

Bitcoin 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 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

Since the Fund effectively began operations on February 17, 2021, no performance data can be shown. The Fund's net assets were \$109.5MM as at December 31, 2021.

Portfolio Manager Commentary

In a year that was marked by substantial price volatility, bitcoin experienced a 58% increase in price during 2021, opening the year at \$29,374 and closing at \$46,306. Early in the year on April 14, it climbed to \$64,863 and posted an all-time high of \$67,549 on November 27, before falling to its year-end level.(i)

Price volatility of bitcoin was fueled by a number of factors during the year. In March, Tesla CEO Elon Musk announced via tweet that the electric vehicle manufacturer would accept bitcoin as payment to buy its cars. Tesla had been investing heavily in bitcoin as part of its operations, having purchased \$1.5 billion USD of the digital currency earlier this year.(ii)

Musk's tweet triggered a sharp rise in bitcoin prices but its impact was short-lived as in May, Musk announced that Tesla would no longer allow the purchase of its vehicles with bitcoin on the back of concerns about the "rapidly increasing use of fossil fuels for bitcoin mining," triggering a collapse in bitcoin prices. In addition, Musk announced that Tesla won't be selling some \$2.5 billion worth of bitcoin it currently holds and is instead open to resuming bitcoin-based purchases once bitcoin mining "transitions to more sustainable energy." (iii)

Another major development which shook the bitcoin market during the year was China's crackdown on bitcoin mining and usage. In May, the Chinese government ordered banks and payment firms to prevent cryptocurrency trading and purchases on their platforms.(iv) Trading volumes on major cryptocurrency exchanges fell by more than 40% in June as a result of the Chinese ban and lower volatility overall.(v)

In September, China, which was estimated to account for between 50% and 70% of the world's crypto mining,(vi) put a final nail in bitcoin operations in the country. Several Chinese government agencies, including the country's securities regulator and the People's Bank of China announced that "all cryptocurrency-related business activities are illegal and vowed to clamp down on illicit activities involving digital currencies."

The agencies also said that overseas crypto exchanges would be blocked from providing services to Chinese residents through the internet.(vii) In a separate statement, China's National Development and Reform Commission said China will gradually start shutting down crypto mining operations, and no new mining projects will be permitted.(viii)

In spite of the negative rhetoric on bitcoin and price volatility, bitcoin experienced heightened adoption during the year, with institutional players, multinationals, and hedge funds increasing participation in the cryptocurrency.

In October, Mastercard said it is preparing to announce that any of the thousands of banks and millions of merchants on its payments network can soon integrate crypto into their products. This includes bitcoin wallets, credit, and debit cards that earn rewards in crypto and enable digital assets to be spent, as well as loyalty programs where airline or hotel points can be converted into bitcoin.(ix)

Visa also announced that it is planning to bring cryptocurrency services to traditional banking platforms in Brazil. The company said that it is working with several cryptocurrency companies in the country to bring cryptocurrency payment cards to the market and hinted at a possible direct integration of bitcoin into payments. Visa also stated they will start testing direct bitcoin payments in the country, which means that transactions will allow bitcoin to be transferred to other accounts directly.(x)

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PayPal, which last year added the ability for users to buy, hold and sell cryptocurrency, announced they will now allow customers who hold bitcoin or other digital currencies to convert their holdings into fiat currencies at checkouts to make purchases. The crypto payments will work the same as a credit card or a debit card currently works inside a PayPal wallet. By pushing cryptocurrency as a payment method to its 29 million+ online merchants, PayPal makes itself one of the largest mainstream financial companies to open its network to cryptocurrencies.(xi) PayPal will also allow users to withdraw cryptocurrency held in PayPal accounts off-platform and into third-party wallets.(xii)

One of the biggest news items for Bitcoin in 2021 was El Salvador becoming the first country to adopt bitcoin as legal tender, allowing the cryptocurrency to be used in any transaction, from buying a cup of coffee to paying taxes.(xiii) The government has promised to install 200 Chivo automatic tellers and 50 Bitcoin attention centers.(xiv)

At a corporate level, Coinbase Global, the largest crypto exchange in the U.S. went public on the Nasdaq in April at a valuation of nearly \$100 billion. Coinbase shares began trading at \$381 a share, a more than 50% jump from the reference price for its stock of \$250 a share. The company listed its shares directly on the Nasdaq, as opposed to selling new stock through an initial public offering.(xv)

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.

