



Evolve ETFs

Evolve Active US Core Equity ETF

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of

Evolve Active US Core Equity ETF

Evolve Active Short Duration Bond ETF

Evolve Active Canadian Preferred Share ETF

Evolve Cyber Security Index ETF

Evolve North American Gender Diversity Index ETF

Evolve Automobile Innovation Index ETF

Evolve US Banks Enhanced Yield ETF

Evolve Global Healthcare Enhanced Yield ETF

Sphere FTSE Emerging Markets Sustainable Yield Index ETF

Evolve Marijuana ETF

Evolve Active Core Fixed Income ETF

Evolve Innovation Index ETF

Evolve Active Global Fixed Income ETF

(collectively, the "Funds")

Opinion

We have audited the financial statements of the Funds, which comprise the statements of financial position as at December 31, 2018 and 2017 (as applicable), and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the periods indicated in note 1, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2018 and 2017, and their financial performance and their cash flows for the periods indicated in note 1 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance of the Funds. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance of the Funds prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gary Chin.

The logo for Ernst & Young LLP is written in a black, cursive script font. The letters are fluid and connected, with a prominent 'E' and 'Y'.

Chartered Professional Accountants
Licensed Public Accountants

March 22, 2019

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Evolve Active US Core Equity ETF

Statements of Financial Position

(in Canadian dollars, except for number of units)

As at (note 1)	December 31, 2018 (\$)	December 31, 2017 (\$)
Assets		
Current assets		
Investments, at fair value	5,566,249	2,052,602
Cash	171,418	5,674
Receivable from investments sold	15,919	44,990
Interest, dividends and other receivables	7,535	1,111
Derivative assets	30,185	25,642
	5,791,306	2,130,019
Liabilities		
Current liabilities		
Payable on investments purchased	24,325	28,284
Distributions payable to holders of redeemable units	4,399	1,825
Derivative liabilities	161,154	-
Accrued expenses	8,025	1,726
	197,903	31,835
Net assets attributable to holders of redeemable units	5,593,403	2,098,184
Net assets attributable to holders of redeemable units per class		
Unhedged Units	1,055,194	1,053,068
Hedged Units	3,335,129	1,045,116
US Dollar Unhedged Units	1,203,080	-
Net assets attributable to holders of redeemable units per unit		
Unhedged Units	21.10	21.06
Hedged Units	19.06	20.90
US Dollar Unhedged Units ¹	24.06	-

1 Per unit figures are stated in CAD equivalent

Approved on behalf of the Board of Directors of Evolve Funds Group Inc., Manager and Trustee:



Raj Lala
Chief Executive Officer & Director



Elliot Johnson
Chief Operating Officer, Chief Investment
Officer & Director

Evolve Active US Core Equity ETF

Statements of Comprehensive Income

(in Canadian dollars, except for number of units)

For the periods ended (note 1)	December 31, 2018 (\$)	December 31, 2017 (\$)
Income		
Interest for distribution purposes	14	-
Dividend income	126,351	11,354
Changes in fair value of investments		
Net realized gain (loss)	308,321	26,321
Net change in unrealized appreciation (depreciation)	(411,903)	78,941
Changes in fair value of derivative financial instruments		
Net realized gain (loss)	(176,221)	(35,109)
Net change in unrealized appreciation (depreciation)	(156,611)	25,642
Other income (loss)		
Net realized gain (loss) on foreign currency translations	476	1,657
Net change in unrealized appreciation (depreciation) on foreign currency translations	147	(22)
Total income (loss)	(309,426)	108,784
Expenses		
Management fees (Note 4)	33,403	3,394
Administrative fees (Note 4)	7,158	728
Interest expense and bank charges	39	166
Foreign withholding taxes (Note 6)	11,852	1,063
Transaction costs (Note 2)	30,915	423
Total operating expenses	83,367	5,774
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(392,793)	103,010
Increase (decrease) in net assets attributable to holders of redeemable units from operations per class		
Unhedged Units	20,765	55,481
Hedged Units	(329,209)	47,529
US Dollar Unhedged Units	(84,349)	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Unhedged Units	0.42	1.11
Hedged Units	(2.34)	0.95
US Dollar Unhedged Units	(2.35)	-

Evolve Active US Core Equity ETF

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

(in Canadian dollars, except for number of units)

	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended (note 1)		
Net assets attributable to holders of redeemable units - beginning of period		
Unhedged Units	1,053,068	-
Hedged Units	1,045,116	-
US Dollar Unhedged Units	-	-
Net assets attributable to holders of redeemable units - beginning of period	2,098,184	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations		
Unhedged Units	20,765	55,481
Hedged Units	(329,209)	47,529
US Dollar Unhedged Units	(84,349)	-
	(392,793)	103,010
Distributions to holders of redeemable units		
Net investment income		
Unhedged Units	-	(52,003)
Hedged Units	-	(51,628)
	-	(103,631)
Return of capital		
Unhedged Units	(9,000)	-
Hedged Units	(26,250)	(1)
US Dollar Unhedged Units	(1,024)	-
	(36,274)	(1)
Redeemable unit transactions		
Proceeds from sale of redeemable units		
Unhedged Units	572,127	1,000,000
Hedged Units	3,169,868	1,000,000
US Dollar Unhedged Units	1,288,453	-
	5,030,448	2,000,000
Reinvestments of distributions to holders of redeemable units		
Unhedged Units	-	49,590
Hedged Units	-	49,216
	-	98,806
Redemption of units		
Unhedged Units	(581,766)	-
Hedged Units	(524,396)	-
	(1,106,162)	-
Net increase (decrease) from redeemable unit transactions	3,924,286	2,098,806
Increase (decrease) in net assets attributable to holders of redeemable units for the period	3,495,219	2,098,184
Net assets attributable to holders of redeemable units - end of period		
Unhedged Units	1,055,194	1,053,068
Hedged Units	3,335,129	1,045,116
US Dollar Unhedged Units	1,203,080	-
Net assets attributable to holders of redeemable units - end of period	5,593,403	2,098,184

The accompanying notes are an integral part of these financial statements.

