



Evolve ETFs

# Evolve Cloud Computing Index 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.

# Evolve Cloud Computing Index Fund

June 30, 2021

---

## Investment Objective and Strategies

---

The Evolve Cloud Computing Index Fund (the “Fund”) seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cloud Computing Index Canadian Dollar Hedged, or any successor thereto. The Fund invests primarily in equity securities of companies located domestically or internationally that have business operations in the field of cloud computing.

## 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 effectively began operations on January 6, 2021, no performance data can be shown. The Fund’s net assets were \$26.7MM as at June 30, 2021.

## Portfolio Manager Commentary

---

Amazon Web Services (AWS), held by the Fund, announced that it has partnered with NASA to use its cloud computing power to process data sent back from NASA’s Perseverance rover, which successfully landed on Mars in February.

The rover is packed with sensors, cameras, and even microphones to collect data about the Red Planet. During Perseverance’s mission, scientific and engineering data will be processed and hosted in AWS. Perseverance is sending back hundreds of images a day from Mars, with perhaps hundreds of thousands of images expected over the course of the mission, as just one example. Using the cloud helps NASA store, process, and distribute this high volume of data. AWS is also processing the rover’s telemetry on behalf of NASA, helping inform how Perseverance navigates the Martian terrain.(i)

At a Microsoft Ignite event in March, Microsoft CEO Satya Nadella spoke about the role of the cloud in digital transformation experienced during the COVID-19 pandemic and looked ahead to how the cloud will evolve over the next decade.

Nadella highlighted how the cloud has been “key to helping the world not only adapt but innovate” during the unprecedented global challenges experienced during the pandemic and lockdown. Calling it a “second wave of digital transformation sweeping every company and every industry,” Nadella pointed out how industries had to accelerate “their digital initiatives to build resilience and transform.”

Looking ahead, Nadella outlined five key attributes that will drive innovation in the cloud over the next decade: the need for ubiquitous and decentralized computing for both large and small organizations; sovereign data (including more privacy) and ambient intelligence (with increasing levels of predictive and analytical power); empowered creators and communities with democratized tools; expanded economic opportunity for the global workforce; and trust by design built into the cloud and AI applications that run on the cloud.(ii)

Microsoft was also involved in a ruling in April, alongside the US Department of Defense, regarding Amazon Web Services’ lawsuit challenging the JEDI Cloud contract awarded to Microsoft in 2019. A federal judge rejected motions that would have partially dismissed AWS’s suit. As a result, the litigation is now likely to drag on for years longer and potentially endangers the existence of the multibillion-dollar contract entirely. Microsoft and the DoD had asked the Court of Federal Claims to dismiss the portion of Amazon’s suit that claimed the awarding of the JEDI contract involved conflicts of interest, including alleged improper involvement by former President Donald Trump.

In a briefing paper sent to Congress in January, the DoD indicated that in the event of this ruling, the entire JEDI contract would have to be reassessed, given the lengthy timelines likely for the resolution of a court case. In the meantime, the US Army, Navy and Air Force have already begun using different procurement options to buy services from Amazon, Microsoft and other vendors to pursue multi-cloud approaches of their own.(iii)

Google and Shopify Inc., both held by the Fund, announced a partnership to allow more merchants to sell across Google properties and boost the search giant’s e-commerce business.

With the new integration, Google said Shopify’s 1.7 million merchants can more easily list items on Google’s Shopping site, as well as other properties such as Maps and YouTube. “With just a few clicks, these retailers can sign up to appear across Google’s one billion shopping journeys each day,” said Bill Ready, Google’s president of commerce.

