

Evolve Global Materials & Mining Enhanced Yield Index ETF

December 31, 2021

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 Materials & Mining Enhanced Yield Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Materials & Mining Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, while writing covered call options on up to 33% of the portfolio securities, at the direction of the portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

Risk

Effective April 26, 2021, the risk rating of the Hedged ETF Units was changed from "Medium to High" 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, 2021, the Hedged ETF Units returned 19.7% versus the Solactive Materials & Mining Index PR CAD Hedge return of 15.5%. The Unhedged ETF Units returned 18.5% versus the Solactive Materials & Mining Index PR return of 16.5%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and hedging strategies and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The difference in performance of the unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The Fund's net assets were \$59.5MM as at December 31, 2021.

Portfolio Manager Commentary

In spite of supply-side disruptions caused by the COVID-19 pandemic, metals had an outstanding year in 2021, with prices rising significantly over the previous year.(i)

Copper prices rose a record 25.9% in dollar terms, boosted by firm demand from China, the world's top buyer; supply disruptions in Chile, the world's top supplier; and lower inventory levels. Incidentally, China accounts for about half of global primary copper consumption, with most of its imported copper destined for manufactured export goods.(ii)

Aluminum rose 41.9%, Zinc 31.8%, and Nickel 25.5%. Tin, which normally doesn't get much attention, was the big winner among base metals, with its price almost doubling year-over year, buoyed by the electronics boom fueling demand and COVID-19 disruptions crimping supply.(iii)

Iron ore was among the big losers of 2021, with a decline of 24%, largely due to a slowdown in construction in China.(iv)

In the steel sector, output in China, the world's largest producer, declined in 2021 as the country sought to achieve carbon peaking and carbon neutrality goals. The country produced an estimated 1.03 billion tonnes of steel last year, down 35 million tonnes over 2020, according to the China Iron and Steel Association. In spite of a decline in production, profits surged by 87% as rising costs and demand pushed up prices.(v)

The rebound in demand for steel in the rest of the world in 2021 was stronger than anticipated, with estimated output of 870 million tonnes in 2021, exceeding pre-pandemic levels a year earlier than expected, according to the World Steel Association.(vi)

Ex-China steel output exceeded pre-pandemic levels in 2021, and additional growth of nearly 5% is expected in 2022, according to the World Steel Association. Rising consumption reflects pent-up demand and stimulus measures, including the EUR750 billion EU recovery fund and the recent USD550 billion U.S. infrastructure bill, across durable goods, autos, construction and infrastructure, with strong support for the energy transition.(vii)

Incidentally, soaring energy costs in Europe dominated the supply-side for base-metals. In its latest impact on production, Alcoa Corp., a company held by this Fund, reported that it will halt operations at a Spanish plant for two years due to high energy costs.(viii)

On the precious metal front, gold fell 3.5% in its biggest annual decline since 2015 as central banks started to dial back pandemic-era stimulus to fight rising inflation and the U.S. Federal Reserve signaled that it will raise interest rates in 2022.(ix) Silver followed suit, falling 11.6%.(x)

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In corporate news, Nucor, a holding of this Fund, completed the acquisition of Cornerstone Building Brands' insulated metal panels business in August to accelerate its vision of broadening value-added capabilities to its product offerings.(xi) Then in December, Nucor announced that it reached an agreement to acquire a majority ownership position in California Steel Industries, Inc. (CSI) through the purchase of a 50% equity interest from a subsidiary of Vale S.A. (Vale) and a 1% equity ownership stake from JFE Steel Corporation. The company will be a joint venture between Nucor and JFE, pending regulatory approvals.(xii)

Arcelor Mittal, another holding of this Fund announced 3Q 2021 operating income of \$5.3bn compared to \$4.4bn in 2Q 2021; and an EBITDA of \$6.1bn in 3Q 2021, the strongest quarter since 2008 and 19.9% higher than 2Q 2021. This, the company stated, is due to a positive evolution of steel spreads which more than offset 8.4% lower steel shipments and in spite of weaker demand, in particular automotive order cancellations, as well as production constraints and order shipment delays.(xiii)

In December, Steel Dynamics, another holding of the Fund, provided fourth quarter 2021 earnings guidance in the range of \$5.46 to \$5.50 per diluted share, representing record quarterly performance. Comparatively, the company's sequential third quarter 2021 earnings were \$4.85 per diluted share.(xiv)

Performance Attribution

For the annual period ending December 31, 2021, Nucor Corporation made the biggest contribution to the Fund, followed by Steel Dynamics Inc, and Freeport-McMoRan Inc. By weight, the Fund's largest exposure at the end of 2021 was to Alcoa Corp., followed by Gold Fields Ltd. and Freeport-McMoRan.

