



## **Evolve Cyber Security Index ETF**

2017 ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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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](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://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 Cyber Security Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cyber Security Index Canadian Dollar Hedged (the "Benchmark"), or any successor thereto. CYBR invests primarily in equity securities of companies located domestically or internationally that are involved in the cyber security industry through hardware and software development.

### **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 September 20, 2017, no performance data can be shown. The Fund's net assets were \$3.7MM as at December 31, 2017.

### **Portfolio Manager Commentary**

The global technology sector has done reasonably well over the last quarter of 2017, with iShares Global Tech ETF returned 11% in CAD over the same period, and positive returns across majority of the countries around the world, reflecting solid overall underlying operating fundamentals of technology sector. Given the increasing need of cyber security on a global scale, and growing trend of technology sector, our portfolio has attributed positive return since inception

As the composition of the Fund's portfolio is based on replicating the constituents of the Benchmark, macro-economic, political and market movements do not have a direct impact on the Fund's investment strategy.

### **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 0.40% 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, 2017, the Fund incurred \$3,908 in management fees. These management fees were received by Evolve Funds Group Inc. for the day-to-day operations of the funds, 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.

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## The Fund's Net Assets Per Unit<sup>1</sup>

### Unhedged Units - Net Assets per Unit

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Period from September 20, 2017 <sup>2</sup> to December 31, 2017	(\$)
Net Assets per Unit, beginning of period <sup>3</sup>	<b>20.32</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.06
Total expenses	(0.05)
Realized gains (losses)	0.18
Unrealized gains (losses)	1.14
<b>Total increase (decrease) from operations<sup>4</sup></b>	<b>1.33</b>
<b>Distributions:</b>	
Return of capital	(0.02)
Total annual distributions <sup>5</sup>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>21.56</b>

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Period from September 20, 2017 <sup>2</sup> to December 31, 2017	(\$)
Net Assets per Unit, beginning of period <sup>3</sup>	<b>20.15</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.06
Total expenses	(0.05)
Realized gains (losses)	(0.84)
Unrealized gains (losses)	1.79
<b>Total increase (decrease) from operations<sup>4</sup></b>	<b>0.96</b>
<b>Distributions:</b>	
Return of capital	(0.02)
Total annual distributions <sup>5</sup>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>20.94</b>

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## The Fund's Ratios/Supplemental Data

### Unhedged Units - Ratios/Supplemental Data

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Period from September 20, 2017 <sup>2</sup> to December 31, 2017	(\$)
Total Net Asset Value (\$) <sup>6</sup>	1,617,268
Number of units outstanding <sup>6</sup>	75,000
Management expense ratio <sup>7</sup>	0.64%
Trading expense ratio <sup>8</sup>	0.04%
Portfolio turnover rate <sup>9</sup>	13.34%
Net Asset Value per unit (\$)	21.56
Closing market price (\$)	<b>21.70</b>

## Hedged Units - Ratios/Supplemental Data

Period from September 20, 2017<sup>2</sup> to December 31, 2017

Total Net Asset Value (\$) <sup>6</sup>	2,093,796
Number of units outstanding <sup>6</sup>	100,000
Management expense ratio <sup>7</sup>	0.64%
Trading expense ratio <sup>8</sup>	0.04%
Portfolio turnover rate <sup>9</sup>	13.34%
Net Asset Value per unit (\$)	20.94
Closing market price (\$)	21.09

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
Akamai Technologies Inc.	9.30
F5 Networks Inc.	8.07
Trend Micro Inc.	7.64
Fortinet Inc.	7.55
Equinix Inc.	7.12
Palo Alto Networks Inc.	7.04
Symantec Corporation	6.49
Check Point Software Technologies Limited	6.41
Booz Allen Hamilton Holding Corporation, Class 'A'	5.79

CSRA Inc.	4.77
InterXion Holding NV	4.18
Proofpoint Inc.	3.91
CACI International Inc.	3.24
FireEye Inc.	2.57
Qualys Inc.	2.20
Mimecast Limited	1.58
CyberArk Software Limited	1.43
Barracuda Networks Inc.	1.41
Imperva Inc.	1.32
NEXTDC Limited	1.31
NIC Inc.	1.09
Radware Limited	0.83
Rapid7 Inc.	0.81
VASCO Data Security International Inc.	0.55
A10 Networks Inc.	0.54
<b>Total</b>	<b>97.16</b>

### Industry Allocation

	<b>% of Net assets Attributable to Unitholders</b>
<b>Portfolio by Category</b>	<b>December 31, 2017</b>
Equities	
Information Technology	90.1
Real Estate	7.1
Telecommunication Services	1.3
Derivative Assets	1.4
Other Assets, less Liabilities	0.1
	<b>100.0</b>

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](http://www.evolveetfs.com).