

Evolve FANGMA Index ETF

December 31, 2022

Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 or by visiting our website at www.evolveetfs.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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Investment Objective and Strategies

The Evolve FANGMA Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive FANGMA Equal Weight Index Canadian Dollar Hedged, or any successor thereto. The Fund invests in equity securities of Alphabet Inc., Amazon Inc., Apple Inc., Facebook Inc., Netflix Inc. and Microsoft Corp.

Risk

There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

Results of Operations

For the year ended December 31, 2022, the Unhedged ETF Units returned -37.5% versus the Solactive FANGMA Equal Weight Index return of -36.8%. The Hedged ETF Units returned -42.6% versus Solactive FANGMA Equal Weight Index return of -36.8%. The US Dollar Unhedged ETF Units returned -41.6% versus the Solactive FANGMA Equal Weight Index (USD) return of -36.8%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and hedging strategies and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The difference in performance of the unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes and to portfolio trading. The Fund's net assets were \$43.4MM as at December 31, 2022.

Portfolio Manager Commentary

The highest inflation levels in four decades and the biggest interest-rate hikes in a generation held back the economy in 2022, marking the worst year for stocks since 2008.¹ More specifically, U.S. inflation rates closed the year out at 6.5% on a year-over-year basis, and the federal funds rate increased by 4.25% since the start of the year to 4.50% at year end.^{2,3} In fact, concerns of a recession loomed over the economy during the year following multiple consecutive quarters of negative GDP growth coupled with other macroeconomic factors such as the COVID-19 pandemic, supply chain issues, soaring energy prices, and geopolitical tensions from the Russia-Ukraine war. Unsurprisingly, these challenges have negatively impacted all asset classes. To illustrate, the S&P 500 Index returned -18.13% over the year. Large capitalization technology companies, specifically richly valued growth companies whose valuations soared during the pandemic, were particularly hurt by these trends having sold off significantly. As a result, Meta (formerly Facebook), Amazon, Netflix, Google, Microsoft, and Apple, otherwise known by the acronym, FANGMA, have all under performed the market during the year.

This challenging operating environment was reflected in the earnings reports of FANGMA companies throughout the year. Firstly, Meta published its third quarter 2022 earnings results on October 26th, reporting that revenue had declined by 4% year-over-year, while expenses had simultaneously increased by 19% and headcount increased by 28%. The technology conglomerate also fell short on earnings per share (EPS) when it reported \$1.64 per share, missing analyst estimates of \$1.87.⁴ Amazon also had a challenging third quarter, reporting EPS of \$0.28 per share as compared to \$0.31 in the same period in 2021.⁵ Revenue grew 15% to \$127.1 billion in the quarter, but fell short of analyst expectations of \$127.46 billion. Amazon also provided a disappointing fourth quarter revenue outlook between \$140 billion and \$148 billion, representing year-over-year growth of 2% to 8%, far below analyst expectations of \$155.15 billion. Management attributed performance to macroeconomic headwinds which have coincided with a slowdown in Amazon's core retail business, as consumers returned to shopping in stores, and outlined efforts to respond to rising expenses such as decreasing warehouse space, halting experimental projects, and freezing hiring in multiple areas of the business.⁶ Netflix made headlines when they reported second quarter 2022 earnings in July, announcing that they had lost 970,000 subscribers over the quarter, its largest quarterly loss in the company's history.⁷ However, the steaming company rebounded when they announced third quarter earnings results in October, reporting a 2.4 million increase in subscribers driven by the release of the 4th season of Stranger Things and Dahmer – Monster: The Jeffrey Dahmer Story.⁸ During the same quarter, Netflix reported \$7.9 billion in revenue, a 6% increase from the same period in 2021, as well as \$1.4 billion in profit, a 3% decrease from the same period in the year previous.⁹

