

Evolve E-Gaming 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 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 E-Gaming Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive eGaming Index (the "Benchmark"), or any successor thereto. The Fund primarily invests in equity securities of companies listed domestically and globally, and other issuers, with business activities in the gaming industry.

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, 2022, the Hedged ETF Units returned -19.6% versus the Solactive eGaming Index PR CAD Hedged return of -19.1%. 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 Fund's net assets were \$38.9MM as at June 30, 2022.

Portfolio Manager Commentary

Over three billion consumers play e-games, and consumer spending on e-games is at an all-time high, states the Global Games Market Report. According to the report, 79% of the world's online population now engages with e-games in some way or form, that is, most engage beyond playing via viewing, owning, and socializing.(i)

According to a report from App Annie Research, 2021 was a record year for mobile app spending and playtime. Sales soared 16% year-over-year in 2021 to \$116 billion, led by popular games like Roblox, a holding in the Fund, and other hyper causal games.(ii)

In 2021, 230 mobile apps and games registered annual customer spending of \$100 million or more. Of these mobile apps and games 13 reported customer spending of over \$1 billion, up 20% year-over-year.(iii)

While mobile game spending was considerable in 2021, individuals also spent on in-app stores. For the year, total mobile app store spending amounted to \$170 billion, an increase of 19% year-over-year. In addition, new mobile app downloads grew five percent to \$230 billion, or 435,000 apps downloaded per minute.(iv)

According to research by Visual Capitalist, video game consoles have come a long way since they were first launched in 1973. Since then, the console market has grown into a multi-billion dollar industry that is expected to reach \$72.67 billion in value by the end of 2022.

Even though it has been discontinued since 2013, research has found that the best-selling video game console of all time is Sony's PlayStation 2, with more than 157 million systems sold around the world since its launch in March 2000. The next best-selling console is the Nintendo Switch, which has sold 154.9 million units.(v)

In March 2022, Electronic Arts Inc., a holding in the Fund, which develops, markets, publishes, and distributes several popular games announced that it will remove all Russian e-sports teams from its NHL 22 hockey game, as well as three of its FIFA football games. This move by the game publisher comes as major U.S. companies like Apple Inc., Nike Inc., and others boycott Russia. In addition, Electronic Arts is also halting sales of video games in Russia and Belarus through its online store and app.(vi)

In June 2022, Microsoft announced that it is making its Edge browser more gamer-friendly, with Xbox and PC gaming improvements. Edge is also getting a Clarity Boost to improve Xbox Cloud Gaming streams and an efficiency mode to prevent Edge from taking PC resources when a game is being played.(vii)

In good news for developers and gamers, China has ended its e-gaming freeze by approving the first batch of new video game licenses since July 2021, ending a year-long hiatus that put the world's largest mobile gaming arena on edge.(viii)

On the M&A front, Take-Two Interactive Software, Inc., a holding in the Fund, announced in January 2022 that it will acquire Zynga Inc., which is also a holding in the Fund, for \$12.7 billion in cash and shares. The transaction will unify two global leaders in the interactive entertainment business and will establish Take-Two as one of the largest and most diversified mobile game publishers in the industry.

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Microsoft Corporation announced that will acquire Activision Blizzard, a holding in the Fund, for \$68.7 billion in an all-cash transaction. The transaction will accelerate Microsoft's growth across mobile video games, PCs, consoles, and the cloud, and gives it ownership of global video game giants like Call of Duty, World of Warcraft, and Diablo. It will also give Microsoft a very strong presence in the mobile gaming field through Activision's gaming arm, King, which has approximately 245 million active users monthly.(ix)

Warren Buffett said Berkshire Hathaway has been increasing its stake in Activision Blizzard in a merger arbitrage bet that Microsoft's proposed acquisition of the video game company will close. Berkshire now owns about 9.5% of Activision Blizzard shares.(x)

At the end of the first quarter of 2022, Activision Blizzard posted first quarter earnings that missed expectations. The company reported adjusted earnings of 64 cents per share on revenue of \$1.77 billion, missing analyst expectations of earnings per share of 71 cents and sales of \$1.82 billion. During the first quarter of 2021, the company reported \$2.28 billion in revenue.(xi)

Performance Attribution

During the six-month period ended June 30, 2022, Activision Blizzard Inc. was the largest contributor to the Fund's performance, followed by Zynga Inc. The largest holding by weight in the Fund was Activision Blizzard Inc., followed by Nexon Co. Ltd.

