

Evolve E-Gaming Index ETF

December 31, 2021

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 E-Gaming Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive eGaming Index (the "Benchmark"), or any successor thereto. The Fund primarily invests in equity securities of companies listed domestically and globally, and other issuers, with business activities in the gaming industry.

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, 2021, the Hedged ETF Units returned -6.2% versus the Solactive eGaming Index PR CAD Hedged return of -5.7%. 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 Fund's net assets were \$58MM as at December 31, 2021.

Portfolio Manager Commentary

The games market experienced steady growth in 2021, buoyed by higher consumer spending during COVID-19 lockdown conditions. It was expected to generate total revenues of \$180.3 billion for the year, up by 1.4% over last year.(i)

Incidentally, the audiences for games and gaming content have continued to grow, reaching some 3 billion players, representing a 5.3% increase over 2020. The Asia-Pacific region accounted for 55% of all players.(ii)

While console and PC saw slight declines in growth due to thinner release calendars, mobile game spending continued to increase and was expected to reach \$89.6 billion from across the App Store and Google Play globally.(iii)

The cloud gaming market, on the other hand, generated more than twice as much revenues in 2021 than it did in 2020.(iv) It benefitted from greater use of smartphones, especially 5G-ready devices. In 2021, the global number of active smartphones reached 4.6 billion (+5.7% year on year), among which 15.4%, or 703.5 million, are 5G-ready. This represents a year-on-year growth of +230.9% in the number of active 5G-ready smartphones worldwide.(v) benefitting the growth of cloud gaming.

The e-sports market also experienced massive success in 2021, with the number of viewers increasing by 6.7% in 2021 to reach 465.1 million people. Of these viewers, 235.5 million are occasional viewers, while the remaining 229.6 million are e-sports enthusiasts. Twitch, YouTube, and Facebook Gaming were among the channels that attracted the largest number of viewers.(vi)

The year was marked by a substantial number of corporate transactions, including mergers and acquisitions, strategic alliances, private investments, and IPOs. According to the investment banking firm Drake Star Partners, games industry deals surpassed an unparalleled \$71 billion in the first nine months of 2021.

Of the total 864 deals, 228 were M&A deals, amounting to \$31.9 billion in value.(vii) Selected M&A activity among companies held by this fund include Electronic Arts' acquisition of Glu Mobile; Zynga's acquisition of Chartboost, Starlark, and Echtra Games; and Activision Blizzard's acquisition of Digital Legends.(viii) In December, Zynga Inc. also announced that it had formed a strategic alliance with Forte, a leading developer of blockchain solutions for game publishers.(ix)

On the public listing front, selected companies held by this Fund include AppLovin which raised \$2 billion in an initial public offering, and Playtika which raised \$1.9 billion.

In corporate news, Nintendo, one of this Fund's largest holdings, sold 5.3 million Switch units through Japanese retail in 2021, that is, five times as many console units sold by all other consoles combined, with sales of PlayStation 5, PlayStation 4, Xbox Series X|S, and Nintendo's own 3DS amounting to 1.1 million units.(x)

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Performance Attribution

For the 1-year period ending December 31, 2021, Activision Blizzard Inc. made the largest contribution to the Fund, followed by Nintendo Co. Ltd, and Electronic Arts Inc. By weight, the Fund's largest exposure at the end of the year was to Roblox Corp., followed by Netease Inc. and Nintendo Co. Ltd.

(i) <https://newzoo.com/insights/articles/the-games-market-in-2021-the-year-in-numbers-esports-cloud-gaming/>

(ii) <https://newzoo.com/insights/articles/the-games-market-in-2021-the-year-in-numbers-esports-cloud-gaming/>

(iii) <https://www.deccanherald.com/business/mobile-game-spending-in-2021-to-reach-896bn-globally-1058843.html>

(iv) <https://newzoo.com/insights/articles/the-games-market-in-2021-the-year-in-numbers-esports-cloud-gaming/>

(v) <https://newzoo.com/insights/articles/the-games-market-in-2021-the-year-in-numbers-esports-cloud-gaming/>

(vi) <https://newzoo.com/insights/articles/the-games-market-in-2021-the-year-in-numbers-esports-cloud-gaming/>

(vii) <https://venturebeat.com/2021/10/05/drake-star-partners-gaming-companies-have-raised-a-record-71b-in-844-deals-this-year/>

