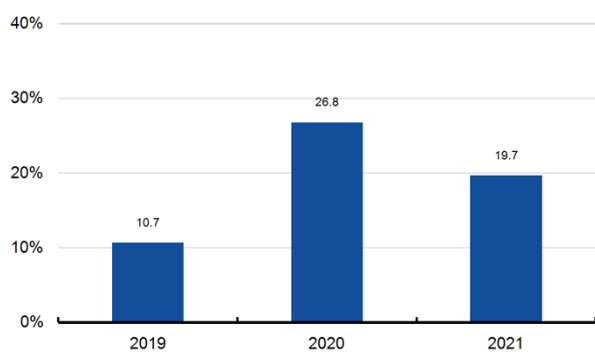
## Past Performance

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.

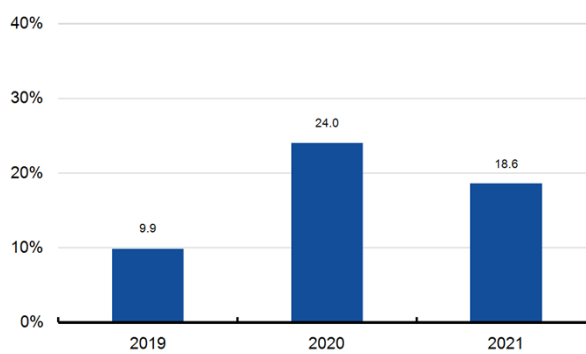
## Year-by-Year Returns

The bar chart below shows the Hedged and Unhedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2021. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial year would have grown or decreased by the last day of each financial year.

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



**BASE/B Unhedged ETF Units<sup>2</sup>**



1 The Hedged ETF Units of the Fund effectively began operations on June 11, 2019.

2 The Unhedged ETF Units of the Fund effectively began operations on June 11, 2019.

## Summary of Investment Portfolio

### Top 25 Positions

Security	Percentage of Net Asset Value (%)
Vale SA, ADR	5.9
Cleveland-Cliffs Inc.	5.8
Nucor Corporation	5.7
Steel Dynamics Inc.	5.6
Cia Siderurgica Nacional SA, ADR	5.5
Freeport-McMoRan Inc.	5.2
ArcelorMittal SA	5.1
MMC Norilsk Nickel PJSC, ADR	5.2
Rio Tinto PLC, ADR	5.0
Eastman Chemical Company	5.0
Newmont Corporation	4.9
DuPont de Nemours Inc.	4.9
Royal Gold Inc.	4.9
BHP Group PLC, ADR	4.8
Ternium SA, ADR	4.7
Reliance Steel & Aluminum Company	4.7

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## Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Sibanye Stillwater Limited	4.5
Gold Fields Limited, ADR	4.4
Southern Copper Corporation	4.3
AngloGold Ashanti Limited, ADR	4.2
<b>Total</b>	<b>100.3</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Materials	100.3
Derivative Assets	0.0
Derivative Liabilities	(0.4)
Cash and Cash Equivalents	0.5
Other Assets, less Liabilities	(0.4)
<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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