



Evolve ETFs

Evolve Global Healthcare 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 Global Healthcare Enhanced Yield Fund (the “Fund”) seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of the Solactive Global Healthcare 20 Index (the “Benchmark”), or any successor thereto, while mitigating downside risk. The Fund seeks to capture global opportunities in the healthcare sector, fuelled by steady population growth, an aging demographic, and increased demand for healthcare stemming from growing prosperity and innovative developments in the sector. The Fund invests primarily in the equity constituents of the Solactive Global Healthcare 20 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

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 8.8% versus the Solactive Global Healthcare 20 Index return of 10.1%. Hedged ETF Units returned 7.5% versus the Solactive Global Healthcare 20 Canadian Dollar Index Hedged return of 3.9%. US Dollar Unhedged ETF Units returned 11.0% versus the Solactive Global Healthcare 20 Index (USD) return of 11.9%. 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. Furthermore, the difference can also be attributed to the implementation of the call writing strategy where the Fund tend 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. Since the Hedged Class A and F Mutual Fund Units launched on July 7, 2020, no performance data can be shown. The Fund’s net assets were \$121.4MM as at December 31, 2020.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

The demand for healthcare products and services was strong throughout 2020 in light of the devastating effects of the COVID-19 pandemic. While it was not expected that demand would decline regardless of the state of the world economy, geopolitical disruptions, or any other associated risks, concern for healthcare products and services was top of mind for government, businesses, and private citizens alike in 2020. In addition, the industry also continued to benefit from an aging population, increasing longevity and the growing incidence of chronic diseases.

The Fund holds “mega cap” pharmaceutical companies, such as Eli Lilly & Co, Novo-Nordisk ADR, Astra Zeneca ADR, Merck & Co., and Pfizer Inc., among several other companies, which are “able to withstand any short-term cashflow issues that may arise as people unaffected by COVID-19 forego elective procedures and avoid visits to the doctor’s office,” said Raj Lala, President of Evolve Funds.(i)

The major global story in healthcare products for 2020 was, of course, the race to find a safe, effective vaccine against COVID-19.

In November, Astra Zeneca, one of the fund’s holdings, announced that its COVID-19 vaccine developed in partnership with Oxford University was more than 70% effective in Stage 3 clinical trials at preventing symptomatic COVID-19 after patients received a two-dose course of the vaccine. It was authorized for emergency use by Canada, the United Kingdom, the United States, and other nations beginning in December.(ii)

Named AZD1222, the AstraZeneca vaccine uses a non-replicating virus to carry genetic material for the SARS-CoV-2 spike protein, which primes the immune system to attack the actual virus if encountered. In May, AstraZeneca agreed to supply 400 million doses of AZD1222 to the US and UK and reached a \$750 million agreement with the Coalition for Epidemic Preparedness Innovations, Gavi, the Vaccine Alliance, and the Serum Institute of India to supply 1 billion doses to low and middle-income countries.(iii)

According to *The Lancet*, there are up to 58 other vaccine candidates in development and clinical trials, with some reportedly more than 90% effective against COVID-19.(iv)

Among those companies developing additional vaccines are several held by the Fund, including Johnson & Johnson (whose trial results are expected by the end of January 2021), and Sanofi, which is repurposing its arthritis drug, Kevzara, as a possible coronavirus treatment.(v)

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Additionally, Merck and Pfizer (both held by the Fund), along with AstraZeneca and Johnson & Johnson, are all participants in the US government's Operation Warp Speed, which aims to deliver safe and effective coronavirus vaccines to the American public. These vaccine programs will get access to additional government funding, clinical trial assistance and manufacturing help, and the incoming Biden administration has made vaccine rollout a priority.(vi)

While the focus in 2020 was largely on developing a COVID-19 vaccine, what also became clear was that of all industries and use case scenarios, the advantages of artificial intelligence-driven data analysis might have the most tangible benefits in the medical sector. AI has been accelerating innovation across the biomedical and pharmaceutical landscape in recent years. As evidence, consider that recently a data-driven algorithm managed to come up with a plausible solution to combat antibiotic-resistant infection strains. AI is also being used to track diseases on a global scale; revolutionize cancer diagnoses; analyze staffing needs and minimize clinical variations to save on costs.(vii)

PERFORMANCE ATTRIBUTION

The top-performing holdings in the fund for 2020 were Danaher Corp, followed by Thermo Fisher Scientific Inc, and Eli Lilly & Co. The Fund's largest exposure by weight was Danaher Corp, Abbott Laboratories, and Abbvie Inc.

