



Evolve ETFs

The U.S. Cannabis Market

Poised for Exponential Growth

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Table of Contents

Introduction.....	1
The Marijuana Industry.....	3
Legalization of Marijuana: A Disruptive Force.....	7
Growing Trend Towards Legalization.....	10
U.S. Federal Legalization of Cannabis: A Growth Catalyst.....	14
What is Currently Stifling Growth?.....	15
What Will Drive Future Growth?.....	17
Investing in the Marijuana Industry.....	22
Active Management: The Preferred Choice for Marijuana ETFs....	23
Seizing the U.S. Growth Opportunity.....	25
Comparing USMJ and SEED.....	26
USMJ: Evolve U.S. Marijuana ETF.....	27
SEED: Evolve Marijuana Fund.....	28
Glossary.....	29
Sources.....	30
About Evolve.....	32

Introduction

The growing trend towards legalization of marijuana in the U.S. presents exciting opportunities for investors seeking to take advantage of growth in the world's largest cannabis market.

Several key legal, legislative and political catalysts, combined with an increasing number of states legalizing either the medical or recreational use of cannabis, set the stage for the expansion of the U.S. cannabis industry.

In comparison to the Canadian market, a free market approach in the more innovative U.S. market lends to experimentation with new formats, retail experiences and business models, which will contribute to a more buoyant market once legalization takes hold.

As a result, U.S. cannabis stocks are expected to experience outstanding growth, just as Canadian cannabis stocks did in the early stages of legalization in Canada in 2017-2018, but on a much bigger scale in the significantly larger U.S. market.





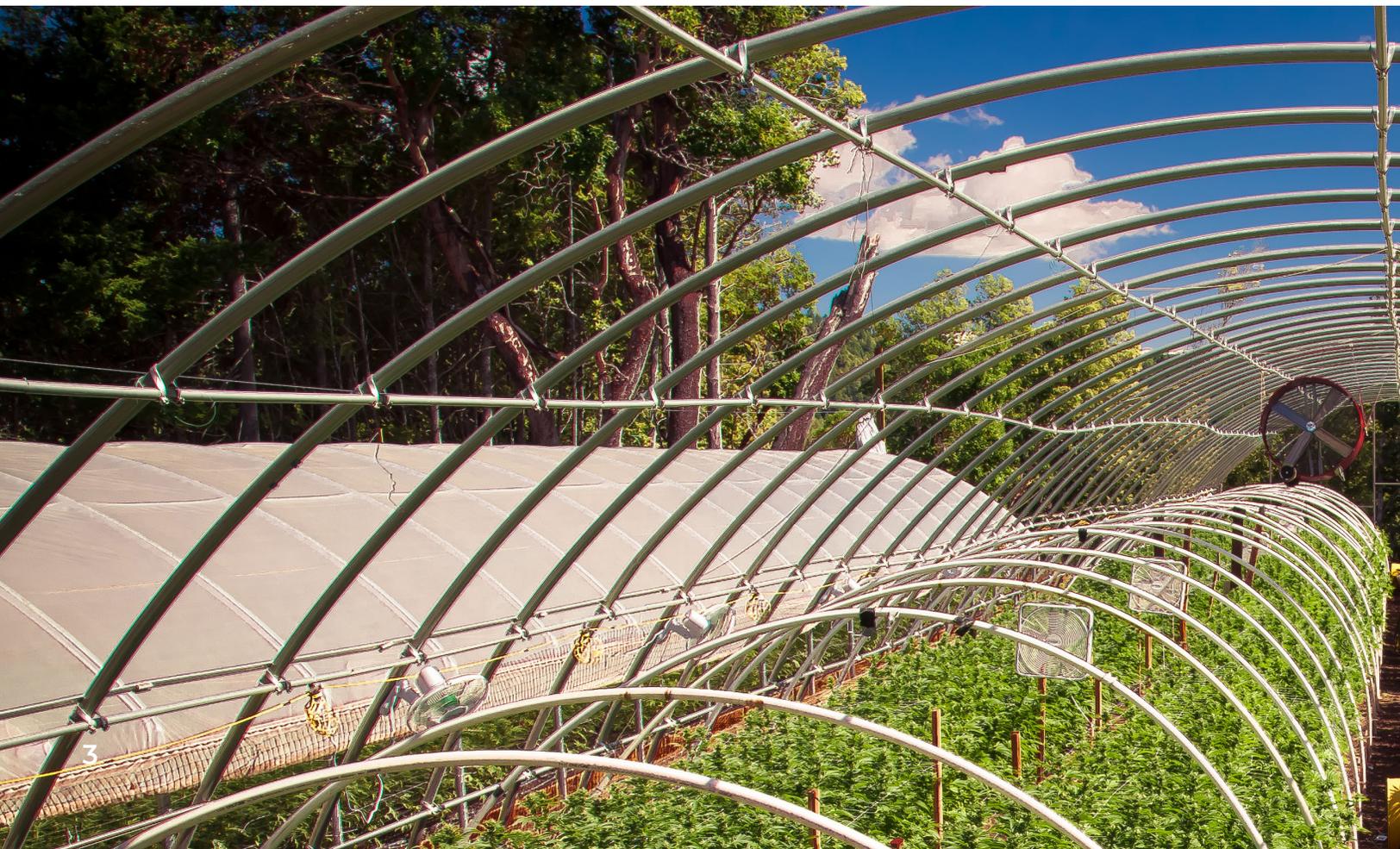
The Marijuana Industry

The global marijuana industry could be worth US\$130 billion in the next ten years, with the U.S. emerging as the largest cannabis market. By then, it is estimated that the American market would be worth US\$21.7 billion – almost four times the size of the Canadian market.¹

The industry is composed of more than just cultivators and consumers. It includes a growing list of industries that have developing subsectors with marijuana-related products and services. Ancillary products and services, businesses that indirectly support the industry without direct use of the marijuana plant, are also positively affected by this development.