Evolve Active US Core Equity ETF

Statements of Cash Flows

(in Canadian dollars, except for number of units)

For the periods ended (note 1)	December 31, 2018 (\$)	December 31, 2017 (\$)
Cash Flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(392,793)	103,010
Adjustments for:		
Change in unrealized foreign exchange (gain) loss on currency	(7)	7
Realized (gain) loss on investments	(308,321)	(26,321)
Realized (gain) loss on derivatives	176,221	35,109
Change in unrealized (appreciation) depreciation in the value of investments	411,903	(78,941)
Change in unrealized (appreciation) depreciation in the value of derivatives	156,611	(25,642)
Purchases of investments and derivatives ²	(8,069,772)	(563,882)
Proceeds from sale and maturity of investments and derivatives ²	8,039,882	538,528
(Increase) decrease in interest, dividends and other receivables	(6,424)	(1,111)
Increase (decrease) in accrued expenses	6,299	1,726
Net cash generated by (used in) operating activities	13,599	(17,517)
Cash Flows from (used in) financing activities		
Distributions paid to unitholders, net of reinvested distributions	(33,700)	(3,001)
Proceeds from sale of units ²	780,355	26,199
Payments for units redeemed ²	(594,517)	-
Net cash generated by (used in) financing activities	152,138	23,198
Change in unrealized foreign exchange gain (loss) on currency	7	(7)
Net increase (decrease) in cash	165,737	5,674
Cash (Bank overdraft) - beginning of period	5,674	-
Cash (Bank overdraft) - end of period	171,418	5,667
Supplemental Information¹		
Interest received, net of foreign withholding taxes	14	-
Dividends received, net of foreign withholding taxes	108,075	9,180

1 Included as part of Cash Flows from Operating Activities

2 Excludes in-kind transactions, if any

Evolve Active US Core Equity ETF

Schedule of Investment Portfolio

As at December 31, 2018

No. of Shares		Average Cost (\$)	Fair Value (\$)
Communication Services (8.2%)			
66	Alphabet Inc., Class 'A'	91,001	94,154
803	AMC Networks Inc., Class 'A'	60,512	60,163
964	AT&T Inc.	42,466	37,560
2,658	CenturyLink Inc.	67,742	54,975
2,004	Comcast Corporation, Class 'A'	96,290	93,156
1,020	Gannett SpinCo Inc.	13,291	11,878
1,299	Telephone and Data Systems Inc.	49,605	57,706
1,443	Viacom Inc., Class 'B'	60,520	50,629
		481,427	460,221
Consumer Discretionary (19.4%)			
43	Amazon.com Inc.	85,660	88,171
738	Best Buy Company Inc.	63,840	53,358
252	Burlington Stores Inc.	46,113	55,963
89	Chipotle Mexican Grill Inc.	56,064	52,464
531	Dunkin' Brands Group Inc.	46,297	46,482
395	Expedia Group Inc.	64,283	60,747
801	Foot Locker Inc.	51,213	58,176
985	General Motors Company	48,273	44,981
1,735	H&R Block Inc.	56,521	60,092
519	Hyatt Hotels Corporation, Class 'A'	48,552	47,897
641	Kohl's Corporation	50,868	58,054
1,428	Macy's Inc.	62,667	58,056
418	Murphy USA Inc.	39,165	43,735
652	Nordstrom Inc.	40,560	41,488
577	Ross Stores Inc.	65,381	65,538
844	Starbucks Corporation	74,608	74,204
618	Target Corporation	56,422	55,760
1,196	The TJX Companies Inc.	82,473	73,051
1,066	Urban Outfitters Inc.	50,654	48,316
		1,089,614	1,086,533
Consumer Staples (5.2%)			
728	Herbalife Limited	44,625	58,589
1,569	Sprouts Farmers Market Inc.	50,359	50,358
692	Sysco Corporation	60,635	59,196
1,702	The Kroger Company	55,961	63,898
627	Walgreens Boots Alliance Inc.	57,361	58,489
		268,941	290,530
Energy (13.0%)			
2,744	Antero Resources Corporation	63,341	35,176
683	CONSOL Mining Corporation	28,024	29,567
2,214	EQT Corporation	74,103	57,096
9,881	Extraction Oil & Gas Inc.	70,881	57,870
187	Exxon Mobil Corporation	19,125	17,408
2,460	Gulfport Energy Corporation	32,405	21,997
820	HollyFrontier Corporation	70,721	57,227
818	Marathon Petroleum Corporation	72,132	65,899
1,431	Murphy Oil Corporation	57,543	45,695
2,708	Parsley Energy Inc.	84,065	59,077
1,378	PBF Energy Inc., Class 'A'	76,247	61,460

The accompanying notes are an integral part of these financial statements.

Evolve Active US Core Equity ETF

Schedule of Investment Portfolio (cont'd)

As at December 31, 2018

No. of Shares		Average Cost (\$)	Fair Value (\$)
Energy (13.0%) (cont'd)			
545	Phillips 66	77,478	64,099
3,153	Range Resources Corporation	62,582	41,194
2,172	SM Energy Company	60,686	45,902
635	Valero Energy Corporation	84,991	64,992
		934,324	724,659
Financials (12.1%)			
137	Berkshire Hathaway Inc., Class 'B'	35,737	38,188
431	Capital One Financial Corporation	54,295	44,477
546	Comerica Inc.	63,843	51,201
361	Discover Financial Services	33,393	29,068
527	Evercore Inc.	57,712	51,485
181	JPMorgan Chase & Company	25,379	24,122
750	Lincoln National Corporation	63,421	52,536
691	LPL Financial Holdings Inc.	53,900	57,620
1,175	MetLife Inc.	67,241	65,865
1,228	Morgan Stanley	72,129	66,472
2,983	Navient Corporation	50,863	35,878
534	Northern Trust Corporation	69,649	60,939
2,244	Regions Financial Corporation	50,893	40,990
488	T. Rowe Price Group Inc.	61,733	61,505
		760,188	680,346
Health Care (10.5%)			
753	AbbVie Inc.	90,340	94,771
550	AmerisourceBergen Corporation	61,809	55,864
228	Amgen Inc.	52,118	60,594
127	Biogen Inc.	54,758	52,174
885	Cardinal Health Inc.	65,327	53,886
769	Celgene Corporation	72,919	67,284
281	Cigna Corporation	68,339	72,956
551	HealthSouth Corporation	52,933	46,412
178	Johnson & Johnson	31,650	31,360
327	McKesson Corporation	58,570	49,316
9	UnitedHealth Group Inc.	2,731	3,061
		611,494	587,678
Industrials (8.4%)			
78	AGCO Corporation	5,920	5,928
603	Allison Transmission Holdings Inc.	36,192	36,147
303	Cummins Inc.	57,937	55,281
576	Genesee & Wyoming Inc.	53,278	58,206
884	KAR Auction Services Inc.	67,206	57,590
785	PACCAR Inc.	61,480	61,236
576	Regal Beloit Corporation	57,337	55,084
218	Southwest Airlines Company	13,996	13,833
165	Textron Inc.	10,340	10,360
543	United Continental Holdings Inc.	66,492	62,069
658	Univar Inc.	19,601	15,936
593	WESCO International Inc.	41,870	38,859
		491,649	470,529

