

Bitcoin 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 Bitcoin ETF's (the "Fund") investment objective is to provide unitholders with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure.

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 -64.0% versus the CME CF Bitcoin Reference Rate return of -65.6%. The US Dollar Unhedged ETF Units returned -66.4% versus the CME CF Bitcoin Reference Rate return of -65.6%. 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. The Fund's net assets were \$36.4MM as at December 31, 2022.

Portfolio Manager Commentary

2022 was defined by widespread cryptocurrency adoption by governmental bodies and corporations alike. In January, Rio de Janeiro, Brazil's second-most populous city, announced plans to allocate 1% of the city's treasury reserves to cryptocurrencies.¹ In the same month, Intel announced it would release a new "ultra-low-voltage" Bitcoin mining chip, which would reduce the energy consumption required to mine the cryptocurrency in an exciting development for the network.² Then, in February, KPMG Canada announced that it would add Bitcoin and Ethereum to its corporate balance sheet, becoming one of the highest profile firms to invest in cryptocurrencies.³ That announcement was followed by one made by State Street Corporation, the largest custodial service provider in the world, in which the firm announced they had plans to launch custodial services for bitcoin and other cryptocurrencies.⁴ Then in April, the Central African Republic declared Bitcoin as an official currency, becoming the second nation after El Salvador to accept the cryptocurrency as legal tender.⁵ Later in August, Coinbase, the world's second largest cryptocurrency exchange platform, and BlackRock, the world's largest asset manager, announced a partnership to help institutional investors manage and trade Bitcoin.⁶ The last notable announcement came in October, when America's Oldest Bank, BNY Mellon, announced it will offer cryptocurrency custodial services.⁷

During the year, the cryptocurrency market also faced several considerable challenges such as the collapse of Stablecoin Terra USD and LUNA, Celsius, Voyager Digital, and FTX. In May, the collapse of algorithmic stablecoin TerraUSD (UST) and its sister coin that backed it, Terra (LUNA) resulted in \$40 billion in investor losses and created somewhat of a domino effect throughout the cryptocurrency industry. This collapse damaged consumer confidence in the cryptocurrency market, accelerating the onset of a "crypto winter" and an industry-wide sell-off that spurs a bank run-style series of withdrawals by Celsius users. Then, in June, Celsius posted a memo informing users that it had frozen their assets, then filed for bankruptcy shortly thereafter in July. Voyager Digital, a crypto brokerage service, also filed for bankruptcy in July. Prior to this filing, it has also paused customer withdrawals.⁸ Finally, and perhaps most notably, in November, cryptocurrency exchange FTX and its sister trading firm Alameda Research, filed for bankruptcy on November 11th on concerns about improper use of client funds that led to a run-on deposit, creating an estimate \$8 billion liquidity shortfall.⁹

Subsequently, investment banks and surviving cryptocurrency firms announced plans to acquire devalued cryptocurrency companies. In December, Goldman Sachs, revealed plans to spend tens of millions of dollars to buy or invest in cryptocurrency companies while valuations are down, and investor interest is dampened. As of December 6, Goldman has invested in 11 digital asset companies that provide services such as compliance, cryptocurrency data and blockchain management, and continues to see cryptocurrency companies as a viable investment opportunity.¹⁰ Later in the month, Binance.US announced that it would acquire bankrupt Voyager Digital's assets for \$1 billion.¹¹ In fact, the cryptocurrency exchange outlined plans to continue to explore more acquisition opportunities in an effort to add new assets, users, and capabilities to their platform.¹²

Performance Attribution

EBIT provides investors with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure. EBIT offers investors exposure to bitcoin by investing directly in bitcoin, with EBIT's holdings of bitcoin priced based on the CME CF Bitcoin Reference Rate, a once-a-day benchmark index price for bitcoin denominated in U.S. dollars.

