

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.*

## PROSPECTUS



# Evolve Funds

*Initial Public Offering and Continuous Offering*

February 12, 2021

## BITCOIN ETF

**The Bitcoin ETF (the “Evolve Fund”) is an exchange traded mutual fund that invests in the digital currency bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is no assurance that the Evolve Fund will be able to meet its investment objective. An investment in the Evolve Fund is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment. An investment in the Evolve Fund is considered high risk.**

This prospectus qualifies the distribution of U.S. dollar denominated unhedged units (“**USD Units**”) and Canadian dollar denominated unhedged units (“**CAD Units**”, together with the USD Units, the “**Units**”) of the Evolve Fund, which is an alternative mutual fund established under the laws of the province of Ontario. The Units will be issued at a price equal to the net asset value per Unit. There is no minimum number of Units that may be offered.

The Evolve Fund’s investment objective is to provide holders of Units with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure. See “Investment Objectives”.

Calculated every day since its launch on November 14, 2016, the BRR, a once-a-day benchmark index price for bitcoin denominated in U.S. dollars, is a registered benchmark under the European Union’s Benchmark Regulation regime. Since Brexit, both the EU and UK have confirmed equivalence for their benchmarks regimes. The BRR is also currently the settlement index for futures contracts listed by CME Group.

To achieve its investment objectives, the Evolve Fund will invest in long-term holdings of bitcoin, purchased through Gemini NuSTAR LLC and/or other reputable bitcoin trading platforms (commonly referred to as bitcoin trading platforms) and OTC counterparties, in order to provide investors with a convenient, secure alternative to a direct investment in bitcoin. As it is the Evolve Fund’s intention to invest in bitcoin on a passive basis, the Evolve Fund will not speculate with regard to changes in bitcoin prices. Purchases of bitcoin will generally only be undertaken by the Evolve Fund in response to subscriptions, and sales of bitcoin will generally only be undertaken by the Evolve Fund as required in order to fund expenses and redemptions. See “Investment Strategies”.

Evolve Funds Group Inc. (the “**Manager**”), a registered investment fund manager and portfolio manager, will act as promoter, manager, trustee and portfolio manager of the Evolve Fund and is responsible for the administration of the Evolve Fund. Cidel Trust Company (the “**Custodian**”) will act as the Custodian of the assets of the Evolve Fund pursuant to the Custodian Agreement. Gemini Trust Company, LLC (the “**Sub-Custodian**”) will act as the Sub-Custodian in respect of the Evolve Fund’s holdings of bitcoin.

### **Listing of Units**

The Units of the Evolve Fund have been conditionally approved for listing on the Toronto Stock Exchange (the “**Designated Exchange**”). Subject to satisfying the Designated Exchange’s original listing requirements on or before February 11, 2022, the Units will be listed on the Designated Exchange and investors will be able to buy or sell such Units on the Designated Exchange through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the Evolve Fund in connection with buying or selling of Units on the Designated Exchange. Unitholders may also redeem Units for cash at a redemption price per Unit equal to 95% of the closing price of the Units on the Designated Exchange on the effective day of redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption, or exchange a Prescribed Number of Units (as defined herein) (or an integral multiple thereof) for cash. See “Exchange and Redemption of Units – Redemption of Units of the Evolve Fund for Cash” and “Exchange and Redemption of Units – Exchange of Units of the Evolve Fund at Net Asset Value per Unit for Cash” for further information.

The Evolve Fund will issue Units directly to the Designated Broker (as defined herein) and Dealers (as defined herein).

### **Eligibility for Investment**

Provided that the Evolve Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act (as defined herein), or that the Units are listed on a “designated stock exchange” (which includes the Designated Exchange) within the meaning of the Tax Act, the Units, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a deferred profit sharing plan, a registered education savings plan or a tax-free savings account.

### **Additional Considerations**

The Evolve Fund is considered an alternative mutual fund within the meaning of National Instrument 81-102 Investment Funds (“**NI 81-102**”) and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund’s investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

No designated broker or dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, the Designated Broker and Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Evolve Fund of its Units under this prospectus.

**There is no guarantee that an investment in the Evolve Fund will earn any positive return in the short- or long-term, nor is there any guarantee that the net asset value per Unit will appreciate or be preserved. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. For a discussion of the risks associated with an investment in Units, see “Risk Factors”.**

Registration of interests in, and transfer of, the Units will be made only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

**Documents Incorporated by Reference**

Additional information about the Evolve Fund is or will be available in the most recently filed annual financial statements, any interim financial statements filed after those annual financial statements, the most recently filed annual management report of fund performance (“**MRFP**”), any interim MRFP filed after the annual MRFP for the Evolve Fund, and the most recently filed ETF Facts (as defined herein) for the Evolve Fund. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. See “Documents Incorporated by Reference” for further details.

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## GLOSSARY

*Unless otherwise indicated, the references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time.*

“*air drop*” has the meaning ascribed thereto under “Risk Factors – Risk Factors Relating to Bitcoin – Air Drops”.

“*BRR*” means a once-a-day benchmark index price for bitcoin denominated in U.S. dollars.

*Canadian Securities Legislation* – means the securities legislation in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the Securities Regulatory Authorities, as the same may be amended, restated or replaced from time to time.

*Capital Gains Refund* – has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Evolve Fund”.

*CDS* – means CDS Clearing and Depository Services Inc.

*CDS Participant* – means a registered dealer or other financial institution that is a participant in CDS and that holds Units on behalf of beneficial owners of Units.

*CRA* – means the Canada Revenue Agency.

*CRS Legislation* – has the meaning ascribed thereto under “Unitholder Matters – International Information Reporting”.

*Custodian* – means Cidel Trust Company, the custodian of the assets of the Evolve Fund, and its assigns and successors as may be appointed by the Manager from time to time.

*Custodian Agreement* – means the custodian agreement between the Manager and the Custodian as it may be amended from time to time.

*Dealer* – means a registered dealer (that may or may not be the Designated Broker) that has entered into a dealer agreement with the Manager, on behalf of the Evolve Fund, and that subscribes for and purchases Units from the Evolve Fund.

*Declaration of Trust* – means the master declaration of trust establishing the Evolve Fund dated February 12, 2021, as the same may be amended, restated or replaced from time to time.

*Designated Broker* – means a registered dealer that has entered into a designated broker agreement with the Manager, on behalf of the Evolve Fund, pursuant to which the Designated Broker agrees to perform certain duties in relation to the Evolve Fund.

*Designated Exchange* – means the TSX.

*DPSP* – means a deferred profit sharing plan within the meaning of the Tax Act.

*EFG* – means Evolve Funds Group Inc., the promoter, manager, trustee and portfolio manager of the Evolve Fund.

*ETF Facts* – means ETF Facts prescribed by Canadian Securities Legislation in respect of an exchange traded fund, which summarizes certain features of the exchange traded fund and which is publicly available at [www.sedar.com](http://www.sedar.com).

*Evolve Fund* – means the exchange traded mutual fund listed on the cover page of this prospectus, an investment trust established under the laws of Ontario pursuant to the Declaration of Trust.

*fork* – has the meaning ascribed thereto under “Risk Factors – Risk Factors Relating to Bitcoin – Network Forks”.

*Fund Administrator* – means CIBC Mellon Global Securities Services Company, in its capacity as fund administrator of the Evolve Fund.

*GST/HST* – means taxes exigible under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder.

*hashrate* – refers to the amount of computing power that miners are using to validate the Bitcoin blockchain, measured in hashes per second.

*Holder* – has the meaning ascribed thereto under “Income Tax Considerations”.

*IRC or Independent Review Committee* – means the independent review committee of the Evolve Fund established under NI 81-107.

*License Agreement* – means the agreement pursuant to which the Manager licenses or sublicenses the BRR from CF Benchmarks for use by the Evolve Fund.

*Management Fee* – has the meaning ascribed thereto under “Fees and Expenses – Fees and Expenses Payable by the Evolve Fund – Management Fees”.

*Management Fee Distributions* – has the meaning ascribed thereto under “Fees and Expenses – Fees and Expenses Payable by the Evolve Fund – Management Fees”.

*Manager* – has the meaning ascribed thereto on the cover page.

*miners* – means the hardware providers for the Bitcoin Network (as defined under “Overview of the Sectors that the Evolve Fund Invests In”)

*Minimum Distribution Requirements* – has the meaning ascribed thereto under “Income Tax Considerations – Status of the Evolve Fund”.

*MRFP* – has the meaning ascribed thereto on the cover page.

*NAV and NAV per Unit* – means the net asset value of the Evolve Fund and the net asset value per Unit, calculated by the Fund Administrator as described under “Calculation of Net Asset Value”.

*NI 81-102* – means National Instrument 81-102 – *Investment Funds*, as the same may be amended, restated or replaced from time to time.

*NI 81-106* – means National Instrument 81-106 – *Investment Fund Continuous Disclosure*, as the same may be amended, restated or replaced from time to time.

*NI 81-107* – means National Instrument 81-107 – *Independent Review Committee for Investment Funds*, as the same may be amended, restated or replaced from time to time.

*NP 11-203* – means National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* as the same may be amended, restated or replaced from time to time.

*Permitted Mergers* – has the meaning ascribed thereto under “Unitholder Matters – Permitted Mergers”.

*Plans* – has the meaning ascribed thereto under “Income Tax Considerations – Status of the Evolve Fund”.

*PNU or Prescribed Number of Units* – means the number of Units determined by the Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

*RDSP* – means a registered disability savings plan within the meaning of the Tax Act.

*Registrar and Transfer Agent* – means TSX Trust Company or its successor, in its capacity as transfer agent of the Evolve Fund.

*RESP* – means a registered education savings plan within the meaning of the Tax Act.

*RRIF* – means a registered retirement income fund within the meaning of the Tax Act.

*RRSP* – means a registered retirement savings plan within the meaning of the Tax Act.

*scaling* – means increasing the capacity of transactions a network can handle at the core blockchain layer.

*Securities Regulatory Authorities* – means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian Securities Legislation in force in such province or territory.

*SIFT Rules* – has the meaning ascribed thereto under “Risk Factors – Taxation of the Evolve Fund”.

*stablecoin* – is a type of cryptocurrency that is pegged to an underlying asset, such as the U.S. dollar or gold.

*Sub-Custodian* – means Gemini Trust Company, LLC, a sub-custodian of the Evolve Fund in respect of the Evolve Fund’s holdings of bitcoin pursuant to the Sub-Custodian Agreement.

*Sub-Custodian Agreement* – means sub-custodian agreement among the Custodian, the Evolve Fund and the Sub-Custodian as it may be amended from time to time.

*Substituted Property* – has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Evolve Fund”.

*Tax Act* – means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

*Tax Amendment* – means a proposed amendment to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof.

*taxable capital gain* – has the meaning ascribed thereto under “Income Tax Considerations – Taxation of Holders”.

*TFSA* – means a tax-free savings account within the meaning of the Tax Act.

*Trading Day* – means, unless otherwise agreed by the Manager, a day on which a regular session of the TSX is held.

*Trustee* – means EFG, in its capacity as trustee of the Evolve Fund pursuant to the Declaration of Trust, or its successor.

*TSX* – means the Toronto Stock Exchange.

*Unit* – means a redeemable, transferable unit of the Evolve Fund, which represents an equal, undivided interest in the net assets of the Evolve Fund.

*United States* or *U.S.* – means the United States of America.

*Unitholder* – means a holder of Units.

*Valuation Date* – means each Trading Day or any other day designated by the Manager on which the NAV and NAV per Unit of the Evolve Fund is calculated.

*Valuation Time* – means 11:00 a.m. (Toronto time) on a Valuation Date or such other time that the Manager deems appropriate on each Valuation Date.



## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.*

### Issuer and Offering:

Bitcoin ETF (the “**Evolve Fund**”)

The Evolve Fund is offering U.S. dollar denominated unhedged units (“**USD Units**”) and Canadian dollar denominated unhedged units (“**CAD Units**”, together with the USD Units, the “**Units**”) under this prospectus.

The Evolve Fund is an alternative mutual fund established under the laws of the Province of Ontario. Evolve Funds Group Inc. (“**EFG**”) is the promoter, manager, trustee and portfolio manager of the Evolve Fund and is responsible for the administration of the Evolve Fund.

The Evolve Fund is considered an alternative mutual fund within the meaning of National Instrument 81-102 Investment Funds (“**NI 81-102**”) and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

The Units of the Evolve Fund have been conditionally approved for listing on the Toronto Stock Exchange (the “**Designated Exchange**”). Subject to satisfying the Designated Exchange’s original listing requirements, the Units will be listed on the Designated Exchange and investors will be able to buy or sell such Units on the Designated Exchange through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the Evolve Fund in connection with the buying or selling of Units on the Designated Exchange. Investors may trade Units in the same way as other securities listed on the Designated Exchange, including by using market orders and limit orders.

See “Purchases of Units”.

### Investment Objectives:

The Evolve Fund’s investment objective is to provide Unitholders with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure. See “Investment Objectives”.

### Specific Investment Strategies:

To achieve its investment objectives, the Evolve Fund will invest in long-term holdings of bitcoin, purchased through Gemini NuSTAR LLC and/or other reputable bitcoin trading platforms (commonly referred to as bitcoin trading platforms) and OTC counterparties, in order to provide investors with a convenient, secure alternative to a direct investment in

bitcoin. The Evolve Fund will not speculate with regard to short-term changes in bitcoin prices.

The Evolve Fund's portfolio will be priced based on, and the Evolve Fund's Net Asset Value will be calculated using, the BRR. The BRR is a once-a-day benchmark index price for bitcoin denominated in U.S. dollars. Calculated every day since its launch on November 14, 2016, the BRR is a registered benchmark under the European Union's Benchmark Regulation regime and its provider, CF Benchmarks is authorised and regulated by the UK FCA (FRN 847100). Since Brexit, both the EU and UK have confirmed equivalence for their benchmarks regimes. This supervision ensures CF Benchmarks is in compliance with all aspects of EU BMR requirements. CF Benchmarks Ltd is registered in England with registered number 11654816 and registered office at 25 Cophthall Avenue, London EC2R 7BP, United Kingdom. Compliance with the EU BMR have been audited by 'Big Four' accountancy firm Deloitte with the full audit report being publicly available.

All bitcoin trading platforms that provide input data to the calculation of the BRR adhere to AML and KYC regulations, as they are requirements enforced by the benchmark administrator, CF Benchmarks. The bitcoin trading platforms that are currently utilized by CF Benchmarks ("Constituent Bitcoin Trading Platforms") in the calculation of the CME CF BRR include – Bitstamp, Coinbase, Gemini, itBit and Kraken. To assure that the BRR reflects global cryptocurrency trading activity in a representative and unbiased manner, a geographically diverse set of spot bitcoin trading platforms is included within the current framework. A bitcoin trading platform is eligible as a Constituent Bitcoin Trading Platform in the BRR if it facilitates spot trading of the relevant cryptocurrency against the corresponding fiat currency and makes trade data and order data available through an Automatic Programming Interface (API) with sufficient reliability, detail and timeliness.

The BRR is calculated based on the relevant transactions of all Constituent Bitcoin Trading Platforms in the direct trading pair (i.e. Bitcoin – USD). All Constituent Bitcoin Trading Platforms must be approved by the CME CF Cryptocurrency Pricing Products Oversight Committee to serve as pricing source for the calculation of the BRR.

The methodology of the BRR is summarized as follows:

1. Transactions conducted on Constituent Bitcoin Trading Platforms are observed during a one-hour window from 15:00 to 16:00 London Time;
2. The one-hour window is divided into 12 partitions of equal length (five minutes each);
3. For each partition, a volume-weighted median (VWM) is calculated; and
4. The index value is expressed as the arithmetic mean of the 12 VWMs calculated in the previous step.

The BRR methodology was designed for the very purpose of immunizing the BRR to a high degree against price anomalies, while being replicable through spot trading on the approved Constituent Bitcoin Trading Platforms. As noted, this has been achieved through the following design:

- Partitions: as a result of using the equally-weighted average of the partitions, no single large trade or cluster of trades occurring in any one partition can meaningfully influence the BRR.
- Weighting of Partitions: The partitions are intentionally equally-weighted (as opposed to volume-weighted) to facilitate replication of the BRR through trading on Constituent Bitcoin Trading Platforms.
- Medians: Spot prices have historically varied considerably across trading platforms, in particular during times of high volatility. The use of medians to calculate the weighted median trade price for each partition (as opposed to

averages) greatly reduces the BRR's susceptibility to price extremes on one or more Constituent Bitcoin Trading Platforms.

- **Volume-Weighting of Medians:** Trading is driven to some extent by automated algorithms that may execute a high number of small trades. The use of volume-weighted medians to calculate the weighted median trade price for each partition (as opposed to simple medians) assures that the BRR appropriately reflect large trades and that whether an order is executed in parts or in full has no effect on the BRR's calculation results.

Using the above methodology, the BRR produces a value for bitcoin that averages the volume-weighted median of all transactions in each 5 minute (i.e. partition) period between 15:00 and 16:00 London Time (partition length).

The BRR is published every day of the year and is available on major vendor platforms such as Bloomberg and Reuters. Additional information regarding the BRR is available at <https://www.cfbenchmarks.com/indices/BRR>.

Bitcoin trading platforms, including the Constituent Bitcoin Trading Platforms, are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager will seek to ensure that the bitcoin trading platforms on which the Evolve Fund transacts are reputable, stable and in compliance with AML regulation.

As it is the Evolve Fund's intention to invest in bitcoin on a passive basis, the Evolve Fund's holdings will not be actively managed and accordingly, will not be hedged or repositioned to attempt to take defensive positions if the price of bitcoin declines or is expected to decline, and it is not the intention of the Evolve Fund to attempt to predict increases in the price of bitcoin in order to increase returns.

The Evolve Fund will not use derivatives and does not intend to pay regular cash distributions.

The Evolve Fund does not seek to hedge any foreign currency exposure in respect of either the USD Units or the CAD Units.

See "Investment Strategies".

**Use of Leverage:**

Generally, the Evolve Fund does not intend to borrow money or employ other forms of leverage to acquire bitcoin for its portfolio. The Evolve Fund may however borrow money on a temporary short term basis to acquire bitcoin in connection with a subscription for Units by a dealer. Any cash borrowing by the Evolve Fund will be subject to an overall limit of 50% of its NAV under NI 81-102.

**Special Considerations for Purchasers:**

The Manager, on behalf of the Evolve Fund, has obtained exemptive relief to permit Unitholders to acquire more than 20% of the Units through purchases on the Designated Exchange without regard to the takeover bid requirements of applicable Canadian Securities Legislation. The provisions of the so-called "early warning" requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of the Evolve Fund.

The Evolve Fund is considered an alternative mutual fund within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

See “Attributes of the Securities – Description of the Securities Distributed”.

**Risk Factors:**

An investment in Units will be subject to certain risk factors, as well as certain risks associated with an investment in bitcoin.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

An investment in the Evolve Fund is considered high risk.

See “Risk Factors”.

**Income Tax Considerations:**

A Unitholder who is resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income (including any net realized taxable capital gains) that is paid or becomes payable to the Unitholder by the Evolve Fund in that year (including such income that is paid in Units or reinvested in additional Units).

A Unitholder who disposes of a Unit that is held as capital property, including on a redemption or otherwise, will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the Evolve Fund which represents capital gains allocated and designated to the redeeming Unitholder), net of costs of disposition, exceed (or are less than) the adjusted cost base of that Unit.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.

See “Income Tax Considerations”.

**Exchanges and Redemptions:**

In addition to the ability to sell Units on the Designated Exchange, Unitholders may also (i) redeem Units for cash at a redemption price per Unit equal to 95% of the closing price of the Units on the Designated Exchange on the effective day of redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable administrative fee determined by the Manager, in its sole discretion, from time to time, or (ii) exchange a PNU, in certain circumstances, for cash.

See “Exchange and Redemption of Units – Redemption of Units of the Evolve Fund for Cash” and “Exchange and Redemption of Units – Exchange of Units of the Evolve Fund at Net Asset Value per Unit for Cash” for further information.

**Distributions:**

It is not anticipated that the Evolve Fund will make regular cash distributions. See “Distribution Policy”.

**Eligibility for Investment:**

Provided that the Evolve Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units are listed on a “designated stock exchange” (which includes the Designated Exchange) within the meaning of the Tax Act, Units, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by an RRSP, a RRIF, an RDSP, a DPSP, an RESP or a TFSA.

See “Income Tax Considerations – Taxation of Registered Plans”.

