

Evolve Dividend Stability Preferred Share 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 Dividend Stability Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Dividend Stability Canada Preferred Share Index (the "Benchmark"), or any successor thereto. The Fund invests primarily in preferred equity securities of companies listed in Canada.

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 Unhedged ETF Units returned -12.4% versus the Solactive Dividend Stability Canada Preferred Share Index PR return of -14.3%. 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 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 \$23.1MM as at June 30, 2022.

Portfolio Manager Commentary

During the first half of 2022, market sentiments were negatively impacted by fears of sustained inflation, rising interest rates, the Russian invasion of Ukraine and ongoing concerns about the COVID-19 Omicron variant.

In the wake of persistently high inflation, which reached a 39-year high of 7.7% at the end of May, the Bank of Canada raised interest rates by a total of 1.25% in the first half of the year, by 0.25% in March, 0.50% in April, and 0.50% in June.

The S&P TSX Index fell -11.1% during the first half of the year; the S&P 500 lost -20.6%; the MSCI EAFE declined by -21.0% and the MSCI EM fell by -18.8%. Amidst market volatility, preferred shares underperformed during the second quarter, with the S&P Preferred Shares Index declining 7.5%. The Index's quarterly sector returns for Perpetuals, Fixed Resets, and Floating Rates were 11.9%, -6.5%, and -6.2%, respectively.

The first quarter saw almost \$3.5 billion in redemptions, with another \$1.75 billion in the second quarter. Among these redemptions were Brookfield Renewable Partners Series 11 for \$250 million; Bank of Montreal, Series 40 for \$500 million; and TC Energy Corp. for \$1 billion.(i) During the quarter, there were four new issues totalling \$1.275 billion, including TD Bank Group, Series 27, for \$850 million; Intact Financial, Series 11, for \$150 million, Partners Value Slit Corp., Series 13, for \$150 million; and Brookfield Renewable Partners, Series 18, for \$125 million.(ii)

There were no issuances in the preferred shares market in the second quarter of 2022. The negative price performance continued into the second quarter as bond yields rose. Corporate spreads widened again into June driven by uncertainty surrounded by inflation and the prospects of growth.

There were several new Limited Capital Recourse Notes (LRCNs) issued in the last quarter, which reinforces the view that financial institutions will favour switching their regulatory capital from retail preferred share investors to institutional investors. The TD Bank issue of \$850 million for institutional investors in the first quarter is closer to an LRCN instead of the traditional preferred shares available to retail investors.

During the first quarter of 2022, the rate reset of five preferred shares were extended with a new rate. Among the preferred shares are Fairfax Financial Holdings Series K, whose rate was reset from 4.671% to 5.045%; Brookfield Asset Management Series 26 from 3.471% to 3.846%; Brookfield Asset Management Series 46 from 4.8% to 5.386%; Brookfield Office Properties Series EE from 4.161% to 4.536%; and Brookfield Office Properties Series P from 5.1% to 5.496%.

Incidentally, none of resetting issues had interest in the floating rate option, in spite of rate increases by the Bank of Canada.(iii)

Higher expected interest rates and volatile credit environment, coupled with low supply and redemptions are expected to continue in 2022. It is anticipated that there will be more issuance of OTC preferred shares for the rest of the year, albeit minimal. Expectations are for less price return and more return from dividend income, with negative returns in 2022 via credit spread widening.

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Performance Attribution

At the end of the six-month period ended June 30, 2022, Brookfield Asset Management 4.8% (BAMACM 4.8 PERP) was the largest contributor to the Fund, followed by TRPCN 4.9 PERP. The largest holding in the Fund at the end of the period was TRPCN 4.9 PERP, followed by Enbridge 4.9 PERP (ENBCN 4.9 PERP).

