



Evolve ETFs

Evolve Cyber Security 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 Cyber Security Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cyber Security Index (the "Benchmark"), or any successor thereto. The Fund 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

For the year ended December 31, 2019, the Unhedged ETF Units returned 19.6% versus the Solactive Global Cyber Security Index return of 20.5%. The Hedged ETF Units returned 24.6% versus the Solactive Global Cyber Security Index Canadian Dollar Hedged return of 25.9%. 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 US Dollar Unhedged ETF Units were launched on May 16, 2019, and the Hedged Class A and F mutual fund units were launched on April 23, 2019, no performance data can be shown. The Fund's net assets were \$72.0MM as at December 31, 2019.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

Cybercriminal activity has been at the forefront of global security concerns, fuelling growth in the demand for cybersecurity solutions. During the first half of the year, several research reports highlighted the gravity of cybercrime and cyberthreats, with the 2019 Cybersecurity Almanac, published by Cisco and Cybersecurity Ventures noting that cyberattacks are the fastest growing crime globally, and are increasing in size, sophistication and cost.

The five most cyber-attacked industries over the past 5 years are healthcare, manufacturing, financial services, government, and transportation. The reports forecast that retail, oil and gas, energy and utilities, media and entertainment, legal, and education will round out the top 10 most-attacked industries for 2019 to 2022. The Almanac forecasts that cybercrime damages will cost the world \$6 trillion annually by 2021 – exponentially more than the damage inflicted from natural disasters in a year, and more profitable than the global trade of all major illegal drugs combined.

In fact, cyberattacks and data theft topped the charts of the Global Risks Report 2019, released by World Economic Forum in January; while a Conference Board survey of more than 800 international CEOs and 600 C-suite members ranked cybersecurity as the No. 1 external concern for U.S. CEOs in 2019.

According to the Bromium report, "Social Media Platforms and the Cybercrime Economy," released in 2019, nearly 1 in 5 organizations worldwide are now infected by malware distributed by social media,(i) including Facebook, Twitter, Instagram and YouTube. A study by a criminology expert at the University of Surrey, contends that social media criminals earn nearly \$3.25 billion annually by exploiting popular social platforms. Facebook, WhatsApp, and Twitter all suffered security breaches in 2019, with Facebook fined \$5 billion US by the Federal Trade Commission for privacy violations.(ii)

Europe announced new fraud-prevention rules for online shopping, where fraud has kept pace with this fastest growing segment of the consumer market. The new rules will require two-factor authentication for up to half of all e-commerce transactions. Full mandatory implementation was set to begin in September 2019, but the complexity of adoption forced EU nations to push the date to the end of 2020.(iii)

Major phone companies offered huge rewards in 2019 to anyone who can hack their phones.

Google will pay \$1 million to anyone who can show off a unique attack on its Pixel 3 and 4 phones, as long as they allow for persistent access to the device. Google is also offering up to \$1.5 million for exploits found on developer preview versions of Android, with rewards of up to \$500,000 offered for specific attacks that result in data theft and lock screen bypass.

In addition, Huawei also has a bounty of \$220,000 for a remote control hack of its Android devices. Until recently, Google had offered a top reward of \$200,000, which was lower than Huawei's.(iv)

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Researchers from the University of Electro-Communications in Tokyo and the University of Michigan demonstrated that Amazon Alexa, Google Voice, and Apple Siri can all be hacked by a laser from up to 110 meters away. As long as there aren't any objects blocking the laser, the attacks can work from long distances, from one building to another, for instance, with windows not making a difference. The researchers also tested successful attacks on Facebook Portal Mini, Amazon's Fire Cube TV, Samsung Galaxy S9 and Google Pixel 2.(v)

A draft privacy bill announced in the U.S. Senate in December would set nationwide standards for the handling of personal information online and supersede similar state laws. Compared to state laws, this draft bill would cover online consumer privacy as well as other consumer data, and would include more detailed consumer protections, covers more companies, and mandate that companies collect the minimum amount of personal data necessary.(vi)

In Canada, the Ontario Provincial Police (OPP) reported that Canadians lost more than \$43 million to cybercrime in 2019, with the total number of crimes rising. Phishing, service and romance scams were identified as the main extortion schemes. Police estimated that while romance crimes accounted for more than half of all the money lost in cybercrimes, an estimated 95 per cent of such crimes go unreported.(vii)

In December, Canada's largest medical diagnostic laboratory, LifeLabs, announced it been hacked, exposing the private information of 15 million Canadians. Compromised information included health card numbers, names, email addresses, login, passwords and dates of birth. It was unclear how many files were accessed during the breach.(viii)

December 2019 was also the Month of the Ransomware Attack. On 13 December, New Orleans declared a state of emergency after its digital infrastructure was crippled by a ransomware attack.(ix)

Other U.S. cities, including Pensacola, Florida; St Lucie, Florida; and Galt, California were also attacked with ransomware in December.(x) And the U.S. Coast Guard disclosed a ransomware attack on an unspecified maritime facility that crippled systems and shut down the port for more than 30 hours. USCG officials believe the origin of the attack was a malicious email sent to one of the facility's employees.(xi)

This news comes on the heels of a new report revealing that the number of organisations paying a ransom—usually in the six figures—to recover data after falling victim to a ransomware infection rose from 14% to an alarming 39% in 2019.(xii)

PERFORMANCE ATTRIBUTION:

The top-performing holdings in the ETF for 2019 were Switch Inc. A, followed by Carbon Black Inc. The largest holding by weight was Fortinet Inc., which was also the biggest contributor to the ETF's return.

