



Evolve ETFs

Evolve Cyber Security Index 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 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

Effective August 18, 2020, the risk rating of the Hedged ETF Units and the Hedged Class A and F Mutual Fund Units of the Fund was changed from “Medium” to “Medium 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 66.8% versus the Solactive Global Cyber Security Index return of 67.8%. The Hedged ETF Units returned 65.6% versus the Solactive Global Cyber Security Index Canadian Dollar Hedged return of 61.9%. The US Dollar Unhedged ETF Units returned 70.2% versus the Solactive Global Cyber Security USD Index NTR return of 70.8%. The Hedged Class A Mutual Fund Units returned 72.1% and the Hedged Class F Mutual Fund Units returned 74.7% versus the Solactive Global Cyber Security Index Canadian Dollar Hedged return of 61.9%. 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 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 \$201.1MM as at December 31, 2020.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS

Although the focus on improving cybersecurity has intensified in recent years, many companies were caught unprepared for the dramatic increase in cyber threats during the COVID-19 pandemic.

As working from home became the new normal, criminals sought to capitalize on widespread panic. New coronavirus-themed phishing scams sought to leverage fear, hooking vulnerable people and taking advantage of workplace disruption.

According to the cloud security company Zscaler Inc., a large holding in the Fund, there was a 30,000% increase in COVID-19-themed attacks between January and March. The company saw coronavirus-themed attacks grow from around 1,200 observed and blocked COVID-19-related attacks in January to 380,000 such incidents in March. (i)

Bitdefender reported that 50% of infosec professionals had no contingency plan to face a situation like the COVID-19 pandemic. This lack of forward planning resulted in a surge of cyberthreats, with 86% of infosec professionals admitting that attacks from the most common vectors—phishing attacks (26%), ransomware (22%), social media threats/chatbots (21%), cyberwarfare (20%), Trojans (20%), and supply chain attacks (19%)—were on the rise during the pandemic. Financial services (43%), health care (including tele medicine) (34%), and the public sector (29%) were the hardest hit industries.(ii)

A study by CrowdStrike found that two-thirds of companies have invested in digital security tools and increased the use of cloud technologies as employees shifted to remote work, but that vulnerabilities due to employees operating work devices on home Wi-Fi networks are exposing companies to increased malicious attacks.(iii)

Similarly, Zscaler warned that “there is a growing security concern that once the pandemic is over, there will be thousands of machines physically returning to the corporate network after being on unsecured home networks for months. If any of these machines became compromised, they can offer attackers a beachhead into the corporate networks—which is exactly how many large-scale breaches get their start.” (iv)

Already the toll of rising cybersecurity threats in 2020 is clear. Roughly 56% of companies surveyed by CrowdStrike report being targeted by a ransomware attack in the previous 12 months and paying an average of \$1.1 million USD in ransom to have their data and systems decrypted.(v)

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Beyond cybersecurity threats posed by the coronavirus pandemic, fractured geopolitical relationships, especially between China and the US, have led to a heightened digital “cold war” in which the prize is data. This in turn has led to a race to develop strategically important next-generation technology which will drive a rise in nation-state-backed espionage. The CrowdStrike study highlighted earlier found that 89% of respondents expressed fears that international rivalries between countries would heighten their risk of being victims of a cyberattack.(vi)

To that end, in late in 2020 the cybersecurity industry was rocked by the revelation of a widespread state-sponsored cyberattack on government and corporate systems in the United States and elsewhere. Widely believed to be a Russian-sponsored operation, hackers were able to plant malicious code in software updates of network-management firm SolarWinds widely used network-monitoring tool, Orion.(vii)

This breach—which might have been in place as early as October 2019—potentially exposed 79 of the Fortune 100 companies and up to 300,000 other businesses to compromise. Known targets in the United States alone include upward of 250 federal agencies, including the departments of State, Treasury, Commerce, Energy and Homeland Security, as well as corporations like Microsoft and security firm FireEye.(viii)