(i) <https://www.wealthprofessional.ca/investments/etfs/how-three-etfs-stayed-positive-through-march/328669>

(ii) <https://www.astrazeneca.com/media-centre/press-releases/2020/astrazenecas-covid-19-vaccine-authorized-in-uk.html>

(iii) <https://www.fool.com/investing/2020/06/03/report-trump-administration-picks-5-most-likely-co.aspx>

(iv) [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)32623-4/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)32623-4/fulltext)

(v) <https://www.morningstar.ca/ca/news/202287/four-healthcare-stocks-racing-to-develop-a-cure.aspx>

(vi) <https://www.fiercepharma.com/vaccines/pfizer-merck-az-j-j-and-moderna-selected-as-warp-speed-finalists-nyt>

(vii) <https://techwireasia.com/2020/05/four-ways-data-and-ai-is-transforming-the-healthcare-sector/>

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 Hedged, Unhedged and US Dollar Unhedged ETF Units and the Hedged Class F Mutual Fund Units and 1.45% 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 \$363,337 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 \$120,400 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	22.71	21.10	19.02	19.80
Increase (decrease) from operations:				
Total revenue	0.65	0.68	0.60	0.05
Total expenses	(0.27)	(0.28)	(0.54)	(0.03)
Realized gains (losses)	0.35	0.24	(3.16)	0.02
Unrealized gains (losses)	0.42	2.40	3.51	(0.61)
Total increase (decrease) from operations²	1.15	3.04	0.41	(0.57)
Distributions:				
From dividends	(0.25)	(0.27)	-	(0.01)
From capital gains	(0.75)	-	-	-
Return of capital	(0.50)	(1.07)	(0.87)	(0.14)
Total annual distributions³	(1.50)	(1.34)	(0.87)	(0.15)
Net Assets per Unit, end of period	23.16	22.71	21.10	19.02
Hedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	21.14	18.79	19.28	19.73
Increase (decrease) from operations:				
Total revenue	0.55	0.59	0.51	0.06
Total expenses	(0.23)	(0.26)	(0.45)	(0.03)
Realized gains (losses)	1.17	0.17	0.68	(0.26)
Unrealized gains (losses)	0.53	3.96	(1.20)	(0.31)
Total increase (decrease) from operations²	2.02	4.46	(0.46)	(0.54)
Distributions:				
From dividends	(0.34)	(0.27)	-	-
From capital gains	(0.69)	-	-	-
Return of capital	(0.47)	(1.07)	(0.87)	(0.15)
Total annual distributions³	(1.50)	(1.34)	(0.87)	(0.15)
Net Assets per Unit, end of period	21.14	21.14	18.79	19.28

