

# Bitcoin ETF

June 30, 2022

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim 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](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://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

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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

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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

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For the six-month period ended June 30, 2022, the Unhedged ETF Units returned -60.1% versus the CME CF Bitcoin Reference Rate return of -60.5%. The US Dollar Unhedged ETF Units returned -60.9% versus the CME CF Bitcoin Reference Rate return of -60.5%. 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, to portfolio trading and hedging strategies and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The difference in performance of the US dollar unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The Fund's net assets were \$45.9MM as at June 30, 2022.

## Portfolio Manager Commentary

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At the beginning of 2022, Bitcoin was at \$47,311.75. As of June 30, 2022, it closed at \$17,784.73, for a loss of 58% in the first half of the year.(i)

In May, the investment banking giant JPMorgan issued a report to its largest clients recommending Bitcoin as its preferred alternative asset for investors, instead of real estate, physical gold, fine art, or any other alt-asset type. The investment bank, which is especially bullish on Bitcoin, said the crypto is currently undervalued and should be trading at \$38,000 to be fairly priced.(ii)

At the end of June, US Securities and Exchange Commission Chair Gary Gensler told CNBC's Squawk Box that while many crypto-financial assets have the key attribute of a security, Bitcoin is the "only one" that he was comfortable publicly labeling as a commodity. The regulator made no mention about Ether, which was previous regarded as a commodity by the SEC.(iii)

Also in June, two US senators introduced a cryptocurrency bill that outlined a comprehensive set of regulations across digital assets in the U.S. The bill would make small-scale purchases of goods and services tax-free for transactions less than \$200 – potentially clearing a path for a cryptocurrency that acts more like traditional currency. The legislation would grant new oversight powers and a commanding presence to the Commodity Futures Trading Commission.(iv)

The legislation attempts to tackle the biggest questions hanging over digital assets. It would set new federal law for stablecoins, taxes on small-scale payments and the jurisdictions of regulators – answering the uncertainties that have kept the fledgling financial sector from maturing.(v)

Professional services giant Deloitte announced that it has partnered with the Bitcoin-focused financial services firm, New York Digital Investment Group (NYDIG), to help companies of all sizes implement digital assets. The companies will work together to enable blockchain and digital asset-based services across multiple areas involving Bitcoin-related products, including banking, loyalty and rewards programs, employee benefits and others.(vi)

According to the announcement, global financial institutions and banks have been facing an increasing demand to provide trusted exposure to Bitcoin. The alliance between Deloitte and NYDIG aims to help accelerate adoption while ensuring compliance.(vii)

At the end of the first half of the year, Deloitte published a survey that found that 75% of retailers in the United States planned to accept crypto or stablecoin payments within the next two years. Earlier in the year, Deloitte published another study highlighting the potential of Bitcoin as a base to create a cheaper and faster ecosystem for electronic fiat or central bank digital currencies.(viii)

In the absence of any central bank to come to their assistance, beleaguered cryptocurrency companies are turning to their peers for help. In June, billionaire crypto boss Sam Bankman-Fried's companies signed deals to bail out two firms, BlockFi, a quasi-bank, and Voyager Digital, a digital asset brokerage.(ix)

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FTX, Bankman-Fried's crypto exchange agreed to provide BlockFi with a \$250 million revolving credit facility. Earlier, Voyager Digital said Alameda Research, Bankman-Fried's quantitative research firm, would provide it with \$500 million in financing. The deal consisted of a \$200 million credit line of cash and USDC stablecoins, as well as a separate 15,000-bitcoin revolving facility worth approximately \$300 million at current prices.(x)

From an international perspective, the Central African Republic has become the first country in Africa to adopt Bitcoin as a payment currency. The country drafted a law establishing both the legal framework for cryptocurrency regulation and Bitcoin as an official currency.(xi)

(i) [https://finance.yahoo.com/quote/BTC-USD/history/?fr=yhssrp\\_catchall](https://finance.yahoo.com/quote/BTC-USD/history/?fr=yhssrp_catchall)

(ii) [https://www.theglobeandmail.com/investing/markets/stocks/JPM-N/pressreleases/8516288/jpmorgan-says-bitcoin-btc-is-now-undervalued-by-28/?utm\\_campaign=Crypto%20newsletter&utm\\_medium=email&\\_hsmi=215645390&\\_hsenc=p2ANqtz-8R3Hi6J1TbC120WS8XUaVa-2kN7cWtIN36Fif2yDD4bLxtD1nGQyl8CGah99d\\_6UifN3ZcspyLzdrBaEwgJ4VZSTH4Nw](https://www.theglobeandmail.com/investing/markets/stocks/JPM-N/pressreleases/8516288/jpmorgan-says-bitcoin-btc-is-now-undervalued-by-28/?utm_campaign=Crypto%20newsletter&utm_medium=email&_hsmi=215645390&_hsenc=p2ANqtz-8R3Hi6J1TbC120WS8XUaVa-2kN7cWtIN36Fif2yDD4bLxtD1nGQyl8CGah99d_6UifN3ZcspyLzdrBaEwgJ4VZSTH4Nw)

(iii) <https://cointelegraph.com/news/community-reacts-after-sec-s-gensler-affirms-btc-s-commodity-status>