**Documents  
Incorporated by  
Reference:**

Additional information about the Evolve Fund is or will be available in the most recently filed annual financial statements, any interim financial statements filed after those annual financial statements, the most recently filed annual management report of fund performance (“**MRFP**”), any interim MRFP filed after the annual MRFP for the Evolve Fund, and the most recently filed ETF Facts for the Evolve Fund. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. These documents are publicly available on the Manager’s website at [www.evolveetfs.com](http://www.evolveetfs.com) and may be obtained upon request, at no cost, by calling (416)-214-4884 or toll-free at 1-844-370-4884, by sending an email request to [info@evolveetfs.com](mailto:info@evolveetfs.com) or by contacting a registered dealer. These documents and other information about the Evolve Fund are also publicly available at [www.sedar.com](http://www.sedar.com).

See “Documents Incorporated by Reference”.

***Organization and Management of the Evolve Fund***

**Manager, Trustee and  
Portfolio Manager:**

In its capacity as manager, EFG will be responsible for the administration and operations of the Evolve Fund. In its capacity as trustee, EFG will hold title to the assets of the Evolve Fund in trust for the Unitholders. The principal office of the Evolve Fund and EFG is located at Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

See “Organization and Management Details of the Evolve Fund – Manager” and “Organization and Management Details of the Evolve Fund – Trustee”.

**Promoter:**

EFG has taken the initiative of founding and organizing the Evolve Fund and is, accordingly, the promoter of the Evolve Fund within the meaning of securities legislation of certain provinces and territories of Canada.

See “Organization and Management Details of the Evolve Fund – Promoter”.

**Custodian:**

Cidel Trust Company (the “Custodian”) will act as the custodian of the assets of the Evolve Fund pursuant to the Custody Agreement. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Evolve Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Custodian may and is expected to appoint a sub-custodian in accordance with NI 81-102. See “Organization and Management Details of the Evolve Fund – Custodian”.

**Sub-Custodian:**

Gemini Trust Company, LLC (the “Sub-Custodian” or “Gemini”) will act as a sub-custodian of the Evolve Fund in respect of the Evolve Fund’s holdings of bitcoin pursuant to the Sub-Custodian Agreement. The Sub-Custodian is a trust company licensed and regulated by the New York State Department of Financial Services (NYDFS) and is qualified to act as a sub-custodian of the Evolve Fund for the assets held outside of Canada in accordance with NI 81-102. See “Organization and Management Details of the Evolve Fund – Sub-Custodian”.

**Registrar and  
Transfer Agent:**

TSX Trust Company, at its principal office in Toronto, Ontario, is the registrar and transfer agent for the Units and maintains the register of registered Unitholders. The register of the Evolve Fund is kept in Toronto, Ontario.

See “Organization and Management Details of the Evolve Fund – Registrar and Transfer Agent”.

**Auditors:** Ernst & Young LLP, at its principal offices in Toronto, Ontario, are the auditors of the Evolve Fund. The auditors will audit the Evolve Fund’s annual financial statements and provide an opinion as to whether they present fairly the Evolve Fund’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards. The auditors are independent with respect to the Evolve Fund within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

See “Organization and Management Details of the Evolve Fund – Auditors”.

**Fund Administrator:** CIBC Mellon Global Securities Services Company, at its principal office in Toronto, Ontario, is the Fund Administrator. The Fund Administrator is responsible for certain aspects of the day-to-day administration of the Evolve Fund, including NAV calculations, calculating net income and net realized capital gains of the Evolve Fund and maintaining books and records with respect to the Evolve Fund.

See “Organization and Management Details of the Evolve Fund – Fund Administrator”.

### *Summary of Fees and Expenses*

The following table lists the fees and expenses that an investor may have to pay if the investor invests in the Evolve Fund. An investor may have to pay some of these fees and expenses directly. The Evolve Fund may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the Evolve Fund. See “Fees and Expenses”.

#### *Fees and Expenses Payable by the Evolve Fund*

<b>Type of Fee</b>	<b>Amount and Description</b>
<b>Management Fee:</b>	<p>The Evolve Fund will pay an annual management fee (the “<b>Management Fee</b>”) to the Manager for acting as trustee, manager and portfolio manager of the Evolve Fund equal to 1.00% of the NAV of the Evolve Fund, calculated daily and payable monthly in arrears, plus applicable taxes.</p> <p>The Manager may, at its discretion, agree to charge a reduced Management Fee for some Unitholders as compared to the Management Fee that the Manager would otherwise be entitled to receive from the Evolve Fund, provided that the difference between the fee otherwise chargeable and the reduced fee is distributed periodically by the Evolve Fund to the applicable Unitholders as a management fee distribution (the “<b>Management Fee Distributions</b>”). Any reduction will depend on a number of factors, including the amount invested, the NAV of the Evolve Fund and the expected amount of account activity. Management Fee Distributions will be paid first out of net income of the Evolve Fund then out of capital gains of the Evolve Fund and thereafter out of capital. See “Fees and Expenses”.</p>
<b>Operating Expenses:</b>	<p>Unless waived or reimbursed by the Manager, the Evolve Fund pays for all operating expenses of the Evolve Fund (“<b>Operating Expenses</b>”) incurred in connection with the operation and administration of the Evolve Fund, including but not limited to: mailing and printing expenses for periodic reports to Unitholders; fees payable to the 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 Evolve 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 Evolve Fund; regulatory filing, stock exchange and licensing fees (if applicable) and CDS fees; banking costs and interest with respect to any borrowing (if applicable); website maintenance costs; 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</p>

prospectus preparation and filing expenses; and legal, accounting and audit fees and fees and expenses of the Trustee, bitcoin consultant (if any), CF Benchmarks (in respect of index licensing and/or consulting fees, if any) Custodian and Manager which are incurred in respect of matters not in the normal course of the Evolve Fund's activities. Additional costs which are also payable by the Evolve Fund include any taxes payable by the Evolve Fund to which the Evolve Fund may be subject, including income taxes, sales taxes (including GST/HST) and/or withholding taxes; expenditures incurred upon termination of the Evolve Fund; extraordinary expenses that the Evolve Fund may incur and all amounts paid on account of any indebtedness (if applicable); any expenses of insurance and costs of all suits or legal proceedings in connection with the Evolve Fund or the assets of the Evolve Fund or to protect the Unitholders, the Trustee, the Manager, and the directors, officers, employees or agents of any of them; any expenses of indemnification of the Trustee, the Unitholders, the Manager, and the directors, officers, employees or agents of any of them to the extent permitted under the Declaration of Trust; and expenses relating to the preparation, printing and mailing of information to Unitholders in connection with meetings of Unitholders. The Evolve Fund is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Evolve Fund which may be incurred from time to time, including brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Evolve Fund's investment in bitcoin.

#### *Fees and Expenses Payable Directly by Unitholders*

<b>Type of Fee</b>	<b>Amount and Description</b>
<b>Administrative Fee:</b>	An amount as may be agreed to between the Manager and the Designated Broker or a Dealer, of the Evolve Fund may be charged to offset certain transaction costs associated with an issue, exchange or redemption of Units. This charge does not apply to Unitholders who buy and sell their Units through the facilities of the Designated Exchange.  See "Fees and Expenses – Fees and Expenses Payable Directly by the Unitholders – Administrative Fees" and "Exchange and Redemption of Units – Administrative Fee".

#### **Forward Looking Statements**

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "target", "seek", "will" and similar expressions to the extent they relate to the Evolve Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Evolve Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Evolve Fund's or the Manager's current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this prospectus under the heading "Risk Factors". Although the forward-looking statements contained in this prospectus are based upon assumptions that the Evolve Fund and the Manager believe to be reasonable, none of the Evolve Fund or the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Evolve Fund and may not be appropriate for other purposes. None of the Evolve Fund or the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

#### **Market and Industry Data**

The prospectus contains information that has been obtained from publicly available sources including industry publications and websites. The Manager believes that this information has been obtained from sources that are reliable however, the Manager is not able to independently verify this information. Accordingly, no assurance can be

given as to the accuracy or completeness of this information and investors should not place undue reliance upon information attributed to third-party sources.



## **OVERVIEW OF THE LEGAL STRUCTURE OF THE EVOLVE FUND**

The Evolve Fund is an exchange traded alternative mutual fund established under the laws of the Province of Ontario, pursuant to the terms of the Declaration of Trust. The Evolve Fund is a mutual fund under the securities legislation of the provinces and territories of Canada.

EFG, a registered investment fund manager and portfolio manager, will be the promoter, trustee, manager and portfolio manager of the Evolve Fund, and in its capacity as manager, will be responsible for the administration of the Evolve Fund. The principal office of the Evolve Fund and EFG is located at Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

The Evolve Fund is considered an alternative mutual fund within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

The following chart sets out the full legal name as well as the ticker symbol for the Evolve Fund:

<b>Bitcoin ETF</b>	<b>TSX Ticker Symbol</b>
<b>USD Units</b>	EBIT.U
<b>CAD Units</b>	EBIT

### **INVESTMENT OBJECTIVES**

The Evolve Fund's investment objective is to provide Unitholders with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure.

The investment objective of the Evolve Fund may not be changed except with the approval of its Unitholders. See "Unitholder Matters" for additional descriptions of the process for calling a meeting of Unitholders and the requirements of Unitholder approval.

### **INVESTMENT STRATEGIES**

The Evolve Fund is considered an alternative mutual fund within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

To achieve its investment objectives, the Evolve Fund will invest in long-term holdings of bitcoin, purchased through Gemini NuSTAR LLC and/or other reputable bitcoin trading platforms (commonly referred to as bitcoin trading platforms) and OTC counterparties, in order to provide investors with a convenient, secure alternative to a direct

investment in bitcoin. As it is the Evolve Fund's intention to invest in bitcoin on a passive basis, the Evolve Fund will not speculate with regard to changes in bitcoin prices. Purchases of bitcoin will generally only be undertaken by the Evolve Fund in response to subscriptions, and sales of bitcoin will generally only be undertaken by the Evolve Fund as required in order to fund expenses and redemptions.

The Evolve Fund's portfolio will be priced based on, and the Evolve Fund's Net Asset Value will be calculated using, the BRR. The BRR is a once-a-day benchmark index price for bitcoin denominated in U.S. dollars. Calculated every day since its launch on November 14, 2016, the BRR is a registered benchmark under the European Union's Benchmark Regulation regime and its provider, CF Benchmarks is authorised and regulated by the UK FCA (FRN 847100). Since Brexit, both the EU and UK have confirmed equivalence for their benchmarks regimes. This supervision ensures CF Benchmarks is in compliance with all aspects of EU BMR requirements. CF Benchmarks Ltd is registered in England with registered number 11654816 and registered office at 25 Cophall Avenue, London EC2R 7BP, United Kingdom. Compliance with the EU BMR have been audited by 'Big Four' accountancy firm Deloitte with the full audit report being publicly available.

All bitcoin trading platforms that provide input data to the calculation of the BRR adhere to AML and KYC regulations, as they are requirements enforced by the benchmark administrator, CF Benchmarks. The bitcoin trading platforms that are currently utilized by CF Benchmarks ("**Constituent Bitcoin Trading Platforms**") in the calculation of the CME CF BRR include – Bitstamp, Coinbase, Gemini, itBit and Kraken. To assure that the BRR reflects global cryptocurrency trading activity in a representative and unbiased manner, a geographically diverse set of spot bitcoin trading platforms is included within the current framework. A bitcoin trading platform is eligible as a Constituent Bitcoin Trading Platform in the BRR if it facilitates spot trading of the relevant cryptocurrency against the corresponding fiat currency and makes trade data and order data available through an Automatic Programming Interface (API) with sufficient reliability, detail and timeliness.

The BRR is calculated based on the relevant transactions of all Constituent Bitcoin Trading Platforms in the direct trading pair (i.e. Bitcoin – USD). All Constituent Bitcoin Trading Platforms must be approved by the CME CF Cryptocurrency Pricing Products Oversight Committee to serve as pricing source for the calculation of the BRR.

The methodology of the BRR is summarized as follows:

1. Transactions conducted on Constituent Bitcoin Trading Platforms are observed during a one-hour window from 15:00 to 16:00 London Time;
2. The one-hour window is divided into 12 partitions of equal length (five minutes each);
3. For each partition, a volume-weighted median (VWM) is calculated; and
4. The index value is expressed as the arithmetic mean of the 12 VWMs calculated in the previous step.

The BRR methodology was designed for the very purpose of immunizing the BRR to a high degree against price anomalies, while being replicable through spot trading on the approved Constituent Bitcoin Trading Platforms. As noted, this has been achieved through the following design:

- **Partitions:** As a result of using the equally-weighted average of the partitions, no single large trade or cluster of trades occurring in any one partition can meaningfully influence the BRR.
- **Weighting of Partitions:** The partitions are intentionally equally-weighted (as opposed to volume-weighted) to facilitate replication of the BRR through trading on Constituent Bitcoin Trading Platforms.
- **Medians:** Spot prices have historically varied considerably across trading platforms, in particular during times of high volatility. The use of medians to calculate the weighted median trade price for each partition (as opposed to averages) greatly reduces the BRR's susceptibility to price extremes on one or more Constituent Bitcoin Trading Platforms.
- **Volume-Weighting of Medians:** Trading is driven to some extent by automated algorithms that may execute a high number of small trades. The use of volume-weighted medians to calculate the weighted median trade price for each partition (as opposed to simple medians) assures that the BRR appropriately reflect large trades and that whether an order is executed in parts or in full has no effect on the BRR's calculation results.

Using the above methodology, the BRR produces a value for bitcoin that averages the volume-weighted median of all transactions in each 5 minute (i.e. partition) period between 15:00 and 16:00 London Time (partition length).

The BRR is published every day of the year and is available on major vendor platforms such as Bloomberg and Reuters. Additional information regarding the BRR is available at <https://www.cfbenchmarks.com/indices/BRR>.

Bitcoin trading platforms, including the Constituent Bitcoin Trading Platforms, are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager will seek to ensure that the bitcoin trading platforms on which the Evolve Fund transacts are reputable, stable and in compliance with AML regulation.

As it is the Evolve Fund's intention to invest in bitcoin on a passive basis, the Evolve Fund's holdings will not be actively managed and accordingly, will not be hedged or repositioned to attempt to take defensive positions if the price of bitcoin declines or is expected to decline, and it is not the intention of the Evolve Fund to attempt to predict increases in the price of bitcoin in order to increase returns.

The Evolve Fund will not use derivatives and does not intend to pay regular cash distributions.

The Evolve Fund does not seek to hedge any foreign currency exposure in respect of either the USD Units or the CAD Units.

### ***Purchasing Bitcoin***

The Manager expects that bitcoin will be purchased for the Evolve Fund from Gemini and other bitcoin trading platforms and OTC counterparties (each, a "**Bitcoin Source**"). The Manager will conduct due diligence on each proposed Bitcoin Source prior to transacting with such Bitcoin Source in order to confirm its reputation and stability, including by conducting research on the executive officers and significant shareholders of the Bitcoin Source and the regulatory regime, if any, applicable to the Bitcoin Source. The Manager will also confirm that each Bitcoin Source maintains appropriate KYC policies and procedures and will not transact with any person or entity that is on a list of designated persons or entities established and maintained under applicable AML regulation in the jurisdiction of the Bitcoin Source. The Manager will ensure that each Bitcoin Source has its head office in a jurisdiction which is a member of the FATF or its global network of FATF-Style Regional Bodies.

The Manager expects that substantially all of the net proceeds upon any issuance of a PNU to the Designated Broker or Dealers will be invested in bitcoin (and all purchases of bitcoin will have settled) within 90 business days after such issuance.

At least initially, the Manager expects that the Evolve Fund's Bitcoin Sources will include Gemini NuSTAR LLC, and may include other reputable bitcoin trading platforms, such as Genesis Global Trading, Inc., Tagomi, Coinbase Pro and other New York Department of Financial Services regulated trading platforms or OTC counterparties. The Manager also expects that established investment dealers will offer bitcoin trading in the near future, and the Manager will consider such broker-dealers as potential Bitcoin Sources.

The Manager will determine where to place the Evolve Fund's bitcoin orders based on the prices and volumes available through each Bitcoin Source with a view to achieving best execution for the Evolve Fund. Once a bitcoin order has been executed and allocated to the Evolve Fund, the Manager reviews and approves the transaction. Upon approval, the Sub-Custodian is notified and payment for the trade is settled. Once the Sub-Custodian receives the bitcoin on behalf of the Evolve Fund, the Sub-Custodian immediately places the bitcoin in cold storage, ensuring that such bitcoin is allocated to the Evolve Fund's account on a segregated basis.

The Manager's Bitcoin Sources offer trading compliance which will seek to ensure that no bitcoin sold to the Evolve Fund comes from a wallet associated with illicit activity or from dark web sites or money laundering sites (known as "mixing" sites, such as BitBlender and DreamMarket).

Gemini has developed the Gemini BSA/AML Program described under "Organization and Management of the Evolve Fund – Sub-Custodian". In addition, both the Manager and Gemini will use forensic software to analyze each bitcoin which may be purchased by the Evolve Fund in order to identify any ledger entries which are known to be linked to illicit or illegal activity. To date, Gemini has never experienced a loss due to unauthorized access from its hot wallet or the cold storage vaults where the Evolve Fund's bitcoin would be custodied.

The Manager believes the advantages of investing in Units of the Evolve Fund to obtain exposure to bitcoin are as follows:

- Access to an investment product that utilizes transparent valuation methodologies and principles, the BRR, which has been designed with the intention of mitigating against pricing anomalies and adheres to strict AML and KYC regulations.
- Less Tracking Error than other Investment Vehicles: The exchange traded fund structure employed by the Evolve Fund will, in addition to maintaining a stock exchange listing, offer intra-day market liquidity for its Units, but with the added benefit of posted two-way markets as a result of the market-making function provided by the Designated Broker and Dealers. Accordingly, unlike closed-end funds currently available as of the date hereof that invest in this sector, Units of the Evolve Fund can be expected to trade at a market price closer and approximately equal to the intrinsic net asset value of bitcoin.
- Lower Transaction Costs: The Manager expects that, for many investors, the costs and risks associated with buying, holding and selling the Units in the secondary market and the payment of the Evolve Fund's ongoing expenses, including the payment of the Management Fee, will be lower than the costs and risks associated with buying, holding and selling bitcoin at a regulated bitcoin trading platform or through opening an individual bitcoin wallet.
- Cold Storage at Gemini: Gemini is a regulated and licensed custodian of bitcoin. Storage of bitcoin can either be in a "hot wallet", which is connected to the internet, or in "cold storage" where private keys have no contact with the internet, and are created, stored, and managed on hardware security modules located in access guarded facilities that are geographically distributed. The Evolve Fund's bitcoin will be held in Gemini's cold storage system, protected in accordance with the industry-leading protocols described under "Organization and Management of the Evolve Fund – Sub-Custodian".

### *Use of Leverage*

Generally, the Evolve Fund does not intend to borrow money or employ other forms of leverage to acquire bitcoin for its portfolio. The Evolve Fund may however borrow money on a temporary short term basis to acquire bitcoin in connection with a subscription for Units by a dealer. Any cash borrowing by the Evolve Fund will be subject to an overall limit of 50% of its NAV under NI 81-102.

### *Cash Management*

From time to time, the Evolve Fund may hold cash or cash equivalents. The Evolve Fund may hold this cash or invest it in money market instruments or securities of money market funds.

## **OVERVIEW OF THE SECTORS THAT THE EVOLVE FUND INVESTS IN**

Bitcoin is a digital asset that is not issued by any government, bank or central organization. Bitcoin is based on the decentralized, open source protocol of the peer-to-peer bitcoin computer network (the "**Bitcoin Network**"), which creates the decentralized public transaction ledger, known as the "blockchain", on which all bitcoin transactions are recorded. Movement of bitcoin is facilitated by digital, transparent and immutable ledger, enabling the rapid transfer of value across the internet without the need for centralized intermediaries. The Bitcoin Network software source code includes the protocol that governs the creation of bitcoin and the cryptographic operations that verify and secure bitcoin transactions. It is common practice to refer to Bitcoin with a capital "B" when referring to the protocol or network, and bitcoin with a lowercase "b" when referring to the digital asset. The blockchain is an official record of every bitcoin transaction (including creation or "mining" of new bitcoin) and every bitcoin address associated with a quantity of bitcoin. The Bitcoin Network, and software applications built atop it, can interpret the blockchain to determine the exact bitcoin balance, if any, of any public bitcoin address listed in the blockchain. A bitcoin private key controls the transfer or "spending" of bitcoin from its associated public bitcoin address. A bitcoin "wallet" is a collection of public bitcoin addresses and their associated private key(s). It is designed such that only the owner of bitcoin can send bitcoin, only the intended recipient of bitcoin can unlock what the sender sent and the transactional validation and bitcoin ownership can be verified by any third party anywhere in the world.

