

Ether ETF

December 31, 2023

Annual Financial Statements

Independent auditor's report

To the Unitholders of
Ether ETF

Opinion

We have audited the financial statements of **Ether ETF** [the "Fund"], which comprise the statements of financial position as at December 31, 2023, and 2022 and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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 statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 statements, 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 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 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 statements 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Morgan.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 25, 2024

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Ether ETF

Statements of Financial Position

(in United States dollars, except for number of units)

As at (Note 1)	December 31, 2023 (\$)	December 31, 2022 (\$)
Assets		
Current assets		
Digital assets, at fair value	48,567,386	25,970,080
Cash	86,648	122,652
Subscriptions receivable	813,428	-
Receivable from digital assets sold	1,997	5,961
	49,469,459	26,098,693
Liabilities		
Current liabilities		
Payable for digital assets purchased	810,462	-
Accrued expenses	75,887	122,639
	886,349	122,639
Net assets attributable to holders of redeemable units	48,583,110	25,976,054
Net assets attributable to holders of redeemable units		
Canadian Dollar Unhedged ETF Units	43,901,382	23,315,975
US Dollar Unhedged ETF Units	4,681,728	2,660,079
Net assets attributable to holders of redeemable units per unit		
Canadian Dollar Unhedged ETF Units ¹	8.13	4.20
US Dollar Unhedged ETF Units	10.16	5.25

1 Per unit figures are stated in USD equivalent

Approved on behalf of the Board of Directors of Evolve Funds Group Inc., Manager and Trustee:



Raj Lala
Chief Executive Officer & Director



Elliot Johnson
Chief Operating Officer, Chief Investment
Officer & Director

Ether ETF

Statements of Comprehensive Income

(in United States dollars, except for number of units)

For the periods ended (Note 1)	December 31, 2023 (\$)	December 31, 2022 (\$)
Income (loss)		
Changes in fair value of digital assets		
Net realized gain (loss) on sale of digital assets	(5,673,869)	(13,501,958)
Net change in unrealized appreciation (depreciation) in value of digital assets	29,910,974	(48,811,598)
Total income (loss)	24,237,105	(62,313,556)
Expenses		
Management fees (Note 4)	314,247	399,476
Shareholder reporting	13,169	11,311
Transfer agent fees	11,255	5,194
Custodian fees	150,464	291,377
Independent Review Committee fees	1,260	1,042
Audit fees	38,284	49,062
Legal fees	8,354	13,611
Regulatory filing fees	15,030	55
Stock exchange and index licensing fees	47,936	66,319
Service fees	37,875	27,571
Other operating fees and expenses	10,916	17,461
Interest expense and bank charges	76	102
Transaction costs (Note 2)	18,223	23,842
Total expenses	667,089	906,423
Increase (decrease) in net assets attributable to holders of redeemable units from operations	23,570,016	(63,219,979)
Increase (decrease) in net assets attributable to holders of redeemable units from operations		
Canadian Dollar Unhedged ETF Units	21,009,509	(53,213,622)
US Dollar Unhedged ETF Units	2,560,507	(10,006,357)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Canadian Dollar Unhedged ETF Units ¹	3.97	(9.35)
US Dollar Unhedged ETF Units	4.89	(12.57)

1 Per unit figures are stated in USD equivalent

Ether ETF

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

(in United States dollars, except for number of units)

For the periods ended (Note 1)	December 31, 2023 (\$)	December 31, 2022 (\$)
Net assets attributable to holders of redeemable units - beginning of period		
Canadian Dollar Unhedged ETF Units	23,315,975	74,699,759
US Dollar Unhedged ETF Units	2,660,079	16,335,259
Net assets attributable to holders of redeemable units - beginning of period	25,976,054	91,035,018
Increase (decrease) in net assets attributable to holders of redeemable units from operations		
Canadian Dollar Unhedged ETF Units	21,009,509	(53,213,622)
US Dollar Unhedged ETF Units	2,560,507	(10,006,357)
	23,570,016	(63,219,979)
Redeemable unit transactions		
Proceeds from sale of redeemable units		
Canadian Dollar Unhedged ETF Units	6,667,495	16,991,113
US Dollar Unhedged ETF Units	4,619,587	7,721,907
	11,287,082	24,713,020
Redemption of units		
Canadian Dollar Unhedged ETF Units	(7,091,597)	(15,161,275)
US Dollar Unhedged ETF Units	(5,158,445)	(11,390,730)
	(12,250,042)	(26,552,005)
Net increase (decrease) from redeemable unit transactions	(962,960)	(1,838,985)
Increase (decrease) in net assets attributable to holders of redeemable units for the period	22,607,056	(65,058,964)
Net assets attributable to holders of redeemable units - end of period		
Canadian Dollar Unhedged ETF Units	43,901,382	23,315,975
US Dollar Unhedged ETF Units	4,681,728	2,660,079
Net assets attributable to holders of redeemable units - end of period	48,583,110	25,976,054

