

Evolve US Banks 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 US Banks Enhanced Yield Fund (the "Fund") seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of the Solactive Equal Weight US Bank Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the Solactive Equal Weight US Bank Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities, at the discretion 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 Unhedged ETF Units returned -24.9% versus the Solactive Equal Weight US Bank Index PR return of -25.1%. The Hedged ETF Units returned -23.6% versus the Solactive Equal Weight US Bank Index PR Canadian Dollar Hedged return of -23.4%. The US Dollar Unhedged ETF Units returned -23.3% versus the Solactive Equal Weight US Bank Index PR return of -25.1%. 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 \$71.4MM as at June 30, 2023.

Portfolio Manager Commentary

The US banking sector experienced a tumultuous first half of 2023, with several major events impacting the industry. Most notably, the collapse of Silicon Valley Bank, Signature Bank of New York, and First Republic Bank sent shockwaves throughout the sector. Rising interest rates played a significant role in the banks' demise, as holdings in short-term U.S. Treasury bonds lost market value and congruently became less attractive as compared to newly issued bonds.¹

However, it is worth noting that these collapses spurred further consolidation in the banking industry, which has become an ongoing trend in recent years. For example, the acquisition of First Republic Bank by JPMorgan Chase is indicative of larger banks seizing the opportunity to expand their footprint and customer base by acquiring struggling entities. Additionally, the federal government's intervention in this acquisition demonstrates a commitment to stabilize the banking sector and protect depositors' interests.²

Interestingly, despite the upheaval, larger banks reported solid Q1 results. Fixed income sales and trading exhibited particular strength, with average net revenues up by 46% quarter on quarter. This was largely driven by robust performance in rates and credit, although somewhat offset by lower revenues in currencies and commodities. Moreover, equities sales and trading also fared well, with net revenues increasing by 24% compared to the previous quarter. Investment banking, however, remained an area of concern, as total net revenues declined by 23% year-on-year. Despite muted activity levels, investment-grade issuance emerged as a silver lining in the first quarter.³

Furthermore, the Federal Reserve's stress test results in June provided reassurance about the resilience of the banking sector. All 23 banks that underwent the stress test outperformed compared to the previous year, even under more stringent worst-case scenarios. This suggests that the banks are well-capitalized and are above the minimum capital requirements, which is a positive indicator for investors.⁴

Performance Attribution

For the six-month period ending June 30, 2023, First Citizens Bancshares Inc made the biggest contribution to the Fund, followed by JP Morgan Chase & Co. By weight, the Fund's largest holdings were First Citizens Bancshares Inc, Wells Fargo & Co, and JP Morgan Chase & Co.

(1) <https://www.bloomberg.com/news/articles/2023-06-06/2023-banking-crisis-key-lessons-from-the-svb-first-republic-collapses>

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(2) <https://www.nytimes.com/2023/05/01/business/first-republic-stock-deposits-sale.html>

(3) <https://www.thebanker.com/Editor-s-Blog/US-banks-report-solid-Q1-results-despite-market-turmoil>

(4) <https://www.cnn.com/2023/06/28/business/fed-stress-test-preview/index.html>

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 Independent Review Committee.

Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Fund, accrued daily and generally paid monthly. For the six-month period ended June 30, 2023, the Fund incurred \$131,264 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 \$45,280 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; fees payable to the index provider, 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