The use of bitcoin, as a means of exchange, is increasing rapidly throughout the world, particularly in nations where faith in central bank backed fiat currencies (a currency that a government has declared a legal currency) has been unstable, or where necessary banking infrastructure is lacking. Bitcoin makes it possible for users to accept and send global transactions directly from their smart phone, twenty-four hours a day.

The entire Bitcoin Network can be described using the analogy of a computer. The most basic level of any computer is the hardware that all of the software runs upon. The hardware providers for the Bitcoin Network are called “miners.” Miners buy specialized computational equipment in the form of servers that are composed of primarily application specific integrated circuits (ASICs), and these servers have been constructed entirely for the purpose of verifying bitcoin transactions, building bitcoin’s blockchain and thereby minting new bitcoin.

Miners’ servers run Bitcoin software, which can be thought of as the operating system on top of the hardware, just as personal computers have installed an operating system. Bitcoin software is maintained in the open source model, with the community collaborating on GitHub. GitHub is a platform for software creation, orchestrating the storage, version control and integration of code for different software projects. Bitcoin’s software is available for all developers and non-developers to peruse and discuss. For example, from GitHub one can download the entire source code of Bitcoin software. While there are a few different implementations of Bitcoin software, the one used by most miners is called “Bitcoin Core” and is maintained by over 600 developers. By running similar software on similar hardware the miners have created a basic worldwide computer that operates in sync, despite being geographically distributed.

Just as one may run applications on top of the hardware and operating system of their computer, various companies have built applications that run on top of the hardware and operating system of the Bitcoin Network. Applications include wallets that store users’ bitcoin, exchanges that allow users to swap bitcoin for other currencies, remittances providers that send money to people in other countries and decentralized marketplaces that function similar to an online distributor (e.g. eBay). Accordingly, there is no central company. While Bitcoin’s application ecosystem is still in its early development, the Manager believes that, as more developers and users adopt the platform over time there will be an increasing number of applications, which will provide greater functionality to the system as a whole.

The end user relies on the hardware, operating system, and applications provided by bitcoin miners, developers and companies, respectively. The greater the number of bitcoin users, the greater the incentive will be potentially for miners, developers and companies to continue to develop their systems, which in turn should promote the Bitcoin Network as a whole.

Bitcoin trading platforms operate websites that facilitate the purchase and sale of bitcoin for various government issued currencies, including the U.S. dollar, the euro and the Chinese yuan. Activity on the bitcoin trading platforms should not be confused with the process of users sending bitcoin from one address to another bitcoin address. The latter is an activity that uses bitcoin as a means of exchange and is largely conducted directly using Bitcoin’s blockchain, whereas the former is mostly an activity around bitcoin as a store of value and largely occurs within the trade books of exchanges (i.e., off-blockchain).

Bitcoin trading platforms generally report publicly on their websites the bid and ask prices for the purchase or sale of bitcoin. Although each bitcoin trading platform has its own market price, it is expected that most bitcoin trading platforms’ market prices should be relatively consistent with the bitcoin trading platform market average since market participants can choose the bitcoin trading platform on which to buy or sell bitcoin. Price differentials across bitcoin trading platform enable arbitrage between bitcoin prices on the various exchanges, and occur most notably between geographies.

Bitcoin trading platforms are open 24 hours a day and every days of the year. There currently exist globally over 100 bitcoin trading platforms. Bitcoin trading platforms with the most economically significant trading volume are Binance, Coinbase, Kraken, Bitfinex, Bitstamp, bitFlyer, Gemini, Bittrex, itBit and Liquid. A majority of these exchanges employ KYC procedures in compliance with applicable AML regulation.

### **INVESTMENT RESTRICTIONS**

The Evolve Fund is subject to certain investment restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the Evolve Fund are diversified and relatively liquid and to ensure its proper administration. A change to the fundamental investment objective of the Evolve Fund would require the approval of the Unitholders. Please see “Unitholder Matters – Matters Requiring Unitholder Approval”.

Subject to the following, and any exemptive relief that has been or will be obtained, the Evolve Fund is managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102. See “Exemptions and Approvals”.

### **Tax Related Investment Restrictions**

The Evolve Fund will not make an investment or conduct any activity that would result in the Evolve Fund failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act.

### **FEES AND EXPENSES**

This section details the fees and expenses that an investor may have to pay if the investor invests in the Evolve Fund. An investor may have to pay some of these fees and expenses directly. The Evolve Fund may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the Evolve Fund.

#### **Fees and Expenses Payable by the Evolve Fund**

##### *Management Fees*

The Evolve Fund will pay an annual management fee (the “**Management Fee**”) to the Manager for acting as trustee, manager and portfolio manager of the Evolve Fund equal to 1.00% of the NAV of the Evolve Fund, calculated daily and payable monthly in arrears, plus applicable taxes. See “Organization and Management Details of the Evolve Fund – Manager – Duties and Services to be Provided by the Manager” for a description of the services provided by the Manager.

To encourage very large investments in the Evolve Fund by a particular Unitholder, the Manager may, at its discretion, agree to charge a reduced Management Fee for some Unitholders as compared to the Management Fee that the Manager would otherwise be entitled to receive from the Evolve Fund, provided that the difference between the fee otherwise chargeable and the reduced fee is distributed periodically by the Evolve Fund to the applicable Unitholders as a management fee distribution (the “**Management Fee Distributions**”). Any reduction will depend on a number of factors, including the amount invested, the NAV of the Evolve Fund and the expected amount of account activity. Management Fee Distributions will be paid first out of net income of the Evolve Fund then out of capital gains of the Evolve Fund and thereafter out of capital. The tax consequences of a Management Fee Distribution will generally be borne by the Unitholder who receives the distribution. See “Income Tax Considerations – Taxation of Holders”.

##### *Operating Expenses*

Unless waived or reimbursed by the Manager, the Evolve Fund pays for all operating expenses of the Evolve Fund (“**Operating Expenses**”) incurred in connection with the operation and administration of the Evolve Fund, including but not limited to: mailing and printing expenses for periodic reports to Unitholders; fees payable to the 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 Evolve 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 Evolve Fund; regulatory filing, stock exchange and licensing fees (if applicable) and CDS fees; banking costs and interest with respect to any borrowing (if applicable); website maintenance costs; 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, bitcoin consultant (if any), CF Benchmarks (in respect of index licensing and/or consulting fees, if any) Custodian and Manager which are incurred in respect of matters not in the normal course of the Evolve Fund’s activities. Additional costs which are also payable by the Evolve Fund include any taxes payable by the Evolve Fund to which the Evolve Fund may be subject, including income taxes, sales taxes (including GST/HST) and/or withholding taxes; expenditures incurred upon termination of the Evolve Fund; extraordinary expenses that the Evolve Fund may incur and all amounts paid on account of any indebtedness (if applicable); any expenses of insurance and costs of all suits or legal proceedings in connection with the Evolve Fund or the assets of the Evolve Fund or to protect the Unitholders, the Trustee, the Manager, and the directors, officers, employees or agents of any of them; any expenses of indemnification of the Trustee, the Unitholders, the Manager, and the directors, officers, employees or agents of any of them to the extent permitted under the Declaration of Trust;

and expenses relating to the preparation, printing and mailing of information to Unitholders in connection with meetings of Unitholders. The Evolve Fund is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Evolve Fund which may be incurred from time to time, including brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Evolve Fund's investment in bitcoin.

### **Fees and Expenses Payable Directly by the Unitholders**

#### *Administrative Fees*

An amount as may be agreed to between the Manager and the Designated Broker or a Dealer, may be charged to offset certain transaction costs associated with an issue, exchange or redemption of Units. This charge does not apply to Unitholders who buy and sell their Units through the facilities of the Designated Exchange. See "Exchange and Redemption of Units – Administrative Fee".

### **RISK FACTORS**

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units that prospective investors should consider before purchasing such Units:

#### **Risk Factors Relating to Bitcoin**

##### *Speculative Nature of Bitcoin*

Investing in bitcoin is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for bitcoin can change rapidly and are affected by a variety of factors, including regulation and general economic trends.

##### *Unforeseeable Risks*

Bitcoin has gained commercial acceptance only within recent years and, as a result, there is little data on its long-term investment potential. Additionally, due to the rapidly evolving nature of the bitcoin market, including advancements in the underlying technology, changes to bitcoin may expose investors in the Evolve Fund to additional risks which are impossible to predict as of the date of this prospectus. This uncertainty makes an investment in the Units very risky.

##### *Access Loss or Theft*

There is a risk that some or all of the Evolve Fund's holdings of bitcoin could be lost, stolen, destroyed or inaccessible, potentially by the loss or theft of the private keys held by custodians associated with the public addresses that hold the Evolve Fund's bitcoin and/or destruction of storage hardware. Multiple thefts of bitcoin and other digital assets from other holders have occurred in the past. Because of the decentralized process for transferring bitcoin, thefts can be difficult to trace, which may make bitcoin a particularly attractive target for theft. The Evolve Fund will adopt security procedures intended to protect the Evolve Fund's assets, but there can be no assurance that those procedures will be successful in preventing such loss, theft or restriction on access. You should not invest unless you understand the risk that the Evolve Fund may lose possession or control of its assets. Access to the Evolve Fund's bitcoin could be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). The Evolve Fund's bitcoin held in custody accounts will likely be an appealing target for hackers or malware distributors seeking to destroy, damage or steal the Evolve Fund's bitcoin or private keys.

Security breaches, cyber-attacks, computer malware and computer hacking attacks have been a prevalent concern for the digital asset trading platforms on which bitcoin trades. Any cyber security breach caused by hacking, which involves

efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm the Evolve Fund's business operations or reputation, resulting in loss of the Evolve Fund's assets. Digital asset trading platforms may in particular be at risk of cyber security breaches orchestrated or funded by state actors. For example, it has been reported that South Korean digital asset trading platforms have been subject to cybersecurity attacks by North Korean state actors with the intent of stealing digital assets, including bitcoin, possibly with the intention of evading international economic sanctions. Any problems relating to the performance and effectiveness of security procedures used by the Evolve Fund and its custodians to protect the Evolve Fund's bitcoin, such as algorithms, codes, passwords, multiple signature systems, encryption and telephone call-backs will have an adverse impact on the NAV of the Evolve Fund and an investment in the Units. Furthermore, if and as the Evolve Fund's bitcoin holdings grow, the Evolve Fund and its custodians may become a more appealing target for cyber security threats such as hackers and malware. Furthermore, cybersecurity attacks orchestrated or funded by state actors may be particularly difficult to defend against because of the resources that state actors have at their disposal.

No storage system is impenetrable, and storage systems employed by the Evolve Fund and its custodians may not be free from defect or immune to force majeure events. Any loss due to a security breach, software defect or force majeure event generally will be borne by the Evolve Fund, which will adversely affect the value of the Units.

Such storage systems and operational infrastructure may be breached due to the actions of outside parties, error or insider malfeasance of an employee of the Manager or its custodians, or otherwise, and, as a result, an unauthorized party may obtain access to the Manager's, the Evolve Fund's, or the Evolve Fund's custodians' storage systems, private keys, data or bitcoin. Additionally, outside parties may attempt to fraudulently induce employees of the custodians or the Manager to disclose sensitive information in order to gain access to the Evolve Fund's infrastructure. The Manager its custodians or any technological consultant engaged by them may periodically examine and propose modifications to storage systems, protocols and internal controls to address the use of new devices and technologies to safeguard the Evolve Fund's systems and bitcoin. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, the Manager may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of a storage system occurs, a loss of confidence in the Bitcoin Network may decrease the market price of the Evolve Fund's investments. An actual or perceived breach may also cause Unitholders to seek redemption of or sell their Units, which may harm the Evolve Fund's investment performance.

If the Evolve Fund's holdings of bitcoin are lost, stolen or destroyed under circumstances rendering a party liable to the Evolve Fund, the responsible party may not have the financial resources sufficient to satisfy the Evolve Fund's claim. For example, as to a particular event of loss, the only source of recovery for the Evolve Fund may be limited to the relevant custodian or, to the extent identifiable, other responsible third parties (for example, a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of the Evolve Fund. Similarly, as noted below, the Evolve Fund's custodians have limited liability to the Evolve Fund, which will adversely affect the Evolve Fund's ability to seek recovery from them, even when they are at fault.

#### *Bitcoin Investment Risks*

The further development and acceptance of bitcoin is subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of bitcoin may adversely affect the Net Asset Value of the Evolve Fund and an investment in the Units.

The use of bitcoin to, among other things, buy and sell goods and services is part of the new, experimental and rapidly evolving cryptocurrency industry. While bitcoin is a prominent part of this industry, it is not the only part. The growth of this industry, as well as bitcoin's significant market share, is subject to a high degree of uncertainty. The factors affecting the bitcoin's further growth and development, as well as its continued dominance, include, but are not limited to:

- continued worldwide growth in the adoption and use of bitcoin;
- government and quasi-government regulation of bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin Network;
- changes in consumer demographics, demand and preferences;
- the maintenance and development of the open-source software protocol of the Bitcoin Network;



- the availability and popularity of other forms or methods of buying and selling goods and services, including other cryptocurrencies and new means of using fiat currencies;
- the further development of additional applications and scaling solutions; and
- general economic conditions and the regulatory environment relating to bitcoin and other cryptocurrencies; and negative consumer or public perception of bitcoin or cryptocurrencies generally.

*Bitcoin Generally* – Bitcoin is loosely regulated and there is no central marketplace for bitcoin. Supply is determined by a computer code, not by a central bank, and prices can be extremely volatile. Additionally, bitcoin trading platforms may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Evolve Fund. Some bitcoin trading platforms have been closed due to fraud, failure or security breaches.

Several factors may affect the price of bitcoin, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of bitcoin or the use of bitcoin as a form of payment. There is no assurance that bitcoin will maintain its long-term value in terms of purchasing power in the future, or that mainstream retail merchants will accept bitcoin as a form of payment.

Bitcoin is created, issued, transmitted, and stored according to protocols run by computers in the Bitcoin Network. It is possible the bitcoin protocol has undiscovered flaws which could result in the loss of some or all of the assets held by the Evolve Fund. There may also be network-scale attacks against the bitcoin protocol, which could result in the loss of some or all of the bitcoin held by the Evolve Fund. Advancements in quantum computing could break bitcoin's cryptographic rules. The Manager makes no guarantees about the reliability of the cryptography used to create, issue, or transmit bitcoin which will be held by the Evolve Fund.

*Short History Risk* – Bitcoin launched in 2009, which makes it a new technological innovation with a limited history and one of the youngest multi-billion dollar assets in the world. Due to this short history, it is not clear how all elements of bitcoin will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the rate of inflation of bitcoin decreases. There is no assurance that usage of bitcoin and its blockchain will continue to grow. A contraction in the use of bitcoin or its blockchain may result in increased volatility or a reduction in the price of bitcoin which could have a material adverse effect on the NAV of the Evolve Fund and an investment in the Units.

Bitcoin trading platforms have a limited operating history. Since 2009, several bitcoin trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at such bitcoin trading platforms. The potential for instability of bitcoin trading platforms and the closure or temporary shutdown of bitcoin trading platforms due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in bitcoin, which may adversely affect the NAV per Unit.

Public bitcoin trading platforms have a limited history. The price of bitcoin on trading platforms throughout the world has historically been volatile and subject to influence by any number of factors including supply and demand, geopolitical uncertainties, macroeconomic concerns such as inflation, speculative investor interest, and the level of liquidity on such exchanges.

*Risks Related to the Pricing Source* - The Evolve Fund's bitcoin will be valued, including for purposes of determining the NAV of the Evolve Fund based upon the BRR.

As the BRR is calculated based on Constituent Bitcoin Trading Platforms only, it will not necessarily be reflective of the price of bitcoin available on any given bitcoin trading platform or other venue where the Evolve Fund's trades are executed. In addition, the BRR is available once per day, whereas bitcoin trades 24 hours a day. As such, the BRR may not be reflective of market events and other developments that occur after its pricing window and thus the BRR may not be reflective of the then-available market price of bitcoin in periods between its calculation. The Manager does not intend, and disclaims any obligation, to determine whether the BRR reflects the realizable market value of bitcoin or the price at which market transactions in bitcoin could be readily affected at any given time.

Because the NAV of the Evolve Fund will be based almost entirely on the value of the Evolve Fund's bitcoin portfolio as determined by reference to the BRR, and redemptions and subscriptions will be valued based on the NAV per Unit, if

the BRR does not reflect the realizable market value of bitcoin, at a given time, redemption or subscriptions will be effected at prices that may materially adversely affect the Unitholder and the Evolve Fund.

*Volatility* – Bitcoin’s value has historically been highly volatile. In addition, uncertainty related to the effects of bitcoin’s recent “halving” which occurred on May 11, 2020 could further contribute to volatility in the bitcoin markets. The value of the bitcoin held by the Evolve Fund could decline rapidly in future periods, including to zero.

*Settlement of Transactions on the Bitcoin Network* – There is no central clearing house for cash-to bitcoin transactions. Current practice is for the purchaser of bitcoin to send fiat currency to a bank account designated by the seller, and for the seller to broadcast the transfer of bitcoin to the purchaser’s public bitcoin address upon receipt of the cash. The purchaser and seller monitor the transfer with a transaction identification number that is available immediately upon transfer and is expected to be included in the next block confirmation. When the Evolve Fund purchases bitcoin from a Bitcoin Source, there is a risk that the Bitcoin Source will not initiate the transfer on the Bitcoin Network upon receipt of cash from the Evolve Fund, or that the bank where the Bitcoin Source’s account is located will not credit the incoming cash from the Evolve Fund for the account of the Bitcoin Source. The Evolve Fund will seek to mitigate this risk by transacting with regulated Bitcoin Sources that have undergone due diligence and by confirming the solvency of the Bitcoin Source and the bank designated by each Bitcoin Source based on publicly available information.

*General Economic and Market Conditions* – During 2020, global financial markets have experienced a period of sharp decline and volatility due in large part to the real and perceived economic impact of the novel coronavirus (COVID-19) pandemic. The price of bitcoin declined sharply during the first quarter of 2020. The public health impact of the coronavirus, as well as the steps taken by governments and businesses around the world to combat its spread, have had an adverse impact on the global economy. Any such economic downturn, either short-term or prolonged, could impact the bitcoin market as well.

During the global financial crisis of 2007 to 2008, various sectors of the global financial markets experienced an extended period of adverse conditions featuring market uncertainty, reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. To the extent that similar marketplace events were to occur in the future, either as a result of the coronavirus pandemic or otherwise, these events may have an adverse impact on the Evolve Fund’s investments and in turn the NAV of the Evolve Fund. In addition, governments from time to time intervene, directly and by regulation. Such intervention is often intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction. It is also possible that a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs may cause a series of defaults by other institutions. This is sometimes referred to as a “systemic risk.” These factors and general market conditions could have a material adverse effect on markets in general and on the Evolve Fund’s portfolio and on the NAV of the Evolve Fund.

*Momentum Pricing* – The market value of the Units in the Evolve Fund may be affected by momentum pricing of bitcoin due to speculation about future price appreciation. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, is impacted by anticipated future appreciation in value. Momentum pricing may result in speculation regarding future appreciation in the value of digital assets, which inflates prices and may lead to increased volatility.

*Limited Use* – Bitcoin has only recently become accepted as a means of payment for certain goods and services by certain major retail and commercial outlets and use of bitcoin for such services remains limited. Price volatility undermines bitcoin’s utility as a medium of exchange and use of bitcoin as a medium of exchange and payment method may always be low. A lack of continued growth as a medium of exchange and payment method, or a contraction of such use, may result in increased volatility or a reduction in the value of bitcoin, either of which could adversely impact the NAV of the Evolve Fund and an investment in the Units. There can be no assurance that such acceptance will grow, or not decline, in the future.

There is no assurance that bitcoin will maintain its long-term value in terms of purchasing power in the future or that the acceptance of bitcoin as a means for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of bitcoin declines, the Manager expects the NAV per Unit to decline proportionately. As relatively new products and technologies, cryptoassets such as bitcoin have only recently become widely accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of bitcoin by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for bitcoin transactions, process wire transfers to or from bitcoin

trading platforms, bitcoin related companies or service providers, or maintain accounts for persons or entities transacting in bitcoin. Conversely, a significant portion of bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of bitcoin. A decrease in demand and use of bitcoin could adversely affect the NAV per Unit.

*Scaling Obstacles* – Many digital asset networks face significant scaling challenges. For several years, participants in the bitcoin ecosystem debated potential approaches to increasing the average number of transactions per second that the Bitcoin Network could handle. As of August 2017, bitcoin was upgraded with a technical feature known as “segregated witness” that, among other things, could approximately double the transactions per second that can be handled on-chain.

As the use of digital asset networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly. Bitcoin’s network has been, at times, at capacity, which has led to increased transaction fees and decreased settlement speeds.