While the fallout from this attack will be felt into 2021 and beyond, Palo Alto Networks, a large holding in the Fund, has announced a rapid response program to help SolarWinds Orion customers facing exposure due to this cyberattack. Palo Alto Networks’ response platform has already successfully prevented at least one attempted attack traceable to this hack.(ix)

Amidst these international tensions, it is expected that new regulations and international agreements will fall short in addressing technology’s impact on society. Regulatory tit-for-tat battles will manifest across nation-states and, rather than encourage innovation, are likely to stifle and constrain it, pushing up costs.(x)

PERFORMANCE ATTRIBUTION

The top-performing holdings in the fund for 2020 were ZScaler, Inc., followed by CrowdStrike Holdings, Inc., and Okta, Inc. The Fund’s largest exposure by weight was to Okta, Inc., followed by Palo Alto Networks, Inc., and Fortinet, Inc.

(i) <https://www.rcrwireless.com/20200428/network-infrastructure/cybersecurity-firm-reports-30000-increase-in-covid-19-themed-attacks-since-january>

(ii) <https://cisomag.eccouncil.org/86-of-security-pros-says-common-attacks-rose-during-covid-19>

(iii) <https://www.cybersecuritydive.com/news/cyber-threat-security-spending-crowdstrike/589686/>

(iv) <https://www.rcrwireless.com/20200428/network-infrastructure/cybersecurity-firm-reports-30000-increase-in-covid-19-themed-attacks-since-january>

(v) <https://www.crowdstrike.com/resources/reports/2020-crowdstrike-global-threat-report/>

(vi) <https://www.cybersecuritydive.com/news/cyber-threat-security-spending-crowdstrike/589686/>

(vii) <https://www.wired.com/story/russia-solarwinds-hack-targets-fallout/>

(viii) <https://www.npr.org/2020/12/31/952436025/group-behind-alleged-russia-hack-broke-into-microsofts-internal-systems>

(ix)

<https://investors.paloaltonetworks.com/investor-relations/news-releases/news-release-details/2020/Palo-Alto-Networks-Launches-Rapid-Response-Program-for-Organizations-Navigating-SolarStorm-Cyberattacks/default.aspx>

(x) <https://www.cfo.com/the-cloud/2020/01/cybersecurity-2020-welcome-to-the-digital-cold-war>

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.

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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 0.40% of the net asset value of the Unhedged, Hedged and US Dollar Unhedged ETF Units and the Hedged Class F Mutual Fund Units and 1.40% of the net asset value of the Hedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the year ended December 31, 2020, the Fund incurred \$515,973 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.evolveefs.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, 2020, the Fund incurred \$192,887 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

	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:				
Unhedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	30.67	25.68	21.56	20.32
Increase (decrease) from operations:				
Total revenue	0.20	0.14	0.13	0.06
Total expenses	(0.30)	(0.24)	(0.23)	(0.05)
Realized gains (losses)	3.02	1.19	0.71	0.18
Unrealized gains (losses)	18.97	2.68	0.08	1.14
Total increase (decrease) from operations²	21.89	3.77	0.69	1.33
Distributions:				
From capital gains	(0.05)	(0.05)	-	-
Return of capital	(0.01)	(0.01)	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.06)	(0.06)	(0.02)
Net Assets per Unit, end of period	51.08	30.67	25.68	21.56