Marijuana products are no longer limited to its most popular form, the marijuana flower used for smoking. This expansion now includes edibles, concentrates and their various forms of byproducts, including but not limited to oils, topicals, and pills.

Additionally, marijuana byproducts, such as CBD and hemp, are used in a number of industries with real economic growth potential.



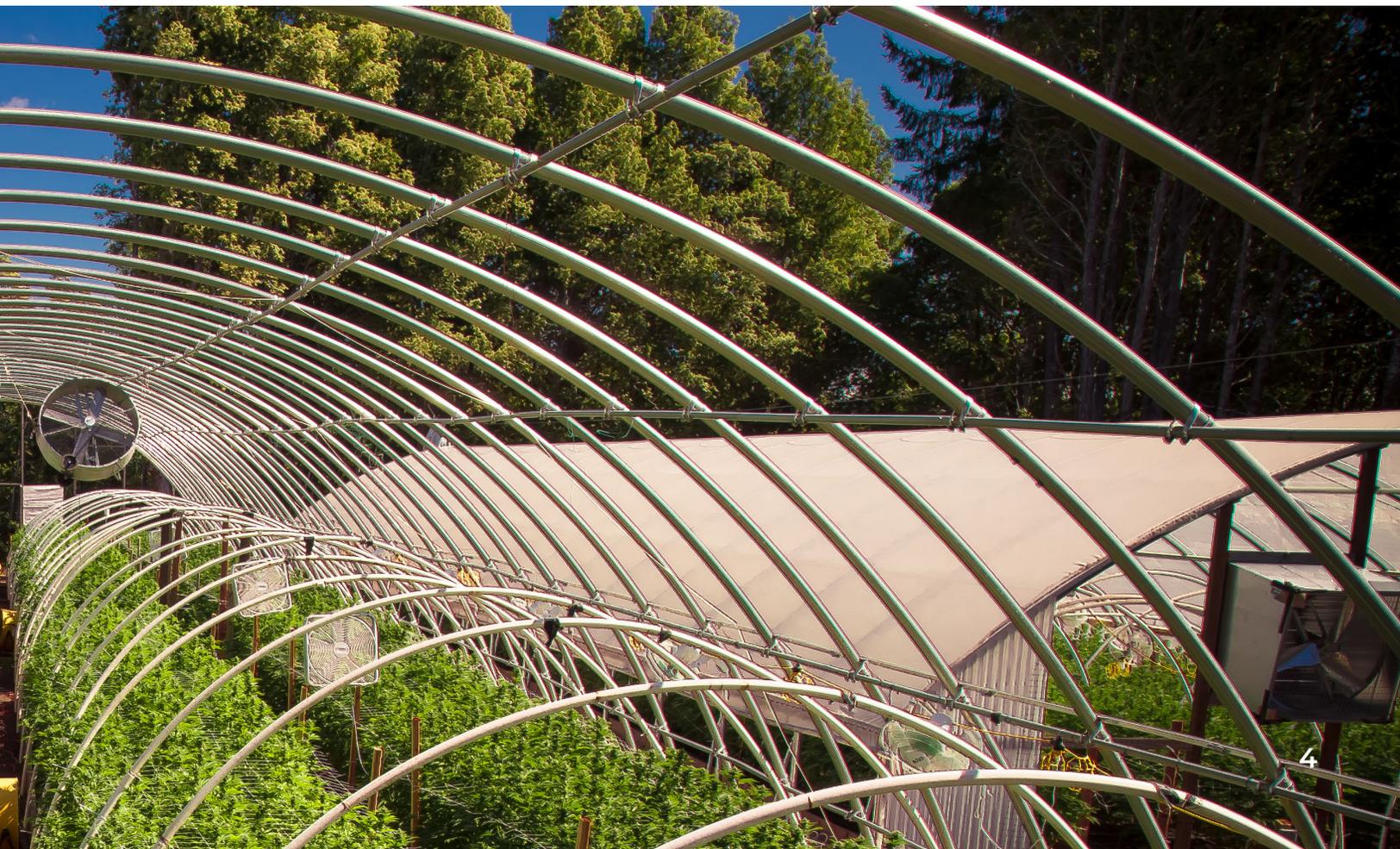
The following are some of the notable industries:

Advertising As with marketing pharma, tobacco and alcoholic beverages, marijuana products will require a specialized type of advertising, carving out its own niche in this industry.

Alcohol The marijuana industry already rivals alcohol in terms of market size and will likely overtake alcohol as a consumer product. In addition, the alcohol industry plans to introduce new products infused with marijuana.

Biodiesel & Energy Indoor marijuana cultivation will consume an increasing amount of clean and efficient energy, supporting sustainable growth in the sector.

