



Evolve ETFs

# Evolve Innovation 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 Innovation Index Fund

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## Investment Objective and Strategies

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The Evolve Innovation Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Innovation Index. The Solactive Global Innovation Index has been designed to reflect the performance of equity securities of companies listed domestically or internationally that are involved in innovative and disruptive trends across a broad range of industries.

## 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, Hedged ETF Units returned 12% versus the Solactive Global Innovation PR Index CAD hedged return of 18%. The Hedged Class A Mutual Fund Units returned 11.5% and the Hedged Class F Mutual Fund Units returned 12.3% versus the Solactive Global Innovation PR Index CAD hedged return of 17.6%. 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. Since the US Dollar Unhedged ETF Units effectively began operation on January 7, 2021, no performance data can be shown. The Fund's net assets were \$104.2MM as at June 30, 2021.

## Portfolio Manager Commentary

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January saw stunning takedowns of online criminal operations running two of the web's most pernicious malwares. Police in Canada, the United States, the Netherlands, Germany, the United Kingdom, France, Lithuania, and Ukraine coordinated the seizure of the infrastructure behind the Emotet botnet, which by some estimates is responsible for delivering up to 60% of all online malware.(i)

The Netwalker ransomware-as-a-service operation was also disrupted by law enforcement as authorities seized control of the Netwalker website. The Netwalker group has collected over \$30 million in ransoms since their first significant attacks in March 2020. Netwalker often targeted the healthcare sector, taking advantage of COVID-19 fears to extort victims.(ii)

In May, one of the USA's biggest fuel pipeline operators, Colonial Pipeline, was hit with a ransomware attack by Russia-based hacking group DarkSide. Colonial Pipeline carries almost half the gasoline, diesel, and jet fuel used on the US East Coast, and the attack led to temporary price spikes and gas shortages up and down the East Coast. In parts of the US South, three in every four gas stations ran dry.(iii) The attack shut down sections of its pipeline entirely and affected Colonial's operations for more than 11 days.(iv) Colonial's chief executive later revealed that the company paid the equivalent of \$4.4 million in cryptocurrency to the hackers to release its systems.(v)

The first half of the year saw some impressive commitments by countries to promote hybrids and fully electric vehicles by announcing phaseout dates for the sale of fully gas-powered cars and other vehicles.

The January inauguration of President Joe Biden was accompanied by the United States rejoining the Paris Agreement on climate change and the President's pledge to support new tax credits for consumer purchases of electric vehicles. Biden likewise announced plans to replace the US government fleet of roughly 650,000 vehicles with EVs made in the United States. The cost of this initiative could be north of \$20 billion.(vi)

The Japanese government announced plans to eliminate fully gas-powered cars and other vehicles within the next 15 years, as part of a \$2 trillion-a-year green growth strategy aimed at the country reaching net zero emissions by 2050. The plans allow for conventional hybrids as well as fully electric vehicles.(vii)

In June, the Liberal government unveiled plans for all new cars and light-duty trucks sold in Canada to be zero-emission vehicles by 2035, pulling the deadline forward by five years from 2040. The government has already provided \$600 million in rebates to consumers when they move to EVs to meet the interim goal of having EVs make up 10% of total new vehicle sales by 2025.(viii)

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President Biden also signed an executive order in February ordering a 100-day review of supply chains for four critical products, including semiconductor chips. The ongoing pandemic-induced shortage of semiconductor chips has affected various industries reliant on the components, including the automotive sector and the electronic gaming industry. The newest generation of game consoles from PlayStation and Xbox, and high-end graphics cards used in PCs, are suffering in light of the shortage. Supply constraints with semiconductor chips have held back sales of both new PlayStation and Xbox consoles. As a result, neither is outpacing sales of the previous iterations of the consoles. Microsoft's chief financial officer Amy Hood said the company expected Xbox sales to "still be constrained by supply" during the first quarter of 2021.(ix)

Despite these challenges, after a record 2020, data released in March by the NPD Group showed that spending on video games grew 35% year-over-year in February to \$4.6 billion. Hardware sales likewise surged 121% to \$406 million. This marks a full year of sales gains for the industry amid pandemic conditions. On the back of these figures, Newzoo is predicting global videogame revenues could reach \$189.3 billion in 2021.(x)

The European Union announced plans to negotiate a significant contract extension for Pfizer-BioNTech's COVID-19 vaccine. US-based Pfizer and German-based BioNTech provided the EU with an extra 50 million doses in Q2 of this year, making up for shortfalls in delivery of the AstraZeneca vaccine. Pfizer and BioNTech provided 250 million doses to Europe by the end of June and are on pace to provide 600 million by the end of the year.(xi)

