



Evolve ETFs

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

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, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 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.

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

---

## 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 (the "Benchmark"), 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 portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

## Risk

---

Effective April 7, 2020, the risk rating of the Hedged ETF Units of the Fund was changed from "Medium to High" to "High". 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, 2020, the Hedged ETF Units returned 26.8% versus the Solactive Materials & Mining Index PR CAD Hedge return of 15.6%. The Unhedged ETF Units returned 24.0% versus the Solactive Materials & Mining Index PR return of 23.5%. 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 unhedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading. The Fund's net assets were \$26.9MM as at December 31, 2020.

## Portfolio Manager Commentary

---

### MACROECONOMIC HIGHLIGHTS

Following a sharp curtailment of mining activity early in the year due to the coronavirus pandemic, the global materials and mining sector commenced showing signs of renewed life as lockdown conditions eased towards the end of the second quarter.

Early in the first quarter, concerns over the spread of the coronavirus triggered a sharp sell-off in the stock market, leading to a decline in the price of gold, negating the safe haven status typically attributed to the yellow metal. Although this was partially due to investors selling gold to cover losses made in other segments of the market, the price of gold, silver and other base metals fell on the back of reduced demand, particularly from China, which at the onset of the pandemic was the most affected country. China is one of the world's largest buyers of gold and base metals.

However, in June gold regained strength and crossed the \$1800-mark for the first time since 2011, fuelled in part by concerns over a sharp spike in coronavirus cases in some US states and by substantial central bank stimulus which boosted the non-interest-bearing metal. Vast amounts of global stimulus to shield economies from the ravages of the pandemic have pushed real yields below zero and consequently made bullion more attractive. After ups and downs throughout the last half of the year in the face of continued stimulus and a growing second wave of COVID-19 cases around the world, the yellow metal finished the year just shy of \$1900 USD. (i)

Concurrently, copper climbed higher in the second quarter on nascent signs of a recovery in Chinese demand, while the dramatic spread of the coronavirus in top mining regions in South America, particularly Brazil, fuelled fears of a major disruption to supply.

Shares of copper and gold miner Freeport-McMoRan, held by the Fund, increased 98% in 2020 on near and long-term growth prospects for copper. Having started 2020 at around \$2.50 per pound, copper fell to \$2.10 in March as the pandemic took hold. But a recovery beginning mid-year, plus growing investment during 2020 in renewable energy and electric vehicle technology pushed expectations of increased long-term demand for copper. These expectations buoyed the value of copper, seeing it end the year up, at around \$3.50 per pound.(ii)

In April, gold and platinum group metals producer Sibanye-Stillwater, one of the Fund's largest holdings, received approval to commence limited mining operations in South Africa, subject to the implementation of agreed protocols to address COVID-19 related health and safety risks.(iii)

Earlier in March, the company, the world's largest primary producer of platinum and rhodium, cautioned that the suspension of its operations would adversely impact production at the SA mines and advised shareholders that its production for 2020 may differ from previous guidance.(iv) By the end of 2020, Sibanye-Stillwater was able to report that second-half production was up across all operating segments relative to production in the first half of 2020.(v)

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

---

The rising price of gold resulted in AngloGold Ashanti more than tripling its first quarter cash flow from operating activities and enabling it to boost its available liquidity to more than \$2 billion USD. The company, one of the Fund's largest holdings, reported that its diverse portfolio of 14 mines in nine countries helped to limit the impact of Covid-19-related stoppages in the first quarter.(vi)

In December, AngloGold Ashanti, together with their joint venture partner IAMGOLD, completed the previously announced sale of their collective interests in Sadiola gold mine in Western Mali. Each partner received \$25 million USD from the sale and remain entitled to the various deferred considerations. "We are pleased to complete this transaction, which underpins our commitment and focus on a prudent capital allocation strategy as we embark on a transformational path with the execution on our growth pipeline," said President and CEO Gordon Stothart.(vii)

Also in December, Newmont Corp, one of the largest holdings in the Fund by weight, announced a share buyback over 18 months that is worth up to \$1 billion USD. They also announced that they expect a steady yearly gold production between 7 M GEOs and 8 M GEOs, peaking in 2030.(viii)

Throughout the period, the portfolio manager periodically used a covered call strategy to add value to the portfolio. Although the portfolio manager has the option of writing covered calls on up to 33% of the portfolio, volatile market conditions did not permit the continuous application of the strategy.

