



Evolve ETFs

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

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.

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December 31, 2020

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## Investment Objective and Strategies

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Evolve Gold Miners Fund (the "Fund") invests in a portfolio comprised primarily of common shares of gold mining issuers included in the S&P/TSX Global Gold Index, the NYSE Arca Gold Miners Index and/or the MVIS Global Junior Gold Miners Index (collectively, the "Constituent Indexes") selected by Evolve Funds Group Inc. (the "Manager"). The Manager will only purchase securities for inclusion in the portfolio listed in Canada, the United States, Australia or Europe. In order to qualify for inclusion in the portfolio, at the time of investment and at the time of each reconstitution, (i) at least 90% of total assets of the Fund must be invested in issuers included in a Constituent Index; (ii) at least 90% of total assets of the Fund must be invested in issuers that have a market capitalization of no less than \$350 million; and (iii) at least 60% of total assets of the Fund must be invested in issuers that have a market capitalization of no less than \$1 billion. The foregoing does not include cash and/or cash equivalents, and the Fund is not restricted in the amount of cash or cash equivalents it can hold at any time. The Fund will not make any investment in an issuer that would result in holdings of that issuer comprising more than 8% of the net asset value of the Fund at the time of investment. The foregoing criteria will be applied on a "look through" basis, as applicable (for example in the event exchange-traded funds are included in the portfolio). The Manager expects that at least 15 gold mining issuers will comprise the Portfolio.

The Fund is an "alternative mutual fund" within the meaning of National Instrument 81-102 - Investment Funds ("NI 81-102") and has the ability to use investment strategies that are not permitted for other types of mutual funds. The specific features that differentiate the Fund from other types of mutual funds include the increased use of leverage through cash borrowing. In accordance with the Fund's investment restrictions and NI 81-102, the aggregate value of all cash borrowing by the Fund shall not exceed 50% of the Fund's net asset value. While these strategies will only be used in accordance with the Fund's investment objectives, strategies and restrictions, during certain market conditions they may accelerate the risk that an investment in shares decreases in value.

In order to generate sufficient income to cover the cost of the Fund, the Manager employs an option strategy whereby it writes covered call options on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. It is the Manager's belief that utilizing the option strategy assists in providing shareholders with lower volatility and potentially enhanced returns as compared to owning the individual securities in the portfolio directly. Under normal market conditions 15% of the portfolio is subject to covered call writing.

The Manager acts as the manager and the investment manager of the Fund. The Manager is responsible for the management and administration of the Fund and, as investment manager, also implements the Fund's investment strategies.

## Risk

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On September 21, 2020, Evolve Fund Corp. (the "Corporation") completed a restructuring transaction involving, among other things, the re-designation of the outstanding Class A shares of the Corporation as shares of the ETF - the Fund, a new class of shares of the Corporation (collectively, the "Restructuring").

The shares of the Fund are substantially similar to the Class A Shares, except that, among other things, the investments objectives, strategies and restrictions of the shares were changed to reflect the Restructuring; and the shares have purchase and redemption features typical of an exchange traded fund, rather than the more restricted closed-end fund features of the Class A Shares.

Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

## Results of Operations

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For the year ended December 31, 2020, the Fund returned 5.9% versus the S&P/TSX Global Gold Index return of 22.1%. The difference in performance of the Fund relative to its benchmark can be attributed primarily to fund expenses plus applicable sales taxes and portfolio trading and hedging strategies. Furthermore, in light of the Restructuring, the Manager determined that it was in the best interest of the Fund and shareholders to reconstitute the portfolio of the Fund to be invested primarily in cash and cash equivalents until the result of the meeting was certain and the Restructuring completed. The reconstitution of the portfolio took place during the month of June 2020. The Restructuring was completed on September 21, 2020. The Fund's net assets were \$2.3MM as at December 31, 2020.

## Portfolio Manager Commentary

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### MACROECONOMIC HIGHLIGHTS

Gold glittered in the first half of 2020 as bullion prices neared highs not seen since 2011.

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

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Early in the first quarter, concerns over the spread of the coronavirus triggered a sharp sell-off in the stock market and the closure of mines due to the COVID-19 pandemic. This led 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 fell on the back of reduced demand, particularly from China, which is one of the world's largest buyers of gold.

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. Ballooning government debt levels raised concerns about a long-term run up of inflation, or significant erosion of the value of fiat currencies. As a result, this move toward the safety of gold benefitted companies held by the Fund such as Terranga Gold Corp., Barrick Gold Corp., Wheaton Precious Metals Corp., amongst others.

During the first half of the year, gold outperformed all other major asset classes. In response to the pandemic, central banks around the world aggressively cut rates and/or expanded asset purchasing programs to stabilize and stimulate their economies. As these dynamics heightened risk and lead to the possibility of ever lower returns than expected, it is expected that gold will play an increasingly relevant role in investors' portfolios. In fact, investors have embraced gold in 2020 as a key portfolio hedging strategy. Current conditions are also expected to continue to reinforce the role of gold as a strategic asset.