The accompanying notes are an integral part of these financial statements.

Evolve Active US Core Equity ETF

Schedule of Investment Portfolio (cont'd)

As at December 31, 2018

No. of Shares		Average Cost (\$)	Fair Value (\$)
Information Technology (17.6%)			
614	Apple Inc.	137,092	132,223
941	Booz Allen Hamilton Holding Corporation, Class 'A'	58,575	57,899
433	Broadridge Financial Solutions Inc.	61,326	56,896
1,307	Cisco Systems Inc.	70,288	77,314
407	Citrix Systems Inc.	57,100	56,931
124	Facebook Inc., Class 'A'	25,097	22,192
1,976	Hewlett Packard Enterprise Company	40,596	35,636
1,787	HP Inc.	51,029	49,915
260	Intuit Inc.	59,024	69,872
1,765	Jabil Inc.	60,138	59,733
388	Mastercard Inc.	85,600	99,927
940	Microsoft Corporation	113,954	130,344
602	NetApp Inc.	48,499	49,040
459	NXP Semiconductors NV	43,926	45,919
207	VMware Inc.	35,652	38,752
		947,896	982,593
Materials (3.5%)			
630	Domtar Corporation	36,766	30,214
465	LyondellBasell Industries NV, Class 'A'	63,062	52,791
1,336	Steel Dynamics Inc.	61,063	54,790
644	Westlake Chemical Corporation	63,600	58,176
		224,491	195,971
Real Estate (1.1%)			
1,079	CBRE Group Inc.	61,877	58,981
Utilities (0.5%)			
870	PG&E Corporation	28,733	28,208
	Transaction Costs	(1,423)	-
	Total Investments (99.5%)	5,899,211	5,566,249
	Derivative Assets (0.5%)*		30,185
	Derivative Liabilities (-2.9%)*		(161,154)
	Other Assets, less Liabilities (2.9%)		158,123
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		5,593,403

*Forward Foreign Currency Contracts (-2.4%) December 31, 2018

Counterparty	Counterparty Credit Rating	Settlement Date	Currency Buys Par Value	Currency Sells Par Value	Unrealized Gain/(Loss) (\$)
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 487,323	CAD 472,215	15,108
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 133,775	CAD 131,299	2,476
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 61,427	CAD 59,507	1,920
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 49,142	CAD 47,403	1,739
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 79,173	CAD 77,535	1,638
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 58,697	CAD 57,388	1,309
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 3,262,468	CAD 3,261,162	1,306
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 110,569	CAD 109,281	1,288
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 50,505	CAD 49,333	1,172
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 45,047	CAD 44,268	779

The accompanying notes are an integral part of these financial statements.

Evolve Active US Core Equity ETF

Schedule of Investment Portfolio (cont'd)

As at December 31, 2018

Counterparty	Counterparty Credit Rating	Settlement Date	Currency Buys Par Value	Currency Sells Par Value	Unrealized Gain/(Loss) (\$)
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 47,777	CAD 47,179	598
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 15,016	CAD 14,516	500
BNY Capital Markets Inc.	A-1+	7-Jan-19	USD 19,111	CAD 18,759	352
Total					30,185
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 3,626,621	USD 3,767,536	(140,915)
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 464,844	USD 479,132	(14,288)
BNY Capital Markets Inc.	A-1+	24-Jan-19	CAD 3,238,431	USD 3,240,471	(2,040)
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 49,056	USD 50,507	(1,451)
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 69,736	USD 70,983	(1,247)
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 26,525	USD 27,301	(776)
BNY Capital Markets Inc.	A-1+	7-Jan-19	CAD 24,232	USD 24,571	(339)
BNY Capital Markets Inc.	A-1+	24-Jan-19	CAD 68,122	USD 68,220	(98)
Total					(161,154)
Total unrealized gain/(loss) on forward foreign currency contracts					(130,969)

Evolve Active US Core Equity ETF

Fund Specific Notes to Financial Statements

Financial Instrument Risks (Note 3)

Other Price/Market Risk

The table below summarizes management's estimate of the effect on net assets of a 10% change in the Fund's value, as at December 31, 2018 and 2017, with all other variables held constant:

Fund	Impact on Net Assets December 31, 2018 (\$)	Impact on Net Assets December 31, 2017 (\$)
Evolve Active US Core Equity ETF	556,625	205,260

Currency Risk

The table that follows indicates the currencies to which the Fund had significant exposure as at December 31, 2018 and 2017 based on the market value of the Fund's financial instruments (including cash and cash equivalents) and the underlying principal amounts of forward foreign currency contracts, as applicable. It also illustrates the possible impact of a +/- 5% move in the Canadian dollar on the net assets of the Fund as at December 31, 2018 and 2017.