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

For the periods ended:	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
Hedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	28.33	22.77	20.94	20.15
Increase (decrease) from operations:				
Total revenue	0.17	0.13	0.15	0.06
Total expenses	(0.26)	(0.20)	(0.21)	(0.05)
Realized gains (losses)	4.05	0.73	(0.53)	(0.84)
Unrealized gains (losses)	15.80	3.91	(5.80)	1.79
Total increase (decrease) from operations²	19.76	4.57	(6.39)	0.96
Distributions:				
From capital gains	(0.05)	(0.05)	-	-
Return of capital	(0.01)	(0.01)	(0.06)	(0.02)
Total annual distributions³	(0.06)	(0.06)	(0.06)	(0.02)
Net Assets per Unit, end of period	46.82	28.33	22.77	20.94
US Dollar Unhedged ETF Units - Net Assets per Unit⁴				
Net Assets per Unit, beginning of period	41.26	40.72	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.29	0.15	N/A	N/A
Total expenses	(0.41)	(0.20)	N/A	N/A
Realized gains (losses)	3.64	1.16	N/A	N/A
Unrealized gains (losses)	26.29	(0.22)	N/A	N/A
Total increase (decrease) from operations²	29.81	0.89	N/A	N/A
Distributions:				
From capital gains	(0.07)	(0.04)	N/A	N/A
Return of capital	(0.01)	(0.01)	N/A	N/A
Total annual distributions³	(0.08)	(0.05)	N/A	N/A
Net Assets per Unit, end of period	68.72	41.26	N/A	N/A
Hedged Class A - Net Assets per Unit				
Net Assets per Unit, beginning of period	19.68	20.00	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.16	0.10	N/A	N/A
Total expenses	(0.52)	(0.26)	N/A	N/A
Realized gains (losses)	3.13	0.56	N/A	N/A
Unrealized gains (losses)	16.79	0.23	N/A	N/A
Total increase (decrease) from operations²	19.56	0.63	N/A	N/A
Distributions:				
From capital gains	(0.05)	(0.03)	N/A	N/A
Return of capital	(0.01)	(0.01)	N/A	N/A
Total annual distributions³	(0.06)	(0.04)	N/A	N/A
Net Assets per Unit, end of period	33.79	19.68	N/A	N/A

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

For the periods ended:	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
Hedged Class F - Net Assets per Unit				
Net Assets per Unit, beginning of period	19.94	20.00	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.14	0.07	N/A	N/A
Total expenses	(0.21)	(0.01)	N/A	N/A
Realized gains (losses)	3.73	0.75	N/A	N/A
Unrealized gains (losses)	12.18	(0.87)	N/A	N/A
Total increase (decrease) from operations²	15.84	(0.06)	N/A	N/A
Distributions:				
From capital gains	(0.05)	-	N/A	N/A
Return of capital	(0.01)	-	N/A	N/A
Total annual distributions³	(0.06)	-	N/A	N/A
Net Assets per Unit, end of period	34.75	19.94	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 September 20, 2017, the US Dollar Unhedged ETF Units began operations on May 16, 2019 and 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 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	40,865,613	10,734,486	4,494,132	1,617,268
Number of units outstanding ⁵	800,000	350,000	175,000	75,000
Management expense ratio ⁶	0.63%	0.66%	0.67%	0.64%
Trading expense ratio ⁷	0.05%	0.05%	0.11%	0.04%
Portfolio turnover rate ⁸	43.96%	63.20%	46.59%	13.34%
Net Asset Value per unit (\$)	51.08	30.67	25.68	21.56
Closing market price (\$)	51.24	30.67	25.55	21.70
Hedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	152,180,066	60,191,859	34,722,940	2,093,796
Number of units outstanding ⁵	3,250,000	2,125,000	1,525,000	100,000
Management expense ratio ⁶	0.63%	0.63%	0.67%	0.64%
Trading expense ratio ⁷	0.05%	0.05%	0.11%	0.04%
Portfolio turnover rate ⁸	43.96%	63.20%	46.59%	13.34%
Net Asset Value per unit (\$)	46.82	28.33	22.77	20.94
Closing market price (\$)	46.96	28.32	22.77	21.09
US Dollar Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	5,153,646	1,031,495	N/A	N/A
Number of units outstanding ⁵	75,000	25,000	N/A	N/A
Management expense ratio ⁶	0.63%	0.64%	N/A	N/A
Trading expense ratio ⁷	0.05%	0.05%	N/A	N/A
Portfolio turnover rate ⁸	43.96%	63.20%	N/A	N/A
Net Asset Value per unit (\$)	68.72	41.26	N/A	N/A
Closing market price (\$)	68.43	41.24	N/A	N/A