Cannabis Tourism Cannabis cultivation and production will become a new attraction for tourists seeking unique experiences.



Construction and Real Estate Marijuana cultivation is highly specialized and will lead to increased demand for existing real estate to meet current requirements. These new demands may lead to modifications of current facilities to suit industry specifications, as well as the construction and development of new facilities to meet the growing requirements of the industry.

E-Commerce The e-commerce market will become a key distribution conduit for marijuana enabling established players in the space to flourish.

Medicine Though already legal in 33 states, the use of marijuana for medicinal purposes will become more widespread with the introduction of further applications for personal use.

Non-Alcoholic Beverages A new line of marijuana infused non-alcoholic beverages will emerge in direct competition with beverages, such as caffeinated drinks, that provide a lift to consumers and are for personal consumption.

Packaging The distribution of marijuana will fuel demand for special, secure packaging.

Pharmaceutical Big pharma will be forced to conduct research into the use of marijuana and CBD-infused drugs to adjust to the changing market and increasing demand.

Textiles & Fashion Hemp, which has long been used in the manufacture of textiles and clothing, will become a new trend, supported by increased hemp production.

Tobacco Marijuana will emerge as a recreational substitute for tobacco across a wide cross-section of tobacco users.

Veterinary Products As with humans, a wider range of new marijuana-based products will be developed specifically for pets.

Wellness & Beauty Marijuana and its derivatives will be introduced as an active ingredient in a wide spectrum of beauty and wellness products.



Legalization of Marijuana

A Disruptive Force

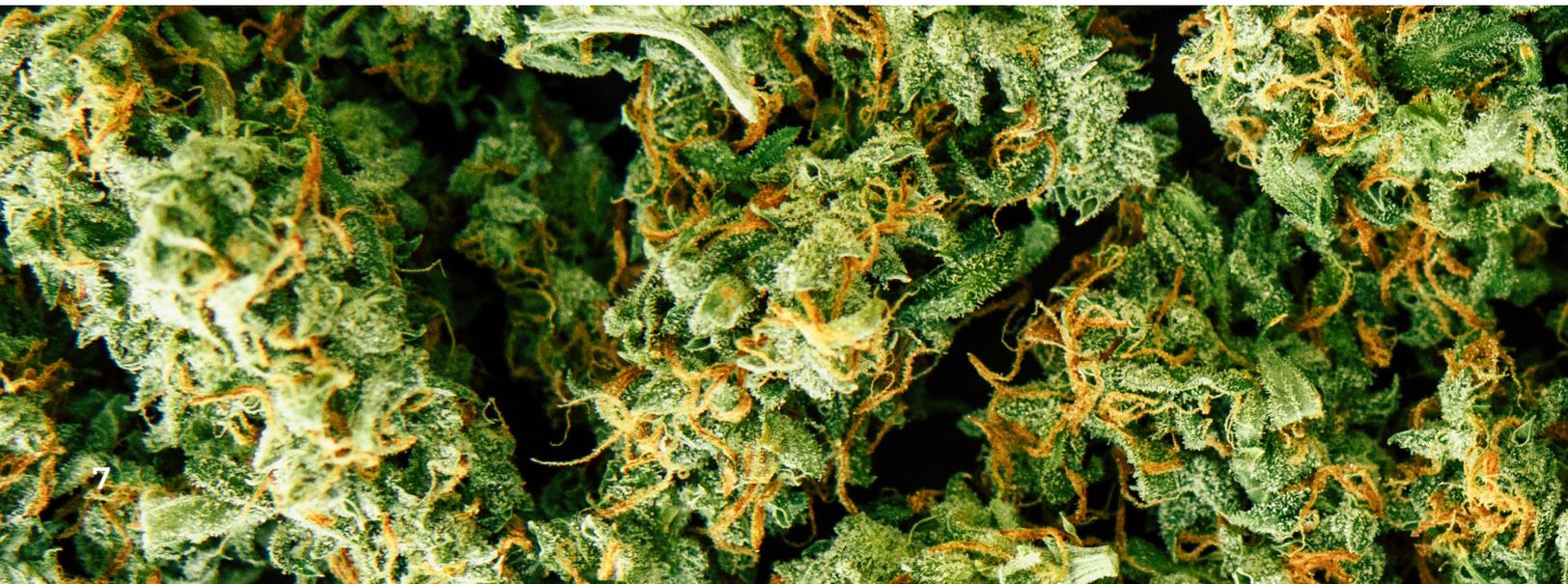
There is an increasing growth opportunity for both medical and recreational product categories. Medical marijuana is expected to make up 35% of the global market share for legal marijuana sales in 2022.ⁱⁱ Recreational marijuana is expected to drive growth in the coming years, especially as the pursuit for legalization continues.

Currently, medical use of marijuana is legal in 33 U.S. states plus the District of Columbia. Recreational use of marijuana is legal in 11 states, with the addition of the District of Columbia as well. Illinois recently became the 11th state to legalize recreational use through The Cannabis Regulation and Tax Act (HB 1438) with legislation to take effect on January 1, 2020.

There is growing pressure for the legalization of marijuana at the Federal level. The House of Representatives recently approved in a floor vote of 267 to 165 to block the enforcement of federal laws by the Department of Justice against marijuana use in territories where state laws allow it.ⁱⁱⁱ

Several legislative measures, including the Farm Bill which legalized hemp, represent stepping-stones toward the federal legalization of cannabis.