(i) <https://finance.yahoo.com/quote/BTC-USD/history?period1=1609459200&period2=1640908800&interval=1d&filter=history&frequency=1d&includeAdjustedClose=true>

(ii) <https://www.bbc.com/news/technology-56508568>

(iii) <https://www.cnbc.com/2021/05/13/why-elon-musk-is-worried-about-Bitcoin-environmental-impact.html>

(iv) <https://www.reuters.com/technology/chinas-central-bank-urges-financial-institutions-crack-down-cryptocurrencies-2021-06-21/>

(v) <https://www.reuters.com/business/cryptocurrency-trading-volumes-slump-40-june-data-shows-2021-07-12/>

(vi) <https://www.reuters.com/business/cryptocurrency-trading-volumes-slump-40-june-data-shows-2021-07-12/>

(vii) <https://www.cnn.com/2021/09/24/investing/china-cryptocurrency-ban/index.html>

(viii) <https://www.cnn.com/2021/09/24/investing/china-cryptocurrency-ban/index.html>

(ix) <https://www.cnbc.com/2021/10/25/mastercard-says-any-bank-or-merchant-on-its-vast-network-can-soon-offer-crypto-services.html>

(x) <https://news.bitcoin.com/visa-plans-to-bring-cryptocurrency-services-to-traditional-banks-in-brazil/>

(xi) <https://www.reuters.com/article/us-crypto-currency-paypal-exclusive/exclusive-paypal-launches-crypto-checkout-service-idUSKBN2BM10N>

(xii) <https://www.reuters.com/technology/paypal-allow-users-withdraw-cryptocurrency-third-party-wallets-2021-05-26/>

(xiii) <https://www.nytimes.com/2021/09/07/world/americas/el-salvador-bitcoin.html>

(xiv) <https://www.ctvnews.ca/business/early-stumble-as-el-salvador-starts-bitcoin-as-currency-1.5575423>

(xv) <https://www.cnn.com/2021/04/14/investing/coinbase-stock-direct-listing/index.html>

Recent Developments

In the year 2021, the COVID-19 pandemic 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.

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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 0.75% 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, 2021, the Fund incurred \$641,656 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.

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, 2021 (\$) |
|---|------------------------------|
| For the periods ended: | |
| Canadian Dollar Unhedged ETF Units - Net Assets per Unit⁴ | |
| Net Assets per Unit, beginning of period ² | 20.00 |
| Increase (decrease) from operations: | |
| Total expenses | (0.30) |
| Realized gains (losses) | (0.78) |
| Unrealized gains (losses) | (2.41) |
| Total increase (decrease) from operations³ | (3.49) |
| Net Assets per Unit, end of period | 18.19 |

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

| | 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 expenses | (0.30) |
| Realized gains (losses) | (0.52) |
| Unrealized gains (losses) | (2.30) |
| Total increase (decrease) from operations³ | (3.12) |
| Net Assets per Unit, end of period | 18.19 |

1 This information is derived from the Fund's audited annual financial statements as at December 31, 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.

The Fund's Ratios/Supplemental Data

| | December 31, 2021 |
|--|----------------------|
| For the periods ended: | |
| Canadian Dollar Unhedged ETF Units - Ratios/Supplemental Data | |
| Total Net Asset Value (\$) ⁵ | 83,602,179 |
| Number of units outstanding ⁵ | 4,595,601 |
| Management expense ratio ⁶ | 1.82% |
| Trading expense ratio ⁷ | 0.02% |
| Portfolio turnover rate ⁸ | 73.33% |
| Net Asset Value per unit (\$) | 18.19 |
| Closing market price (\$) | 17.39 |
| Unhedged ETF Units - Ratios/Supplemental Data | |
| Total Net Asset Value (\$) ⁵ | 25,904,273 |
| Number of units outstanding ⁵ | 1,424,201 |
| Management expense ratio ⁶ | 1.79% |
| Trading expense ratio ⁷ | 0.02% |
| Portfolio turnover rate ⁸ | 73.33% |
| Net Asset Value per unit (\$) | 18.19 |
| Closing market price (\$) | 17.46 |

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

Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date February 17, 2021, providing performance data for the period is not permitted.

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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 | 0.2 |
| 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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