Currency	Financial Instruments, excluding Derivatives (\$)	Forward Foreign Currency Contracts (\$)	Net Currency Exposure (\$)	Impact on Net Assets (\$)
December 31, 2018				
United States Dollar	5,582,236	(3,308,691)	2,273,545	113,677
December 31, 2017				
United States Dollar	2,072,510	(1,020,834)	1,051,676	52,584

Interest Rate Risk

As at December 31, 2018 and 2017, the majority of the Fund's financial assets and liabilities are non-interest bearing; accordingly, the Fund is not exposed to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Liquidity Risk

The liquidity of the Fund is managed on a day-to-day basis in order to meet expenses and handle redemption of the Fund's redeemable units. As at December 31, 2018 and 2017, the Fund did not have a significant amount of financial liabilities with maturities greater than three months.

Credit Risk

As at December 31, 2018 and 2017, the Fund had no significant investments in fixed-income investments. Refer to the Schedule of Investment Portfolio for the forward foreign currency contracts' counterparty credit ratings.

Evolve Active US Core Equity ETF

Fund Specific Notes to Financial Statements (cont'd)

Portfolio Concentration Risk

The Fund's significant concentrations by industry sector are as follows:

Portfolio by Category	Percentage of Net Asset Value December 31, 2018 (%)	Percentage of Net Asset Value December 31, 2017 (%)
Equities		
Communication Services	8.2	1.5
Consumer Discretionary	19.4	20.9
Consumer Staples	5.2	6.1
Energy	13.0	2.6
Financials	12.1	6.9
Health Care	10.5	20.2
Industrials	8.4	9.8
Information Technology	17.6	26.2
Materials	3.5	2.5
Real Estate	1.1	1.1
Utilities	0.5	-
Derivative Assets	0.5	1.2
Derivative Liabilities	(2.9)	-
Cash and Cash Equivalents	3.1	0.3
Other Assets, less Liabilities	(0.2)	0.7
	100.0	100.0

Fair Value Measurements

The following is the fair value measurement hierarchy based on the inputs used as at December 31, 2018 and 2017 in valuing the Fund's financial assets and liabilities carried at fair value:

Financial Assets (Liabilities)

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
December 31, 2018				
Equities	5,566,249	-	-	5,566,249
Derivative Assets	-	30,185	-	30,185
Derivative Liabilities	-	(161,154)	-	(161,154)
Total	5,566,249	(130,969)	-	5,435,280
December 31, 2017				
Equities	2,052,602	-	-	2,052,602
Derivative Assets	-	25,642	-	25,642
Total	2,052,602	25,642	-	2,078,244

For the periods ended December 31, 2018 and 2017, there were no transfers of securities between Level 1 and Level 2. There were no Level 3 securities as at or during the periods ended December 31, 2018 and 2017.

Evolve Active US Core Equity ETF

Fund Specific Notes to Financial Statements (cont'd)

Offsetting of Financial Instruments

The following table presents the gross amount of financial instruments that may be offset, or subject to enforceable master netting agreements or other similar agreements but that are not offset, as at December 31, 2018 and 2017. The "Net" column shows what the impact on the Fund's Statements of Financial Position would be if all set-off rights were exercised.

Offsetting of Financial Instruments

Financial Assets and Liabilities	Gross Amounts of Recognized Financial Assets/Liabilities (\$)	Net Amounts of Financial Assets/Liabilities Presented in the Statements of Financial Position (\$)	Financial Instruments Eligible for Offset (\$)	Net Amount (\$)
December 31, 2018				
Derivative Assets	30,185	30,185	(30,185)	-
Derivative Liabilities	(161,154)	(161,154)	30,185	(130,969)
Total	(130,969)	(130,969)	-	(130,969)
December 31, 2017				
Derivative Assets	25,642	25,642	-	25,642
Total	25,642	25,642	-	25,642

Unit Transactions (Note 5)

The unitholder transactions for the periods ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Unhedged Units		
Number of redeemable units outstanding - beginning of period	50,000	-
Issued	25,000	50,000
Redeemed	(25,000)	-
Number of redeemable units outstanding - end of period	50,000	50,000
Hedged Units		
Number of redeemable units outstanding - beginning of period	50,000	-
Issued	150,000	50,000
Redeemed	(25,000)	-
Number of redeemable units outstanding - end of period	175,000	50,000
US Dollar Unhedged Units		
Number of redeemable units outstanding - beginning of period	-	-
Issued	50,000	-
Number of redeemable units outstanding - end of period	50,000	-

Income Taxes (Note 6)

As at December 31, 2018, the Fund had the following capital and non-capital loss carryforward balances:

As at	Year of Expiry	December 31, 2018 (\$)
Capital loss carryforwards		-
Non-capital losses	2038	392,885

Notes to Financial Statements

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

1. ORGANIZATION

The Evolve ETFs (each a “Fund” and collectively the “Funds”) are exchange-traded funds established on the establishment dates noted below as open-ended mutual fund trusts under the laws of the Province of Ontario, pursuant to a master declaration of trust dated August 4, 2017 and as amended and restated from time to time. The units of the Funds are listed on the Toronto Stock Exchange (“TSX”) and NEO Exchange in the case of the Evolve Active Core Fixed Income ETF. The address of the Funds’ registered office is 161 Bay Street, Suite 2700, Toronto, Ontario, M5J 2S1.

The following list indicates the classes of units offered for sale by each of the Funds, as at the date of these financial statements:

Actively managed ETFs

Fund Name	Sub-Advisor	Class	Ticker Symbol	Date of Establishment	Date of Commencement
Evolve Active Canadian Preferred Share ETF	Foyston, Gordon & Payne Inc.	Unhedged Units	DIVS	August 14, 2017	September 29, 2017
Evolve Active Core Fixed Income ETF	Foyston, Gordon & Payne Inc.	Unhedged Units	FIXD	March 21, 2018	March 29, 2018
Evolve Active Short Duration Bond ETF	Nuveen Asset Management, LLC	Hedged Units	TIME	August 14, 2017	October 16, 2017
Evolve Active Short Duration Bond ETF	Nuveen Asset Management, LLC	Unhedged Units	TIME.B	August 14, 2017	October 16, 2017
Evolve Active US Core Equity ETF	Nuveen Asset Management, LLC	Hedged Units	CAPS	August 14, 2017	October 16, 2017
Evolve Active US Core Equity ETF	Nuveen Asset Management, LLC	Unhedged Units	CAPS.B	August 14, 2017	October 16, 2017
Evolve Active US Core Equity ETF	Nuveen Asset Management, LLC	US Dollar Unhedged Units	CAPS.U	August 14, 2017	November 14, 2018
Evolve Marijuana ETF	Nuveen Asset Management, LLC	Unhedged Units	SEED	February 5, 2018	February 12, 2018
Evolve Active Global Fixed Income ETF	Allianz Global Investors	Hedged Units	EARN	October 30, 2018	November 14, 2018