Another notable development that has also been presented to the House of Representatives and the Senate for consideration is the SAFE Act. This will enable banks to finance marijuana companies and get the Federal government to recognize the legalization of cannabis at the State level.



\$24.0 billion

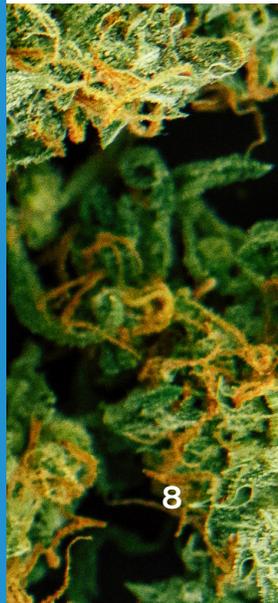
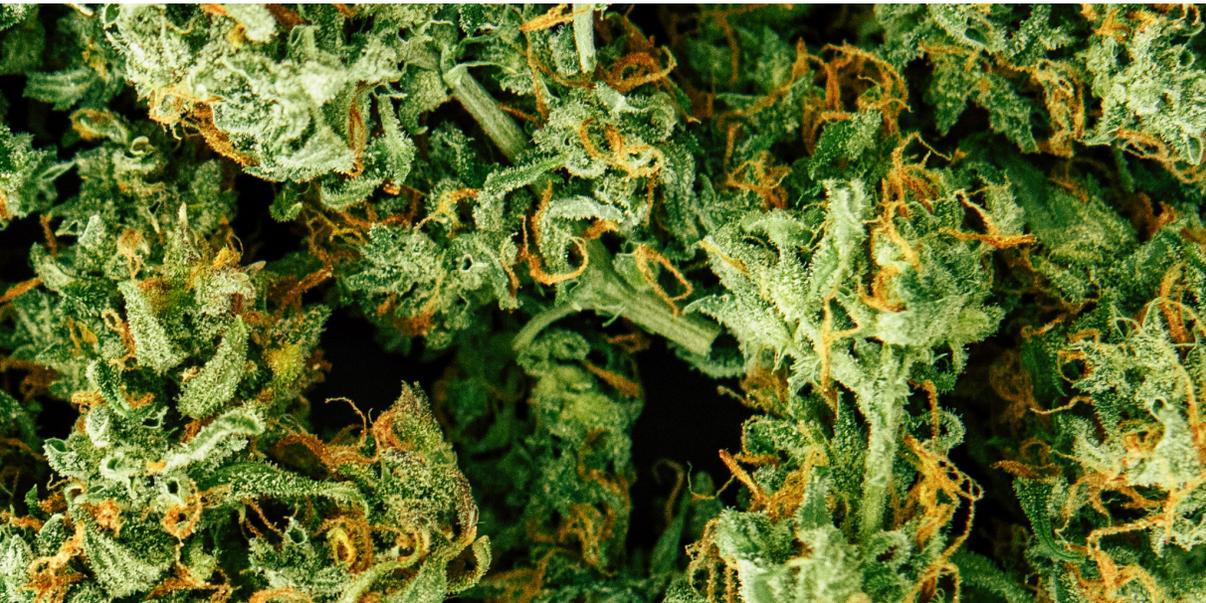
Projected 80% increase in total annual sales of medical and recreational marijuana in 2025, from \$13.3 billion in 2019

\$13.2 billion

Forecasted sales of recreational marijuana in 2025, an increase from \$6.8 billion in 2019

\$10.8 billion

Forecasted sales of medical marijuana in 2025, an increase from \$6.5 billion in 2019

