



Evolve ETFs

Evolve Global Healthcare Enhanced Yield Fund

December 31, 2019

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, 161 Bay Street, Suite 2700, Toronto, ON, M5J 2S1 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 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, 2019, Unhedged ETF Units returned 14.6% versus the Solactive Global Healthcare 20 Index return of 14.2%. Hedged ETF Units returned 20.4% versus the Solactive Global Healthcare 20 Canadian Dollar Index Hedged return of 19.9%. 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 US Dollar Unhedged ETF Units were launched on November 27, 2019, no performance data can be shown. Fund’s net assets were \$13.2MM as at December 31, 2019.

Portfolio Manager Commentary

MACROECONOMIC HIGHLIGHTS:

Healthcare was an underperformer through much of 2019, significantly underperforming the broader market. In part, this was driven by on-going uncertainty on the part of investors in the run up to the 2020 US election that a potential Democratic president might usher in a Medicare for All health program in the United States that would decimate the role of private insurance and undermine the sector. While such fears clouded healthcare stocks for most of the year the concern appeared to be easing late in 2019.(i)

Large tech driven companies dominated new developments in the health care space in 2019.

In October, Google announced that it was buying wearable company Fitbit for \$2.1 billion, providing it with an opportunity to invest more in Wear OS as well as introduce Made by Google wearable devices to the market. Under the deal, Fitbit will be joining Google itself. Fitbit health and wellness data will not be used for Google ads.(ii)

In related news, Google also announced that it is developing a full range of smart internal and external sensors, monitoring everything from blood sugar to blood chemistry. The dramatic growth of smart portable, wearable, and implantable sensors—including everything from toothbrushes to toilets, to bedding and clothing—is set to revolutionize healthcare, providing a 360-degree data-driven diagnostic of your health, and rendering traditional equipment obsolete.(iii)

Facebook also entered the healthcare market by launching a tool called “Preventive Health” to prompt its users to get regular checkups and connect them to service providers. The social media giant will work with the American Cancer Society, the American College of Cardiology, the American Heart Association, and the Centers for Disease Control and Prevention, to develop a series of digital prompts that encourage users to get a standard battery of tests.(iv)

Amazon is also expanding in the healthcare market. The e-commerce titan purchased Chicago-based digital health tech platform Health Navigator for an undisclosed amount, marking its first healthcare acquisition since it spent \$753 million to scoop up digital pharmacy PillPack in 2018. Health Navigator focuses on digital diagnostics and triage recommendations to help guide patients toward the right point of care.(v)

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The sector saw \$334.67 billion in M&A deal-making in 2019—nearly \$10 billion more than 2018—driven largely by cancer-focused drug makers and private equity. These totals fell short of record M&A transactions in 2014, however, when the industry saw \$342.27 billion in deals.(vi)

US healthcare sector job growth continued to be strong throughout 2019, and surpassed 2018 numbers. The healthcare sector added 28,100 jobs in December—driven by growth in ambulatory healthcare services—to close out the year up a total of 398,800 jobs, according to data from the Bureau of Labor Statistics.(vii)

And the end of 2019, 178 healthcare companies worldwide had completed their IPOs, raising \$21.82 billion in gross proceeds, according to data compiled by S&P Global Market Intelligence. This represents a decline YOY from 2018, however.(viii)

In medical breakthrough news from 2019, in October, Robert Chelsea, became the first African American and, at 68, the oldest recipient ever to receive a face transplant. The surgery was done at Boston's Brigham and Women's Hospital. Since the first partial face transplant was performed in France in 2005, fewer than 50 have been completed worldwide.(ix)

And a neuro-radiologist at Toronto's Western Hospital carried out the world's first robotic brain surgery in November. The robot-assisted aneurysm coiling was conducted on a 64-year-old female patient, using a CorPath GRX, a second-generation robotics platform capable of "submillimetric" movements. It is controlled using joysticks and touchscreen controls.(x)

(i) <https://nationalpost.com/pmnl/elections-pmn/u-s-healthcare-shares-pick-up-steam-as-some-political-worries-abate>

