



Evolve ETFs

Evolve Active Core Fixed Income 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 Active Core Fixed Income Fund (the "Fund") seeks to provide a stable rate of return, primarily through income, and to a lesser extent, capital appreciation. The Fund invests primarily in domestic and international high quality fixed income securities, and to a lesser extent, adding yield or enhancing returns on the portfolio by opportunistically investing in international fixed income securities, emerging market debt, preferred shares, convertible bonds and non-investment grade bonds.

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, 2020, Unhedged ETF Units returned 9.4%. The Unhedged Class A Mutual Fund Units returned 7.8% and the Unhedged Class F Mutual Fund Units returned 8.3%. The Fund's net assets were \$16.6MM as at December 31, 2020.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS

New year optimism faded in February amid the growing impact, both human and economic, of the ongoing coronavirus outbreak. As the outbreak spread, the day-to-day fear and uncertainty negatively impacted overall growth in China for the first quarter of 2020. Population lockdowns, business shutdowns, and travel restrictions into the country all had a dampening impact on GDP growth. These shutdowns had knock-on effects for global trade and industrial supply chains, which further weakened global growth prospects in the short-to-medium term.

Commodity prices turned sharply lower at the end of February amid concerns the ongoing coronavirus outbreak would lead to weaker demand for raw materials, fuel, and food across the globe. Softer energy markets, slow global growth, and a general flight-to-quality had bond yields heading lower once again.

For most of February global equity markets remained calm and shrugged off the developing risks to global growth. However, this abruptly changed in the final week of the month as global equity markets fell by record levels. The preferred share market continued its trend of reflecting negative equity sentiment and fell. Other risk assets responded less drastically. Canadian corporate credit spreads, for example, did not significantly widen, which combined with the declining government yields, translated into positive returns.

Our corporate bond holdings performed positively in February. The portfolio offered a meaningful yield advantage through a small weight in hybrid securities and an exposure to preferred shares. These hybrids and preferreds offered yields dramatically higher than bonds of companies with higher credit risk.

Despite headwinds in the first quarter, the Evolve FIXD portfolio strongly outperformed the benchmark in the second quarter as corporate bond spreads and preferred shares recovered. These markets chose to focus beyond the immediate negative impact of the pandemic, and looked instead to the huge amounts of stimulus (monetary and fiscal) supporting the economy.

Equity and corporate credit markets rallied in the second quarter after a steep sell-off in March and were priced for a complete economic rebound. Addenda continues to transition the portfolio away from the legacy manager's holdings and has begun adding more satellite strategies such as global credit (which was added at the beginning of June), high yields bonds and commercial mortgages.

The global economy staged an impressive recovery in the third quarter fueled by monetary and fiscal stimulus which continued to drive strong equity and corporate credit market performance. Both equity and credit valuations appeared fundamentally stretched, making them vulnerable to continuing pandemic, economic, and geopolitical shocks.

The third quarter saw the portfolio strongly outperform the benchmark by over 200 bps. This means the Fund is exceeding the Index by 450 bps since Addenda took over the portfolio on April 1, 2020. Outperformance was partially driven by the allocation to the satellite Preferred Shares strategy which achieved double digit returns as it benefited from the recent issuance Limited Recourse Capital Notes (LRCN) by Canadian banks into the bond market. The market is now expecting limited preferred supply from the banks and for the overall market to shrink due to these LRCNs. Within the Core Fixed Income component, strong security selection within the Provincial and Corporate sectors were the primary sources of added value.

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Despite a rapidly increasing second wave of COVID-19 infections in the fourth quarter, both equity and credit markets rallied on a favourable U.S. election outcome and the announcement of viable vaccines being made available before year-end. The Evolve Active Core Fixed Income Fund outperformed its benchmark in the quarter. Outperformance during the period was attributable to better-than-benchmark performance from the satellite strategies, specifically Preferred Shares which continued to their rally which started in the Spring earlier this year.

A recovering economy and a successful vaccine distribution in 2021, supported by easy monetary policy and increased fiscal spending may pressure the yield curve to steepen further and continue to compress credit spreads. That said, interest rates are expected to remain in a low range for quite some time, and portfolio duration will be actively managed to take advantage of any volatility.

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 Manager is entitled to an annual management fee of 0.45% of the net asset value of the Unhedged ETF Units and the Unhedged Class F mutual fund units and 1.20% of the net asset value of the Unhedged 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 \$ 83,146 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.

