



Evolve ETFs

Evolve Automobile Innovation Index Fund

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 Automobile Innovation Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Future Cars Index (the "Benchmark"), or any successor thereto. The Fund invests primarily in equity securities of companies that are directly or indirectly involved in developing electric drivetrains, autonomous driving or network connected services for automobiles.

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

For the year ended December 31, 2019, Unhedged ETF Units returned 44.1% versus the Solactive Future Cars Index return of 44.3%. Hedged ETF Units returned 52.0% versus the Solactive Future Cars Index Canadian Dollar Hedged return of 52.5%. US Dollar Unhedged ETF Units returned 51.5% versus the Solactive Future Cars Index USD return of 52.0%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading and hedging strategies. The difference in performance of the non-hedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading. Since the Hedged Class A and F mutual fund units were launched on April 23, 2019, no performance data can be shown. Fund's net assets were \$10.8MM as at December 31, 2019.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

Developments in electric (EV) and autonomous vehicles (AV) dominated the automotive industry in the first half of 2019, fuelled by partnerships among carmakers to develop EV and AV technology and related ancillary products and services; mergers and acquisitions; an increasing number of companies venturing into the market; and strong infrastructure spending. Several major car companies held by the Fund, among them, Ford Motor Co., Volkswagen AG Preferred, Bayerische Motoren Sponsored ADR (BMW) and Tesla Inc. have all made major investments or entered into partnerships in the AV and EV space.

Companies in the auto supply chain held by the Fund, such as Advanced Micro Devices, Dialog Semiconductor PLC, Knowles Corp., Analog Devices Inc. and Nvidia Corp. were major service providers to car companies developing EVs and AVs.

The global electric vehicle (EV) and autonomous vehicle (AV) markets are poised for dramatic growth over the next decade. According to projections by Allied Market Research, the EV market will reach \$567 billion by 2025, up from \$118 billion in 2017, representing a CAGR of 22.3% over the period. The AV market is forecasted to grow by a CAGR of 41.5% between 2017 and 2026, to reach \$615 billion by 2026, according to a recent report by Research And Markets.(i)

In terms of percentage of all cars, a market analysis by Bloomberg NEF concluded that it expects 56% of light commercial vehicle and 31% of medium commercial vehicle sales in U.S., China and Europe to be electric by 2040.(ii) As just one early example, plug-in EV sales in Belgium tripled in December 2019, rising to a total market share of 6.3%, or more than 1 in 16 new cars in the country. Electric car sales in Belgium improved 32% year-over-year from 2018, with the market being mainly for premium brands, with Tesla, BMW, and Volvo the top sellers.(iii)

Canadian electric vehicle (EV) sales have climbed higher as a result of the \$5,000 Federal rebate program which came into effect on May 1. Announced in the March 2019 Federal budget, the Federal rebate is part of Ottawa's goal to increase sales of EVs to 10 per cent of all vehicles sold by 2025, 30 per cent by 2030, and 100 per cent by 2040.(iv)

According to Transport Canada, more than 14,000 EVs were bought nationwide using the rebate since May 1. The department also said overall EV sales were up 30 per cent between January and June, compared to the year before. BC and Quebec (which offer provincial rebate programs which can be combined with the Federal program to make EVs cheaper, and require dealerships to sell a certain percentage of EVs) experienced the largest increases in sales. And, in a move to phase out gas-powered vehicles, BC has introduced legislation that would require all new cars and trucks sold in the province to be zero emission by 2040.(v)

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While individuals are increasingly adopting EVs, it is anticipated that they will also play a greater role in areas such as delivery and public transportation. For instance, Amazon announced plans to acquire 100,000 EVs by 2030 from Rivian, a start-up in which it has invested. Other organizations such as transit agencies, the US Postal services, among others, are expected to follow in Amazon's footsteps.(vi)

2019 was also a year of major charging infrastructure building and planning across Canada. Ontario's biggest power generator, Ontario Power Generation, and its largest transmission utility, Hydro One, announced that they will jointly deploy over 100 electric vehicle fast-chargers in 43 locations by end of 2020.(vii) In October, Newfoundland and Labrador issued a tender soliciting bids for land leases for 14 high-speed Level 3 charging stations along the full length of the Trans-Canada Highway from Greater St. John's to Port Aux Basques.(viii) And the final station in Petro-Canada Trans-Canada EV fast charging network—the "Electric Highway"—opened north of Victoria, B.C. in December. Built in less than a year with the help of \$4.6 million in federal funding, the coast-to-coast charging network features over 40 stations along the Trans-Canada highway and is believed to be the longest non-proprietary charging network in the world.(ix)