(i) <https://ca.movies.yahoo.com/mineralprices-com-2021-metal-prices-200000656.html>

(ii) <https://ca.movies.yahoo.com/mineralprices-com-2021-metal-prices-200000656.htm>

(iii) <https://www.nasdaq.com/articles/chinese-demand-fueled-gains-for-base-metals-in-2021>

(iv) <https://www.bloomberg.com/news/articles/2021-12-29/metals-mixed-on-china-s-economic-outlook-global-virus-surge>

(v) <https://www.bignewsnetwork.com/news/272142940/chinas-steel-output-declines-in-2021>

(vi) <https://www.fitchratings.com/research/corporate-finance/fitch-ratings-2022-outlook-global-steel-13-12-2021>

(vii) <https://www.fitchratings.com/research/corporate-finance/strong-production-volumes-supports-global-steel-sector-outlook-13-12-2021>

(viii) https://finance.yahoo.com/news/metals-shine-wild-2021-gold-060141100.html?fr=yhssrp_catchall

(ix) <https://www.bloomberg.com/news/articles/2022-01-05/spot-gold-pares-gain-as-fed-sees-chance-of-earlier-rate-hikes>

(x) <https://www.bloomberg.com/news/articles/2022-01-05/spot-gold-pares-gain-as-fed-sees-chance-of-earlier-rate-hikes>

(xi) <https://www.nucor.com/news-release/#item=18121>

(xii) <https://www.nucor.com/news-release/#item=18671>

(xiii) <https://corporate.arcelormittal.com/media/press-releases/arcelormittal-reports-third-quarter-2021-results>

(xiv) <https://ir.steeldynamics.com/Steel-Dynamics-Provides-Fourth-Quarter-2021-Record-Earnings-Guidance-12-16-2021>

Recent Developments

COVID-19 Pandemic

In the year 2021, the COVID-19 pandemic persisted and continued to result 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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Ukraine-Russian Federation Conflict

Subsequent to December 31, 2021, the escalating conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. NATO, EU and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. Restrictive measures have also been imposed by Russia and some securities have materially declined in value and/or may no longer be tradable. These actions have resulted in significant disruptions to investing activities and businesses with operations in Russia. The longer-term impact to geopolitical norms, supply chains and investment valuations is uncertain.

As at December 31, 2021, the Fund (4.6% of net assets) was exposed to a Russian securities (MMC Norilsk Nickel PJSC, ADR). The position was disposed of in the subsequent period. It is unclear what further actions may be taken by governments and the resulting impact on global economies, businesses and financial markets. While the situation remains fluid, the Fund continues to monitor ongoing developments and the impact to investment strategies.

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 0.60% 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, 2021, the Fund incurred \$312,892 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, 2021, the Fund incurred \$78,223 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, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:			
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	24.91	21.33	20.00
Increase (decrease) from operations:			
Total revenue	1.24	0.58	0.41
Total expenses	(0.40)	(0.33)	(0.20)
Realized gains (losses)	1.95	0.81	(0.42)
Unrealized gains (losses)	1.26	5.48	3.46
Total increase (decrease) from operations²	4.05	6.54	3.25
Distributions:			
From dividends	(0.96)	(0.30)	(0.15)
From capital gains	(0.61)	(0.78)	-
Return of capital	(0.16)	(0.12)	(0.45)
Total annual distributions³	(1.73)	(1.20)	(0.60)
Net Assets per Unit, end of period	27.73	24.91	21.33
Hedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	25.71	21.50	20.00
Increase (decrease) from operations:			
Total revenue	1.27	0.58	0.44
Total expenses	(0.42)	(0.33)	(0.21)
Realized gains (losses)	(0.03)	1.08	(0.09)
Unrealized gains (losses)	1.18	5.02	2.01
Total increase (decrease) from operations²	2.00	6.35	2.15
Distributions:			
From dividends	(0.77)	(0.25)	(0.11)
From capital gains	(0.70)	(0.65)	-
Return of capital	(0.26)	(0.30)	(0.49)
Total annual distributions³	(1.73)	(1.20)	(0.60)
Net Assets per Unit, end of period	29.01	25.71	21.50