	June 30, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
For the periods ended:	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Unhedged ETF Units - Net Assets per Unit						
Net Assets per Unit, beginning of period	17.70	22.38	17.70	21.46	18.10	21.25
Increase (decrease) from operations:						
Total revenue	0.28	0.54	0.48	0.56	0.59	0.51
Total expenses	(0.11)	(0.24)	(0.25)	(0.30)	(0.31)	(0.34)
Realized gains (losses)	(2.94)	0.67	2.16	(4.01)	(0.47)	(10.55)
Unrealized gains (losses)	(1.85)	(3.86)	3.36	1.80	5.21	5.07
Total increase (decrease) from operations²	(4.62)	(2.89)	5.75	(1.95)	5.02	(5.31)
Distributions:						
From dividends	-	(0.26)	(0.24)	(0.30)	(0.32)	(0.24)
From capital gains	-	(0.33)	-	-	-	-
Return of capital	-	(0.91)	(1.17)	(1.08)	(0.94)	(0.66)
Total annual distributions³	-	(1.50)	(1.41)	(1.38)	(1.26)	(0.90)
Net Assets per Unit, end of period	12.62	17.70	22.38	17.70	21.46	18.10
Hedged ETF Units - Net Assets per Unit						
Net Assets per Unit, beginning of period	14.75	20.44	16.27	20.21	16.45	21.08
Increase (decrease) from operations:						
Total revenue	0.24	0.47	0.45	0.49	0.54	0.48
Total expenses	(0.09)	(0.21)	(0.25)	(0.26)	(0.28)	(0.32)
Realized gains (losses)	(2.09)	(0.50)	1.16	(1.83)	(2.13)	(1.36)
Unrealized gains (losses)	(0.78)	(3.77)	2.70	3.75	5.31	(5.41)
Total increase (decrease) from operations²	(2.72)	(4.01)	4.06	2.15	3.44	(6.61)
Distributions:						
From dividends	-	(0.23)	(0.18)	(0.23)	(0.30)	(0.15)
From capital gains	-	(0.34)	-	-	-	-
Return of capital	-	(0.93)	(1.23)	(1.15)	(0.96)	(0.75)
Total annual distributions³	-	(1.50)	(1.41)	(1.38)	(1.26)	(0.90)
Net Assets per Unit, end of period	10.59	14.75	20.44	16.27	20.21	16.45

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

For the periods ended:	June 30, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
US Dollar Unhedged ETF Units - Net Assets per Unit⁴						
Net Assets per Unit, beginning of period	21.69	27.56	21.82	26.68	26.40	N/A
Increase (decrease) from operations:						
Total revenue	0.35	0.66	0.57	0.71	0.09	N/A
Total expenses	(0.14)	(0.29)	(0.31)	(0.38)	(0.05)	N/A
Realized gains (losses)	(3.84)	0.94	2.43	(5.82)	0.40	N/A
Unrealized gains (losses)	(2.13)	(4.61)	2.81	3.17	(0.21)	N/A
Total increase (decrease) from operations²	(5.76)	(3.30)	5.50	(2.32)	0.23	N/A
Distributions:						
From dividends	-	(0.36)	(0.26)	(0.35)	(0.01)	N/A
From capital gains	-	(0.48)	-	-	-	N/A
Return of capital	-	(1.28)	(1.51)	(1.50)	(0.14)	N/A
Total annual distributions³	-	(2.12)	(1.77)	(1.85)	(0.15)	N/A
Net Assets per Unit, end of period	15.38	21.69	27.56	21.82	26.68	N/A

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023 and the audited annual financial statements as at December 31, 2022, 2021, 2020, 2019, and 2018. The Unhedged and Hedged ETF Units effectively began operations on October 12, 2017 and the US Dollar Unhedged ETF Units began operations on November 26, 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.

4 Per unit figures are stated in CAD equivalent.

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	December 31, 2018
Unhedged ETF Units - Ratios/Supplemental Data						
Total Net Asset Value (\$) ⁵	5,679,431	7,079,005	5,035,885	3,097,714	3,219,518	2,262,348
Number of units outstanding ⁵	450,000	400,000	225,000	175,000	150,000	125,000
Management expense ratio ⁶	0.70%	0.67%	0.64%	0.70%	0.70%	0.68%
Trading expense ratio ⁷	0.28%	0.16%	0.19%	0.67%	0.43%	0.52%
Portfolio turnover rate ⁸	24.37%	61.13%	78.93%	203.76%	103.77%	100.98%
Net Asset Value per unit (\$)	12.62	17.70	22.38	17.70	21.46	18.10
Closing market price (\$)	12.62	17.70	22.38	17.70	21.46	18.10
Hedged ETF Units - Ratios/Supplemental Data						
Total Net Asset Value (\$) ⁵	61,141,609	36,133,370	24,525,649	4,881,866	1,515,581	822,343
Number of units outstanding ⁵	5,775,000	2,450,000	1,200,000	300,000	75,000	50,000
Management expense ratio ⁶	0.68%	0.68%	0.68%	0.69%	0.70%	0.68%
Trading expense ratio ⁷	0.28%	0.16%	0.19%	67.00%	0.43%	0.52%
Portfolio turnover rate ⁸	24.37%	61.13%	78.93%	203.76%	103.77%	100.98%
Net Asset Value per unit (\$)	10.59	14.75	20.44	16.27	20.21	16.45
Closing market price (\$)	10.61	14.75	20.51	16.25	20.21	16.45