Ether ETF

Statements of Cash Flows

(in United States dollars, except for number of units)

	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended (Note 1)		
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	23,570,016	(63,219,979)
Adjustments for:		
Realized (gain) loss on digital assets	5,673,869	13,501,958
Change in unrealized (appreciation) depreciation in the value of digital assets	(29,910,974)	48,811,598
Purchases of digital assets ¹	(9,288,593)	(19,600,072)
Proceeds from sale of digital assets ¹	11,742,818	22,678,487
Increase (decrease) in accrued expenses	(46,752)	(98,987)
Net cash generated by (used in) operating activities	1,740,384	2,073,005
Cash flows from (used in) financing activities		
Proceeds from sale of units ¹	10,473,654	25,735,747
Payments for units redeemed ¹	(12,250,042)	(27,912,014)
Net cash generated by (used in) financing activities	(1,776,388)	(2,176,267)
Net increase (decrease) in cash	(36,004)	(103,262)
Cash (bank overdraft) - beginning of period	122,652	225,914
Cash (bank overdraft) - end of period	86,648	122,652

1 Excludes in-kind transactions, if any

Ether ETF

Schedule of Investment Portfolio

As at December 31, 2023

No. of Ether		Average Cost (\$)	Fair Value (\$)
Digital Assets (100.0%)			
20,645	Ethereum	54,801,428	48,567,386
	Transaction Costs	(4,507)	-
	Total Investments (100.0%)	54,796,921	48,567,386
	Other Assets, less Liabilities (0.0%)		15,724
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		48,583,110

Ether ETF

Fund Specific Notes to Financial Statements

Financial Instrument Risks (Note 3)

Portfolio Concentration Risk

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

The Fund's significant concentrations by industry sector are as follows:

Portfolio by Category	Percentage of Net Asset Value	
	December 31, 2023 (%)	December 31, 2022 (%)
Digital Assets		
Ethereum	100.0	100.0
Cash and Cash Equivalents	0.2	0.5
Other Assets, less Liabilities	(0.2)	(0.5)
Total	100.0	100.0

Other Price/Market Risk

The table below summarizes management's estimate of the effect on net assets of a 10% change in the Fund's value, as at December 31, 2023 and 2022, with all other variables held constant:

Fund	Impact on Net Assets (\$)	
	December 31, 2023 (\$)	December 31, 2022 (\$)
Ether ETF	4,856,739	2,597,008

Currency Risk

As at December 31, 2023 and 2022, all of the Fund's assets and liabilities were in United States dollars; accordingly, the Fund had no exposure to any currencies other than the United States dollar.

Interest Rate Risk

As at December 31, 2023 and 2022, the majority of the Fund's financial assets and liabilities are non-interest bearing; accordingly, the Fund is not exposed to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Liquidity Risk

While the liquidity and traded volume of Ether are continually growing, it is still a maturing asset. The Fund may not always be able to acquire or liquidate its assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on digital asset trading platforms. When transacting in the Ether markets, the Fund will be competing for liquidity with other large investors, including speculators, miners, other investment funds and institutional investors.

The liquidity of the Fund is managed on a day-to-day basis in order to meet expenses and handle redemption of the Fund's redeemable units. As at December 31, 2023 and 2022, the Fund did not have a significant amount of financial liabilities with maturities greater than three months.

Ether ETF

Fund Specific Notes to Financial Statements (cont'd)

Credit Risk

As at December 31, 2023 and 2022, the Fund had no investments in fixed-income investments.

Fair Value Measurements (Note 2)

The following is the fair value measurement hierarchy based on the inputs used as at December 31, 2023 and 2022 in valuing the Fund's financial assets and liabilities carried at fair value:

Financial Assets (Liabilities)

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
December 31, 2023				
Ethereum	-	48,567,386	-	48,567,386
Total	-	48,567,386	-	48,567,386
December 31, 2022				
Ethereum	-	25,970,080	-	25,970,080
Total	-	25,970,080	-	25,970,080

For the periods ended December 31, 2023 and 2022, there were no significant transfers of securities between Level 1 and Level 2. There were no Level 3 securities as at or during the periods ended December 31, 2023 and 2022.