Qualcomm, the world's biggest supplier of smartphone chips held by the Fund, has been actively moving into the vacuum left by Huawei's withdrawal. Due to US sanctions on Huawei Technologies Co Ltd last year, the Chinese company's access to chips was cut off, essentially preventing it from continuing to make smartphones. Qualcomm executives expect much of Huawei's previous market share to migrate to other Android devices which use Qualcomm's chips.(xii)

PayPal announced plans to allow users to withdraw cryptocurrency held in PayPal accounts off-platform and into third-party wallets. Though PayPal has allowed purchases of Bitcoin and other cryptocurrencies via the online payment service since October 2020, until now customers have been prevented from moving their digital coins out of the PayPal system.(xiii)

"We want to make it as open as possible," said Jose Fernandez da Ponte, the head of PayPal's blockchain, crypto, and digital currencies business unit. "We want to give choice to our consumers, something that will let them pay in any way they want to pay."(xiv)

## PERFORMANCE ATTRIBUTION:

The EDGE ETF tracks a benchmark index designed to expose investors to returns in seven sectors: big data and cloud computing, robotics and automation, cybersecurity, automotive innovation, blockchain, 5G and social media, which together accounted for approximately 85% of the weight of the portfolio through the first six months of 2021; and genomics, which accounted for approximately 13% of the weight. The best-performing stocks in the ETF for the first six months of 2021 were Galaxy Digital Holdings Ltd, BioNTech SE, and Marathon Digital Holdings Inc. By weight, the Fund's largest exposure over the first six months of 2021 was to Qualcomm Inc, BioNTech SE, and BeiGene Ltd.

(i) <https://www.itworldcanada.com/article/police-take-down-dangerous-emetet-botnet-and-netwalker-ransomware-sites/441402>

(ii) <https://www.itworldcanada.com/article/police-take-down-dangerous-emetet-botnet-and-netwalker-ransomware-sites/441402>

(iii) <https://www.bloomberg.com/news/articles/2021-05-11/gas-stations-run-dry-as-pipeline-hacking-will-take-days-to-fix>

(iv) <https://apnews.com/article/financial-markets-government-and-politics-technology-business-407c240e1dfeca271825d98129fc8675>

(v) <https://www.washingtonpost.com/business/2021/05/25/colonial-hack-pipeline-dhs-cybersecurity/>

(vi) <https://www.reuters.com/article/us-usa-biden-autos-idUSKBN29U2LW>

(vii) <https://electrek.co/2021/01/04/egeb-japan-scrap-gas-cars-mid-2030s-massachusetts-green-power/>

(viii) <https://www.theglobeandmail.com/business/article-liberals-say-by-2035-all-new-cars-light-duty-trucks-sold-in-canada/>

(ix) <https://www.gamesindustry.biz/articles/2021-02-25-president-biden-orders-review-of-semiconductor-shortage-amid-ps5-xbox-stock-problems>

(x) <https://finance.yahoo.com/news/consumer-spending-video-games-jump-114511533.html>

(xi) <https://www.ctvnews.ca/health/coronavirus/eu-throws-weight-behind-pfizer-biontech-and-new-technology-1.5386816>

(xii) <https://finance.yahoo.com/news/qualcomm-forecasts-revenue-profits-above-200120130.html>

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(xiii) <https://www.reuters.com/technology/paypal-allow-users-withdraw-cryptocurrency-third-party-wallets-2021-05-26/>

(xiv) <https://www.coindesk.com/paypal-will-let-customers-withdraw-crypto-exec-says>

## 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.

## Management Fees

The Manager is entitled to an annual management fee of 0.40% of the net asset value of the Hedged ETF Units, the US Dollar Unhedged ETF Units and the Hedged Class F Mutual Fund Units and 1.40 % of the net asset value of the Hedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the six-month period ended June 30, 2021, the Fund incurred \$76,618 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 \$66,846 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.

