

# Evolve FANGMA Index ETF

December 31, 2023

Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 or by visiting our website at [www.evolveetfs.com](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://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

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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, or any successor thereto. The Fund invests in equity securities of Alphabet Inc., Amazon Inc., Apple Inc., Meta Platforms, Inc., Netflix Inc. and Microsoft Corp.

## Risk

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Effective April 25, 2023, the risk rating of the Hedged, Unhedged and US Dollar Unhedged ETF Units of the Fund was changed from "Medium" to "Medium to High". There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

## Results of Operations

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For the year ended December 31, 2023, the Unhedged ETF Units returned 75.8% versus the Solactive FANGMA Equal Weight Index return of 77.1%. The Hedged ETF Units returned 77.9% versus Solactive FANGMA Equal Weight Index return of 77.1%. The US Dollar Unhedged ETF Units returned 79.7% versus the Solactive FANGMA Equal Weight Index return of 77.1%. 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 \$81.5MM as at December 31, 2023.

## Portfolio Manager Commentary

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During 2023, Meta, Amazon, Netflix, Alphabet, Microsoft, and Apple, or otherwise referred to as "FANGMA", experienced significant growth driven by the increased adoption and expansive potential of artificial intelligence (AI), as well as the industry's focus on operational efficiency. The year solidified the sentiment that "there is no AI without Big Tech", with all new entrants into the AI space having to rely on the computing infrastructure of Microsoft, Amazon, and Google to train their systems, and on those same firms' vast consumer market reach to deploy and sell their AI products. This is evidenced by Microsoft's partnership with OpenAI which it announced in June, with the partnership intended to leverage Microsoft's computing infrastructure against the exclusive licensing of OpenAI's models. The partnership highlights the strategic importance of AI capabilities and the computational power that Big Tech firms such as Microsoft command. Amazon also solidified its stronghold in the space, with its investment in the AI model marketplaces and in-house chip development further underscoring yet another FANGMA company's commitment to leading in AI development.<sup>1</sup>

Another key theme during the year was Big Tech's concentration on cost-cutting and efficiency, with Meta declaring a "year of efficiency" and Amazon streamlining costs and headcount, a broader trend of optimizing revenue per employee emerged. These efforts have led to large scale layoffs and a pivot from expansive hiring trends, emphasizing productivity and profitability amidst economic uncertainty. Furthermore, Google shifted its focus to making its data centers and AI training more efficient, and Meta drifted away from providing opportunities for remote work, reflecting an industry-wide recalibration towards leaner, more focused operations. These cost-cutting measures are expected to positively impact the bottom line of the FANGMA companies in the near term.<sup>2</sup>

In summary, during 2023 FANGMA companies maintained strong growth and market leadership through prioritizing AI innovation, and remaining focused on operational efficiency and cost management.

## Performance Attribution

For the twelve-month period ending December 31, 2023, Meta Platforms Inc. made the biggest contribution to the Fund, followed by Netflix Inc. By weight, the Fund's largest holdings were Netflix Inc, Amazon.com Inc, and Microsoft Corporation.

(1) <https://www.technologyreview.com/2023/12/05/1084393/make-no-mistake-ai-is-owned-by-big-tech/>

(2) <https://www.businessinsider.com/big-tech-cost-cutting-meta-google-apple-vr-teslasolar-2023-3>

## Recent Developments

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

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## Related Party Transactions

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

## Management Fees

The management fees are calculated based on 0.40% 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, 2023, the Fund incurred \$297,060 in management fees. These management fees were received by the Manager for the day-to-day operations of the fund, including managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the www.evolveetfs.com website, and providing all other services including marketing and promotion.

## Administration Fees

The administration fees are calculated based on 0.15% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the year ended December 31, 2023, the Fund incurred \$112,923 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 Unit<sup>1</sup>

	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:			
<b>Unhedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	7.71	12.37	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.03	0.02	0.02
Total expenses	(0.08)	(0.06)	(0.05)
Realized gains (losses)	1.01	(1.53)	0.84
Unrealized gains (losses)	4.96	(3.77)	0.90
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>5.92</b>	<b>(5.34)</b>	<b>1.71</b>
<b>Distributions:</b>			
Return of capital	(0.02)	(0.02)	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>13.54</b>	<b>7.71</b>	<b>12.37</b>

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## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

	December 31, 2023	December 31, 2022	December 31, 2021
	(\$)	(\$)	(\$)
For the periods ended:			
<b>Hedged ETF Units - Net Assets per Unit</b>			
Net Assets per Unit, beginning of period	6.88	12.01	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.02	0.02	0.02
Total expenses	(0.07)	(0.06)	(0.05)
Realized gains (losses)	0.89	(2.08)	(0.20)
Unrealized gains (losses)	4.40	(2.41)	1.76
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>5.24</b>	<b>(4.53)</b>	<b>1.53</b>
<b>Distributions:</b>			
Return of capital	(0.02)	(0.02)	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>12.21</b>	<b>6.88</b>	<b>12.01</b>
<b>US Dollar Unhedged ETF Units - Net Assets per Unit<sup>4</sup></b>			
Net Assets per Unit, beginning of period	9.49	15.23	12.31
<b>Increase (decrease) from operations:</b>			
Total revenue	0.03	0.03	0.02
Total expenses	(0.09)	(0.08)	(0.06)
Realized gains (losses)	1.16	(1.89)	0.88
Unrealized gains (losses)	6.21	(5.81)	2.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>7.31</b>	<b>(7.75)</b>	<b>2.85</b>
<b>Distributions:</b>			
Return of capital	(0.03)	(0.03)	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.02)</b>
<b>Net Assets per Unit, end of period</b>	<b>16.66</b>	<b>9.49</b>	<b>15.23</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023, 2022 and 2021. The Hedged, Unhedged, and US Dollar Unhedged ETF Units effectively began operations on May 4, 2021.
- 2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.
- 3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.
- 4 Per unit figures are stated in CAD equivalent.