(i) <https://newzoo.com/insights/articles/all-forms-of-gaming-engagement-continue-to-spike-in-2022>

(ii) <https://evolveetfs.com/2022/04/increased-spending-on-mobile-video-games/>

(iii) <https://evolveetfs.com/2022/04/increased-spending-on-mobile-video-games/>

(iv) <https://evolveetfs.com/2022/04/increased-spending-on-mobile-video-games/>

(v) <https://www.visualcapitalist.com/cp/ranked-the-best-selling-video-game-consoles-of-all-time/>

(vi) <https://evolveetfs.com/2022/04/increased-spending-on-mobile-video-games/>

(vii) <https://www.theverge.com/2022/6/23/23179788/microsoft-edge-xbox-pc-gaming-efficiency-mode-clarity-boost-features>

(viii) <https://www.bnnbloomberg.ca/china-ends-game-freeze-by-handing-out-first-licenses-since-july-1.1750628>

(ix) <https://evolveetfs.com/2022/04/increased-spending-on-mobile-video-games/>

(x) <https://www.cnbc.com/2022/04/30/buffett-berkshire-owns-9point5percent-of-activision-blizzard-shares-in-merger-arbitrage-bet.html>

(xi) <https://www.barrons.com/articles/baker-hughes-stock-earnings-supply-delays-russia-51658330442>

Recent Developments

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.

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 0.70% 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 \$198,518 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.

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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 \$47,826 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, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Hedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	34.66	37.14	22.31	20.00
Increase (decrease) from operations:				
Total revenue	0.15	0.35	0.26	0.16
Total expenses	(0.23)	(0.48)	(0.47)	(0.24)
Realized gains (losses)	(0.61)	1.82	2.20	0.11
Unrealized gains (losses)	(6.15)	(5.33)	14.89	2.50
Total increase (decrease) from operations²	(6.84)	(3.64)	16.88	2.53
Distributions:				
From income (excluding dividends)	(0.10)	-	-	-
From capital gains	-	(0.16)	(0.06)	-
Return of capital	-	(0.04)	-	(0.03)
Total annual distributions³	(0.10)	(0.20)	(0.06)	(0.03)
Net Assets per Unit, end of period	27.76	34.66	37.14	22.31

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 13, 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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Hedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$)⁴	38,857,651	58,049,592	41,783,501	2,231,075
Number of units outstanding⁴	1,400,000	1,675,000	1,125,000	100,000
Management expense ratio⁵	0.98%	0.97%	0.96%	0.99%
Trading expense ratio⁶	0.11%	0.17%	0.42%	0.98%
Portfolio turnover rate⁷	32.13%	90.93%	31.35%	0.29%
Net Asset Value per unit (\$)	27.76	34.66	37.14	22.31
Closing market price (\$)	27.65	34.54	37.26	22.32

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.

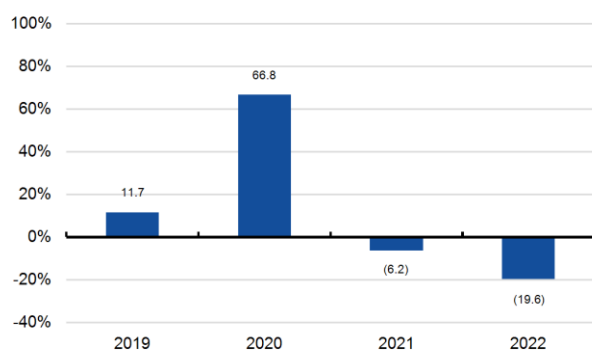
Past Performance

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 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.

HERO Hedged ETF Units¹



1 The Hedged ETF Units of the Fund effectively began operations on June 13, 2019.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
NetEase Inc., ADR	11.2
Activision Blizzard Inc.	10.8
Electronic Arts Inc.	9.7
Nintendo Company Limited, ADR	9.5
Take-Two Interactive Software Inc.	5.6
NEXON Company Limited	5.4
Roblox Corporation	5.0
Bandai Namco Holdings Inc.	4.6
AppLovin Corporation	2.9
Krafton Inc.	2.4
Embracer Group AB	2.4
Konami Holdings Corporation	2.3
Bilibili Inc., ADR	2.2
Capcom Company Limited	1.9
NCSOFT Corporation	1.8
Koei Tecmo Holdings Company Limited	1.6
Square Enix Holdings Company Limited	1.6
Playtika Holding Corporation	1.6
Kingssoft Corporation Limited	1.6
Ubisoft Entertainment SA, ADR	1.6
Netmarble Corporation	1.3
Sega Sammy Holdings Inc.	1.3
Kakao Games Corporation	0.9
Pearl Abyss Corporation	0.8
CD Projekt SA	0.6
Total	90.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	88.8
Consumer Discretionary	6.3
Information Technology	2.9
Derivative Assets	0.4
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	2.0
Other Assets, less Liabilities	(0.2)
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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