



Evolve ETFs

Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2019

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 Global Materials & Mining Enhanced Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Materials & Mining Index, or any successor thereto, while mitigating downside risk. The Fund invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, while writing covered call options on up to 33% of the portfolio securities, at the direction of the Manager. The level of covered call option writing may vary based on market volatility and other factors

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 June 12, 2019, no performance data can be shown. The Fund's net assets were \$12.3MM as at December 31, 2019.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

The materials and mining sector largely benefited from higher prices in 2019 stemming from supply concerns, geopolitical tensions, and the potential for lower US interest rates.

Over the course of 2019, nickel and copper prices both reached highs on the back of investor worries about impending supply shortages. There were fears of a nickel shortage from Indonesia, which placed a ban on exports as a result of export violations. However, it is anticipated that Indonesia will resume exports in 2020, following the temporary ban.

Precious metals, and especially gold and silver, saw some gyrations but had overall strong performance in 2019 as safe investments in a year of heightened tensions between the US and both China and the Middle East. Gold's safe-haven appeal was also lifted by a weak retail sales data and industrial output report out of the US in the Fall, which fanned fears about the health of the world's biggest economy.

Silver prices initially rose in 2019 part due to production declines from three of the top producing countries. Peru, Chile, and Mexico all reported declines in silver mine supply in the first half of the year, with Peru suffering the largest drop-off. With these three countries accounting for 45% of total global silver production, a reduction in mine supply can impact the overall market.

At the end of September, however, gold, platinum and silver prices declined as a result of a soaring US dollar, which hit multi-year highs. Gold fell below the \$1500 an ounce mark to record its first monthly loss in five months, while silver fell to its lowest level in more than a month. Palladium, which hit a record high in September, declined marginally but was still up about 9% for the month, while platinum also fell to its lowest level in about a month.(i)

Late in the year, gold prices gained about 3.4%, ending December at a 14-week high and yielding an 18.9% return for 2019, the metal's strongest year since 2010. Likewise, silver gained 4.8% in December and was up 5.5% for the quarter. Overall, silver prices were up 15.3% in 2019, its best annual gains since 2016. Both platinum (up 8.1% in December and up 21.6% in 2019) and palladium (up 5.4% in December and up 59% for 2019) had strong years.(ii)

Lower demand from China due to a slowdown in economic growth in 2019 had a negative impact on exporters of metals, particularly from Brazil and Australia. China has traditionally been one of the largest importers of raw materials such as base metals.

The deceleration in the Chinese economy translated into particularly weak demand for aluminium, while expectations of subdued consumption in the European Union and Japan, together with weak automotive production, also weighed on prices.

Copper prices recovered in September on rising optimism following the announcement that Beijing and Washington agreed to resume trade talks in October. Likewise, the price of aluminium gained ground again by November, largely fuelled by bearish investors buying back their short positions. But expectations were also voiced that the global market will flip into a surplus in 2020.

(i) <https://www.cnn.com/2019/09/30/reuters-america-precious-platinum-gold-slide-as-dollar-soars-palladium-eases-off-record.html>

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(ii) <https://www.marketwatch.com/story/gold-higher-on-track-for-strongest-year-since-2010-2019-12-31>

Recent Developments

Subsequent to year end, COVID-19 became a global pandemic and resulted unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the financial markets and have had an enormous impact on businesses and consumers in all sectors. The duration and impact of these developments is unknown at this time and as such, the financial impact to investments cannot be estimated.

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 0.60% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the year ended December 31, 2019, the Fund incurred \$28,806 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.

Administration Fees

The administration fees are calculated based on 0.15% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the year ended December 31, 2019, the Fund incurred \$7,201 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 may, in any particular period, be less than or exceed the operating expenses that the Manager incurs for that class.

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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, 2019 (\$) |
|--|------------------------------|
| For the periods ended: | |
| Unhedged Units - Net Assets per Unit | |
| Net Assets per Unit, beginning of period ² | 20.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.41 |
| Total expenses | (0.20) |
| Realized gains (losses) | (0.42) |
| Unrealized gains (losses) | 3.46 |
| Total increase (decrease) from operations³ | 3.25 |
| Distributions: | |
| From dividends | (0.15) |
| Return of capital | (0.45) |
| Total annual distributions⁴ | (0.60) |
| Net Assets per Unit, end of period | 21.33 |
| Hedged Units - Net Assets per Unit | |
| Net Assets per Unit, beginning of period ² | 20.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.44 |
| Total expenses | (0.21) |
| Realized gains (losses) | (0.09) |
| Unrealized gains (losses) | 2.01 |
| Total increase (decrease) from operations³ | 2.15 |
| Distributions: | |
| From dividends | (0.11) |
| Return of capital | (0.49) |
| Total annual distributions⁴ | (0.60) |
| Net Assets per Unit, end of period | 21.50 |

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2019. The Fund began operations on June 12, 2019.

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, 2019 |
|--|----------------------|
| For the periods ended: | |
| Unhedged Units - Ratios/Supplemental Data | |
| Total Net Asset Value (\$) ⁵ | 10,663,210 |
| Number of units outstanding ⁵ | 500,000 |
| Management expense ratio ⁶ | 0.84% |
| Trading expense ratio ⁷ | 0.61% |
| Portfolio turnover rate ⁸ | 61.38% |
| Net Asset Value per unit (\$) | 21.33 |
| Closing market price (\$) | 21.29 |
| Hedged Units - Ratios/Supplemental Data | |
| Total Net Asset Value (\$) ⁵ | 1,612,226 |
| Number of units outstanding ⁵ | 75,000 |
| Management expense ratio ⁶ | 0.85% |
| Trading expense ratio ⁷ | 0.61% |
| Portfolio turnover rate ⁸ | 61.38% |
| Net Asset Value per unit (\$) | 21.50 |
| Closing market price (\$) | 21.50 |

5 This information is provided as at December 31, 2019.

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 June 12, 2019, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

| Security | Percentage of Net Asset Value (%) |
|-----------------------------------|---|
| Sibanye Gold Limited, ADR | 6.9 |
| Freeport-McMoRan Inc. | 5.9 |
| Southern Copper Corporation | 5.3 |
| MMC Norilsk Nickel PJSC, ADR | 5.3 |
| Gold Fields Limited, ADR | 5.2 |
| ArcelorMittal SA | 5.1 |
| Reliance Steel & Aluminum Company | 5.1 |
| Newmont Goldcorp Corporation | 5.0 |
| AngloGold Ashanti Limited, ADR | 4.9 |
| Rio Tinto PLC, ADR | 4.9 |
| Steel Dynamics Inc. | 4.9 |
| Vale SA, ADR | 4.8 |
| Eastman Chemical Company | 4.7 |

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Top 25 Positions (cont'd)

| | Percentage of Net Asset Value (%) |
|---|---|
| Security | |
| BHP Group PLC, ADR | 4.7 |
| LyondellBasell Industries NV, Class 'A' | 4.7 |
| Cia Siderurgica Nacional SA, ADR | 4.6 |
| Nucor Corporation | 4.6 |
| Vedanta Limited, ADR | 4.4 |
| DuPont de Nemours Inc. | 4.3 |
| Royal Gold Inc. | 4.3 |
| Total | 99.6 |

Industry Allocation

| Portfolio by Category | Percentage of Net Asset Value (%) |
|--------------------------------|---|
| Equities | |
| Materials | 99.6 |
| Derivative Assets | 0.1 |
| Derivative Liabilities | (0.1) |
| Cash and Cash Equivalents | 0.4 |
| Other Assets, less Liabilities | 0.0 |
| 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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