



Evolve ETFs

# Evolve US Banks Enhanced Yield Fund

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 US Banks Enhanced Yield Fund (the "Fund") seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of the Solactive Equal Weight US Bank Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the Solactive Equal Weight US Bank Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities, at the discretion 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 Unhedged ETF Units returned 21.2% versus the Solactive Equal Weight US Bank Index return of 25.0%. The Hedged ETF Units returned 24.1% versus the Solactive Equal Weight US Bank Index Canadian Dollar Hedged return of 28.4%. The US Dollar Unhedged ETF Units returned 21.2% versus the Solactive Equal Weight US Bank Index (USD) return of 28.6%. 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. Furthermore, the difference can also be attributed to the implementation of the call writing strategy where the Fund tends to outperform in flat or down markets and underperform during sharp market advances. This performance difference can be seen over the period the calls are written, typically with one to two months to expiry, and then resets when new option positions are established. The Fund's net assets were \$25.5MM as at June 30, 2021.

## Portfolio Manager Commentary

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Citigroup Inc., held by the Fund, created a unit within its energy investment bank to capitalize on the transition toward a lower-carbon, clean energy economy. The new unit will focus on companies involved in hydrogen, charging infrastructure, carbon capture and sequestration, and biofuels. Citigroup had previously announced in March the consolidation of three of its investment banking units-energy, power, and chemicals-into a single entity focused on sustainability.(i)

Citi established a five-vehicle investment program aimed at increasing investment capital allocated to Black investment managers. Five Black-led investment management firms will each receive \$40 million to invest in preserving local workforces and affordable housing across the country. The initiative is part of Citi's Action for Racial Equity.

"This initiative underscores our commitment to help close the racial wealth gap and increase economic mobility in the US, said Gina Nisbeth, Director, Citi Community Capital. "Increasing access to capital funding with clients who have the track record, expertise, and cultural competency to identify and finance additional affordable housing units is essential to support stronger, more inclusive neighbourhoods."(ii)

Citi announced plans to hire 1,000 wealth professionals in Hong Kong over the next five years to help grow its \$310 billion in Asian assets currently under management by an additional \$150 billion. Hiring will include 550 new private bankers and relationship managers by 2025.(iii)

Citizens Financial Group, Inc. announced plans to acquire 80 HSBC branches in New York City Metro, Mid-Atlantic/Washington DC, and Southeast Florida under its Citizens Bank brand. The acquisition from HSBC Bank USA-which is exiting from US retail operations-includes approximately \$9.0 billion in deposits and \$2.2 billion in loans, adds 800,000 new customers, and closes gaps in Citizens Bank coverage in several attractive markets like New York City and Florida.(iv)

The proposed merger of Boston Private Financial Holdings, Inc., a leading provider of integrated wealth management, trust and banking services to individuals, families, businesses, and non-profits, into SVB Financial Group (held by the Fund) hit something of a rocky patch late in April. Boston Private adjourned a special meeting of shareholders until May 4, 2021, to solicit additional votes supporting the merger. However, after SVB reiterated that its offer was its "best and final," the vote was taken, and the merger approved.(v)

In testimony before the US House Financial Services Committee in May, Jamie Dimon, the CEO of JPMorgan Chase (held by the Fund), expressed personal reservations about cryptocurrency but said he would not prevent JPMorgan Chase from offering crypto-related financial services.

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"A lot of our clients are asking, 'can we help them buy or sell cryptocurrency?'" Dimon said at JPMorgan Chase's annual shareholder meeting on May 18. "And we're investing in that as we speak."

Dimon suggested that cryptocurrency could benefit from a more rigid regulatory framework and thinks that in the future, the government will "pay a lot more attention" to the asset class.(vi)

The Wells Fargo Investment Institute released its 2021 midyear outlook report, entitled "Fuel for Growth" in June. The report sees an intensifying US economic recovery into 2022 thanks to COVID-19 vaccines, accelerated spending of last year's accumulated private savings, historically low interest rates, and multiple continued government support programs. While citing concerns about rising inflation rates, taxes, and interest rates, the report argues these factors are unlikely to blunt the recovery.

