

Evolve Metaverse 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.

Evolve Metaverse ETF

December 31, 2021

Investment Objective and Strategies

The Evolve Metaverse ETF's (the "Fund") investment objective is to provide unitholders with long-term capital appreciation by actively investing in a diversified mix of publicly traded equity securities of issuers from North America, as well as other developed markets from around the world, that are considered by the Manager (as defined herein) to be involved in the development of the Metaverse.

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 November 26, 2021, no performance data can be shown. The Fund's net assets were \$10.0MM as at December 31, 2021.

Portfolio Manager Commentary

Launched in November 2020, MESH seeks to provide investors with long-term capital appreciation by actively investing in a diversified mix of publicly traded equity securities of issuers from North America, as well as other developed markets from around the world, that are considered to be involved in the development of the metaverse.

While still in its infancy, the metaverse is an immersive 3D next-generation of the Internet, fueled by virtual and augmented reality technology. It is an iteration of the Internet, supporting persistent 3D virtual environments combined with social media, communications, and productivity tools allowing users to interact online in an immersive, virtual representation of the real world.

With the metaverse becoming increasingly popular, it is set to influence everything from advertising, social commerce, gaming, digital events, hardware, crypto, and developer/creator monetization.

As a result, internet-native companies and those that develop hardware, software, and virtual platforms are supporting the metaverse in order to gain a foothold in the metaverse as it is poised to take off.

In fact, the evolution of the metaverse is believed to be the reason behind Facebook's name change to Meta Platforms Inc. During the year Meta acquired Unit 2 Games, which makes a "collaborative game creation platform" called Crayta; Bigbox VR, which makes a popular game for Facebook's Oculus VR goggles; and Downpour Interactive, another VR game-maker.(i)

M&A activity by other companies held by the Fund include Electronic Arts acquisition of Glu Mobile; and Activision Blizzard's acquisition of Digital Legends.(ii)

In addition, Matterport Inc. a holding in the Fund, acquired Enview Inc, a pioneer in AI for 3D spatial data. The company's 3D AI platform has been used to help solve challenges ranging from infrastructure protection for Fortune 500 companies, disaster recovery applications, and logistics and mobility for national security companies. Enview's acquisition will help Matterport speed up the development of its next-generation spatial data analytics platform.(iii)

Unity (held by this Fund), the world's leading platform for creating and operating real-time 3D content, cemented its leading position in the metaverse with the acquisition of Weta Digital's tools, pipeline, technology, and engineering talent. Weta Digital's interoperable 3D art technology has been used to create the visual effects in movies and TV shows, including Game of Thrones, Lord of the Rings, and Avatar.(iv)

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

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

(iii) <https://matterport.com/news/matterport-completes-acquisition-enview-bring-powerful-property-insights-and-analytics>

(iv) *Unity Completes Acquisition of Weta Digital's Tools, Pipeline, and Engineering Talent, Unity, December 1, 2021; <https://investors.unity.com/news/news-details/2021/Unity-Completes-Acquisition-of-Weta-Digitals-Tools-Pipeline-and-Engineering-Talent/default.aspx>*

Evolve Metaverse ETF

December 31, 2021

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 0.60% 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 \$4,555 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, 2020, the Fund incurred \$1,139 in administration fees. These administration fees were received by Evolve Funds Group Inc. for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; fees payable to the index provider, 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 that class.

Evolve Metaverse ETF

December 31, 2021

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:	
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	10.00
Increase (decrease) from operations:	
Total expenses	(0.01)
Realized gains (losses)	(0.24)
Unrealized gains (losses)	(0.13)
Total increase (decrease) from operations³	(0.38)
Net Assets per Unit, end of period	9.49

- 1 This information is derived from the Fund's audited annual financial statement as at December 31, 2021. The Fund effectively began operations on November 26, 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.

The Fund's Ratios/Supplemental Data

	December 31, 2021
For the periods ended:	
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁴	9,960,698
Number of units outstanding ⁴	1,050,001
Management expense ratio ⁵	0.81%
Trading expense ratio ⁶	0.55%
Portfolio turnover rate ⁷	11.48%
Net Asset Value per unit (\$)	9.49
Closing market price (\$)	9.50

- 4 This information is provided as at December 31, 2021.
- 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

Since the Fund is a reporting issuer for less than one year, with inception date November 26, 2021, providing performance data for the period is not permitted.

Evolve Metaverse ETF

December 31, 2021

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
Activision Blizzard Inc.	4.1
NetEase Inc., ADR	4.1
Sea Limited, ADR	4.0
NVIDIA Corporation	4.0
The Walt Disney Company	4.0
Sony Group Corporation, ADR	4.0
Advanced Micro Devices Inc.	4.0
Adobe Inc.	4.0
Snap Inc.	4.0
Taiwan Semiconductor Manufacturing Company Limited	4.0
Tencent Holdings Limited, ADR	4.0
Apple Inc.	3.9
Microsoft Corporation	3.9
Electronic Arts Inc.	3.9
QUALCOMM Inc.	3.9
Unity Software Inc.	3.9
Alphabet Inc., Class 'A'	3.9
Intel Corporation	3.9
Roblox Corporation	3.8
Autodesk Inc.	3.8
Meta Platforms Inc.	3.8
Amazon.com Inc.	3.8
Alibaba Group Holding Limited, ADR	3.7
eXp World Holdings Inc.	3.6
Matterport Inc.	3.5
Total	97.5

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	39.7
Consumer Discretionary	11.5
Information Technology	42.9
Real Estate	3.6
Derivative Assets	2.1
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.2
Other Assets, less Liabilities	0.0
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.



Evolve Metaverse ETF