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2021, 2020, and 2019. The Fund effectively began operations on June 11, 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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2021	December 31, 2020	December 31, 2019
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$)⁴	30,501,225	24,286,886	10,663,210
Number of units outstanding⁴	1,100,000	975,000	500,000
Management expense ratio⁵	0.82%	0.85%	0.84%
Trading expense ratio⁶	0.25%	0.43%	0.61%
Portfolio turnover rate⁷	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	27.73	24.91	21.33
Closing market price (\$)	27.70	24.97	21.29
Hedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$)⁴	29,012,779	2,571,290	1,612,226
Number of units outstanding⁴	1,000,000	100,000	75,000
Management expense ratio⁵	0.85%	0.85%	0.85%
Trading expense ratio⁶	0.25%	0.43%	0.61%
Portfolio turnover rate⁷	69.36%	82.01%	61.38%
Net Asset Value per unit (\$)	29.01	25.71	21.50
Closing market price (\$)	29.08	25.70	21.50

4 This information is provided as at December 31, 2021, 2020, and 2019.

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.

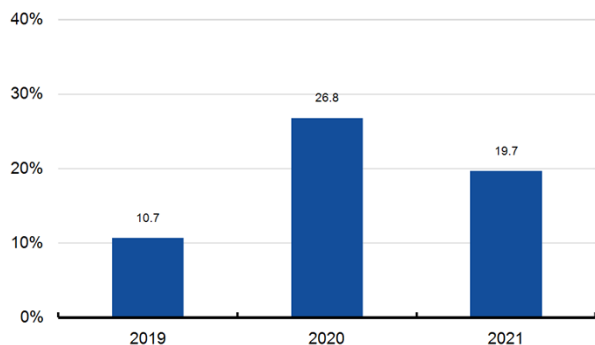
Year-by-Year Returns

The bar chart below shows the Hedged and Unhedged ETF Units' performance for each of the financial years shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial year would have grown or decreased by the last day of each financial year.

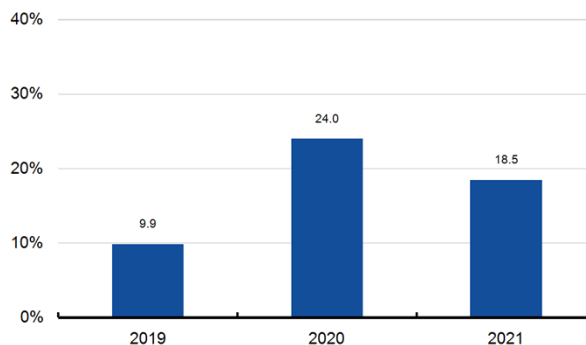
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BASE Hedged ETF Units¹



BASE/B Unhedged ETF Units²



1 The Hedged ETF Units of the Fund effectively began operations on June 11, 2019.

2 The Unhedged ETF Units of the Fund effectively began operations on June 11, 2019.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged and Unhedged ETF Units. The returns are for period ended December 31, 2021. 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	22.5	19.7
Solactive Materials & Mining Index PR CAD Hedge	16.9	15.5
Unhedged ETF Units	20.6	18.5
Solactive Materials & Mining Index PR	19.7	16.5

1 From inception date of June 11, 2019.

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Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Alcoa Corporation	6.0
Gold Fields Limited, ADR	5.9
Freeport-McMoRan Inc.	5.7
Nucor Corporation	5.6
Eastman Chemical Company	5.4
BHP Group PLC, ADR	5.3
DuPont de Nemours Inc.	5.3
Newmont Corporation	5.3
ArcelorMittal SA	5.1
Steel Dynamics Inc.	5.1
Cleveland-Cliffs Inc.	5.1
Southern Copper Corporation	4.9
Ternium SA, ADR	4.8
MMC Norilsk Nickel PJSC, ADR	4.6
Rio Tinto PLC, ADR	4.6
Dow Inc.	4.5
Vale SA, ADR	4.5
POSCO, ADR	4.1
Reliance Steel & Aluminum Company	4.1
Sibanye Stillwater Limited	4.0
Total	99.9

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Materials	99.9
Derivative Assets	0.9
Derivative Liabilities	(0.5)
Cash and Cash Equivalents	0.3
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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