



Evolve ETFs

Sphere FTSE Emerging Markets Sustainable Yield 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 Sphere FTSE Emerging Markets Sustainable Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the FTSE Emerging Sustainable Yield 150 10% Capped 100% Hedge CAD Index (the "Benchmark"), or any successor thereto. The Fund invests directly or indirectly in up to 150 equity securities of public issuers from countries within the region classified by FTSE as emerging markets, exhibiting relatively high and sustainable yields, as at the time of reconstitution or balancing.

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 Fund's net asset value per unit returned -11.46% versus the FTSE Emerging Sustainable Yield 150 10% Capped 100% Hedge CAD Total Return Index return of -10.01%. The difference in performance of the Fund relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading and hedging strategies. Fund's net assets were \$22.522MM as at December 31, 2018.

Portfolio Manager Commentary

In spite of continuing strong GDP growth in emerging economies in 2018, averaging 4.7% versus 2.4% for developed economies, emerging equity markets on aggregate performed poorly over the year, with the MSCI Emerging Markets (EM) Index posting a negative return of 12.2%.

At a regional level, MSCI EM Eastern Europe, led by Russia with a gain of 11.3%, was the best performing region with a positive return of 4.8% over the year. MSCI EM Latin America, led by Brazil with a positive return of 12.3% followed, with a marginal gain of 0.8%. Asia, the largest EM region lost 15% on the MSCI EM Asia Index, with India the best performing market registering a meagre loss of 0.2%.

EMs stumbled over the year on the back of trade tensions stemming from US trade protectionism, led by its ongoing trade war with China; a strong US dollar; and outflows of funds resulting from the impact of US tax cuts and the repatriation of overseas profits.

The performance of EMs was also negatively impacted by the perception of an impending crisis, fuelled by weakness in countries such as Argentina and Turkey; and growing global geopolitical risks. Slowing earnings growth, though still relatively higher than in developed markets, also contributed to weaker performance.

At the end of the year, EM equities remained relatively undervalued, setting the stage for a rebound in 2019.

The Fund performed relatively well over the year compared to the broad market, making a small loss of 2.2%. China Resources Cement was the top performing stock with a gain of 40.3%, followed by Feng Tay Enterprise Co. Ltd. which was up 39.9% and Ecopetrol SA 39.6%.

Recent Developments

The Fund is now managed by Evolve Funds Group Inc. following the acquisition that took place on January 12, 2018.

Related Party Transactions

The Fund is now under the Management of Evolve Fund Group Inc. following the acquisition of the fund completed on January 12, 2018. The manager does not have an RPT with an affiliate of Canaccord Genuity. Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

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Management Fees

The management fees are calculated based on 0.54% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid quarterly. For the period ended December 31, 2018, the Fund incurred \$187,043 in management fees. These management fees were received by Evolve Funds Group Inc. for the day-to-day operation 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 0.25% 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 \$103,890 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 (\$)	December 31, 2016 (\$)
For the periods ended:			
Hedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	10.90	9.97	10.00
Increase (decrease) from operations:			
Total revenue	0.46	0.42	0.09
Total expenses	(0.25)	(0.13)	(0.02)
Realized gains (losses)	(0.52)	0.47	(0.14)
Unrealized gains (losses)	(1.12)	0.40	0.13
Total increase (decrease) from operations²	(1.43)	1.16	0.06
Distributions:			
From income (excluding dividends)	-	(0.27)	(0.03)
From dividends	(0.25)	-	-
From capital gains	-	(0.14)	-
Return of capital	(0.05)	(0.01)	-
Total annual distributions³	(0.30)	(0.42)	(0.03)
Net Assets per Unit, end of period	9.38	10.90	9.97

- 1 This information is derived from the Fund's audited annual financial statements as at December 31 for the years shown. The Fund began operations on September 29, 2016.
- 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	December 31, 2016
Hedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	22,522,336	23,986,000	8,973,000
Number of units outstanding ⁴	2,400,000	2,200,000	900,000
Management expense ratio ⁵	1.11%	0.88%	0.68%
Management expense ratio before waivers or absorptions ⁵	1.12%	1.38%	3.82%
Trading expense ratio ⁶	0.77%	0.61%	1.13%
Portfolio turnover rate ⁷	156.44%	142.84%	1.13%
Net Asset Value per unit (\$)	9.38	10.90	9.97
Closing market price (\$)	9.48	10.96	9.78

4 This information is provided as at December 31, 2018 and December 31 of the other years shown.

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.

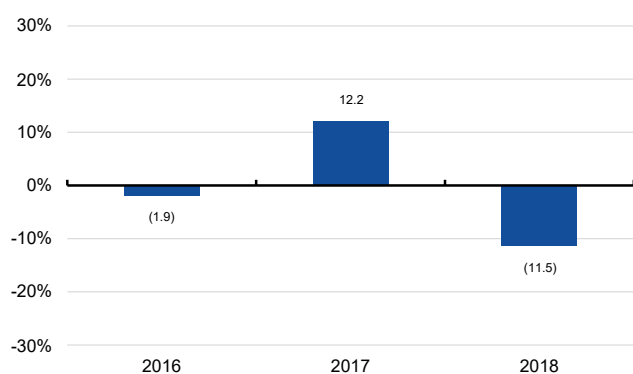
Past Performance

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.

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.

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1 The Fund effectively began operation on September 29, 2016.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
China Mobile Limited, ADR	7.6
Vale SA, ADR	7.0
LUKOIL PJSC	5.5
Sberbank of Russia PJSC	4.1
CNOOC Limited, ADR	3.7
iShares MSCI India ETF	3.1
China Petroleum & Chemical Corporation, Class 'H'	2.8
PTT Public Company Limited	2.7
iShares MSCI Brazil ETF	2.6
China Life Insurance Company Limited, ADR	2.5
Formosa Plastics Corporation	2.4
Standard Bank Group Limited	2.4
Nan Ya Plastics Corporation	2.1
China Overseas Land & Investment Limited	2.0
PT Telekomunikasi Indonesia (Persero) Tbk	1.9
Cathay Financial Holding Company Limited	1.8
CTBC Financial Holding Company Limited	1.8
Formosa Chemicals & Fibre Corporation	1.8
Fubon Financial Holding Company Limited	1.7
Mega Financial Holding Company Limited	1.4
CIMB Group Holdings Berhad	1.4
Country Garden Holdings Company Limited	1.4
Geely Automobile Holdings Limited	1.3
China Evergrande Group	1.3
China Pacific Insurance Group Company Limited	1.3
Total	67.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Brazil	8.8
Chile	1.2
China	23.5
Colombia	0.6
Greece	0.1
Hong Kong	12.4
Hungary	0.1
India	0.7
Indonesia	2.3
Malaysia	2.0
Mexico	1.7
Philippines	0.9
Russia	11.0
South Africa	6.3
Taiwan	16.7

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Industry Allocation (cont'd)

Portfolio by Category	Percentage of Net Asset Value (%)
Equities (cont'd)	
Thailand	5.9
Turkey	0.3
United Kingdom	0.4
United States	7.2
Derivative Assets	0.6
Derivative Liabilities	(2.9)
Cash and Cash Equivalents	0.8
Other Assets, less Liabilities	(0.6)
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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