# Evolve Cloud Computing Index Fund

June 30, 2021

---

In an effort to compete against Amazon.com, Google has already eliminated retailer fees on its shopping service. As a result, Google has seen an 80% jump in the number of vendors on its site. Google is also introducing features like online shopping carts in Chrome and merchant loyalty programs linked directly in Google accounts to improve its e-commerce offerings.(iv)

Oxford University and Oracle Corp (held by the Fund) announced a partnership to speed the identification of COVID-19 variants. The joint venture—the Global Pathogen Analysis System (GPAS)—will combine Oxford's Scalable Pathogen Pipeline Platform (SP3) with the power of Oracle Cloud Infrastructure (OCI).

Using the extensive machine learning capabilities of the Oracle Cloud, the SP3 system will now deliver secure, comprehensive, standardized results of COVID-19 analyses within minutes of submission on an international scale. This will allow collaborating scientists, researchers, and governments to process, analyze, visualize, and act on a wide collection of COVID-19 pathogen data for the first time. This includes identifying variants of interest, their rate of spread, possible mutations that increase transmissibility, and their potential impact on vaccine and treatment effectiveness.(v)

(i) <https://www.zdnet.com/article/cloud-computing-is-helping-to-keep-nasas-perseverance-mars-rover-on-track/>

(ii) <https://www.linkedin.com/pulse/cloud-built-next-decade-satya-nadella/>

(iii) <https://federalnewsnetwork.com/defense-main/2021/04/court-keeps-amazons-jedi-challenge-fully-intact-dealing-blow-to-dod-microsoft/>

(iv) <https://www.bnnbloomberg.ca/google-announces-e-commerce-partnership-with-shopify-1.1605412>

(v) <https://finance.yahoo.com/news/oxford-university-oracle-partner-speed-230100322.html>

## Recent Developments

---

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

---

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.

## Management Fees

The management fees are calculated based on 0.6% per annum of the average daily net asset value of the Fund. The fees are accrued daily and generally paid monthly. For the six-month period ended June 30, 2021, the Fund incurred \$59,164 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.

## 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 \$14,791 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.

# Evolve Cloud Computing Index Fund

June 30, 2021

## 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,<br>2021<br>(\$) |
|--|--------------------------|
| For the period ended:  |                          |
| <b>Unhedged ETF Units - Net Assets per Unit</b>              |                          |
| Net Assets per Unit, beginning of period <sup>2</sup>        | 20.00                    |
| <b>Increase (decrease) from operations:</b>                  |                          |
| Total revenue  | 0.05                     |
| Total expenses   | (0.11)                   |
| Realized gains (losses)                                      | 0.15                     |
| Unrealized gains (losses)                                    | 2.71                     |
| <b>Total increase (decrease) from operations<sup>3</sup></b> | <b>2.80</b>              |
| <b>Distributions:</b>  |                          |
| From income (excluding dividends)                            | (0.05)                   |
| <b>Total annual distributions<sup>4</sup></b>                | <b>(0.05)</b>            |
| <b>Net Assets per Unit, end of period</b>                    | <b>22.75</b>             |
| <b>Hedged ETF Units - Net Assets per Unit</b>                |                          |
| Net Assets per Unit, beginning of period <sup>2</sup>        | 20.00                    |
| <b>Increase (decrease) from operations:</b>                  |                          |
| Total revenue  | 0.06                     |
| Total expenses   | (0.11)                   |
| Realized gains (losses)                                      | 0.75                     |
| Unrealized gains (losses)                                    | 2.34                     |
| <b>Total increase (decrease) from operations<sup>3</sup></b> | <b>3.04</b>              |
| <b>Distributions:</b>  |                          |
| From income (excluding dividends)                            | (0.05)                   |
| <b>Total annual distributions<sup>4</sup></b>                | <b>(0.05)</b>            |
| <b>Net Assets per Unit, end of period</b>                    | <b>23.24</b>             |

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2021. The Fund effectively began operations on January 6, 2021.

2 This amount represents the initial launch price.

3 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.