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

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
US Dollar Unhedged ETF Units - Ratios/Supplemental Data						
Total Net Asset Value (\$) ⁵	4,614,823	3,795,085	3,445,043	1,636,700	1,334,148	N/A
Number of units outstanding ⁵	300,000	175,000	125,000	75,000	50,000	N/A
Management expense ratio ⁶	0.70%	0.67%	0.65%	0.77%	0.09%	N/A
Trading expense ratio ⁷	0.28%	0.16%	0.19%	0.67%	0.43%	N/A
Portfolio turnover rate ⁸	24.37%	61.13%	78.93%	203.76%	103.77%	N/A
Net Asset Value per unit (\$)	15.38	21.69	27.56	21.82	26.68	N/A
Closing market price (\$)	15.42	21.68	27.58	21.85	26.70	N/A

5 This information is provided as at June 30, 2023 and December 31, 2022, 2021, 2020, 2019, and 2018.

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.

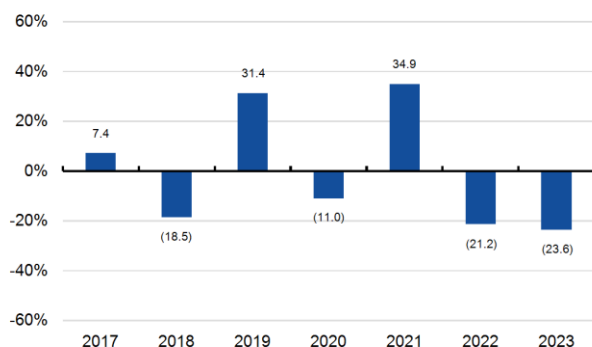
Past Performance

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.

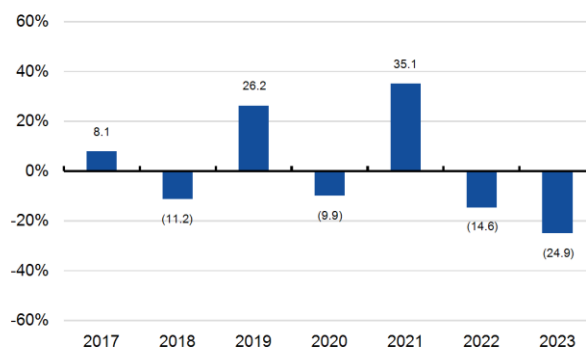
Year-by-Year Returns

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, 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.

CALL Hedged ETF Units¹



CALL/B Unhedged ETF Units²



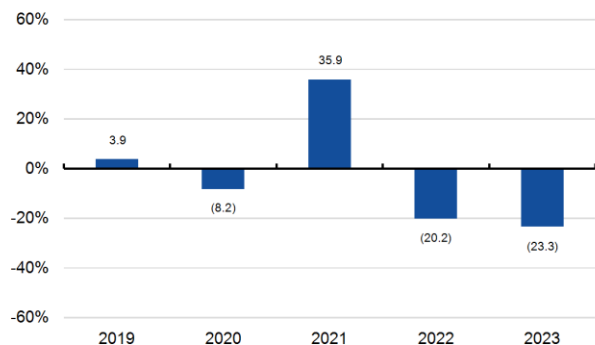
1 The Hedged ETF Units of the Fund effectively began operations on October 12, 2017.

2 The Unhedged ETF Units of the Fund effectively began operations on October 12, 2017.

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CALL/U US Dollar Unhedged ETF Units³



³ The US Dollar Unhedged ETF Units of the Fund effectively began operations on November 26, 2019. Returns presented based on NAV equivalent in USD.

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
First Citizens BancShares Inc., Class 'A'	12.3
Wells Fargo & Company	6.5
JPMorgan Chase & Company	6.4
Citigroup Inc.	5.9
M&T Bank Corporation	5.9
Bank of America Corporation	5.8
The Goldman Sachs Group Inc.	5.8
Fifth Third Bancorp	5.7
Huntington Bancshares Inc.	5.7
The PNC Financial Services Group Inc.	5.7
Regions Financial Corporation	5.6
East West Bancorp Inc.	5.4
Truist Financial Corporation	5.4
U.S. Bancorp	5.3
Citizens Financial Group Inc.	4.7
KeyCorp	4.3
First Horizon Corporation	4.1
Total	100.5

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	100.5
Derivative Assets	0.0
Derivative Liabilities	(0.4)
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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