Unit Transactions (Note 5)

The unitholder transactions for the periods ended December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Canadian Dollar Unhedged ETF Units		
Number of redeemable units outstanding - Beginning of period	5,549,500	5,492,600
Issued	1,007,000	2,268,600
Redeemed	(1,159,000)	(2,211,700)
Number of redeemable units outstanding - End of period	5,397,500	5,549,500
US Dollar Unhedged ETF Units		
Number of redeemable units outstanding - Beginning of period	506,700	960,900
Issued	543,000	898,500
Redeemed	(589,000)	(1,352,700)
Number of redeemable units outstanding - End of period	460,700	506,700

Income Taxes (Note 6)

As at December 31, 2023, the Fund had the following capital and non-capital loss carryforward balances:

	December 31, 2023 (\$)
As at	
Capital loss	2,549,445
Non-capital losses	-

Notes to Financial Statements

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

1. ORGANIZATION

The Bitcoin ETF and Ether ETF (each a "Fund" and collectively the "Funds") are established on the establishment dates noted below as open-ended alternative mutual funds, that invest in digital currencies Bitcoin and Ethereum respectively, within the meaning of National Instrument 81-102 (the NI 81-102) under the laws of the Province of Ontario, pursuant to a master declaration of trust dated August 4, 2017, and as amended and restated from time to time. The Units of the exchange-traded funds ("ETFs") are listed on the Toronto Stock Exchange ("TSX"). Cidel Trust Company (the "Custodian") acts as the Custodian of the assets of the Funds pursuant to the Custodian Agreement. Coinbase Custody Trust Company, LCC (the "Sub-Custodian") acts as the Sub-Custodian in respect of the Funds' holdings of digital assets. The Sub-Custodian is a trust company licensed and regulated by the New York State Department of Financial Services (NYDFS). The Custodian is a federally regulated trust company based in Calgary, Alberta and provides services to the Funds from its office in Toronto, Ontario. The address of the Funds' registered office is 40 King Street West, Suite 3404, Toronto, Ontario, M5H 3Y2.

The following list indicates the classes of units offered for sale by each of the Funds, as at the date of these financial statements:

Digital currency Funds

Fund Name	Class	Ticker Symbol	Date of Establishment	Date of Commencement
Bitcoin ETF	Canadian Dollar Unhedged ETF Units	EBIT	12-Feb-21	17-Feb-21
	US Dollar Unhedged ETF Units	EBIT.U	12-Feb-21	17-Feb-21
Ether ETF	Canadian Dollar Unhedged ETF Units	ETHR	16-Apr-21	19-Apr-21
	US Dollar Unhedged ETF Units	ETHR.U	16-Apr-21	19-Apr-21

The Funds' functional and presentation currency is in United States dollars. The Funds offer classes of Canadian Dollar Unhedged ETF Units, and US Dollar Unhedged ETF Units. The value of the portfolios of the Canadian Dollar Unhedged ETF Units will vary due to changes in the Canadian dollar and United States dollar currency exchange rates. For the Canadian Dollar Unhedged ETF Units, currency risk is not mitigated, as the currency exposure is not hedged back to the United States dollar and, as such, the Canadian Dollar Unhedged ETF Units can have a significant exposure to currency risk. As a result, the net asset value ("NAV") attributable to holders of redeemable units of each class will not be the same.

Evolve Funds Group Inc. (the "Manager") is the trustee, manager, and investment manager of the Funds.

The Schedule of Investment Portfolio for each of the Funds is as at December 31, 2023. The Statements of Financial Position of each of the Funds are as at December 31, 2023 and 2022. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units, and Statements of Cash Flows of each of the Funds are for the period from the date of establishment to December 31 for the years shown.

