

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

June 30, 2022

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 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.

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 February 1, 2022, no performance data can be shown. The Fund's net assets were \$14.8MM as at June 30, 2022.

Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the six-month period ended June 30, 2022, as well 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, 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, 2022	1.229 : 1	1.278 : 1	1.236 : 1	123.60

Portfolio Manager Commentary

At the end of the first half of 2022, major Canadian banks recorded an increase in aggregate profit before taxes of 23.8 per cent. On an adjusted basis, aggregate net income grew by 9.2% from \$28.87 billion to \$31.53 billion.(i)

On average, dividends per share were up by \$0.28 to an average of \$2.03 per share in the first half of 2022, as compared to first half of 2021. BMO had the largest increase in dividends per share up \$0.54 compared to the first half of 2021, followed by National Bank which increased dividends per share by \$0.30 as compared to the first half of 2021.(ii)

According to KPMG, asset quality remained strong with all six major banks posting decreases in net impaired loans as a percentage of total loans and acceptances. Allowances for credit losses decreased by 19.8% in total to \$21.2 billion driven by further releases of provisions raised during the early stages of the pandemic. In addition, the consulting firm stated that the major banks are all capitalized well above the minimum regulatory requirement of 9.5% tier 1 capital. The average tier 1 capital ratio for the big 6 banks in the first half of 2022 was 14.85%, up 0.35% compared to the same period.(ii)

At the end of their fiscal second quarter, Canadian banks reported solid earnings. Royal Bank of Canada reported a net income of \$4.25 billion or \$2.96 per share for the quarter ended April 30, 2022, beating estimates of \$2.71.(iv)

TD reported net income of \$3.8 billion, or \$2.07 per share, helped by a one-time boost of \$224-million stemming from a lawsuit settlement. TD's adjusted earnings amounted to \$2.02 per share, down slightly from the year prior but ahead of analysts' prediction of \$1.93 per share.(v)

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CIBC earned \$1.52 billion, or \$1.62 per share, compared with \$1.65-billion, or \$3.55 per share, in the same quarter last year – before the bank completed a 2-for-1 share split. CIBC said it earned \$1.77 per share on an adjusted basis, just below analyst estimates of \$1.80 per share.(vi)

Scotiabank reported net income in its fiscal second quarter \$2.75 billion, up from \$2.46 billion a year earlier. It earned \$2.18 per share, well above the \$1.97 that was forecasted by analysts.(vii)

BMO's net income in the fiscal second quarter more than tripled to \$4.76 billion from \$1.3 billion a year earlier. The net profit received a significant boost because of accounting measures tied to revenue associated with BMO's pending acquisition of Bank of the West. On an adjusted basis, BMO earned \$3.23 per share, in line with analysts' expectation of \$3.22 per share.(viii)

RBC raised its quarterly dividend by 8 cents per share to \$1.28, while CIBC increased its dividend by 2.5 cents per share to 83 cents.(ix) Scotiabank raised its quarterly dividend to \$1.03 per share from \$1.00 previously, effective on July 27th, 2022(x), and BMO raised its quarterly dividend to \$1.39 per common share from \$1.33 as of August 26th, 2022.(xi)

While Canadian banks performed well for most of the first half of 2022, they fell almost 20% on June 23rd, 2022, from record highs set on February 8th, 2022, as recession fears sent investors fleeing. The S&P/TSX Commercial Banks Index fell after inflation in Canada surged to a 39-year high of 7.7% in May.(xii) To keep inflation in check, the Bank of Canada increased interest rates by 75 basis points in the first half of the year with another sizeable increase of up to one percent expected in July.

