

Evolve Global Materials & Mining Enhanced Yield Index ETF

June 30, 2023

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 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

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, 2023, the Hedged ETF Units returned 5.1% versus the Solactive Materials & Mining Index PR CAD Hedge return of 3.9%. The Unhedged ETF Units returned 3.1% versus the Solactive Materials & Mining Index PR return of 2.5%. 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 \$64.2MM as at June 30, 2023.

Portfolio Manager Commentary

The first half of 2023 has been turbulent for the commodities market, particularly in the base materials and mining sectors. While these sectors have been turbulent, they have managed to register a marginal gain. An important factor that has had an impact on the commodities market has been the turmoil in the banking sector, which temporarily impacted energy and metal markets. According to prominent commodity traders, including Sebastian Barrack from Citadel, the ripple effects of this turmoil are expected to be limited and short-lived, and the market fundamentals are predicted to reassert themselves post the initial phase of panic.¹

Iron ore, a crucial base material, exhibited a notable trend during this period. China, which is a significant player in the iron ore market, introduced several supportive measures aimed at stabilizing the struggling sector. However, market participants appear divided; some expect immediate interventions to bolster the sector while others anticipate prolonged economic strain before any significant action is taken by China. This is further compounded by the anticipated slowdown in Chinese construction activity during the summer which is likely to curb demand and prices for iron ore.²

Moreover, a significant factor affecting commodity prices has been the historical inverse relationship with interest rates. As interest rates have been on the rise over the past year, this has exerted downward pressure on commodity prices due to the increased cost of holding inventory.³

Furthermore, geopolitical risks have been at the forefront, especially with the conflict in Ukraine. This conflict holds substantial implications for the global oil market given Russia’s role as the second-largest oil exporter. Interestingly, oil and gas prices have remained resilient despite the geopolitical risks, suggesting a permanent shift in commodity flows. The markets appear to have adapted to the ongoing conflict, reflecting a recalibration in global commodity supply chains.⁴

Performance Attribution

For the six month period ending June 30, 2023, Posco Holdings Inc made the biggest contribution to the Fund, followed by Gold Fields Ltd. By weight, the Fund’s largest holdings were Nucor Corporation, Reliance Steel & Aluminum Co, and Steel Dynamics Inc.

(1) <https://www.ft.com/content/0d689632-4125-4104-957a-309d825a643>

(2) <https://www.mining.com/web/iron-ore-price-extends-gains-on-china-stimulus-bets/>

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(3) <https://www.thebalancemoney.com/commodity-prices-when-interest-rates-rise-4084273#:~:text=Interest%20rates%20and%20commodity%20prices%20have%20an%20inverse%20relationship%2C%20because,up%2C%20which%20pushes%20costs%20higher>

(4) <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/oil/061323-ukraine-counter-attack-shows-permanent-shift-in-commodity-flows>

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 are generally paid monthly. For the six-month period ended June 30, 2023, the Fund incurred \$217,302 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, 2023, the Fund incurred \$55,342 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, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Unhedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	26.01	27.73	24.91	21.33	20.00
Increase (decrease) from operations:					
Total revenue	0.48	1.34	1.24	0.58	0.41
Total expenses	(0.21)	(0.40)	(0.40)	(0.33)	(0.20)
Realized gains (losses)	0.23	0.13	1.95	0.81	(0.42)
Unrealized gains (losses)	0.37	(0.60)	1.26	5.48	3.46
Total increase (decrease) from operations²	0.87	0.47	4.05	6.54	3.25
Distributions:					
From income (excluding dividends)	(1.20)	-	-	-	-
From dividends	-	(0.97)	(0.96)	(0.30)	(0.15)
From capital gains	-	(0.23)	(0.61)	(0.78)	-
Return of capital	-	(1.08)	(0.16)	(0.12)	(0.45)
Total annual distributions³	(1.20)	(2.28)	(1.73)	(1.20)	(0.60)
Net Assets per Unit, end of period	25.65	26.01	27.73	24.91	21.33
Hedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	25.60	29.01	25.71	21.50	20.00
Increase (decrease) from operations:					
Total revenue	0.48	1.39	1.27	0.58	0.44
Total expenses	(0.21)	(0.41)	(0.42)	(0.33)	(0.21)
Realized gains (losses)	0.58	(1.18)	(0.03)	1.08	(0.09)
Unrealized gains (losses)	(0.03)	(3.13)	1.18	5.02	2.01
Total increase (decrease) from operations²	0.82	(3.33)	2.00	6.35	2.15
Distributions:					
From income (excluding dividends)	(1.20)	-	-	-	-
From dividends	-	(0.97)	(0.77)	(0.25)	(0.11)
From capital gains	-	(0.23)	(0.70)	(0.65)	-
Return of capital	-	(1.08)	(0.26)	(0.30)	(0.49)
Total annual distributions³	(1.20)	(2.28)	(1.73)	(1.20)	(0.60)
Net Assets per Unit, end of period	25.71	25.60	29.01	25.71	21.50