The financial statements were approved for issuance by the Manager on March 25, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The following are material accounting policies followed by the Funds:

Basis of Preparation

The financial statements of the Funds have been prepared in accordance with International Accounting Standard Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis using the historical cost convention, except for financial assets and liabilities measured at fair value through profit or loss ("FVTPL"). Each Fund is an investment entity, and primarily all financial assets and liabilities are measured at fair value in accordance with IFRS. Accordingly, the Funds' accounting policies for measuring the fair value of investments are consistent with those used in measuring the NAV for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The financial statements have been presented in United States dollars, which is the Funds' functional and presentation currency.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

Classification and Recognition of Digital Assets

Digital assets are cryptocurrencies, which are an open-source software-based online system where transactions are recorded in a public ledger (blockchain) using its own unit of account. The Manager considers it appropriate to classify and measure the Funds' digital assets in accordance with IAS 2, *Inventory* ("IAS 2"). Refer to Significant Accounting Judgement, Estimates, and Assumptions in Note 2 for discussion of judgements made in determining the Funds' accounting policy with respect to digital assets. As such, the digital assets are measured at fair value less cost to sell with changes in fair value of the digital assets recognized in profit or loss.

Classification and Recognition of Financial Instruments

All other financial assets and liabilities are classified and measured in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). Upon initial recognition, financial assets are classified as FVTPL and financial liabilities are carried at amortized cost.

All financial instruments are recognized in the Statements of Financial Position when a Fund becomes a party to the contractual requirements of the instrument. A financial asset is derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired.

Digital assets purchase and sale transactions are recorded as of the trade date.

Classification of Redeemable Units

IAS 32, *Financial Instruments: Presentation* ("IAS 32"), requires that securities of the Funds, which are considered puttable instruments, be classified as either financial liabilities or equity instruments. The units of the Funds do not meet the criteria to be classified as equity instruments. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with IAS 32.

Measurement of Digital Assets

Digital assets are recorded in the Statement of Financial Position at fair value less cost to sell, and all other financial instruments at FVTPL are recorded in the Statements of Financial Position at fair value, upon initial recognition. All transaction costs, incurred in the purchase and sale of digital assets are recognized directly in profit or loss.

All unrealized gains (losses) arising from digital assets holdings are recorded as part of "Net change in unrealized appreciation (depreciation) in the value of digital assets", in the Statements of Comprehensive Income. When digital assets are sold, the gains (losses) are realized and reflected in the Statement of Comprehensive Income in "Net realized gain (loss) on sales of digital assets".

Realized gains and losses arising from the sale of digital assets and unrealized appreciation and depreciation of digital assets are calculated with reference to the average cost of the related digital assets, excluding transaction costs.

For the purposes of determining the average cost of digital assets, the purchase price of digital assets acquired by each Fund is added to the average cost of the particular portfolio of digital assets immediately prior to the purchase. The average cost of a portfolio of digital assets is reduced by the number of digital tokens sold multiplied by the average cost of the portfolio of digital assets at the time of the sale. The average cost per token of each portfolio investment sold is determined by dividing the average cost of the portfolio of digital assets by the number of tokens held immediately prior to the sale transaction. Transaction costs incurred in portfolio transactions are excluded from the average cost of digital assets and are recognized immediately in net income and are presented as a separate expense item in the financial statements.

The NAV per unit of each Fund is calculated each day the Funds are open for business as of regularly scheduled close of regular trading on the respective exchange of each Fund. For NAV calculation purposes, the last business day of the year was on December 29, 2023. NAV per unit is calculated by dividing the net assets of each Fund by the number of units outstanding of that Fund. Units of each Fund are being issued and sold on a continuous basis, and there is no maximum number of units that may be issued. In calculating each class of each Fund's NAV, investments are valued under policies approved by the Board of Directors of the Manager. Bitcoin ETF and Ether ETF portfolio is priced based on, and the NAVs are calculated using the Bitcoin Reference Rate ("BRR") and the Ether-Dollar Reference Rate ("ETHUSD_RR"), respectively. BRR and ETHUSD_RR are daily reference rates of the U.S. dollar price of one Bitcoin and one Ether, respectively, as of 4 p.m. London time. Each day, the BRR and ETHUSD_RR, respectively, aggregates the trade flow of major Bitcoin and spot exchanges, respectively, during a one-hour window from 15:00 to 16:00 London time. This one-hour window is then partitioned into twelve, five-minute intervals, where the BRR and ETHUSD_RR respectively, are calculated as the equally weighted average of the volume-weighted medians of all twelve partitions. This method of calculation ensures tradability and replicability in the underlying spot markets.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

Fair Value Measurement

IFRS describe fair value as the price that each Fund would receive upon selling an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. They established a three-tier hierarchy of inputs to be used when determining fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk — for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities at measurement date.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (including each Fund's assumptions in determining the fair value of investments).