(1) <https://www.coindesk.com/video/rio-de-janeiro-to-allocate-1-of-treasury-reserves-to-crypto/#:~:text=The%20mayor%20of%20Rio%20de,city's%20treasury%20reserves%20to%20cryptocurrencies>

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(2) <https://decrypt.co/90643/intel-energy-efficient-bitcoin-mining-chip>

(3) <https://www.bloomberg.com/news/articles/2022-02-07/kpmg-canada-adds-bitcoin-ethereum-to-corporate-balance-sheet?leadSource=uverify%20wall>

(4) <https://bitcoinmagazine.com.cdn.ampproject.org/c/s/bitcoinmagazine.com/.amp/business/state-street-corporation-to-offer-custodial-services-for-bitcoin-and-crypto>

(5) <https://www.bloomberg.com/news/articles/2022-04-28/bitcoin-is-declared-a-legal-currency-in-central-african-republic-12isppnb?leadSource=uverify%20wall>

(6) <https://www.bloomberg.com/news/articles/2022-08-04/coinbase-s-blackrock-pact-reinforces-crypto-status-burns-shorts?srnd=technology-vp&leadSource=uverify%20wall>

(7) <https://www.wsj.com/articles/americas-oldest-bank-bny-mellon-will-hold-that-crypto-now-11665460354>

(8) <https://www.nerdwallet.com/article/investing/crypto-winter#:~:text=Now%2C%20multiple%20crypto%2Drelated%20companies,known%20as%20%22crypto%20winter.%22>

(9) <https://www.bloomberg.com/news/articles/2022-11-10/sam-bankman-fried-s-ftx-faces-8-billion-shortfall-possible-bankruptcy>

(10) <https://www.reuters.com/technology/goldman-sachs-hunt-bargain-crypto-firms-after-ftx-fiasco-2022-12-06/>

(11) <https://www.cNBC.com/2022/12/19/binance-to-acquire-voyager-assets-weeks-after-ftx-deal-fell-through-bankruptcy.html>

(12) <https://www.bloomberg.com/news/articles/2022-12-19/binance-us-explores-buying-other-distressed-assets-after-voyager?srnd=markets-vp&leadSource=uverify%20wall>

Recent Developments

COVID-19 Pandemic

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.

Coinbase Appointed as Sub-Custodian

Subsequent to December 31, 2022, the Fund announced the appointment of Coinbase Custody Trust Company, LCC as Sub-Custodian for all digital assets, effective February 22, 2023. The digital assets of the Fund were transferred to Coinbase Custody Trust Company, LLC, over the period from February 22, 2023 to March 10, 2023. No changes have been made to the investment objectives or strategies of the Fund as a result of the Sub-Custodian appointment.

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 0.75% 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 \$570,042 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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Operating Expenses

Unless waived or reimbursed by the Manager, the Fund pays for all operating expenses of the Fund incurred in connection with the operation and administration of the Evolve Fund, including but not limited to: mailing and printing expenses for periodic reports to Unitholders; fees payable to the 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 (if applicable) and CDS fees; banking costs and interest with respect to any borrowing (if applicable); website maintenance costs; 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, Bitcoin consultant (if any), CF Benchmarks (in respect of index licensing and/or consulting fees, if any) Custodian and Manager which are incurred in respect of matters not in the normal course of the Fund's activities. Additional costs which are also payable by the Fund include any taxes payable by Fund to which the Fund may be subject, including income taxes, sales taxes (including GST/HST) and/or withholding taxes; expenditures incurred upon termination of the Fund; extraordinary expenses that the Fund may incur and all amounts paid on account of any indebtedness (if applicable); any expenses of insurance and costs of all suits or legal proceedings in connection with the Fund or the assets of the Fund or to protect the unitholders, the Trustee, the Manager, and the directors, officers, employees or agents of any of them; any expenses of indemnification of the Trustee, the Unitholders, the Manager, and the directors, officers, employees or agents of any of them to the extent permitted under the Declaration of Trust; and expenses relating to the preparation, printing and mailing of information to unitholders in connection with meetings of unitholders. The Fund is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time, including brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in bitcoin.