(ii) <https://www.theverge.com/2019/11/1/20943318/google-fitbit-acquisition-fitness-tracker-announcement>

(iii) <https://singularityhub.com/2019/10/11/we-cant-even-comprehend-the-data-haul-well-soon-get-from-sensors/>

(iv) <https://techcrunch.com/2019/10/28/facebook-unveils-its-first-foray-into-personal-digital-healthcare-tools/>

(v) <https://www.businessinsider.com/amazon-acquires-digital-diagnostics-triage-firm-health-navigator-2019-10>

(vi) <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/56694530>

(vii) <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/56694530>

(viii) <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/56694530>

(ix) <https://time.com/5709294/first-african-american-face-transplant/>

(x) <https://www.digitaltrends.com/cool-tech/robot-brain-surgery-canada/>

Recent Developments

Subsequent to year end, COVID-19 became a global pandemic and resulted 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

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 management fees are calculated based on 0.45% 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, 2019, the Fund incurred \$26,384 in management fees. These management fees were received by Evolve Funds Group Inc. 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, 2019, the Fund incurred \$8,795 in administration fees. These administration fees were received by Evolve Funds Group Inc. 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 that class.

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, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
Unhedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	21.10	19.02	19.80
Increase (decrease) from operations:			
Total revenue	0.68	0.60	0.05
Total expenses	(0.28)	(0.54)	(0.03)
Realized gains (losses)	0.24	(3.16)	0.02
Unrealized gains (losses)	2.40	3.51	(0.61)
Total increase (decrease) from operations²	3.04	0.41	(0.57)
Distributions:			
From dividends	(0.27)	-	(0.01)
Return of capital	(1.07)	(0.87)	(0.14)
Total annual distributions³	(1.34)	(0.87)	(0.15)
Net Assets per Unit, end of period	22.71	21.10	19.02
Hedged Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	18.79	19.28	19.73
Increase (decrease) from operations:			
Total revenue	0.59	0.51	0.06
Total expenses	(0.26)	(0.45)	(0.03)
Realized gains (losses)	0.17	0.68	(0.26)
Unrealized gains (losses)	3.96	(1.20)	(0.31)
Total increase (decrease) from operations²	4.46	(0.46)	(0.54)
Distributions:			
From dividends	(0.27)	-	(0.00)
Return of capital	(1.07)	(0.87)	(0.15)
Total annual distributions³	(1.34)	(0.87)	(0.15)
Net Assets per Unit, end of period	21.14	18.79	19.28

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

	December 31, 2019 (\$)	December 31, 2018 (\$)	December 31, 2017 (\$)
For the periods ended:			
US Dollar Unhedged Units - Net Assets per Unit⁵			
Net Assets per Unit, beginning of period ⁴	26.64	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.03	N/A	N/A
Total expenses	(0.02)	N/A	N/A
Realized gains (losses)	(0.07)	N/A	N/A
Unrealized gains (losses)	0.52	N/A	N/A
Total increase (decrease) from operations²	0.46	N/A	N/A
Distributions:			
From dividends	(0.15)	N/A	N/A
Total annual distributions³	(0.15)	N/A	N/A
Net Assets per Unit, end of period	26.91	N/A	N/A

- 1 This information is derived from the Fund's audited annual financial statement as at December 31, 2019, 2018 and 2017. The Unhedged and Hedged ETF Units began operations on October 25, 2017 and the US Dollar Unhedged ETF Units began operations on November 27, 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.
- 4 This amount represents the initial launch price.
- 5 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2019	December 31, 2018	December 31, 2017
For the periods ended:			
Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	2,838,431	1,055,018	1,902,143
Number of units outstanding ⁶	125,000	50,000	100,000
Management expense ratio ⁷	0.68%	0.69%	0.67%
Trading expense ratio ⁸	0.25%	1.31%	0.14%
Portfolio turnover rate ⁹	78.19%	341.86%	1.44%
Net Asset Value per unit (\$)	22.71	21.10	19.02
Closing market price (\$)	22.63	21.07	19.11
Hedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	8,984,401	2,349,306	1,445,902
Number of units outstanding ⁶	425,000	125,000	75,000
Management expense ratio ⁷	0.68%	0.69%	0.66%
Trading expense ratio ⁸	0.25%	1.31%	0.14%
Portfolio turnover rate ⁹	78.19%	341.86%	1.44%
Net Asset Value per unit (\$)	21.14	18.79	19.28
Closing market price (\$)	21.08	18.80	19.34