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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 Unit⁵				
Net Assets per Unit, beginning of period	26.91	26.64	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.78	0.03	N/A	N/A
Total expenses	(0.33)	(0.02)	N/A	N/A
Realized gains (losses)	0.38	(0.07)	N/A	N/A
Unrealized gains (losses)	0.70	0.52	N/A	N/A
Total increase (decrease) from operations²	1.53	0.46	N/A	N/A
Distributions:				
From dividends	(0.33)	(0.15)	N/A	N/A
From capital gains	(0.99)	-	N/A	N/A
Return of capital	(0.69)	-	N/A	N/A
Total annual distributions³	(2.01)	(0.15)	N/A	N/A
Net Assets per Unit, end of period	27.21	26.91	N/A	N/A
Hedged Class A - Net Assets per Unit				
Net Assets per Unit, beginning of period ⁴	20.00	N/A	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.26	N/A	N/A	N/A
Total expenses	(0.20)	N/A	N/A	N/A
Realized gains (losses)	0.62	N/A	N/A	N/A
Unrealized gains (losses)	0.08	N/A	N/A	N/A
Total increase (decrease) from operations²	0.76	N/A	N/A	N/A
Distributions:				
From dividends	(0.31)	N/A	N/A	N/A
From capital gains	(0.21)	N/A	N/A	N/A
Return of capital	(0.10)	N/A	N/A	N/A
Total annual distributions³	(0.62)	N/A	N/A	N/A
Net Assets per Unit, end of period	19.59	N/A	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 ⁴	20.00	N/A	N/A	N/A
Increase (decrease) from operations:				
Total revenue	0.26	N/A	N/A	N/A
Total expenses	(0.10)	N/A	N/A	N/A
Realized gains (losses)	0.35	N/A	N/A	N/A
Unrealized gains (losses)	0.29	N/A	N/A	N/A
Total increase (decrease) from operations²	0.80	N/A	N/A	N/A
Distributions:				
From dividends	(0.22)	N/A	N/A	N/A
From capital gains	(0.25)	N/A	N/A	N/A
Return of capital	(0.16)	N/A	N/A	N/A
Total annual distributions³	(0.63)	N/A	N/A	N/A
Net Assets per Unit, end of period	19.85	N/A	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 25, 2017, the US Dollar Unhedged ETF Units began operations on November 27, 2019 and the Hedged Class A and F Mutual Fund Units began operations on July 7, 2020.
- 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 This amount represents the initial launch price.
- 5 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 (\$) ⁶	37,642,125	2,838,431	1,055,018	1,902,143
Number of units outstanding ⁶	1,625,000	125,000	50,000	100,000
Management expense ratio ⁷	0.68%	0.68%	0.69%	0.67%
Trading expense ratio ⁸	0.11%	0.25%	1.31%	0.14%
Portfolio turnover rate ⁹	59.63%	78.19%	341.86%	1.44%
Net Asset Value per unit (\$)	23.16	22.71	21.10	19.02
Closing market price (\$)	23.16	22.63	21.07	19.11
Hedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁶	75,062,124	8,984,401	2,349,306	1,445,902
Number of units outstanding ⁶	3,550,000	425,000	125,000	75,000
Management expense ratio ⁷	0.68%	0.68%	0.69%	0.66%
Trading expense ratio ⁸	0.11%	0.25%	1.31%	0.14%
Portfolio turnover rate ⁹	59.63%	78.19%	341.86%	1.44%
Net Asset Value per unit (\$)	21.14	21.14	18.79	19.28
Closing market price (\$)	21.16	21.08	18.80	19.34

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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 (\$) ⁶	7,483,511	1,345,610	N/A	N/A
Number of units outstanding ⁶	275,000	50,000	N/A	N/A
Management expense ratio ⁷	0.70%	0.00%	N/A	N/A
Trading expense ratio ⁸	0.11%	0.25%	N/A	N/A
Portfolio turnover rate ⁹	59.63%	78.19%	N/A	N/A
Net Asset Value per unit (\$)	27.21	26.91	N/A	N/A
Closing market price (\$)	27.21	26.91	N/A	N/A
Hedged Class A - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁶	1,053,714	N/A	N/A	N/A
Number of units outstanding ⁶	53,793	N/A	N/A	N/A
Management expense ratio ⁷	1.78%	N/A	N/A	N/A
Trading expense ratio ⁸	0.11%	N/A	N/A	N/A
Portfolio turnover rate ⁹	59.63%	N/A	N/A	N/A
Net Asset Value per unit (\$)	19.59	N/A	N/A	N/A
Hedged Class F - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁶	197,392	N/A	N/A	N/A
Number of units outstanding ⁶	9,942	N/A	N/A	N/A
Management expense ratio ⁷	0.67%	N/A	N/A	N/A
Trading expense ratio ⁸	0.11%	N/A	N/A	N/A
Portfolio turnover rate ⁹	59.63%	N/A	N/A	N/A
Net Asset Value per unit (\$)	19.85	N/A	N/A	N/A

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

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

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.

