

# Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

June 30, 2024

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

The Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, up to a 1.25 times multiple of the performance of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while mitigating downside risk. The Evolve Fund invests primarily in the equity constituents of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities in the portfolio, at the discretion of the Manager. The level of covered call option writing may vary based on market volatility and other factors. The Fund will use leverage in order to seek to achieve its investment objective. Leverage will be created through the use of cash borrowings or as otherwise permitted under applicable securities legislation.

## 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, 2024, the Unhedged ETF Units returned 1.4% versus Solactive Canadian Core Financials Equal Weight Index return of 2.0%. Since the Unhedged Class A and F Mutual Fund Units of the Fund effectively began operations on February 3, 2024, no performance data can be shown. 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 \$196.4MM as at June 30, 2024.

## Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the six-month period ended June 30, 2024, as well as the leverage at the end of the reporting period and as a percentage of the Fund's net assets.

The Fund is classified as an "alternative mutual fund" as defined in National Instrument 81-102, Investment Funds ("NI 81-102"). As an alternative mutual fund, the Fund is permitted to lever its assets per the restrictions outlined in NI 81-102. The Fund currently anticipates achieving its investment objectives and creating leverage through the use of cash borrowing. The maximum aggregate exposure of the funds to cash borrowing will not exceed approximately 25% of NAV. In order to ensure that unitholders' risk is limited to the capital invested, the funds' leverage will be rebalanced back to 25% of the funds' NAV within two business days of the funds' leverage exceeding 2% above its target leverage ratio of 25% of NAV.

## Leverage Calculation (Investments Market Value/Net Asset Value)

Period Ended	Minimum Leverage	Maximum Leverage	Leverage at the end of the Reporting Period	Percentage of Net Asset Value (%)
June 30, 2024	1.229 : 1	1.259 : 1	1.258 : 1	125.80
December 31, 2023	1.217 : 1	1.275 : 1	1.256 : 1	125.60

## Portfolio Manager Commentary

The first half of the year has been positive for the Canadian banking and insurance sector, driven by strong earnings reports and positive macroeconomic developments.

The primary catalyst for the Canadian banking sector remains the Bank of Canada's interest rate policy. The Bank of Canada (BoC) held the target overnight rate at 5.00% for several months before enacting announcing a 25 basis points rate cut in June<sup>1</sup>. This decision followed a series of encouraging inflation figures, with the Consumer Price Index (CPI) in April cooling to 2.7%, down from 2.9% in March<sup>2</sup>. The BOC has signaled that more policy rate cuts may follow as encouraging macroeconomic data continues to come in. The recent rate cut is expected to support economic activity and the continued strong performance of Canadian financial institutions. Monitoring inflation trends and the central bank's policy responses will be critical for anticipating the sector's trajectory throughout the remainder of 2024.

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The second quarter of 2024 proved to be a rather mixed quarter with some firms like Royal Bank of Canada and CIBC performing quite well while other struggled, most notably Bank of Montreal (BMO). RBC's stock rose by 5.2%, the most in four years, following the release of their earnings which beat analyst expectations due to strong capital markets results and lower-than-expected provisions for potential losses<sup>2</sup>. Net interest income for the Canadian banks was generally solid across the board, but the U.S. operations of some firms faced tough competition for deposits which compressed net interest margins. This was particularly noticeable in BMO's results, which were impacted by a 26% decline in net income from its U.S. personal and commercial banking business.

Looking ahead to the remainder of the year, while the Canadian banking sector is anticipated to face some pressures on net interest income as a result of decreasing interest rates, there are other areas to remain optimistic about such as strong capital markets results and reduced pressure on borrowers, which would help improve ongoing credit quality deterioration<sup>3</sup>.

## Performance Attribution

For the six-month period ending June 30, 2024, Manulife Financial Corp. made the biggest contribution to the Fund, followed by Royal Bank of Canada. By weight, the Fund's largest holdings were Manulife Financial Corp., Royal Bank of Canada, and Power Corporation of Canada.

(1) <https://www.bankofcanada.ca/2024/06/fad-press-release-2024-06-05/>

(2) <https://www.bloomberg.com/news/articles/2024-05-30/rbc-tops-estimates-as-profit-surges-in-capital-markets-division>

(3) <https://www.morningstar.ca/ca/news/249893/canadian-bank-earnings-q2-recap.aspx#:~:text=Net%20revenue%20increased%2012%25%20year,quarter%20to%20CAD%20906%20million.>

## Recent Developments

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There are no known changes at this time to the investment strategy of the Fund or the Manager.