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

For the periods ended:	December 31, 2019	December 31, 2018	December 31, 2017
US Dollar Unhedged Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁶	1,345,610	N/A	N/A
Number of units outstanding ⁶	50,000	N/A	N/A
Management expense ratio ⁷	0.00%	N/A	N/A
Trading expense ratio ⁸	0.25%	N/A	N/A
Portfolio turnover rate ⁹	78.19%	N/A	N/A
Net Asset Value per unit (\$)	26.91	N/A	N/A
Closing market price (\$)	26.91	N/A	N/A

6 This information is provided as at December 31, 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

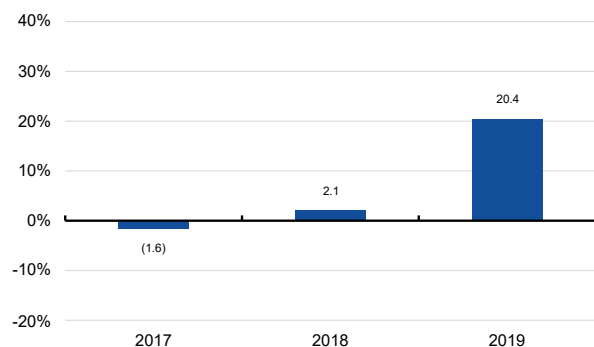
The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment 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 US Dollar Unhedged ETF Units with inception date November 27, 2019 has been in operations for less than one year, providing performance data for the period is not permitted.

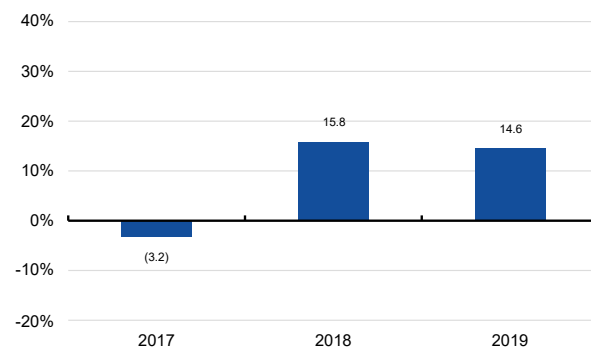
Year-by-Year Returns

The bar chart below shows the Hedged and 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.

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.

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Annual Compound Return

The table shows the historical annual compound total return of the Hedged and Unhedged ETF Units is listed below. The returns are for period ended December 31, 2019. 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	9.1	20.4
Solactive Global Healthcare 20 Canadian Dollar Index Hedged	8.0	19.9
Unhedged ETF Units	12.1	14.6
Solactive Global Healthcare 20 Index	9.1	14.2

1 From inception date of October 25, 2017.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Bristol-Myers Squibb Company	5.5
Eli Lilly & Company	5.4
AbbVie Inc.	5.3
Amgen Inc.	5.3
CSL Limited	5.3
Thermo Fisher Scientific Inc.	5.1
AstraZeneca PLC	5.0
Novartis AG	5.0
Roche Holding AG	4.9
Johnson & Johnson	4.9
GlaxoSmithKline PLC	4.9
Sanofi, ADR	4.9
Danaher Corporation	4.9
Novo Nordisk AS	4.8
Abbott Laboratories	4.8
Merck & Company Inc.	4.8
Pfizer Inc.	4.8
Medtronic PLC	4.7
Gilead Sciences Inc.	4.5
Stryker Corporation	4.3
Total	99.1

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Health Care	99.1
Derivative Assets	0.8
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(0.1)
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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