(viii) <https://investor.activisionblizzard.com/news-releases/news-release-details/activision-acquires-mobile-game-developer-digital-legends>

(ix) <https://www.bloomberg.com/press-releases/2021-12-21/zynga-and-forte-announce-strategic-partnership-to-drive-rapid-development-create-more-economic-opportunities-for-players-in>

(x) https://www.gamesindustry.biz/articles/2022-01-06-nintendo-switch-sold-over-5m-units-in-japan-last-year?utm_source=newsletter&utm_medium=email&utm_campaign=daily&mc_cid=0fa2d49cca&mc_eid=6c6e61b625

Recent Developments

In the year 2021, 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 is 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 0.70% 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, 2021, the Fund incurred \$552,434 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.

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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, 2021, the Fund incurred \$118,379 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, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:			
Hedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	37.14	22.31	20.00
Increase (decrease) from operations:			
Total revenue	0.35	0.26	0.16
Total expenses	(0.48)	(0.47)	(0.24)
Realized gains (losses)	1.82	2.20	0.11
Unrealized gains (losses)	(5.33)	14.89	2.50
Total increase (decrease) from operations²	(3.64)	16.88	2.53
Distributions:			
From capital gains	(0.16)	(0.06)	-
Return of capital	(0.04)	-	(0.03)
Total annual distributions³	(0.20)	(0.06)	(0.03)
Net Assets per Unit, end of period	34.66	37.14	22.31

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2021, 2020, and 2019. The Fund effectively began operations on June 13, 2019.

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.

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The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2021	December 31, 2020	December 31, 2019
Hedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁴	58,049,592	41,783,501	2,231,075
Number of units outstanding ⁴	1,675,000	1,125,000	100,000
Management expense ratio ⁵	0.97%	0.96%	0.99%
Trading expense ratio ⁶	0.17%	0.42%	0.98%
Portfolio turnover rate ⁷	90.93%	31.35%	0.29%
Net Asset Value per unit (\$)	34.66	37.14	22.31
Closing market price (\$)	34.54	37.26	22.32

4 This information is provided as at December 31, 2021, 2020, and 2019.

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.

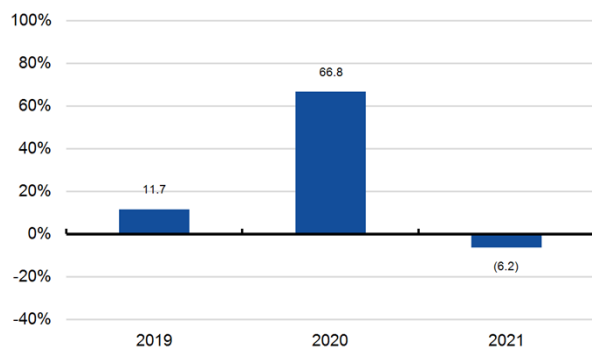
Past Performance

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.

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.

HERO Hedged ETF Units¹



1 The Hedged ETF Units of the Fund effectively began operations on June 13, 2019.

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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, 2021. 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	24.5	(6.2)
Solactive eGaming Index PR CAD Hedged	26.5	(5.7)

1 From inception date of June 13, 2019.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Roblox Corporation	12.0
NetEase Inc., ADR	10.6
Nintendo Company Limited, ADR	9.7
Electronic Arts Inc.	8.2
Activision Blizzard Inc.	8.0
AppLovin Corporation	4.9
Take-Two Interactive Software Inc.	4.4
NEXON Company Limited	4.0
Bilibili Inc., ADR	3.3
NCSOFT Corporation	2.7
Embracer Group AB	2.2
Netmarble Corporation	2.0
Pearl Abyss Corporation	1.7
Playtika Holding Corporation	1.6
Zynga Inc.	1.5
Konami Holdings Corporation	1.5
Koei Tecmo Holdings Company Limited	1.5
Capcom Company Limited	1.4
Square Enix Holdings Company Limited	1.4
Ubisoft Entertainment SA, ADR	1.3
Kingssoft Corporation Limited	1.3
Kakao Games Corporation	1.3
Wemade Company Limited	1.0
CD Projekt SA	1.0
Sega Sammy Holdings Inc.	0.9
Total	89.4

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	91.2
Consumer Discretionary	1.1
Information Technology	4.9
Derivative Assets	2.7
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	1.7
Other Assets, less Liabilities	(1.4)
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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