Index-tracking ETFs

Fund Name	Class	Ticker Symbol	Date of Establishment	Date of Commencement
Evolve Automobile Innovation Index ETF	Hedged Units	CARS	August 4, 2017	September 29, 2017
Evolve Automobile Innovation Index ETF	Unhedged Units	CARS.B	August 4, 2017	September 29, 2017
Evolve Automobile Innovation Index ETF	US Dollar Unhedged Units	CARS.U	August 4, 2017	October 3, 2017
Evolve Cyber Security Index ETF	Hedged Units	CYBR	August 4, 2017	September 20, 2017
Evolve Cyber Security Index ETF	Unhedged Units	CYBR.B	August 4, 2017	September 20, 2017
Evolve Innovation Index ETF	Hedged Units	EDGE	April 20, 2018	May 2, 2018
Evolve North American Gender Diversity Index ETF	Hedged Units	HERS	August 4, 2017	September 20, 2017
Evolve North American Gender Diversity Index ETF	Unhedged Units	HERS.B	August 4, 2017	September 20, 2017
Sphere FTSE Emerging Markets Sustainable Yield Index ETF	Hedged Units	SHZ	March 30, 2016	September 29, 2016

Each index-tracking ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad and widely quoted market index.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Index-tracking ETFs with active covered call strategies

Fund Name	Class	Ticker Symbol	Date of Establishment	Date of Commencement
Evolve Global Healthcare Enhanced Yield ETF	Hedged Units	LIFE	August 4, 2017	October 25, 2017
Evolve Global Healthcare Enhanced Yield ETF	Unhedged Units	LIFE.B	August 4, 2017	October 25, 2017
Evolve US Banks Enhanced Yield ETF	Hedged Units	CALL	August 4, 2017	October 16, 2017
Evolve US Banks Enhanced Yield ETF	Unhedged Units	CALL.B	August 4, 2017	October 16, 2017

Each index-tracking ETF with active covered call strategies seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad and widely quoted market index and in addition to provide the return of a strategy of selling call options against not more than 33% of the equity securities of any of the portfolios with the covered call strategies.

Certain Funds offer classes of Hedged Units, Unhedged Units and US Dollar Unhedged Units. In instances where the Funds invest their assets in securities that are denominated in currencies other than the Canadian dollar and/or offer US Dollar Unhedged Units, the value of the portfolio will vary due to changes in foreign currency exchange rates. For Funds with Hedged Units, currency risk is mitigated by entering into forward foreign currency contracts to hedge the foreign currency exposure back to Canadian dollar and, as such, the Hedged Units do not have significant exposure to currency risk. For Funds with Unhedged Units and US Dollar Unhedged Units, currency risk is not mitigated, as the currency exposure is not hedged back to the Canadian dollar and, as such, the Unhedged Units and the US Dollar Unhedged Units have a significant exposure to currency risk. As a result, due to the difference in currency hedging strategies, the net asset value attributable to holders of redeemable units of each class will not be the same.

Evolve Funds Group Inc. (the "Manager") is the trustee, manager and investment manager of the Funds.

The Schedule of Investment Portfolio for each of the Funds is as at December 31, 2018. The Statements of Financial Position of each of the Funds that commenced operations in 2018 are as at December 31, 2018 and for the Funds that commenced operations in years prior to 2018 are as at December 31, 2018 and 2017. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units, and Statements of Cash Flows of each of the Funds are for the years ended December 31, 2018 and 2017, except for Funds established during either period, in which case the information presented is for the period from the date of establishment to December 31, 2018 or 2017.

The financial statements were approved for issuance by the Manager on March 22, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Funds:

Basis of Preparation

The financial statements of the Funds have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and liabilities measured at fair value through profit or loss ("FVTPL"). Each Fund is an investment entity and primarily all financial assets and liabilities are measured at fair value in accordance with IFRS. Accordingly, the Funds' accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders.

Adoption of IFRS 9 Financial Instruments

Effective January 1, 2018, the Funds adopted IFRS 9, *Financial Instruments* ("IFRS 9"). The new standard introduced a model for classification and measurement of financial assets and liabilities including those carried at amortized cost; fair value, with changes in fair value recognized in FVTPL; or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing financial assets and the contractual cash flow characteristics of these financial assets. Assessment and decision on the business model approach used is an accounting judgment.

Upon transition to IFRS 9 from IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), all financial assets and liabilities that had previously been designated as FVTPL continue to be classified as FVTPL. All financial assets and liabilities that were previously classified as financial assets and liabilities as loans and receivables under IAS 39 are now recorded at amortized cost. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments are now classified as FVTPL. This classification differs from the classification under the previous IAS 39, therefore there were changes in categorization of certain financial assets and liabilities upon transition.

There were no changes in the measurement attributes for any of the financial assets and liabilities upon transition to IFRS 9.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The following is a summary of significant accounting policies followed by the Funds:

Classification and Recognition of Financial Instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, and derivatives, cash and other receivables and payables. The Funds classify and measure financial instruments in accordance with IFRS 9. Upon initial recognition, financial assets and liabilities are classified as FVTPL or carried at amortized cost. The initial classification of a financial instrument depends on the contractual cash flows characteristics of the financial assets as well as the Funds' business model for managing the financial assets.

All financial instruments are recognized in the Statements of Financial Position when a Fund becomes a party to the contractual requirements of the instrument. A financial asset is derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. As such, investment purchase and sale transactions are recorded as of the trade date.

Financial instruments are subsequently measured as FVTPL with changes in fair value recognized in the Statements of Comprehensive Income.

Measurement of Financial Instruments

Financial instruments at FVTPL are recorded in the Statements of Financial Position at fair value upon initial recognition. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss.