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## 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 (\$)	December 31, 2018 (\$)
<b>Hedged ETF Units - Net Assets per Unit</b>				
Net Assets per Unit, beginning of period	35.71	22.99	17.35	20.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.16	0.21	0.15	0.11
Total expenses	(0.11)	(0.20)	(0.14)	(0.11)
Realized gains (losses)	3.72	4.30	0.64	(0.10)
Unrealized gains (losses)	0.18	9.85	4.99	(4.07)
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>3.95</b>	<b>14.16</b>	<b>5.64</b>	<b>(4.17)</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.01)	-	-	-
From dividends	-	(0.02)	(0.02)	-
Return of capital	-	-	-	(0.02)
<b>Total annual distributions<sup>4</sup></b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>40.15</b>	<b>35.71</b>	<b>22.99</b>	<b>17.35</b>
<b>US Dollar Unhedged ETF Units - Net Assets per Unit<sup>5</sup></b>				
Net Assets per Unit, beginning of period <sup>2</sup>	26.10	N/A	N/A	N/A
<b>Increase (decrease) from operations:</b>				
Total revenue	0.12	N/A	N/A	N/A
Total expenses	(0.07)	N/A	N/A	N/A
Realized gains (losses)	2.01	N/A	N/A	N/A
Unrealized gains (losses)	1.97	N/A	N/A	N/A
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>4.03</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.01)	N/A	N/A	N/A
<b>Total annual distributions<sup>4</sup></b>	<b>(0.01)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>28.36</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Hedged Class A - Net Assets per Unit</b>				
Net Assets per Unit, beginning of period	34.30	21.24	20.00	N/A
<b>Increase (decrease) from operations:</b>				
Total revenue	0.15	0.21	0.14	N/A
Total expenses	(0.30)	(0.49)	(0.02)	N/A
Realized gains (losses)	3.21	5.92	0.80	N/A
Unrealized gains (losses)	0.10	12.30	0.32	N/A
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>3.16</b>	<b>17.94</b>	<b>1.24</b>	<b>N/A</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.01)	-	-	N/A
From dividends	-	(0.02)	-	N/A
<b>Total annual distributions<sup>4</sup></b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>-</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>38.26</b>	<b>34.30</b>	<b>21.24</b>	<b>N/A</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 (\$)
<b>Hedged Class F - Net Assets per Unit</b>				
Net Assets per Unit, beginning of period	34.07	21.00	20.00	N/A
<b>Increase (decrease) from operations:</b>				
Total revenue	0.15	0.19	0.06	N/A
Total expenses	(0.10)	(0.22)	(0.10)	N/A
Realized gains (losses)	3.35	8.05	0.03	N/A
Unrealized gains (losses)	0.06	14.30	0.25	N/A
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>3.46</b>	<b>22.32</b>	<b>0.24</b>	<b>N/A</b>
<b>Distributions:</b>				
From income (excluding dividends)	(0.01)	-	-	N/A
From dividends	-	(0.01)	-	N/A
From capital gains	-	(0.01)	-	N/A
Return of capital	-	-	(0.01)	N/A
<b>Total annual distributions<sup>4</sup></b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>38.25</b>	<b>34.07</b>	<b>21.00</b>	<b>N/A</b>

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2021, and audited annual financial statements as at December 31, 2020, 2019 and 2018. The Hedged ETF Units effectively began operations on April 30, 2018 and the US Dollar Unhedged ETF Units effectively began operations on January 7, 2021. The Hedged Class A and F mutual fund units effectively began operations on June 4, 2019.
- 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.
- 5 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
<b>Hedged ETF Units - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>6</sup>	90,328,358	40,178,061	11,493,197	11,280,089
Number of units outstanding <sup>6</sup>	2,250,000	1,125,000	500,000	650,000
Management expense ratio <sup>7</sup>	0.34%	0.50%	0.48%	0.60%
Trading expense ratio <sup>8</sup>	0.17%	0.14%	0.12%	0.15%
Portfolio turnover rate <sup>9</sup>	69.61%	82.42%	92.88%	20.34%
Net Asset Value per unit (\$)	40.15	35.71	22.99	17.35
Closing market price (\$)	40.22	35.72	23.01	17.37
<b>US Dollar Unhedged ETF Units - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>6</sup>	4,254,263	N/A	N/A	N/A
Number of units outstanding <sup>6</sup>	150,001	N/A	N/A	N/A
Management expense ratio <sup>7</sup>	0.34%	N/A	N/A	N/A
Trading expense ratio <sup>8</sup>	0.17%	N/A	N/A	N/A
Portfolio turnover rate <sup>9</sup>	69.61%	N/A	N/A	N/A
Net Asset Value per unit (\$)	28.36	N/A	N/A	N/A
Closing market price (\$)	28.38	N/A	N/A	N/A

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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
<b>Hedged Class A - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>6</sup>	2,981,979	909,640	21	N/A
Number of units outstanding <sup>6</sup>	77,932	26,516	1	N/A
Management expense ratio <sup>7</sup>	1.44%	1.55%	-	N/A
Trading expense ratio <sup>8</sup>	0.17%	0.14%	0.12%	N/A
Portfolio turnover rate <sup>9</sup>	69.61%	82.42%	92.88%	N/A
Net Asset Value per unit (\$)	38.26	34.30	21.24	N/A
<b>Hedged Class F - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>6</sup>	6,651,481	2,026,134	5,030	N/A
Number of units outstanding <sup>6</sup>	173,909	59,476	239	N/A
Management expense ratio <sup>7</sup>	0.35%	0.55%	0.54%	N/A
Trading expense ratio <sup>8</sup>	0.17%	0.14%	0.12%	N/A
Portfolio turnover rate <sup>9</sup>	69.61%	82.42%	92.88%	N/A
Net Asset Value per unit (\$)	38.25	34.07	21.00	N/A

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

7 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.