(i) <https://www.cpomagazine.com/cyber-security/cyber-criminals-have-turned-social-media-cyber-crime-into-a-3-billion-business/>

(ii) <https://www.theglobeandmail.com/business/technology/article-instagram-growth-boosts-facebook-revenue-but-potential-privacy/>

(iii) https://www.morganstanley.com/ideas/europe-online-shopping-security-rules?subscribed=true&dis=em_20191113_wm_5ideasarticle&et_mid=114585&et_mkid=dc71ce0559b043a353fc12adfa804c6a

(iv) <https://www.forbes.com/sites/thomasbrewster/2019/11/21/google-bug-bounty-hits-1-million-if-you-can-hack-its-phones/>

(v) <https://www.forbes.com/sites/thomasbrewster/2019/11/05/amazon-alexa-google-home-hacked-with-a-laser/>

(vi) <https://www.reuters.com/article/us-usa-privacy-congress/republican-privacy-bill-would-set-u-s-rules-pre-empt-california-senator-idUSKBN1Y62EO>

(vii) <https://globalnews.ca/news/6077016/canadians-lost-43-million-cybercrime-2019/>

(viii) <https://globalnews.ca/news/6311853/lifelabs-data-hack-what-to-know/>

(ix) <https://www.forbes.com/sites/daveywinder/2019/12/14/new-orleans-declares-state-of-emergency-following-cyber-attack/#5b1917396a05>

(x) <https://www.itgovernance.co.uk/blog/2019-end-of-year-review-2>

(xi) https://www.dco.uscg.mil/Portals/9/DCO%20Documents/5p/MSIB/2019/MSIB_10_19.pdf

(xii) <https://www.zdnet.com/article/ransomware-the-number-of-victims-paying-up-is-on-the-rise-and-thats-bad-news/>

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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 \$304,309 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 \$114,283 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.

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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 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
Unhedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	25.68	21.56	20.32
Increase (decrease) from operations:			
Total revenue	0.14	0.13	0.06
Total expenses	(0.24)	(0.23)	(0.05)
Realized gains (losses)	1.19	0.71	0.18
Unrealized gains (losses)	2.68	0.08	1.14
Total increase (decrease) from operations²	3.77	0.69	1.33
Distributions:			
From capital gains	(0.05)	-	-
Return of capital	(0.01)	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.06)	(0.02)
Net Assets per Unit, end of period	30.67	25.68	21.56
Hedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	22.77	20.94	20.15
Increase (decrease) from operations:			
Total revenue	0.13	0.15	0.06
Total expenses	(0.20)	(0.21)	(0.05)
Realized gains (losses)	0.73	(0.53)	(0.84)
Unrealized gains (losses)	3.91	(5.80)	1.79
Total increase (decrease) from operations²	4.57	(6.39)	0.96
Distributions:			
From capital gains	(0.05)	-	-
Return of capital	(0.01)	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.06)	(0.02)
Net Assets per Unit, end of period	28.33	22.77	20.94
US Dollar Unhedged Units - Net Assets per Unit⁵			
Net Assets per Unit, beginning of period ⁴	40.72	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.15	N/A	N/A
Total expenses	(0.20)	N/A	N/A
Realized gains (losses)	1.16	N/A	N/A
Unrealized gains (losses)	(0.22)	N/A	N/A
Total increase (decrease) from operations²	0.89	N/A	N/A
Distributions:			
From capital gains	(0.04)	N/A	N/A
Return of capital	(0.01)	N/A	N/A
Total annual distributions³	(0.05)	N/A	N/A
Net Assets per Unit, end of period	41.26	N/A	N/A

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

For the periods ended:	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
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	0.10	N/A	N/A
Total expenses	(0.26)	N/A	N/A
Realized gains (losses)	0.56	N/A	N/A
Unrealized gains (losses)	0.23	N/A	N/A
Total increase (decrease) from operations²	0.63	N/A	N/A
Distributions:			
From capital gains	(0.03)	N/A	N/A
Return of capital	(0.01)	N/A	N/A
Total annual distributions³	(0.04)	N/A	N/A
Net Assets per Unit, end of period	19.68	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	0.07	N/A	N/A
Total expenses	(0.01)	N/A	N/A
Realized gains (losses)	0.75	N/A	N/A
Unrealized gains (losses)	(0.87)	N/A	N/A
Total increase (decrease) from operations²	(0.06)	N/A	N/A
Net Assets per Unit, end of period	19.94	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 20, 2017 and the US Dollar Unhedged ETF Units began operations on May 16, 2019. 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.

