



Evolve ETFs

Evolve Automobile Innovation 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 Automobile Innovation Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Future Cars Index Canadian Dollar Hedged (the "Benchmark"), or any successor thereto. The Fund invests primarily in equity securities of companies that are directly or indirectly involved in developing electric drivetrains, autonomous driving or network connected services for automobiles.

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 -13.30% versus the Solactive Future Cars Index return of -12.24%. The hedged units returned -19.61% versus the Solactive Future Cars Index Canadian Dollar Hedged return of -19.69. The US Dollar non-hedged units returned -20.43% versus the Solactive Future Cars Index USD return of -19.48. 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 \$8.075MM as at December 31, 2018.

Portfolio Manager Commentary

The adoption of electric vehicles (EV) gained momentum in 2018, fuelled by increasing demand, the rapid advance of technology, and strong infrastructure spending.

Tesla, the world's number one electric car maker outsold its competitors in the U.S. premium automotive market, including brands such as Mercedes-Benz, BMW, Lexus, Infiniti, and Acura. It also expanded deliveries into Europe and China and announced plans to set up a manufacturing facility in China.

Several legacy automakers, including Ford, GM, Fiat Chrysler and Volkswagen outlined plans to expand into EV production. China also announced plans to expand EV production.

In the auto supply chain and auto parts and equipment segments of the market, technology innovations played a major role in the development of safety features such as back-up cameras, the development of autonomous cars and evolution of new products such as electric drive trains.

At the end of the year, the fund held 68% of its portfolio by weight in companies in the Auto Supply Chain; and 16% each in Auto Parts and Equipment and Auto Makers. The top performing stock in the fund for 2018 was the multinational semi-conductor company Advanced Micro Devices with a gain of 98.3%, followed by Integrated Device Technology Inc. which was up 77.5%. Gentherm Inc, which developed the first "Climate Control Seat" system for the auto industry, was the best performing stock in the Auto Parts and Equipment segment, with a gain of 37.2%, while Tesla Inc., which was up 16.5%, was the best performing stock in the Auto Makers segment.

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 \$44,098 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 \$16,537 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	21.21	20.39
Increase (decrease) from operations:		
Total revenue	0.50	0.14
Total expenses	(0.24)	(0.07)
Realized gains (losses)	(0.04)	0.12
Unrealized gains (losses)	(2.70)	0.68
Total increase (decrease) from operations²	(2.48)	0.87
Distributions:		
From dividends	(0.30)	(0.09)
Total annual distributions³	(0.30)	(0.09)
Net Assets per Unit, end of period	18.11	21.21

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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	20.90	20.26
Increase (decrease) from operations:		
Total revenue	0.48	0.17
Total expenses	(0.22)	(0.07)
Realized gains (losses)	(1.01)	(0.49)
Unrealized gains (losses)	(4.32)	0.88
Total increase (decrease) from operations²	(5.07)	0.49
Distributions:		
From dividends	(0.30)	(0.08)
Return of capital	-	(0.01)
Total annual distributions³	(0.30)	(0.09)
Net Assets per Unit, end of period	16.53	20.90
US Dollar Unhedged Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	24.09	25.51
Increase (decrease) from operations:		
Total revenue	0.57	0.17
Total expenses	(0.27)	(0.06)
Realized gains (losses)	0.05	0.01
Unrealized gains (losses)	(2.96)	(1.70)
Total increase (decrease) from operations²	(2.61)	(1.58)
Distributions:		
From dividends	(0.14)	(0.10)
From capital gains	(0.01)	-
Return of capital	(0.02)	-
Total annual distributions³	(0.17)	(0.10)
Net Assets per Unit, end of period	20.74	24.09

- 1 This information is derived from the Fund's audited annual financial statement as at December 31, 2018, and 2017. The Unhedged and Hedged Units began operations on September 29, 2017 and the US Dollar Unhedged units began operations on October 3, 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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2018	December 31, 2017
Unhedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	1,358,077	2,120,987
Number of units outstanding ⁴	75,000	100,000
Management expense ratio ⁵	0.64%	0.64%
Trading expense ratio ⁶	0.29%	0.51%
Portfolio turnover rate ⁷	76.01%	12.56%
Net Asset Value per unit (\$)	18.11	21.21
Closing market price (\$)	18.14	21.28
Hedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	6,198,706	2,612,453
Number of units outstanding ⁴	375,000	125,000
Management expense ratio ⁵	0.63%	0.64%
Trading expense ratio ⁶	0.29%	0.51%
Portfolio turnover rate ⁷	76.01%	12.56%
Net Asset Value per unit (\$)	16.53	20.90
Closing market price (\$)	16.55	21.02
US Dollar Unhedged Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	518,477	1,204,508
Number of units outstanding ⁴	25,000	50,000
Management expense ratio ⁵	0.64%	0.66%
Trading expense ratio ⁶	0.29%	0.51%
Portfolio turnover rate ⁷	76.01%	12.56%
Net Asset Value per unit (\$)	20.74	24.09
Closing market price (\$)	20.72	24.09

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.

