

Evolve Cryptocurrencies 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 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 Cryptocurrencies ETF

June 30, 2022

Investment Objective and Strategies

The Evolve Cryptocurrencies ETF's (the "Fund") investment objective is to provide unitholders with exposure to the daily price movements of certain digital assets selected by the Manager from time to time, on a market capitalization basis, while experiencing minimal tracking error by investing in other publicly offered investment funds managed by the Manager.

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 September 24, 2021, no performance data can be shown. The Fund's net assets were \$15.0MM as at June 30, 2022.

Portfolio Manager Commentary

Cryptocurrencies fell sharply in the first half of the year amidst uncertain market conditions. 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. While Ethereum ended the first half of the year at \$1067.30, down sharply from \$3769.70 at the beginning of 2022.(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 previously 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 US. 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 crypto, taxes on small-scale payments and the jurisdictions of regulators – answering the uncertainties that have kept the fledgling financial sector from maturing.(v)

In the meantime, professional services giant Deloitte announced that it has partnered with the Bitcoin-focused financial services firm, New York Digital Investment Group 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)

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.(vii)

One of the most relevant criticisms of the Ethereum network is the lack of supply restrictions. Unlike Bitcoin, Ether's supply isn't limited to 21 million tokens. Instead, there are 120 million units in circulation and a steady stream of new tokens added every day. Some argue that this has made the tokens less valuable.(viii)

Although, this weakness is expected to be resolved in 2022, with the implementation of the Ethereum Improvement Proposal (EIP) 1559 which will allow for the burning of ETH on every transaction; and the transition to ETH 2.0 or Proof-of-Stake lock up of a significant amount of circulating supply in a staking pool.(ix)

Evolve Cryptocurrencies ETF

June 30, 2022

In early June, Ethereum, the world's most used cryptocurrency blockchain network, passed a milestone test ahead of a highly anticipated technical upgrade without any major glitches. Developers ran the latest software for the upgrade known as the Merge the Ropsten testnet in an effort to find potential bugs and glitches before moving the application to the blockchain. Tim Beiko, a computer scientist who coordinates Ethereum developers, described the completion of the test saying, "The network is stable, but there are some minor (known + expected) issues we are looking into." He added that, "Overall, though, things are looking good."(x)

(i) https://finance.yahoo.com/quote/ETH-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-8R3Hi6J1TbCI20WS8XUaVa-2kN7cWtIN36Fif2yDD4bLxtD1nGQyI8CGah99d_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://www.fool.ca/2022/03/22/could-ethereum-double-in-2022/>

(ix) <https://www.fool.ca/2022/03/22/could-ethereum-double-in-2022/>

(x) <https://www.bnnbloomberg.ca/ethereum-moves-closer-to-blockchain-revamp-after-milestone-test-1.1776245>

Recent Developments

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

For the six-month period ended June 30, 2022, the Fund invested in the Bitcoin ETF and Ether ETF (the "Underlying Funds"), each of which is an investment fund managed by Evolve Funds Group Inc. (the "Manager"). 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 directly payable to the Manager by the Fund are nil. However, the Underlying Funds held by the Fund pays management fees.

Underlying Fund Management Fees

The Underlying Funds currently pay management fees calculated based on 0.75% per annum of the average daily net asset value of the Underlying Funds. The fees are accrued daily and generally paid monthly. These management fees were received by the Manager for the day-to-day operations of the Underlying Funds, including managing the portfolio, maintaining portfolio systems used to manage the Underlying Funds, maintaining the www.evolveetfs.com website, and providing all other services including marketing and promotion.

Evolve Cryptocurrencies ETF

June 30, 2022

Operating Expenses

The Manager pays for all operating expenses incurred by the Fund, other than the following fund costs: taxes payable by the 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, any of the Sub-Advisors 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.

Underlying Fund Operating Expenses

The Fund indirectly bears the operating expenses that are borne by each of the underlying funds incurred in connection with their operation, administration and related portfolio transactions, 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; 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 auditor and legal advisors; 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, consultants (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.

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

	June 30, 2022	December 31, 2021
	(\$)	(\$)
For the periods ended:		
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period ²	11.12	10.00
Increase (decrease) from operations:		
Realized gains (losses)	(0.37)	0.23
Unrealized gains (losses)	(6.75)	(3.11)
Total increase (decrease) from operations³	(7.12)	(2.88)
Net Assets per Unit, end of period	4.09	11.12
US Dollar Unhedged ETF Units - Net Assets per Unit⁴		
Net Assets per Unit, beginning of period ²	14.03	12.66
Increase (decrease) from operations:		
Realized gains (losses)	(0.45)	0.42
Unrealized gains (losses)	(8.44)	(1.62)
Total increase (decrease) from operations³	(8.89)	(1.20)
Net Assets per Unit, end of period	5.17	14.03

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 effectively began operations on September 24, 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 CAD equivalent.

Evolve Cryptocurrencies ETF

June 30, 2022

The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2022	December 31, 2021
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	13,831,819	30,500,213
Number of units outstanding ⁵	3,379,600	2,743,800
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	0.00%	0.00%
Management expense ratio ^{6,9}	1.68%	1.17%
Trading expense ratio ⁷	0.04%	0.03%
Portfolio turnover rate ⁸	6.87%	66.14%
Net Asset Value per unit (\$)	4.09	11.12
Closing market price (\$)	4.11	11.11
US Dollar Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁵	1,162,149	3,128,387
Number of units outstanding ⁵	225,000	223,000
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	0.00%	0.00%
Management expense ratio ^{6,9}	1.60%	1.21%
Trading expense ratio ⁷	0.04%	0.03%
Portfolio turnover rate ⁸	6.87%	66.14%
Net Asset Value per unit (\$)	5.17	14.03
Closing market price (\$)	5.19	14.05

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.

9 The Fund's MER includes an estimated proportion of the MER for any underlying investment funds held in the Fund's portfolio during the year.

Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date September 24, 2021, providing performance data for the period is not permitted.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Bitcoin ETF	75.7
Ether ETF	24.2
Total	99.9

Evolve Cryptocurrencies ETF

June 30, 2022

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
ETFs - US Equity	99.9
Cash and Cash Equivalents	0.1
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.



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