Alphabet, the parent company of Google, reported weaker than expected third quarter earnings and said it would significantly decrease headcount in the following quarter. Alphabet reported EPS of \$1.06 as compared to analyst expectations of \$1.25 and missed revenue estimates of \$70.58 billion when they reported revenue of \$69.09 billion. Revenue growth slowed to 6% from 41% in the same period of 2021, driven by a decrease in digital advertisement spending globally.¹⁰ Microsoft reported first fiscal quarter 2023 earnings on October 25th, announcing EPS of \$2.35 per share as compared to analyst expectations of \$2.30. Revenue also surpassed analyst estimates of \$49.61 billion when Microsoft reported \$50.12 billion for the quarter. However, cloud revenue missed expectations and Microsoft gave weak earnings guidance for the upcoming quarter.¹¹ Finally, Apple announced financial results for its fiscal 2022 fourth quarter ended on September 24th, reporting record September quarter revenue of \$90.1 billion, up 8% year-over-year. Apple also reported EPS of \$1.29, up 4% year-over-year, and exceeding analyst estimates of \$1.27. Apple did not provide guidance for its first fiscal quarter of 2023 but did say that it has slowed the pace of its hiring and it looking to make cuts ahead of a possible recession in the next year and as interest rates rise, similarly to other FANGMA companies.¹²

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Other noteworthy headlines during the year included that of Microsoft's acquisition of Activision Blizzard Inc., for nearly \$70 billion as announced on January 18th.¹³ If completed, the deal would be Microsoft's largest acquisition ever as well as the largest acquisition in the history of the e-gaming industry. However, in December, the Federal Trade Commission (FTC) announced that they will seek to block the acquisition on anti-competitive concerns, citing, "(the) Agency alleges that maker of Xbox would gain control of top video game franchises, enabling it to harm competition in high-performance gaming consoles and subscription services by denying or degrading rivals' access to its popular content."¹⁴ In November, Netflix released its ad-supporting plan to customers in the U.S., as a part of a bid to attract more customers with a lower-cost subscription. The advertising-supported tier, priced at \$6.99 a month in the United States, will show subscribers four to five minutes of ads per hour of content they watch.¹⁵

Performance Attribution

For the twelve-month period ending December 31, 2022, the Fund's largest holdings by weight were Netflix Inc., Microsoft Corporation, and Meta Platforms, Inc.

(1) <https://www.wsj.com/livecoverage/stock-market-news-today-11-30-2022/card/it-s-the-worst-year-for-stocks-since-2008-E4m8L8fnl8FcVVDRMKcq>

(2) <https://www.usinflationcalculator.com/inflation/current-inflation-rates/#:~:text=The%20annual%20inflation%20rate%20for,ET>

(3) <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>

(4) <https://www.investopedia.com/facebook-meta-q3-fy2022-earnings-6822082>

(5) <https://simplywall.st/stocks/us/retail/nasdaq-amzn/amazoncom/news/amazoncom-third-quarter-2022-earnings-eps-beats-expectations>

(6) <https://www.cnbc.com/2022/10/27/amazon-amzn-earnings-q3-2022.html>

(7) <https://techcrunch.com/2022/07/19/netflix-loses-970000-subscribers-its-largest-quarterly-loss-ever/>

(8) <https://www.theguardian.com/media/2022/oct/18/netflix-subscribers-stranger-things-dahmer>

(9) <https://www.nytimes.com/2022/10/18/business/media/netflix-subscribers-earnings.html#:~:text=Netflix%2C%20which%20has%20about%20223,bid%20to%20attract%20more%20customers.>

(10) <https://www.cnbc.com/2022/10/25/alphabet-googl-q3-2022-earnings-.html>

(11) <https://www.cnbc.com/2022/10/25/microsoft-msft-earnings-q1-2023.html>

(12) <https://www.cnbc.com/2022/10/27/apple-aapl-earnings-q4-2022.html>

(13) <https://news.microsoft.com/2022/01/18/microsoft-to-acquire-activision-blizzard-to-bring-the-joy-and-community-of-gaming-to-everyone-across-every-device/>

(14) <https://www.ftc.gov/news-events/news/press-releases/2022/12/ftc-seeks-block-microsoft-corps-acquisition-activision-blizzard-inc>

(15) <https://www.cnbc.com/2022/10/13/netflix-to-charge-6point99-a-month-for-ad-supported-tier-starting-nov-3.html>

Recent Developments

In the year ended December 31, 2022, the COVID-19 pandemic persisted and continued to result in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the financial markets and have had an enormous impact on businesses and consumers in all sectors. The duration and impact of these developments are unknown at this time and as such, the financial impact to investments cannot be estimated.