Subsequent changes in the fair value of those financial instruments (i.e., the excess/shortfall of the sum of the fair value of portfolio investments over/below the sum of the average cost of each portfolio investment) are recorded in unrealized appreciation (depreciation) in the value of investments. The applicable period change in unrealized appreciation (depreciation) of investments is included in the Statements of Comprehensive Income.

For the purposes of determining the average cost of each portfolio investment, the purchase price of portfolio investments acquired by each Fund is added to the average cost of the particular portfolio investment immediately prior to the purchase. The average cost of a portfolio investment is reduced by the number of shares sold multiplied by the average cost of the portfolio investment at the time of the sale. The average cost per share of each portfolio investment sold is determined by dividing the average cost of the portfolio investment by the number of shares held immediately prior to the sale transaction. Transaction costs incurred in portfolio transactions are excluded from the average cost of investments and are recognized immediately in net income and are presented as a separate expense item in the financial statements. Realized gains and losses from the sale of portfolio investments are also calculated based on the average costs, excluding transaction costs, of the related investment.

The net asset value ("NAV") per unit of each Fund is calculated each day the Funds are open for business as of regularly scheduled close of regular trading on the respective exchange of each Fund. NAV per unit is calculated by dividing the net assets of each Fund by the number of units outstanding of that Fund. Units of each Fund are being issued and sold on a continuous basis and there is no maximum number of units that may be issued. In calculating each class of each Fund's NAV, investments are valued under policies approved by the Board of Directors of the Manager. Equity securities (including preferred stock) listed or dealt in upon a stock exchange are valued at the last sale price or official closing price on the exchange or system on which they are principally traded when the price falls within the bid-ask spread range. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point that the bid-ask spread is most representative of fair value based on the specific facts and circumstances. Foreign currency contracts are valued based on the difference between the value of the contract on the valuation date and the value on the date the contract was originated.

Classification of Redeemable Units

IAS 32 *Financial Instruments: Presentation*, requires that securities of the Funds, which are considered puttable instruments, be classified as either financial liabilities or equity instruments. Under IFRS, the units of the Funds that include contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset are classified as financial liabilities. The Funds' outstanding units include a contractual obligation to deliver cash or another financial asset on the Funds' fixed termination date, and therefore the ongoing redemption feature is not a Fund's only contractual obligation. Also, redemption of units at 95% of the closing price by unitholders gives rise to a redemption value that is not substantially based on the NAV of each Fund. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Fair Value Measurement

IFRS describe fair value as the price that each Fund would receive upon selling an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. It established a three-tier hierarchy of inputs to be used when determining fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk — for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities at measurement date.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (including each Fund's assumptions in determining the fair value of investments).

The inputs or methodology used for valuation are not necessarily an indication of the risk associated with investing in those investments.

The Funds have included the fair value hierarchy in the Fund Specific Notes to Financial Statements.

Securities Lending

In order to generate additional returns, the Funds are authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102, *Investment Funds*.

Aggregate market value of all securities loaned by a Fund cannot exceed 50% of the fair value of the assets of the Fund. The Funds receive collateral against the loaned securities in the form of debt obligations of the Government of Canada and Canadian provincial governments. The government of the United States of America or the government of one of the states of the United States of America. The government of the sovereign state of G7 countries, Austria, Belgium, Denmark, Finland, Netherlands, Spain, Sweden or Switzerland; or a permitted supranational agency of Organisation for Economic Co-operation and Development countries. The minimum allowable collateral is 102% of the fair value of the loaned securities. The aggregate closing market value of securities loaned, and collateral received and a reconciliation of the gross securities lending revenue to the securities lending revenue reported by each Fund in the Funds' Statements of Comprehensive Income are disclosed on the Securities Lending Transactions section of the Fund Specific Notes.

Under a securities lending agreement, the borrower must pay the Funds a negotiated securities lending fee, provide compensation to the Funds equal to any distributions received by the borrower on the securities borrowed, and the Funds must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, each Fund may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Forward Foreign Currency Contracts

A forward foreign currency contract ("Forward Contract") involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are principally traded in the inter-bank market conducted directly between currency traders (usually large, commercial banks) and their customers. A Forward Contract generally does not require an initial margin deposit and no commissions are charged at any stage for trades. However, if a Fund is in an unrealized loss position on a Forward Contract, it may be required to pledge collateral (or additional collateral) to the counterparty.

Risks may arise upon entering into a Forward Contract from the potential inability of the counterparties to meet the terms of their contracts and from unanticipated movements in the value of foreign currencies relative to the Canadian dollar.

A Forward Contract is valued at fair value of the gain or loss that would be realized on a valuation date if the position was to be closed out. Realized and unrealized gains (losses) on forward foreign currency contracts are recorded in realized gain (loss) on derivatives and change in unrealized appreciation (depreciation) in the value of derivatives in the Statements of Comprehensive Income.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Options Contracts

Outstanding option positions are valued at an amount equal to the current fair value that would have the effect of closing the position. Any difference resulting from revaluation and gains or losses realized upon expiration or exercise of the options are recognized in the Statements of Comprehensive Income.

Short Sales

When a Fund sells a security short, it will borrow that security from a broker to complete the sale. A Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which a Fund closes out its short position by buying that security. A Fund will realize a gain if the security declines in price between those dates.

Investment Transactions and Investment Income

Investment transactions are recorded as of the date that the securities are purchased or sold (trade date). Realized and unrealized gains and losses are calculated on an average cost basis. The cost of investments represents the amount paid for each security and is determined using the average cost method, excluding commissions and transaction costs. Transaction costs, such as brokerage commissions and settlement charges incurred in the purchase and sale of securities, are shown as a separate line item in the Statements of Comprehensive Income and are not part of the cost of investments. Dividend income is recognized on the ex-dividend date, gross of any foreign taxes withheld. The interest for distribution purposes shown on the Statements of Comprehensive Income represent the coupon interest received by the Funds accounted for on an accrual basis. Premiums received from writing options are included in the Statements of Financial Position as a liability and subsequently adjusted to fair value. When a written option expires unexercised, the Funds will realize a gain equal to the premium received. When a written option is closed, the Funds will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. Income earned from securities lending transactions in the form of securities lending fees payable by the borrower and, in certain circumstances, interest paid on cash or securities held as collateral. Revenue, if any, earned on securities lending transactions during the period is disclosed in the Funds' Statements of Comprehensive Income.

