



Evolve FANGMA 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 FANGMA Index ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive FANGMA Equal Weight Index Canadian Dollar Hedged, or any successor thereto. The Fund invests in equity securities of Alphabet Inc., Amazon Inc., Apple Inc., Facebook Inc., Netflix Inc. and Microsoft Corp.

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 May 4, 2021, no performance data can be shown. The Fund's net assets were \$57MM as at December 31, 2021.

Portfolio Manager Commentary

Megacap technology stocks, Apple, Amazon, Alphabet, Microsoft, Meta, and Netflix, delivered record earnings and hit all-time highs in 2021. They also acted as a driving force for gains in many broad-based indices.(i)

Their record sales and earnings in 2021 came on the back of COVID-19 pandemic-induced life style changes, which resulted in a shift to remote work and online activity. This accelerated the digital transformation of businesses and increased demand for everything that Mega Tech companies specialize in – whether that be smartphones and computers, gaming and video entertainment, digital software and cloud computing, or social media and e-commerce.

During the year, the regulatory environment remained onerous for Mega Tech companies as governments both at home and abroad continue to try to loosen their control over key markets. Apple, Amazon, Alphabet, Meta, and Microsoft have all been hit with fines or have been subject to investigations during 2021, as regulators probed their dealings in everything from their M&A activity and how they pay tax to how they handle rapidly-growing amounts of data and distribute content.(ii)

The majority of investigations have been launched over concerns that Mega Tech companies are too dominant and can consequently leverage their positions to squash or swallow-up smaller rivals.

Late in June, a U.S. judge dismissed federal and state antitrust complaints against Facebook Inc as "legally insufficient". Seeking to force the sale of Instagram and WhatsApp, the judge said the FTC had failed to show that Facebook had monopoly power in the social networking market. He also dismissed similar lawsuits from several U.S. states, saying they waited too long to challenge the acquisitions of Instagram and WhatsApp in 2012 and 2014, respectively.(iii)

Conversely, in November the UK Competition and Markets Authority Regulators ordered Meta to unwind its acquisition of Giphy because the deal would reduce competition between social media platforms and had already removed one potential rival in the advertising market.(iv)

However, Mega Tech companies continued on their acquisition binge in 2021. According to Apple's CEO Tim Cook, Apple acquires one company "every three to four weeks"(v); namely smaller companies that support the company's development initiatives. Apple is the leading purchaser of companies in the global artificial intelligence space, according to data shared by GlobalData.(vi) For example, in August, Apple acquired Primephonic, a classical music streaming service.(vii)

Microsoft also made a several acquisitions during the year. Some of which included the acquisition of RiskIQ, a leader in global threat intelligence and attacks surface management; ReFirm Labs, in order to boost Microsoft's firmware analysis and security capabilities across all devices and form an intelligent edge ranging from servers to IoT; Kinvolk, to boost its container-optimized innovation; and Nuance Communications, to facilitate the delivery of new cloud and AI capabilities across industries with a focus on healthcare.(viii)

Microsoft also showcased Windows 11, its first major operating system revamp since 2015. In addition to new functionality, the major innovation in Windows 11 is the new Windows Store that will allow software developers to use their own in-app payment systems without paying a commission to Microsoft. The move is widely seen as a direct challenge to Apple's "walled garden" approach with its App Store, as well as Google Play Store, which like Apple, also charges developers commissions of up to 30%.(ix)

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Select Meta transactions during the year include the acquisitions of Unit 2 Games, which develops a “collaborative game creation platform” called Crayta; Bigbox VR, which develops a popular game for Facebook’s Oculus VR goggles; and Downpour Interactive, another VR game-creator.(x)

Google was also active on the transaction front. In May, the company and Shopify Inc. 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.(xi)

Google also acquired Pring, a Japanese payments firm intended to boost GooglePay; as well as Dysonics, a 3D audio startup which has patents for tracking binaural sound — a feature that could come in handy for future iterations of Google’s Pixel buds, or other audio wearables.

Amazon’s largest acquisition during the year was that of MGM, the fabled U.S. movie studio. This marked the company’s second-biggest acquisition to date.(xii)

Netflix reported fourth-quarter earnings of \$1.33 vs. the \$0.82 expected earnings per share; as well as revenues of \$7.71 billion, which were in line with expectations.(xiii)

Performance Attribution

From its inception on May 4, 2021 to December 31, 2021, Alphabet Inc. was the best performing holding in the Fund, followed by Microsoft Corp. and Apple Inc. The largest holding in the Fund by weight at December 31, 2021, was Apple Inc., followed by Microsoft Corp. and Meta Platforms Inc.

