

Ether ETF

June 30, 2023

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.

Ether ETF

June 30, 2023

Investment Objective and Strategies

The Ether ETF's (the "Fund") investment objective is to provide unitholders with exposure to the daily price movements of the U.S. dollar price of ether 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

For the six-month period ended June 30, 2023, the Canadian Dollar Unhedged ETF Units returned 49.2% and the US Dollar Unhedged ETF Units returned 53.6%. The Fund's net assets were \$38.9MM as at June 30, 2023.

Portfolio Manager Commentary

In the first half of 2023, Ether exhibited significant gains on the back of major upgrades to the Ethereum network. A key milestone which took place in 2022 was "The Merge," which transitioned Ethereum from a Proof-of-Work (PoW) to a Proof-of-Stake (PoS) consensus mechanism. This transition has not only reduced energy consumption by over 99%, effectively diminishing Ethereum's environmental concerns, but also shifted the responsibility of block generation to validators who stake ETH. This is a game changer as it enhances the sustainability, accessibility, and efficiency of the Ethereum network.¹

In April 2023, the Shanghai upgrade was completed adding another layer of flexibility and potential for institutional adoption. By enabling the withdrawal of tokens that were previously locked in smart contracts as validators on the PoS blockchain, Ethereum has addressed one of the critical issues surrounding liquidity in staking.²

However, despite these positive developments, Ethereum's performance has lagged behind Bitcoin in the recent cryptocurrency rally, partly due to regulatory uncertainties. The U.S. Securities and Exchange Commission (SEC) has been indecisive on the classification of Ethereum, and there is concern over whether it will be labeled as an unregulated security, following in the footsteps of other tokens that have faced this designation.³ However, the potential for the approval of a spot Bitcoin ETF in the United States could signal a more receptive regulatory treatment for Ethereum in the future, and could perhaps indicate that a spot Ether ETF in the U.S. would follow.⁴

Performance Attribution

ETHR provides investors with exposure to the daily price movements of the U.S. dollar price of ether while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange-traded fund structure. ETHR offers investors exposure to ether by investing directly in ether, with ETHR's holdings of ether priced based on the ETHUSD_RR, a once-a-day benchmark index price for Ether denominated in U.S. dollars, is a registered benchmark under the European Union's Benchmark Regulation regime.

(1) <https://www.coindesk.com/tech/2023/04/26/ethereums-lifetime-energy-use-before-the-merge-equaled-switzerlands-for-a-year/>

(2) <https://www.coindesk.com/tech/2023/04/12/ethereums-shanghai-upgrade-activates-starting-new-era-of-staking-withdrawals/>

(3) <https://www.bnnbloomberg.ca/ether-s-hazy-status-at-the-sec-leaves-the-token-far-behind-the-rally-in-bitcoin-1.1937766>

(4) <https://blockworks.co/news/ethereum-spot-etf-coming>

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.

Ether ETF

June 30, 2023

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, 2023, the Fund incurred \$151,540 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, Ether 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 ac-count 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 ether.

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, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:			
Canadian Dollar Unhedged ETF Units - Net Assets per Unit⁴			
Net Assets per Unit, beginning of period ²	4.20	13.60	8.00
Increase (decrease) from operations:			
Total expenses	(0.06)	(0.13)	(0.15)
Realized gains (losses)	(0.49)	(2.03)	0.48
Unrealized gains (losses)	2.84	(7.19)	2.00
Total increase (decrease) from operations³	2.29	(9.35)	2.33
Net Assets per Unit, end of period	6.45	4.20	13.60

Ether ETF

June 30, 2023

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

	June 30, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:			
US Dollar Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period ²	5.25	17.00	10.00
Increase (decrease) from operations:			
Total expenses	(0.08)	(0.18)	(0.19)
Realized gains (losses)	(0.60)	(2.44)	0.56
Unrealized gains (losses)	3.46	(9.95)	6.44
Total increase (decrease) from operations³	2.78	(12.57)	6.81
Net Assets per Unit, end of period	8.06	5.25	17.00

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023 and the audited annual financial statements as at December 31, 2022 and 2021. The Canadian Dollar Unhedged ETF Units and US Dollar Unhedged ETF Units effectively began operations on April 19, 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

	June 30, 2023	December 31, 2022	December 31, 2021
For the periods ended:			
Canadian Dollar Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	34,659,378	23,315,975	74,699,759
Number of units outstanding ⁵	5,369,500	5,549,500	5,492,600
Management expense ratio ⁶	1.99%	1.84%	1.23%
Trading expense ratio ⁷	0.05%	0.05%	0.02%
Portfolio turnover rate ⁸	9.16%	39.35%	21.63%
Net Asset Value per unit (\$)	6.45	4.20	13.60
Closing market price (\$)	6.73	4.20	13.12
US Dollar Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	4,199,122	2,660,079	16,335,259
Number of units outstanding ⁵	520,700	506,700	960,900
Management expense ratio ⁶	2.02%	1.84%	1.21%
Trading expense ratio ⁷	0.05%	0.05%	0.02%
Portfolio turnover rate ⁸	9.16%	39.35%	21.63%
Net Asset Value per unit (\$)	8.06	5.25	17.00
Closing market price (\$)	8.39	5.28	16.40

- 5 This information is provided as at June 30, 2023 and December 31, 2022 and 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. The effective HST tax rate is calculated using the attribution percentage of each province based on unitholder residency and can be different from 13%.
- 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.

Ether ETF

June 30, 2023

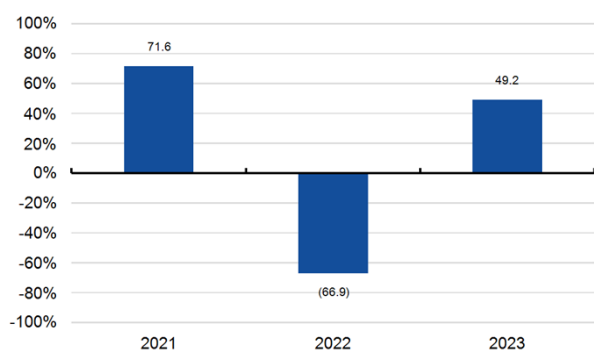
Past Performance

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.

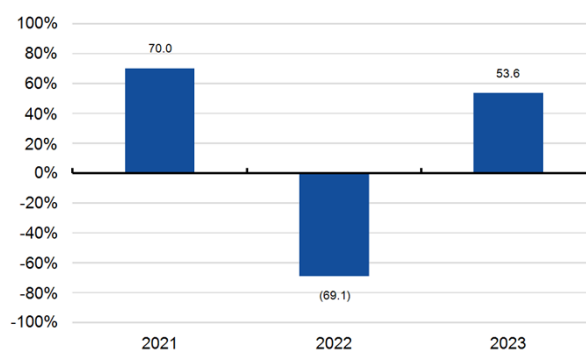
Year-by-Year Returns

The bar chart below shows the Canadian Dollar Unhedged and US Dollar Unhedged ETF Units' performance for each of the financial years shown and for the six-month period ended June 30, 2023. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial period would have grown or decreased by the last day of that financial period.

ETHR Canadian Dollar Unhedged ETF Units¹



ETHR/U US Dollar Unhedged ETF Units²



1 The Canadian Dollar Unhedged ETF Units of the Fund effectively began operations on April 19, 2021. Returns presented based on NAV equivalent in USD.

2 The US Dollar Unhedged ETF Units of the Fund effectively began operations on April 19, 2021.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Ethereum	100.0
Total	100.0

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Digital Assets	
Ethereum	100.0
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(0.3)
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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