The report forecasts a global economic boom hitting a 48-year high by the end of 2021, followed by a strong but more sustainable pace of growth through 2022. Wells Fargo expects global inflation to exceed its pre-pandemic pace both this year and next. The report suggests vigorous global economic recovery could lead to record corporate earnings in 2021 and 2022, sending equity prices to new all-time highs. The S&P 500 Index target range is 4,400-4,600 for year-end 2021 and 4,800-5,000 for year-end 2022.(vii)

## Performance Attribution

For the first six months of 2021, SVB Financial Group made the biggest contribution to the Fund, followed by Wells Fargo & Co, and Goldman Sachs Group Inc. By weight, the Fund's largest exposure over the first six months of 2021 was to SVB Financial Group, followed by Regions Financial Corp, and Ameriprise Financial Inc.

(i) <https://finance.yahoo.com/news/citigroup-forms-energy-transition-group-162024688.html>

(ii) <https://finance.yahoo.com/news/citi-establishes-affordable-housing-preservation-122900353.html>

(iii) <https://finance.yahoo.com/news/citi-sets-sights-1000-wealth-073007508.html>

(iv) <https://www.barrons.com/articles/citizens-financial-branches-hsbc-51622231504>

(v) <https://finance.yahoo.com/news/svb-financial-group-confirms-announced-164200846.html>

(vi) <https://finance.yahoo.com/news/jp-morgans-jamie-dimon-buyer-beware-on-cryptocurrencies-200700048.html>

(vii) <https://www.businesswire.com/news/home/20210615005248/en/>

## 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 Independent Review Committee.

## Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Fund, accrued daily and generally paid monthly. For the six-month period ended June 30, 2021, the Fund incurred \$46,547 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](http://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, 2021, the Fund incurred \$15,514 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; fees payable to the index provider, 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>

	June 30, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:					
<b>Unhedged ETF Units - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	17.70	21.46	18.10	21.25	19.79
<b>Increase (decrease) from operations:</b>					
Total revenue	0.23	0.56	0.59	0.51	0.10
Total expenses	(0.13)	(0.30)	(0.31)	(0.34)	(0.05)
Realized gains (losses)	1.17	(4.01)	(0.47)	(10.55)	(0.14)
Unrealized gains (losses)	2.23	1.80	5.21	5.07	1.49
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.50</b>	<b>(1.95)</b>	<b>5.02</b>	<b>(5.31)</b>	<b>1.40</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.69)	-	-	-	-
From dividends	-	(0.30)	(0.32)	(0.24)	(0.03)
Return of capital	-	(1.08)	(0.94)	(0.66)	(0.12)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.69)</b>	<b>(1.38)</b>	<b>(1.26)</b>	<b>(0.90)</b>	<b>(0.15)</b>
<b>Net Assets per Unit, end of period</b>	<b>20.75</b>	<b>17.70</b>	<b>21.46</b>	<b>18.10</b>	<b>21.25</b>
<b>Hedged ETF Units - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	16.27	20.21	16.45	21.08	19.76
<b>Increase (decrease) from operations:</b>					
Total revenue	0.22	0.49	0.54	0.48	0.09
Total expenses	(0.12)	(0.26)	(0.28)	(0.32)	(0.05)
Realized gains (losses)	1.69	(1.83)	(2.13)	(1.36)	(0.80)
Unrealized gains (losses)	1.02	3.75	5.31	(5.41)	1.99
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.81</b>	<b>2.15</b>	<b>3.44</b>	<b>(6.61)</b>	<b>1.23</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.69)	-	-	-	-
From dividends	-	(0.23)	(0.30)	(0.15)	(0.03)
Return of capital	-	(1.15)	(0.96)	(0.75)	(0.12)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.69)</b>	<b>(1.38)</b>	<b>(1.26)</b>	<b>(0.90)</b>	<b>0.15</b>
<b>Net Assets per Unit, end of period</b>	<b>19.48</b>	<b>16.27</b>	<b>20.21</b>	<b>16.45</b>	<b>21.08</b>