Foreign Currency Translation

The Funds' functional and presentation currency is the Canadian dollar. The Canadian dollar is the currency of the primary economic environment in which the Funds operate. The Funds' performance is evaluated and their liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Foreign currencies, as well as investment securities and other assets and liabilities denominated in foreign currencies, are translated into Canadian dollars using exchange rates prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains and losses on investments are included as a component of net realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) of investments, respectively, on the Statements of Comprehensive Income. Net realized and unrealized foreign exchange gains (losses) arising from sales of foreign currencies, include: gains (losses) on forward foreign currency contracts, currency gains (losses) recognized between the trade and settlement dates on investment transactions, and the difference between the amounts of dividends and foreign withholding taxes recorded on the Funds' books and the Canadian dollar equivalent of the amounts actually received or paid. These gains (losses) are included in net realized gain (loss) and/or change in unrealized appreciation (depreciation) on foreign currency contracts and foreign currency translations in the Statements of Comprehensive Income.

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units from Operations per Unit

The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations by the weighted average number of units outstanding during the period.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Funds' financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Funds' accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Classification and Measurement of Investments

In classifying and measuring financial instruments held by the Funds, the Manager has assessed the Funds' business model for managing their respective portfolios of investments and evaluating the performance on a fair value basis and concluded that these financial assets and liabilities should be measured at FVTPL in accordance with IFRS 9.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10, Consolidated Financial Statements are required to measure their subsidiaries at FVTPL rather than consolidate them. The criteria which define an investment entity are, as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Funds' prospectuses detail the objective of providing investment management services to investors, for the purpose of returns in the form of investment income and capital appreciation.

The Funds report to their investors via semi-annual investor information, and to their management via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Funds' financial statements. The Funds have a clearly documented exit strategy for all of their investments.

The Manager has also concluded that the Funds meet the additional characteristics of an investment entity, in that they have more than one investment; the investments are predominantly in the form of equities and similar securities; they have more than one investor; and their investors are not related parties.

These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

3. FINANCIAL INSTRUMENT RISKS

The Funds' activities may expose them to a variety of financial risks associated with financial instruments, including concentration risk, market risk (which includes currency risk, interest rate risk and other price/market risk), liquidity risk and credit risk. The Manager seeks to minimize potential adverse effects of these risks on the Funds' performance by employing professional, experienced portfolio managers, by daily monitoring of the Funds' position and market events, and by diversifying the investment portfolio within the constraints of the investment objective.

Details of the Funds' exposure to financial instrument risks are available in the Fund Specific Notes to Financial Statements, as applicable.

Concentration Risk

Concentration indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Currency Risk

Currency risk arises from financial instruments that are denominated in foreign currencies. The Funds are exposed to the risk that the value of securities denominated in foreign currencies will fluctuate due to changes in exchange rates. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

The Funds hold securities denominated in Canadian dollars during the reporting period. The Funds may hedge their foreign currency exposures by entering into Forward Contracts to reduce currency risk.

Interest Rate Risk

Interest rate risk is the risk that the market value of a Fund's interest-bearing financial instruments will fluctuate due to changes in market interest rates. Prices of longer-term fixed-income securities will generally fluctuate more in response to interest rate changes than would shorter-term securities. Generally, the fair value of fixed income securities will vary inversely in relation to a change in interest rates. As interest rates rise, the fair value of fixed income securities falls and vice versa. The magnitude of the fall and rise will generally be greater for long-term fixed income securities than for short-term fixed income securities.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Other Price/Market Risk

Other price/market risk is the risk that the fair values or future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or all factors affecting all instruments traded in a market or market segment. All securities are exposed to other price/market risk. The maximum risk is equivalent to the financial instruments' fair value.

Liquidity Risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. The Funds generally maintain sufficient liquidity to meet expenses and redemption of units by investing primarily in liquid securities. However, unexpected heavy demand for redemptions of units could result in the Funds having to dispose of investments at a time when it is not optimal in order to meet such redemption requests. To manage the Funds' overall liquidity and enable the Funds to meet their obligations, the assets of the Funds are invested primarily in securities that are traded on active markets and that the Manager believes can be readily disposed of through market facilities under normal circumstances.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. To help manage the credit risk of the Funds, the Manager carefully monitors the creditworthiness and operational robustness of counterparties that conduct transactions on behalf of the Funds. Generally, the greater the credit rating of a security, the lower the probability of the issuer defaulting on its obligations.

Credit ratings for preferred shares are obtained from Dominion Bond Rating Services and Standard & Poor's. A rating of P1 is of superior credit quality and is supported by entities with strong earnings and balance sheet characteristics. P2 is of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as P1 rated companies. P3 is of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

For those Funds that invest in fixed-income securities, credit ratings are obtained from Standard & Poor's Global Ratings, Moody's and Finch Ratings. A rating of AAA indicates the highest of quality with minimal risk, whereas AA rating suggests high quality with very low credit risk. Obligations rated A considered upper-middle-grade and are subject to low credit risk. Obligations rated BBB possesses moderate credit risk. They are considered medium-grade. Although considered investment grade, they may possess speculative characteristics.

Offsetting Financial Instruments

A Fund's risk of loss from counterparty credit risk on over-the-counter derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that it believes have the financial resources to honour their obligations and by monitoring the financial stability of those counterparties. For financial reporting purposes, financial assets and financial liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Funds enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position.

In order to better define their contractual rights and to secure rights that will help the Funds mitigate their counterparty risk, the Funds may enter into an International Swaps and Derivatives Association, Inc. Master Agreement or similar agreement with their counterparties.

4. RELATED PARTY TRANSACTIONS

Administrative Fees

Each Fund will pay the Manager an Administrative Fee as set forth in the table below based on the average daily NAV of the units of the Funds to pay for expenses incurred during the day-to-day operating of the Funds. The fees specified below are the same for all classes per Fund where applicable. The Administrative Fees, plus applicable taxes, will be accrued daily and paid monthly in arrears. Administrative Fees are the same for all classes on a fund level.