Likewise, in December, the Trudeau government revealed plans to install an additional 5,000 electric vehicle charging stations along the Trans-Canada Highway and other major urban and rural road networks, and announced new federal public transit investments to facilitate the purchase of 5,000 zero-emission school and transit buses for school boards and municipalities across the country over the next five years.(x)

(i) <https://www.baystreet.ca/etfs/407/Bet-on-the-Future-of-Cars-With-This-ETF>

(ii) <https://riskandinsurance.com/auto-insurance-green-suvs/>

(iii) <https://insideevs.com/news/391377/plugin-electric-car-sales-belgium-december-2019/>

(iv) <https://www.theglobeandmail.com/business/article-electric-car-sales-climb-in-wake-of-new-5000-federal-rebate-program/>

(v) <https://globalnews.ca/news/5152429/legislation-introduced-electric-cars/>

(vi) <https://www.wired.com/story/amazon-all-electric-future-fleet-vehicles/>

(vii) <https://electricautonomy.ca/2019/10/07/opg-hydro-one-shake-up-ontarios-fast-charging-landscape-with-launch-of-ivy/>

(viii) <https://electricautonomy.ca/2019/10/25/toronto-plan-sets-goal-to-be-autonomous-vehicle-ready-by-2022/>

(ix) <https://electricautonomy.ca/2019/12/17/petro-canada-marks-completion-of-cross-country-electric-highway-in-victoria/>

(x) <https://electricautonomy.ca/2019/12/13/trudeau-calls-for-5000-new-ev-chargers-in-minister-mandate-letter/>

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

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 Manager is entitled to an annual management fee of 0.40% of the net asset value of the Unhedged, Hedged and US Dollar Unhedged ETF Units and the Unhedged Class F mutual fund units and 1.40% of the net asset value of the Unhedged Class A mutual fund units of the Fund, accrued daily and are generally paid monthly in arrears. For the year ended December 31, 2019, the Fund incurred \$41,743 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.

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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 \$15,654 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; fees payable to the index provider, 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.

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 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
Unhedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	18.11	21.21	20.39
Increase (decrease) from operations:			
Total revenue	0.39	0.50	0.14
Total expenses	(0.25)	(0.24)	(0.07)
Realized gains (losses)	0.27	(0.04)	0.12
Unrealized gains (losses)	7.83	(2.70)	0.68
Total increase (decrease) from operations²	8.24	(2.48)	0.87
Distributions:			
From dividends	(0.13)	(0.30)	(0.09)
Total annual distributions³	(0.13)	(0.30)	(0.09)
Net Assets per Unit, end of period	25.93	18.11	21.21
Hedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	16.53	20.90	20.26
Increase (decrease) from operations:			
Total revenue	0.35	0.48	0.17
Total expenses	(0.24)	(0.22)	(0.07)
Realized gains (losses)	(0.04)	(1.01)	(0.49)
Unrealized gains (losses)	8.33	(4.32)	0.88
Total increase (decrease) from operations²	8.40	(5.07)	0.49
Distributions:			
From dividends	(0.12)	(0.30)	(0.08)
Return of capital	(0.01)	-	(0.01)
Total annual distributions³	(0.13)	(0.30)	(0.09)
Net Assets per Unit, end of period	24.95	16.53	20.90

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The Fund's Net Assets Per Unit¹ (cont'd)