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.

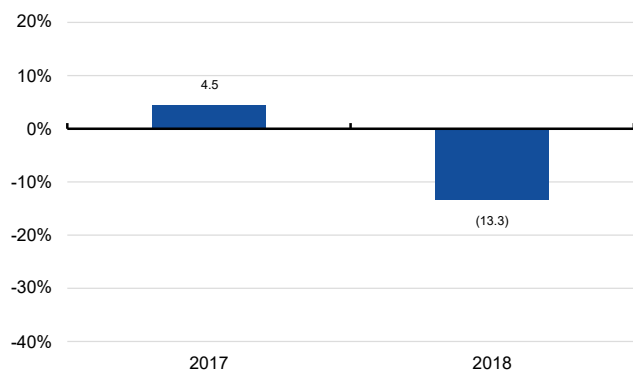
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Year-by-Year Returns

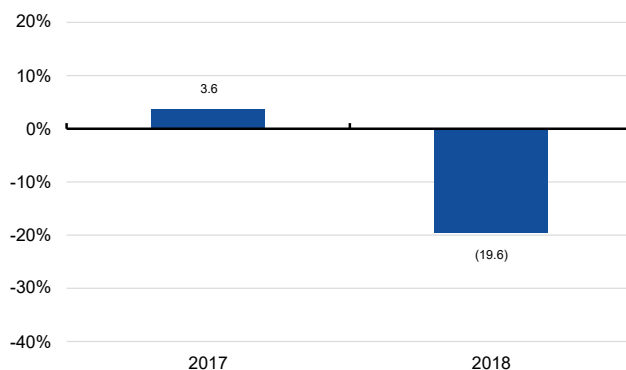
The bar chart below shows the Fund's annual performance for the periods shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day would have grown or decreased by the last day of the period.

CARS/B¹



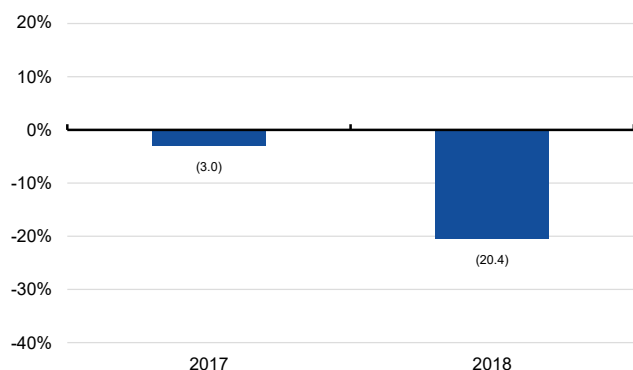
1 The non-hedged class of the Fund effectively began operation on September 29, 2017.

CARS²



2 The hedged class of the Fund effectively began operation on September 29, 2017.

CARS/U³



3 The US Dollar non-hedged class of the Fund effectively began operation on October 3, 2017.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Tesla Inc.	4.7
MaxLinear Inc.	3.9
Tianneng Power International Limited	3.8
Ambarella Inc.	3.8
Integrated Device Technology Inc.	3.8

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Analog Devices Inc.	3.8
Gentherm Inc.	3.7
Maxim Integrated Products Inc.	3.6
Dialog Semiconductor PLC	3.6
EnerSys	3.5
Knowles Corporation	3.5
Cirrus Logic Inc.	3.5
GS Yuasa Corporation	3.5
NXP Semiconductors NV	3.5
Bayerische Motoren Werke AG, ADR	3.4
Texas Instruments Inc.	3.4
Infineon Technologies AG	3.3
Ford Motor Company	3.3
Autoliv Inc.	3.2
Volkswagen AG	3.2
Hella GmbH & Company KGaA	3.1
Aptiv PLC	3.1
STMicroelectronics NV	3.0
Ferrari NV	2.9
Melexis NV	2.9
Total	87.0

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Discretionary	26.7
Consumer Staples	6.6
Energy	2.5
Industrials	12.2
Information Technology	54.7
Derivative Assets	0.7
Derivative Liabilities	(4.0)
Cash and Cash Equivalents	1.6
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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