

Evolve Cloud Computing Index Fund

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 Cloud Computing Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cloud Computing Index, or any successor thereto. The Fund invests primarily in equity securities of companies located domestically or internationally that have business operations in the field of cloud computing.

Risk

Effective April 25, 2023, the risk rating of the Hedged and Unhedged ETF Units of the Fund was changed from "Medium" to "Medium 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, 2023, the Hedged ETF Units returned 51.0% versus the Solactive Global Cloud Computing Index return of 50.8%. The Unhedged ETF Units returned 49.0% versus the Solactive Global Cloud Computing Index return of 50.8%. 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 \$18.7MM as at December 31, 2023.

Portfolio Manager Commentary

In 2023, global end-user spending on cloud computing services amounted to a staggering \$563.6 billion. In a study done by Gartner, an American technological research and consulting firm, researchers forecasted this number to grow to \$678.8 billion in 2024, signifying a growth rate of 20.4% as compared to 2023. This substantial growth is being driven by the increased adoption of emerging technologies such as Generative Artificial Intelligence (GenAI), which are reshaping cloud computing systems through the optimization of data storage and ability to offer real-time insights to improve business decisions. In fact, cloud service segments, including Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS), are expected to see the highest ever end-user growth rates in 2024. Furthermore, the study concluded that more than 70% of enterprises are expected to use industry cloud platforms by 2027, representing a significant increase from less than 15% in 2023.¹

Key players in the industry, including Microsoft Azure, Amazon Web Services (AWS), and Google Cloud, have reported varying ranges of growth throughout the year. To illustrate, in their first quarter 2024 earnings report, Microsoft Azure reported a 29% increase in revenue in its Azure segment, with the growth in adoption of AI technologies being a notable contributing factor. Azure's focus on AI in partnership with OpenAI, as well as enhanced GPU capacities has been crucial to its growth.² On the other hand, AWS, holding the largest share of the market at 32%, reported a slower growth rate of 12% when it announced its third quarter 2023 earnings. Despite this, AWS reported improved operating margins indicating effective cost management strategies.^{3,4} Google Cloud, with an 11% share of the cloud computing market, achieved a 22% growth rate during the third quarter of 2023, but fell short of revenue expectations. However, it marked a significant shift in its operating profit, emphasizing Alphabet's focus on integrating GenAI technology in the development of its products and implementing cost-cutting measures.^{3,5}

In summary, during 2023 the cloud computing market was characterized by robust growth, technological advancements, and strategic shifts among its key players. Microsoft Azure's AI-driven growth, AWS's cost optimization, and Google Cloud's move towards profitability highlight a competitive and rapidly evolving market landscape. The industry's future will be shaped by factors like GenAI and industry cloud platforms, suggesting that the cloud computing industry will be one marked by continued innovation and growth.

Performance Attribution

For the twelve-month period ending December 31, 2023, Intuit Inc. made the biggest contribution to the Fund, followed by Microsoft Corporation. By weight, the Fund's largest holdings were Salesforce Inc., SAP SE, and Intuit Inc.

(1) <https://www.gartner.com/en/newsroom/press-releases/11-13-2023-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-679-billion-in-2024>

(2) <https://www.cnbc.com/2023/10/24/microsoft-msft-q1-earnings-report-2024.html>

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(3) <https://www.statista.com/chart/18819/worldwide-market-share-of-leading-cloud-infrastructure-service-providers/>

(4) <https://www.cnbc.com/2023/10/26/amazon-amzn-q3-earnings-report-2023.html>

(5) <https://www.cnbc.com/2023/10/24/alphabet-googl-earnings-q3-2023.html>

Recent Developments

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

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 generally paid monthly. For the year ended December 31, 2023, the Fund incurred \$121,312 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 \$30,837 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, 2023	December 31, 2022	December 31, 2021
	(\$)	(\$)	(\$)
For the periods ended:			
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	15.22	24.34	20.00
Increase (decrease) from operations:			
Total revenue	0.12	0.10	0.13
Total expenses	(0.29)	(0.18)	(0.24)
Realized gains (losses)	0.05	(4.20)	1.40
Unrealized gains (losses)	7.54	(5.01)	0.02
Total increase (decrease) from operations²	7.42	(9.29)	1.31
Distributions:			
From capital gains	-	-	(0.09)
Return of capital	(0.12)	(0.12)	(0.02)
Total annual distributions³	(0.12)	(0.12)	(0.11)
Net Assets per Unit, end of period	22.54	15.22	24.34
Hedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	14.18	24.42	20.00
Increase (decrease) from operations:			
Total revenue	0.11	0.10	0.12
Total expenses	(0.26)	(0.17)	(0.24)
Realized gains (losses)	0.23	(4.56)	0.22
Unrealized gains (losses)	7.03	(6.10)	3.47
Total increase (decrease) from operations²	7.11	(10.73)	3.57
Distributions:			
From capital gains	-	-	(0.10)
Return of capital	(0.12)	(0.12)	(0.01)
Total annual distributions³	(0.12)	(0.12)	(0.11)
Net Assets per Unit, end of period	21.28	14.18	24.42

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023, 2022 and 2021. The Hedged and Unhedged ETF Units effectively began operations on January 6, 2021.
- 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.