Since the Hedged Class A and F Mutual Fund units with inception date July 7, 2020 have been in operation for less than one year, providing performance data for the period is not permitted.

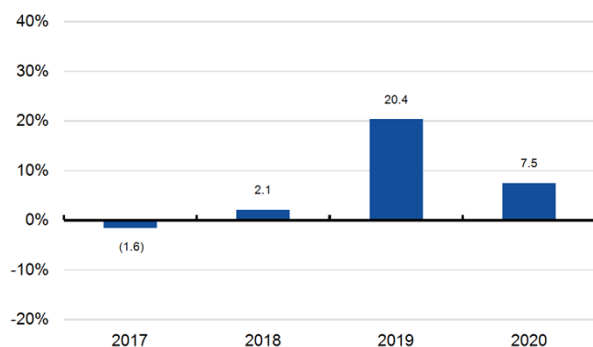
Year-by-Year Returns

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.

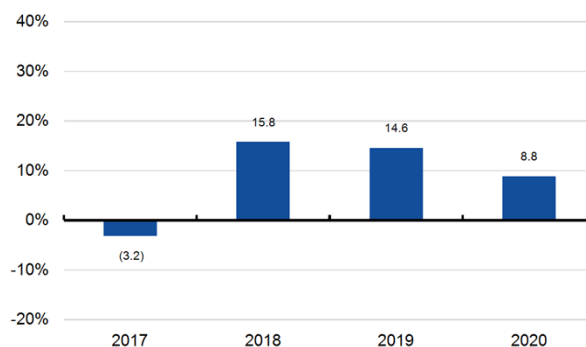
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LIFE Hedged ETF Units¹



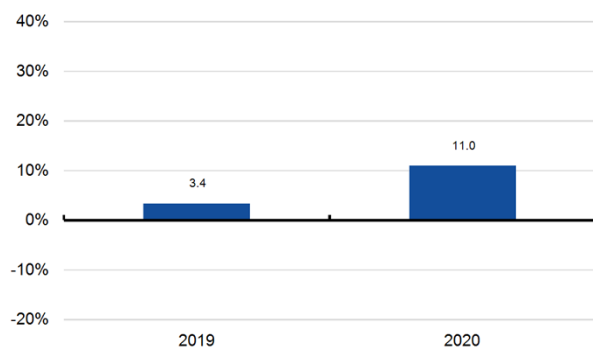
LIFE/B Unhedged ETF Units²



1 The Hedged ETF Units of the Fund effectively began operations on October 25, 2017.

2 The Unhedged ETF Units of the fund effectively began operations on October 25, 2017.

LIFE/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 (%)	1 Year (%)
Hedged ETF Units	8.6	7.5
Solactive Global Healthcare 20 Canadian Dollar Index Hedged	6.7	3.9
Unhedged ETF Units	11.1	8.8
Solactive Global Healthcare 20 Index	11.4	10.1
US Dollar Unhedged ETF Units	13.4	11.0
Solactive Global Healthcare 20 Index (USD)	14.8	11.9

1 From inception date of October 25, 2017 for the Hedged and Unhedged ETF Units and from inception date of November 27, 2019 for the US Dollar Unhedged ETF Units.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
AbbVie Inc.	5.9
Intuitive Surgical Inc.	5.4
Stryker Corporation	5.3
Medtronic PLC	5.3
Eli Lilly & Company	5.2
Novartis AG, ADR	5.1
Johnson & Johnson	5.0
CSL Limited, ADR	5.0
Merck & Company Inc.	4.9
Bristol-Myers Squibb Company	4.9
Thermo Fisher Scientific Inc.	4.9
Pfizer Inc.	4.8
Abbott Laboratories	4.8
Roche Holding AG, ADR	4.8
Novo Nordisk AS, ADR	4.8
Danaher Corporation	4.8
GlaxoSmithKline PLC, ADR	4.7
Amgen Inc.	4.7
Sanofi, ADR	4.6
AstraZeneca PLC, ADR	4.4
Viatis Inc.	0.3
Total	99.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Health Care	99.6
Derivative Assets	0.3
Derivative Liabilities	(0.3)
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(0.5)
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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