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Related Party Transactions

Evolve Funds Group Inc. (the "Manager") complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

Management Fees

The management fees are calculated based on 0.40% per annum of the average daily net asset value of the Fund. The fees are accrued daily and generally paid monthly. For the year ended December 31, 2022, the Fund incurred \$222,219 in management fees. These management fees were received by the Manager for the day-to-day operations of the fund, including managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the www.evolveetfs.com website, and providing all other services including marketing and promotion.

Administration Fees

The administration fees are calculated based on 0.15% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the year ended December 31, 2022, the Fund incurred \$83,332 in administration fees. These administration fees were received by the Manager for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; Registrar and Transfer Agent and Custodian; any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; IRC committee member fees and expenses in connection with the IRC; expenses related to compliance with NI 81-107; fees and expenses relating to voting of proxies by a third party; insurance coverage for the members of the IRC; fees payable to the auditors and legal advisors of the Fund; regulatory filing, stock exchange and licensing fees and CDS fees; costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses; and legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the Fund's activities. The administration fee paid to the Manager by the Fund may, in any particular period, be less than or exceed the operating expenses that the Manager incurs for the Fund.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the period indicated.

The Fund's Net Assets Per Unit¹

	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:		
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	12.37	10.00
Increase (decrease) from operations:		
Total revenue	0.02	0.02
Total expenses	(0.06)	(0.05)
Realized gains (losses)	(1.53)	0.84
Unrealized gains (losses)	(3.77)	0.90
Total increase (decrease) from operations³	(5.34)	1.71
Distributions:		
Return of capital	(0.02)	(0.02)
Total annual distributions⁴	(0.02)	(0.02)
Net Assets per Unit, end of period	7.71	12.37

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

	December 31, 2022	December 31, 2021
	(\$)	(\$)
For the periods ended:		
Hedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	12.01	10.00
Increase (decrease) from operations:		
Total revenue	0.02	0.02
Total expenses	(0.06)	(0.05)
Realized gains (losses)	(2.08)	(0.20)
Unrealized gains (losses)	(2.41)	1.76
Total increase (decrease) from operations³	(4.53)	1.53
Distributions:		
Return of capital	(0.02)	(0.02)
Total annual distributions⁴	(0.02)	(0.02)
Net Assets per Unit, end of period	6.88	12.01
US Dollar Unhedged ETF Units - Net Assets per Unit⁵		
Net Assets per Unit, beginning of period ²	15.23	12.31
Increase (decrease) from operations:		
Total revenue	0.03	0.02
Total expenses	(0.08)	(0.06)
Realized gains (losses)	(1.89)	0.88
Unrealized gains (losses)	(5.81)	2.01
Total increase (decrease) from operations³	(7.75)	2.85
Distributions:		
Return of capital	(0.03)	(0.02)
Total annual distributions⁴	(0.03)	(0.02)
Net Assets per Unit, end of period	9.49	15.23

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2022 and 2021. The Hedged, Unhedged, and US Dollar Unhedged ETF Units effectively began operations on May 4, 2021.
- 2 This amount represents the initial launch price.
- 3 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.
- 4 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.
- 5 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2022	December 31, 2021
For the periods ended:		
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁶	3,085,219	7,422,345
Number of units outstanding ⁶	400,000	600,001
Management expense ratio ⁷	0.62%	0.62%
Trading expense ratio ⁸	0.03%	0.02%
Portfolio turnover rate ⁹	116.33%	75.02%
Net Asset Value per unit (\$)	7.71	12.37
Closing market price (\$)	7.72	12.40

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

For the periods ended:	December 31, 2022	December 31, 2021
Hedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁶	37,156,230	36,616,111
Number of units outstanding⁶	5,403,000	3,050,001
Management expense ratio⁷	0.63%	0.62%
Trading expense ratio⁸	0.03%	0.02%
Portfolio turnover rate⁹	116.33%	75.02%
Net Asset Value per unit (\$)	6.88	12.01
Closing market price (\$)	6.88	12.01
US Dollar Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁶	3,177,528	12,943,849
Number of units outstanding⁶	334,700	850,001
Management expense ratio⁷	0.62%	0.62%
Trading expense ratio⁸	0.03%	0.02%
Portfolio turnover rate⁹	116.33%	75.02%
Net Asset Value per unit (\$)	9.49	15.23
Closing market price (\$)	9.50	15.33

