



Evolve Active US Core Equity 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 US Core Equity ETF (the “Fund”) seeks to provide holders of Units with long-term capital appreciation by investing primarily in equity securities of U.S. listed large-capitalization companies using a selection process that combines quantitative techniques, fundamental analysis and risk management.

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 16, 2017, no performance data can be shown. The Fund's net assets were \$2.1MM as at December 31, 2017.

Portfolio Manager Commentary

Countries around the globe continued to benefit from the first period of synchronized economic growth in about a decade led by manufacturing and international trade, which gathered strength throughout the year. In the U.S., economic growth remained strong after the impact from the summer’s devastating hurricanes was less than expected. Stock markets continued their banner year with the total return of the S&P 500 Index increasing every month in 2017 for the first time in history. The strategy outperformed the Russell 1000 index, with security selection driving outperformance. There were no material changes to portfolio positioning during the period. We are positioning the strategy with a slight cyclical tilt via overweights to the consumer discretionary and information technology sectors and an underweight to the financial sector. We are also overweighting the defensive health care sector. In addition, we are emphasizing stocks in the portfolio with relatively smaller market caps within the large-cap universe, a higher degree of volatility and more liquidity.

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.

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 \$3,394 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	19.94
Increase (decrease) from operations:	
Total revenue	0.11
Total expenses	(0.06)
Realized gains (losses)	0.26
Unrealized gains (losses)	0.80
Total increase (decrease) from operations⁴	1.11
Distributions:	
From dividends	(0.05)
Total annual distributions ⁵	(0.05)
Net Assets per Unit, end of period	21.06

Hedged Units - Net Assets per Unit

Period from October 16, 2017 ² to December 31, 2017	(\$)
Net Assets per Unit, beginning of period ³	19.90
Increase (decrease) from operations:	
Total revenue	0.11
Total expenses	(0.06)
Realized gains (losses)	(0.40)
Unrealized gains (losses)	1.30
Total increase (decrease) from operations⁴	0.95
Distributions:	
From dividends	(0.05)
Return of capital	(0.00)
Total annual distributions ⁵	(0.05)
Net Assets per Unit, end of period	20.90

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	1,053,068
Number of units outstanding ⁶	50,000
Management expense ratio ⁷	0.95%
Trading expense ratio ⁸	0.10%
Portfolio turnover rate ⁹	29.92%
Net Asset Value per unit (\$)	21.06
Closing market price (\$)	21.17

Hedged Units - Ratios/Supplemental Data

Period from October 16, 2017² to December 31, 2017

Total Net Asset Value (\$) ⁶	1,045,116
Number of units outstanding ⁶	50,000
Management expense ratio ⁷	0.95%
Trading expense ratio ⁸	0.10%
Portfolio turnover rate ⁹	29.92%
Net Asset Value per unit (\$)	20.90
Closing market price (\$)	20.96

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
Microsoft Corporation	2.71
Apple Inc.	2.52
Visa Inc., Class 'A'	1.89
UnitedHealth Group Inc.	1.82
Cisco Systems Inc.	1.79
Mastercard Inc., Class 'A'	1.61
Wal-Mart Stores Inc.	1.60
The Boeing Company	1.60

Amgen Inc.	1.52
Alphabet Inc., Class 'A'	1.51
The Home Depot Inc.	1.38
Gilead Sciences Inc.	1.38
Celgene Corporation	1.35
CVS Health Corporation	1.33
Walgreens Boots Alliance Inc.	1.31
Biogen Inc.	1.26
General Motors Company	1.22
Cigna Corporation	1.21
The Bank of New York Mellon Corporation	1.19
Marathon Petroleum Corporation	1.18
Intuit Inc.	1.18
Humana Inc.	1.17
Express Scripts Holding Company	1.16
Waste Management Inc.	1.15
McKesson Corporation	1.15
Total	37.2

Industry Allocation

	% of Net assets Attributable to Unitholders
Portfolio by Category	December 31, 2017
Equities	
Consumer Discretionary	20.9
Consumer Staples	6.1
Energy	2.6
Financials	6.9
Health Care	20.2
Industrials	9.8
Information Technology	26.2
Materials	2.5
Real Estate	1.1
Telecommunication Services	1.5
Derivative Assets	1.2
Other Assets, less Liabilities	1.0
	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.