4 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,<br>2021 |
|--|------------------|
| For the period ended:                                |                  |
| <b>Unhedged ETF Units - Ratios/Supplemental Data</b> |                  |
| Total Net Asset Value (\$) <sup>5</sup>              | 1,137,282        |
| Number of units outstanding <sup>5</sup>             | 50,001           |
| Management expense ratio <sup>6</sup>                | 0.84%            |
| Trading expense ratio <sup>7</sup>                   | 0.17%            |
| Portfolio turnover rate <sup>8</sup>                 | 16.98%           |
| Net Asset Value per unit (\$)                        | 22.75            |
| Closing market price (\$)                            | 22.75            |

# Evolve Cloud Computing Index Fund

June 30, 2021

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

|  | June 30,<br>2021 |
|--|------------------|
| For the period ended:                              |                  |
| <b>Hedged ETF Units - Ratios/Supplemental Data</b> |                  |
| Total Net Asset Value (\$) <sup>5</sup>            | 25,560,890       |
| Number of units outstanding <sup>5</sup>           | 1,100,001        |
| Management expense ratio <sup>6</sup>              | 0.84%            |
| Trading expense ratio <sup>7</sup>                 | 0.17%            |
| Portfolio turnover rate <sup>8</sup>               | 16.98%           |
| Net Asset Value per unit (\$)                      | 23.24            |
| Closing market price (\$)                          | 23.26            |

5 This information is provided as at June 30, 2021.

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

Since the Fund is a reporting issuer for less than one year, with inception date January 4, 2021, providing performance data for the period is not permitted.

## Summary of Investment Portfolio

### Top 25 Positions

| Security                             | Percentage of Net<br>Asset Value<br>(%) |
|--------------------------------------|---|
| Alphabet Inc., Class 'A'             | 7.7                                     |
| salesforce.com Inc.                  | 7.5                                     |
| Microsoft Corporation                | 7.4                                     |
| Amazon.com Inc.                      | 7.3                                     |
| Oracle Corporation                   | 7.2                                     |
| SAP SE, ADR                          | 7.1                                     |
| Shopify Inc., Class 'A'              | 6.5                                     |
| Intuit Inc.                          | 5.5                                     |
| ServiceNow Inc.                      | 4.4                                     |
| Zoom Video Communications Inc.       | 3.7                                     |
| Snowflake Inc.                       | 2.9                                     |
| DocuSign Inc.                        | 2.2                                     |
| CrowdStrike Holdings Inc.            | 1.9                                     |
| Workday Inc.                         | 1.8                                     |
| Atlassian Corporation PLC, Class 'A' | 1.4                                     |
| Okta Inc.                            | 1.2                                     |
| Zscaler Inc.                         | 1.2                                     |
| HubSpot Inc.                         | 1.1                                     |
| Datadog Inc.                         | 0.9                                     |
| Paycom Software Inc.                 | 0.9                                     |

# Evolve Cloud Computing Index Fund

June 30, 2021

## Top 25 Positions (cont'd)

|                                    | Percentage of Net<br>Asset Value<br>(%) |
|------------------------------------|---|
| Security                           |   |
| MongoDB Inc.                       | 0.9                                     |
| RingCentral Inc.                   | 0.9                                     |
| Slack Technologies Inc., Class 'A' | 0.9                                     |
| Western Digital Corporation        | 0.9                                     |
| Splunk Inc.                        | 0.9                                     |
| <b>Total</b>                       | <b>84.3</b>                             |

## Industry Allocation

| Portfolio by Category          | Percentage of Net<br>Asset Value<br>(%) |
|--------------------------------|---|
| <b>Equities</b>                |   |
| Communication Services         | 7.7                                     |
| Consumer Discretionary         | 7.3                                     |
| Industrials                    | 0.7                                     |
| Information Technology         | 84.3                                    |
| Derivative Assets              | 0.0                                     |
| Derivative Liabilities         | (0.3)                                   |
| Cash and Cash Equivalents      | 0.4                                     |
| Other Assets, less Liabilities | (0.1)                                   |
| <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).



**Evolve ETFs**

**Evolve Cloud Computing Index Fund**