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

7 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

8 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

9 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Past Performance

The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

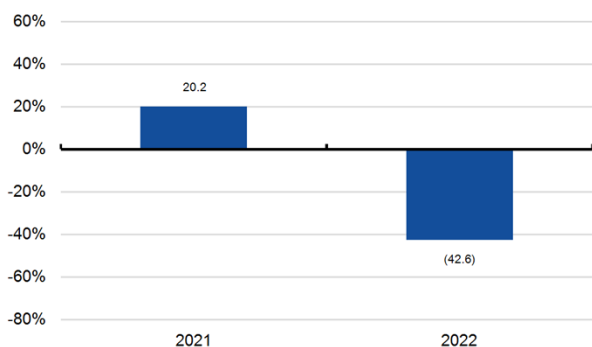
Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged, and US Dollar Unhedged ETF Units' performance for each of the financial years shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial year would have grown or decreased by the last day of each financial year.

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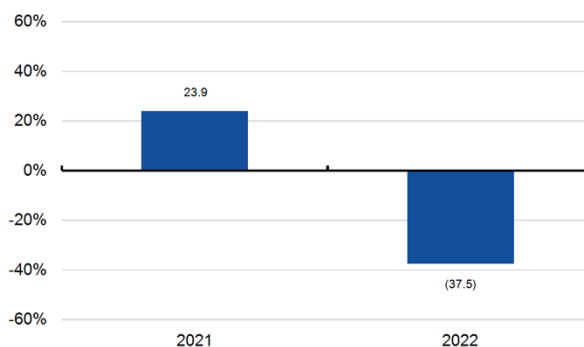
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TECH Hedged ETF Units¹



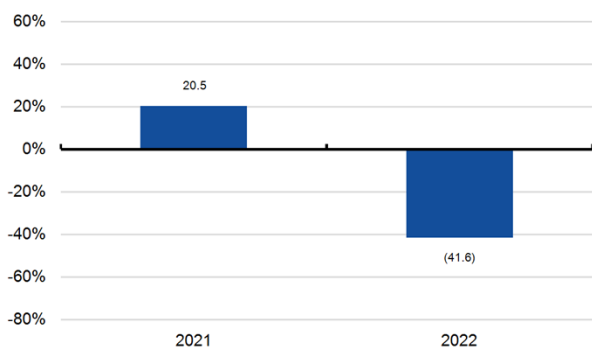
1 The Hedged ETF Units of the Fund effectively began operations on May 4, 2021.

TECH/B Unhedged ETF Units²



2 The Unhedged ETF Units of the Fund effectively began operations on May 4, 2021.

TECH/U US Dollar Unhedged ETF Units³



3 The US Dollar Unhedged ETF Units of the Fund effectively began operations on May 4, 2021. Returns presented based on NAV equivalent in USD.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged, Unhedged, and US Dollar Unhedged ETF Units. The returns are for period ended December 31, 2022. For a discussion of the relative performance of the Fund as compared to the index, please refer to the "Results of Operations" section in the "Management Discussion of Fund Performance".

	Since Inception ¹ (%)	1 Year (%)
Hedged ETF Units	(20.0)	(42.6)
Solactive FANGMA Equal Weight Index	(13.5)	(36.8)
Unhedged ETF Units	(14.3)	(37.5)
Solactive FANGMA Equal Weight Index	(13.5)	(36.8)
US Dollar Unhedged ETF Units	(19.1)	(41.6)
Solactive FANGMA Equal Weight Index	(13.5)	(36.8)

1 From inception date of May 4, 2021 for the Hedged, Unhedged, and US Dollar Unhedged ETF Units.

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Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
Microsoft Corporation	18.2
Alphabet Inc., Class 'A'	16.0
Apple Inc.	16.2
Meta Platforms Inc.	17.0
Amazon.com Inc.	13.0
Netflix Inc.	18.6
Total	99.0

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	51.6
Consumer Discretionary	13.0
Information Technology	34.4
Derivative Assets	0.7
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	1.2
Other Assets, less Liabilities	(0.9)
Total	100.0

The summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund. Updates are available quarterly by visiting our website at www.evolveetfs.com.



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