In the insurance industry, Manulife reported earnings of \$3 billion in the first quarter of 2022, an increase of \$2.2 billion from the same quarter in 2021, for a profit of \$1.50 per diluted share. The increase in net income, according to Manulife, was driven by gains from the direct impact of markets compared to losses in the prior quarter, as well as higher-than-expected returns on alternative long-duration assets.(xiii)

Sun Life Financial Inc. reported earnings of \$858 million in the first quarter of 2022, down 8% from \$937 million in the first quarter of 2021, for an earnings per share of \$1.46, down from \$1.59 per share in the same period of 2021. Sun Life increased its dividend by three cents per share to 69 cents per share, payable June 30, 2022.(xiv)

Great-West Lifeco Inc. reported net earnings of \$770 million for the first quarter of 2022, up 9% compared to the same period in 2021 for an earnings per common share of \$0.87, compared to \$0.80 in the year previous.(xv)

Performance Attribution

The largest contributor to the Fund's performance for the period ending June 30, 2022, was Manulife Financial Corporation, followed by the Royal Bank of Canada. The largest holding in the Fund by weight was the Bank of Montreal, followed by Manulife Financial Corporation.

(i) <https://home.kpmg/ca/en/home/insights/2022/06/banking-in-transition-2022-mid-year-results-analysis.html>

(ii) <https://home.kpmg/ca/en/home/insights/2022/06/banking-in-transition-2022-mid-year-results-analysis.html>

(iii) <https://home.kpmg/ca/en/home/insights/2022/06/banking-in-transition-2022-mid-year-results-analysis.html>

(iv) <https://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>

(v) <https://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>

(vi) <https://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>

(vii) <https://ca.finance.yahoo.com/news/bank-nova-scotia-posts-earnings-133300218.html>

(viii) <https://www.bnnbloomberg.ca/bmo-boosting-dividend-as-q2-profit-barely-meets-expectations-1.1770368>

(ix) <https://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>

(x) <https://ca.finance.yahoo.com/news/bank-nova-scotia-posts-earnings-133300218.html>

(xi) <https://www.bnnbloomberg.ca/bmo-boosting-dividend-as-q2-profit-barely-meets-expectations-1.1770368>

(xii) <https://www.bnnbloomberg.ca/recession-fears-plunge-canadian-banks-into-20-drop-from-record-1.1783037>

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(xiii) <https://www.advisor.ca/news/industry-news/manulife-sun-life-report-q1-earnings/>

(xiv) <https://www.advisor.ca/news/industry-news/manulife-sun-life-report-q1-earnings/>

(xv) <https://www.greatwestlifeco.com/news-events/news/great-west-lifeco-reports-first-quarter-2022-results.html>

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 0.60% 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, 2022, the Fund incurred \$21,178 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, 2022, the Fund incurred \$5,295 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 Unit¹

	June 30, 2022 (\$)
For the period ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	10.00
Increase (decrease) from operations:	
Total revenue	0.22
Total expenses	(0.06)
Realized gains (losses)	(0.12)
Unrealized gains (losses)	(2.47)
Total increase (decrease) from operations³	(2.43)
Distributions:	
From income (excluding dividends)	(0.35)
Total annual distributions⁴	(0.35)
Net Assets per Unit, end of period	7.61

- This information is derived from the Fund's unaudited interim financial statements as at June 30, 2022. The Unhedged ETF Units effectively began operations on February 1, 2022.
- This amount represents the initial launch price.
- 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.
- 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, 2022
For the period ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	14,843,478
Number of units outstanding ⁵	1,950,000
Management expense ratio ⁶	1.25%
Management expense ratio excluding cost of financing ⁶	0.84%
Trading expense ratio ⁷	0.38%
Portfolio turnover rate ⁸	10.08%
Net Asset Value per unit (\$)	7.61
Closing market price (\$)	7.60

- This information is provided as at June 30, 2022.
- 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 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 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.

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Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date February 1, 2022, providing performance data for the period is not permitted.

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
National Bank of Canada	12.9
Sun Life Financial Inc.	12.6
Royal Bank of Canada	12.5
Canadian Imperial Bank of Commerce	12.4
The Bank of Nova Scotia	12.3
Manulife Financial Corporation	12.3
Power Corporation of Canada	12.3
The Toronto-Dominion Bank	12.2
Great-West Lifeco Inc.	12.1
Bank of Montreal	12.0
Total	123.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	123.6
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(23.7)
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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