Increased fees and decreased settlement speeds could preclude certain use cases for bitcoin and can reduce demand for and the price of bitcoin, which could adversely impact the NAV of the Evolve Fund and an investment in the Units.

There is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of transactions in bitcoin will be effective, or how long these mechanisms will take to become effective, which could adversely impact the NAV of the Evolve Fund and an investment in the Units.

*Private Keys* – Bitcoin private keys are stored in two different forms: “hot wallet” storage, whereby the private keys are connected to the internet; and “cold” storage, where digital currency private keys are stored completely offline. The bitcoin that the Sub-Custodian will hold for the Evolve Fund will be stored generally offline in cold storage only. Private keys must be safeguarded and kept private in order to prevent a third-party from accessing the digital asset while held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Evolve Fund will be unable to access, and will effectively lose, the bitcoin held in the related digital wallet. Any loss of private keys by the Sub-Custodian relating to digital wallets used to store the Evolve Fund’s bitcoin would adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Irrevocable Nature of Blockchain-Recorded Transactions* – Bitcoin transactions recorded on the bitcoin blockchain are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the Bitcoin Network’s aggregate hashrate. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of bitcoin or a theft of bitcoin generally will not be reversible, and the Evolve Fund may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Evolve Fund’s bitcoin could be transferred from custody accounts in incorrect quantities or to unauthorized third parties. To the extent that the Manager is unable to seek a corrective transaction with such third-party or is incapable of identifying the third-party that has received the Evolve Fund’s bitcoin through error or theft, the Evolve Fund will be unable to revert or otherwise recover incorrectly transferred bitcoin. To the extent that the Evolve Fund is unable to seek redress for such error or theft, such loss could adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Internet Disruptions* – A significant disruption in internet connectivity could disrupt the Bitcoin Network’s operations until the disruption is resolved, and such disruption could have an adverse effect on the price of bitcoin. In particular, some digital assets have experienced a number of denial-of-service attacks, which have led to temporary delays in block creation and digital asset transfers. While in certain cases in response to an attack, an additional “hard fork” has been introduced to increase the cost of certain network functions, the relevant network has continued to be the subject of additional attacks. Moreover, it is possible that as bitcoin increases in value, they may become bigger targets for hackers and subject to more frequent hacking and denial-of-service attacks.

*Gateway Protocol Hijackings* – Digital assets are also susceptible to border gateway protocol hijacking, or BGP hijacking. Such an attack can be a very effective way for an attacker to intercept traffic en route to a legitimate destination. BGP hijacking impacts the way different nodes and miners are connected to one another to isolate portions of them from the remainder of the network, which could lead to a risk of the network allowing double-spending and other security issues. If BGP hijacking occurs on the Bitcoin Network, participants may lose faith in the security of bitcoin, which could affect bitcoin’s value and consequently the value of the Units.

Any future attacks that impact the ability to transfer bitcoin could have a material adverse effect on the price of bitcoin and the value of an investment in the Units.

*Malicious Attacks on the Network* – Digital asset networks, including the Bitcoin Network, are subject to control by entities that capture a significant amount of the network’s processing power or a significant number of developers important for the operation and maintenance of such digital asset network.

The Bitcoin Network is periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation time and therefore transaction confirmation time. In the past these scenarios have not caused significant delays or resulted any significant systemic issues.

*Control of Processing Power* – The Bitcoin Network is secured by a proof-of-work algorithm, whereby the collective strength of network participants’ processing power protects the network. If a malicious actor or botnet (i.e., a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin Network, it may be able to construct fraudulent blocks or prevent certain transactions from completing, either in a timely manner or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions. While a malicious actor would not be able to generate new bitcoin interests or transactions using such control, it could “double-spend” its own bitcoin interests (i.e., spend the same bitcoin interests in more than one transaction) and prevent the confirmation of other users’ transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Bitcoin Network or the network community did not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Further, a malicious actor or botnet could create a flood of transactions in order to slow down confirmations of transactions on the Bitcoin Network.

Some digital asset networks have been subject to malicious activity achieved through control over 50% of the processing power on the network. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of digital asset transactions, and this risk is heightened if over 50% of the processing power on the Bitcoin Network falls within the jurisdiction of a single governmental authority. For example, it is believed that more than 50% of the processing power on the Bitcoin Network at one time was located in China. Because the Chinese government has subjected digital assets to heightened levels of scrutiny recently, forcing several digital asset trading platforms to shut down and has begun to crack down on mining activities, there is a risk that the Chinese government could also achieve control over more than 50% of the processing power on the Bitcoin Network. To the extent that the bitcoin ecosystem, including the core developers and the administrators of mining pools, does not act to ensure greater decentralization of mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Bitcoin Network will increase, which may adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Control of Developers* – A malicious actor may also obtain control over the Bitcoin Network through its influence over core or influential developers. For example, this could allow the malicious actor to block legitimate network development efforts or attempt to introduce malicious code to the network under the guise of a software improvement proposal by such a developer. Any actual or perceived harm to the Bitcoin Network as a result of such an attack could result in a loss of confidence in the source code or cryptography underlying the Bitcoin Network, which could negatively impact the demand for bitcoin and therefore adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Increased Regulation of Bitcoin Risk* - The regulation of bitcoin (globally) continues to evolve and may restrict the use of bitcoin or otherwise impact the demand for bitcoin in the future. The U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators generally take the view that bitcoin is a commodity, however, they have not made a formal statement regarding its classification. The European Union, Russia and Japan have moved to treat bitcoin like a currency for taxation purposes.

While the regulation of Bitcoin continues to evolve, the Manager believes that it is unlikely that a hostile regulatory environment will develop rather, the Manager believes that such processes will bring about innovation and increased protections for bitcoin users. Because the cryptoasset markets are largely unregulated today, many marketplaces and OTC counterparties that trade or facilitate trading exclusively in cryptoassets are not subject to registration or licensing requirements with any financial services regulatory body and, therefore, are not directly subject to prescribed KYC, reporting and recordkeeping requirements which apply financial services firms and other “reporting entities” under

AML regulation. The Manager will use all reasonable efforts to confirm that each bitcoin trading platform and institutional liquidity provider from which the Evolve Fund may purchase bitcoin has adopted KYC procedures which reflect industry best practices to seek to ensure compliance with AML regulation requirements which apply generally in the jurisdictions where they carry on business.

*Faulty Code* – In the past, flaws in the source code for digital assets have been exposed and exploited, including those that exposed users’ personal information and/or resulted in the theft of users’ digital assets. Several errors and defects have been publicly found and corrected, including those that disabled some functionality for users and exposed users’ personal information. Discovery of flaws in, or exploitations of, the source code that allow malicious actors to take or create money in contravention of known network rules have occurred. In addition, the cryptography underlying bitcoin could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to steal the Evolve Fund’s bitcoin, which would adversely affect an investment in the Units. Even if the affected digital asset is not bitcoin, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively impact the demand for bitcoin and therefore adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Network Development and Support* – The Bitcoin Network operates based on open-source protocol maintained by a group of core developers. As the Bitcoin Network protocol is not sold and its use does not generate revenues for development teams, core developers may not be directly compensated for maintaining and updating the Bitcoin Network protocol. Consequently, developers may lack a financial incentive to maintain or develop the network, and the core developers may lack the resources to adequately address emerging issues with the network. There can be no guarantee that developer support will continue or be sufficient in the future. Additionally, some development and developers are funded by companies whose interests may be at odds with other participants in the network or with the Evolve Fund. To the extent that material issues arise with the Bitcoin Network protocol and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, the Bitcoin Network, the Net Asset Value of the Evolve Fund and an investment in the Units may be adversely affected.

*Risk that Demand for Bitcoin may Exceed Supply* - The demand for bitcoin may develop at a pace which exceeds supply which may frustrate users and cause them to lose faith in the bitcoin Network which may in turn adversely affect the NAV per Unit.

*Network Governance* – Governance of decentralized networks, such as the Bitcoin Network, is achieved through voluntary consensus and open competition. In other words, bitcoin has no central decision-making body or clear manner in which participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may adversely affect bitcoin’s utility and ability to grow and face challenges, both of which may require solutions and directed effort to overcome problems, especially long-term problems. For example, a seemingly simple technical issue once divided the bitcoin community: namely, whether to increase the block size of the blockchain or implement another change to increase the scalability of bitcoin, known as “segregated witness”, and help it continue to grow. See “– *Scaling Obstacles*”.

Should a lack of clarity in bitcoin’s network governance slow the network’s development and growth, the NAV of the Evolve Fund and the value of the Units may be adversely affected.

*Network Forks* – Bitcoin software is open source, meaning that any user can download the software, modify it and then propose that the users and miners of bitcoin adopt the modification. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the Bitcoin Network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the result is a so-called “fork” of the network. In other words, two incompatible networks would then exist: (1) one network running the pre-modified software and (2) another network running the modified software. The effect of such a fork would be the existence of two versions of bitcoin running in parallel, yet lacking interchangeability.

Forks occur for a variety of reasons. First, forks may occur after a significant security breach.

Second, forks could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run. Such a fork could adversely affect the digital asset’s viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the digital asset while resisting community-led efforts to merge the two chains. This would result in a permanent fork, as in the case of Ether and Classic Ether, as detailed above. If a permanent fork were to occur, then the Evolve Fund could hold amounts of

both bitcoin and the new alternative. As described below, the Evolve Fund will hold bitcoin, the new alternative, or both, based on the Manager's sole discretion as to whether the new alternative is an appropriate medium for investment. The Manager will retain full discretion as it relates to the handling of forks.

Third, forks may occur as a result of disagreement among network participants as to whether a proposed modification to the network should be accepted. For example, in July 2017, bitcoin "forked" into bitcoin and a new digital asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin Network can process. Since then, bitcoin has been forked several times to launch new digital assets, such as Bitcoin Gold, Bitcoin Silver and Bitcoin Diamond.

Furthermore, certain forks can introduce new security risks. For example, when Ether and Classic Ether split in July 2016, "replay attacks" (i.e., attacks in which transactions from one network were rebroadcast to nefarious effect on the other network) plagued Ethereum trading platforms for a period of at least a few months.

Another possible result of a hard fork is an inherent decrease in the level of security. After a hard fork, it may become easier for an individual miner or mining pool's hashing power to exceed 50% of the processing power of the digital asset network, thereby making digital assets that rely on proof of work more susceptible to attack. See "*Malicious Attacks on the Network*".

If bitcoin were to fork into two digital assets, the Evolve Fund would be expected to hold an equivalent amount of bitcoin and the new asset following the hard fork. However, the Evolve Fund may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, the Custodian, Sub-Custodian or a security service provider may not agree to provide the Evolve Fund access to the new asset. In addition, the Evolve Fund may determine that there is no safe or practical way to custody the new asset, or that trying to do so may pose an unacceptable risk to the Evolve Fund's holdings in bitcoin, or that the costs of taking possession and/or maintaining ownership of the new digital asset exceed the benefits of owning the new digital asset.

The timing of any such occurrence is uncertain, and the Manager has sole discretion whether to claim a new asset created through a fork of the Bitcoin Network, subject to certain restrictions that may be put in place by the Evolve Fund's service providers.

Forks in the Bitcoin Network could adversely affect the NAV of the Evolve Fund and an investment in the Units or the ability of the Evolve Fund to operate. Additionally, laws, regulation or other factors may prevent the Evolve Fund from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset. For example, it may be illegal for the Evolve Fund to sell the new asset, or there may not be a suitable market into which the Evolve Fund can sell the new asset (either immediately after the fork or ever).

*Air Drops* – Bitcoin may become subject to an occurrence similar to a fork, which is known as an "air drop". In an air drop, the promoters of a new digital asset announce to holders of another digital asset that they will be entitled to claim a certain amount of the new digital asset for free. For the same reasons as described above with respect to hard forks, the Evolve Fund may or may not choose, or be able, to participate in an air drop, or may or may not be able to realize the economic benefits of holding the new digital asset. The timing of any such occurrence is uncertain, and the Manager has sole discretion whether to claim a new asset created through an air drop.

*Intellectual Property* – Code underlying the Bitcoin Networks is available under open source licenses and as such the code is generally open to use by the public. Additionally, according to publicly available United States Patent and Trademark Office and United States Copyright Office databases and the Canadian Intellectual Property Office, the Bitcoin Foundation (a not-for profit foundation that promotes the reputation and development of bitcoin) does not own any issued patents or registered copyrights in the United States or Canada in connection with the code relating to bitcoin. Moreover, the Bitcoin Foundation has indicated interest in preserving "bitcoin" as a generic term. Nonetheless, other third parties may assert intellectual property claims relating to the holding and transfer of bitcoin and its source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in long-term viability or the ability of end-users to hold and transfer bitcoin may adversely affect the NAV of the Evolve Fund and an investment in the Units. Additionally, a meritorious intellectual property claim could prevent the Evolve Fund and other end-users from accessing, holding, or transferring bitcoin, which could force the liquidation of the Evolve Fund's holdings of bitcoin (if such liquidation is possible). As a result, an intellectual property claim against the Evolve Fund or other large Bitcoin Network participants could adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Mining Incentives* – Miners generate revenue from both newly created bitcoins, known as the “block reward” and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is not sufficient to support the miner’s ongoing operating costs, the miner may cease operations. If the award of new bitcoins for solving blocks declines and/or the difficulty of solving blocks increases, and transaction fees voluntarily paid by participants are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. The current fixed reward for solving a new block on the Bitcoin Network is 6.25 bitcoins per block, and is subject to further change. This reduction may result in a reduction in the aggregate hashrate of the Bitcoin Network as the incentive for miners decreases. If miners cease operations, that would reduce the collective processing power on the Bitcoin Network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin Network more vulnerable to a malicious actor or botnet obtaining sufficient control to manipulate the blockchain and hinder transactions. Any reduction in confidence in the confirmation process or processing power of the Bitcoin Network may adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Mining Collusion* – Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees. If miners collude in an anticompetitive manner to reject low transaction fees, then bitcoin users could be forced to pay higher fees, which could result in reduced confidence in, and use of, the Bitcoin Network. Any collusion among miners may adversely impact the attractiveness of the Bitcoin Network and may adversely impact the NAV of the Evolve Fund and an investment in the Units or the ability of the Evolve Fund to operate.

*Competitors to Bitcoin* – A competitor to bitcoin which gains popularity and greater market share may precipitate a reduction in demand, use and price of bitcoin, which may adversely impact the NAV of the Evolve Fund and an investment in the Units. Similarly, bitcoin and the price of bitcoin could be reduced by competition from incumbents in the credit card and payments industries, which may adversely impact the NAV of the Evolve Fund and an investment in the Units.

*Significant Energy Consumption to Run the Bitcoin Network* – Mining bitcoin requires significant computing power and the Bitcoin Network’s energy consumption may be deemed to be, or indeed become, unsustainable (barring improvements in efficiency which could be designed for the protocol). This could pose a risk to broader and sustained acceptance of the Bitcoin Network as a peer-to-peer transactional platform, which may adversely impact the NAV of the Evolve Fund and an investment in the Units.

*Unregulated Market Venues* – The venues through which bitcoin and other digital assets trade are new and, in many cases, largely unregulated. Furthermore, many such venues, including digital asset platforms and over-the-counter market venues, do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, these venues. These market venues may impose daily, weekly, monthly or customer-specific transaction or withdrawal limits or suspend withdrawals entirely, rendering the exchange of bitcoin for fiat currency difficult or impossible. Participation in these market venues requires users to take on credit risk by transferring bitcoin from a personal account to a third party’s account.

Over the past several years, a number of digital asset trading platforms have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such digital asset trading platforms were not compensated or made whole for the partial or complete losses of their account balances in such digital asset trading platforms. While smaller digital asset trading platforms are less likely to have the infrastructure and capitalization that make larger digital asset trading platforms more stable, larger digital asset trading platforms are more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

Furthermore, many digital asset trading platforms lack certain safeguards put in place by more traditional exchanges to enhance the stability of trading on the platform and prevent flash crashes, such as limit-down circuit breakers. As a result, the prices of digital assets such as bitcoin on digital asset trading platforms may be subject to larger and/or more frequent sudden declines than assets traded on more traditional exchanges.

A lack of stability in digital asset trading platforms, manipulation of bitcoin markets by digital asset trading platform customers and/or the closure or temporary shutdown of such platforms due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in bitcoin generally and result in greater volatility in the market price of bitcoin. Furthermore, the closure or temporary shutdown of a digital asset trading platform may impact the Evolve Fund's ability to determine the value of its bitcoin holdings or to purchase or sell bitcoin. These potential consequences of a bitcoin trading platform's failure or failure to prevent market manipulation could adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Risks of Political or Economic Crises* – Political or economic crises may motivate large-scale sales of bitcoin and other cryptocurrencies, which could result in a reduction in the price of bitcoin and adversely affect the NAV of the Evolve Fund and an investment in the Units. As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, such as bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be affected by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of bitcoin either globally or locally. Large-scale sales of bitcoin would result in a reduction in the price and adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Banking Services* – A number of companies that provide bitcoin-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to bitcoin-related companies or companies that accept bitcoin for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide bitcoin-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of bitcoin as a payment system and harming public perception of bitcoin or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of bitcoin as a payment system and the public perception of bitcoin could be damaged if banks were to close the accounts of many or of a few key businesses providing bitcoin-related services. This could decrease the value of the digital assets held by the Evolve Fund and therefore adversely affect the NAV of the Evolve Fund and an investment in the Units.

*Insurance* – Neither the Evolve Fund nor the Custodian will maintain insurance against risk of loss of bitcoin held by the Evolve Fund, as such insurance is not currently available in Canada on economically reasonable terms but Gemini, the sub-custodian of the Evolve Fund, maintains commercial crime insurance in respect of the bitcoin held by it. The Evolve Fund's bitcoin will be held in cold storage vaults only.

*Technological Change* – Large holders of bitcoin and bitcoin trading platforms must adapt to technological change in order to secure and safeguard client accounts. The ability of the Evolve Fund's custodians to safeguard the bitcoin that the Evolve Fund holds from theft, loss, destruction or other issues relating to hackers and technological attack is based upon known technology and threats. As technological change occurs, such threats will likely adapt, and previously unknown threats may emerge. Furthermore, the Evolve Fund may become a more appealing target of security threats as the size of the Evolve Fund's bitcoin holdings grows. If the Manager, the Evolve Fund or the Evolve Fund's custodian is unable to identify and mitigate or stop new security threats, the Evolve Fund's bitcoin may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of the Units or result in loss of the Evolve Fund's assets.

*Effects of Blockchain Analytics* – Bitcoin utilizes a public blockchain on which all transactions are publicly viewable and contain certain information about the transaction, such as the public wallet addresses and amounts involved. Accordingly, individual bitcoin can be traced through statistical analysis, big data and by imposing an accounting convention such as "last in, first out" or "first in, first out". These methods are commonly referred to as "blockchain analytics". The fact that blockchain analytics can be performed implies that bitcoin is not perfectly fungible because prospective purchasers can theoretically discriminate against bitcoin by making certain assumptions about its particular transaction history in light of any legal risks associated with holding "tainted" currency, as the legal framework protecting fungibility of government-issued currency does not clearly apply to bitcoin. Potential risks include (i) a holder being exposed to conversion tort liability if bitcoin were previously stolen or (ii) a digital asset trading platform refusing to exchange the bitcoin for government-issued currency on anti-money laundering or economic sanctions grounds. These concerns are exacerbated by the publication of bitcoin address "blacklists", such as the one published by the U.S. Treasury's Office of Foreign Assets Control (OFAC).

Though the market currently does not apply discounts or premia to bitcoin in this manner, if the risks noted above, or similar risks, begin to materialize, then blockchain analytics could lead to disruptions in the market. For example, if a



digital asset trading platform begins to discriminate based on transaction history, individual units of another bitcoin could begin to have disparate value, possibly based on “grades” that are calculated based on factors such as age, transaction history and/or relative distance from flagged transactions or blacklisted addresses. Such developments could become a substantial limiting factor on a bitcoin’s usefulness as a currency, and serve to reduce the value of, or restrict the Evolve Fund’s ability to liquidate, bitcoin held in its portfolio.

*Bans or Prohibitions Affecting Bitcoin* – Digital assets including bitcoin currently face an uncertain regulatory landscape in many jurisdictions. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect bitcoin and other digital assets. Such laws, regulations or directives may conflict with those of Canada or the United States and may negatively impact the acceptance of bitcoin by users, merchants and service providers in such jurisdictions and may therefore impede the growth or sustainability of the digital asset economy or otherwise negatively affect the value of bitcoin and therefore the value of the Units.

