



Evolve ETFs

Evolve Cyber Security Index ETF

December 31, 2018

Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 161 Bay Street, Suite 2700, Toronto, ON, M5J 2S1 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 Cyber Security Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cyber Security Index Canadian Dollar Hedged (the "Benchmark"), or any successor thereto. The Fund invests primarily in equity securities of companies located domestically or internationally that are involved in the cyber security industry through hardware and software development.

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 year ended December 31, 2018, the non-hedged units returned 19.04% versus the Solactive Global Cyber Security Index return of 20.46%. The hedged units returned 9.04% versus the Solactive Global Cyber Security Index Canadian Dollar Hedged return of 9.37. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading and hedging strategies. The difference in performance of the non-hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading. Fund's net assets were \$39.217MM as at December 31, 2018.

Portfolio Manager Commentary

Cybersecurity remained a major threat in 2018, fuelled by increasing cybercriminal activity. During the year, several major data breaches, among them hacks perpetrated on Marriot Hotels, WhatsApp, and Facebook, highlighted the vulnerability of businesses, governments and private and public entities to cybercrime.

As a result, spending on cyber security continued to rise, fuelled by the ransomware epidemic; the refocusing of malware from PCs and laptops to smartphones and mobile devices; the deployment of billions of under-protected Internet of Things devices; the growing use of cloud-based services; and the potential for attacks on businesses, governments, and various institutions.

It is estimated that the average cost of a data breach rose 6.4% in 2018 to reach US\$3.86 million. In similar vein, the total number of records compromised in the first half of 2018 was 3.4 billion, up 72% over the first half of 2017.

This trend benefited both domestic and global hardware and software companies that are involved in providing cybersecurity services to an ever expanding market. The ETF, which invests in the equity securities of such companies was Canada's top performing equity ETF in the category of Canadian-listed unlevered equity ETFs based on Bloomberg data, with the unhedged class of the Fund posting a total return of 19.40%, net of fees.

Cyberark Software Ltd. was the best performing stock in the fund for the year with a gain of 95.2%, followed by Rapid7 Inc. which was up 82% and Sailpoint Technologies Holdings 75.6%.

Recent Developments

There are no known changes at this time to the investment strategy of the Fund or the Manager.

Related Party Transactions

The Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Independent Review Committee.

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Management Fees

The management fees are calculated based on 0.40% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the period ended December 31, 2018, the Fund incurred \$96,300 in management fees. These management fees were received by Evolve Funds Group Inc. 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 period ended December 31, 2018, the Fund incurred \$36,112 in administration fees. These administration fees were received by Evolve Funds Group Inc. 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, in any particular period, be less than or exceed the operating expenses that the Manager incurs for that class.

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

	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:		
Unhedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	21.56	20.32
Increase (decrease) from operations:		
Total revenue	0.13	0.06
Total expenses	(0.23)	(0.05)
Realized gains (losses)	0.71	0.18
Unrealized gains (losses)	0.08	1.14
Total increase (decrease) from operations²	0.69	1.33
Distributions:		
Return of capital	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.02)
Net Assets per Unit, end of period	25.68	21.56

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

	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:		
Hedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	20.94	20.15
Increase (decrease) from operations:		
Total revenue	0.15	0.06
Total expenses	(0.21)	(0.05)
Realized gains (losses)	(0.53)	(0.84)
Unrealized gains (losses)	(5.80)	1.79
Total increase (decrease) from operations²	(6.39)	0.96
Distributions:		
Return of capital	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.02)
Net Assets per Unit, end of period	22.77	20.94

- 1 This information is derived from the Fund's audited annual financial statement as at December 31, 2018, and 2017. The Fund began operations on September 20, 2017.
- 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.