The Fund's Ratios/Supplemental Data

	December 31, 2023	December 31, 2022	December 31, 2021
For the periods ended:			
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	2,253,806	1,521,909	5,476,295
Number of units outstanding ⁴	100,000	100,000	225,000
Management expense ratio ⁵	0.85%	0.83%	0.85%
Trading expense ratio ⁶	0.07%	0.07%	0.10%
Portfolio turnover rate ⁷	36.96%	44.48%	43.23%
Net Asset Value per unit (\$)	22.54	15.22	24.34
Closing market price (\$)	22.53	15.21	24.35

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

For the periods ended:	December 31, 2023	December 31, 2022	December 31, 2021
Hedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	16,490,389	14,537,564	32,362,616
Number of units outstanding ⁴	775,000	1,025,000	1,325,000
Management expense ratio ⁵	0.86%	0.82%	0.85%
Trading expense ratio ⁶	0.07%	0.07%	0.10%
Portfolio turnover rate ⁷	36.96%	44.48%	43.23%
Net Asset Value per unit (\$)	21.28	14.18	24.42
Closing market price (\$)	21.26	14.12	24.55

4 This information is provided as at December 31, 2023, 2022 and 2021.

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.

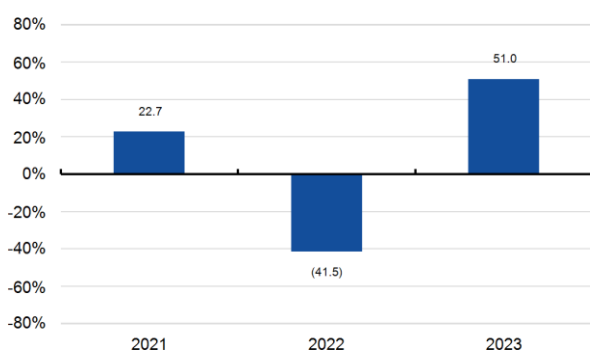
Past Performance

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.

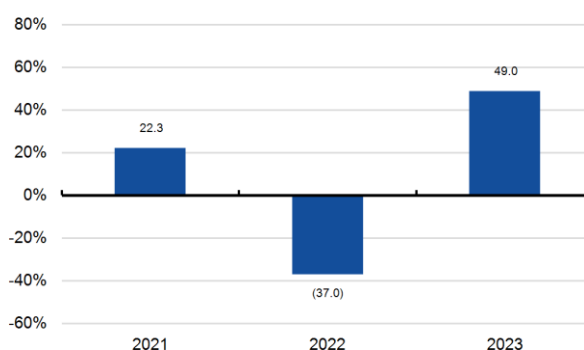
Year-by-Year Returns

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

DATA Hedged ETF Units¹



DATA/B Unhedged ETF Units²



1 The Hedged ETF Units of the Fund effectively began operations on January 6, 2021.

2 The Unhedged ETF Units of the Fund effectively began operations on January 6, 2021.

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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, 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 (%)
Hedged ETF Units	2.7	51.0
Solactive Global Cloud Computing Index	5.6	50.8
Unhedged ETF Units	4.7	49.0
Solactive Global Cloud Computing Index	5.6	50.8

1 From inception date of January 6, 2021.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Salesforce Inc.	8.6
SAP SE, ADR	8.0
Intuit Inc.	7.8
Amazon.com Inc.	7.8
Microsoft Corporation	7.7
ServiceNow Inc.	7.2
Alphabet Inc., Class 'A'	6.8
Oracle Corporation	6.5
Snowflake Inc., Class 'A'	3.3
CrowdStrike Holdings Inc., Class 'A'	2.9
Workday Inc., Class 'A'	2.9
Fortinet Inc.	2.3
Datadog Inc., Class 'A'	1.8
Zscaler Inc.	1.6
HubSpot Inc.	1.5
MongoDB Inc.	1.5
Splunk Inc.	1.3
NetApp Inc.	0.9
Check Point Software Technologies Limited	0.9
Zoom Video Communications Inc.	0.9
Akamai Technologies Inc.	0.9
Seagate Technology Holdings PLC	0.9
OBIC Company Limited	0.9
WiseTech Global Limited	0.9
Western Digital Corporation	0.8
Total	86.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	7.2
Consumer Discretionary	7.8
Industrials	0.5
Information Technology	83.8
Derivative Assets	0.8
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	2.0
Other Assets, less Liabilities	(2.1)
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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