(i) <https://www.forex.com/en/market-analysis/latest-research/what-will-big-tech-stocks-face-in-2022/>

(ii) <https://www.forex.com/en/market-analysis/latest-research/what-will-big-tech-stocks-face-in-2022/>

(iii) <https://www.reuters.com/technology/us-judge-tells-ftc-file-new-complaint-against-facebook-2021-06-28/>

(iv) <https://edition.cnn.com/2021/11/30/tech/meta-giphy-uk-cma/index.html>

(v) <https://www.bbc.com/news/business-56178792>

(vi) GlobalData<https://www.macrumors.com/2021/03/25/apple-ai-acquisitions-2016-to-2020/>

(vii) <https://www.apple.com/newsroom/2021/08/apple-acquires-classical-music-streaming-service-primephonic/>

(viii) GlobalData<https://www.macrumors.com/2021/03/25/apple-ai-acquisitions-2016-to-2020/>

(ix) <https://www.reuters.com/technology/microsoft-unveil-first-new-windows-six-years-2021-06-24/>

(x) <https://www.vox.com/recode/22776461/facebook-meta-metaverse-monopoly>

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

(xii) <https://www.reuters.com/technology/amazons-major-acquisitions-over-years-2021-05-26/>

(xiii) <https://www.cnbc.com/2022/01/20/netflix-nflx-earnings-q4-2021.html>

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 0.4% 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 \$99,506 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 \$37,315 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 period ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	10.00
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	(0.05)
Realized gains (losses)	0.84
Unrealized gains (losses)	0.90
Total increase (decrease) from operations³	1.71
Distributions:	
Return of capital	(0.02)
Total annual distributions⁴	(0.02)
Net Assets per Unit, end of period	12.37
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	10.00
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	(0.05)
Realized gains (losses)	(0.20)
Unrealized gains (losses)	1.76
Total increase (decrease) from operations³	1.53
Distributions:	
Return of capital	(0.02)
Total annual distributions⁴	(0.02)
Net Assets per Unit, end of period	12.01

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

	December 31, 2021 (\$)
For the period ended:	
US Dollar Unhedged ETF Units - Net Assets per Unit⁵	
Net Assets per Unit, beginning of period ²	12.31
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	(0.06)
Realized gains (losses)	0.88
Unrealized gains (losses)	2.01
Total increase (decrease) from operations³	2.85
Distributions:	
Return of capital	(0.02)
Total annual distributions⁴	(0.02)
Net Assets per Unit, end of period	15.23

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2021. The Hedged, Unhedged, and US Dollar Unhedged ETF Units effectively began operations on May 4, 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.
- 5 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2021
For the period ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁶	7,422,345
Number of units outstanding ⁶	600,001
Management expense ratio ⁷	0.62%
Trading expense ratio ⁸	0.02%
Portfolio turnover rate ⁹	75.02%
Net Asset Value per unit (\$)	12.37
Closing market price (\$)	12.40
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁶	36,616,111
Number of units outstanding ⁶	3,050,001
Management expense ratio ⁷	0.62%
Trading expense ratio ⁸	0.02%
Portfolio turnover rate ⁹	75.02%
Net Asset Value per unit (\$)	12.01
Closing market price (\$)	12.01

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The Fund's Ratios/Supplemental Data (cont'd)

For the period ended:	December 31, 2021
US Dollar Unhedged ETF Units - Ratios/Supplemental Data⁶	
Total Net Asset Value (\$) ⁶	12,943,849
Number of units outstanding	850,001
Management expense ratio ⁷	0.62%
Trading expense ratio ⁸	0.02%
Portfolio turnover rate ⁹	75.02%
Net Asset Value per unit (\$)	15.23
Closing market price (\$)	15.33

6 This information is provided as at December 31, 2021.

7 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.

8 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.

9 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 May 4, 2021, providing performance data for the period is not permitted.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Apple Inc.	19.1
Microsoft Corporation	17.3
Meta Platforms Inc.	16.1
Alphabet Inc., Class 'A'	16.0
Amazon.com Inc.	15.2
Netflix Inc.	14.9
Total	98.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	47.0
Consumer Discretionary	15.2
Information Technology	36.4
Derivative Assets	1.5
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	(0.7)
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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