

Evolve Metaverse 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 Metaverse ETF's (the "Fund") investment objective is to provide unitholders with long-term capital appreciation by actively investing in a diversified mix of publicly traded equity securities of issuers from North America, as well as other developed markets from around the world, that are considered by the Manager (as defined herein) to be involved in the development of the Metaverse.

Risk

Effective June 30, 2022, the risk rating of the Hedged ETF Units was changed from "Medium" to "Medium to High". There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

Results of Operations

For the year ended December 31, 2022, the Hedged ETF Units returned -48.6%. The Fund's net assets were \$8.0MM as at December 31, 2022.

Portfolio Manager Commentary

The fastest inflation in four decades and the biggest interest-rate hikes in a generation held back the economy in 2022. In addition, macroeconomic factors such as the pandemic, supply chain issues and geopolitical tensions from the Ukraine war have negatively impacted all asset classes. Technology companies, specifically richly valued growth companies whose valuations blew up in the pandemic, have sold off the most this year. MESH underperformed the broader technology sector this year which suggests that investors are discounting the Metaverse theme relative to other technologies that post more stable cashflows and profitability margins. The performance of many of the companies in the portfolio has also been impacted by the digital advertising industry, which has been hurt by reduced consumer spending and rising competition. In addition, several companies including Meta and Snap, both holdings in this Fund, have announced layoffs and budget cuts which have impacted their stock prices.

Despite the negative performance, this year was critical for the future development of the Metaverse. Interest in the Metaverse surged at the end of last year after Facebook rebranded itself as Meta. This excitement and interest carried into 2022, as several other companies announced ways in which they are investing in this emerging theme. Meta continues to invest heavily in the development of their metaverse, Horizon Worlds. In October, Meta began shipping its newest virtual reality (VR) headset, the Meta Quest Pro.¹ Meta and Microsoft Corp (a holding in this Fund) announced that they are partnering to deliver an immersive virtual reality (VR) experience for work and play. As part of the venture, Microsoft will be bringing some of its biggest apps and games, Teams, Office, Windows, and Xbox Cloud Gaming, to Meta's Quest VR headsets.² In August of this year, NVIDIA Corp, a holding in this Fund, announced a new range of developer frameworks, tools, apps and plugins for NVIDIA Omniverse. NVIDIA Omniverse is the leading metaverse for industrial industries as it allows real time collaboration to build custom 3D pipelines and simulate large-scale virtual worlds faster than ever.³

Disney, another holding in this Fund, is also investing in the Metaverse. In February of this year, Disney appointed an executive to lead the company's Metaverse strategy.⁴ Disney's digital vision for the Metaverse is described by executives as next-generation storytelling. The company plans to leverage Metaverse capabilities in theme park visits and consumer streaming habits to deliver personalized entertainment experiences.⁵ Apple Inc., a holding in this Fund, is ramping up work on a mixed-reality headset. The company plans to introduce the headset as early as next year, along with a dedicated operating system and app store for third-party software. The mixed-reality operating system will offer new versions of core apps — like Messages and Maps — and will work with a software development kit that third parties can use to create their own apps and games.⁶

Performance Attribution

For the twelve-month period ending December 31, 2022, Activision Blizzard Inc. made the biggest contribution to the Fund, followed by Cisco Systems Inc. By weight, the Fund's largest holdings were ROBLOX Corporation, Matterport Inc., and Take-Two Interactive Software Inc.

(1) <https://www.cnbc.com/2022/10/11/mark-zuckerberg-debuts-meta-quest-pro-vr-headset-that-will-cost-1500.html>

(2) <https://blogs.microsoft.com/blog/2022/10/11/microsoft-and-meta-partner-to-deliver-immersive-experiences-for-the-future-of-work-and-play/>

(3) <https://www.nvidia.com/en-us/omniverse/>

(4) <https://www.cnbc.com/2022/02/15/disney-appoints-executive-to-lead-metaverse-development.html>

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(5) <https://www.business2community.com/nft-news/disney-to-adopt-metaverse-in-enhancing-the-future-of-storytelling-02548198>

(6) <https://www.bloomberg.com/news/articles/2022-12-01/apple-mixed-reality-headset-rivaling-meta-set-to-run-xros-operating-system>

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.