(i) <https://www.raymondjames.ca/branches/premium/pdfs/preferredsharesreport.pdf>

(ii) <https://www.raymondjames.ca/branches/premium/pdfs/preferredsharesreport.pdf>

(iii) <https://www.raymondjames.ca/branches/premium/pdfs/preferredsharesreport.pdf>

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 0.45% 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 \$80,966 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 \$26,988 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

For the periods ended:	June 30, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Unhedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	25.25	24.97	25.38	25.00
Increase (decrease) from operations:				
Total revenue	0.62	1.19	1.25	0.34
Total expenses	(0.09)	(0.16)	(0.18)	(0.07)
Realized gains (losses)	(0.89)	0.97	(0.06)	0.01
Unrealized gains (losses)	(2.96)	(0.59)	0.65	0.39
Total increase (decrease) from operations²	(3.32)	1.41	1.66	0.67
Distributions:				
From income (excluding dividends)	(0.57)	-	-	-
From dividends	-	(0.98)	(0.99)	(0.12)
From capital gains	-	(0.06)	-	-
Return of capital	-	(0.10)	(0.15)	(0.17)
Total annual distributions³	(0.57)	(1.14)	(1.14)	(0.29)
Net Assets per Unit, end of period	21.60	25.25	24.97	25.38

- 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 September 24, 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
Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	23,070,255	38,589,691	34,658,310	29,944,328
Number of units outstanding ⁴	1,068,044	1,528,044	1,388,044	1,180,000
Management expense ratio ⁵	0.68%	0.55%	0.64%	0.67%
Trading expense ratio ⁶	0.05%	0.08%	0.09%	0.31%
Portfolio turnover rate ⁷	26.77%	94.82%	80.14%	11.28%
Net Asset Value per unit (\$)	21.60	25.25	24.97	25.38
Closing market price (\$)	21.49	25.23	24.97	25.38

- 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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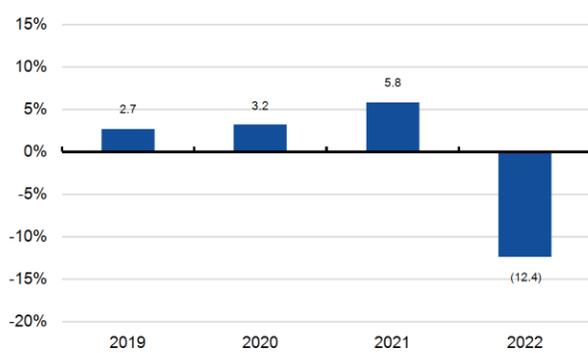
Past Performance

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 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.

PREF Unhedged ETF Units¹



¹ The Unhedged ETF Units of the Fund effectively began operations on September 24, 2019.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Enbridge Inc., Preferred, Series '19'	6.6
Pembina Pipeline Corporation, Preferred, Series '21'	4.8
Brookfield Asset Management Inc., Preferred, Series '46'	3.8
Pembina Pipeline Corporation, Preferred, Series '23'	3.7
Manulife Financial Corporation, Preferred, Series '2'	3.5
Great-West Lifeco Inc., Preferred, Series 'G'	3.2
Pembina Pipeline Corporation, Preferred, Series '25'	3.0
Great-West Lifeco Inc., Preferred, Series 'H'	3.0
Power Financial Corporation, Preferred, Series 'S'	2.9
Brookfield Renewable Partners Limited Partnership, Preferred, Series '13', Perpetual	2.9
Brookfield Office Properties Inc., Preferred, 5.100%, Series 'EE'	2.9
Sun Life Financial Inc., Preferred, 4.450%, Series '4'	2.9
Manulife Financial Corporation, Preferred, Series '3'	2.8
Great-West Lifeco Inc., Preferred, 4.500%, Series 'I', Perpetual	2.8
Great-West Lifeco Inc., Preferred, Series 'P', Perpetual	2.8
Power Corporation of Canada, Preferred, Series 'D'	2.6

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Power Financial Corporation, Preferred, Series 'K'	2.5
Sun Life Financial Inc., Preferred, Series '5'	2.5
Sun Life Financial Inc., Preferred, 4.450%, Series '3', Perpetual	2.4
George Weston Limited, Preferred, Series 'III', Perpetual	2.2
Power Financial Corporation, Preferred, Series 'E'	2.1
Great-West Lifeco Inc., Preferred, Series 'Q'	2.1
Canadian Utilities Limited, Preferred, Series 'DD'	2.1
Brookfield Asset Management Inc., Preferred, Series '37'	2.1
Power Financial Corporation, Preferred, Series 'L', Perpetual	2.1
Total	74.3

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Staples	4.1
Energy	19.5
Financials	62.0
Utilities	12.1
Cash and Cash Equivalents	2.7
Other Assets, less Liabilities	(0.4)
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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