



Evolve ETFs

Evolve US Banks Enhanced Yield Fund

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 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 US Banks Enhanced Yield Fund (the "Fund") seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of the Solactive Equal Weight US Bank Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the Solactive Equal Weight US Bank Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities, at the discretion of the portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

Risk

Effective August 18, 2020, the risk rating of the Unhedged 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 Unhedged ETF Units returned -9.9% versus the Solactive Equal Weight US Bank Index return of -6.5%. The Hedged ETF Units returned -11.0% versus the Solactive Equal Weight US Bank Index Canadian Dollar Hedged return of -13.0%. The US Dollar Unhedged ETF Units returned -8.2% versus the Solactive Equal Weight US Bank Index (USD) return of -5.0%. 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 unhedged units relative to its benchmark can be attributed primarily to management fees plus applicable sales taxes and to portfolio trading. Furthermore, the difference can also be attributed to the implementation of the call writing strategy where the Fund tends to outperform in flat or down markets and underperform during sharp market advances. This performance difference can be seen over the period the calls are written, typically with one to two months to expiry, and then resets when new option positions are established. The Fund's net assets were \$9.6MM as at December 31, 2020.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

Shares of the biggest U.S. banks by market cap, including JPMorgan Chase, Bank of America and Citigroup, which are significant holdings in the Fund, were all negatively impacted by the economic effects of the global pandemic. U.S. banks declined by more than 30% in the first half of 2020, significantly underperforming the S&P 500 which fell by 4%.

Bank stocks tended to move in sync with the rest of the market in response to news relating to the coronavirus pandemic – rising on positive news and falling on negative news. However, unlike many other sectors, banks did not recover as quickly when the markets rebounded because they are uniquely vulnerable to changes in interest and unemployment rates.

With unemployment rates reaching record highs during the first half of the year and interest rates record lows, banks experienced a two-fold challenge – lower profitability on loans, accompanied by declining demand for loans. In addition, existing bank loans have become riskier with higher potential for default in the current high unemployment environment. As a result, big banks have added cash to their balance sheets in the form of loss reserves and provisions, indicating they are preparing for high levels of loan defaults, which would eventually be written down.(i)

To make matters worse, the Federal Reserve ordered banks at the end of June to suspend stock buybacks in the third quarter, and capped bank dividend payments at their present level, with further limitations based on recent financial results. Banks also had to resubmit capital plans to take more specific account of the stresses that the COVID-19 pandemic has put on them and the broader economy.(ii)

Into the third quarter, the largest U.S. banks reported stronger sequential results but uncertainty around the level and timing of credit losses related to the pandemic-induced economic downturn and results in consumer and commercial lending that were down year-over-year continued to drag down the banks.

Third-quarter earnings for the largest U.S. banks improved over the second quarter, primarily on lower provisioning for future losses, said Fitch Senior Director Bain Rumohr. "If the economic environment continues to stabilize, we would expect banks to remain profitable, although at structurally lower levels given lower customer activity and a glut of liquidity in the system."(iii)

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Late in December, the Fed rescinded its prohibition on stock buybacks by large banks for the first quarter of 2021 but did so with the caveat that buybacks be limited to an amount based on profits in 2020. The Fed also limited dividend payouts to an amount based on 2020 income and said it would not adjust capital requirements for banks right now.(iv)

In company specific news, Wells Fargo & Co, another holding, announced that it would donate over \$400 million toward helping small businesses recover from the coronavirus pandemic, giving away all proceeds from its participation in the Payroll Protection Program. Other major lenders, including Citigroup Inc, have made similar pledges not to profit from the government stimulus program meant to help small businesses hard hit by mandatory COVID-19 related shutdowns. But those banks have said they will use some of the fees generated to cover costs associated with quickly rolling out the infrastructure needed to run the program.(v)

On a positive note, the investment banking operations of banks such as Goldman Sachs (which is a significant holding in the Fund) did well in 2020. While commercial banking operations, such as loans and deposits, have performed poorly, investment banking activity tends to increase in times of market volatility.(vi) Goldman Sachs investment banking reported net revenues of \$9.42 billion for 2020, 24% higher than 2019, despite the pandemic. These results reflect significantly higher net revenues in underwriting, offset by significantly lower net revenues in corporate lending and slightly lower net revenues in financial advisory.(vii)

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:

In 2020, the Fund held a diversified portfolio of banks and finance companies. The top-performing holdings for the year were SVB Financial Group, followed by Ameriprise Financial Inc, and First Republic Bank. The Fund's largest exposure by weight was to Trust Financial Corp, SVB Financial Group, and Ameriprise Financial Inc.

