

Evolve Cloud Computing Index Fund

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 Cloud Computing Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive Global Cloud Computing Index Canadian Dollar Hedged, or any successor thereto. The Fund invests primarily in equity securities of companies located domestically or internationally that have business operations in the field of cloud computing.

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

Since the Fund effectively began operations on January 6, 2021, no performance data can be shown. The Fund's net assets were \$37.8MM as at December 31, 2021.

Portfolio Manager Commentary

In 2021, demand for cloud strategies increased, accompanied by higher spending resulting from greater-than-expected cloud usage due to at-home working conditions triggered by the COVID-19 pandemic.

According to the Flexera 2021 State of the Cloud Report, enterprises have almost entirely embraced multi-cloud, with 92% reporting use of a multi-cloud strategy and 82% taking a hybrid approach, that is, combining the use of both public and private clouds.(i)

Thirty-six percent of enterprises reported that their annual spend exceeded \$12 million, while 83% reported that cloud spend exceeded \$1.2 million per year, representing a significant increase as compared to 2020.(ii)

Amazon, held by this Fund, revealed a variety of new tools designed to support its Amazon Web Services (AWS) arm at its 2021 AWS re:Invent conference. The tools include effortless machine learning models, fortified artificial intelligence, robotics technology, and data lakes which are aimed at bolstering AWS data and analytics infrastructures and enhancing user efficiency across Amazon's cloud computing platform.(iii)

The company also announced the launch of AWS IoT TwinMaker which allows developers to easily create digital twins of real-time systems such as factories, industrial equipment, and product lines; as well as its IoT FleetWise tool which is specifically tailored for automakers to efficiently collect, transform, and transfer vehicle data in the cloud at a faster rate.(iv)

In addition, Amazon announced that it is dabbling in the quantum computing arena with the announcement of AWS's cloud quantum offering known as Braket.(v)

During the year, the top public cloud providers entered into several transactions in an increasingly competitive environment.

Amazon Web Services (AWS) announced that it has partnered with NASA to use its cloud computing power to process data sent back from NASA's Perseverance rover, which successfully landed on Mars in February.(vi)

Google and Shopify Inc., both held by this Fund, announced a partnership to allow more merchants to sell across Google properties and boost the search giant's e-commerce business. With the new integration, Google said Shopify's 1.7 million merchants can more easily list items on Google's Shopping site, as well as other properties such as Maps and YouTube.(vii)

Oracle, held by this Fund, and Cerner Corporation jointly announced an agreement for Oracle to acquire Cerner through an all-cash tender offer. Cerner is a leading provider of digital information systems used within hospitals and health systems to enable medical professionals to deliver better healthcare to individual patients and communities. Cerner is expected to be a significant revenue growth engine for Oracle for years to come as Oracle expands Cerner's business into many more countries throughout the world.(viii)

CN and Google Cloud announced a seven-year strategic partnership to transform CN's supply chain as part of digital scheduled railroading, deliver new customer experiences, and modernize its technology infrastructure in the cloud. CN's work with Google Cloud will drive the railway's ability to achieve continued growth and execute on transformational business initiatives, while supporting its sustainability goals.(ix)

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Bell Canada and Google Cloud announced a strategic partnership to power Bell's company-wide digital transformation, enhance its network and IT infrastructure, and enable a more sustainable future. The new, multi-year partnership will combine Bell's 5G network with Google's expertise in multicloud, data analytics, and artificial intelligence (AI), to deliver next-generation experiences for Bell customers across Canada.(x)

CIBC and Microsoft (held by this Fund) announced a strategic relationship through a multi-year agreement formalizing Microsoft Azure as CIBC's primary cloud platform. CIBC's cloud-first approach will be enabled by Microsoft Azure's vast on-demand computing power, enabling it to scale and modernize its banking platforms, while building in additional resiliency, efficiency and agility. Microsoft Azure will also enable CIBC to support faster, real-time, data-driven decisions, to quickly launch and scale new innovations for an enhanced client experience and expand its critical foundations in data protection and security.(xi)

Apptio, Inc., a leading provider of technology business management SaaS applications, announced a collaboration with Microsoft to deploy Apptio's financial decisioning platform on the Microsoft Cloud to help enterprises migrate and optimize workloads. Apptio will utilize the power of Microsoft's Dynamics 365 to absorb human capital management, enterprise resource planning, and other financial and operational data sources into its market-leading cost and planning engine for customizable analytics, insights, reporting and application development.(xii)

In corporate news, Okta Inc., held by this Fund, was named a Leader in the Gartner® Magic Quadrant™ for Access Management for the Fifth Consecutive Year in November. Okta was recognized as having the highest to "Ability to Execute" of all vendors evaluated. The Gartner report defines the access management market, in which Okta operates, as "customers' needs to establish, enforce and manage runtime access controls for internal and external types of identities, interacting with cloud, modern standards-based web and legacy web applications."