The Fund's Ratios/Supplemental Data

	December 31, 2018	December 31, 2017
For the periods ended:		
Unhedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	4,494,132	1,617,268
Number of units outstanding ⁴	175,000	75,000
Management expense ratio ⁵	0.67%	0.64%
Trading expense ratio ⁶	0.11%	0.04%
Portfolio turnover rate ⁷	46.59%	13.34%
Net Asset Value per unit (\$)	25.68	21.56
Closing market price (\$)	25.55	21.70
Hedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	34,722,940	2,093,796
Number of units outstanding ⁴	1,525,000	100,000
Management expense ratio ⁵	0.67%	0.64%
Trading expense ratio ⁶	0.11%	0.04%
Portfolio turnover rate ⁷	46.59%	13.34%
Net Asset Value per unit (\$)	22.77	20.94
Closing market price (\$)	22.77	21.09

- 4 This information is provided as at December 31, 2018 and December 31, 2017.
- 5 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- 6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.
- 7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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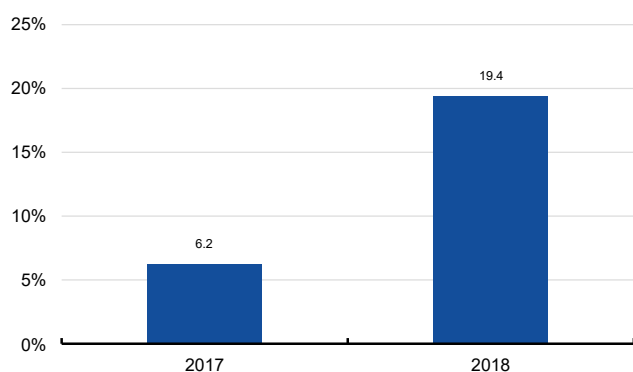
Past Performance

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.

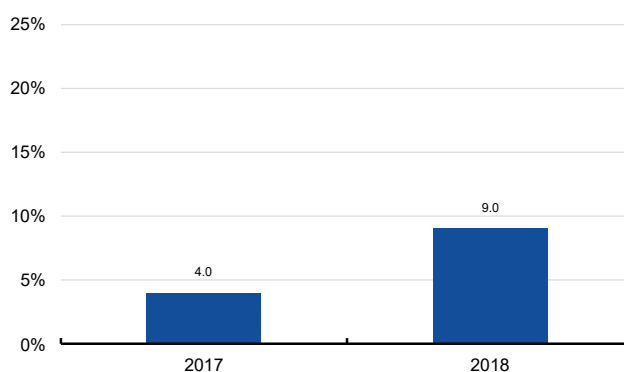
Year-by-Year Returns

The bar chart below shows the Fund's annual performance for the periods shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day would have grown or decreased by the last day of the period.

CYBR/B¹



CYBR²



1 The non-hedged class of the Fund effectively began operation on September 20, 2017.

2 The hedged class of the Fund effectively began operation on September 20, 2017.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Symantec Corporation	8.3
Akamai Technologies Inc.	8.3
F5 Networks Inc.	8.2
Check Point Software Technologies Limited	7.9
Fortinet Inc.	7.4
Palo Alto Networks Inc.	7.3
Trend Micro Inc.	6.9
Booz Allen Hamilton Holding Corporation, Class 'A'	6.2
Zscaler Inc.	4.5
Proofpoint Inc.	4.1
InterXion Holding NV	3.9
CACI International Inc.	3.4
FireEye Inc.	3.0
Qualys Inc.	2.7
CyberArk Software Limited	2.6
Tenable Holdings Inc.	2.1
Mimecast Limited	1.9

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
SailPoint Technologies Holding Inc.	1.9
Imperva Inc.	1.9
Varonis Systems Inc.	1.4
Rapid7 Inc.	1.4
NEXTDC Limited	1.4
ForeScout Technologies Inc.	1.0
Radware Limited	1.0
Carbon Black Inc.	0.9
Total	99.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	2.0
Information Technology	101.4
Derivative Assets	0.6
Derivative Liabilities	(4.3)
Cash and Cash Equivalents	0.2
Other Assets, less Liabilities	0.1
Total	100.0

The summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund. Updates are available quarterly by visiting our website at www.evolveetfs.com.



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