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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
Hedged Class A - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	518,127	17,220	N/A	N/A
Number of units outstanding ⁵	15,333	875	N/A	N/A
Management expense ratio ⁶	1.74%	1.75%	N/A	N/A
Trading expense ratio ⁷	0.05%	0.05%	N/A	N/A
Portfolio turnover rate ⁸	43.96%	63.20%	N/A	N/A
Net Asset Value per unit (\$)	33.79	19.68	N/A	N/A
Hedged Class F - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁵	2,411,675	20	N/A	N/A
Number of units outstanding ⁵	69,407	1	N/A	N/A
Management expense ratio ⁶	0.63%	0.00%	N/A	N/A
Trading expense ratio ⁷	0.05%	0.05%	N/A	N/A
Portfolio turnover rate ⁸	43.96%	63.20%	N/A	N/A
Net Asset Value per unit (\$)	34.75	19.94	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.

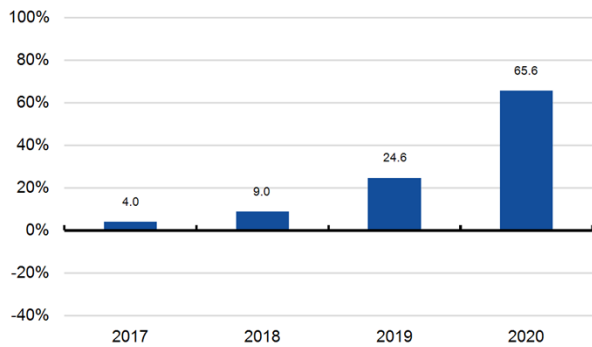
Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged, US Dollar Unhedged ETF Units' and the Hedged Class A and F Mutual Fund 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.

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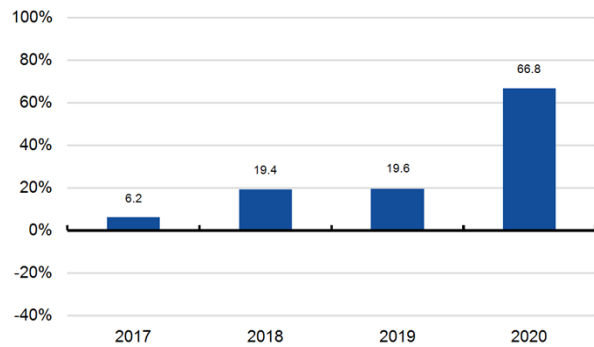
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CYBR Hedged ETF Units¹



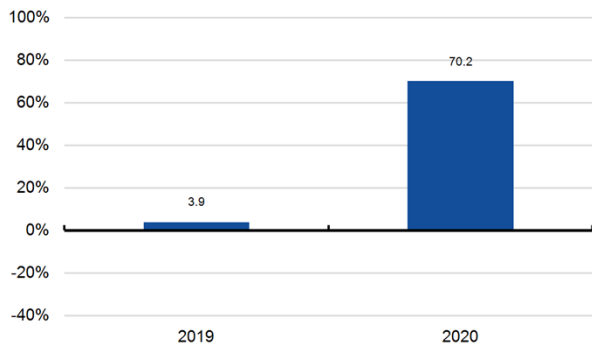
1 The Hedged ETF Units of the Fund effectively began operations on September 20, 2017.