Additionally, regulators and legislatures have taken action against digital asset businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from digital asset activity. Furthermore, it has been reported that certain South Korean digital asset trading platforms have experienced cybersecurity attacks by North Korean state actors with the intent of stealing digital assets. Cybersecurity attacks by state actors, particularly for the purpose of evading international economic sanctions, are likely to attract additional regulatory scrutiny to the acquisition, ownership, sale and use of digital assets, including bitcoin. Such adverse publicity or regulatory scrutiny could adversely affect the value of bitcoin, and therefore the value of the Units.

## **Risks Relating to an Investment in the Evolve Fund**

### *General Risks of Investments*

The value of the underlying securities of the Evolve Fund, whether held directly or indirectly, may fluctuate in accordance with changes in the financial condition of the issuers of those underlying securities, the condition of equity and currency markets generally and other factors.

The risks inherent in investments in equity or debt securities, whether held directly or indirectly, include the risk that the financial condition of the issuers of the securities may become impaired or that the general condition of the stock market may deteriorate. Equity and debt securities are susceptible to general stock market fluctuations and the financial condition of the issuer. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction and global or regional political, economic and banking crises.

### *Possible Loss of Investment*

An investment in the Evolve Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

### *No Guarantee of a Return on Investment*

There is no guarantee that an investment in Units will earn any positive return in the short- or long-term as the NAV of the Evolve Fund will generally fluctuate with the price of bitcoin and no interest or dividends will be earned on the bitcoin that is owned by the Evolve Fund.

### *Risks Related to Passive Investments*

An investment in the Units should be made with an understanding that the NAV of the Evolve Fund will generally fluctuate in accordance with the price of bitcoin based on the BRR. Because it is the Evolve Fund’s objective to invest in bitcoin on a passive basis, the Evolve Fund’s holdings will not be actively managed and accordingly, will not be hedged or repositioned to attempt to take defensive positions if the price of bitcoin declines or is expected to decline. The Evolve Fund will invest substantially all of its assets in bitcoin.

### *Concentration Risk*

The Evolve Fund's investment objective is to provide Unitholders exposure to bitcoin and the Evolve Fund is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Evolve Fund will invest substantially all of its assets in bitcoin. The NAV of the Evolve Fund may be more volatile than the value of a more broadly diversified portfolio or investment fund and may fluctuate substantially over short period of time. This may have negative impact on the NAV of the Evolve Fund.

### *Reliance on the Manager and the Sub-Custodian*

Unitholders will be dependent on the abilities of the Manager to effectively administer the affairs and implement the investment objective and strategy of the Evolve Fund and on the Sub-Custodian to safely custody the Evolve Fund's bitcoin. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the Evolve Fund will continue to be employed by the Manager. If the Sub-Custodian did not adequately safeguard the Evolve Fund's bitcoin, the Evolve Fund could suffer significant losses.

### *No Direct Ownership Interest in Bitcoin*

An investment in Units does not constitute an investment by Unitholders in bitcoin, cash and cash equivalents included in the Evolve Fund's portfolio. Unitholders will not own bitcoin or cash or cash equivalents held by the Evolve Fund.

### *Other Bitcoin Investment Funds*

The Evolve Fund will compete with other current and future financial vehicles and investment funds that offer economic exposure to the price of bitcoin. Such competitors may invest in bitcoin, including through securities backed by or linked to bitcoin, such as exchange-traded products (ETPs). Other competitors may invest in derivative financial products, which utilize bitcoin as the underlying asset. Market and financial conditions, and other conditions beyond the Evolve Fund's control, may make it more attractive for investors to redeem or sell Units of the Evolve Fund in order to invest in other such financial vehicles, which could adversely affect Unitholders who continue to hold the Units. Furthermore, more attractive investment products not currently on the market could develop, which may also lead to investors redeeming or selling their Units.

If other financial vehicles or investment funds tracking the price of bitcoin are formed and come to represent a significant proportion of the demand for bitcoin, large redemptions of the securities of such competitors could result in large scale bitcoin liquidations. This could, in turn, negatively affect bitcoin prices, the Evolve Fund's holding of bitcoin and the NAV of the Evolve Fund. In addition, these financial vehicles and other entities with substantial holdings in bitcoin may engage in large-scale hedging, sales or distributions which could also negatively impact the NAV of the Evolve Fund. See "*Large-Scale Sales or Distributions*".

### *Large-Scale Sales or Distributions*

Some entities hold large amounts of bitcoin relative to other market participants, and to the extent such entities engage in large-scale hedging, sales or distributions on nonmarket terms, or sales in the ordinary course, it could result in a reduction in the price of bitcoin and adversely affect the NAV of the Evolve Fund and an investment in the Units. Additionally, political or economic crises may motivate large-scale acquisitions or sales of such digital assets, including bitcoin, either globally or locally. Such large-scale sales or distributions could result in selling pressure that may reduce the price of bitcoin and adversely affect the NAV of the Evolve Fund and an investment in the Units.

### *Trading Price of Units*

Units may trade in the market at a significant premium or a significant discount to the NAV per Unit. Despite the investment objectives of the Evolve Fund, there can be no assurance or guarantee that Units will trade at prices that reflect their NAV per Unit. The trading price of the Units will fluctuate in accordance with changes in the Evolve Fund's NAV, as well as market supply and demand on the Designated Exchange and the ability of the Designated Broker and Dealers to create and redeem PNU's (which may also depend on the number of Units qualified for issuance under this prospectus at any time).

### *U.S. Currency Exposure*

The Evolve Fund's functional and presentation currency is and the investor's investment will be made in U.S. dollars.

The Evolve Fund will purchase bitcoin which is currently denominated in U.S. dollars. As the Units are denominated in U.S. dollars, Canadian investors should be aware that the Evolve Fund will not hedge the investor's investment in the Evolve Fund against Canadian currency exposure.

### *Fluctuations in NAV and NAV per Unit*

The NAV and NAV per Unit of the Evolve Fund will vary according to, among other things, the value of the bitcoin held by the Evolve Fund. The Manager and the Evolve Fund have no control over the factors that affect the value of the bitcoin held by the Evolve Fund.

### *Residency of the Sub-Custodian*

The Sub-Custodian is resident outside of Canada and all or a substantial portion of its assets are located outside Canada. As a result, anyone, including the Evolve Fund, seeking to enforce legal rights against the Sub-Custodian in Canada may find it difficult to do so.

### *SOC 2 Type 2 Report of the Sub-Custodian*

The Sub-Custodian has advised the Manager that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Evolve Fund in connection with the audit of the annual financial statements of the Evolve Fund. However, there is a risk that such SOC 2 Type 2 Report of the Sub-Custodian will not be available. In the event that the SOC 2 Type 2 Report is not available, the Manager will request confirmation from the Sub-Custodian in writing to permit the auditor of the Evolve Fund to test its internal controls. Although the Manager has received reasonable assurances from the Custodian and the Sub-Custodian that such written confirmation will be provided in the event that a SOC 2 Type 2 report of the Sub-Custodian is not available, there is a risk that such written confirmation will not be provided and/or that the auditor will not be able to test the internal controls of the Custodian and the Sub-Custodian directly. The Evolve Fund will file an undertaking with applicable securities regulatory authorities that provides that while it remains a reporting issuer, the Evolve Fund will obtain from the Sub-Custodian of the Evolve Fund either a SOC 2 Type 2 Report or written confirmation from the Sub-Custodian to permit the auditor of the Evolve Fund to test its controls.

In the event that the auditor of the Evolve Fund cannot: (i) review a SOC 2 Type 2 Report of the Sub-Custodian; or (ii) test the internal controls of the Sub-Custodian directly in connection with its audit of the Evolve Fund's annual financial statements, the auditor would not be able to complete its audit of the annual financial statements of the Evolve Fund in accordance with the current guidance of the Canadian Public Accountability Board.

### *Changes in Legislation*

There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects the Evolve Fund or the Unitholders. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts, SIFT trusts or an investment in a non-resident trust will not be changed in a manner that adversely affects the Evolve Fund or the Unitholders.

### *Taxation of the Evolve Fund*

It is anticipated that the Evolve Fund will qualify, or will be deemed to qualify, at all times as a "mutual fund trust" within the meaning of the Tax Act. For the Evolve Fund to qualify as a "mutual fund trust", it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders and the dispersal of ownership of a particular class of its Units.

A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be "taxable Canadian property" (if the definition of such term in the Tax Act were read without reference to paragraph

(b) thereof). The law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met.

The Evolve Fund contains a restriction on the number of permitted non-resident Unitholders. The Evolve Fund is expected to meet all the requirements to qualify as a “mutual fund trust” for the purposes of the Tax Act before the 91st day after the end of its first taxation year (determined without regard to any taxation year-end that may be deemed to occur for other purposes under the rules in the Tax Act relating to “loss restriction events”). Assuming the Evolve Fund meets these requirements before such day, the Evolve Fund will file an election to qualify as a mutual fund trust from its inception in 2021.

If the Evolve Fund does not qualify as a mutual fund trust or were to cease to so qualify, the income tax considerations as described under “Income Tax Considerations” would in some respects be materially and adversely different. For example, if the Evolve Fund does not qualify as a “mutual fund trust” within the meaning of the Tax Act throughout a taxation year, the Evolve Fund may be liable to pay alternative minimum tax and/or tax under Part XII.2 of the Tax Act, and would not be entitled to the Capital Gains Refund (as defined herein). In addition, if the Evolve Fund does not qualify as a mutual fund trust, it may be subject to the “mark-to-market” rules under the Tax Act if more than 50% of the fair market value of the Units are held by “financial institutions”, within the meaning of the Tax Act.

The tax treatment of gains and losses realized by the Evolve Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. The Evolve Fund generally will treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses). The CRA has stated that it generally treats cryptocurrency like a commodity for purposes of the Tax Act. The CRA has also expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for income tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. In addition, bitcoin may become subject to network forks and/or certain related occurrences such as air drops (See “Risk Factors Relating to Bitcoin – Network Forks” and “Risk Factors Relating to Bitcoin – Air Drops”). The tax treatment of forks, air drops and other occurrences affecting bitcoin is subject to considerable uncertainty, and the CRA may disagree with positions taken by the Evolve Fund in this regard. Designations with respect to the Evolve Fund’s income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of the Evolve Fund are determined not to be on capital account, or if the CRA were to disagree with positions taken by the Evolve Fund in relation to forks, air drops or other occurrences affecting bitcoin, there may be an increase in the net income of the Evolve Fund for tax purposes and the taxable component of distributions to its Unitholders could increase. Any such redetermination by the CRA may result in the Evolve Fund being liable for unremitted withholding taxes on prior distributions made to its Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV and NAV per Unit of the Evolve Fund.

Pursuant to rules in the Tax Act, if the Evolve Fund experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Evolve Fund’s net income and net realized capital gains, if any, at such time to Unitholders so that the Evolve Fund is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Evolve Fund will be subject to a loss restriction event if a Unitholder becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Evolve Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of the Evolve Fund is a beneficiary in the income or capital, as the case may be, of the Evolve Fund whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Evolve Fund. Please see “Income Tax Considerations – Taxation of Holders” for the tax consequences of an unscheduled or other distribution to Unitholders. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to loss restriction events are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. If the Evolve Fund

were not to qualify as an “investment fund”, it could potentially have a loss restriction event and thereby become subject to the related tax consequences described above.

The Tax Act contains rules (the “**SIFT Rules**”) concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as “non-portfolio property”. A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” to the extent that such income is distributed to its unitholders. If the Evolve Fund is subject to tax under the SIFT Rules, the after-tax return to its Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

#### *Lack of Operating History*

The Evolve Fund is a newly organized investment trust with no operating history. Although the Evolve Fund may be listed on the Designated Exchange, there can be no assurance that an active public market for the Units will develop or be sustained. The Designated Exchange has not conditionally approved the Manager’s listing application and there is no assurance that the Designated Exchange will do so.

#### *Cease Trading of Units*

If issuers in the portfolio of the Evolve Fund are cease traded at any time by a Securities Regulatory Authority or other relevant regulator or stock exchange, the Manager may suspend the exchange or redemption of Units until such time as the transfer of the securities is permitted as described under “Purchases of Units – Suspension of Exchanges and Redemptions”. As a result, when the Evolve Fund holds securities traded on an exchange or other organized market, the Evolve Fund bears the risk of cease trading orders against any securities held in its portfolio.

#### *Cyber Security Risk*

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. Failures or breaches of the information technology systems (“**Cyber Security Incidents**”) can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g. through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users).

The primary risks to the Evolve Fund from the occurrence of a Cyber Security Incident include disruption in operations, reputational damage, disclosure of confidential information, the incurrence of regulatory penalties, additional compliance costs associated with corrective measures and/or financial loss. Cyber Security Incidents of the Evolve Fund’s third party service providers (e.g. administrators, transfer agents, custodians and sub-custodians) or issuers that the Fund invests in can also subject the Evolve Fund to many of the same risks associated with direct Cyber Security Incidents. The Fund and its Unitholders could be negatively impacted as a result.

#### **Risk Rating of the Evolve Fund**

The investment risk level of the Evolve Fund is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the Evolve Fund, as measured by the 10-year standard deviation of the returns of the Evolve Fund. As the Evolve Fund is new, the Manager calculates the investment risk level of the Evolve Fund using a reference index that is expected to reasonably approximate the standard deviation of the Evolve Fund. Once the Evolve Fund has 10 years of performance history, the methodology will calculate the standard deviation of the Evolve Fund using the return history of the Evolve Fund rather than that of the reference index. The Evolve Fund is assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk.

The following chart sets out a description of the reference index used for the Evolve Fund:

<b>Evolve Fund</b>	<b>Reference Index</b>
Bitcoin ETF	CME CF Bitcoin Reference Rate

**The Manager has assigned the Evolve Fund a risk rating of High. The risk rating does not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding their personal circumstances**

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk rating of the Evolve Fund is reviewed annually and any time it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk rating of the Evolve Fund is available on request, at no cost, by calling toll-free 1-844-370-4884 or by writing to Evolve Funds Group Inc., Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

## **DISTRIBUTION POLICY**

It is not anticipated that the Evolve Fund will make cash distributions.

The amount of distributions, if any, will be based on the Manager's assessment of anticipated cash flow and anticipated expenses of the Evolve Fund from time to time. The date of any cash distribution of the Evolve Fund will be announced in advance by issuance of a press release. The Manager may, in its complete discretion, change the frequency of these distributions and any such change will be announced by issuance of a press release.

If, for any taxation year, after the ordinary distributions, if any, there remains in the Evolve Fund additional net income or net realized capital gains, the Evolve Fund will, after December 15 but on or before December 31 of that calendar year, be required to pay or make payable such net income and net realized capital gains as one or more special year-end distributions to Unitholders as is necessary to ensure that the Evolve Fund will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units of the applicable class and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units of the applicable class. Immediately following payment of such a special distribution in Units, the number of Units of the applicable class held by a Unitholder will be automatically consolidated such that the number of Units of such class held by the Unitholder after such distribution will be equal to the number of Units held by such Unitholder immediately prior to such distribution, except in the case of a non-resident Unitholder to the extent tax is required to be withheld in respect of the distribution.

The tax treatment to Unitholders of distributions is discussed under the heading "Income Tax Considerations".

## **PURCHASES OF UNITS**

### **Initial Investment in the Evolve Fund**

The Evolve Fund will not issue Units to the public until subscriptions aggregating not less than \$500,000 have been received and accepted by the Evolve Fund from investors other than persons or companies related to the Manager or its affiliates.

### **Designated Broker**

This prospectus qualifies the distribution of an unlimited number of USD Units and CAD Units of the Evolve Fund.

All orders to purchase Units directly from the Evolve Fund must be placed by the Designated Broker or Dealers. The Evolve Fund reserves the absolute right to reject any subscription order placed by the Designated Broker and/or a Dealer. No fees will be payable by the Evolve Fund to the Designated Broker or a Dealer in connection with the issuance of Units. On the issuance of Units, the Manager may, at its discretion, charge an administrative fee to a Dealer or the Designated Broker to offset any expenses (including any applicable additional listing fees) incurred in issuing the Units.

On any Trading Day, the Designated Broker or a Dealer may place a subscription order for one PNU or integral multiple PNU of the Evolve Fund. If a subscription order is received by the Evolve Fund at or before the applicable cut-off time, or such other time prior to the Valuation Time on such Trading Day as the Manager may permit, and is accepted by the Manager, the Evolve Fund will generally issue to the Dealer or Designated Broker the PNU (or an

integral multiple thereof) within two Trading Days from the effective date of the subscription order. The Evolve Fund must receive payment for the Units subscribed for within two Trading Days from the effective date of the subscription order. The effective date of a subscription order is the Trading Day on which the Valuation Time that applies to such subscription order takes place.

As payment for a PNU of the Evolve Fund, a Dealer or the Designated Broker must deliver cash in an amount sufficient so that the value of the cash delivered is equal to the NAV of the applicable PNU of the Evolve Fund determined at the Valuation Time on the effective date of the subscription order, plus associated costs and expenses that the Evolve Fund incurs or expects to incur in acquiring bitcoin with such cash proceeds. See “Fees and Expenses – Administrative Fees”.

The Manager may from time to time and, in any event not more than once quarterly, require the Designated Broker to subscribe for Units for cash in a dollar amount not to exceed 0.30% of the NAV of the Evolve Fund, or such other amount as may be agreed to by the Manager and the Designated Broker. The number of Units issued will be the subscription amount divided by the NAV per Unit next determined following the delivery by the Manager of a subscription notice to the Designated Broker. Payment for the Units must be made by the Designated Broker by no later than the second Trading Day after the subscription notice has been delivered.

The Manager will, except when circumstances prevent it from doing so, disclose the number of Units comprising a PNU for the Evolve Fund to applicable investors, the Designated Broker and Dealers following the close of business on each Trading Day. The Manager may, at its discretion, increase or decrease the PNU from time to time.

#### **To Unitholders of the Evolve Fund as Distributions Paid in Units**

In addition to the issuance of Units as described above, distributions may be made by way of the issuance of Units. See “Distribution Policy”.

#### **Buying and Selling Units of the Evolve Fund**

The Units of the Evolve Fund have been conditionally approved for listing on the Toronto Stock Exchange (the “**Designated Exchange**”). Subject to satisfying the Designated Exchange’s original listing requirements, the Units will be listed on the Designated Exchange and investors will be able to buy or sell such Units on the Designated Exchange through registered brokers and dealers in the province or territory where the investor resides.

Investors may incur customary brokerage commissions in buying or selling Units. No fees are paid by investors to the Manager or the Evolve Fund in connection with buying or selling of Units on the Designated Exchange.

#### **Special Considerations for Unitholders**

The provisions of the so-called “early warning” requirements set out in Canadian Securities Legislation do not apply in connection with the acquisition of Units. In addition, the Evolve Fund has obtained exemptive relief from the Securities Regulatory Authorities to permit Unitholders to acquire more than 20% of the Units through purchases on the Designated Exchange without regard to the take-over bid requirements of Canadian Securities Legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders.

The Evolve Fund is considered an alternative mutual fund within the meaning of NI 81-102 and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Evolve Fund is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to borrow cash to use for investment purposes and increased ability to invest in commodities. While these specific strategies will be used in accordance with the fund’s investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Evolve Fund invests in bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Evolve Fund will not be able to meet its investment objectives. An investment in the ETF is not intended as a complete investment program and is appropriate only for investors who have a sophisticated knowledge and understanding of bitcoin and the capacity to absorb a loss of some or all of their investment.

### **Special Circumstances**

Units may also be issued by the Evolve Fund to the Designated Broker in a number of special circumstances, including the following: (i) when the Manager has determined that the Evolve Fund should acquire additional bitcoin; and (ii) when cash redemptions of Units occur as described below under “Exchange and Redemption of Units – Redemption of Units of the Evolve Fund for Cash”, or the Evolve Fund otherwise has cash that the Manager wants to invest.

## **EXCHANGE AND REDEMPTION OF UNITS**

### **Exchange of Units of the Evolve Fund at Net Asset Value per Unit for Cash (applicable to Designated Broker and Dealers)**

Unitholders may exchange the PNU (or an integral multiple thereof) of the Evolve Fund on any Trading Day for cash, subject to the requirement that a minimum PNU be exchanged. To effect an exchange of Units, a Unitholder must submit an exchange request in the form and at the location prescribed by the Evolve Fund from time to time at or before the applicable cut-off time on a Trading Day, or such other time prior to the Valuation Time on such Trading Day as the Manager may permit. The exchange price will be equal to the NAV of each PNU tendered for exchange determined at the Valuation Time on the effective date of the exchange request, payable by delivery of cash. The Units will be redeemed in the exchange. The Manager will also make available to Dealers and the Designated Broker the PNU to redeem Units on each Trading Day. The effective date of an exchange request is the Trading Day on which the Valuation Time that applies to such redemption request takes place.