(i) <https://www.fool.com/investing/2020/07/09/why-big-bank-stocks-plunged-30-in-the-first-half-o.aspx>

(ii) <https://finance.yahoo.com/news/zacks-analyst-blog-highlights-anglogold-135901651.html>

(iii) <https://www.fitchratings.com/research/banks/us-banks-3q20-earnings-benefit-from-lower-provisions-while-uncertainty-remains-02-11-2020>

(iv) <https://www.fool.com/investing/2020/12/18/fed-to-allow-large-bank-share-repurchases-next-qua/>

(v) <https://financialpost.com/pmn/business-pmn/wells-fargo-pledges-400-million-in-support-of-small-business-after-ppp-payout>

(vi) <https://www.fool.com/investing/2020/07/09/why-big-bank-stocks-plunged-30-in-the-first-half-o.aspx>

(vii) <https://www.goldmansachs.com/media-relations/press-releases/current/pdfs/2020-q4-results.pdf>

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 Independent Review Committee.

Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Fund, accrued daily and generally paid monthly. For the year ended December 31, 2020, the Fund incurred \$29,984 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 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, 2020, the Fund incurred \$9,994 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; 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 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 Unit¹

For the periods ended:	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
Unhedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	21.46	18.10	21.25	19.65
Increase (decrease) from operations:				
Total revenue	0.56	0.59	0.51	0.10
Total expenses	(0.30)	(0.31)	(0.34)	(0.05)
Realized gains (losses)	(4.01)	(0.47)	(10.55)	(0.14)
Unrealized gains (losses)	1.80	5.21	5.07	1.49
Total increase (decrease) from operations²	(1.95)	5.02	(5.31)	1.40
Distributions:				
From dividends	(0.30)	(0.32)	(0.24)	(0.03)
Return of capital	(1.08)	(0.94)	(0.66)	(0.12)
Total annual distributions³	(1.38)	(1.26)	(0.90)	(0.15)
Net Assets per Unit, end of period	17.70	21.46	18.10	21.25
Hedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	20.21	16.45	21.08	19.62
Increase (decrease) from operations:				
Total revenue	0.49	0.54	0.48	0.09
Total expenses	(0.26)	(0.28)	(0.32)	(0.05)
Realized gains (losses)	(1.83)	(2.13)	(1.36)	(0.80)
Unrealized gains (losses)	3.75	5.31	(5.41)	1.99
Total increase (decrease) from operations²	2.15	3.44	(6.61)	1.23
Distributions:				
From dividends	(0.23)	(0.30)	(0.15)	(0.03)
Return of capital	(1.15)	(0.96)	(0.75)	(0.12)
Total annual distributions³	(1.38)	(1.26)	(0.90)	0.15
Net Assets per Unit, end of period	16.27	20.21	16.45	21.08

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

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
For the periods ended:	(\$)	(\$)	(\$)	(\$)
US Dollar Unhedged ETF Units - Net Assets per Unit⁴				
Net Assets per Unit, beginning of period	26.68	26.40	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.71	0.09	N/A	N/A
Total expenses	(0.38)	(0.05)	N/A	N/A
Realized gains (losses)	(5.82)	0.40	N/A	N/A
Unrealized gains (losses)	3.17	(0.21)	N/A	N/A
Total increase (decrease) from operations²	(2.32)	0.23	N/A	N/A
Distributions:				
From dividends	(0.35)	(0.01)	N/A	N/A
Return of capital	(1.50)	(0.14)	N/A	N/A
Total annual distributions³	(1.85)	(0.15)	N/A	N/A
Net Assets per Unit, end of period	21.82	26.68	N/A	N/A

- 1 This information is derived from the Fund's audited annual financial statement as at December 31, 2020, 2019, 2018 and 2017. The Unhedged and Hedged ETF Units began operations on October 16, 2017 and the US Dollar Unhedged ETF Units began operations on November 27, 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 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
For the periods ended:				
Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	3,097,714	3,219,518	2,262,348	1,062,375
Number of units outstanding ⁵	175,000	150,000	125,000	50,000
Management expense ratio ⁶	0.70%	0.70%	0.68%	0.70%
Trading expense ratio ⁷	0.67%	0.43%	0.52%	0.19%
Portfolio turnover rate ⁸	203.76%	103.77%	100.98%	2.61%
Net Asset Value per unit (\$)	17.70	21.46	18.10	21.25
Closing market price (\$)	17.70	21.46	18.10	21.36
Hedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	4,881,866	1,515,581	822,343	1,054,094
Number of units outstanding ⁵	300,000	75,000	50,000	50,000
Management expense ratio ⁶	0.69%	0.70%	0.68%	0.70%
Trading expense ratio ⁷	0.67%	0.43%	0.52%	0.19%
Portfolio turnover rate ⁸	203.76%	103.77%	100.98%	2.61%
Net Asset Value per unit (\$)	16.27	20.21	16.45	21.08
Closing market price (\$)	16.25	20.21	16.45	21.16

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

For the periods ended:	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
US Dollar Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	1,636,700	1,334,148	N/A	N/A
Number of units outstanding ⁵	75,000	50,000	N/A	N/A
Management expense ratio ⁶	0.77%	0.09%	N/A	N/A
Trading expense ratio ⁷	0.67%	0.43%	N/A	N/A
Portfolio turnover rate ⁸	203.76%	103.77%	N/A	N/A
Net Asset Value per unit (\$)	21.82	26.68	N/A	N/A
Closing market price (\$)	21.85	26.70	N/A	N/A

5 This information is provided as at December 31, 2020, 2019, 2018 and 2017.

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.

