



Evolve ETFs

Evolve Future Leadership 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 Future Leadership Fund (the "Fund") seeks to provide holders of units with long-term capital appreciation by investing primarily in a diversified mix of equity securities of companies located domestically or internationally that the portfolio manager has determined are leaders in sectors that stand to benefit from medium and long term economic trends. The portfolio manager will use a selection process that combines quantitative techniques, fundamental analysis and risk management. The portfolio manager will also write covered call options on up to 33% of the portfolio securities, at its discretion. The level of covered call option writing may vary based on market volatility and other factors.

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

Since the Fund was launched on September 14, 2020, no performance data can be shown. The Fund's net assets were \$37.6MM as at December 31, 2020.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS

The Evolve Future Leadership Fund (LEAD) was established in September 2020 to provide investors with access to the leading companies of today, and the future companies of tomorrow through four categories of leadership: Finance, Healthcare, Technology, and Media & Entertainment.

Healthcare:

The demand for healthcare products and services was strong throughout 2020 in light of the devastating effects of the COVID-19 pandemic. Concern for healthcare products and services was top of mind for government, businesses, and private citizens alike in 2020 and the industry continued to benefit from ongoing issues of population aging, increasing longevity, and the growing incidence of chronic diseases.

The major global story in healthcare products for 2020 was, of course, the race to find a safe, effective vaccine against COVID-19. But alongside that were the unprecedented measures to slow the spread of the virus taken by local governments and health care authorities globally, including the postponement of deferrable medical procedures. These restrictions had a significant negative impact on medical technologies providers, including Stryker Corp, held by the Fund and its largest stock exposure by weight. Stryker reported that while Q1 was strong, pandemic-related impacts were felt especially in their Q2 results, which saw sales down 24.3% alongside decreases or losses in a variety of other metrics.⁽ⁱ⁾ Happily, however, Stryker was able to right the ship in Q3, with a net sales increase of 4.2% to \$3.7 billion, and growth of 3.3% in organic net sales for the same period.

"We are pleased to have returned to growth in the third quarter and delivered strong adjusted earnings and cash flow in a challenging environment," said Kevin A. Lobo, Chairman and Chief Executive Officer.⁽ⁱⁱ⁾ This is good news for the Fund as we await Q4 results to be announced later in January 2021, as Stryker was one of the top-performing stocks held in 2020.

Technology:

Although cloud-based tools were already popular, the pandemic created a surge in demand as businesses were forced to enable their employees to work remotely from home as a result of the implementation of lockdown conditions to prevent the spread of the virus.

According to a JPMorgan analyst, videoconferencing tool Zoom saw its daily usage rise by more than 300% from before the pandemic, while Microsoft (held by the Fund) announced that its collaboration tool Teams added 12 million daily users in just one week in the first quarter. Effectively, cloud computing emerged as one of the few saving graces for businesses during this pandemic.⁽ⁱⁱⁱ⁾

According to a survey by IDG Communications, Inc., the world's leading tech media, data, and marketing services company, 92% of organizations said their IT environment (infrastructure, applications, data analytics, etc.) is in the cloud to some extent today, and this is expected to grow to 95% by the end of 2021.^(iv)

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But with working from home becoming the new normal, the stage was set for an increase in cyberattacks. According to the cloud security company Zscaler Inc., there was a 30,000% increase in COVID-19-themed attacks between January and March. Zscaler is an American cloud-based cybersecurity company that is held by the Fund, and which has more than 100 data centres and customers in 185 countries. 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.(v)

Already the toll of rising cybersecurity threats in 2020 is clear. Roughly 56% of companies surveyed by CrowdStrike (a holding of the Fund) 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.(vi)

Media & Entertainment:

Unlike many other industries which were affected by the COVID-19 pandemic, the e-gaming industry flourished during 2020. Video games and e-sports became the go-to form of entertainment for tens of millions of people who were confined to their homes in the wake of government-imposed lock down conditions. This resulted in record sales and massive levels of engagement.

IDC estimates that global videogame revenue surged 20% to \$179.7 billion USD in 2020. This makes the videogame industry more lucrative than the global movie and North American sports industries combined.(vii) This is good news for stocks like Nvidia Corp, Ubisoft Entertainment, Tencent Holdings Ltd, and Nintendo, which make video game software and/or hardware, all of which are held in the Fund.

The streaming video services were also a major part of how people passed their time in lockdown during 2020.

Pioneering streamer Netflix Inc, held by the Fund, had a banner 2020. Netflix ended 2020 with 203.7 million paying subscribers, adding 8.5 million net paid members in the final quarter of the year, and 37 million over the whole of 2020. As a sign of how strong their original content and their value proposition is, the average revenue per membership has grown from \$9.88 in 2018 to \$11.02 by the end of 2020. "We're becoming an increasingly global service," said Netflix, "with 83% of our paid net adds in 2020 coming from outside the [US and Canada] region." This will be especially important to growth for the stock as the US and Canadian markets mature.(viii)

PERFORMANCE ATTRIBUTION

The top-performing stocks in the fund for 2020 were CrowdStrike Holdings, Inc., followed by Roku Inc. and Stryker Corp. The Fund's largest exposure to stocks by weight was to Stryker Corp, followed by Intuitive Surgical Inc, and CrowdStrike Holdings Inc.