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023 and audited annual financial statements as at December 31, 2022, 2021, 2020, and 2019. The Hedged and Unhedged ETF Units 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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Unhedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	24,371,265	26,665,302	30,501,225	24,286,886	10,663,210
Number of units outstanding ⁴	950,000	1,025,000	1,100,000	975,000	500,000
Management expense ratio ⁵	0.85%	0.82%	0.82%	0.85%	0.84%
Trading expense ratio ⁶	0.20%	0.20%	0.25%	0.43%	0.61%
Portfolio turnover rate ⁷	38.12%	94.32%	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	25.65	26.01	27.73	24.91	21.33
Closing market price (\$)	25.54	25.87	27.70	24.97	21.29
Hedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	39,854,803	30,714,926	29,012,779	2,571,290	1,612,226
Number of units outstanding ⁴	1,550,000	1,200,000	1,000,000	100,000	75,000
Management expense ratio ⁵	0.85%	0.84%	0.85%	0.85%	0.85%
Trading expense ratio ⁶	0.20%	0.20%	0.25%	0.43%	0.61%
Portfolio turnover rate ⁷	38.12%	94.32%	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	25.71	25.60	29.01	25.71	21.50
Closing market price (\$)	25.75	25.54	29.08	25.70	21.50

4 This information is provided as at June 30, 2023 and December 31, 2022, 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.

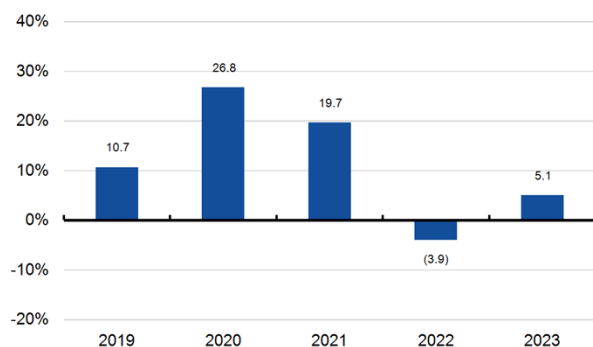
Year-by-Year Returns

The bar chart below shows the Hedged and Unhedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2023. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial period would have grown or decreased by the last day of that financial period.

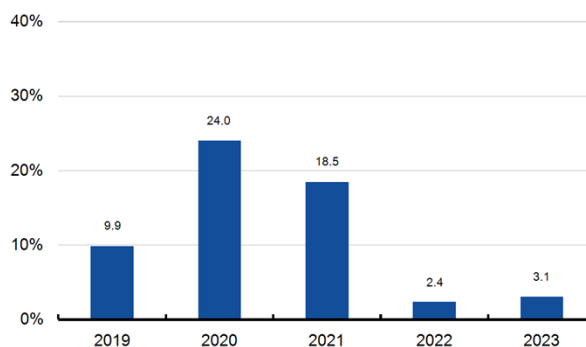
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BASE Hedged ETF Units¹



BASE/B Unhedged ETF Units²



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

	Percentage of Net Asset Value (%)
Security	
Nucor Corporation	6.0
Reliance Steel & Aluminum Company	5.9
Steel Dynamics Inc.	5.5
DuPont de Nemours Inc.	5.4
Eastman Chemical Company	5.4
BHP Group Limited, ADR	5.2
Cleveland-Cliffs Inc.	5.1
LyondellBasell Industries NV, Class 'A'	5.1
POSCO Holdings Inc., ADR	5.0
Dow Inc.	5.0
Rio Tinto PLC, ADR	5.0
Freeport-McMoRan Inc.	4.9
ArcelorMittal SA	4.9
Sociedad Quimica y Minera de Chile SA, ADR	4.9
Gold Fields Limited, ADR	4.8
Southern Copper Corporation	4.7
Newmont Corporation	4.6
Vale SA, ADR	4.5
Royal Gold Inc.	4.3
AngloGold Ashanti Limited, ADR	4.1
Total	100.3

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Materials	100.3
Derivative Assets	0.3
Derivative Liabilities	(0.5)
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(1.0)
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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