

# Evolve Future Leadership 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](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 Future Leadership Fund (the "Fund") seeks to provide holders of units with long-term capital appreciation by investing primarily in a diversified mix of equity securities of companies located domestically or internationally that the portfolio manager has determined are leaders in sectors that stand to benefit from medium and long term economic trends. The portfolio manager will use a selection process that combines quantitative techniques, fundamental analysis and risk management. The portfolio manager will also write covered call options on up to 33% of the portfolio securities, at its discretion. The level of covered call option writing may vary based on market volatility and other factors.

## Risk

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Effective June 30, 2022, the risk rating of the Unhedged ETF Units of the Fund was changed from "Low to Medium" to "Medium". 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 -31.8%. The Unhedged ETF Units returned -30.7%. The US Dollar Unhedged ETF Units returned -31.9%. The Fund's net assets were \$39.3MM as at June 30, 2022.

## Portfolio Manager Commentary

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### Finance

At the end of the first half of 2022, major Canadian banks recorded an increase in aggregate profit before tax of 23.8%. 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, compared to first half of 2021. BMO had the largest increase in dividends per share up \$0.54 compared to 1H21, followed by National Bank which increased dividends per share by \$0.30 in the first half of 2022 over the first half of 2021.(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.(iii) TD reported net income of \$3.8 billion with adjusted earnings at \$2.02 per share, down slightly from the year prior but ahead of the consensus analysts' prediction of \$1.93 per share.(iv) 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.(v) Scotiabank reported net income of \$2.75 billion, up from \$2.46 billion a year earlier. It earned \$2.18 per share, well above the \$1.97 in earnings per share forecast by analysts.(vi) BMO's net income more than tripled to \$4.76 billion from \$1.3 billion a year earlier. On an adjusted basis, BMO earned \$3.23 per share, in line with analysts' average expectations of \$3.22 per share.(vii)

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.(viii) Scotiabank raised its quarterly dividend to \$1.03 per share from \$1.00 previously, effective July 27, 2022,(ix) and BMO raised its quarterly dividend to \$1.39 per common share from \$1.33 effective August 26, 2022.(x)

In the U.S., the Federal Reserve offered a vote of confidence to the largest U.S. banks following its annual health check. The results of the Fed's annual stress test indicated that the banks have enough capital to weather a severe economic downturn.

According to the Fed, the 34 lenders with more than \$100 billion in assets that it oversees would suffer a combined \$612 billion in losses under a hypothetical severe downturn. However, that would still leave them with roughly twice the amount of capital required under its rules. As a result, large banks such as Morgan Stanley, and Goldman Sachs (both holdings in the Fund) can use their excess capital to issue dividends and buybacks to shareholders.(xi)

### Healthcare

During the first half of 2022, the global health care sector rose up to the new challenges presented by the ongoing COVID-19 pandemic, which continued to dominate health care systems' attention and resources.(xii)

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This has resulted in the reshaping of the workforce and as to what, how, and where work is performed; swiftly scaling virtual health services for patients, and forging partnerships to produce and procure the required vaccines, treatments, and supplies.(xiii)

While the S&P 500 and NASDAQ lost substantial ground over the first half of the year, blue chip healthcare stocks were solid gainers. Merck, and biotech king Amgen, were among the top performers in the Dow Jones Industrial Average, while drug supplier McKesson, cystic fibrosis treatment maker Vertex, and big pharma leader Eli Lilly were all winners in the S&P 500. In fact, Bristol-Myers Squibb and Eli Lilly closed the quarter at near all-time highs.(xiv)

The strong gains for healthcare stocks are being driven more by the current economic cycle than the pandemic. Health care stocks often hold up well during tumultuous times. They are perceived to be stable companies that offer products and services people need even during a recession.(xv)

## Entertainment

In the first half of 2022, the media & entertainment industry continued to evolve quickly. Not only through reckoning with ongoing trends and disruptions within the industry, but also in its continued response to pandemic-led behavioral changes.(xxvi)

Twitter reported earnings in the first quarter of 2022 at around the same time its board agreed to sell the company to Elon Musk for \$44 billion. During the quarter, Twitter missed revenue estimates, reporting \$1.2 billion versus the \$1.23 billion that analysts were expecting but beat earnings per share estimates at 4 cents compared to 3 cents that was expected. Monthly Daily Active Users (MDAUS) grew to 229 million this quarter compared to an expected 226.9 million.(xxvii)

For its second fiscal quarter, Walt Disney Company reported that revenues for the quarter and six months grew 23% and 29%, respectively. The media giant also reported earnings per share from continuing operations for the six months ended April 2, 2022, increased to \$0.89 from \$0.52 in the prior-year period. "Our strong results in the second quarter, including fantastic performance at our domestic parks and continued growth of our streaming services—with 7.9 million Disney+ subscribers added in the quarter and total subscriptions across all our DTC offerings exceeding 205 million—once again proved that we are in a league of our own," said Bob Chapek, Chief Executive Officer.