Related Party Transactions

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

Management Fees

The management fees are calculated based on 0.60% per annum of the average daily net asset value of the Fund. The fees are accrued daily and generally paid monthly. For the year ended December 31, 2022, the Fund incurred \$70,595 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 \$17,649 in administration fees. These administration fees were received by Evolve Funds Group Inc. for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; fees payable to the index provider, 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 that class.

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Financial Highlights

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

The Fund's Net Assets Per Unit¹

	December 31, 2022	December 31, 2021
	(\$)	(\$)
For the periods ended:		
Hedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	9.49	10.00
Increase (decrease) from operations:		
Total revenue	0.04	-
Total expenses	(0.07)	(0.01)
Realized gains (losses)	(1.80)	(0.24)
Unrealized gains (losses)	(2.72)	(0.13)
Total increase (decrease) from operations³	(4.55)	(0.38)
Net Assets per Unit, end of period	4.88	9.49

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2022 and 2021. The Fund effectively began operations on November 26, 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.

The Fund's Ratios/Supplemental Data

	December 31, 2022	December 31, 2021
For the periods ended:		
Hedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	8,044,381	9,960,698
Number of units outstanding ⁴	1,650,000	1,050,001
Management expense ratio ⁵	0.85%	0.81%
Trading expense ratio ⁶	0.11%	0.55%
Portfolio turnover rate ⁷	80.90%	11.48%
Net Asset Value per unit (\$)	4.88	9.49
Closing market price (\$)	4.87	9.50

- 4 This information is provided as at December 31, 2022 and 2021.
- 5 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- 6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.
- 7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Past Performance

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

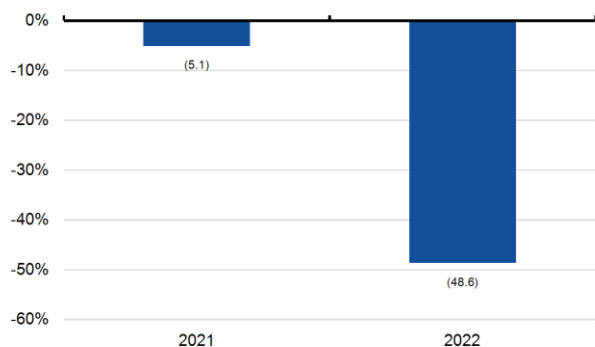
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Year-by-Year Returns

The bar chart below shows the Hedged 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.

MESH Hedged ETF Units¹



¹ The Hedged ETF Units of the Fund effectively began operations on November 26, 2021.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged ETF Units. The returns are for period ended December 31, 2022. As a basis of comparison, we have provided the performance of the NASDAQ 100 Stock Index ("Index"). As the criteria for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Since Inception ¹ (%)	1 Year (%)
Hedged ETF Units	(48.0)	(48.6)
NASDAQ 100 Stock Index	(28.9)	(32.4)

¹ From inception date of November 26, 2021 for the Hedged ETF Units.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
Activision Blizzard Inc.	3.4
Adobe Inc.	3.3
Advanced Micro Devices Inc.	3.3
Alibaba Group Holding Limited, ADR	3.2
Alphabet Inc., Class 'A'	3.2
Amazon.com Inc.	3.2
Apple Inc.	3.2
Autodesk Inc.	3.2
Cisco Systems Inc.	3.2
Coinbase Global Inc.	3.2

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
The Walt Disney Company	3.2
Electronic Arts Inc.	3.2
eXp World Holdings Inc.	3.2
Meta Platforms Inc.	3.2
Intel Corporation	3.2
Matterport Inc.	3.2
Microsoft Corporation	3.2
NetEase Inc., ADR	3.2
NVIDIA Corporation	3.2
PTC Inc.	3.2
Qualcomm Inc.	3.2
Roblox Corporation	3.2
Sea Limited, ADR	3.2
Snap Inc.	3.2
Sony Group Corporation, ADR	3.2
Total	80.4

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	35.3
Consumer Discretionary	9.5
Financials	3.2
Information Technology	48.0
Real Estate	3.2
Derivative Assets	0.8
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.0
Other Assets, less Liabilities	0.2
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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