	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
US Dollar Unhedged Units - Net Assets per Unit⁵			
Net Assets per Unit, beginning of period	20.74	24.09	25.51
Increase (decrease) from operations:			
Total revenue	0.44	0.57	0.17
Total expenses	(0.29)	(0.27)	(0.06)
Realized gains (losses)	0.34	0.05	0.01
Unrealized gains (losses)	8.61	(2.96)	(1.70)
Total increase (decrease) from operations²	9.10	(2.61)	(1.58)
Distributions:			
From dividends	(0.17)	(0.14)	(0.10)
From capital gains	-	(0.01)	-
Return of capital	(0.01)	(0.02)	-
Total annual distributions³	(0.18)	(0.17)	(0.10)
Net Assets per Unit, end of period	29.67	20.74	24.09
Hedged Class A - Net Assets per Unit			
Net Assets per Unit, beginning of period ⁴	20.00	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.34	N/A	N/A
Total expenses	(0.16)	N/A	N/A
Realized gains (losses)	0.75	N/A	N/A
Unrealized gains (losses)	2.60	N/A	N/A
Total increase (decrease) from operations²	3.53	N/A	N/A
Net Assets per Unit, end of period	23.53	N/A	N/A
Hedged Class F - Net Assets per Unit			
Net Assets per Unit, beginning of period ⁴	20.00	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.26	N/A	N/A
Total expenses	(0.04)	N/A	N/A
Realized gains (losses)	0.70	N/A	N/A
Unrealized gains (losses)	2.63	N/A	N/A
Total increase (decrease) from operations²	3.55	N/A	N/A
Net Assets per Unit, end of period	23.55	N/A	N/A

1 This information is derived from the Fund's audited annual financial statement as at December 31, 2019, 2018 and 2017. The Unhedged and Hedged ETF Units began operations on September 29, 2017 and the US Dollar Unhedged ETF Units began operations on October 3, 2017. The Hedged Class A and F mutual fund units began operations on April 23, 2019.

2 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.

3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

4 This amount represents the initial launch price.

5 Per unit figures are stated in CAD equivalent.

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The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2019	December 31, 2018	December 31, 2017
Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	2,592,897	1,358,077	2,120,987
Number of units outstanding ⁶	100,000	75,000	100,000
Management expense ratio ⁷	0.64%	0.64%	0.64%
Trading expense ratio ⁸	0.28%	0.29%	0.51%
Portfolio turnover rate ⁹	96.27%	76.01%	12.56%
Net Asset Value per unit (\$)	25.93	18.11	21.21
Closing market price (\$)	25.94	18.14	21.28
Hedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	7,484,439	6,198,706	2,612,453
Number of units outstanding ⁶	300,000	375,000	125,000
Management expense ratio ⁷	0.64%	0.63%	0.64%
Trading expense ratio ⁸	0.28%	0.29%	0.51%
Portfolio turnover rate ⁹	96.27%	76.01%	12.56%
Net Asset Value per unit (\$)	24.95	16.53	20.90
Closing market price (\$)	24.99	16.55	21.02
US Dollar Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	741,658	518,477	1,204,508
Number of units outstanding ⁶	25,000	25,000	50,000
Management expense ratio ⁷	0.64%	0.64%	0.66%
Trading expense ratio ⁸	0.28%	0.29%	0.51%
Portfolio turnover rate ⁹	96.27%	76.01%	12.56%
Net Asset Value per unit (\$)	29.67	20.74	24.09
Closing market price (\$)	29.68	20.72	24.09
Hedged Class A - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	24	N/A	N/A
Number of units outstanding ⁶	1	N/A	N/A
Management expense ratio ⁷	0.00%	N/A	N/A
Trading expense ratio ⁸	0.28%	N/A	N/A
Portfolio turnover rate ⁹	96.27%	N/A	N/A
Net Asset Value per unit (\$)	23.53	N/A	N/A
Hedged Class F - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	24	N/A	N/A
Number of units outstanding ⁶	1	N/A	N/A
Management expense ratio ⁷	0.00%	N/A	N/A
Trading expense ratio ⁸	0.28%	N/A	N/A
Portfolio turnover rate ⁹	96.27%	N/A	N/A
Net Asset Value per unit (\$)	23.55	N/A	N/A

6 This information is provided as at December 31, 2019, 2018 and 2017.

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.

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Past Performance

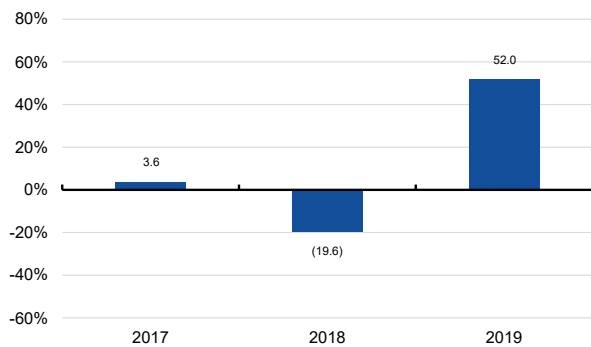
The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment Fund in the periods shown were reinvested in additional securities of the investment fund. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Since the Hedged Class A and F mutual fund units with inception date April 23, 2019, has been in operations for less than one year, providing performance data for the period is not permitted.