The inputs or methodology used for valuation are not necessarily an indication of the risk associated with investing in those investments.

The Funds have included the fair value hierarchy in the Fund Specific Notes to Financial Statements.

Digital Asset Transactions and Income

Digital asset transactions are recorded as of the date that the digital assets are purchased or sold (trade date). Digital assets are derecognized when the Fund disposes of digital assets. Realized and unrealized gains and losses are calculated on an average cost basis. The cost of digital assets represents the amount paid for digital assets and is determined using the average cost method, excluding commissions and transaction costs. Transaction costs, such as brokerage commissions and settlement charges incurred in the purchase and sale of digital assets, are shown as a separate line item in the Statements of Comprehensive Income and are not part of the cost of investments.

Foreign Currency Translation

The financial statements have been presented in United States dollars, which is the Funds' functional and presentation currency. The United States dollar is the currency of the primary economic environment in which the Funds operate. The Funds' performance is evaluated, and their liquidity is managed, in United States dollars. Therefore, the United States dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions. Foreign currencies, as well as digital assets and other assets and liabilities denominated in foreign currencies, if any, are translated into United States dollars using exchange rates prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains and losses on digital assets, if any, are included as a component of "Net realized gain (loss) on sale of digital assets" and "Net change in unrealized appreciation (depreciation) in value of digital assets", respectively, on the Statements of Comprehensive Income. Net realized and unrealized foreign exchange gains (losses) arising from sales of foreign currencies, if any, and currency gains (losses) recognized between the trade and settlement dates on digital assets transactions, if any, are included in "Net realized gain (loss) on sales of digital assets" and foreign currency translations in the Statements of Comprehensive Income.

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units from Operations per Unit

The increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations by the weighted average number of units outstanding during the period.

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Funds' financial statements requires management to make judgments in applying its accounting policies and to make estimates and assumptions about the future. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Funds' accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

Classification and Measurement of Digital Assets

Digital assets and the accounting for digital assets continues to be considered by the International Accounting Standard Board (IASB) and the Manager continues to monitor new comments and interpretations released by IASB and other standard setters from around the world.

In classifying and measuring digital assets held by the Funds, the Manager is required to make significant judgements in determining the most appropriate classification. The Manager considers it appropriate to classify and measure the Fund's digital assets in accordance with IAS 2.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at FVTPL rather than consolidate them. The criteria that define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Manager has assessed the characteristics of an investment entity as they apply to the Funds, and such assessment requires significant judgement. Based on the assessment, the Manager concluded that the Funds meet the definition of an investment entity.

These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

3. FINANCIAL RISKS MANAGEMENT

The Funds' activities may expose them to a variety of risks associated with their investment strategies, digital assets and markets in which they invest. The Manager seeks to minimize potential adverse effects of these risks on the Funds' performance by employing professional, experienced portfolio managers, by daily monitoring of the Funds' position and market events.

Significant risks that are relevant to the Funds are discussed below. For specific risk disclosures, refer to the Fund Specific Notes to Financial Statements.

Leverage Risk

Alternative mutual funds, within the meaning of NI 81-102, are permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. While these specific strategies are used in accordance with the Funds' investment objectives and strategies, during certain market conditions they may accelerate the pace at which the value of such Funds decreases. More specifically, when a Fund borrows cash for investment purposes, leverage may be introduced into the Fund.

Generally, the Bitcoin ETF and Ether ETF do not intend to borrow money or employ other forms of leverage. The Funds may, however, borrow money on a temporary short-term basis to acquire securities in connection with a subscription for Units by a dealer. Any cash borrowing by the Fund is subject to an overall limit of 50% of NAV under NI 81-102.

During the period ended December 31, 2023, the lowest aggregated fair value amount of the leverage exercised by the Bitcoin ETF was \$0.00 (0.00% of net assets), and the highest aggregated fair value amount of the leverage used during the period was \$0.00 (0.00% of net assets).

During the period ended December 31, 2023, the lowest aggregated fair value amount of the leverage exercised by the Ether ETF was \$0.00 (0.00% of net assets), and the highest aggregated fair value amount of the leverage used during the period was \$0.00 (0.00% of net assets).

Portfolio Concentration Risk

Concentrations of risk arise as a result of the concentration of exposures within the same category, whether it is a geographical allocation, asset type, industry sector or counterparty.