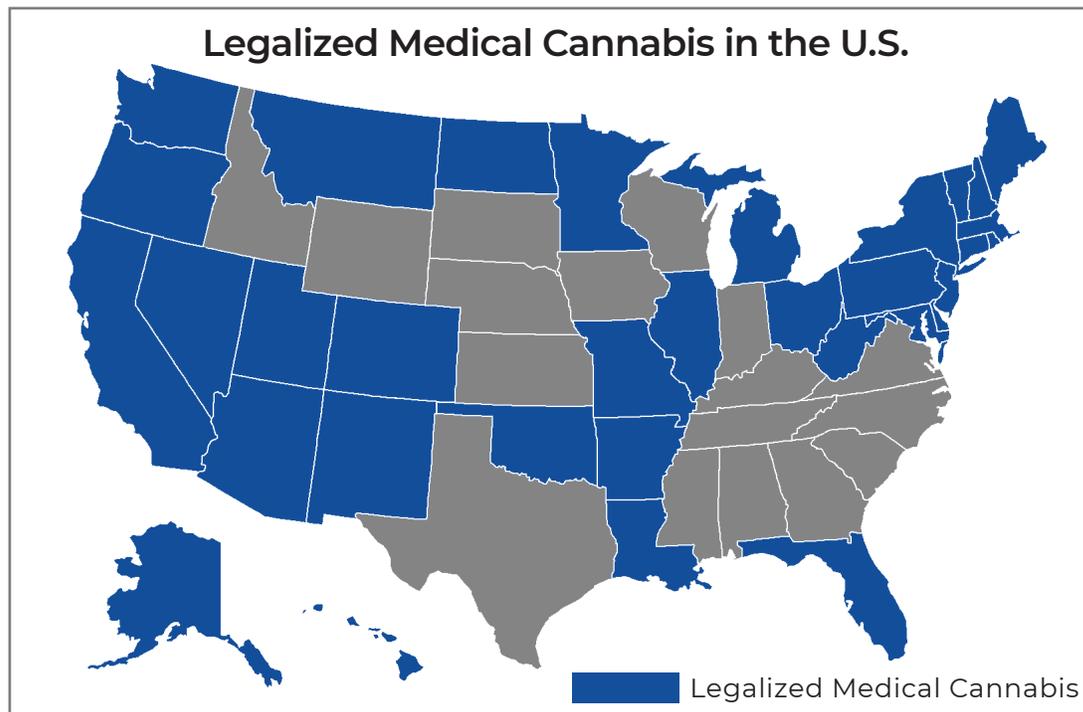




Growing Trend Towards Legalization

In the 1990s, five states and the District of Columbia passed medical marijuana laws. In the 2000s, three additional states passed medical marijuana laws. Since 2010, twenty-six additional states have legalized medical use of marijuana, representing a growing trend towards legalization.

Medical Use of Cannabis Legal in 34 Jurisdictions^{iv} (See map below)



Medical use of marijuana is legal in 33 U.S. states plus the District of Columbia:

- | | | |
|----------------|-------------------|--------------------------|
| 1. Alaska | 13. Maryland | 25. Ohio |
| 2. Arizona | 14. Massachusetts | 26. Oklahoma |
| 3. Arkansas | 15. Michigan | 27. Oregon |
| 4. California | 16. Minnesota | 28. Pennsylvania |
| 5. Colorado | 17. Missouri | 29. Rhode Island |
| 6. Connecticut | 18. Montana | 30. Utah |
| 7. Delaware | 19. Nevada | 31. Vermont |
| 8. Florida | 20. New Hampshire | 32. Washington |
| 9. Hawaii | 21. New Jersey | 33. West Virginia |
| 10. Illinois | 22. New Mexico | 34. District of Columbia |
| 11. Louisiana | 23. New York | |
| 12. Maine | 24. North Dakota | |

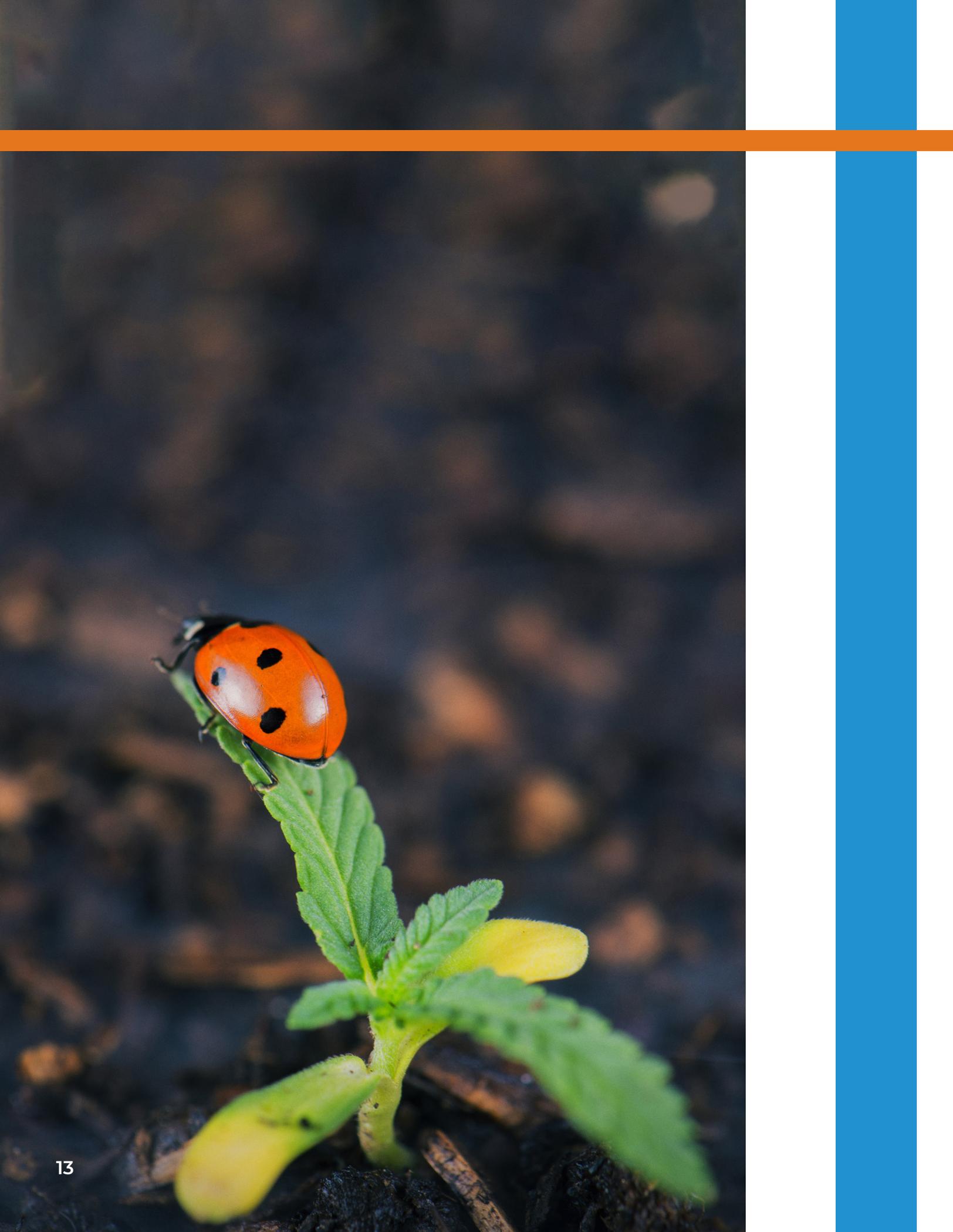
Recreational Use of Cannabis Legal in 11 States Plus the District of Columbia^v
(See map below)