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 \$ 38,496 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.

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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, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
For the periods ended:			
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	19.75	19.37	20.01
Increase (decrease) from operations:			
Total revenue	0.71	0.66	0.48
Total expenses	(0.11)	(0.11)	(0.12)
Realized gains (losses)	0.56	0.12	(0.03)
Unrealized gains (losses)	0.22	0.34	(0.40)
Total increase (decrease) from operations²	1.38	1.01	(0.07)
Distributions:			
From income (excluding dividends)	(0.47)	(0.47)	(0.32)
From dividends	(0.15)	(0.06)	(0.01)
From capital gains	-	(0.07)	(0.01)
Return of capital	(0.04)	(0.06)	(0.16)
Total annual distributions³	(0.66)	(0.66)	(0.50)
Net Assets per Unit, end of period	20.91	19.75	19.37
Unhedged Class A - Net Assets per Unit			
Net Assets per Unit, beginning of period	20.09	20.00	N/A
Increase (decrease) from operations:			
Total revenue	0.63	0.05	N/A
Total expenses	(0.28)	0.01	N/A
Realized gains (losses)	0.08	0.12	N/A
Unrealized gains (losses)	1.85	(0.09)	N/A
Total increase (decrease) from operations²	2.28	0.09	N/A
Distributions:			
From income (excluding dividends)	(0.30)	-	N/A
From dividends	(0.09)	-	N/A
Total annual distributions³	(0.39)	-	N/A
Net Assets per Unit, end of period	21.27	20.09	N/A

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

	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
For the periods ended:			
Unhedged Class F - Net Assets per Unit			
Net Assets per Unit, beginning of period	20.26	20.00	N/A
Increase (decrease) from operations:			
Total revenue	0.70	0.04	N/A
Total expenses	(0.13)	0.01	N/A
Realized gains (losses)	0.23	0.13	N/A
Unrealized gains (losses)	1.14	0.08	N/A
Total increase (decrease) from operations²	1.94	0.26	N/A
Distributions:			
From income (excluding dividends)	(0.30)	-	N/A
From dividends	(0.09)	-	N/A
Total annual distributions³	(0.39)	-	N/A
Net Assets per Unit, end of period	21.54	20.26	N/A

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2020, 2019 and 2018. The Unhedged ETF Units began operations on March 29, 2018 and the Unhedged Class A and F Mutual Fund Units began operations on June 4, 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	December 31, 2018
For the periods ended:			
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	16,207,407	30,612,500	24,693,049
Number of units outstanding ⁴	775,000	1,550,000	1,275,000
Management expense ratio ⁵	0.55%	58.00%	0.60%
Trading expense ratio ⁶	0.02%	0.00%	0.18%
Portfolio turnover rate ⁷	86.86%	30.80%	52.41%
Net Asset Value per unit (\$)	20.91	19.75	19.37
Closing market price (\$)	20.81	19.80	19.33
Unhedged Class A - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	77,699	20	N/A
Number of units outstanding ⁴	3,653	1	N/A
Management expense ratio ⁵	1.34%	0.00%	N/A
Trading expense ratio ⁶	0.02%	0.00%	N/A
Portfolio turnover rate ⁷	86.86%	30.80%	N/A
Net Asset Value per unit (\$)	21.27	20.09	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
Unhedged Class F - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	304,424	20	N/A
Number of units outstanding ⁴	14,131	1	N/A
Management expense ratio ⁵	0.60%	0.00%	N/A
Trading expense ratio ⁶	0.02%	0.00%	N/A
Portfolio turnover rate ⁷	86.86%	30.80%	N/A
Net Asset Value per unit (\$)	21.54	20.26	N/A

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

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.

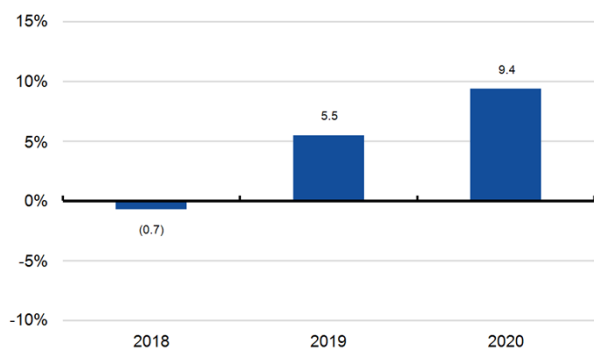
Past Performance

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.

