



Evolve ETFs

Evolve Marijuana 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 Marijuana ETF (the "Fund") seeks to provide holders of Units with long-term capital appreciation by actively investing in a diversified mix of equity securities of issuers that are involved in the marijuana industry.

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

Since the Fund was launched on February 12, 2018, no performance data can be shown. The Fund's net assets were \$6.916MM as at December 31, 2018.

Portfolio Manager Commentary

The global cannabis market expanded dramatically in 2018 to become a mainstream product for individuals as well as investors in several parts of the world. Canada became the first country in the developed world to legalize recreational use of marijuana and also approved the sale of marijuana for medical use through licensed facilities. Canada is the second country after Uruguay to legalize marijuana. Several other countries, including Mexico, Thailand, New Zealand, among others also approved either recreational or medical use of marijuana; while Israel approved exports of medical marijuana.

As the Canadian marijuana industry expanded during the year, companies were focused on improving business processes, expanding cultivation, developing marijuana-related products and increasing their global reach.

Over the year, the industry experienced several large corporate transactions. Constellation Brands Inc., the parent company of Corona beer and other alcoholic drinks, made a \$4 billion investment in Canopy Growth Corp., a major Canadian pot producer; U.S. cigarette maker Altria invested \$2.4 billion in the Canadian marijuana company Cronos Group; Aurora Cannabis Inc. acquired CanniMed Therapeutics Inc. and MedReleaf Corp. in all Canadian transaction; and Molson Coors Canada partnered with the cannabis company, The Hydrothecary Corporation to produce and distribute non-alcoholic, cannabis-infused beverages.

It is estimated that Investors poured \$10 billion into cannabis in North America in 2018, twice what was invested in the last three years combined.

At the end of the year, the fund held a 39.7% exposure by weight in the Big 4 Canadian cannabis companies; 7.8% in non-pure cannabis companies and 52.5% in emerging companies in the space.

Recent Developments

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

Related Party Transactions

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

Management Fees

The management fees are calculated based on 0.75% 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 \$39,067 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.

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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 \$13,136 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; 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 (\$)
For the period ended:	
Unhedged Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.29
Total expenses	(0.49)
Realized gains (losses)	1.41
Unrealized gains (losses)	(1.91)
Total increase (decrease) from operations³	(0.70)
Distributions:	
From dividends	(0.05)
Total annual distributions⁴	(0.05)
Net Assets per Unit, end of period	18.95

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2018. The Fund began operations on February 12, 2018.

2 This amount represents the initial launch price.

3 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.

4 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

	December 31, 2018
For the period ended:	
Unhedged Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	6,916,304
Number of units outstanding ⁵	365,000
Management expense ratio ⁶	1.13%
Trading expense ratio ⁷	1.70%
Portfolio turnover rate ⁸	233.14%
Net Asset Value per unit (\$)	18.95
Closing market price (\$)	18.96

5 This information is provided as at December 31, 2018.

6 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

7 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

8 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date February 12, 2018, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Aurora Cannabis Inc.	16.7
Aphria Inc.	12.0
Cronos Group Inc.	9.2
Canopy Growth Corporation	8.6
Organigram Holdings Inc.	5.2
Loblaw Companies Limited	5.0
HEXO Corporation	4.9
Evolve Global Healthcare Enhanced Yield ETF	4.5
Shopify Inc., Class 'A'	3.3
Neptune Wellness Solutions Inc	3.1
The Scotts Miracle-Gro Company, Class 'A'	3.1
Altria Group Inc.	3.0
Constellation Brands Inc.	2.9
TerraAscend Corporation	2.8
The Supreme Cannabis Company Inc.	1.8
CannTrust Holdings Inc.	1.8
Maricann Group Inc.	1.5
Weedmd Inc.	1.3
Tetra Bio-Pharma Inc.	1.2
Total	91.9

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Discretionary	7.4
Consumer Staples	14.0
ETFs - International Equity	4.5
Health Care	59.6
Information technology	3.3
Materials	3.1
Cash and Cash Equivalents	8.4
Other Assets, less Liabilities	(0.3)
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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