

# Evolve Global Materials & Mining Enhanced Yield Index ETF

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](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

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The Evolve Global Materials & Mining Enhanced Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Materials & Mining Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, while writing covered call options on up to 33% of the portfolio securities, at the direction of the portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

## Risk

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Effective April 26, 2022, the risk rating of the Unhedged ETF Units was changed from "Medium to High" to "High". 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, 2022, the Hedged ETF Units returned -13.4% versus the Solactive Materials & Mining Index PR CAD Hedge return of -17.5%. The Unhedged ETF Units returned -13.1% versus the Solactive Materials & Mining Index PR return of -16.4%. 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, to portfolio trading and hedging strategies and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. 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, to portfolio trading and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. 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 \$59.4MM as at June 30, 2022.

## Portfolio Manager Commentary

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Commodity prices climbed sharply in March on supply fears related to the Russia-Ukraine war which led to wide-ranging sanctions on Russia. Continued dependence on China as a key supplier of rare earth metals, in particular, added momentum to price increases.

The battery metal markets captured headlines in the first half of the year, triggered by significant price hikes for key battery metal components such as lithium and vanadium, in the wake of outsized demand growth in the face of current supply constraints, and concerns about the safety of supply sources. China's dominance of the rare earth metal markets remained a growing concern. In the meantime, critical metal initiatives in the U.S. and Europe are seeking to develop sources of rare earth metal supply that are external to China and Russia.<sup>(i)</sup> Fears of supply disruptions were magnified because Russia is a key producer and exporter of metals, including nickel, a key ingredient in stainless steel and a major component in lithium-ion batteries used in the rapidly growing electric vehicle market.

However, following a strong first quarter, base metals recorded the worst quarterly slump since the 2008 global financial crisis in the second quarter of 2022, as China's economy recovered only gradually and fears of a world recession intensified.

By the end of the second quarter, the London Metal Exchange Index dropped 25% from the end of March. The decline was magnified due to prices spiking following Russia's invasion of Ukraine. Tin was the worst performer, plummeting 38%, while aluminum dropped by almost a third and copper by 20%. It was the first quarterly decline for the entire index since the start of the pandemic.<sup>(ii)</sup>

During the first half of the year, Lithium, with a gain of 152.8% and Molybdenum which was up 128% were the leading performers in the metals space. Nickel was up 11.9%, while copper, aluminum, and zinc were all adown by 14.9%, 5.8%, and 9.5% respectively for the year. Gold closed the end of June at \$1,808, down 1.2% for the year, while silver closed at \$20.26, down 13%. Platinum declined by 7.3% in the first half, while palladium gained a marginal 0.9%.<sup>(iii)</sup>

On March 8, the LME temporarily suspended trading of nickel due to a technical glitch. The exchange said it had been forced to halt the nickel market after a "systems error" allowed a small number of trades to go through below its newly imposed daily price limit. Nickel prices more than doubled in a matter of hours on March 8, climbing above \$100,000 a metric ton as one of the world's top producers, China's Tsingshan Holding Group, bought large amounts to reduce its short bets on the metal.<sup>(iv)</sup>

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On the corporate front, Nucor Corporation, a holding in the Fund, reported consolidated net earnings of \$2.10 billion, or \$7.67 per diluted share, for the first quarter of 2022 making it the most profitable first quarter in the Company's history. By comparison, Nucor reported consolidated net earnings of \$2.25 billion, or \$7.97 per diluted share, for the fourth quarter of 2021 and \$942.4 million, or \$3.10 per diluted share, for the first quarter of 2021.(v)

Steel Dynamics, Inc., the largest holding in the Fund, reported first quarter 2022 net sales of \$5.6 billion and net income of \$1.1 billion, or \$5.71 per diluted share. Comparatively, the company's fourth quarter 2021 earnings were \$5.49 per diluted share, with adjusted earnings of \$5.78 per diluted share.

Vale S.A. ADR, a holding in the Fund, reported first quarter 2022 earnings of \$0.78 per share on revenue of \$10.8 billion. The consensus earnings estimate was \$0.90 per share. Revenue fell 14.5% compared to the same quarter a year ago.(vi)

## Performance Attribution

For the six-month period ended June 30, 2022, Vale SA-SP ADR, followed Steel Dynamics Inc., made the largest contribution to the Fund's performance. The largest holding by weight in Fund was Steel Dynamics Inc., followed by Reliance Steel and Aluminum.