Fund Name	Administrative Fee (annual rate) (%)
Evolve Active US Core Equity ETF	0.15% of NAV
Evolve Active Short Duration Bond ETF	0.15% of NAV

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

Fund Name	Administrative Fee (annual rate) (%)
Evolve Active Canadian Preferred Share ETF	0.15% of NAV
Evolve Cyber Security Index ETF	0.15% of NAV
Evolve North American Gender Diversity Index ETF	0.15% of NAV
Evolve Automobile Innovation Index ETF	0.15% of NAV
Evolve US Banks Enhanced Yield ETF	0.15% of NAV
Evolve Global Healthcare Enhanced Yield ETF	0.15% of NAV
Sphere FTSE Emerging Markets Sustainable Yield Index ETF	0.25% of NAV
Evolve Marijuana ETF	0.25% of NAV
Evolve Active Core Fixed Income ETF	0.15% of NAV
Evolve Innovation Index ETF	0.15% of NAV
Evolve Active Global Fixed Income ETF	0.15% of NAV

Management Fees

Each Fund will pay the Manager a management fee as set forth in the table below based on the average daily NAV of the units of the Funds. Management Fees are the same for all classes on a fund level. The Manager, in its capacity as manager of the Funds, manages the day-to-day business of each Fund, including negotiating contractual agreements with service providers and preparing reports to unitholders and securities regulatory authorities. The management fee, plus applicable taxes, will be accrued daily and paid monthly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time. Expenses payable to the Manager and receivable on expenses waived by the Manager are disclosed in the Statements of Financial Position.

Fund Name	Management Fee (annual rate) (%)
Evolve Active US Core Equity ETF	0.70% of NAV
Evolve Active Short Duration Bond ETF	0.70% of NAV
Evolve Active Canadian Preferred Share ETF	0.65% of NAV
Evolve Cyber Security Index ETF	0.40% of NAV
Evolve North American Gender Diversity Index ETF	0.40% of NAV
Evolve Automobile Innovation Index ETF	0.40% of NAV
Evolve US Banks Enhanced Yield ETF	0.45% of NAV
Evolve Global Healthcare Enhanced Yield ETF	0.45% of NAV
Sphere FTSE Emerging Markets Sustainable Yield Index ETF	0.54% of NAV
Evolve Marijuana ETF	0.75% of NAV
Evolve Active Core Fixed Income ETF	0.45% of NAV
Evolve Innovation Index ETF	0.40% of NAV
Evolve Active Global Fixed Income ETF	0.65% of NAV

5. REDEEMABLE UNITS

Each Fund is authorized to issue an unlimited number of redeemable, transferable units, each of which represents an equal, undivided interest in the net assets of that Fund.

All units of each Fund have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by each Fund to unitholders, other than management fee distributions, but including distributions of net income and net realized capital gains and distributions upon the termination of each Fund. Any special distributions payable in units of each Fund will increase the aggregate adjusted cost base of a unitholder's units. Immediately following payment of such a special distribution in units, the number of units of each Fund outstanding will be automatically consolidated such that the number of units that each unitholder will hold after such distribution will be equal to the number of units held by such unitholder immediately prior to such distribution, except in the case of a non-resident unitholder to the extent tax is required to be withheld in respect of the distribution. Capital gains distributions are automatically reinvested in additional units of each Fund, which are immediately consolidated so that the NAV per unit remains unchanged. Units are issued only as fully paid and are non-assessable.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2018

On any trading day, unitholders may exchange the prescribed number of units (or an integral multiple thereof) for baskets of securities and/or cash at a redemption price per unit equal to 95% of the closing price for the applicable units on the TSX (or the applicable exchange the units of the Fund being redeemed is trading on), subject to a maximum redemption price per unit equal to the NAV per unit on the effective day of redemption. The right to redeem units of the Funds may be suspended with the approval of the Canadian Securities Administrators.

Transactions in units for the Funds are disclosed in the Fund Specific Notes to Financial Statements. The consideration for the purchase of creation units of the Funds generally consists of the in-kind contribution of a designated portfolio of equity securities constituting a portfolio sampling representation of the securities included in the relevant Funds' underlying index and an amount of cash. Investors purchasing and redeeming creation units may be charged a purchase transaction fee and a redemption transaction fee to offset transfer and other transaction costs associated with the issuance and redemption of creation units.

Units issued and outstanding are considered to be capital of the Funds. The Funds are not subject to externally imposed capital requirements and have no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Funds' prospectuses. The capital received by each Fund is managed to achieve the investment objective of each Fund while maintaining liquidity to satisfy unitholder redemptions.

The changes in issued and outstanding units of the Funds can be found in the statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

6. INCOME TAXES

The Funds, except for Evolve Active Short Duration Bond ETF and Evolve Global Healthcare Enhanced Yield ETF, qualify or intends to qualify as mutual fund trusts, under the provisions of the Income Tax Act (Canada) ("Act"). As at December 31, 2018, the Evolve Active Short Duration Bond ETF and the Evolve Global Healthcare Enhanced Yield ETF are considered to be financial institutions under the "Act" and are therefore subject to the mark-to-market rules with respect to their investments that qualify as 'mark to market property' under the Act. As a result, all realized gains and losses, and changes in unrealized gains and losses, with respect to mark-to-market property are taxed as income on a yearly basis.

Capital losses and non-capital losses available in the Funds are presented in the Fund Specific Notes to Financial Statements, as applicable. Capital losses may be carried forward indefinitely and used to reduce future realized capital gains. Non-capital losses may be used to reduce future net income and capital gains for up to 20 years. The Funds may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

Occasionally, distributions by the Funds will exceed the net investment income and taxable capital gains realized by the Funds. To the extent that the excess is not designated by the Funds to be income for Canadian tax purposes and taxable to holders of redeemable units, this excess distribution is a return of capital and is not immediately taxable to unitholders.



Evolve ETFs

Evolve Active US Core Equity ETF