Upon the request of a Unitholder, the Manager will endeavour to satisfy an exchange request by delivering cash only in an amount equal to the NAV of each PNU tendered for exchange determined at the Valuation Time on the effective date of the exchange request, provided that the Unitholder agrees to pay the costs and expenses that the Evolve Fund incurs or expects to incur in selling bitcoin in order to obtain the necessary cash for the exchange. See “Fees and Expenses – Administrative Fees”.

If an exchange request is not received by the applicable cut-off time, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for cash will generally be made by the second Trading Day after the effective day of the exchange request.

As described under “Book-Entry Only System”, registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

### **Redemption of Units of the Evolve Fund for Cash**

On any Trading Day, Unitholders may redeem (i) Units for cash at a redemption price per Unit equal to 95% of the closing price of the Units on the Designated Exchange on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable administrative fee determined by the Manager, in its sole discretion, from time to time, or (ii) a PNU of the Evolve Fund (or an integral multiple thereof) for cash equal to the NAV of that number of Units, less any applicable administrative fee determined by the Manager, in its sole discretion, from time to time. Because Unitholders will generally be able to sell Units at the market price on the Designated Exchange through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash. No fees or expenses are paid by Unitholders to the Manager or the Evolve Fund in connection with selling Units on the Designated Exchange.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request must be delivered to the Manager in the form and at the location prescribed by the Manager from time to time at or before the applicable cut-off time on such Trading Day. Any cash redemption request received after such time will be effective only on the next Trading Day. Where possible, payment of the redemption price will be made by no later than the second Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or Dealer.



In connection with the redemption of Units, the Evolve Fund will generally dispose of bitcoin or other financial instruments.

### **Suspension of Exchanges and Redemptions**

The Manager may suspend the exchange or redemption of Units or payment of redemption proceeds of the Evolve Fund with the prior permission of the Securities Regulatory Authorities where required, for any period during which the Manager determines that conditions exist which render impractical the sale of assets of the Evolve Fund or which impair the ability of the Custodian to determine the value of the assets of the Evolve Fund. The suspension may apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Evolve Fund, any declaration of suspension made by the Manager shall be conclusive.

### **Administrative Fee**

An amount as may be agreed to between the Manager and the Designated Broker or a Dealer of Units may be charged to offset certain transaction costs associated with an issue, exchange or redemption of Units. This charge does not apply to Unitholders who buy and sell their Units through the facilities of the Designated Exchange.

### **Allocations of Capital Gains to Redeeming or Exchanging Unitholders**

Pursuant to the Declaration of Trust, the Evolve Fund may allocate and designate as payable any capital gains realized by the Evolve Fund as a result of any disposition of property of the Evolve Fund undertaken to permit or facilitate the redemption or exchange of Units to a Unitholder whose Units are being redeemed or exchanged. In addition, the Evolve Fund has the authority to distribute, allocate and designate any capital gains of the Evolve Fund to a Unitholder who has redeemed or exchanged Units during a year in an amount equal to the Unitholder's share, at the time of redemption or exchange, of the Evolve Fund's capital gains for the year. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming or exchanging Unitholder. Provided that certain Tax Amendments contained in the March 19, 2019 Canadian federal budget are enacted as proposed, commencing in the Evolve Fund's first taxation year, an amount so allocated and designated to a redeeming Unitholder will only be deductible to the Evolve Fund to the extent of the gain that would otherwise be realized by the Unitholder on the redemption of Units. However, the Manager understands that, in response to inquiries from industry participants, the Department of Finance (Canada) is considering delaying the effective date of such Tax Amendments until the end of 2021.

### **Book-Entry Only System**

Registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon buying Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither the Evolve Fund nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Evolve Fund has the option to terminate registration of Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### **Short-Term Trading**

Unlike conventional open-end mutual fund trusts in which short-term trading by investors may cause the mutual fund to incur additional unnecessary trading costs in connection with the purchase of additional portfolio securities and the sale of portfolio securities to fund unitholder redemptions, the Manager does not believe that it is necessary to impose any short-term trading restrictions on the Evolve Fund at this time as: (i) the Evolve Fund is an exchange traded fund that is primarily traded in the secondary market; and (ii) the few transactions involving Units that do not occur on the secondary market involve the Designated Broker and/or Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose an administrative fee. The administrative fee is intended to compensate the Evolve Fund for any costs and expenses incurred by the Evolve Fund in order to fund the redemption.

### **PRIOR SALES**

The Trading price and volume information is not yet available because the Evolve Fund is new.

### **INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary only applies to a prospective Unitholder who is an individual (other than a trust) resident in Canada for purposes of the Tax Act who deals at arm's length with the Evolve Fund, the Designated Broker and the Dealers and is not affiliated with the Evolve Fund, the Designated Broker or any Dealer and who holds Units as capital property (a "**Holder**").

Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Provided that the Evolve Fund qualifies as a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units.

This summary is based on the assumptions that (i) none of the issuers of the securities in the portfolio of the Evolve Fund will be foreign affiliates of the Evolve Fund or of any Holder, (ii) none of the securities in the portfolio of the Evolve Fund will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, (iii) the Evolve Fund will not enter into any arrangement where the result is a dividend rental arrangement for purposes of the Tax Act and (iv) none of the securities in the portfolio of the Evolve Fund will be an offshore investment fund property (or an interest in a partnership that holds such property) that would require the Evolve Fund (or the partnership) to include significant amounts in the Evolve Fund's (or the partnership's) income pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a partnership which holds such an interest) which would require the Evolve Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust" (or a partnership which holds such interest).

This summary also assumes that the Evolve Fund will comply with its investment restriction.

Under the SIFT Rules, trusts (defined as "**SIFT trusts**") the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more "non-portfolio properties" (as defined in the Tax Act), are effectively taxed on income and taxable capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts are treated as eligible dividends from a taxable Canadian corporation.

The SIFT Rules could affect the Evolve Fund and its Holders to the extent that the Evolve Fund is a SIFT trust to which the SIFT Rules apply, and the Evolve Fund earns income from non-portfolio property or taxable capital gains from the disposition of “non-portfolio property”. The Manager believes that the SIFT Rules were not intended to apply to trusts such as the Evolve Fund. If the Evolve Fund is considered to be a SIFT trust, “non-portfolio earnings” of the Evolve Fund will be subject to the tax under the SIFT Rules when such amounts are distributed by the Evolve Fund to its Unitholders and such distributions will be treated in the hands of Holders as eligible dividends from a taxable Canadian corporation.

This summary assumes that at no time will the Evolve Fund be a SIFT trust. Even if units of the Evolve Fund are listed or traded on a stock exchange or other public market, provided the Evolve Fund only invests in bitcoin, the Evolve Fund should not be a SIFT trust; however, no assurance can be given in this regard.

This summary is based on the facts described herein, the current provisions of the Tax Act, and an understanding of the current publicly available administrative policies and assessing practices of the CRA published in writing prior to the date hereof. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law or in administrative policy or assessing practice, whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. This summary does not address the deductibility of interest on any funds borrowed by a Holder to purchase Units. The income and other tax consequences of investing in Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Units. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units based on their particular circumstances.**

Holders are required to compute their income and gains for tax purposes in Canadian dollars. Therefore, the amount of income, cost, proceeds of disposition and other amounts in respect of USD Units will be affected by fluctuations in the exchange rate of the Canadian dollar against the relevant foreign currency. Amounts denominated in another currency generally must be converted into Canadian dollars based on the exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the CRA.

#### **Status of the Evolve Fund**

This summary assumes that the Evolve Fund will qualify or be deemed to qualify at all times as a “mutual fund trust” within the meaning of the Tax Act.

To qualify as a mutual fund trust (i) the Evolve Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Evolve Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Evolve Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Evolve Fund must comply with certain minimum requirements respecting the ownership and dispersal of a particular class of Units (the “**Minimum Distribution Requirements**”). In addition, in order to qualify as a mutual fund trust, the Evolve Fund cannot at any time reasonably be considered to have been established and/or maintained primarily for the benefit of non-residents unless, at that time, substantially all of its property consists of property other than property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition).

In this connection, (i) the Manager intends to cause the Evolve Fund to qualify as a unit trust throughout the life of the Evolve Fund, (ii) the Evolve Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager intends to file the necessary election so that the Evolve Fund will qualify as a mutual fund trust from its inception in 2021 and the Manager has no reason to believe that the Evolve Fund will not comply with the Minimum Distribution Requirements before the 91<sup>st</sup> day after the end of its first taxation year (determined without regard to any taxation year-end that may be deemed to occur for other purposes under the rules in the Tax Act relating to “loss restriction events”) and at all times thereafter, thereby permitting the filing by the Evolve Fund of such election.

If the Evolve Fund were not to qualify or be deemed to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different than would be the case if it were a mutual fund trust.

Provided that the Evolve Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units are listed on a “designated stock exchange” (which includes the Designated Exchange) within the meaning of the Tax Act, Units will be qualified investments under the Tax Act for a trust governed by an RRSP, a RRIF, a DPSP, an RDSP, an RESP or a TFSA (the “Plans”). See “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in Plans.

### **Taxation of the Evolve Fund**

The Evolve Fund will elect to have a taxation year that ends on December 15 of each calendar year. The Evolve Fund must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its Unitholders in the calendar year in which the taxation year ends. An amount will be considered to be payable to a Unitholder in a calendar year if it is paid to the Unitholder in that year by the Evolve Fund or if the Unitholder is entitled in that year to enforce payment of the amount. The Declaration of Trust requires that sufficient amounts be paid or made payable each year so that the Evolve Fund is not liable for any non-refundable income tax under Part I of the Tax Act.

The CRA has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. As the Evolve Fund intends to be a long-term holder of bitcoin, the Manager anticipates that the Evolve Fund will generally treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses) although, depending on the circumstances, the Evolve Fund may instead include the full amount in (or deduct the full amount from) income.

The Evolve Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Evolve Fund for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units.

A loss realized by the Evolve Fund on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Evolve Fund, or a person affiliated with the Evolve Fund, acquires a property (a “**Substituted Property**”) that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Evolve Fund, or a person affiliated with the Evolve Fund, owns the Substituted Property 30 days after the original disposition. If a loss is suspended, the Evolve Fund cannot deduct the loss from the Evolve Fund’s capital gains until the Substituted Property is disposed of and is not reacquired by the Evolve Fund, or a person affiliated with the Evolve Fund, within 30 days before and after the disposition.

The Evolve Fund may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of bitcoin in its portfolio. The cost and proceeds of disposition of bitcoin and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Evolve Fund may be affected by fluctuations in the value of other currencies relative to the Canadian dollar.

The Evolve Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by the Evolve Fund and not reimbursed will be deductible by the Evolve Fund ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. In computing its income under the Tax Act, the Evolve Fund may deduct reasonable administrative and other expenses incurred to earn income.

Losses incurred by the Evolve Fund in a taxation year cannot be allocated to Holders, but may be deducted by the Evolve Fund in future years in accordance with the Tax Act.

## Taxation of Holders

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the Evolve Fund, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in that particular taxation year (whether in cash, in Units or reinvested in additional Units or whether as a Management Fee Distribution). Amounts paid or payable by the Evolve Fund to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15.

Under the Tax Act, the Evolve Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the calendar year to the extent necessary to enable the Evolve Fund to use, in that taxation year, losses from prior years without affecting the ability of the Evolve Fund to distribute its income annually. In such circumstances, the amount distributed to a Holder of the Evolve Fund but not deducted by the Evolve Fund will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units will be reduced by such amount. The non-taxable portion of the Evolve Fund's net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Holder for the taxation year, that is paid or becomes payable to the Holder for the year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of the Evolve Fund for a taxation year that is paid or becomes payable to the Holder for the year (i.e. returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units. To the extent that the adjusted cost base of a Unit to a Holder would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be increased by the amount of such deemed capital gain to zero.

Provided that appropriate designations are made by the Evolve Fund, such portion of the net realized taxable capital gains of the Evolve Fund as is paid or becomes payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act.

Any loss of the Evolve Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

On the disposition or deemed disposition of a Unit, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the Evolve Fund which represents capital gains allocated and designated to the redeeming Holder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base of a Holder's Units of a particular class, when additional Units of that class of the Evolve Fund are acquired by the Holder (as a result of a distribution by the Evolve Fund in the form of Units, a reinvestment in Units pursuant to the distribution reinvestment plan or otherwise), the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units of the same class of the Evolve Fund owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units that have been issued on a distribution will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units as described under "Distribution Policy" will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Holder. Any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested.

Pursuant to the Declaration of Trust, the Evolve Fund may allocate and designate as payable any capital gains realized by the Evolve Fund as a result of any disposition of property of the Evolve Fund undertaken to permit or facilitate the redemption or exchange of Units to a Holder whose Units are being redeemed or exchanged. In addition, the Evolve Fund has the authority to distribute, allocate and designate any capital gains of the Evolve Fund to a Holder who has redeemed or exchanged Units during a year in an amount equal to the Holder's share, at the time of redemption or exchange, of the Evolve Fund's capital gains for the year. Any such allocations and designations will reduce the redemption price otherwise payable to the Holder and therefore the Holder's proceeds of disposition. Provided that certain Tax Amendments are enacted as proposed, commencing in the Evolve Fund's first taxation year an amount so allocated and designated to a redeeming or exchanging Holder will only be deductible to the Evolve Fund to the extent of the gain that would otherwise be realized by the Holder on the redemption or exchange of Units. However, the Manager understands that, in response to inquiries from industry participants, the Department of Finance (Canada) is considering delaying the effective date of such Tax Amendments until the end of 2021.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units or a taxable capital gain designated by the Evolve Fund in respect of the Holder for a taxation year of the Holder will be

included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year of the Holder generally must be deducted from taxable capital gains realized by the Holder in the taxation year or designated by the Evolve Fund in respect of the Holder for the taxation year in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Amounts designated by the Evolve Fund to a Holder as taxable capital gains, and taxable capital gains realized on the disposition of Units may increase the Holder's liability, if any, for alternative minimum tax.

### **Taxation of Registered Plans**

Distributions received by Plans on Units and capital gains realized by Plans on the disposition of Units are generally not taxable under Part I of the Tax Act provided the Units are "qualified investments" for the Plan for purposes of the Tax Act.

Holders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

Notwithstanding the foregoing, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF or the subscriber of an RESP will be subject to a penalty tax in respect of Units held by such Plan if such Units are a "prohibited investment" for such Plan for the purposes of the Tax Act. The Units will not be a "prohibited investment" for a trust governed by such a Plan unless the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) does not deal at arm's length with the Evolve Fund for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in the Evolve Fund. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Evolve Fund unless the holder, annuitant or subscriber, as the case may be, owns interests as a beneficiary under the Evolve Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Evolve Fund, either alone or together with persons and partnerships with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, the Units will not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act for a trust governed by a TFSA, RDSP, RRSP, RRIF or RESP.

Holders, annuitants or subscribers should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether such Units would be excluded property.

### **Tax Implications of the Evolve Fund's Distribution Policy**

The NAV per Unit of the Evolve Fund will, in part, reflect any income and gains of the Evolve Fund that have accrued or have been realized, but have not been made payable at the time Units were acquired. Accordingly, a Holder who acquires Units, including on a distribution of Units or on a reinvestment in Units, may become taxable on the Holder's share of such income and gains of the Evolve Fund. In particular, an investor who acquires Units at any time in the year but prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) notwithstanding that such amounts may have been reflected in the price paid by the Holder for the Units. Further, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

Where the Evolve Fund realizes capital gains on the disposition of assets effected to fund the redemption price for Units tendered for redemption during a year, such capital gains may be allocated or designated to Unitholders who hold Units of the Evolve Fund at the end of the year rather than to the redeeming Unitholders.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE EVOLVE FUND**

### **Manager**

EFG will be the trustee, manager, promoter and portfolio manager of the Evolve Fund and will be responsible for the administration of the Evolve Fund. In its capacity as portfolio manager, EFG is responsible for the oversight and provision of investment advisory services to the Evolve Fund.

The Manager is registered as an investment fund manager and portfolio manager with the applicable Securities Regulatory Authorities in Canada. The registered office of the Evolve Fund and the Manager is located at Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

The Manager will perform or arrange for the performance of management services for the Evolve Fund and will be responsible for the administration of the Evolve Fund. The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Evolve Fund.

***Duties and Services to be Provided by the Manager***

Pursuant to the Declaration of Trust, the Manager has full authority and responsibility to manage and direct the business and affairs of the Evolve Fund, to make all decisions regarding the business of the Evolve Fund and to bind the Evolve Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Evolve Fund to do so.

The Manager is responsible for providing, or causing to be provided, management, administrative and portfolio advisory and investment management services to the Evolve Fund. The Manager’s duties include, without limitation:

- (i) negotiating contracts with certain third-party service providers, including but not limited to investment managers, sub-advisors, custodians, registrars, transfer agents, auditors and printers;
- (ii) authorizing the payment of operating expenses incurred on behalf of the Evolve Fund;
- (iii) maintaining accounting records;
- (iv) preparing the reports to Unitholders and to the applicable Securities Regulatory Authorities;
- (v) calculating the amount and determining the frequency of distributions by the Evolve Fund;
- (vi) preparing financial statements, income tax returns and financial and accounting information as required;
- (vii) ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law;
- (viii) ensuring that the Evolve Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities laws;
- (ix) administering purchases, redemptions and other transactions in Units;
- (x) arranging for any payments required upon termination of the Evolve Fund;
- (xi) dealing and communicating with Unitholders;
- (xii) providing office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the Evolve Fund;
- (xiii) monitoring the investment strategy of the Evolve Fund to ensure that the Evolve Fund complies with its investment objective, investment strategies and investment restrictions and practices; and
- (xiv) facilitating the execution of orders and investment recommendations provided by sub-advisors where required.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable to the Evolve Fund or to any Unitholder or any other person for any loss or damage relating to any matter regarding the Evolve Fund, including any loss or diminution of value of the assets of the Evolve Fund if it has satisfied its standard of care set forth above.

The administration and management services of the Manager under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents the Manager from providing similar administrative and management

services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Evolve Fund) or from engaging in other activities.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of the Evolve Fund from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done or omitted in or in relation to the execution of its duties to the Evolve Fund as long as the person acted honestly and in good faith with a view to the best interests of the Evolve Fund.

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Manager is deemed to have resigned if the Manager ceases to (i) be resident in Canada for the purposes of the Tax Act; or (ii) carry out its functions of managing the Evolve Fund in Canada. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation.

### **Officers and Directors of the Manager**

The name and municipality of residence of each of the directors and executive officers of the Manager and their principal occupations are as follows:

#### ***Name and Municipality of Residence***

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RAJ LALA  
Toronto, Ontario

SCHARLET IGO  
Toronto, Ontario

#### ***Position with the Manager and Principal Occupation***

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#### **President, Chief Executive Officer, Director and Ultimate Designated Person, EFG**

Prior to founding EFG, Raj Lala served as Head of WisdomTree Canada – a division of WisdomTree Investments Inc., one of the world's largest ETF issuers. Prior to this, Mr. Lala was Executive Vice President and Head of Retail Markets for Fiera Capital Corporation, a prominent Canadian investment management firm with over \$100 billion in assets under management. Mr. Lala co-founded and served as President and CEO of Propel Capital Corporation (which was acquired by Fiera Capital Corporation in September 2014). Propel raised approximately \$1 billion in structured products in its five years of operation. Prior to Propel, Mr. Lala worked with Jovian Capital. Mr. Lala held several roles at Jovian including President of JovFunds Inc., an asset management division of Jovian Capital. Mr. Lala holds a Bachelor's degree in Economics from the University of Toronto (1994).

#### **Chief Financial Officer, EFG**

Prior to joining EFG, Ms. Igo played a key role in the establishment of a Derivatives and Alternative Investments Administration group at Fiera Capital Corporation, a major Canadian investment management firm with over \$100 billion in asset under management. In addition, Ms. Igo was an integral part of driving a full-scale operational process for Fiera Quantum Limited Partnership, an alternative investment manager. Previously, Ms. Igo was a Senior Analyst on the Operations Risk and Valuation Group at Curaçao International Trust Company Fund Services (Canada), working closely with many prominent US and European hedge funds. Ms. Igo received a BA Dipl. with Honours from Humber Business School, a BAS Specialized Honours from York University and a MFin from Queens University. Ms. Igo has completed Level II of the CFA Program. Through Humber Business Schools Ms. Igo was awarded the David Dodge Economics Award, personally presented by David Dodge, the Former Governor of the Bank of Canada for



***Name and Municipality of  
Residence***

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ELLIOT JOHNSON  
Toronto, Ontario

KEITH CRONE  
Toronto, Ontario

MICHAEL SIMONETTA  
Toronto, Ontario

***Position with the Manager and Principal Occupation***

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excellence in studies in economics. Ms. Igo was also presented the Rosemary Brown Human Rights Award for outstanding academic achievement. Ms. Igo volunteers as an advisor for Queen's University Smith School of Business – Alumni Advisory Program.