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

For the periods ended:	June 30, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
<b>US Dollar Unhedged ETF Units - Net Assets per Unit<sup>4</sup></b>					
Net Assets per Unit, beginning of period	21.82	26.68	26.40	N/A	N/A
<b>Increase (decrease) from operations:</b>					
Total revenue	0.26	0.71	0.09	N/A	N/A
Total expenses	(0.15)	(0.38)	(0.05)	N/A	N/A
Realized gains (losses)	1.21	(5.82)	0.40	N/A	N/A
Unrealized gains (losses)	2.20	3.17	(0.21)	N/A	N/A
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.52</b>	<b>(2.32)</b>	<b>0.23</b>	<b>N/A</b>	<b>N/A</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.86)	-	-	N/A	N/A
From dividends	-	(0.35)	(0.01)	N/A	N/A
Return of capital	-	(1.50)	(0.14)	N/A	N/A
<b>Total annual distributions<sup>3</sup></b>	<b>(0.86)</b>	<b>(1.85)</b>	<b>(0.15)</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>25.57</b>	<b>21.82</b>	<b>26.68</b>	<b>N/A</b>	<b>N/A</b>

- 1 This information is derived from the Fund's unaudited annual financial statements as at June 30, 2021 and the audited annual financial statement as at December 31, 2020, 2019, 2018 and 2017. The Unhedged and Hedged ETF Units began operations on October 12, 2017 and the US Dollar Unhedged ETF Units began operations on November 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.
- 4 Per unit figures are stated in CAD equivalent.

## The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>5</sup>	4,150,053	3,097,714	3,219,518	2,262,348	1,062,375
Number of units outstanding <sup>5</sup>	200,000	175,000	150,000	125,000	50,000
Management expense ratio <sup>6</sup>	0.68%	0.70%	0.70%	0.68%	0.70%
Trading expense ratio <sup>7</sup>	0.24%	0.67%	0.43%	0.52%	0.19%
Portfolio turnover rate <sup>8</sup>	45.67%	203.76%	103.77%	100.98%	2.61%
Net Asset Value per unit (\$)	20.75	17.70	21.46	18.10	21.25
Closing market price (\$)	20.76	17.70	21.46	18.10	21.36
<b>Hedged ETF Units - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>5</sup>	17,535,234	4,881,866	1,515,581	822,343	1,054,094
Number of units outstanding <sup>5</sup>	900,000	300,000	75,000	50,000	50,000
Management expense ratio <sup>6</sup>	0.67%	0.69%	0.70%	0.68%	0.70%
Trading expense ratio <sup>7</sup>	0.24%	0.67%	0.43%	0.52%	0.19%
Portfolio turnover rate <sup>8</sup>	45.67%	203.76%	103.77%	100.98%	2.61%
Net Asset Value per unit (\$)	19.48	16.27	20.21	16.45	21.08
Closing market price (\$)	19.50	16.25	20.21	16.45	21.16

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

For the periods ended:	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
<b>US Dollar Unhedged ETF Units - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$)⁵	3,835,564	1,636,700	1,334,148	N/A	N/A
Number of units outstanding⁵	150,000	75,000	50,000	N/A	N/A
Management expense ratio⁶	0.67%	0.77%	0.09%	N/A	N/A
Trading expense ratio⁷	0.24%	0.67%	0.43%	N/A	N/A
Portfolio turnover rate⁸	45.67%	203.76%	103.77%	N/A	N/A
Net Asset Value per unit (\$)	25.57	21.82	26.68	N/A	N/A
Closing market price (\$)	25.55	21.85	26.70	N/A	N/A

5 This information is provided as at June 30, 2021 and December 31, 2020, 2019, 2018 and 2017.

6 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.