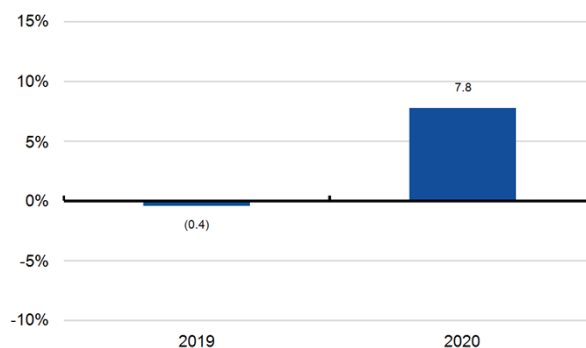
Year-by-Year Returns

The bar chart below shows the Unhedged ETF Units' and the Unhedged 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.

FIXD Unhedged ETF Units¹



Unhedged Class A Mutual Fund Units²



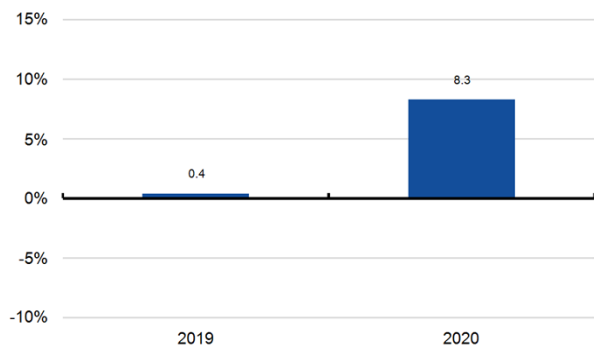
1 The Unhedged ETF Units effectively began operations on March 29, 2018.

2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

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Unhedged Class F Mutual Fund Units³



³ The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units and the Unhedged Class A and F Mutual Fund Units. The returns are for period ended December 31, 2020. As a basis of comparison, we have provided the performance of FTSE TMX Canada Universe Bond Index ("Index"). As the criteria for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Since Inception ¹ (%)	1 Year (%)
Unhedged ETF Units	5.1	9.4
FTSE TMX Canada Universe Bond Index	6.1	8.7
Unhedged Class A Mutual Fund Units	4.7	7.8
FTSE TMX Canada Universe Bond Index	5.9	8.7
Unhedged Class F Mutual Fund Units	5.5	8.3
FTSE TMX Canada Universe Bond Index	5.9	8.7

¹ From inception date of March 29, 2018 for the Unhedged ETF Units and from inception date of June 4, 2019 for the Unhedged Class A and F Mutual Fund Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Evolve Active Canadian Preferred Share Fund	16.2
Evolve Active Global Fixed Income Fund	10.3
Province of Ontario	7.4
Hydro-Quebec	5.0
Province of Manitoba	2.9
Royal Office Finance Limited Partnership, Series 'A'	2.9
Fifth Avenue Limited Partnership	2.8
Province of Ontario	2.8
Fortis Inc.	2.7

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
The Empire Life Insurance Company, Variable, Callable	2.5
The Toronto-Dominion Bank, Variable, Callable	2.4
Royal Bank of Canada, Variable, Callable	2.4
Government of Canada	2.4
The Hospital for Sick Children, Series 'A'	2.4
Original Wempi Inc., Series 'B2'	2.3
Canada Life Capital Trust, Series 'B', Callable	2.3
Fair Hydro Trust, Callable	2.1
City of Toronto	2.0
AltaGas Canada Inc., Callable	1.9
Brookfield Asset Management Inc.	1.8
Manulife Financial Corporation, Variable, Callable	1.6
Sun Life Financial Inc., Variable, Callable	1.6
Enbridge Inc., Variable, Callable	1.5
New Brunswick F-M Project Company Inc.	1.5
Bow Centre Street Limited Partnership, Series 'B'	1.4
Total	85.1

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Asset-Backed Securities	2.0
Communication Services	1.2
Consumer Discretionary	2.2
Energy	4.0
Financials	18.3
Government	28.6
Health Care	2.4
Industrials	0.7
Real Estate	7.0
Utilities	5.7
Equities	
ETFs - Domestic Equity	26.5
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	0.8
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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