**Chief Investment Officer, Chief Operating Officer, Chief Compliance Officer, Corporate Secretary and Director, EFG**

Prior to joining EFG, Mr. Johnson was Senior Vice President, Retail Markets at Fiera Capital Corporation, a prominent Canadian investment management firm. Prior to this role, Mr. Johnson served as Chief Operating Officer of Fiera Quantum Limited Partnership, an alternative investment manager. From 2010 to 2012, Mr. Johnson led technology management for a number of business lines at National Bank of Canada. Prior to 2012 he spent 13 years at GMP Capital Corp. in a variety of management roles across institutional brokerage, wealth management and asset management businesses. Mr. Johnson holds the Canadian Investment Manager (CIM) designation, the Derivatives Markets Specialist (DMS) designation and is a Fellow of the Canadian Securities Institute (FCSI). Mr. Johnson serves as a trustee on the boards of the Upper Canada College Foundation, and Trinity College at the University of Toronto where he is Chair of the Committee on Investments.

**Executive Vice President, Head of Marketing and Director, EFG**

Prior to joining EFG, Mr. Crone served as Vice President, Retail Markets at Fiera Capital Corporation, a prominent Canadian investment management firm with over \$100 billion in assets under management. Mr. Crone served as Vice President and Partner of Propel Capital Corporation (which was acquired by Fiera Capital Corporation in September 2014). Propel raised approximately \$1 billion in structured products in its five years of operation. Prior to Propel, Mr. Crone served as Senior Vice President, Sales within JovFunds Inc., the specialty investment arm of Jovian Capital Corporation. Prior to 2005, Mr. Crone served in various sales and marketing capacities at Dynamic Funds, which is now a wholly-owned subsidiary of Scotiabank.

**Chairman and Director, EFG**

Mr. Simonetta has a broad background in management, investment and capital markets. Mr. Simonetta was one of the founding partners of First Asset Management Inc. ("FAMI"), and served as President and CEO of FAMI from 1997 to 2006. At the time FAMI was sold in 2005, FAMI managed in excess of \$30 billion in assets and was one of Canada's top ten largest companies in the pension and high net worth asset management business. FAMI's affiliates have included: Beutel, Goodman & Company Ltd.; Foyston Gordon & Payne, Inc.; Deans Knight Capital Management Ltd., Montrusco Bolton Investments Inc.; Covington Capital Corporation; First Asset Funds Inc. (formerly Triax Capital Corporation); and Northwest Mutual Funds Inc. FAMI was sold in 2005 to Affiliated Managers Group, Inc. (NYSE: AMG), a publicly listed investment management company based in Boston. Mr. Simonetta is a member of the Institute of Chartered Accountants of Ontario, obtaining his C.A. designation in 1984 while achieving Top 20 Honour Roll standing, and holds a Bachelor of Arts from the University of Waterloo (1983 – Gold Medal).

***Name and Municipality of  
Residence***

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GREGORY WALKER  
Toronto, Ontario

***Position with the Manager and Principal Occupation***

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**Executive Vice President, Head of Institutional Sales and National Accounts and Director, EFG**

Before joining EFG, Greg served in a variety of senior roles including Head of Institutional Sales ETFs at Vanguard Canada, Global Head of ETF Distribution at RBC Capital Markets, and as a Managing Director and Head of iShares Business Development at BlackRock Asset Management Canada Limited. Mr. Walker has a wealth of experience through earlier held positions as Director of Institutional Fixed Income at Dundee Securities and through increasingly senior positions at Bank of Montreal, including vice president in a fixed income investment management group specializing in credit risk assets. Mr. Walker earned an HBA in economics and financial management from Wilfrid Laurier University. He is a CFA charter holder and has held positions on a number of investment industry boards, including the Buy-Side Investment Management Association and the board of Women in Capital Markets.

**Brokerage Arrangements**

The Manager may utilize various brokers to effect securities transactions on behalf of the Evolve Fund. These brokers may directly provide the Manager with research and related services, in addition to executing transactions. The Manager will monitor and evaluate the execution performance of its brokers with a view to determining whether steps should be taken to improve the quality of trade execution. When determining whether a broker should be added to the Manager's list of approved brokers, there are numerous factors that are considered including transaction cost, value of research, type and size of an order, speed and certainty of execution, responsiveness and trade matching quality.

Approved brokers will be monitored on a regular basis to ensure that the value of the goods and services, as outlined above, provides a reasonable benefit as compared to the amount of brokerage commissions paid for the goods and services.

**Conflicts of Interest**

The administration, management and investment advisory services of the Manager are not exclusive and nothing in the Declaration of Trust prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Evolve Fund) or from engaging in other activities.

Investments in securities purchased by the Manager on behalf of the Evolve Fund and other investment funds managed by the Manager will be allocated to the Evolve Fund and such other investment funds on a fair and equitable basis according to the size of the order and the applicable investment restrictions and policies of the Evolve Fund and the other investment funds.

When it is determined that it would be appropriate for the Evolve Fund and one or more other investment accounts managed by the Manager or its affiliates to participate in an investment opportunity, the Manager will seek to make such investments for all of the participating investment accounts, including the Evolve Fund, on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Evolve Fund and the affiliated entities for which participation is appropriate. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an investment for the account of more than one account cannot be fully executed under prevailing market conditions, investments may be allocated among the different accounts on a basis which the Manager or its affiliates consider equitable. The Manager may recommend that the Evolve Fund sell a security, while not recommending such sale for other accounts in order to enable the Evolve Fund to have sufficient liquidity to honor Unitholders' repurchase requests.

The Declaration of Trust acknowledges that the Manager may provide services to the Evolve Fund in other capacities, provided that the terms of any such arrangement are no less favourable to the Evolve Fund than those that would be obtained from parties that are at arm's length for comparable services.

The Manager may at times have interests that differ from the interests of the Unitholders. Where the Manager or its respective affiliates otherwise perceive in the course of business, that they are or may be in a material conflict of interest position, the matter will be referred to the IRC. The IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible. In evaluating these conflicts of interest, potential investors should be aware that the Manager has a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the Evolve Fund. In the event that a Unitholder believes that the Manager has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the Evolve Fund to recover damages from or to require an accounting by the Manager. Unitholders should be aware that the performance by the Manager of its responsibilities to the Evolve Fund will be measured in accordance with (i) the provisions of the agreement by which the Manager have been appointed to its position with the Evolve Fund; and (ii) applicable laws.

Neither the Designated Broker nor any Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, the Designated Broker and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Evolve Fund of its Units under this prospectus. Units do not represent an interest or an obligation of the Designated Broker, any Dealer or any affiliate thereof and a Unitholder does not have any recourse against any such parties in respect of amounts payable by the Evolve Fund to the Designated Broker or applicable Dealers.

A registered dealer acts as the Designated Broker and one or more registered dealers acts or may act as a Dealer and/or a market maker. These relationships may create actual or perceived conflicts of interest that investors should consider in relation to an investment in the Evolve Fund. In particular, by virtue of these relationships, these registered dealers may profit from the sale and trading of Units. The Designated Broker, as market maker of the Evolve Fund in the secondary market, may therefore have economic interests that differ from, and may be adverse to, those of Unitholders. Any such registered dealer and its affiliates may, at present or in the future, engage in business with the Evolve Fund, with the issuers of securities making up the investment portfolio of the Evolve Fund or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services to the Manager or its affiliates. In addition, the relationship between any such registered dealer and its affiliates and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

See also "Other Material Facts".

### **Independent Review Committee**

As required by NI 81-107, the Manager has established an Independent Review Committee ("IRC") to review all conflicts of interest matters identified and referred to the IRC by the Manager relating to the Evolve Fund. The IRC reviews and gives its approval or recommendations as to the conflict of interests matters referred to it. A conflict of interest matter is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that conflicts with the Manager's ability to act in good faith and in the best interest of the Evolve Fund. The IRC is also required to approve certain reorganizations involving the Evolve Fund and any change of the auditors of the Evolve Fund.

The IRC is made up of members who are independent. The Manager considers that an individual is independent if the individual is not a director, officer or employee of any of the Manager or an affiliate of the Manager for at least 5 years. In addition, the individual must be independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the individual's ability to act with the view to the best interest of the Evolve Fund.

The members of the IRC are Kevin Drynan (Chair), Rod McIsaac and Mark Leung.

The IRC has a written charter that sets out its powers, duties and responsibilities. Additionally, pursuant to NI 81-107, the IRC assesses, at least annually, the adequacy and effectiveness of the following: the Manager's policies and procedures regarding conflict of interest matters; any standing instructions that the IRC gave to the Manager for conflict of interest matters related to the Evolve Fund; the compliance of the Manager and the Evolve Fund with any conditions imposed by the IRC on a recommendation or approval it has provided to the Manager; the independence and compensation of its members; the IRC's effectiveness as a committee; and the contribution of each member to the IRC.

The IRC prepares a report for Unitholders, at least annually, of its activities. Such report is made available on the Manager's website at [www.evolveetfs.com](http://www.evolveetfs.com) or, at the request of a Unitholder and at no cost, by calling the Manager at (416)-214-4884 or toll-free at 1-844-370-4884 or by sending an email request to [info@evolveetfs.com](mailto:info@evolveetfs.com).

The members of the IRC are paid an annual fee for serving on the IRC of the investment funds in the Evolve Fund. Each investment fund, including the Evolve Fund, is responsible for a portion of that fee, which is allocated by the Manager among the various funds. Currently, annual fees are payable to the following members of the IRC as follows: Kevin Drynan (Chair, \$8,000), Rod McIsaac (\$6,000) and Mark Leung (\$6,000). In addition to the annual fee, the IRC will receive \$2,000 for each additional meeting held after the first two meetings in any year.

The investment funds in the EFG family of ETFs all share the same IRC. Fees and expenses of the IRC are borne and shared by all of the investment funds in the EFG family of ETFs.

### **Trustee**

Pursuant to the Declaration of Trust, the Manager is also the trustee of the Evolve Fund. The Trustee may resign upon 90 days' notice to Unitholders and the Manager. The Trustee must be removed if the Trustee ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its function of managing the Evolve Fund in Canada; or (iii) exercise the main powers and discretions of the Trustee in respect of the Evolve Fund in Canada. If the Trustee resigns or if it becomes incapable of acting as trustee, the Trustee may appoint a successor trustee prior to its resignation, and its resignation shall become effective upon the acceptance of such appointment by its successor. If no successor has been appointed within 90 days after the Trustee has provided the Manager with 90 days' notice of its intention to resign, the Evolve Fund will be terminated, and the property of the Evolve Fund shall be distributed in accordance with the terms of the Declaration of Trust.

The Declaration of Trust provides that the Trustee shall act honestly, in good faith and in the best interests of the Evolve Fund and shall perform its duties to the standard of care that a reasonably prudent person would exercise in the circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out the Trustee's duties.

At any time during which the Manager is the trustee, the Manager will receive no fee in respect of the provision of services as trustee.

### **Custodian**

Cidel Trust Company is the custodian of the assets of the Evolve Fund (the "**Custodian**"). The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Evolve Fund from its office in Toronto, Ontario. The Custodian is a wholly owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian will be responsible for safekeeping of all the investments and other assets of the Evolve Fund delivered to it (but not those assets of the Evolve Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may appoint a sub-custodian from time to time in accordance with NI 81-102.

The Manager, on behalf of the Evolve Fund, or the Custodian may terminate the Custodian Agreement upon at least 120 days' written notice. The Manager, on behalf of the Evolve Fund, may terminate the Custodian Agreement immediately: (a) in the event the Custodian, in the reasonable opinion of the Manager, fails to comply with or be qualified to act as a custodian under NI 81-102; (b) if an order is made or an effective resolution is passed for the

winding up, dissolution or liquidation of the Custodian; or (c) if the Custodian becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Custodian or a substantial portion of its assets. The Custodian may terminate the Custodian Agreement on 30 days' written notice to the Evolve Fund in the event that the Custodian has delivered a termination notice to the Sub-Custodian, or is entitled to deliver a termination notice to the Sub-Custodian upon the occurrence of certain termination events, pursuant to the terms of the Sub-Custodian Agreement. The Custodian is entitled to receive fees from the Evolve Fund as described under "Fees and Expenses – Certain Operating Expenses" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Evolve Fund.

The Custodian, in carrying out its duties concerning the safekeeping of, and dealing with, the portfolio assets of the Evolve Fund, is required to exercise (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or (b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in (a).

### **Sub-Custodian**

Gemini acts as sub-custodian of the Evolve Fund in respect of the Evolve Fund's holdings of bitcoin (the "**Sub-Custodian**") pursuant to a sub-custodian agreement between the Custodian, the Evolve Fund, and Gemini (the "**Sub-Custodian Agreement**").

Gemini is a trust company licensed and regulated by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Evolve Fund for assets held outside of Canada in accordance with NI 81-102. Gemini operates in 49 U.S. states, Canada and certain other international jurisdictions. Having successfully completed its SOC 1 Type 1 examination and SOC 2 Type 2 examinations, all conducted by Deloitte & Touche LLP, Gemini is the world's first cryptocurrency custodian to demonstrate this high level of financial operations and security compliance with respect to protecting customer data and funds.

As a fiduciary under Section 100 of the New York Banking Law, Gemini is held to specific capital reserve requirements and banking compliance standards. Gemini is also subject to the laws, regulations and rules of applicable governmental or regulatory authorities, including: money service business regulations under the Financial Crimes Enforcement Network ("**FinCEN**"); U.S. state money transmission laws; laws, regulations, and rules of relevant tax authorities; applicable regulations and guidance set forth by FinCEN; the Bank Secrecy Act of 1970; the USA PATRIOT Act of 2001; AML regulations as mandated by U.S. federal law and any other rules and regulations regarding anti-money laundering/counter-terrorist financing; issuances from the Office of Foreign Assets Control; the New York Banking Law; regulations promulgated by the New York State Department of Financial Services from time to time; the National Futures Association; the Financial Industry Regulatory Authority; and the Commodity Exchange Act.

Gemini will use segregated cold storage bitcoin addresses for the Evolve Fund which are separate from the bitcoin addresses that Gemini uses for its other customers and which are directly verifiable via the Bitcoin blockchain. Gemini will at all times record and identify in its books and records that such bitcoins constitute the property of the Evolve Fund. Gemini will not loan, hypothecate, pledge or otherwise encumber the Evolve Fund's bitcoins without the Evolve Fund's instruction. Gemini, in carrying out its duties concerning the safekeeping of, and dealing with, the Evolve Fund's bitcoins, is required to take reasonable care and use commercially reasonable efforts in executing its responsibilities under the Sub-Custodian Agreement, and has agreed to adhere to the standard of care required by law, including NI 81-102.

The Manager may appoint additional sub-custodians from time to time in accordance with NI 81-102.

### *Bitcoin Storage, Security Policies and Practices*

The bitcoin that Gemini will hold for the Evolve Fund will be stored offline in cold storage only. Bitcoin private keys are stored in two different forms: "hot wallet" storage, whereby the private keys are connected to the internet, and "cold" storage, where digital currency private keys are stored completely offline.

Gemini has adopted the following security policies and practices with respect to digital assets held in cold storage: hardware security modules ("**HSMs**") are used to generate, store and manage cold storage private keys; multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key or facility, eliminating single points of failure; all HSMs are stored offline in air-gapped environments within a diverse network of guarded, monitored and access-controlled facilities that are geographically distributed; multiple levels of physical

security and monitoring controls are implemented to safeguard HSMs within storage facilities; all fund transfers require the coordinated actions of multiple employees; and digital asset whitelisting is enforced for all cold storage accounts.

#### *Gemini BSA/AML Program*

Gemini has adopted the Gemini BSA/AML Program for its digital asset exchange and custody service in an effort to maintain the highest possible compliance with applicable laws and regulations relating to anti-money laundering in the United States and other countries where it conducts business. This program includes robust internal policies, procedures and controls that combat any attempted use of Gemini for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in AML regulation, filing of Suspicious Activity Reports and Currency Transaction Reports with the U.S. Financial Crimes Enforcement Network and annual internal and independent audits of the Gemini BSA/AML Program.

#### *Website Security*

Gemini has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor authentication for certain user actions, such as withdrawals; a requirement for strong passwords from its users, which are cryptographically hashed using modern standards; encryption of sensitive user information, both in transit and at rest; the application of rate-limiting procedures to certain account operations such as login attempts to thwart brute force attacks; the transmission of website data over encrypted transport layer security connections; the leveraging of content-security policy and HTTP strict transport security features in modern browsers; partnerships with enterprise vendors to mitigate potential distributed denial-of-service attacks; and the use of separate access controls on internal-only sections of Gemini's website.

#### *Internal Controls*

In addition to the security policies and procedures discussed above, Gemini has also instituted the following internal controls: multiple signatories are required to transfer funds out of cold storage; Gemini's Chief Executive Officer and President are unable to individually or jointly transfer funds out of cold storage; all private keys are stored offsite in secure facilities; all employees undergo criminal and credit background checks, and are subject to ongoing background checks throughout their employment; and all remote-access by employees uses public-key authentication (e.g. no passwords, one-time passwords or other phishable credentials are used).

#### *Insurance*

As Sub-Custodian, Gemini is responsible for securing the bitcoin owned by the Evolve Fund.

Gemini maintains commercial crime insurance in respect of the bitcoin held by it (e.g., bitcoin held in "cold storage"). To date, Gemini has never experienced a loss due to unauthorized access from its hot wallet or the cold storage vaults where the Evolve Fund's bitcoin will be custodied. The Evolve Fund's bitcoin will be held in cold storage vaults only.

#### **Auditors**

The auditors of the Evolve Fund are Ernst & Young LLP located at its principal offices in Toronto, Ontario. The auditors of the Evolve Fund may not be changed unless the IRC has approved the change and Unitholders have received at least 60 days' notice before the effective date of the change, or as otherwise required by Canadian Securities Legislation.

#### **Registrar and Transfer Agent**

TSX Trust Company, at its principal offices in Toronto, Ontario, is the Registrar and Transfer Agent for the Evolve Fund pursuant to a registrar and transfer agency agreement entered into as of the date of the initial issuance of Units.

#### **Fund Administrator**

CIBC Mellon Global Securities Services Company, at its principal offices in Toronto, Ontario, is the Fund Administrator. The Fund Administrator is responsible for certain aspects of the day-to-day administration of the

Evolve Fund, including NAV calculations, accounting for net income and net realized capital gains of the Evolve Fund and maintaining books and records with respect to the Evolve Fund.

### **Promoter**

The Manager has taken the initiative in founding and organizing the Evolve Fund and is, accordingly, the promoter of the Evolve Fund within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the Evolve Fund, receives compensation from the Evolve Fund. See “Fees and Expenses”.

### **CALCULATION OF NET ASSET VALUE**

The NAV and NAV per Unit of the Evolve Fund are calculated by the Fund Administrator as of the Valuation Time on each Valuation Date. The NAV of the Evolve Fund on a particular date is equal to the aggregate value of the assets of the Evolve Fund less the aggregate value of the liabilities of the Evolve Fund, including any accrued management and administration fees and any income, net realized capital gains or other amounts payable to Unitholders on or before such date, expressed in Canadian dollars. The NAV per Unit on any day is obtained by dividing the NAV of the Evolve Fund on such day by the applicable number of Units then outstanding.

### **Valuation Policies and Procedures of the Evolve Fund**

In determining the NAV of the Evolve Fund at any time, the Fund Administrator uses the following valuation principles:

- a) cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable and interest accrued and not yet received, shall be deemed to be the face value thereof unless the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or receivable or interest is not worth the full face value, in which event the value thereof shall be deemed to be such value as the Manager determines to be reasonable;
- b) the Evolve Fund’s bitcoin will be valued based on the BRR;
- c) the liabilities of the Evolve Fund will include:
  - (i) all bills, notes and accounts payable of which the Evolve Fund is an obligor;
  - (ii) all brokerage expenses of the Evolve Fund;
  - (iii) all Management Fees;
  - (iv) all contractual obligations of the Evolve Fund for the payment of money on property, including the amount of any unpaid distribution credited to the Holders on or before that Valuation Date;
  - (v) all allowances of the Evolve Fund authorized or approved by the Manager for taxes (if any) or contingencies; and
  - (vi) all other liabilities of the Evolve Fund of whatsoever kind and nature;
- d) each transaction of purchase or sale of a portfolio asset effected by the Evolve Fund shall be reflected by no later than the next time that the NAV of the Evolve Fund and the NAV per Unit is calculated; and
- e) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable.