(iv) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>

(v) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>

(vi) <https://cointelegraph.com/news/deloitte-and-nydig-set-up-alliance-to-help-businesses-adopt-bitcoin>

(vii) <https://cointelegraph.com/news/deloitte-and-nydig-set-up-alliance-to-help-businesses-adopt-bitcoin>

(viii) <https://cointelegraph.com/news/deloitte-and-nydig-set-up-alliance-to-help-businesses-adopt-bitcoin>

(ix) <https://www.cnbc.com/2022/06/22/sam-bankman-fried-rescues-crypto-lenders-blockfi-voyager.html>

(x) <https://www.cnbc.com/2022/06/22/sam-bankman-fried-rescues-crypto-lenders-blockfi-voyager.html>

(xi) <https://forbes.mc/article/first-african-country-adopt-bitcoin-legal-currency-central-african-republic?s=09>

## Recent Developments

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In the six-month period ended June 30, 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 is unknown at this time and as such, the financial impact to investments cannot be estimated.

## Related Party Transactions

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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 six-month period ended June 30, 2022, the Fund incurred \$387,853 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](http://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 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 Unit<sup>1</sup>

	June 30, 2022	December 31, 2021
	(\$)	(\$)
For the periods ended:		
<b>Canadian Dollar Unhedged ETF Units - Net Assets per Unit<sup>4</sup></b>		
Net Assets per Unit, beginning of period <sup>2</sup>	18.19	20.00
<b>Increase (decrease) from operations:</b>		
Total expenses	(0.15)	(0.30)
Realized gains (losses)	(2.64)	(0.78)
Unrealized gains (losses)	(8.12)	(2.41)
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(10.91)</b>	<b>(3.49)</b>
<b>Net Assets per Unit, end of period</b>	<b>7.11</b>	<b>18.19</b>
<b>Unhedged ETF Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period <sup>2</sup>	18.19	20.00
<b>Increase (decrease) from operations:</b>		
Total expenses	(0.15)	(0.30)
Realized gains (losses)	(2.63)	(0.52)
Unrealized gains (losses)	(8.40)	(2.30)
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(11.18)</b>	<b>(3.12)</b>
<b>Net Assets per Unit, end of period</b>	<b>7.11</b>	<b>18.19</b>

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2022 and the 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.

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## The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2022	December 31, 2021
<b>Canadian Dollar Unhedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>5</sup>	38,505,951	83,602,179
Number of units outstanding <sup>5</sup>	5,413,700	4,595,601
Management expense ratio <sup>6</sup>	2.17%	1.82%
Trading expense ratio <sup>7</sup>	0.02%	0.02%
Portfolio turnover rate <sup>8</sup>	50.11%	73.33%
Net Asset Value per unit (\$)	7.11	18.19
Closing market price (\$)	7.05	17.39
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>5</sup>	7,365,292	25,904,273
Number of units outstanding <sup>5</sup>	1,035,800	1,424,201
Management expense ratio <sup>6</sup>	2.17%	1.79%
Trading expense ratio <sup>7</sup>	0.02%	0.02%
Portfolio turnover rate <sup>8</sup>	50.11%	73.33%
Net Asset Value per unit (\$)	7.11	18.19
Closing market price (\$)	7.07	17.46

5 This information is provided as at June 30, 2022 and 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

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.

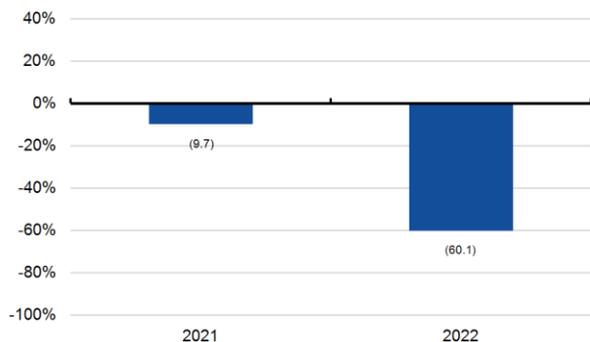
## Year-by-Year Returns

The bar chart below shows the Unhedged and US Dollar Unhedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2022. 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.

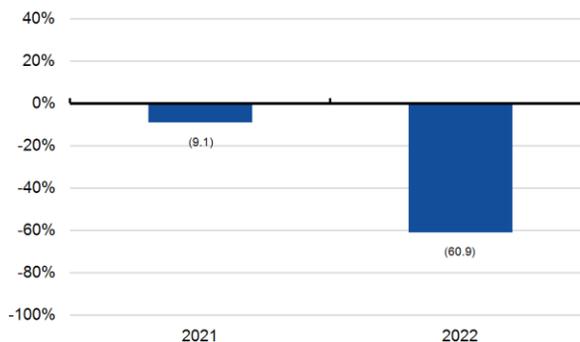
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## EBIT Unhedged ETF Units<sup>1</sup>



## EBIT/U Unhedged ETF Units<sup>2</sup>



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.

## Summary of Investment Portfolio

### All Positions

	Percentage of Net Asset Value (%)
Security	
Bitcoin	100.0
<b>Total</b>	<b>100.0</b>

### Industry Allocation

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

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](http://www.evolveetfs.com).



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