

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

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 Canadian Banks and Lifecos Enhanced Yield Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, up to a 1.25 times multiple of the performance of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while mitigating downside risk. The Evolve Fund invests primarily in the equity constituents of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities in the portfolio, at the discretion of the 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 Unhedged ETF Units returned 7.9% versus Solactive Canadian Core Financials Equal Weight Index return of 7.0%. 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 and to portfolio trading. 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 \$53.1MM as at June 30, 2023.

Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the six-month period ended June 30, 2023 and for the year ended December 31, 2022, as well as the leverage at the end of the reporting period and as a percentage of the Fund's net assets.

The Fund is classified as an "alternative mutual fund" as defined in National Instrument 81-102, Investment Funds ("NI 81-102"). As an alternative mutual fund, the Fund is permitted to lever its assets per the restrictions outlined in NI 81-102. The Fund currently anticipates achieving its investment objectives and creating leverage through the use of cash borrowing. The maximum aggregate exposure of the funds to cash borrowing will not exceed approximately 25% of NAV. In order to ensure that unitholders' risk is limited to the capital invested, the funds' leverage will be rebalanced back to 25% of the funds' NAV within two business days of the funds' leverage exceeding 2% above its target leverage ratio of 25% of NAV.

Leverage Calculation (Investments Market Value/Net Asset Value)

Period Ended	Minimum Leverage	Maximum Leverage	Leverage at the end of the Reporting Period	Percentage of Net Asset Value (%)
June 30, 2023	1.231 : 1	1.267 : 1	1.250 : 1	125.00
December 31, 2022	1.227 : 1	1.278 : 1	1.255 : 1	125.50

Portfolio Manager Commentary

The Canadian banking sector has faced a tumultuous first half of 2023 on the back of several collapses of their American counterparts, Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Canadian banking system's conservative and highly regulated nature has positioned it well to weather the crisis.¹ The Bank of Canada's continued rate hikes have added to the complexities facing the Canadian economy with a total increase of 50 basis points to the overnight rate so far in 2023.² During the second quarter, Canada's largest banks reported their financial results for the three months ending April 30, 2023. Unfortunately, most of the Big Six banks, including Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, National Bank, and Royal Bank of Canada, fell short of analysts' expectations. Only Canadian Imperial Bank of Commerce managed to exceed estimates. Analysts have lowered profit estimates for Canadian banks in recent weeks, citing obstacles such as high borrowing costs, liquidity concerns, and the potential onset of a recession.³ Despite the challenges faced by Canadian banks, Lifecos have shown strength and resilience. Great-West Lifeco, Sunlife, Power Corp of Canada, and Manulife have delivered positive returns year to date, with varying levels of performance. Great-West Lifeco, in particular, has been a particularly strong performer with an impressive year-to-date return of 26.16%.⁴

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June 30, 2023

Performance Attribution

For the six month period ending June 30, 2023, Great West Lifeco Inc made the biggest contribution to the Fund, followed by Power Corp CDA. By weight, the Fund's largest holdings were Sun Life Financial Inc, Canadian Imperial Bank of Commerce, and Bank of Montreal.

(1) <https://financialpost.com/moneywise-pro/canadas-a-paragon-of-safe-banking-why-canada-has-had-no-bank-failures-since-2001-while-the-u-s-has-had-hundreds>

(2) <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>

(3) <https://www.theglobeandmail.com/business/article-canada-banks-second-quarter-earnings/>

(4) Bloomberg as of June 30, 2023.

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 generally paid monthly. For the six-month period ended June 30, 2023, the Fund incurred \$146,277 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 \$37,078 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.

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

June 30, 2023

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

	June 30, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:		
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	7.34	10.00
Increase (decrease) from operations:		
Total revenue	0.25	0.45
Total expenses	(0.08)	(0.14)
Realized gains (losses)	0.02	(0.17)
Unrealized gains (losses)	0.34	(1.01)
Total increase (decrease) from operations³	0.53	(0.87)
Distributions:		
From income (excluding dividends)	(0.44)	-
From dividends	-	(0.14)
From capital gains	-	(0.07)
Return of capital	-	(0.56)
Total annual distributions⁴	(0.44)	(0.77)
Net Assets per Unit, end of period	7.48	7.34

- This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023 and the audited financial statements as at December 31, 2022. The Unhedged ETF Units effectively began operations on February 1, 2022.
- This amount represents the initial launch price.
- 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.
- 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

	June 30, 2023	December 31, 2022
For the period ended:		
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	53,125,270	34,880,960
Number of units outstanding ⁵	7,100,000	4,750,000
Management expense ratio ⁶	2.10%	1.70%
Management expense ratio excluding cost of financing	0.85%	0.84%
Trading expense ratio ⁷	0.13%	0.22%
Portfolio turnover rate ⁸	10.70%	20.16%
Net Asset Value per unit (\$)	7.48	7.34
Closing market price (\$)	7.50	7.36

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

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

June 30, 2023

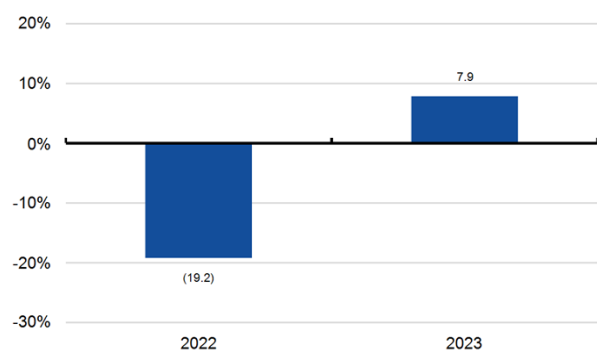
Past Performance

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, 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.

BANK Unhedged ETF Units¹



¹ The Unhedged ETF Units of the Fund effectively began operations on February 1, 2022.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Sun Life Financial Inc.	13.2
Canadian Imperial Bank of Commerce	12.8
Bank of Montreal	12.7
The Toronto-Dominion Bank	12.6
The Bank of Nova Scotia	12.6
Great-West Lifeco Inc.	12.5
National Bank of Canada	12.4
Power Corporation of Canada	12.3
Royal Bank of Canada	12.1
Manulife Financial Corporation	11.8
Total	125.0

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

June 30, 2023

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	125.0
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(25.1)
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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