(i) [https://finance.yahoo.com/news/mineralprices-com-metal-price-performance-185800448.html?fr=yhssrp\\_catchall](https://finance.yahoo.com/news/mineralprices-com-metal-price-performance-185800448.html?fr=yhssrp_catchall)

(ii) <https://www.bloomberg.com/news/articles/2022-06-30/metals-set-for-worst-quarter-since-2008-on-global-downturn-angst#xj4y7vzkg>

(iii) [https://finance.yahoo.com/news/mineralprices-com-metal-price-performance-185800448.html?fr=yhssrp\\_catchall](https://finance.yahoo.com/news/mineralprices-com-metal-price-performance-185800448.html?fr=yhssrp_catchall)

(iv) <https://www.cnbc.com/2022/03/16/metals-lme-suspends-nickel-trading-once-again-on-systems-error.html>

(v) <https://www.prnewswire.com/news-releases/nucor-reports-results-for-the-first-quarter-of-2022-301529811.html>

(vi) <https://www.earningswhispers.com/epsdetails/vale/>

## Recent Developments

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### COVID-19 Pandemic

In the six-month period ended June 30, 2022, the COVID-19 pandemic persisted and continued to result 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.

### Ukraine-Russian Federation Conflict

In the six-month period ended June 30, 2022, the escalating conflict between Ukraine and the Russian Federation resulted in significant volatility and uncertainty in financial markets. NATO, EU, and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. Restrictive measures have also been imposed by Russia and some securities have materially declined in value and/or may no longer be tradable. These actions have resulted in significant disruptions to investing activities and businesses with operations in Russia. The longer-term impact to geopolitical norms, supply chains and investment valuations is uncertain.

At the beginning of the period, the Fund (4.6% of net assets) was exposed to a Russian security (MMC Norilsk Nickel PJSC, ADR). This position was disposed of during the first quarter of 2022. It is unclear what further actions may be taken by governments and the resulting impact on global economies, businesses and financial markets. While the situation remains fluid, the Fund continues to monitor ongoing developments and the impact to investment strategies.

## 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.

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## 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 are generally paid monthly. For the six-month period ended June 30, 2022, the Fund incurred \$225,248 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 \$56,313 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 Unit<sup>1</sup>

For the periods ended:	June 30, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>Unhedged ETF Units - Net Assets per Unit</b>				
Net Assets per Unit, beginning of period	27.73	24.91	21.33	20.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.82	1.24	0.58	0.41
Total expenses	(0.21)	(0.40)	(0.33)	(0.20)
Realized gains (losses)	1.25	1.95	0.81	(0.42)
Unrealized gains (losses)	(5.31)	1.26	5.48	3.46
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(3.45)</b>	<b>4.05</b>	<b>6.54</b>	<b>3.25</b>
<b>Distributions:</b>				
From income (excluding dividends)	(1.08)	-	-	-
From dividends	-	(0.96)	(0.30)	(0.15)
From capital gains	-	(0.61)	(0.78)	-
Return of capital	-	(0.16)	(0.12)	(0.45)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.08)</b>	<b>(1.73)</b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>23.20</b>	<b>27.73</b>	<b>24.91</b>	<b>21.33</b>

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## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

For the periods ended:	June 30, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>Hedged ETF Units - Net Assets per Unit</b>				
Net Assets per Unit, beginning of period	29.01	25.71	21.50	20.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.86	1.27	0.58	0.44
Total expenses	(0.22)	(0.42)	(0.33)	(0.21)
Realized gains (losses)	1.59	(0.03)	1.08	(0.09)
Unrealized gains (losses)	(7.98)	1.18	5.02	2.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(5.75)</b>	<b>2.00</b>	<b>6.35</b>	<b>2.15</b>
<b>Distributions:</b>				
From income (excluding dividends)	(1.08)	-	-	-
From dividends	-	(0.77)	(0.25)	(0.11)
From capital gains	-	(0.70)	(0.65)	-
Return of capital	-	(0.26)	(0.30)	(0.49)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.08)</b>	<b>(1.73)</b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>24.21</b>	<b>29.01</b>	<b>25.71</b>	<b>21.50</b>

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2022 and the audited annual financial statements as at December 31, 2021, 2020, and 2019. The Fund effectively began operations on June 11, 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.