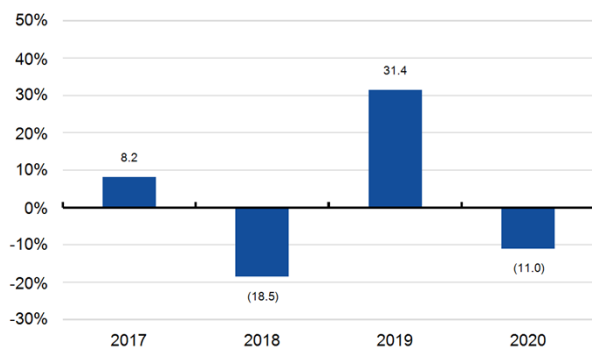
Past Performance

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.

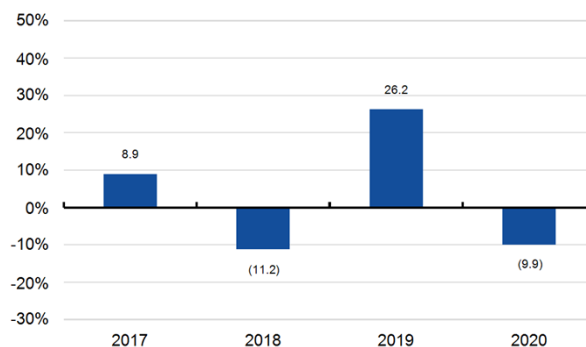
Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged 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.

CALL Hedged ETF Units¹



CALL/B Unhedged ETF Units²



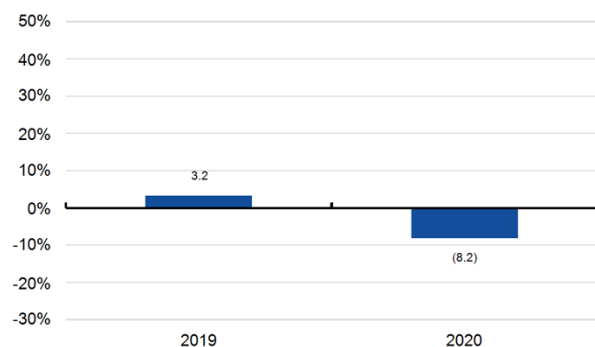
1 The Hedged ETF Units of the Fund effectively began operations on October 16, 2017.

2 The Unhedged ETF Units of the Fund effectively began operations on October 16, 2017.

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CALL/U US Dollar Unhedged ETF Units³



³ The US Dollar Unhedged ETF Units of the Fund effectively began operations on November 27, 2019. Returns presented based on NAV equivalent in USD.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged, Unhedged and US Dollar 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 ¹ (%)	3 Year (%)	1 Year (%)
Hedged ETF Units	1.0	(18.5)	(11.0)
Solactive Equal Weight US Bank Index PR Canadian Dollar Hedged	1.9	(18.9)	(13.0)
Unhedged ETF Units	3.0	(11.2)	(9.9)
Solactive Equal Weight US Bank Index	5.8	(10.6)	(6.5)
US Dollar Unhedged ETF Units	(4.8)	N/A	(8.2)
Solactive Equal Weight US Bank Index (USD)	(1.6)	N/A	(5.0)

¹ From inception date of October 16, 2017 for the Hedged and Unhedged ETF Units and from inception date of November 27, 2019 for the US Dollar Unhedged ETF Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
SVB Financial Group	7.0
Regions Financial Corporation	6.3
First Republic Bank	6.1
The PNC Financial Services Group Inc.	6.0
The Goldman Sachs Group Inc.	5.9
KeyCorp	5.9
Citizens Financial Group Inc.	5.9
Fifth Third Bancorp	5.9
Huntington Bancshares Inc.	5.8
U.S. Bancorp	5.7

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Ameriprise Financial Inc.	5.7
JPMorgan Chase & Company	5.7
M&T Bank Corporation	5.6
Truist Financial Corporation	5.6
Wells Fargo & Company	5.6
Citigroup Inc.	5.4
Bank of America Corporation	5.3
Total	99.4

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	99.4
Derivative Assets	0.2
Derivative Liabilities	(0.6)
Cash and Cash Equivalents	1.6
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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