Recreational use of marijuana is legal in 11 states and the District of Columbia.

- | | | |
|---------------------------|------------------|--------------------------|
| 1. Alaska | 5. Maine | 9. Oregon |
| 2. California | 6. Massachusetts | 10. Vermont |
| 3. Colorado | 7. Michigan | 11. Washington |
| 4. Illinois ^{vi} | 8. Nevada | 12. District of Columbia |





U.S. Federal Legalization of Cannabis

A Growth Catalyst

The potential for Federal legalization of cannabis is a distinct possibility. Should this happen, the U.S. cannabis market will continue to grow, consolidating the country's position as the predominant market in the world.

Current growth forecasts of the U.S. cannabis market vary widely – ranging from \$30 billion to \$120 billion over the next five years. The variation in market growth is largely due to the lack of a formal structure to accurately measure supply, demand and price statistics in the fragmented market. The Cannabis Industry Annual Report takes a more conservative stance and forecasts that total annual sales of medical and recreational marijuana will increase from \$13.38 billion in 2019 to \$24.07 billion in 2025.^{vii}

Sales of recreational marijuana are expected to increase at a faster pace, almost doubling from \$6.88 billion in 2019 to \$13.22 billion in 2025. Sales for medical use are projected to increase from \$6.50 billion to \$10.86 billion.^{vii}

What is Currently Stifling Growth?

Under the Controlled Substances Act (CSA) of 1970, the use and possession of cannabis is illegal under U.S. Federal Law. Cannabis is classified as a Schedule I substance under the CSA, which means that it has high potential for abuse and no accepted medical use.

Although cannabis is a Schedule I drug, the Rohrabacher–Farr amendment - introduced in 2003 and renewed annually since then - prohibits federal prosecution of individuals complying with state medical cannabis laws. The amendment prohibits the Federal Justice Department from spending funds to interfere with the implementation of state medical marijuana laws superceding Federal anti-marijuana laws.

Prior to January 2018, the Cole Memorandum - introduced under the Obama administration in 2013 - provided some protection against the enforcement of Federal Law in states that have legalized marijuana. The Memorandum was subsequently rescinded by the Attorney General in January 2018 under the Trump administration, allowing conflicting policies around medical and recreational cannabis to ensue.



What Will Drive Future Growth?

In addition to an increasing number of states legalizing the use of marijuana, market growth is expected to be fueled by several enacted and proposed legislative measures, with the addition of political pressure to legalize marijuana.

Some of the key measures include:

The Agricultural Improvement Act of 2018 (The Farm Bill)^{viii}

The legalization of hemp represents a significant softening of the position of the Federal government on cannabis legalization and could be viewed as a stepping-stone toward federal legalization of cannabis in all forms for all uses.

In 2018, the U.S. Congress updated The Agricultural Improvement Act of 2018 (The Farm Bill), legalizing hemp. Hemp is a strain of the cannabis sativa plant that contains less than 0.3% tetrahydrocannabinol (THC) which is the psychoactive ingredient in marijuana.



Secure And Fair Enforcement in Banking (SAFE) Act^{viii}

The Secure And Fair Enforcement in Banking (SAFE) Act 2019, if passed by Congress and becomes law, will open the doors for U.S. cannabis companies to access the banking system for capital to grow their businesses.

This Act would prevent federal banking regulators from punishing banks for working with cannabis-related businesses that are obeying state laws. At present, the Act has made it through preliminary stages of the legislative process.

Strengthening the Tenth Amendment Through Entrusting States (STATES) Act^{viii}

Strengthening the Tenth Amendment Through Entrusting States (STATES) Act proposes to recognize the legalization of cannabis and the U.S. state laws that have legalized it through their legislatures or citizen initiatives. Essentially, this bill would make cannabis federally legal in places where it is legal at the state level. This bill is still subject to passage by the Senate.



Political Pressure

Bipartisan political pressure on the government to legalize marijuana is continuing to build and garner attention heading into election year 2020.

- Senator Cory Booker (Democrat, New Jersey), reintroduced the Marijuana Justice Act in March 2019 to remove marijuana from the federal scheduling system. Co-sponsors of the Act include candidates such as Bernie Sanders, Kamala Harris, Elizabeth Warren, and Kirsten Gillibrand.
- Senator Ron Wyden's (Democrat, Oregon) proposal, S.420, would de-schedule marijuana by removing it from the Controlled Substances Act (CSA), establishing a federal excise tax on legal sales, and creating a system of permits for businesses to engage in cannabis commerce.
- Federal lawmaker from Oregon, Earl Blumenauer (Democratic, Oregon), filed a congressional bill, numbered H.R. 420, to regulate marijuana like alcohol.
- Minnesota state lawmakers also introduced a marijuana legalization bill designated as HF 420.