8 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.

9 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.

Since the US Dollar Unhedged ETF Units with inception date December 16, 2020 is a reporting issuer for less than one year, providing performance data for the period is not permitted.

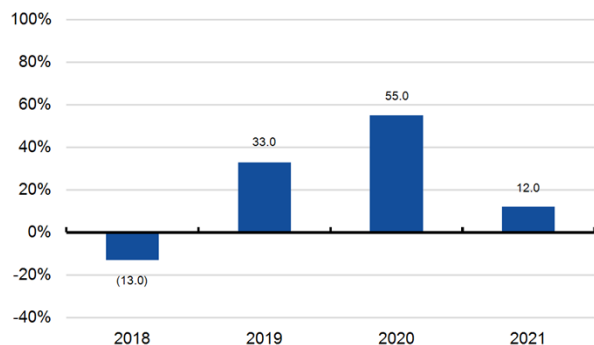
## Year-by-Year Returns

The bar chart below shows the Hedged ETF Units' and the Hedged Class A and F Mutual Fund 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.

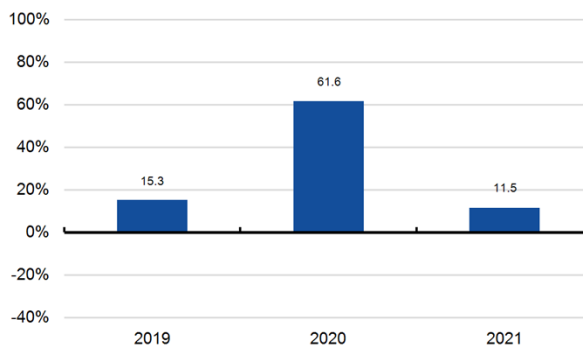
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## EDGE Hedged ETF Units<sup>1</sup>



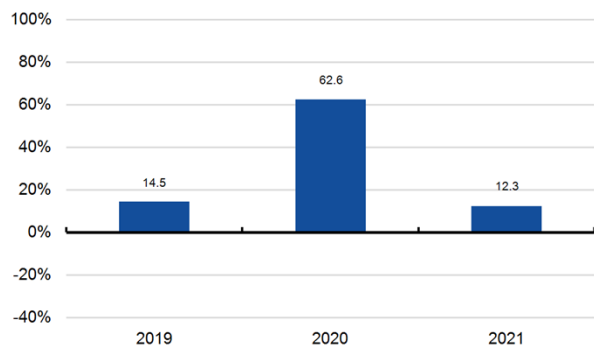
## Hedged Class A Mutual Fund Units<sup>2</sup>



1 The Hedged ETF Units effectively began operations on April 30, 2018

2 The Hedged Class A Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

## Hedged Class F Mutual Fund Units<sup>3</sup>



3 The Hedged Class F Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Evolve Cloud Computing Index Fund	14.3
Evolve Cyber Security Index ETF	13.4
Evolve E-Gaming Index ETF	12.1
Evolve Automobile Innovation Index ETF	11.9
QUALCOMM Inc.	2.5
BioNTech SE, ADR	2.3
NVIDIA Corporation	1.7
CrowdStrike Holdings Inc.	1.5
Genmab AS	1.4
Illumina Inc.	1.4



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## Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Mettler-Toledo International Inc.	1.4
Intuitive Surgical Inc.	1.4
Advanced Micro Devices Inc.	1.4
T-Mobile US Inc.	1.4
Seagen Inc.	1.4
Agilent Technologies Inc.	1.3
PayPal Holdings Inc.	1.3
BeiGene Limited, ADR	1.3
Bristol-Myers Squibb Company	1.3
Adyen NV	1.3
Visa Inc., Class 'A'	1.3
Hexagon AB	1.3
Keyence Corporation	1.3
Verizon Communications Inc.	1.2
Mastercard Inc., Class 'A'	1.2
<b>Total</b>	<b>82.3</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	5.7
Consumer Discretionary	1.1
ETFs - International Equity	51.6
Financials	0.9
Health Care	14.5
Industrials	1.2
Information Technology	23.5
Materials	1.1
Derivative Assets	0.0
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	0.2
<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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