7 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.

8 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

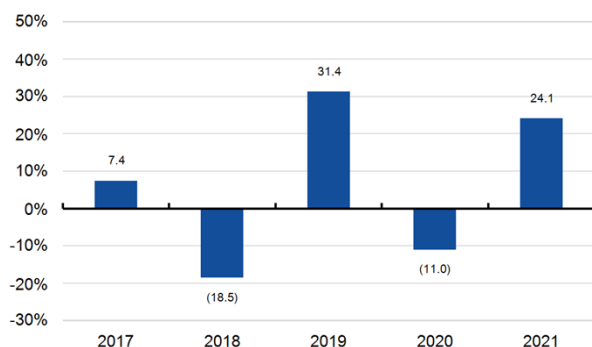
## Past Performance

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.

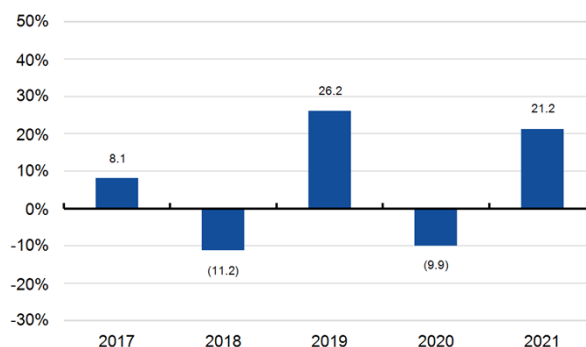
## Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged and US Dollar 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.

### CALL Hedged ETF Units<sup>1</sup>



### CALL/B Unhedged ETF Units<sup>2</sup>



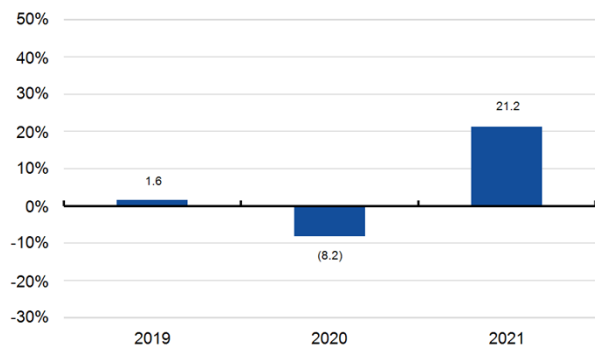
1 The Hedged ETF Units of the Fund effectively began operations on October 12, 2017.

2 The Unhedged ETF Units of the Fund effectively began operations on October 12, 2017.

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## CALL/U US Dollar Unhedged ETF Units<sup>3</sup>



<sup>3</sup> The US Dollar Unhedged ETF Units of the Fund effectively began operations on November 26, 2019. Returns presented based on NAV equivalent in USD.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Wells Fargo & Company	5.6
Ameriprise Financial Inc.	5.6
Bank of America Corporation	5.4
The Goldman Sachs Group Inc.	5.4
First Republic Bank	5.4
The PNC Financial Services Group Inc.	5.3
U.S. Bancorp	5.2
SVB Financial Group	5.1
Signature Bank	5.1
Citizens Financial Group Inc.	5.1
JPMorgan Chase & Company	4.9
Fifth Third Bancorp	4.9
KeyCorp	4.8
Western Alliance Bancorporation	4.7
Citigroup Inc.	4.7
M&T Bank Corporation	4.6
Truist Financial Corporation	4.6
Regions Financial Corporation	4.6
East West Bancorp Inc.	4.6
Huntington Bancshares Inc.	4.3
<b>Total</b>	<b>99.9</b>

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## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Financials	99.9
Derivative Assets	0.0
Derivative Liabilities	(0.4)
Cash and Cash Equivalents	0.5
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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