## The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2022	December 31, 2021	December 31, 2020	December 31, 2019
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>4</sup>	24,936,188	30,501,225	24,286,886	10,663,210
Number of units outstanding <sup>4</sup>	1,075,000	1,100,000	975,000	500,000
Management expense ratio <sup>5</sup>	0.85%	0.82%	0.85%	0.84%
Trading expense ratio <sup>6</sup>	0.22%	0.25%	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	37.12%	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	23.20	27.73	24.91	21.33
Closing market price (\$)	23.32	27.70	24.97	21.29
<b>Hedged ETF Units - Ratios/Supplemental Data</b>				
Total Net Asset Value (\$) <sup>4</sup>	34,502,518	29,012,779	2,571,290	1,612,226
Number of units outstanding <sup>4</sup>	1,425,000	1,000,000	100,000	75,000
Management expense ratio <sup>5</sup>	0.85%	0.85%	0.85%	0.85%
Trading expense ratio <sup>6</sup>	0.22%	0.25%	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	37.12%	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	24.21	29.01	25.71	21.50
Closing market price (\$)	24.16	29.08	25.70	21.50

- 4 This information is provided as at June 30, 2022 and December 31, 2021, 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.

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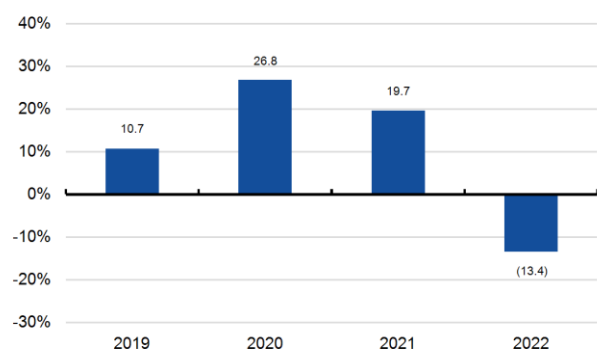
## Past Performance

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.

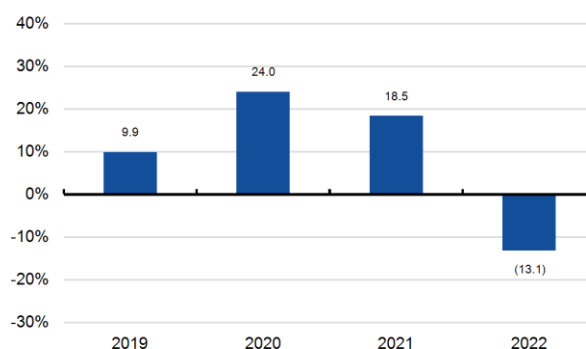
## Year-by-Year Returns

The bar chart below shows the Hedged and Unhedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2022. 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.

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



### BASE/B Unhedged ETF Units<sup>2</sup>



1 The Hedged ETF Units of the Fund effectively began operations on June 11, 2019.

2 The Unhedged ETF Units of the Fund effectively began operations on June 11, 2019

## Summary of Investment Portfolio

### All Positions

Security	Percentage of Net Asset Value (%)
Reliance Steel & Aluminum Company	6.6
Dow Inc.	5.8
Eastman Chemical Company	5.8
DuPont de Nemours Inc.	5.6
Steel Dynamics Inc.	5.5
POSCO Holdings Inc., ADR	5.3
Rio Tinto PLC, ADR	5.3
ArcelorMittal SA	5.1
Ternium SA, ADR	5.1
Vale SA, ADR	5.1
Newmont Corporation	5.1
BHP Group Limited	5.0
Nucor Corporation	4.8
Southern Copper Corporation	4.7
AngloGold Ashanti Limited, ADR	4.3
Freeport-McMoRan Inc.	4.2

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## All Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Gold Fields Limited, ADR	4.1
Sibanye Stillwater Limited	4.0
Alcoa Corporation	3.8
Cleveland-Cliffs Inc.	3.5
Woodside Energy Group Limited	0.7
<b>Total</b>	<b>99.4</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Energy	0.7
Materials	98.7
Derivative Assets	0.5
Derivative Liabilities	(0.6)
Cash and Cash Equivalents	1.0
Other Assets, less Liabilities	(0.3)
<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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