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	10,734,486	4,494,132	1,617,268
Number of units outstanding ⁶	350,000	175,000	75,000
Management expense ratio ⁷	0.66%	0.67%	0.64%
Trading expense ratio ⁸	0.05%	0.11%	0.04%
Portfolio turnover rate ⁹	63.20%	46.59%	13.34%
Net Asset Value per unit (\$)	30.67	25.68	21.56
Closing market price (\$)	30.67	25.55	21.70

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The Fund's Ratios/Supplemental Data (cont'd)

For the periods ended:	December 31, 2019	December 31, 2018	December 31, 2017
Hedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	60,191,859	34,722,940	2,093,796
Number of units outstanding ⁶	2,125,000	1,525,000	100,000
Management expense ratio ⁷	0.63%	0.67%	0.64%
Trading expense ratio ⁸	0.05%	0.11%	0.04%
Portfolio turnover rate ⁹	63.20%	46.59%	13.34%
Net Asset Value per unit (\$)	28.33	22.77	20.94
Closing market price (\$)	28.32	22.77	21.09
US Dollar Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	1,031,495	N/A	N/A
Number of units outstanding ⁶	25,000	N/A	N/A
Management expense ratio ⁷	0.64%	N/A	N/A
Trading expense ratio ⁸	0.05%	N/A	N/A
Portfolio turnover rate ⁹	63.20%	N/A	N/A
Net Asset Value per unit (\$)	41.26	N/A	N/A
Closing market price (\$)	41.24	N/A	N/A
Hedged Class A - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	17,220	N/A	N/A
Number of units outstanding ⁶	875	N/A	N/A
Management expense ratio ⁷	1.75%	N/A	N/A
Trading expense ratio ⁸	0.05%	N/A	N/A
Portfolio turnover rate ⁹	63.20%	N/A	N/A
Net Asset Value per unit (\$)	19.68	N/A	N/A
Hedged Class F - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	20	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	0.05%	N/A	N/A
Portfolio turnover rate ⁹	63.20%	N/A	N/A
Net Asset Value per unit (\$)	19.94	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.

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 US Dollar Unhedged ETF Units with inception date May 16, 2019, and the Hedged Class A and F mutual fund classes with inception date April 23, 2019, has been in operations for less than one year, providing performance data for the period is not permitted.

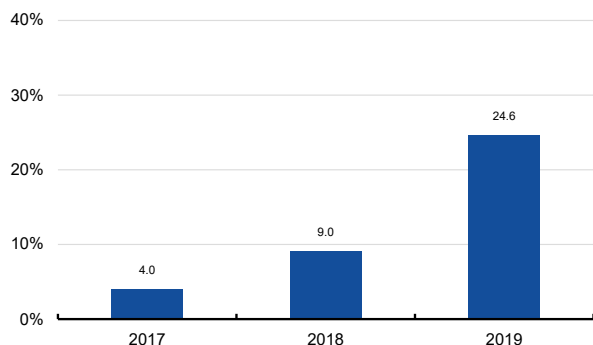
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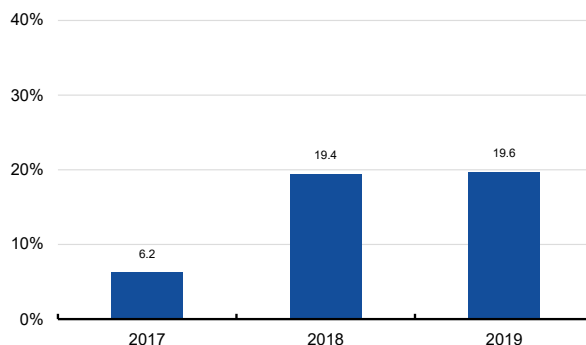
Year-by-Year Returns

The bar chart below shows the Hedged and 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.

CYBR Hedged ETF Units¹



CYBR/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.

Annual Compound Return

The table shows the historical annual compound total return of the Hedged and 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	16.4	24.6
Solactive Global Cyber Security Index Canadian Dollar Hedged	17.3	25.9
Unhedged ETF Units	20.0	19.6
Solactive Global Cyber Security Index	20.9	20.5

1 From inception date of September 29, 2017.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Fortinet Inc.	9.4
Palo Alto Networks Inc.	7.7
Check Point Software Technologies Limited	6.9
Booz Allen Hamilton Holding Corporation, Class 'A'	6.9
Okta Inc.	6.8
Trend Micro Inc.	6.1
Proofpoint Inc.	5.4
InterXion Holding NV	5.3
CACI International Inc.	5.2

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Zscaler Inc.	5.0
CyberArk Software Limited	3.7
Perspecta Inc.	3.6
FireEye Inc.	3.0
Qualys Inc.	2.7
Rapid7 Inc.	2.3
Mimecast Limited	2.2
Varonis Systems Inc.	2.0
Tenable Holdings Inc.	1.9
SailPoint Technologies Holding Inc.	1.8
NEXTDC Limited	1.4
NIC Inc.	1.3
ForeScout Technologies Inc.	1.2
Radware Limited	1.0
Switch Inc.	1.0
CrowdStrike Holdings Inc.	0.9
Total	94.7

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Information Technology	98.4
Derivative Assets	1.5
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.2
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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