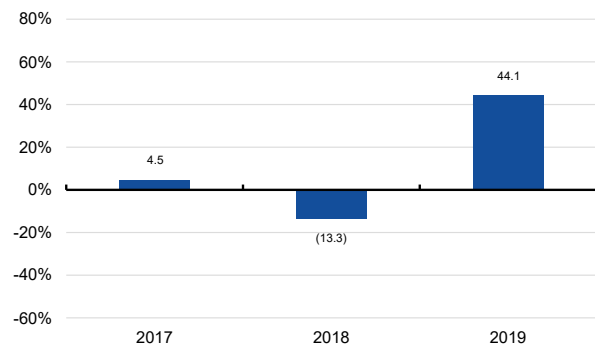
Year-by-Year Returns

The bar chart below shows the Unhedged, Hedged and US Dollar Unhedged ETF Units' annual performance for the periods shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day would have grown or decreased by the last day of the period.

CARS Hedged ETF Units¹



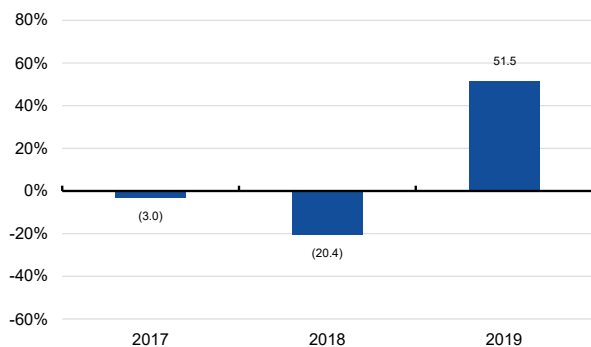
CARS/B Unhedged ETF Units²



1 The Hedged ETF Units of the Fund effectively began operations on September 29, 2017.

2 The Unhedged ETF Units of the Fund effectively began operations on September 29, 2017.

CARS/U US Dollar Unhedged ETF Units³



3 The US Dollar Unhedged ETF Units of the Fund effectively began operations on October 3, 2017. Returns presented based on NAV equivalent in \$USD.

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Annual Compound Return

The table shows the historical annual compound total return of the Hedged, Unhedged and US Dollar Unhedged ETF Units is listed below. The returns are for period ended December 31, 2019. For a discussion of the relative performance of the Fund as compared to the index, please refer to the "Results of Operations" section in the "Management Discussion of Fund Performance".

	Since Inception ¹ (%)	1 Year (%)
Hedged ETF Units	11.0	52.0
Solactive Future Cars Index Canadian Dollar Hedged	11.4	52.5
Unhedged ETF Units	12.5	44.1
Solactive Future Cars Index	12.7	44.3
US Dollar Unhedged ETF Units	7.5	51.5
Solactive Future Cars Index USD	7.6	52.0

¹ From inception date of September 29, 2017 for the Hedged and Un-hedged ETF Units and October 3, 2017 for the US Dollar Unhedged ETF Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
NIO Inc., ADR	7.3
Tesla Inc.	4.7
Advanced Micro Devices Inc.	4.2
Cirrus Logic Inc.	4.1
Skyworks Solutions Inc.	3.9
Hitachi Chemical Company Limited	3.6
GS Yuasa Corporation	3.5
STMicroelectronics NV	3.5
Infineon Technologies AG	3.4
NVIDIA Corporation	3.4
EnerSys	3.3
Hella GmbH & Company KGaA	3.3
Bayerische Motoren Werke AG, ADR	3.2
Ambarella Inc.	3.2
NXP Semiconductors NV	3.2
Plug Power Inc.	3.1
Aptiv PLC	3.1
Ferrari NV	3.0
Gentherm Inc.	3.0
Maxim Integrated Products Inc.	3.0
Analog Devices Inc.	3.0
Melexis NV	2.9
Visteon Corporation	2.9
General Motors Company	2.9
Dialog Semiconductor PLC	2.9
Total	87.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Consumer Discretionary	36.2
Industrials	10.0
Information Technology	48.5
Materials	3.6
Derivative Assets	0.9
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	0.6
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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