## PERFORMANCE ATTRIBUTION

The top-performing holdings in the fund for 2020 were Freeport-McMoran, Inc., Cia Siderurgica Nacl, and Gold Fields, Ltd. The Fund's largest exposure by weight was to Gold Fields Ltd., followed by Newmont Corp, and Freeport-McMoran, Inc.

(i) <https://goldprice.org/gold-price-today/2020-12-31>

(ii) <https://www.nasdaq.com/articles/why-freeport-mcmoran-soared-nearly-100-in-2020-2021-01-03>

(iii) <https://www.mining-journal.com/covid-19/news/1384798/sibanye-stillwater-to-restart-as-south-africa%E2%80%99s-lockdown-extends>

(iv) <https://www.kitco.com/news/2020-03-25/Sibanye-Stillwater-warns-of-production-drop-after-mine-closures.html>

(v) [https://www.moneyweb.co.za/mny\\_sens/sibanye-stillwater-limited-production-update-for-the-year-ended-31-december-2020/](https://www.moneyweb.co.za/mny_sens/sibanye-stillwater-limited-production-update-for-the-year-ended-31-december-2020/)

(vi) <https://www.miningweekly.com/article/anglogold-cash-flow-soars-231-liquidity-boosted-to-2bn-2020-05-11>

(vii) <https://www.kitco.com/news/2020-12-31/IAMGOLD-and-AngloGold-sold-their-interests-in-Sadiola-mine.html>

(viii) <https://seekingalpha.com/article/4399592-newmont-corp-share-buyback-questionable-use-of-cash>

## Recent Developments

---

In the year 2020, COVID-19 became a global pandemic and resulted in 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

---

Evolve Funds Group Inc. (the "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, 2020, the Fund incurred \$106,948 in management fees. These management fees were received by the Manager 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](http://www.evolveetfs.com) website, and providing all other services including marketing and promotion.

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

## 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, 2020, the Fund incurred \$26,737 in administration fees. These administration fees were received by the Manager 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 the Fund.

## 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 Unit<sup>1</sup>

	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:		
<b>Unhedged ETF Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	21.33	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.58	0.41
Total expenses	(0.33)	(0.20)
Realized gains (losses)	0.81	(0.42)
Unrealized gains (losses)	5.48	3.46
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>6.54</b>	<b>3.25</b>
<b>Distributions:</b>		
From dividends	(0.30)	(0.15)
From capital gains	(0.78)	-
Return of capital	(0.12)	(0.45)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>24.91</b>	<b>21.33</b>

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

	December 31, 2020	December 31, 2019
	(\$)	(\$)
For the periods ended:		
<b>Hedged ETF Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	21.50	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.58	0.44
Total expenses	(0.33)	(0.21)
Realized gains (losses)	1.08	(0.09)
Unrealized gains (losses)	5.02	2.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>6.35</b>	<b>2.15</b>
<b>Distributions:</b>		
From dividends	(0.25)	(0.11)
From capital gains	(0.65)	-
Return of capital	(0.30)	(0.49)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.20)</b>	<b>(0.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>25.71</b>	<b>21.50</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2020 and 2019. The Fund began operations on June 12, 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.

## The Fund's Ratios/Supplemental Data

	December 31, 2020	December 31, 2019
For the periods ended:		
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	24,286,886	10,663,210
Number of units outstanding <sup>4</sup>	975,000	500,000
Management expense ratio <sup>5</sup>	0.85%	0.84%
Trading expense ratio <sup>6</sup>	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	82.01%	61.38%
Net Asset Value per unit (\$)	24.91	21.33
Closing market price (\$)	24.97	21.29
<b>Hedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	2,571,290	1,612,226
Number of units outstanding <sup>4</sup>	100,000	75,000
Management expense ratio <sup>5</sup>	0.85%	0.85%
Trading expense ratio <sup>6</sup>	0.43%	0.61%
Portfolio turnover rate <sup>7</sup>	82.01%	61.38%
Net Asset Value per unit (\$)	25.71	21.50
Closing market price (\$)	25.70	21.50

- 4 This information is provided as at December 31, 2020 and 2019.
- 5 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.
- 6 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.
- 7 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.

