

Evolve S&P/TSX 60 Enhanced Yield 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 S&P/TSX 60 Enhanced Yield Fund (the "Fund") seeks to provide long-term capital growth by replicating, net of fees and expenses, the performance of the S&P/TSX 60 Index, or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the S&P/TSX 60 Index, or any successor thereto, while writing covered call options on up to 33% of 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

Since the Fund effectively began operations on January 9, 2023, no performance data can be shown. The Fund's net assets were \$14.2MM as at June 30, 2023.

Portfolio Manager Commentary

The S&P/TSX 60 lagged behind its US counterpart in the first half of 2023, driven by the lack of exposure to the technology sector as compared to the S&P 500. The heavy "value" orientation of the Canadian market which is largely composed of financials and materials, contrasts sharply with the "growth" orientation seen in major US indices where the technology sector is more heavily weighted. However, it is worth noting that this difference in sector weightings is what has driven the underperformance of the S&P/TSX 60 rather than a fundamental lack of growth. Interestingly, if equal weighting is applied across sectors, the performance of the S&P/TSX 60 aligns closely with that of the S&P 500 during the period.^{1,2}

Despite the mixed performance, the Canadian economy has shown resilience with first quarter 2023 GDP growth surpassing consensus expectations and strong performance in the second quarter. Further, Canadian banks are currently trading at historically low valuations, a consequence of multiple headwinds including slowing loan growth, contracting margins, regulatory pressures, and potential for higher credit losses as well as the aftermath of the banking crisis earlier this year. The energy sector also offers a positive outlook. Although global recession concerns are dampening energy prices in the short term, long-term prospects seem positive with supply tightness indicating potential price hikes in the future.¹

Moreover, Canadian equities are offering record payouts relative to the S&P 500, spurred by high commodity prices leading to unprecedented Canadian buybacks and dividends. This boosts the market's attractiveness despite the comparative underperformance, especially for investors seeking yield.³

Performance Attribution

For the six month period ending June 30, 2023, Shopify Inc made the biggest contribution to the Fund, followed by iShares S&P/TSX 60 Index ETF. By weight, the Fund's largest holdings were iShares S&P/TSX 60 Index ETF, Royal Bank of Canada, and Toronto-Dominion Bank.

(1) https://www.rbcinsight.com/WM/Share/ResearchViewer/?SSS_80D19E3C2DE39F736F7F8DC8B16CB7F0

(2) <https://financialpost.com/investing/canadian-stock-market-not-underperforming-as-much-as-you-think>

(3) <https://www.bloomberg.com/news/articles/2023-06-23/canadian-stock-payouts-hit-record-levels-versus-us-cibc-says#:~:text=Biggest%20Payouts%20Among%20Canadian%20Equities&text=Boosted%20by%20higher%20energy%2C%20fertilizer,last%2012%20months%2C%20CIBC%20calculated>

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.

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Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. The Manager is entitled to an annual management fee of 1.45% of the net asset value of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. The Manager is entitled to an annual management fee of 0.30% of the net asset value of the Unhedged Class H Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the six-month period ended June 30, 2023, the Fund incurred \$20,318 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 \$7,090 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

	June 30, 2023 (\$)
For the period ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.33
Total expenses	(0.11)
Realized gains (losses)	0.11
Unrealized gains (losses)	0.30
Total increase (decrease) from operations³	0.63
Distributions:	
From income (excluding dividends)	(0.96)
Total annual distributions⁴	(0.96)
Net Assets per Unit, end of period	19.62

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The Fund's Net Assets Per Unit¹ (cont'd)

	June 30, 2023 (\$)
For the period ended:	
Unhedged Class A - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.39
Total expenses	(0.21)
Realized gains (losses)	0.08
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations³	0.21
Distributions:	
From income (excluding dividends)	(0.96)
Total annual distributions⁴	(0.96)
Net Assets per Unit, end of period	19.55
Unhedged Class F - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.34
Total expenses	(0.11)
Realized gains (losses)	0.17
Unrealized gains (losses)	(0.21)
Total increase (decrease) from operations³	0.19
Distributions:	
From income (excluding dividends)	(0.96)
Total annual distributions⁴	(0.96)
Net Assets per Unit, end of period	19.63
Unhedged Class H - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.02
Unrealized gains (losses)	(0.01)
Total increase (decrease) from operations³	0.01
Distributions:	
From income (excluding dividends)	(0.64)
Total annual distributions⁴	(0.64)
Net Assets per Unit, end of period	19.94

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023. The Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units effectively began operations on January 9, 2023.

2 This amount represents the initial launch price.

3 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.

4 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

	June 30, 2023
For the period ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	7,848,230
Number of units outstanding ⁵	400,000
Management expense ratio ⁶	0.69%
Trading expense ratio ⁷	0.43%
Portfolio turnover rate ⁸	76.41%
Net Asset Value per unit (\$)	19.62
Closing market price (\$)	19.64
Unhedged Class A - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	547,651
Number of units outstanding ⁵	28,015
Management expense ratio ⁶	1.77%
Trading expense ratio ⁷	0.43%
Portfolio turnover rate ⁸	76.41%
Net Asset Value per unit (\$)	19.55
Unhedged Class F - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	4,203,017
Number of units outstanding ⁵	214,070
Management expense ratio ⁶	0.67%
Trading expense ratio ⁷	0.43%
Portfolio turnover rate ⁸	76.41%
Net Asset Value per unit (\$)	19.63
Unhedged Class H - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	1,603,777
Number of units outstanding ⁵	80,414
Management expense ratio ⁶	0.50%
Trading expense ratio ⁷	0.43%
Portfolio turnover rate ⁸	76.41%
Net Asset Value per unit (\$)	19.94

5 This information is provided as at June 30, 2023.

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

Since the Fund is a reporting issuer for less than one year, with inception date January 9, 2023, providing performance data for the period is not permitted.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
iShares S&P/TSX 60 Index ETF	13.0
Royal Bank of Canada	6.6
The Toronto-Dominion Bank	5.6
Shopify Inc., Class 'A'	3.8
Enbridge Inc.	3.7
Canadian Pacific Kansas City Limited	3.7
Canadian National Railway Company	3.6
Bank of Montreal	3.2
Canadian Natural Resources Limited	3.1
The Bank of Nova Scotia	3.0
Brookfield Corporation	2.4
BCE Inc.	2.1
TC Energy Corporation	2.0
Constellation Software Inc.	2.0
Canadian Imperial Bank of Commerce	1.9
Alimentation Couche-Tard Inc.	1.9
Suncor Energy Inc.	1.9
Waste Connections Inc.	1.8
Manulife Financial Corporation	1.7
Sun Life Financial Inc.	1.5
Barrick Gold Corporation	1.5
Nutrien Limited	1.4
TELUS Corporation	1.4
Franco-Nevada Corporation	1.4
Intact Financial Corporation	1.3
Total	75.5

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	4.3
Consumer Discretionary	3.5
Consumer Staples	3.9
Energy	14.6
ETFs - Canadian Equity	13.0
Financials	29.8
Industrials	11.3
Information Technology	7.5
Materials	8.7
Real Estate	0.6
Utilities	3.1
Derivative Liabilities	(0.2)
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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