(i) <https://investors.stryker.com/press-releases/news-details/2020/Stryker-reports-second-quarter-2020-operating-results/default.aspx>

(ii) <https://investors.stryker.com/press-releases/news-details/2020/Stryker-reports-third-quarter-2020-operating-results/default.aspx>

(iii) <https://www.forbes.com/sites/forbestechcouncil/2020/05/22/the-current-pandemic-gives-cloud-computing-a-needed-jolt/#264321c46a09>

(iv) <https://www.globenewswire.com/news-release/2020/06/18/2050275/0/en/The-Shift-to-Cloud-Computing-Persists-as-Organizations-Use-Multiple-Public-Clouds.html>

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

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

(vii) <https://www.marketwatch.com/story/videogames-are-a-bigger-industry-than-sports-and-movies-combined-thanks-to-the-pandemic-11608654990>

(viii) https://s22.q4cdn.com/959853165/files/doc_financials/2020/q4/FINAL-Q420-Shareholder-Letter.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.

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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 Investment Review Committee.

Management Fees

The management fees are calculated based on 0.75% 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 \$55,565 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 \$12,176 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 Unit¹

	December 31, 2020 (\$)
For the period ended:	
UnHedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	19.83
Increase (decrease) from operations:	
Total revenue	0.04
Total expenses	(0.10)
Realized gains (losses)	(0.03)
Unrealized gains (losses)	1.69
Total increase (decrease) from operations³	1.60
Distributions:	
From capital gains	(0.08)
Return of capital	(0.24)
Total annual distributions⁴	(0.32)
Net Assets per Unit, end of period	20.80

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

	December 31, 2020 (\$)
For the period ended:	
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	19.82
Increase (decrease) from operations:	
Total revenue	0.04
Total expenses	(0.06)
Realized gains (losses)	0.45
Unrealized gains (losses)	1.59
Total increase (decrease) from operations³	2.02
Distributions:	
From capital gains	(0.08)
Return of capital	(0.24)
Total annual distributions⁴	(0.32)
Net Assets per Unit, end of period	21.30
US Dollar UnHedged ETF Units - Net Assets per Unit⁵	
Net Assets per Unit, beginning of period ²	26.08
Increase (decrease) from operations:	
Total revenue	0.05
Total expenses	(0.13)
Realized gains (losses)	(0.04)
Unrealized gains (losses)	2.08
Total increase (decrease) from operations³	1.96
Distributions:	
From capital gains	(0.11)
Return of capital	(0.30)
Total annual distributions⁴	(0.41)
Net Assets per Unit, end of period	27.37

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2020. The Fund began operations on September 14, 2020.
- 2 This amount represents the initial launch price.
- 3 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.
- 4 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.
- 5 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2020
For the period ended:	
UnHedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁶	19,240,732
Number of units outstanding ⁶	925,000
Management expense ratio ⁷	1.01%
Trading expense ratio ⁸	0.51%
Portfolio turnover rate ⁹	31.06%
Net Asset Value per unit (\$)	20.80
Closing market price (\$)	20.72

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

	December 31, 2020
For the period ended:	
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	5,323,823
Number of units outstanding⁶	250,000
Management expense ratio⁷	0.39%
Trading expense ratio⁸	0.51%
Portfolio turnover rate⁹	31.06%
Net Asset Value per unit (\$)	21.30
Closing market price (\$)	21.28
US Dollar UnHedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	13,000,886
Number of units outstanding⁶	475,000
Management expense ratio⁷	1.01%
Trading expense ratio⁸	0.51%
Portfolio turnover rate⁹	31.06%
Net Asset Value per unit (\$)	27.37
Closing market price (\$)	27.35

6 This information is provided as at December 31, 2020.

7 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.

8 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.

9 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

Since the Fund is a reporting issuer for less than one year, with inception date September 14, 2020, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Evolve Cyber Security Index Fund	4.0
Evolve Global Healthcare Enhanced Yield Fund	3.6
Evolve E-Gaming Index ETF	3.6
Thermo Fisher Scientific Inc.	3.2
Intuitive Surgical Inc.	2.9
Stryker Corporation	2.8
UnitedHealth Group Inc.	2.6
Evolve Automobile Innovation Index Fund	2.6
Intuit Inc.	2.6
Square Inc., Class 'A'	2.4
PayPal Holdings Inc.	2.2
Mastercard Inc.	2.1

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Roku Inc.	2.0
Apple Inc.	1.9
iRhythm Technologies Inc.	1.8
SVB Financial Group	1.8
QUALCOMM Inc.	1.8
Evolve US Banks Enhanced Yield Fund	1.8
Invitae Corporation	1.7
T-Mobile US Inc.	1.7
Microsoft Corporation	1.7
NVIDIA Corporation	1.7
CrowdStrike Holdings Inc.	1.7
Nasdaq Inc.	1.6
Visa Inc., Class 'A'	1.6
Total	57.4

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	16.8
Consumer Discretionary	3.1
ETFs - International Equity	13.9
ETFs - US Equity	1.8
Financials	5.0
Health Care	22.5
Information Technology	29.7
Derivative Assets	0.1
Derivative Liabilities	(0.3)
Cash and Cash Equivalents	8.0
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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