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

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

Other Price/Market Risk

Other price/market risk is the risk that the fair values or future cash flows of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or all factors affecting all instruments traded in a market or market segment. The maximum risk is equivalent to the investment's fair value.

The NAV of the Funds will vary according to the value of the digital assets included in the Funds' portfolio, among other things. The value of the digital assets may be influenced by factors which are not within the control of the Funds or the Manager, including factors that affect the cryptocurrency markets generally such as general economic and political conditions, fluctuations in interest rates and factors unique to the digital assets held by the Funds.

Currency Risk

Currency risk arises from changes in the price of one currency against another. The Funds may hold cash denominated in currencies other than the United States dollar. It's converted to the Funds' functional currency in determining fair value, and the fair value is subject to fluctuations relative to the strengthening or weakening of the functional currency.

Liquidity Risk

Liquidity risk is the possibility that digital assets in the Funds cannot be readily converted into cash when required. While the liquidity and traded volume of Bitcoin and Ether are continually growing, it is still a maturing asset. The Funds may not always be able to acquire or liquidate their assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on digital asset trading platforms. When transacting in the Bitcoin and Ether markets, the Funds will be competing for liquidity with other large investors, including speculators, miners, other investment funds and institutional investors.

Digital Assets Risks

Speculation Risk

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

Custody Risk and Risk of Loss

There is a risk that some or all of the Funds' holdings of digital assets could be lost, stolen, destroyed or inaccessible, potentially by the loss or theft of the private keys held by the Sub-Custodian associated with the public addresses that hold the Funds' digital assets and/or destruction of storage hardware. The Funds adopted security procedures intended to protect the Funds' digital assets, but there can be no assurance that those procedures will be successful in preventing such loss, theft, or restriction on access.

If the Sub-Custodian becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the value of an investor's investment in Units of an Evolve Fund may decline. An Evolve Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. An Evolve Fund may obtain only limited recovery or may obtain no recovery in such circumstances.

The Sub-Custodian is resident outside of Canada, and all of its assets are located outside Canada. As a result, anyone, including the Funds, seeking to enforce legal rights against the Sub-Custodian in Canada may find it difficult to do so. The Funds filed an undertaking with applicable securities regulatory authorities that provides that while they remain reporting issuers, the Funds will obtain from the Sub-Custodian of the Funds a SOC 1 Type 2 and SOC 2 Type 2 Report or the ability for the Funds to assess the Sub-Custodians' controls.

Internet Disruptions Risk

A significant disruption in internet connectivity could disrupt the Bitcoin and/or Ethereum Network's operations until the disruption is resolved, and such disruption could have an adverse effect on the price of Bitcoin and/or Ethereum.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

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 cyberattacks include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, equipment, or systems, or causing operational disruption. The primary risks to the Funds 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. The Funds and their unitholders could be negatively impacted as a result.

Volatility Risk

Bitcoin and Ether's value has historically been highly volatile. The Bitcoin and Ether markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment can induce large swings in volume and subsequent price changes. The value of the bitcoin and Ether held by the Funds could decline rapidly in future periods, including to zero.

Malicious Attacks on the Network Risk

Digital asset networks, including the Bitcoin Network and Ethereum Network, are subject to control by entities that capture a significant amount of the networks' processing power or a significant number of developers important for the operation and maintenance of such digital asset network.

Both the Bitcoin Network and Ethereum Network are periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by Bitcoin miners or Ether validators, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of Bitcoin miners or Ether validators 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.

In addition, the cryptography underlying Bitcoin or Ether 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 Funds' digital assets, which would adversely affect an investment in the units. Even if the affected digital asset is not Bitcoin or Ether, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively impact the demand for Bitcoin and Ether and therefore adversely affect the NAV of the Funds and an investment in the units.

Decrease in Demand Risk

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

While the Ethereum Network stands today as the most-used developer blockchain, there could be other Layer 1 protocols that emerge, and potentially overtake, the Ethereum Network as the blockchain of choice for developers, thereby negatively impacting the network's usage and activity and Ether's price.

Increased Regulation Risk

The regulation of Bitcoin and Ether globally continues to evolve and may restrict the use of bitcoin or ether or otherwise impact the demand for Bitcoin or Ether in the future. The U.S. Securities and Exchange Commission (the "SEC") and the Canadian Securities Administrators generally take the view that Bitcoin and Ether are commodities, however, they have not made a formal statement regarding its classification. The European Union, Russia and Japan have moved to treat Bitcoin and Ether like currencies for taxation purposes. While the regulation of Bitcoin and Ether continues to evolve, the Manager believes that it is unlikely that a hostile regulatory environment will develop but rather such processes will bring about innovation and increased protections for Bitcoin and Ether users.

