



Evolve Active Short Duration Bond ETF

2017 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.

Management Discussion of Fund Performance

For the period ended December 31, 2017

Investment Objective and Strategies

The Evolve Active Short Duration Bond ETF (the "Fund") seeks to provide holders of Units with a high level of current income through monthly distributions. Under normal market conditions, TIME invests primarily in a diversified portfolio of below investment grade corporate debt securities rated "BB+" or lower by Standard & Poor's Rating Services ("S&P") and Fitch Ratings ("Fitch") or "Ba1" or lower by Moody's Investor Services, Inc. ("Moody's") at the time of investment. The portfolio will generally have an average duration of less than three years.

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 October 25, 2017, no performance data can be shown. The Fund's net assets were \$4.9MM as at December 31, 2017.

Portfolio Manager Commentary

Favorable global growth conditions and a supportive macro backdrop drove strong corporate fundamentals throughout the reporting period. In addition, exceptionally low market volatility and a decrease in the net new supply of high-yield issuance led to steady demand, especially for shorter duration assets. Therefore, despite the specter of a notable and growing shift in central bank policy that represented a reversal of the friendly monetary backdrop, the global yield environment remained under pressure from demand for yield outstripping supply by a healthy margin. The strategy underperformed the Bloomberg Barclays U.S. High Yield 1-5 Year Cash Pay 2% Issuer Capped Index during the performance period, which included the initial invest-up period for the fund. The bulk of the underperformance was due to the up-in-quality nature of the portfolio, most notably an overweight to the BB portion of the index that also resulted in a marginally longer duration than that of the index, and which had a negative effect as rates rose during Q4. These detractors were slightly offset by a tailwind from positive credit selection, most notably within the BB sector. There were no material credit deteriorations or portfolio allocation changes during the period and the portfolio remains tilted toward the lower beta (higher quality) credit spectrum of the HY universe. The portfolio remains slightly skewed to economically sensitive areas with overweights to basic materials and consumer cyclicals, and an underweight to consumer non-cyclicals.

Recent Developments

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

Related Party Transactions

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

Management Fees

The management fees are calculated based on 0.70% 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, 2017, the Fund incurred \$8,128 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.

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

Unhedged Units - Net Assets per Unit

Period from October 16, 2017 ² to December 31, 2017	(\$)
Net Assets per Unit, beginning of period ³	19.95
Increase (decrease) from operations:	
Total revenue	0.25
Total expenses	(0.05)
Realized gains (losses)	(0.05)
Unrealized gains (losses)	(0.18)
Total increase (decrease) from operations⁴	(0.03)
Distributions:	
From income (excluding dividends)	(0.21)
Total annual distributions ⁵	(0.21)
Net Assets per Unit, end of period	19.76

Hedged Units - Net Assets per Unit

Period from October 16, 2017 ² to December 31, 2017	(\$)
Net Assets per Unit, beginning of period ³	19.92
Increase (decrease) from operations:	
Total revenue	0.24
Total expenses	(0.05)
Realized gains (losses)	(0.70)
Unrealized gains (losses)	0.33
Total increase (decrease) from operations⁴	(0.18)
Distributions:	
From income (excluding dividends)	(0.21)
Total annual distributions ⁵	(0.21)
Net Assets per Unit, end of period	19.61

The Fund's Ratios/Supplemental Data

Unhedged Units - Ratios/Supplemental Data

Period from October 16, 2017 ² to December 31, 2017	(\$)
Total Net Asset Value (\$) ⁶	987,850
Number of units outstanding ⁶	50,000
Management expense ratio ⁷	1.01%
Trading expense ratio ⁸	0.22%
Portfolio turnover rate ⁹	97.14%

Net Asset Value per unit (\$)	19.76
Closing market price (\$)	19.83

Hedged Units - Ratios/Supplemental Data

Period from October 16, 2017² to December 31, 2017

Total Net Asset Value (\$) ⁶	3,922,072
Number of units outstanding ⁶	200,000
Management expense ratio ⁷	1.01%
Trading expense ratio ⁸	0.22%
Portfolio turnover rate ⁹	97.14%
Net Asset Value per unit (\$)	19.61
Closing market price (\$)	19.65

1. This information is derived from the Fund's audited annual financial statements.
2. This date represents the date of establishment of the fund.
3. This amount represents the initial launch price
4. 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.
5. Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.
6. This information is provided as at December 31 of the year shown.
7. 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.
8. 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.
9. 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 new, this information is not available.

Summary of Investment Portfolio

As at December 31, 2017

Top 25 Positions

Security	% of Net Asset Value
APX Group Inc., Callable	1.37
The Chemours Company, Callable	1.36
T-Mobile USA Inc., Callable	1.36
NRG Energy Inc., Callable	1.34

Genesis Energy Limited Partnership/Finance Corporation, Callable	1.33
Allegheny Technologies Inc., Callable	1.31
Level 3 Financing Inc., Callable	1.28
Beazer Homes USA Inc., Callable	1.27
Western Digital Corporation, Callable	1.19
CalAtlantic Group Inc.	1.18
Petrobras Global Finance BV	1.17
HCA Inc.	1.15
KB Home, Callable	1.14
Hughes Satellite Systems Corporation	1.13
Scientific Games International Inc., Callable	1.12
L Brands Inc.	1.12
United States Steel Corporation	1.11
The Gap Inc., Callable	1.10
CSC Holdings LLC	1.10
Alcoa Inc., Callable	1.09
Auto Ahorro Automotriz SA de CV, Callable	1.08
CIT Group Inc.	1.08
Sprint Corporation	1.08
Anixter Inc.	1.08
Dynegy Inc., Callable	1.08
Total	29.62

Industry Allocation

	% of Net assets Attributable to Unitholders
Portfolio by Category	December 31, 2017
Debt Instruments	
Corporate Bonds	96.2
Derivative Assets	2.0
Other Assets, less Liabilities	1.8
	<u>100.0</u>

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.