At the same time, big producers have also started to crank up returns to shareholders. The total per-share dividend of the five biggest gold miners has risen from US\$1.50 in 2015 to US\$3.20 in 2019, according to UK-based asset manager Ninety One.

In a recent report, Goldman Sachs said it expects gold prices to follow a similar path to that in the aftermath of the financial crisis of 2008-09 - jumping initially as rates fall, directionless for about six months after, then rising with higher inflation and remaining high for several years before falling. It also predicts gold prices will reach US\$2,000 per ounce by June of 2021 as demand rises with the lifting of pandemic lockdowns and a weaker American dollar.(i)

With bullion forecasted to climb higher, merger and acquisition activity has been up, mainly among mid-sized and junior companies. Companies are expected to create more joint ventures to share risk and provide synergistic cost savings, a trend illustrated by the Nevada gold mine partnership struck by giants owned by the ETF, Barrick Gold Corp. and Newmont Corp. last year, according to veteran geologist Roger Moore.(ii)

In the M&A front, London-based Endeavour Mining Corp. announced a \$1-billion all-stock deal to purchase Montreal-based Semafo Inc., a holding in the Fund, which would create a company with six gold mines in West Africa. Both companies are currently listed on the TSX, and together would produce around one million ounces of gold per year with a market capitalization of around US\$2.1 billion.(iii)

In addition, Chinese miners acquired two small Canadian gold producers. Zijin Mining Group Co. Ltd. agreed to buy Guyana Goldfields Inc. for cash in the second quarter, while Shandong Gold Mining Co. Ltd. bought TMAC Resources Inc., also for cash. In December 2019, Zijin had also bought another Canadian miner, Continental Gold Inc., for cash.(iv)

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 US\$1900.(v)

Throughout 2020, the manager periodically used a covered call strategy to add value to the portfolio.

## PERFORMANCE ATTRIBUTION

For 2020, the largest holding in the Fund by weight was Newmont Corp., followed by Barrick Gold Corp., and Agnico Eagle Mines Ltd. The best performing stock in the Fund was Terranga Gold Corp, followed by Newmont Corp., and Wheaton Precious Metals Corp.

(i) <https://www.princegeorgecitizen.com/record-gold-price-forecasts-boost-prospects-for-junior-mining-companies-1.24161443>

(ii) <https://www.princegeorgecitizen.com/record-gold-price-forecasts-boost-prospects-for-junior-mining-companies-1.24161443>

(iii) <https://financialpost.com/commodities/mining/gold-miners-strike-1-billion-merger-in-age-of-coronavirus-as-uncertainty-boosts-prospects>

(iv) <https://www.bnnbloomberg.ca/china-scooping-up-canadian-miners-after-gold-rally-heats-up-m-a-1.1449584>

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

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

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## Recent Developments

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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

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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 receives an annual management fee equal to 0.70% per annum of the average daily net asset value of the Fund, calculated and payable monthly in arrears, plus any applicable taxes. For the year ended December 31, 2020, the Fund incurred \$177,624 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.

## Performance Bonus

As part of the Restructuring, the Manager was entitled to a Performance Bonus, calculated as of the termination date of the Corporation equal to 15% of the amount by which (i) the NAV per unit, exceeded (ii) the applicable hurdle NAV per unit. Upon completion of the Restructuring, the Manager was paid the Performance Bonus accrued as of such date, being 15% of the amount by which (i) the NAV per unit, exceeded (ii) the initial issuance price per unit of \$25.00 multiplied by an annual non-compounded 10% rate of return as of such date (pro-rated based on any fractional year periods).

Performance Bonus was paid to the Manager on September 18, 2020, as a principal step of the Restructuring, in the amount of \$1,487,288 plus applicable taxes.

As a principal step of the restructuring, the fees were changed to eliminate the performance bonus of the Class A shares.

## Operating Expenses

Prior to the Restructuring, the Fund paid for all expenses incurred in connection with its operation and administration. These expenses included, without limitation, all costs of portfolio transactions, fees payable to the Manager, debt service costs, custodial fees, legal, audit and valuation fees and expenses, expenses of the directors of the Manager, fees and expenses of the members of the independent review committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and the Fund and members of the independent review committee, costs of reporting to shareholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to any services provided by third parties, taxes, brokerage commissions, costs and expenses relating to the issue of shares, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies. The Fund also paid for all expenses incurred in connection with its Restructuring.

## Administration Fees

As a principal step of the restructuring, the variable operating expenses were changed to a fixed administration fee.

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

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 generally paid monthly. For the year ended December 31, 2020, the Fund incurred \$13,125 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 Share<sup>1</sup>

For the period ended	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>ETF Shares - Net Assets per Share</b>		
Net Assets per Share, beginning of period	23.80	13.95 <sup>2</sup>
<b>Increase (decrease) from operations:</b>		
Total revenue	0.34	0.20
Total expenses	(2.88)	(0.88)
Realized gains (losses)	23.89	2.25
Unrealized gains (losses)	(14.78)	8.96
Preferred share distributions <sup>3</sup>	(1.68)	(0.34)
<b>Total increase (decrease) from operations<sup>4</sup></b>	<b>4.89</b>	<b>10.19</b>
<b>Distribution to ETF shareholders:</b>		
From income (excluding dividends)	(0.18)	-
From capital gains	(10.32)	-
<b>Total annual distributions</b>	<b>(10.50)</b>	<b>-</b>
<b>Net Assets per Share, end of period</b>	<b>15.57</b>	<b>23.80</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 May 24, 2019.