Unless otherwise indicated, for purposes hereof, “current market value” means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the Valuation Time on the Valuation Date, provided that, if no sale has taken place on a Valuation Date, the average of the bid and asked quotations immediately prior to the Valuation Time on the Valuation Date shall be used.

For the purposes of the foregoing valuation policies, quotations may be obtained from any report in common use, or from a reputable broker or other financial institutions, provided always that the Manager shall retain sole discretion to

use such information and methods as it deems to be necessary or desirable for valuing the assets of the Evolve Fund, including the use of a formula computation.

If any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable under the circumstances and, if there is an industry practice, in a manner consistent with such industry practice for valuing such investment.

Pursuant to NI 81-106, investment funds calculate their net asset value using fair value for purposes of securityholder transactions. The Manager considers the policies above to result in fair valuation of the securities held by the Evolve Fund in accordance with NI 81-106 and such policies have been approved by the Board of Directors of the Manager. Net assets of the Evolve Fund will continue to be calculated in accordance with the rules and policies of the Canadian Securities Administrators or any exemption therefrom that the Evolve Fund may obtain.

### **Reporting of Net Asset Value**

The Manager will publish the NAV and NAV per Unit for the Evolve Fund following the Valuation Time on the Valuation Date on its website at [www.evolveetfs.com](http://www.evolveetfs.com).

### **Suspension of Calculation of Net Asset Value**

The Manager may suspend the calculation of the NAV of the Evolve Fund and the NAV per Unit for the whole or any part of a period during which the right to redeem Units is suspended.

## **ATTRIBUTES OF THE SECURITIES**

### **Description of the Securities Distributed**

The Evolve Fund is authorized to issue redeemable, transferable USD Units and CAD Units under this prospectus, each of which represents an undivided interest in the net assets of the Evolve Fund. Units are denominated in Canadian dollars.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of the Province of Ontario. The Evolve Fund is a reporting issuer under the *Securities Act* (Ontario) and the Evolve Fund is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

### ***Certain Provisions of the Units***

Each Unit entitles the holder thereof to one vote at meetings of Unitholders and to participate equally with all other Units of the same class of the Evolve Fund with respect to all payments made to Unitholders, other than Management Fee Distributions, including distributions of net income and net realized capital gains and, on liquidation, to participate equally in the net assets of the Evolve Fund remaining after satisfaction of any outstanding liabilities that are attributable to Units of that class of the Evolve Fund. Notwithstanding the foregoing, the Evolve Fund may allocate and designate as payable certain capital gains to a Unitholder whose Units are being redeemed or exchanged as described under "Exchange and Redemption of Units – Allocations of Capital Gains to Redeeming or Exchanging Unitholders". All Units will be fully paid, with no liability for future assessments, when issued and will not be transferable except by operation of law. Unitholders are entitled to require the Evolve Fund to redeem their Units as outlined under "Exchange and Redemption of Units – Redemption of Units of the Evolve Fund for Cash".

### ***Redemptions of Units for Cash***

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the applicable Units on the Designated Exchange on the effective day of redemption, subject to a maximum redemption price per Unit equal to the NAV per Unit on the effective day of redemption, less any applicable administrative fee determined by the Manager, in its sole discretion, from time to time. Because Unitholders will generally be able to sell Units at the market price on the Designated Exchange through a registered broker or dealer



subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisers before redeeming their Units for cash.

### ***Modification of Terms***

All rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See “Unitholder Matters – Amendments to the Declaration of Trust”.

The Manager may amend the Declaration of Trust from time to time to redesignate the name of the Evolve Fund or to create a new class or series of units of the Evolve Fund without notice to existing Unitholders.

### ***Voting Rights in the Portfolio Securities***

Holders of Units will not have any voting rights in respect of the securities in the Evolve Fund’s portfolio.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

Meetings of Unitholders will be held if called by the Manager or upon the written request to the Manager of Unitholders holding not less than 25% of the then outstanding Units.

### **Matters Requiring Unitholder Approval**

NI 81-102 requires a meeting of Unitholders to be called to approve certain changes as follows:

- (i) the basis of the calculation of a fee or expense that is charged to the Evolve Fund or its Unitholders is changed in a way that could result in an increase in charges to the Evolve Fund or to its Unitholders, except where (a) the Evolve Fund is at arm’s length with the person or company charging the fee; and (b) the Unitholders have received at least 60 days’ notice before the effective date of the change;
- (ii) a fee or expense, to be charged to the Evolve Fund or directly to its Unitholders by the Evolve Fund or the Manager in connection with the holding of Units that could result in an increase in charges to the Evolve Fund or its Unitholders, is introduced;
- (iii) the Manager is changed, unless the new manager of the Evolve Fund is an affiliate of the Manager;
- (iv) the fundamental investment objective of the Evolve Fund is changed;
- (v) the Evolve Fund decreases the frequency of the calculation of its NAV per Unit;
- (vi) other than a Permitted Merger (as defined below) for which Unitholder approval is not required, the Evolve Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, if the Evolve Fund ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders becoming securityholders in the other mutual fund;
- (vii) the Evolve Fund undertakes a reorganization with, or acquires assets from, another mutual fund, if the Evolve Fund continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders, and the transaction would be a material change to the Evolve Fund; or
- (viii) any matter which is required by the constitutive documents of the Evolve Fund, by the laws applicable to the Evolve Fund or by any agreement to be submitted to a vote of the Unitholders.

In addition, the auditors of the Evolve Fund may not be changed unless the IRC of the Evolve Fund has approved the change and Unitholders have received at least 60 days’ notice before the effective date of the change.

Approval of Unitholders of any such matter will be given if a majority of the votes cast at a meeting of Unitholders duly called and held for the purpose of considering the same approve the related resolution.

### **Amendments to the Declaration of Trust**

The Trustee may amend the Declaration of Trust from time to time but may not, without the approval of a majority of the votes of Unitholders voting at a meeting of Unitholders duly called for such purpose, make any amendment relating to any matter in respect of which NI 81-102 requires a meeting, as set out above, or any amendment that will adversely affect the voting rights of Unitholders. All Unitholders shall be bound by an amendment affecting the Evolve Fund from the effective date of the amendment.

### **Permitted Mergers**

The Evolve Fund may, without Unitholder approval, enter into a merger or other similar transaction (a “**Permitted Merger**”) that has the effect of combining the Evolve Fund with any other investment fund or funds that have investment objectives, valuation procedures and fee structures that are similar to the Evolve Fund, subject to:

- (i) approval of the merger by the IRC;
- (ii) compliance with certain merger pre-approval conditions set out in NI 81-102; and
- (iii) written notice being sent to Unitholders at least 60 days before the effective date of the merger.

In connection with a Permitted Merger, the merging funds will be valued at their respective net asset values and Unitholders will be offered the right to redeem their Units for cash at the applicable NAV per Unit.

### **Accounting and Reporting to Unitholders**

The fiscal year-end of the Evolve Fund is December 31. The Evolve Fund will deliver or make available to Unitholders: (i) audited annual financial statements; (ii) unaudited interim financial statements; and (iii) annual and interim management reports of fund performance. Such documents are, or will be, incorporated by reference into, and form an integral part of, this prospectus. See “Documents Incorporated by Reference”.

Each Unitholder will also be mailed annually, by his, her or its broker, as and when required under applicable law, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Evolve Fund owned by such Unitholder in respect of the preceding taxation year of the Evolve Fund. Neither the Manager nor the Registrar and Transfer Agent is responsible for tracking the adjusted cost base of a Unitholder’s Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how distributions made by the Evolve Fund to a Unitholder affect the Unitholder’s tax position. See “Income Tax Considerations”.

The Manager will ensure that the Evolve Fund complies with all applicable reporting and administrative requirements. The Manager will also ensure that adequate books and records are kept reflecting the activities of the Evolve Fund. A Unitholder or his, her or its duly authorized representative has the right to examine the books and records of the Evolve Fund during normal business hours at the offices of the Fund Administrator. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Evolve Fund.

### **International Information Reporting**

Part XVIII of the Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. The Evolve Fund is a “reporting Canadian financial institution” but as long as Units continue to be registered in the name of CDS, the Evolve Fund should not have any “U.S. reportable accounts” and, as a result, the Evolve Fund should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Part XIX of the Tax Act implements the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Legislation**”). Pursuant to the CRS Legislation, “Canadian financial institutions” (as defined in the CRS Legislation) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard in which the account holders or such controlling persons are resident. Under the CRS Legislation, Unitholders may be required to provide certain information regarding their investment in the Evolve Fund for the purpose of such procedures and, where applicable, such information exchange, unless the investment is held within a Plan.

### **TERMINATION OF THE EVOLVE FUND**

The Evolve Fund may be terminated by the Manager on at least sixty (60) days’ notice to Unitholders of such termination and the Manager will issue a press release in advance thereof. The Manager may also terminate the Evolve Fund if the Trustee resigns or becomes incapable of acting and is not replaced. The rights of Unitholders to exchange and redeem Units described under “Exchange and Redemption of Units – Exchange of Units of the Evolve Fund at Net Asset Value per Unit for Cash” and “Exchange and Redemption of Units – Redemption of Units of the Evolve Fund for Cash” will cease as and from the date of termination of the Evolve Fund.

The Trustee shall be entitled to retain out of any assets of the Evolve Fund, at the date of termination of the Evolve Fund, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with or arising out of the termination of the Evolve Fund and the distribution of its assets to the Unitholders. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands. Upon such termination, the portfolio securities, cash and other assets remaining after paying or providing for all liabilities and obligations of the Evolve Fund shall be distributed pro rata based on NAV among the Unitholders.

### **PLAN OF DISTRIBUTION**

The Evolve Fund is offering Units. The Units shall be offered for sale at a price equal to the NAV of such class of Units determined at the Valuation Time on the effective date of the subscription order.

#### **Non-Resident Unitholders**

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units (on either a number of Units or fair market value basis) and the Manager shall inform the Registrar and Transfer Agent of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Evolve Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other

action or actions as may be necessary to maintain the status of the Evolve Fund as a mutual fund trust for purposes of the Tax Act.

#### **RELATIONSHIP BETWEEN THE EVOLVE FUND AND THE DEALERS**

The Manager, on behalf of the Evolve Fund, may enter into various agreements with registered dealers (that may or may not be the Designated Broker) pursuant to which the Dealers may subscribe for Units as described under “Purchases of Units”.

Neither the Designated Broker nor any Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, the Designated Broker and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Evolve Fund of its Units under this prospectus. Units do not represent an interest or an obligation of the Designated Broker, any Dealer or any affiliate thereof and a Unitholder does not have any recourse against any such parties in respect of amounts payable by the Evolve Fund to the Designated Broker or applicable Dealers. See “Organization and Management Details of the Evolve Fund – Conflicts of Interest”.

#### **PRINCIPAL HOLDERS OF UNITS**

CDS & Co., the nominee of CDS, is or will be the registered owner of the Units which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the Designated Broker, a Dealer, the Evolve Fund or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units.

#### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

The Manager has established policies and procedures with respect to the voting of proxies received from issuers of securities held in the Evolve Fund’s portfolio. The Manager’s Proxy Voting Policy provides that the Manager will vote (or refrain from voting) proxies for the Evolve Fund for which it has voting power in the best economic interests of the Evolve Fund. The Proxy Voting Policy is not exhaustive and due to the variety of proxy voting issues that the Manager may be required to consider, are intended only to provide guidance and are not intended to dictate how proxies are to be voted in each instance. The Manager may depart from the Proxy Voting Policy in order to avoid voting decisions that may be contrary to the best interests of the Evolve Fund.

The Manager will publish these records on an annual basis on the Evolve Fund’s website at [www.evolveetfs.com](http://www.evolveetfs.com). The Evolve Fund’s proxy voting record for the annual period from July 1 to June 30 will be available at any time after August 31 following the end of that annual period, to any Unitholder on request, at no cost, and will also be available at [www.evolveetfs.com](http://www.evolveetfs.com).

#### **MATERIAL CONTRACTS**

The only contracts material to the Evolve Fund are the Declaration of Trust, the Custodian Agreement, the Sub-Custodian Agreement and the License Agreement.

Copies of these agreements may be examined at the head office of the Manager at Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

#### **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Evolve Fund is not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the Evolve Fund.

#### **EXPERTS**

The auditors of the Evolve Fund, Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants have audited the statement of financial position contained herein. Ernst & Young LLP has advised that it is independent with respect to the Evolve Fund within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## **EXEMPTIONS AND APPROVALS**

The Manager, on behalf of the Evolve Fund has obtained exemptive relief from the Securities Regulatory Authorities:

- (a) to permit a Unitholder to acquire more than 20% of the Units through purchases on the Designated Exchange without regard to the takeover bid requirements of applicable Canadian Securities Legislation; and
- (b) to relieve the Evolve Fund from the requirement that a prospectus contain a certificate of the underwriters.

## **OTHER MATERIAL FACTS**

### **Index Provider Disclaimer**

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## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about the Evolve Fund is, or will be, available in the following documents:

- (i) the most recently filed ETF Facts of the Evolve Fund;
- (ii) the most recently filed comparative annual financial statements of the Evolve Fund, together with the accompanying report of the auditors;
- (iii) any unaudited interim financial statements of the Evolve Fund filed after the most recently filed comparative annual financial statements of the Evolve Fund;
- (iv) the most recently filed annual MRFP of the Evolve Fund; and
- (v) any interim MRFP of the Evolve Fund filed after that most recently filed annual MRFP of the Evolve Fund.

These documents are or will be incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document.

These documents are available on the Manager's website at [www.evolveetfs.com](http://www.evolveetfs.com) or by contacting the Manager at (416)-214-4884 or toll-free at 1-844-370-4884 or by email at [info@evolveetfs.com](mailto:info@evolveetfs.com). These documents and other information about the Evolve Fund are available on the Internet at [www.sedar.com](http://www.sedar.com).

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the Evolve Fund after the date of this prospectus and before the termination of the distribution of the Evolve Fund are deemed to be incorporated by reference into this prospectus.

## INDEPENDENT AUDITORS' REPORT

To the Unitholder and Manager of  
Bitcoin ETF (the “**Evolve Fund**”)

### Opinion

We have audited the financial statement of the Evolve Fund, which comprises the statement of financial position as at February 12, 2021 and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Evolve Fund as at February 12, 2021 in accordance with those requirements of International Financial Reporting Standards (IFRSs) relevant to preparing such financial statement.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Evolve Fund in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of IFRSs relevant to preparing such financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Evolve Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Evolve Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Evolve Fund's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Evolve Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Evolve Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Evolve Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) “*Ernst & Young LLP*”  
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
February 12, 2021



**BITCOIN ETF**

**STATEMENT OF FINANCIAL POSITION**

**As at February 12, 2021**

**ASSETS**

**Current Assets**

Cash ..... \$40

**Total Assets** ..... \$40

**NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Units issued and redeemable)**

Net assets attributable to holders of redeemable units (1 USD Unit) ..... \$20

Net assets attributable to holders of redeemable units (1 CAD Unit) ..... \$20

**NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER USD UNIT** ..... \$20

**NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER CAD UNIT** ..... \$20

*The accompanying notes are an integral part of this statement of financial position.*

## BITCOIN ETF

Notes to the Financial Statement

February 12, 2021

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### 1. General Information

The Evolve Fund is an exchange traded mutual fund established under the laws of the Province of Ontario, pursuant to the terms of the Declaration of Trust. The Evolve Fund is a mutual fund under the securities legislation of the provinces and territories of Canada. Evolve Funds Group Inc. is the promoter, trustee, manager and investment manager of the Evolve Fund and is responsible for the administration of the Evolve Fund.

The principal office of the Evolve Fund and Evolve Funds Group Inc. is located at Scotia Plaza, 40 King Street West, Suite 3404, Toronto, ON M5H 3Y2.

The financial statement as at February 12, 2021 was authorized for issue by the Manager on February 12, 2021.

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statement are set out below.

#### 2.1 Basis of Preparation

The financial statement of the Evolve Fund has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), relevant to preparing a statement of financial position. The financial statement of the Evolve Fund has been prepared under the historical cost convention.

#### 2.2 Functional and Presentation Currency

The financial statement of the Evolve Fund is presented in Canadian dollars, which is the functional and presentation currency of the Evolve Fund.

#### 2.3 Financial Instruments

The Evolve Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date.

Cash comprises amounts held in trust with the legal counsel of the Evolve Fund and is stated at fair value.

#### 2.4 Redeemable Units

The Evolve Fund is authorized to issue an unlimited number of classes and series redeemable, transferable units, each of which represents an undivided interest in the net assets of that class of the Evolve Fund (the “Units”). The Units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Presentation.

### 3. Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of cash and the obligation of the Evolve Fund for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

### 4. Risks associated with financial instruments

The Evolve Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Evolve Fund is exposed and seeks to minimize potential adverse effects on the Evolve Fund's financial performance.

#### *4.1 Credit risk*

The Evolve Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at February 12, 2021, the credit risk is considered limited as the cash balance was held in trust by counsel to the Evolve Fund.

#### *4.2 Liquidity risk*

Liquidity risk is the risk that the Evolve Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Evolve Fund maintains sufficient cash on hand to fund anticipated redemptions.

### 5. **Capital Risk Management**

The capital of the Evolve Fund is represented by the net assets attributable to holders of Units. The amount of net assets attributable to holders of redeemable units can change.

### 6. **Authorized units**

The Evolve Fund is authorized to issue an unlimited number of redeemable, transferable Units, each of which represents an undivided interest in the net assets of the Evolve Fund.

Each Unit entitles the owner to one vote at meetings of Unitholders and is entitled to participate equally with all other Units with respect to all payments made to Unitholders, other than management fee distributions, including distributions of net income and net realized capital gains and, on liquidation, to participate equally in the net assets of the Evolve Fund remaining after satisfaction of any outstanding liabilities that are attributable to Units. All Units are fully paid, with no liability for future assessments, when issued and will not be transferable except by operation of law.

In accordance with the objectives outlined in Note 1 and the risk management policies in Note 4, the Evolve Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

The Manager has initially purchased one Unit of the Evolve Fund.

### 7. **Management Fees and other expenses**

The Evolve Fund will pay an annual management fee (the "**Management Fee**") to the Manager equal to 1.00% of the net asset value ("**NAV**") of the Evolve Fund, calculated daily and payable monthly in arrears, plus applicable taxes.

Unless waived or reimbursed by the Manager, the Evolve Fund pays for all operating expenses of the Evolve Fund ("**Operating Expenses**") incurred in connection with the operation and administration of the Evolve Fund, including but not limited to: mailing and printing expenses for periodic reports to Unitholders; fees payable to the 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 Evolve 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 Evolve Fund; regulatory filing, stock exchange and licensing fees (if applicable) and CDS fees; banking costs and interest with respect to any borrowing (if applicable); website maintenance costs; 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 expenses of the Trustee, bitcoin consultant (if any), CF Benchmarks (in respect of index licensing and/or consulting fees, if any) Custodian and Manager which are incurred in respect of matters not in the normal course of the Evolve Fund's activities. Additional costs which are also payable by the Evolve Fund include any taxes payable by the Evolve Fund to which the Evolve Fund may be subject, including income taxes, sales taxes (including GST/HST) and/or withholding taxes; expenditures incurred upon termination of the Evolve Fund; extraordinary expenses that the Evolve Fund may incur and all amounts paid on account of any indebtedness (if applicable); any expenses of insurance and costs of all suits or legal proceedings in connection with the Evolve Fund or the assets of the Evolve Fund or to protect the Unitholders, the Trustee, the Manager, and the directors, officers, employees or agents of any of them; any expenses of indemnification of the Trustee, the Unitholders, the Manager, and the directors, officers, employees or agents of any of them to the extent permitted under the Declaration of Trust; and expenses relating to the preparation, printing and mailing of information to Unitholders in connection with meetings of Unitholders. The Evolve Fund is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Evolve Fund which may be incurred from time to time, including brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Evolve Fund's investment in bitcoin.

**CERTIFICATE OF THE EVOLVE FUND, THE MANAGER AND PROMOTER**

Dated: February 12, 2021

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**EVOLVE FUNDS GROUP INC.**

(As manager, trustee and promoter and on behalf of the Evolve Fund)

(signed) "*Raj Lala*"

Raj Lala  
Chief Executive Officer of Evolve Funds Group Inc., the  
Manager, Trustee and Promoter of the Evolve Fund, and  
on behalf of the Evolve Fund

(signed) "*Scharlet Igo*"

Scharlet Igo  
Chief Financial Officer of Evolve Funds Group Inc.,  
the Manager, Trustee and Promoter of the Evolve  
Fund, and on behalf of the Evolve Fund

On behalf of the Board of Directors  
of Evolve Funds Group Inc.

(signed) "*Keith Crone*"

Keith Crone  
Director

(signed) "*Elliot Johnson*"

Elliot Johnson  
Director