## The Fund's Ratios/Supplemental Data

	December 31, 2023	December 31, 2022	December 31, 2021
For the periods ended:			
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$) <sup>5</sup>	7,445,341	3,085,219	7,422,345
Number of units outstanding <sup>5</sup>	550,000	400,000	600,001
Management expense ratio <sup>6</sup>	0.64%	0.62%	0.62%
Trading expense ratio <sup>7</sup>	0.01%	0.03%	0.02%
Portfolio turnover rate <sup>8</sup>	62.65%	116.33%	75.02%
Net Asset Value per unit (\$)	13.54	7.71	12.37
Closing market price (\$)	13.53	7.72	12.40

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

For the periods ended:	December 31, 2023	December 31, 2022	December 31, 2021
<b>Hedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	70,096,307	37,156,230	36,616,111
Number of units outstanding⁵	5,740,500	5,403,000	3,050,001
Management expense ratio⁶	0.63%	0.63%	0.62%
Trading expense ratio⁷	0.01%	0.03%	0.02%
Portfolio turnover rate⁸	62.65%	116.33%	75.02%
Net Asset Value per unit (\$)	12.21	6.88	12.01
Closing market price (\$)	12.20	6.88	12.01
<b>US Dollar Unhedged ETF Units - Ratios/Supplemental Data</b>			
Total Net Asset Value (\$)⁵	3,909,920	3,177,528	12,943,849
Number of units outstanding⁵	234,700	334,700	850,001
Management expense ratio⁶	0.64%	0.62%	0.62%
Trading expense ratio⁷	0.01%	0.03%	0.02%
Portfolio turnover rate⁸	62.65%	116.33%	75.02%
Net Asset Value per unit (\$)	16.66	9.49	15.23
Closing market price (\$)	16.66	9.50	15.33

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

6 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.

7 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.

8 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.

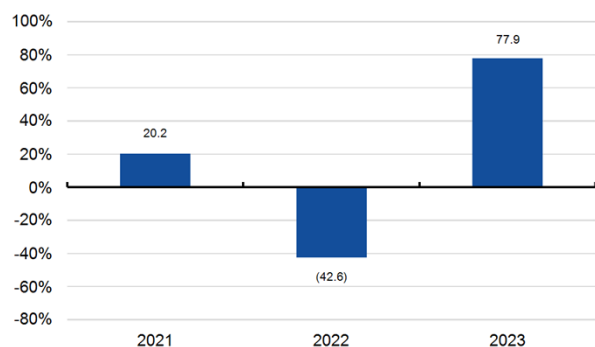
## Year-by-Year Returns

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

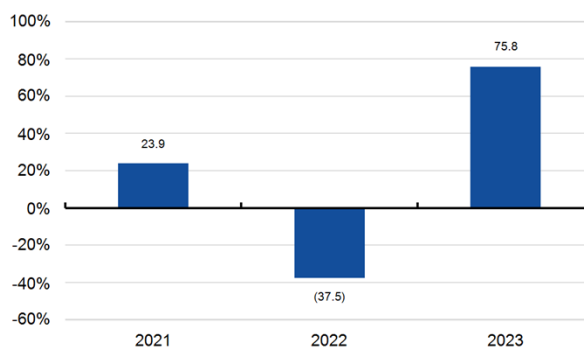
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## TECH Hedged ETF Units<sup>1</sup>



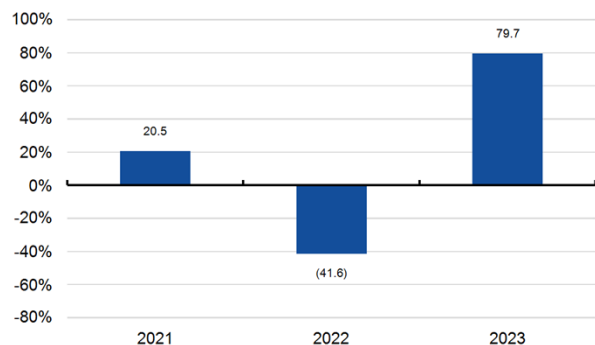
## TECH/B Unhedged ETF Units<sup>2</sup>



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

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

## TECH/U US Dollar Unhedged ETF Units<sup>3</sup>



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, 2023. For a discussion of the relative performance of the Fund as compared to the index, please refer to the "Results of Operations" section in the "Management Discussion of Fund Performance".

	Since Inception <sup>1</sup> (%)	1 Year (%)
Hedged ETF Units	8.1	77.9
Solactive FANGMA Equal Weight Index	13.3	77.1
Unhedged ETF Units	12.3	75.8
Solactive FANGMA Equal Weight Index	13.3	77.1
US Dollar Unhedged ETF Units	9.2	79.7
Solactive FANGMA Equal Weight Index	13.3	77.1

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	
Netflix Inc.	17.7
Amazon.com Inc.	17.6
Microsoft Corporation	16.8
Meta Platforms Inc., Class 'A'	16.7
Apple Inc.	16.2
Alphabet Inc., Class 'A'	15.0
<b>Total</b>	<b>100.0</b>

### Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	49.4
Consumer Discretionary	17.6
Information Technology	33.0
Derivative Assets	0.9
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(1.2)
<b>Total</b>	<b>100.0</b>

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](http://www.evolveetfs.com).



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