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:		
Canadian Dollar Unhedged ETF Units - Net Assets per Unit⁴		
Net Assets per Unit, beginning of period ²	18.19	20.00
Increase (decrease) from operations:		
Total expenses	(0.23)	(0.30)
Realized gains (losses)	(8.01)	(0.78)
Unrealized gains (losses)	(3.56)	(2.41)
Total increase (decrease) from operations³	(11.80)	(3.49)
Net Assets per Unit, end of period	6.11	18.19
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	18.19	20.00
Increase (decrease) from operations:		
Total expenses	(0.24)	(0.30)
Realized gains (losses)	(7.53)	(0.52)
Unrealized gains (losses)	(6.40)	(2.30)
Total increase (decrease) from operations³	(14.17)	(3.12)
Net Assets per Unit, end of period	6.11	18.19

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2022 and 2021. The Unhedged ETF Units and US Dollar Unhedged ETF Units began operations on February 17, 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 Per unit figures are stated in USD equivalent.

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The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2022	December 31, 2021
Canadian Dollar Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁵	30,669,699	83,602,179
Number of units outstanding⁵	5,020,300	4,595,601
Management expense ratio⁶	2.18%	1.82%
Trading expense ratio⁷	0.03%	0.02%
Portfolio turnover rate⁸	116.53%	73.33%
Net Asset Value per unit (\$)	6.11	18.19
Closing market price (\$)	6.11	17.39
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁵	5,741,301	25,904,273
Number of units outstanding⁵	939,250	1,424,201
Management expense ratio⁶	2.10%	1.79%
Trading expense ratio⁷	0.03%	0.02%
Portfolio turnover rate⁸	116.53%	73.33%
Net Asset Value per unit (\$)	6.11	18.19
Closing market price (\$)	6.17	17.46

5 This information is provided as at December 31, 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.

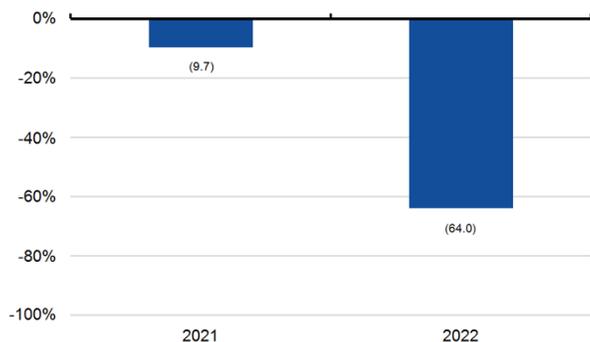
Year-by-Year Returns

The bar chart below shows the 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.

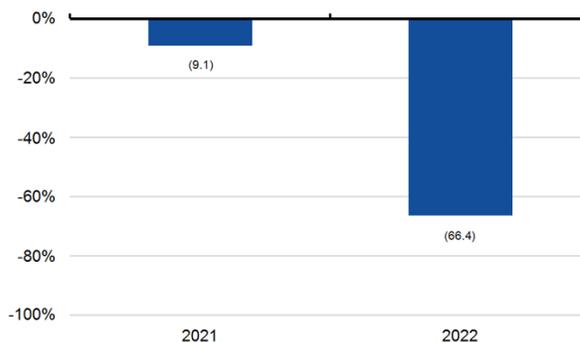
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EBIT Unhedged ETF Units¹



EBIT/U US Dollar Unhedged ETF Units²



1 The Unhedged ETF Units of the Fund effectively began operations on February 17, 2021. Returns presented based on NAV equivalent in USD.

2 The US Dollar Unhedged ETF Units of the Fund effectively began operations on February 17, 2021.

Annual Compound Return

The table below shows the historical annual compound total return of the 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 (%)
Unhedged ETF Units	(45.2)	(64.0)
CME CF Bitcoin Reference Rate	(45.5)	(65.6)
US Dollar Unhedged ETF Units	(47.0)	(66.4)
CME CF Bitcoin Reference Rate	(45.5)	(65.6)

1 From inception date of February 17, 2021 for the Unhedged and US Dollar Unhedged ETF Units.

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
Bitcoin	100.0
Total	100.0

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Digital Assets	
Bitcoin	100.0
Cash and Cash Equivalents	0.4
Other Assets, less Liabilities	(0.4)
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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