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

4. RELATED PARTY TRANSACTIONS

Management Fees

Each Fund will pay the Manager a management fee as set forth in the table below based on the average daily NAV of the units of the Funds. The Manager, in its capacity as manager of the Funds, manages the day-to-day business of each Fund, including negotiating contractual agreements with service providers and preparing reports to unitholders and securities regulatory authorities. The management fee, plus applicable taxes, will be accrued daily and paid monthly in arrears. The Manager may, from time to time at its discretion, waive all or a portion of the management fee charged at any given time. Expenses payable to the Manager and receivable on expenses waived by the Manager are disclosed in the Statements of Financial Position.

The management fee rates applicable to the respective classes of each Fund are as follows:

Fund Name	Class	Management Fee (Annual Rate) (%)
Bitcoin ETF	Canadian Dollar Unhedged ETF Units	0.75% of NAV
	US Dollar Unhedged ETF Units	0.75% of NAV
Ether ETF	Canadian Dollar Unhedged ETF Units	0.75% of NAV
	US Dollar Unhedged ETF Units	0.75% of NAV

5. REDEEMABLE UNITS

Each Fund is authorized to issue an unlimited number of redeemable, transferable units, each of which represents an equal, undivided interest in the net assets of that Fund.

All units of each Fund have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by each Fund to unitholders, other than management fee distributions, but including distributions of net income, net realized capital gains, and distributions upon the termination of each Fund. Any special distributions payable in units of each Fund will increase the aggregate adjusted cost base of a unitholder's units. Immediately following payment of such a special distribution in units, the number of units of each Fund outstanding will be automatically consolidated such that the number of units that each unitholder will hold 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. Units are issued only as fully paid and are non-assessable.

Units of an Evolve ETF may be bought and sold over a designated exchange. However, on any trading day, unitholders of ETF units may also exchange the prescribed number of units (or an integral multiple thereof) for baskets of securities and/or cash at a redemption price per unit equal to 95% of the closing price for the applicable units on the TSX (or the applicable exchange the units of the Fund being redeemed is trading on), subject to a maximum redemption price per unit equal to the NAV per unit on the effective day of redemption. The right to redeem units of the Funds may be suspended with the approval of the Canadian Securities Administrators.

Transactions in units for the Funds are disclosed in the Fund Specific Notes to Financial Statements. Investors purchasing and redeeming creation units may be charged a purchase transaction fee and a redemption transaction fee to offset transfer and other transaction costs associated with the issuance and redemption of creation units.

Units issued and outstanding are considered to be capital of the Funds. The Funds are not subject to externally imposed capital requirements and have no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Funds' prospectuses. The capital received by each Fund is managed to achieve the investment objective of each Fund while maintaining liquidity to satisfy unitholder redemptions.

The changes in issued and outstanding units of the Funds can be found in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

The following is a summary of the closing market prices and fair value of the net assets attributed to holders of redeemable units at closing market price as at period-end:

Notes to Financial Statements (cont'd)

As at and for the periods as disclosed in the financial statements (Note 1) December 31, 2023

Fund Name	Class	TSX Ticker Symbol	Market Price as at December 31, 2023 (\$)
Bitcoin ETF	Canadian Dollar Unhedged ETF Units	EBIT	15.44
Bitcoin ETF	US Dollar Unhedged ETF Units	EBIT.U	15.44
Ether ETF	Canadian Dollar Unhedged ETF Units	ETHR	7.99
Ether ETF	US Dollar Unhedged ETF Units	ETHR.U	9.92

6. INCOME TAXES

The Funds qualify or intend to qualify as mutual fund trusts, under the provisions of the *Income Tax Act* (Canada).

Capital losses and non-capital losses available in the Funds are presented in the Fund Specific Notes to Financial Statements, as applicable. Capital losses may be carried forward indefinitely and used to reduce future realized capital gains. Non-capital losses may be used to reduce future net income and capital gains for up to 20 years.

When distributions by the Funds exceed the net investment income and taxable capital gains realized by the Funds, to the extent that the excess is not designated by the Funds to be income for Canadian tax purposes and taxable to holders of redeemable units, this excess distribution is a return of capital and is not immediately taxable to unitholders.



Ether ETF