CYBR/B Unhedged ETF Units²



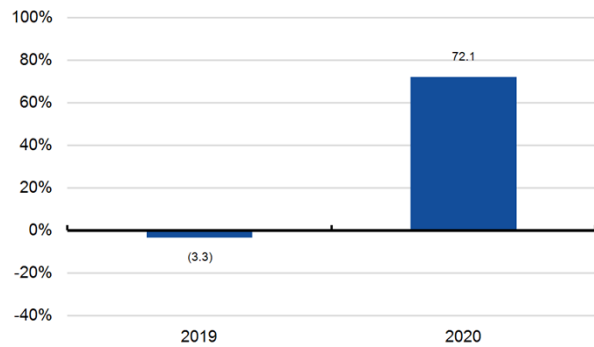
2 The Unhedged ETF Units of the Fund effectively began operations on September 20, 2017.

CYBR/U US Dollar Unhedged ETF Units³



3 The US Dollar Unhedged ETF Units of the Fund effectively began operations on May 16, 2019. Returns presented based on NAV equivalent in USD.

Hedged Class A Mutual Fund Units⁴

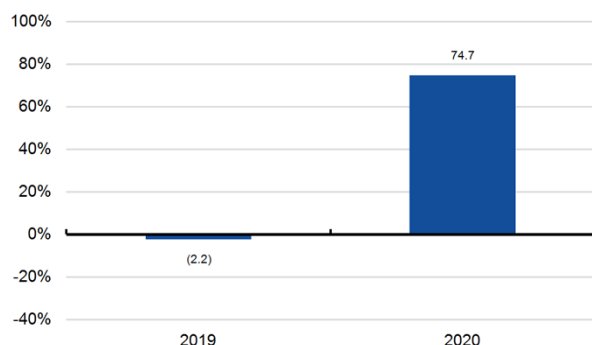


4 The Hedged Class A Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

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Hedged Class F Mutual Fund Units⁵



⁵ The Hedged Class F Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged, Unhedged, US Dollar Unhedged ETF Units and the Hedged Class A and F Mutual Fund 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	29.5	9.0	65.6
Solactive Global Cyber Security Index Canadian Dollar Hedged	29.3	9.4	61.9
Unhedged ETF Units	32.7	19.4	66.8
Solactive Global Cyber Security Index	34.0	20.5	67.8
US Dollar Unhedged ETF Units	41.8	N/A	70.2
Solactive Global Cyber Security USD Index NTR	42.3	N/A	70.8
Hedged Class A Mutual Fund Units	35.1	N/A	72.1
Solactive Global Cyber Security Index Canadian Dollar Hedged	34.1	N/A	61.9
Hedged Class F Mutual Fund Units	37.2	N/A	74.7
Solactive Global Cyber Security Index Canadian Dollar Hedged	34.1	N/A	61.9

¹ From inception date of September 20, 2017 for the Hedged and Unhedged ETF Units, from inception date of May 16, 2019 for the US Dollar Unhedged ETF Units and from inception date of April 23, 2019 for the Hedged Class A and F Mutual Fund Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Crowdstrike Holdings Inc.	9.4
Palo Alto Networks Inc.	8.9
Zscaler Inc.	8.4
Fortinet Inc.	7.5
Okta Inc.	6.8
Check Point Software Technologies Limited	6.7
GDS Holdings Limited, ADR	5.5

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Booz Allen Hamilton Holding Corporation, Class 'A'	4.7
Fastly Inc.	3.1
Proofpoint Inc.	3.1
Trend Micro Inc.	3.0
CACI International Inc.	2.5
CyberArk Software Limited	2.5
Tenable Holdings Inc.	2.1
FireEye Inc.	2.0
Varonis Systems Inc.	2.0
SailPoint Technologies Holding Inc.	1.9
Qualys Inc.	1.9
Rapid7 Inc.	1.8
NEXTDC Limited	1.6
Perspecta Inc.	1.5
BlackBerry Limited	1.4
21Vianet Group Inc., ADR	1.4
Mimecast Limited	1.4
Ping Identity Holding Corporation	0.9
Total	92.0

Industry Allocation

	Percentage of Net Asset Value (%)
Portfolio by Category	
Equities	
Communication Services	0.3
Information Technology	98.7
Derivative Assets	0.3
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	0.1
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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