Marijuana Justice Act

The Marijuana Justice Act, proposes to remove marijuana from the federal scheduling system, which classifies marijuana as an illegal Schedule 1 substance under the Controlled Substances Act (CSA) of 1970. Effectively, this Act proposes that marijuana is legalized.

Due to inconsistencies in Federal and State legislations, U.S. cannabis companies are currently undervalued versus their northern counterparts. The valuation of Canadian cannabis companies is about twenty times their equivalent in the U.S.^{ix} This exemplifies the dramatic effect Federal legalization could have in this industry.

If the STATES Act is passed, it would recognize legalization at the Federal level in States where marijuana has been legalized. This would allow companies in those states to grow in ways that were previously unavailable to them – mergers and acquisitions, listing on stock exchanges, and so forth. Seeing how the value of Canadian companies were affected by such events, one can only expect the same to take place in the U.S.





Investing in the Marijuana Industry

It is a rare opportunity to invest in the early stages of a budding industry. The current U.S. environment is similar to that of Canada in 2017. Between 2017 and 2018, cannabis investments nearly quadrupled.^x According to Viridian Capital Advisors, cannabis-related companies raised about \$13.8 billion by the end of 2018 versus only \$3.5 billion in 2017. This spike was driven by nationwide legalization in Canada and additional state-wide legalization in the U.S.

With only 20% of states having legalized marijuana, the U.S. is already the largest cannabis market in the world. As the trend towards further legalization progresses, so will the market size and foothold of the U.S. as the most dominant market globally.

Furthermore, the free market approach in the U.S. makes it more conducive to innovations in this industry - including new business models, retail experiences, and experimentations with new formats. This environment will encourage not only larger players, but also small businesses in this sector to thrive, resulting in a more dynamic and diverse marketplace.

The marijuana industry is expected to continue expanding with significant catalysts for growth on the horizon. While edibles are currently available in legalized U.S. states, Health Canada released new regulations on cannabis edibles in Canada last June. Cannabis products - beverages, topicals and extracts - are expected to be available in the legalized Canadian market as early as mid-December 2019.

Political and social pressure to legalize marijuana in the U.S. continues to build.^{xi} With these anticipated developments, participating in a burgeoning industry such as this could be both exciting and fulfilling.

Active Management

The Preferred Choice for Marijuana ETFs

When it comes to investing in the cannabis sector, active management has many distinct advantages over passive management.

While a passive index provides investors with broad exposure to the market, the underlying truth is that active managers have the flexibility to make investment decisions, compared to passive managers who are restricted to investing in a benchmark index wherein they have no control over stock selection.

Active management provides more flexibility in the emerging cannabis sector where market moving events unfold quickly. The cannabis industry is typically driven by news, corporate announcements, mergers and acquisitions and other unanticipated developments in a continuously evolving regulatory environment.

Though growing rapidly, the relatively immature cannabis sector can be susceptible to a higher degree of uncertainty compared with more mature segments of the market.

As a result, active managers in this sector may take defensive action and sell the stocks of troubled companies based on anticipated market volatility or poor earnings reports. Passive funds simply do not have the same degree of flexibility.

It is therefore essential to have an experienced team to manage an ETF of this nature because the dispersion in returns between companies that succeed and those that are not succeeding at any point of time is very wide.

Part of the active management approach of Evolve ETFs (Evolve) includes adjusting the portfolio as required. This involves making tactical portfolio shifts at any given point in time that the market warrants in order to maximize growth potential and positive returns.



Seizing the U.S. Growth Opportunity

In order to seize the growth opportunity in the U.S. cannabis market for its investors, Evolve launched the world's first ETF focused on the U.S. marijuana industry. The actively managed Evolve U.S. Marijuana ETF (USMJ) commenced trading on the Aequitas NEO Exchange on April 17, 2019.

USMJ is designed to provide investors with long-term capital appreciation by actively investing in a diversified mix of equity securities of public issuers that are involved in the U.S. marijuana industry where state and local laws regulate and permit such activities.

Evolve acts as portfolio manager for USMJ, providing investors with breadth and depth of expertise in the cannabis space, as exemplified through the portfolio management of the Evolve Marijuana Fund (SEED).



Comparing USMJ and SEED

Similarities

- Both are actively managed ETFs that provide diversified exposure to the industry.
- Both are traded in Canadian Dollars and use the same investment philosophy and process.

Differences

- SEED invests in global companies, excluding the U.S., that are involved in the marijuana industry, while USMJ invests in companies that are involved in the U.S. marijuana industry.
- USMJ is traded via the Aequitas NEO Exchange Inc. (NEO), while SEED is traded via the Toronto Stock Exchange (TSX).
- USMJ is hedged upon discretion, while SEED is unhedged.



USMJ : Evolve U.S. Marijuana ETF

Looking to invest in the U.S. cannabis industry?

USMJ 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 U.S. marijuana industry where state and local laws regulate and permit such activities.