## 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 0.60% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.60% of the net asset value of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the six-month period ended June 30, 2024, the Fund incurred \$467,790 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, 2024, the Fund incurred \$117,417 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 Canadian Banks and Lifecos Enhanced Yield Index Fund

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## Financial Highlights

### The Fund's Net Assets Per Unit<sup>1</sup>

	June 30, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:			
<b>Unhedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	7.40	7.34	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.23	0.48	0.45
Total expenses	(0.08)	(0.17)	(0.14)
Realized gains (losses)	0.02	(0.35)	(0.17)
Unrealized gains (losses)	(0.15)	1.37	(1.01)
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>0.02</b>	<b>1.33</b>	<b>(0.87)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.60)	-	-
From dividends	-	(0.19)	(0.14)
From capital gains	-	-	(0.07)
Return of capital	-	(0.82)	(0.56)
<b>Total annual distributions<sup>4</sup></b>	<b>(0.60)</b>	<b>(1.01)</b>	<b>(0.77)</b>
<b>Net Assets per Unit, end of period</b>	<b>6.91</b>	<b>7.40</b>	<b>7.34</b>
<b>Unhedged Class A - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period <sup>2</sup>	7.24	N/A	N/A
<b>Increase (decrease) from operations:</b>			
Total revenue	0.20	N/A	N/A
Total expenses	(0.10)	N/A	N/A
Realized gains (losses)	0.05	N/A	N/A
Unrealized gains (losses)	(0.93)	N/A	N/A
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(0.78)</b>	<b>N/A</b>	<b>N/A</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.50)	N/A	N/A
<b>Total annual distributions<sup>4</sup></b>	<b>(0.50)</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>6.90</b>	<b>N/A</b>	<b>N/A</b>
<b>Unhedged Class F - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period <sup>2</sup>	7.24	N/A	N/A
<b>Increase (decrease) from operations:</b>			
Total revenue	0.20	N/A	N/A
Total expenses	(0.07)	N/A	N/A
Realized gains (losses)	0.03	N/A	N/A
Unrealized gains (losses)	(0.35)	N/A	N/A
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(0.19)</b>	<b>N/A</b>	<b>N/A</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.50)	N/A	N/A
<b>Total annual distributions<sup>4</sup></b>	<b>(0.50)</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>6.92</b>	<b>N/A</b>	<b>N/A</b>

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2024, and the audited annual financial statements as at December 31, 2023 and 2022. The Unhedged ETF Units effectively began operations on February 1, 2022 and the Unhedged Class A and F Mutual Fund Units effectively began operations on February 3, 2024.

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.

# Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

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## The Fund's Ratios/Supplemental Data

For the period ended:	June 30, 2024	December 31, 2023	December 31, 2022
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	193,090,445	97,705,318	34,880,960
Number of units outstanding⁵	27,950,000	13,200,000	4,750,000
Management expense ratio⁶	0.83%	0.85%	0.84%
Trading expense ratio⁷	1.52%	1.08%	1.50%
Portfolio turnover rate⁸	11.59%	23.36%	20.16%
Net Asset Value per unit (\$)	6.91	7.40	7.34
Closing market price (\$)	6.93	7.41	7.36
<b>Unhedged Class A - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	86,281	N/A	N/A
Number of units outstanding⁵	12,496	N/A	N/A
Management expense ratio⁶	1.92%	N/A	N/A
Trading expense ratio⁷	1.52%	N/A	N/A
Portfolio turnover rate⁸	11.59%	N/A	N/A
Net Asset Value per unit (\$)	6.90	N/A	N/A
<b>Unhedged Class F - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	3,249,528	N/A	N/A
Number of units outstanding⁵	469,769	N/A	N/A
Management expense ratio⁶	0.84%	N/A	N/A
Trading expense ratio⁷	1.52%	N/A	N/A
Portfolio turnover rate⁸	11.59%	N/A	N/A
Net Asset Value per unit (\$)	6.92	N/A	N/A

5 This information is provided as at June 30, 2024, and December 31, 2023 and 2022.

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. The MER for prior periods has been restated to exclude the cost of financing.

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. The trading expense ratio for prior periods has been restated to include the cost of financing.

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.

Since the Unhedged Class A and F Mutual Fund Units of the Fund have been reporting issuers for less than one year, with inception date February 3, 2024, providing performance data for the period is not permitted.

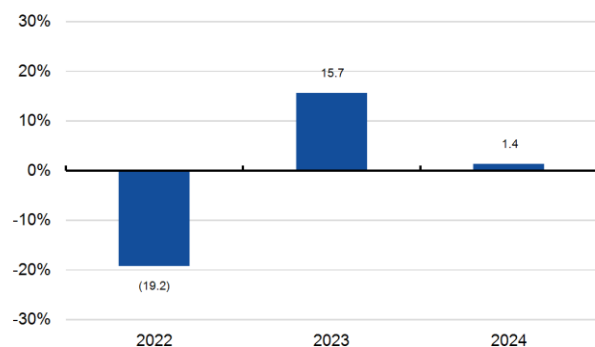
## Year-by-Year Returns

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, 2024. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial period would have grown or decreased by the last day of that financial period.

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## BANK Unhedged ETF Units<sup>1</sup>



<sup>1</sup> The Unhedged ETF Units of the Fund effectively began operations on February 1, 2022.

## Summary of Investment Portfolio

### All Positions

	Percentage of Net Asset Value (%)
Security	
Manulife Financial Corporation	14.2
Royal Bank of Canada	13.7
Power Corporation of Canada	13.0
Canadian Imperial Bank of Commerce	12.7
The Bank of Nova Scotia	12.4
Great-West Lifeco Inc.	12.3
National Bank of Canada	12.2
Sun Life Financial Inc.	11.9
Bank of Montreal	11.7
The Toronto-Dominion Bank	11.7
<b>Total</b>	<b>125.8</b>

### Industry Allocation

	Percentage of Net Asset Value (%)
Portfolio by Category	
<b>Equities</b>	
Financials	125.8
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.5
Other Assets, less Liabilities	(26.1)
<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).



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