

Evolve E-Gaming Index ETF

December 31, 2023

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 E-Gaming Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive eGaming Index (the "Benchmark"), or any successor thereto. The Fund primarily invests in equity securities of companies listed domestically and globally, and other issuers, with business activities in the gaming industry.

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, 2023, the Hedged ETF Units returned 19.2% versus the Solactive eGaming Index PR CAD Hedged return of 19.3%. 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 Fund's net assets were \$24.3MM as at December 31, 2023.

Portfolio Manager Commentary

In 2023, the e-Gaming industry experienced a number of pivotal events that influenced market dynamics and the performance of e-Gaming-related investments. During the period, the e-Gaming market saw modest growth with the global market generating \$184.0 billion in revenues during the year, representing year-on-year growth of 0.6%. Global e-Gaming revenues are forecasted to continue to grow to \$205.7 billion by 2026, representing a 2021 to 2026 compounded annual growth rate (CAGR) of 1.3%. This growth is echoed in the performance of specific platforms for e-Gaming, with console gaming growing by 1.9% to \$53.2 billion and the PC segment growing by 3.9% to \$40.4 billion. Furthermore, the number of players worldwide is also set to reach 3.38 billion in 2023, growing by 6.3% year-on-year driven by increased adoption in emerging regions.¹

A major event which impacted the sector during the year was the completion of Microsoft's acquisition of Activision Blizzard in October of 2023. The deal, valued at \$69 billion, brings a vast library of popular franchises including Call of Duty, World of Warcraft, and Diablo under Microsoft's corporate umbrella. The acquisition was the largest in Microsoft's history, and has major implications for the e-Gaming market as it is expected to significantly shift the balance of power within the industry in favor of Microsoft and their consol, Xbox.²

Additionally, the release of new consoles, such as Sony's PlayStation 5 Pro and Microsoft's Xbox Series Z, represents significant hardware advancements that are likely to drive consumer spending in the e-Gaming sector. Additionally, new-generation graphics cards and processors that hit the market during the year are expected to enhance the e-Gaming experience for PC gamers. Such hardware upgrades typically stimulate software sales, which is expected to positively impact companies within the sector.³

Performance Attribution

For the twelve-month period ending December 31, 2023, Nintendo Co Ltd., made the biggest contribution to the Fund, followed by Take-Two Interactive Software Inc. By weight, the Fund's largest holdings were ROBLOX Corp, Ltd, Nintendo Co Ltd., and Take-Two Interactive Software Inc.

(1) <https://newzoo.com/resources/blog/video-games-in-2023-the-year-in-numbers>

(2) <https://www.theverge.com/2023/10/13/23791235/microsoft-activision-blizzard-acquisition-complete-finalized>

(3) https://www.linkedin.com/pulse/2023-year-review-gaming-industry-kopazar-l5whf/?trk=organization_guest_main-feed-card_feed-article-content

Recent Developments

There are no known changes at this time to the investment strategy of the Fund or the Manager.

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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 0.70% 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, 2023, the Fund incurred \$210,198 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, 2023, the Fund incurred \$45,551 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, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:					
Hedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	24.21	34.66	37.14	22.31	20.00
Increase (decrease) from operations:					
Total revenue	0.32	0.36	0.35	0.26	0.16
Total expenses	(0.36)	(0.36)	(0.48)	(0.47)	(0.24)
Realized gains (losses)	(1.85)	(6.27)	1.82	2.20	0.11
Unrealized gains (losses)	6.71	(4.31)	(5.33)	14.89	2.50
Total increase (decrease) from operations²	4.82	(10.58)	(3.64)	16.88	2.53
Distributions:					
From capital gains	-	-	(0.16)	(0.06)	-
Return of capital	(0.20)	(0.20)	(0.04)	-	(0.03)
Total annual distributions³	(0.20)	(0.20)	(0.20)	(0.06)	(0.03)
Net Assets per Unit, end of period	28.64	24.21	34.66	37.14	22.31

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023, 2022, 2021, 2020, and 2019. The Fund effectively began operations on June 13, 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, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Hedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	24,340,163	26,023,689	58,049,592	41,783,501	2,231,075
Number of units outstanding ⁴	850,000	1,075,000	1,675,000	1,125,000	100,000
Management expense ratio ⁵	0.97%	0.94%	0.97%	0.96%	0.99%
Trading expense ratio ⁶	0.17%	0.13%	0.17%	0.42%	0.98%
Portfolio turnover rate ⁷	68.37%	48.23%	90.93%	31.35%	28.57%
Net Asset Value per unit (\$)	28.64	24.21	34.66	37.14	22.31
Closing market price (\$)	28.65	24.03	34.54	37.26	22.32

4 This information is provided as at December 31, 2023, 2022, 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.

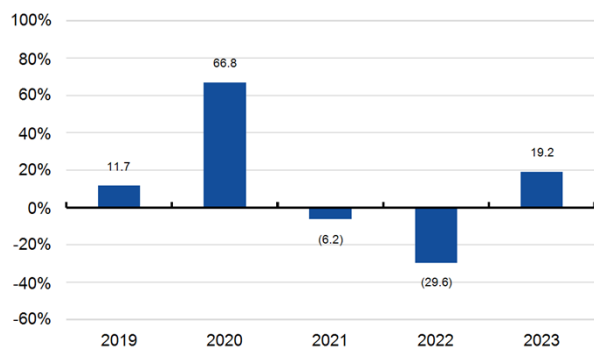
Past Performance

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 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 period would have grown or decreased by the last day of that financial period.

HERO Hedged ETF Units¹



1 The Hedged ETF Units of the Fund effectively began operations on June 13, 2019.

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Annual Compound Return

The table below shows the historical annual compound total return of the Hedged ETF Units. The returns are for period ended December 31, 2023. 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 (%)	3 Year (%)
Hedged ETF Units	8.8	19.2	(7.7)
Solactive eGaming Index PR CAD Hedged	10.1	19.3	(7.1)

1 From inception date of June 13, 2019.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
ROBLOX Corporation, Class 'A'	12.0
Nintendo Company Limited, ADR	11.4
Take-Two Interactive Software Inc.	10.2
Electronic Arts Inc.	9.4
NetEase Inc., ADR	8.0
NEXON Company Limited	7.4
AppLovin Corporation	5.1
Capcom Company Limited	4.1
Konami Holdings Corporation	3.5
Krafton Inc.	3.5
Square Enix Holdings Company Limited	2.1
NCSOFT Corporation	1.9
Netmarble Corporation	1.8
Koei Tecmo Holdings Company Limited	1.8
Embracer Group AB	1.6
Sega Sammy Holdings Inc.	1.6
International Games System Company Limited	1.6
Ubisoft Entertainment SA, ADR	1.5
Playtika Holding Corporation	1.5
CD Projekt SA	1.4
Paradox Interactive AB	1.1
Pearl Abyss Corporation	0.9
Kakao Games Corporation	0.8
Wemade Company Limited	0.7
GungHo Online Entertainment Inc.	0.7
Total	95.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	92.4
Consumer Discretionary	1.8
Information Technology	5.9
Derivative Assets	0.5
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(0.8)
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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