2 This amount represents initial offering price, net of Agents' Fees of \$0.75 per Class A shares and \$0.30 per Preferred Shares.

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 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.

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

## The Fund's Ratios/Supplemental Data

For the periods ended	December 31, 2020	December 31, 2019
<b>ETF Shares - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$)	2,293,977	24,555,958
Number of ETF shares outstanding	147,317	1,031,755
Management expense ratio - excluding performance bonus <sup>5</sup>	2.00%	5.23%
Management expense ratio <sup>5</sup>	7.34%	6.54%
Trading expense ratio <sup>6</sup>	0.26%	0.43%
Portfolio turnover rate <sup>7</sup>	207.50%	38.86%
Net Asset Value per unit (\$) <sup>8</sup>	-	33.80
Net Asset Value per ETF shares (\$)	15.57	23.80
Net Asset Value per Preferred shares (\$) <sup>9</sup>	-	10.00
Closing market price - ETF shares (\$)	15.54	17.50
Closing market price - Preferred shares (\$)	-	10.70

- 5 Management expense ratio ("MER") includes the total expenses of the Fund for the stated period, including distributions on Preferred Shares and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average Net asset Value of the Fund, which includes the outstanding Preferred shares over the period. In May 2019, the Fund realized onetime costs in connection with its issuance of 1,201,555 Class A shares and 1,201,555 Preferred shares. Without issuance costs, the management expense ratio would have been 4.38%.
- 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.
- 8 "Unit" means a notional unit consisting of one Preferred share and one ETF Share. Net Asset value per Unit is determined by the Net asset Value of the Fund, for which the Preferred shares are not treated as liabilities. Not applicable post restructuring.
- 9 Net Asset Value per Preferred share does not include the accrued Preferred share distribution.

## 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.

The historical data of the shares of the Fund presented below is, in part, historical data of the Class A Shares and is based on the performance of the Fund prior to the restructuring. Because of the elimination of the performance bonus and the implementation of the fixed administration fee, as well as the increased liquidity of the shares following the restructuring, the historical data of the shares of the Fund presented below is anticipated to differ for the shares of the Fund going forward.

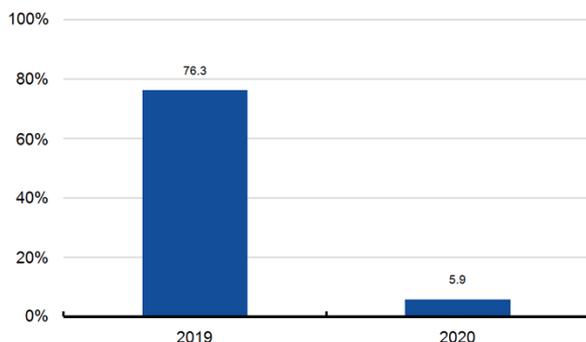
## Year-by-Year Returns

The bar chart below shows the Evolve Gold Miners Fund ETF Shares' 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.

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

## Evolve Gold Miners Fund ETF Shares<sup>1</sup>



<sup>1</sup> The Fund effectively began operations on May 24, 2019.

## Annual Compound Return

The table below shows the historical annual compound total return of the Fund. The returns are for the 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 (%)
Evolve Gold Miners Fund ETF Shares	47.4	5.9
S&P/TSX Global Gold Index	43.4	22.1

<sup>1</sup> From inception date of May 24, 2019.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Newmont Corporation	7.4
Agnico Eagle Mines Limited	6.6
Barrick Gold Corporation	6.1
Kinross Gold Corporation	5.6
Franco-Nevada Corporation	5.5
Wheaton Precious Metals Corporation	5.2
Kirkland Lake Gold Limited	4.7
Royal Gold Inc.	4.7
AngloGold Ashanti Limited, ADR	4.6
Pan American Silver Corporation	4.6
Gold Fields Limited, ADR	4.5
Centerra Gold Inc.	3.7
Yamana Gold Inc.	3.5
B2Gold Corporation	3.2
SSR Mining Inc.	3.0

# Evolve Gold Miners Fund, a class of shares of Evolve Fund Corp. (formerly Gold Miners Split Corp.)

December 31, 2020

## Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Endeavour Mining Corporation	3.0
Osisko Gold Royalties Limited	2.9
Alamos Gold Inc., Class 'A'	2.2
Compania de Minas Buenaventura SAA, ADR	2.2
Hecla Mining Company	2.1
First Majestic Silver Corporation	1.8
Pretium Resources Inc.	1.4
Teranga Gold Corporation	1.1
New Gold Inc.	1.0
Ascot Resources Limited	0.8
<b>Total</b>	<b>91.4</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Debt Instruments</b>	
Materials	92.2
Derivative Assets	0.4
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	8.1
Other Assets, less Liabilities	(0.7)
<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).



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