Amazon announced its first quarter results highlighting an increase in net sales of 7% to \$116.4 billion, compared with \$108.5 billion in first quarter 2021. During the quarter, Amazon closed its acquisition of MGM, with MGM employees officially joining Prime Video and Amazon Studios. In addition, Amazon announced the general availability of its Amazon Luna cloud gaming service, which offers an expanded lineup of games and new features.(xvi)

Meta Platforms had 3.64 billion monthly active users across its family of applications in the first quarter, up 6% year over year. In addition to its metaverse spending, Meta is investing heavily in the development of artificial intelligence, which can be used to bolster advertising — the source of around 97% of the company's revenue.(xvii)

## Technology

At the end of the second quarter, the Nasdaq Composite was down almost 28% since the start of the year, with big tech stocks recording significant losses. Apple, Alphabet, and Microsoft all closed the six-month period down by more than 22% (all holdings in the Fund).(xviii)

T-Mobile, a holding in the Fund, reported mixed first-quarter 2022 results with total revenues increasing by 1.8% year over year, but net income decreasing from \$713 million or 57 cents per share compared to \$933 million or 74 cents per share in the prior-year quarter. The decline was attributed to merger-related costs, but regardless, the telecommunications company beat analyst expectations.(xix)

In an increasingly digital world, the demand for the cloud continued to grow during the first half of the year. According to predictions from Gartner, global spending on cloud services is expected to reach over \$482 billion in 2022, up from \$313 billion in 2020.(xx)

In the meantime, the industry is dynamically evolving to meet to varying needs of businesses, with hybrid cloud, edge computing, and other cloud computing concepts beginning to take hold. According to Flexera 2022 State of the Cloud Report, the consumption of cloud — whether public, private, or a hybrid approach — continued to expand across all industry verticals and disrupt the ways in which IT provisions, manages, and orchestrates resources.(xxi)

Fintech is also expected to experience strong growth. According to research by Vantage Market Research, the global fintech market was \$112.5 billion in 2021 and is expected to grow to \$332.5 billion by 2028. While North America held the biggest share of the global fintech market, the research states that the Asia Pacific market is expected to witness robust growth on the back of fintech blockchain technology in the commercial sector.(xxii)

## Performance Attribution

For the six-month period ended June 30, 2022, the largest contributor to the Fund's performance was Seagen Inc., followed by United Health Group Inc. The largest holding in the Fund by weight was United Health Group Inc, followed by Twitter Inc.

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- (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://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>
- (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://ca.finance.yahoo.com/news/bank-nova-scotia-posts-earnings-133300218.html>
- (vii) <https://www.bnnbloomberg.ca/bmo-boosting-dividend-as-q2-profit-barely-meets-expectations-1.1770368>
- (viii) <https://www.theglobeandmail.com/business/article-canadian-banks-benefit-from-consumer-spending-rebound/>
- (ix) <https://ca.finance.yahoo.com/news/bank-nova-scotia-posts-earnings-133300218.html>
- (x) <https://www.bnnbloomberg.ca/bmo-boosting-dividend-as-q2-profit-barely-meets-expectations-1.1770368>
- (xi) <https://www.reuters.com/markets/us/us-fed-says-banks-can-weather-severe-downturn-comfortably-2022-06-23/>
- (xii) <https://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html>
- (xiii) <https://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html>
- (xiv) <https://www.cnn.com/2022/07/03/investing/stocks-week-ahead/index.html>
- (xv) <https://www.cnn.com/2022/07/03/investing/stocks-week-ahead/index.html>
- (xvi) <https://ir.aboutamazon.com/news-release/news-release-details/2022/Amazon.com-Announces-First-Quarter-Results-f0188db95/>
- (xvii) <https://www.cnn.com/2022/06/22/mark-zuckerberg-envisions-1-billion-people-in-the-metaverse.html>
- (xviii) <https://www.barrons.com/articles/tech-stocks-secondhalf-could-be-worse-51656693199?mod=Searchresults>
- (xix) <https://www.nasdaq.com/articles/t-mobile-tmus-beats-on-q1-earnings-raises-2022-guidance>
- (xx) <https://www.forbes.com/sites/bernardmarr/2021/10/25/the-5-biggest-cloud-computing-trends-in-2022/?sh=7c4478e42267>
- (xxi) <https://info.flexera.com/CM-REPORT-State-of-the-Cloud>
- (xxii) <https://evolveetfs.com/wp-content/uploads/2022/06/EDGE-Commentary-May-31-2022.pdf>
- (xxvi) <https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/media-and-entertainment-industry-outlook-trends.html>
- (xxvii) <https://www.cnn.com/2022/04/28/twitter-twtr-earnings-q1-2022.html>

## Recent Developments

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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.