ETF details are as follows:

Listing Date: April 17, 2019

Stock Exchange: Aequitas NEO Exchange Inc. (NEO)

NEO Ticker: USMJ (Hedged)

Currency: Canadian Dollar (CAD)

Asset Class: Sector Equities

Cusip: 30052L107

Style: Actively Managed

Management Fee¹: 0.75%

Distribution Frequency: Monthly, if any

Registered Account Eligibility: Yes

Number of Holdings²: 43

Manager: Evolve Funds Group Inc.

¹Plus applicable sales taxes.

²Based on portfolio as at July 31, 2019.

For more information about USMJ, including the top holdings in its portfolio, visit <https://evolveetfs.com/usmj>.



SEED : Evolve Marijuana Fund

Looking for a diversified cannabis investment?

SEED 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.

ETF details are as follows:

Listing Date: February 12, 2018
Stock Exchange: Toronto Stock Exchange (TSX)
TSX Ticker: SEED (Unhedged)
Currency: Canadian Dollar (CAD)
Asset Class: Sector Equities
Cusip: 30052T100
Style: Actively Managed
Management Fee¹: 0.75%
Distribution Frequency: Monthly, if any
Registered Account Eligibility: Yes
Number of Holdings²: 31
Manager: Evolve Funds Group Inc.

¹Plus applicable sales taxes.

²Based on portfolio as at July 31, 2019.

For more information about SEED, including the top holdings in its portfolio, visit <https://evolveetfs.com/seed>.



Glossary

Cannabinoids Cannabis contains hundreds of chemical substances. Over 100 of these are known as cannabinoids. Cannabinoids are made and stored in the plant's trichomes. Trichomes are tiny, clear hairs that stick out from the flowers and leaves of the plant. Cannabinoids have effects on cell receptors in the brain and body. They can change how those cells behave and communicate with each other.

Cannabis Cannabis refers to the plant *Cannabis sativa*. The cannabis plant originally comes from Asia. It is now grown around the world, including in Canada.

CBD Cannabidiol (CBD) is another cannabinoid. Unlike THC, CBD does not produce a high or intoxication. There is some evidence that CBD may block or lower some of the effects of THC on the mind. This may occur when the amount of CBD in the cannabis is the same or higher than the amount of THC. CBD is also being studied for its possible therapeutic uses.

Hemp Cannabis that contains very low amounts of THC in its flowers and leaves (less than 0.3%) is classified as hemp.

Marijuana Marijuana is another word for cannabis, and may be used interchangeably.

THC The most researched cannabinoid is delta-9-tetrahydrocannabinol (THC). THC is responsible for the way your brain and body respond to cannabis, including the high and intoxication. THC has some therapeutic effects but it also has harmful effects.

Source: <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/about.html>

Sources

ⁱ <https://www.bnnbloomberg.ca/global-cannabis-market-could-be-worth-up-to-us-130b-by-2029-jefferies-1.1219522>

ⁱⁱ <https://www.forbes.com/sites/thomaspellechia/2018/06/26/in-2017-beyond-u-s-enjoys-the-highest-legal-cannabis-market-share-worldwide/#5431e3272d20>

ⁱⁱⁱ <https://www.forbes.com/sites/tomangell/2019/06/20/congress-votes-to-block-feds-from-enforcing-marijuana-laws-in-legal-states/#ecfba3f4b62e>

^{iv} <https://www.webmd.com/a-to-z-guides/qa/what-us-states-have-legalized-medical-marijuana>

^v <https://www.esquire.com/lifestyle/a21719186/all-states-that-legalized-weed-in-us/>

^{vi} <https://www.cnn.com/2019/06/25/politics/illinois-legal-marijuana/index.html>

^{vii} The Cannabis Industry Annual Report: 2017 Legal Marijuana Outlook, Frontier Financial Group, Inc.

https://newfrontierdata.com/wp-content/uploads/2015/11/CIAR_Webinar_FINAL.pdf

^{viii} <https://www.forbes.com/sites/tomangell/2019/02/08/feds-would-tax-marijuana-under-new-senate-bill-actually-numbered-s-420/#555f7f0f612f>

^{ix} Eight Capital, June 3, 2019, Cannabis, "Time to Look at the \$275 B Arb Opportunity in the U.S."

^x <https://fortune.com/2018/12/20/cannabis-investments-2018/>

^{xi} <https://thehill.com/opinion/civil-rights/450829-political-winds-have-shifted-in-favor-of-marijuana-legalization>

Disclaimer

Commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs). Please read the prospectus before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs. Please read the prospectus for a complete description of risks relevant to the ETF. Investors may incur customary brokerage commissions in buying or selling ETF units.

Certain statements contained in this presentation may constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve Funds undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.



About Evolve

With assets under management of over \$500 million, Evolve ETFs is one of Canada's fastest growing ETF providers since launching its first suite of ETFs on September 20, 2017. As a leader in thematic ETFs, Evolve specializes in bringing innovative ETFs to Canadian investors. Evolve's suite of ETFs provide investors with access to: (i) long term investment themes; (ii) index-based income strategies; and (iii) some of the world's leading investment managers. Established by a team of industry veterans with a proven track record of success, we create investment products that make a difference. For more information, please visit [EvolveETFs.com](https://www.evolveetfs.com).



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Your investments should too.

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