



Evolve ETFs

Evolve Dividend Stability Preferred Share 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 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 (the "Benchmark"), 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

For the six-month period ended June 30, 2021, the Unhedged ETF Units returned 4.7% versus the Solactive Dividend Stability Canada Preferred Share Index PR return of 2.3%. 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 strategies. The Fund's net assets were \$ 38.0MM as at June 30, 2021.

Portfolio Manager Commentary

Canadian preferred shares underperformed all major asset classes during the first half of the year.

In Q1, the Canadian preferred share market had a positive return with net positive inflows into the asset class. This resulted in the S&P/TSX Preferred Shares Index returning 8.84%, which outpaced the major equity and fixed income markets during the quarter. The lack of new preferred share supply (only \$450 million) and several redemptions (\$1.77 billion), coupled with the expectations of future redemptions because of Limited Recourse Capital Notes (LRCN), contributed to the positive returns for the market. In addition, rising yields and the expectation of higher inflation has made the preferred share market a sought-after asset class, which further has caused the market to rally. The Index's quarterly sector returns for Perpetuals, Fixed Resets, and Floating Rates were 2.9%, 12.5%, and 22.9%, respectively.

The S&P TSX returned 8.54% during Q2, while the S&P 500 returned 6.95% (CAD). Within fixed income, long bonds performed the best during the quarter as yields moved slightly lower in that area of the market, as detailed above. Provincial bonds, which have the longest duration of the Universe, therefore, outperformed Federal and Corporate bonds. The FTSE Russell Universe returned 1.66%, and the FTSE Corporate Index came in at 1.28%. Preferred Shares also continued their rally, returning 5.02% and bringing their YTD total to 14.30%. New issuance of preferred shares was zero during the quarter (YTD \$450 million), but there were several redemptions (\$3.9 billion). The price performance has been a result of financial institutions switching their regulatory capital by issuing Limited Recourse Capital Notes (LRCN) and redeeming preferred shares.

Performance Attribution

For the first six months of 2021, Great-West Life Co Inc made the biggest contribution to the Fund, followed by Enbridge Inc, and Brookfield Asset Management Inc. By weight, the Fund's largest exposure over the first six months of 2021 was to TC Energy Corp, followed by Great-West Life Co Inc, and Power Financial Corp.

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.

Evolve Dividend Stability Preferred Share Index ETF

June 30, 2021

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 generally paid monthly. For the six-month period ended June 30, 2021, the Fund incurred \$47,392 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 \$31,498 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 Unit¹

For the periods ended:	June 30, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	24.97	25.38	25.00
Increase (decrease) from operations:			
Total revenue	0.65	1.25	0.34
Total expenses	(0.06)	(0.18)	(0.07)
Realized gains (losses)	0.09	(0.06)	0.01
Unrealized gains (losses)	0.47	0.65	0.39
Total increase (decrease) from operations²	1.15	1.66	0.67
Distributions:			
From income (excluding dividends)	(0.57)	–	–
From dividends	–	(0.99)	(0.12)
Return of capital	–	(0.15)	(0.17)
Total annual distributions³	(0.57)	(1.14)	(0.29)
Net Assets per Unit, end of period	25.56	24.97	25.38

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 September 24, 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.

Evolve Dividend Stability Preferred Share Index ETF

June 30, 2021

The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2021	December 31, 2020	December 31, 2019
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$)	38,027,313	34,658,310	29,944,328
Number of units outstanding ⁴	1,488,044	1,388,044	1,180,000
Management expense ratio ⁴	0.42%	0.64%	0.67%
Trading expense ratio	0.04%	0.09%	0.31%
Portfolio turnover rate ⁶	16.56%	80.14%	11.28%
Net Asset Value per unit (\$) ⁷	25.56	24.97	25.38
Closing market price (\$)	25.63	24.97	25.38

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.

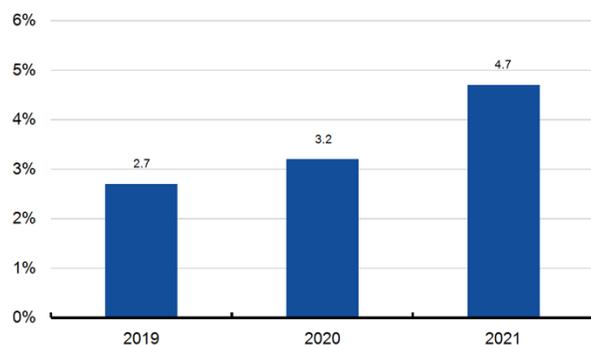
Past Performance

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 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.

PREF Unhedged ETF Units¹



1 The Unhedged ETF Units of the Fund effectively began operations on September 24, 2019.

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June 30, 2021

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
TC Energy Corporation, Preferred, Series '15', Perpetual	9.8
Enbridge Inc., Preferred, Series '17', Perpetual.	7.4
Sun Life Financial Inc., Preferred, Series '1'	3.9
Manulife Financial Corporation, Preferred, Series '2'	3.3
Sun Life Financial Inc., Preferred, Series '2'	3.1
Emera Inc., Preferred, Series 'H', Perpetual	3.0
Brookfield Asset Management Inc., Preferred, Series '48', Perpetual	3.0
Brookfield Asset Management Inc., Preferred, Series '46', Perpetual	3.0
Westcoast Energy Inc., Preferred, Series '12'	2.9
Great-West Lifeco Inc., Preferred, Series 'G', Perpetual	2.9
Great-West Lifeco Inc., Preferred, Series 'H', Perpetual	2.9
Canadian Utilities Limited, Preferred, Series 'FF', Perpetual	2.7
Brookfield Asset Management Inc., Preferred, Series '44', Perpetual	2.6
Power Financial Corporation, Preferred, Series 'V', Perpetual	2.5
Power Financial Corporation, Preferred, Series 'R', Perpetual	2.5
Great-West Lifeco Inc., Preferred, Series 'P', Perpetual	2.4
Power Corporation of Canada, Preferred, Series 'D', Perpetual	2.4
Brookfield Infrastructure Partners Limited Partnership, Preferred, Series '5', Perpetual	2.4
George Weston Limited, Preferred, Series 'I', Perpetual	2.3
Great-West Lifeco Inc., Preferred, Series 'S', Perpetual	2.1
Great-West Lifeco Inc., Preferred	2.0
Power Financial Corporation, Preferred, Series 'I', Perpetual	2.0
Power Corporation of Canada, Preferred, Series 'G', Perpetual	2.0
Brookfield Renewable Partners Limited Partnership, Preferred, Series '9', Perpetual	2.0
Power Financial Corporation, Preferred, Series 'E', Perpetual	2.0
Total	77.1

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Staples	6.2
Energy	21.4
Financials	54.2
Utilities	17.9
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	(0.3)
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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