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## 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 0.75% 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 \$186,789 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 \$41,833 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>

	June 30, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)
For the periods ended:			
<b>Unhedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	22.30	20.80	19.85
<b>Increase (decrease) from operations:</b>			
Total revenue	0.09	0.12	0.04
Total expenses	(0.10)	(0.25)	(0.10)
Realized gains (losses)	(0.31)	0.47	(0.03)
Unrealized gains (losses)	(6.41)	2.29	1.69
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(6.73)</b>	<b>2.63</b>	<b>1.60</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.63)	-	-
From capital gains	-	(0.36)	(0.08)
Return of capital	-	(0.90)	(0.24)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.63)</b>	<b>(1.26)</b>	<b>(0.32)</b>
<b>Net Assets per Unit, end of period</b>	<b>14.91</b>	<b>22.30</b>	<b>20.80</b>

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

	June 30, 2022	December 31, 2021	December 31, 2020
	(\$)	(\$)	(\$)
For the periods ended:			
<b>Hedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	23.01	21.30	19.85
<b>Increase (decrease) from operations:</b>			
Total revenue	0.09	0.11	0.04
Total expenses	(0.10)	(0.27)	(0.06)
Realized gains (losses)	(0.22)	0.03	0.45
Unrealized gains (losses)	(6.84)	2.59	1.59
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(7.07)</b>	<b>2.46</b>	<b>2.02</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.63)	-	-
From capital gains	-	(0.35)	(0.08)
Return of capital	-	(0.91)	(0.24)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.63)</b>	<b>(1.26)</b>	<b>(0.32)</b>
<b>Net Assets per Unit, end of period</b>	<b>15.14</b>	<b>23.01</b>	<b>21.30</b>
<b>US Dollar Unhedged ETF Units - Net Assets per Unit<sup>4</sup></b>			
Net Assets per Unit, beginning of period	29.42	27.37	26.11
<b>Increase (decrease) from operations:</b>			
Total revenue	0.11	0.15	0.05
Total expenses	(0.13)	(0.33)	(0.13)
Realized gains (losses)	(0.38)	0.63	(0.04)
Unrealized gains (losses)	(8.65)	3.19	2.08
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(9.05)</b>	<b>3.64</b>	<b>1.96</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.80)	-	-
From capital gains	-	(0.45)	(0.11)
Return of capital	-	(1.13)	(0.30)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.80)</b>	<b>(1.58)</b>	<b>(0.41)</b>
<b>Net Assets per Unit, end of period</b>	<b>19.70</b>	<b>29.42</b>	<b>27.37</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 and 2020. The Hedged, Unhedged, and US Dollar Unhedged ETF Units began operations on September 10, 2020.
- 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.
- 4 Per unit figures are stated in CAD equivalent.

## The Fund's Ratios/Supplemental Data

	June 30, 2022	December 31, 2021	December 31, 2020
For the periods ended:			
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	15,282,457	22,854,200	19,240,732
Number of units outstanding <sup>5</sup>	1,025,000	1,025,000	925,000
Management expense ratio <sup>6</sup>	0.93%	0.91%	1.01%
Trading expense ratio <sup>7</sup>	0.13%	0.17%	0.51%
Portfolio turnover rate <sup>8</sup>	15.59%	69.42%	31.06%
Net Asset Value per unit (\$)	14.91	22.30	20.80
Closing market price (\$)	14.90	22.50	20.72

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## The Fund's Ratios/Supplemental Data (cont'd)

For the periods ended:	June 30, 2022	December 31, 2021	December 31, 2020
<b>Hedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	13,629,156	19,554,463	5,323,823
Number of units outstanding⁵	900,000	850,000	250,000
Management expense ratio⁶	0.93%	0.92%	0.39%
Trading expense ratio⁷	0.13%	0.17%	0.51%
Portfolio turnover rate⁸	15.59%	69.42%	31.06%
Net Asset Value per unit (\$)	15.14	23.01	21.30
Closing market price (\$)	15.14	23.15	21.28
<b>US Dollar Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	10,342,212	16,917,149	13,000,886
Number of units outstanding⁵	525,000	575,000	475,000
Management expense ratio⁶	0.93%	0.91%	1.01%
Trading expense ratio⁷	0.13%	0.17%	0.51%
Portfolio turnover rate⁸	15.59%	69.42%	31.06%
Net Asset Value per unit (\$)	19.70	29.42	27.37
Closing market price (\$)	19.68	29.45	27.35

5 This information is provided as at June 30, 2022 and December 31, 2021 and 2020.

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.