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

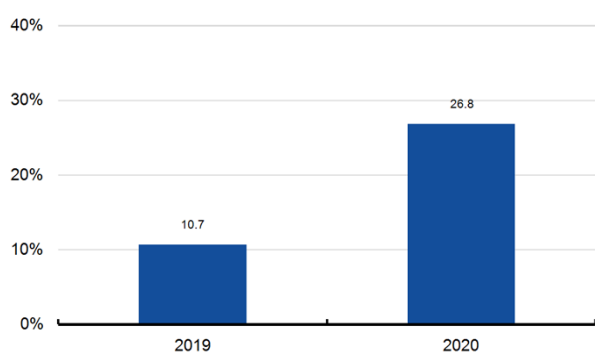
## Past Performance

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.

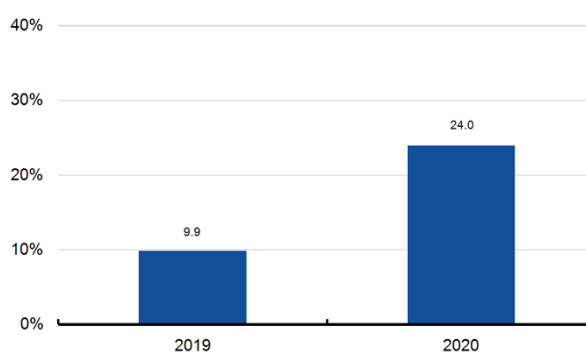
## Year-by-Year Returns

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.

**BASE Hedged ETF Units<sup>1</sup>**



**BASE/B Unhedged ETF Units<sup>2</sup>**



1 The Hedged ETF Units of the Fund effectively began operations on June 12, 2019.

2 The Unhedged ETF Units of the Fund effectively began operations on June 12, 2019.

## Annual Compound Return

The table below shows the historical annual compound total return of the Hedged and Unhedged ETF Units. The returns are for period ended December 31, 2020. 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 <sup>1</sup> (%)	1 Year (%)
Hedged ETF Units	24.3	26.8
Solactive Materials & Mining Index PR CAD Hedge	17.8	15.6
Unhedged ETF Units	21.9	24.0
Solactive Materials & Mining Index PR	21.8	23.5

1 From inception date of June 12, 2019.

# Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2020

## Summary of Investment Portfolio

### Top 25 Positions

Security	Percentage of Net Asset Value (%)
Cia Siderurgica Nacional SA, ADR	7.8
ArcelorMittal SA	6.8
Freeport-McMoRan Inc.	6.3
Vale SA, ADR	6.2
Southern Copper Corporation	5.7
MMC Norilsk Nickel PJSC, ADR	5.2
BHP Group PLC, ADR	5.2
Rio Tinto PLC, ADR	5.1
Sibanye Stillwater Limited, ADR	5.1
DuPont de Nemours Inc.	5.1
Gerdau SA, ADR	5.0
Eastman Chemical Company	4.9
Steel Dynamics Inc.	4.8
Nucor Corporation	4.6
Reliance Steel & Aluminum Company	4.5
Newmont Corporation	4.0
Endeavour Mining Corporation	3.8
Royal Gold Inc.	3.7
AngloGold Ashanti Limited, ADR	3.4
Gold Fields Limited, ADR	3.0
<b>Total</b>	<b>100.2</b>

### Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Materials	100.2
Derivative Assets	0.1
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.1
Other Assets, less Liabilities	(0.2)
<b>Total</b>	<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).



**Evolve ETFs**

**Evolve Global Materials & Mining Enhanced Yield Index ETF**