Earlier, Forrester Research Inc. recognized Okta as a Leader in The Forrester Wave™: Identity-As-A-Service (IDaaS) for Enterprise. In the Forrester evaluation, Okta earned the highest scores amongst all vendors evaluated in both the Current Offering and Strategy categories, earning a 5/5 score in 14 of the 18 evaluation criteria.(xiii)

Performance Attribution

For the 12-month period ending December 31, 2021, Fair Isaac Corp. was the best performing stock in the Fund, followed by GoDADDY Inc. and Citrix Systems Inc. The largest holdings in the Fund by weight at the end of the year, were Microsoft Corp. and Alphabet Inc.

(i) <https://www.flexera.com/blog/cloud/cloud-computing-trends-2021-state-of-the-cloud-report/>

(ii) <https://www.flexera.com/blog/cloud/cloud-computing-trends-2021-state-of-the-cloud-report/>

(iii) <https://venturebeat.com/2021/12/02/reinvent-ing-cloud-computing-amazons-decade-of-innovation-for-aws/>

(iv) <https://venturebeat.com/2021/12/02/reinvent-ing-cloud-computing-amazons-decade-of-innovation-for-aws/>

(v) <https://venturebeat.com/2021/12/02/reinvent-ing-cloud-computing-amazons-decade-of-innovation-for-aws/>

(vi) <https://www.zdnet.com/article/cloud-computing-is-helping-to-keep-nasas-perseverance-mars-rover-on-track/>

(vii) <https://www.bnnbloomberg.ca/google-announces-e-commerce-partnership-with-shopify-1.1605412>

(viii) <https://www.oracle.com/news/announcement/oracle-buys-cerner-2021-12-20/>

(ix) <https://www.newswire.ca/news-releases/cn-partners-with-google-cloud-to-modernize-railway-services-and-deliver-enhanced-customer-experiences-855257557.html>

(x) <https://www.bce.ca/news-and-media/releases/show/Bell-partners-with-Google-Cloud-to-deliver-next-generation-network-experiences-for-Canadians>

(xi) <https://news.microsoft.com/en-ca/2021/07/08/cibc-and-microsoft-announce-strategic-relationship-to-accelerate-the-banks-transformation-and-cloud-first-approach/>

(xii) <https://www.newswire.ca/news-releases/apptio-collaborates-with-microsoft-to-provide-end-to-end-visibility-optimization-and-decisioning-on-the-microsoft-cloud-823650070.html>

(xiii) <https://www.okta.com/resources/access-management-leader-gartner-magic-quadrant-2021/>

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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 0.6% 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, 2021, the Fund incurred \$173,295 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, 2021, the Fund incurred \$43,324 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 (\$)
For the periods ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.13
Total expenses	(0.24)
Realized gains (losses)	1.40
Unrealized gains (losses)	0.02
Total increase (decrease) from operations³	1.31
Distributions:	
From capital gains	(0.09)
Return of capital	(0.02)
Total annual distributions⁴	(0.11)
Net Assets per Unit, end of period	24.34

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

	December 31, 2021 (\$)
For the periods ended:	
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.12
Total expenses	(0.24)
Realized gains (losses)	0.22
Unrealized gains (losses)	3.47
Total increase (decrease) from operations³	3.57
Distributions:	
From capital gains	(0.10)
Return of capital	(0.01)
Total annual distributions⁴	(0.11)
Net Assets per Unit, end of period	24.42

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2021. The Hedged and Unhedged ETF Units effectively began operations on January 6, 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.

The Fund's Ratios/Supplemental Data

	December 31, 2021
For the periods ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	5,476,295
Number of units outstanding ⁵	225,000
Management expense ratio ⁶	0.85%
Trading expense ratio ⁷	0.10%
Portfolio turnover rate ⁸	43.23%
Net Asset Value per unit (\$)	24.34
Closing market price (\$)	24.35
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	32,362,616
Number of units outstanding ⁵	1,325,000
Management expense ratio ⁶	0.85%
Trading expense ratio ⁷	0.10%
Portfolio turnover rate ⁸	43.23%
Net Asset Value per unit (\$)	24.42
Closing market price (\$)	24.55

- 5 This information is provided as at December 31, 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.

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Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date January 6, 2021, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Microsoft Corporation	8.3
Alphabet Inc., Class 'A'	7.6
Amazon.com Inc.	7.5
salesforce.com Inc.	6.8
Intuit Inc.	6.8
Oracle Corporation	6.8
SAP SE, ADR	6.7
Shopify Inc., Class 'A'	6.1
ServiceNow Inc.	5.0
Snowflake Inc.	3.9
Workday Inc.	2.0
Zscaler Inc.	1.7
Zoom Video Communications Inc.	1.7
Datadog Inc.	1.7
CrowdStrike Holdings Inc.	1.6
MongoDB Inc.	1.3
Okta Inc.	1.3
HubSpot Inc.	1.2
DocuSign Inc.	1.2
Seagate Technology Holdings PLC	1.0
Paycom Software Inc.	1.0
Bill.Com Holdings Inc.	1.0
NetApp Inc.	0.8
Western Digital Corporation	0.8
NICE Limited, ADR	0.7
Total	84.5

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	8.1
Consumer Discretionary	7.5
Industrials	0.6
Information Technology	82.1
Derivative Assets	1.8
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(1.0)
Total	100.0

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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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