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.

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.

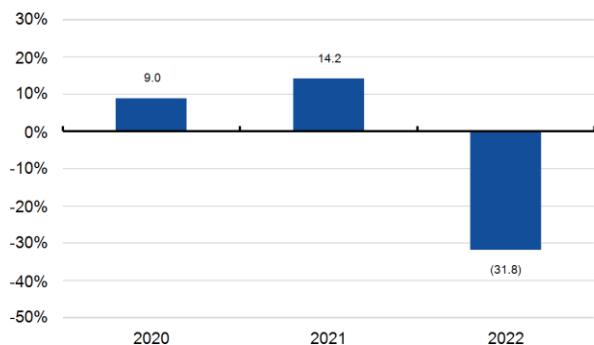
## Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged, and US Dollar 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.

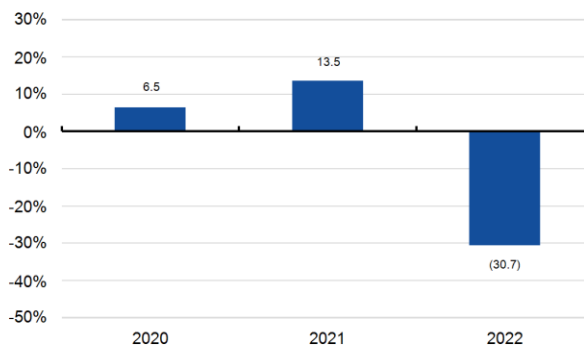
# Evolve Future Leadership Fund

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



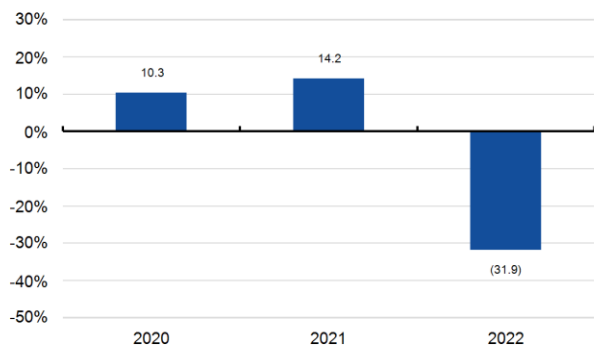
## LEAD/B Unhedged ETF Units<sup>2</sup>



1 The Hedged ETF Units of the Fund effectively began operations on September 10, 2020.

2 The Unhedged ETF Units of the Fund effectively began operations on September 10, 2020.

## LEAD US Dollar Unhedged ETF Units<sup>3</sup>



3 The US Dollar Unhedged ETF Units of the Fund effectively began operations on September 10, 2020. Returns presented based on NAV equivalent in USD.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
UnitedHealth Group Inc.	5.3
Thermo Fisher Scientific Inc.	4.2
Meta Platforms Inc.	3.5
The Goldman Sachs Group Inc.	3.5
High Interest Savings Account ETF	3.5
Evolve Global Healthcare Enhanced Yield Fund	3.3
Twitter Inc.	3.2
Visa Inc., Class 'A'	3.2
Evolve Cloud Computing Index Fund	3.2



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## Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Intuit Inc.	3.1
Alphabet Inc., Class 'A'	3.1
Danaher Corporation	3.0
Evolve Metaverse ETF	2.9
SVB Financial Group	2.9
Agilent Technologies Inc.	2.8
Intuitive Surgical Inc.	2.8
Fortinet Inc.	2.7
Nasdaq Inc.	2.7
Evolve US Banks Enhanced Yield Fund	2.6
Amazon.com Inc.	2.2
Pfizer Inc.	2.2
Evolve Cyber Security Index ETF	2.1
Seagen Inc.	2.0
Constellation Software Inc.	2.0
NVIDIA Corporation	2.0
<b>Total</b>	<b>74.0</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	16.3
Consumer Discretionary	2.6
ETFs - Domestic Fixed Income	3.4
ETFs - International Equity	12.9
ETFs - US Equity	2.5
Financials	11.9
Health Care	24.7
Information Technology	24.9
Derivative Assets	0.1
Derivative Liabilities	(0.3)
Cash and Cash Equivalents	1.5
Other Assets, less Liabilities	(0.5)
<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).



**Evolve Future Leadership Fund**