

Evolve Cryptocurrencies 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.

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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

For the six-month period ended June 30, 2023, the Unhedged ETF Units returned 71.8% and the US Dollar Unhedged ETF Units returned 75.6%. The Fund's net assets were \$21.1MM as at June 30, 2023.

Portfolio Manager Commentary

In the first half of 2023, Ethereum and Bitcoin have both displayed notable gains despite the numerous challenges the cryptocurrency market has faced during the period. For Ethereum, the shift to a Proof-of-Stake consensus mechanism via "The Merge" last year has substantially reduced its energy consumption, making it more sustainable and efficient.¹ Additionally, the Shanghai upgrade which was completed in April of 2023 improved liquidity and staking flexibility, which could soon improve institutional adoption.²

Bitcoin, on the other hand, witnessed a rally largely influenced by institutional interest in Bitcoin ETFs. The major catalysts included BlackRock's application for a spot Bitcoin ETF, followed by filings from Fidelity Investments, WisdomTree, VanEck, Invesco, and Ark Invest. This influx of institutional interest has contributed to a more optimistic market sentiment regarding the cryptocurrency.³ Furthermore, Bitcoin's resilience amid banking crises has shifted the narrative towards it being a potential hedge against traditional banking vulnerabilities.⁴

Ethereum's growth has been somewhat stunted due to regulatory uncertainties surrounding its classification by the U.S. Securities and Exchange Commission (SEC). This, in part, has caused it to lag behind Bitcoin's performance in the recent rally. For Bitcoin, though institutional interest has surged, the SEC's concerns regarding market transparency and susceptibility to manipulation remain a hurdle for the approval of Bitcoin ETFs.⁵

The potential approval of a spot Bitcoin ETF could be indicative of the regulatory environment becoming more conducive to cryptocurrencies, and this could impact both Bitcoin and Ethereum positively. Conversely, any regulatory setbacks for Bitcoin ETFs could also cast a shadow over the cryptocurrencies' prospects.⁶

(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.cnbc.com/2023/06/29/fidelity-joins-the-rush-for-a-bitcoin-etf-following-blackrock-ark-invest-and-others.html>

(4) <https://www.cnbc.com/2023/03/17/crypto-rallies-bitcoin-heads-for-its-best-week-since-january-2021.html>

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

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

Related Party Transactions

For the six-month period ended June 30, 2023, 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.

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Management Fees

The management fees directly payable to the Manager by the Fund are nil. However, the Underlying Funds held by the Fund pay 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.

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, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:			
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period ²	4.06	11.12	10.00
Increase (decrease) from operations:			
Total revenue	-	0.01	-
Realized gains (losses)	(0.90)	(1.86)	0.23
Unrealized gains (losses)	3.93	(5.00)	(3.11)
Total increase (decrease) from operations³	3.03	(6.85)	(2.88)
Net Assets per Unit, end of period	6.97	4.06	11.12

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

For the periods ended:	June 30, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
US Dollar Unhedged ETF Units - Net Assets per Unit⁴			
Net Assets per Unit, beginning of period ²	5.12	14.03	12.66
Increase (decrease) from operations:			
Total revenue	0.01	-	-
Total expenses	(0.01)	-	-
Realized gains (losses)	(1.14)	(2.01)	0.42
Unrealized gains (losses)	5.17	(8.18)	(1.62)
Total increase (decrease) from operations³	4.03	(10.19)	(1.20)
Net Assets per Unit, end of period	8.79	5.12	14.03

- 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 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.

The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	20,130,914	13,483,326	30,500,213
Number of units outstanding ⁵	2,887,700	3,323,700	2,743,800
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	0.00%	0.00%	0.00%
Management expense ratio ^{7,10}	1.21%	1.71%	1.17%
Trading expense ratio ⁸	0.04%	0.05%	0.03%
Portfolio turnover rate ⁹	5.02%	23.71%	66.14%
Net Asset Value per unit (\$)	6.97	4.06	11.12
Closing market price (\$)	6.99	4.05	11.11

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

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021
US Dollar Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	987,568	718,287	3,128,387
Number of units outstanding ⁵	112,300	140,300	223,000
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	0.10%	0.00%	0.00%
Management expense ratio ^{7,10}	1.31%	1.70%	1.21%
Trading expense ratio ⁸	0.04%	0.05%	0.03%
Portfolio turnover rate ⁹	5.02%	23.71%	66.14%
Net Asset Value per unit (\$)	8.79	5.12	14.03
Closing market price (\$)	8.78	5.10	14.05

5 This information is provided as at June 30, 2023 and December 31, 2022 and 2021.

6 Management expense ratio excluding proportion of expenses from underlying investment funds 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 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 MER for prior periods has been restated to include the expenses of any underlying funds.

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.

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

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.

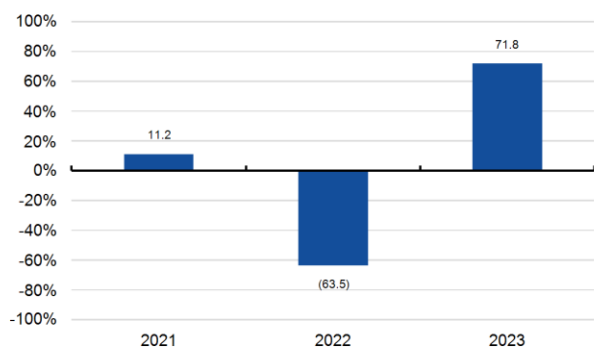
Year-by-Year Returns

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, 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.

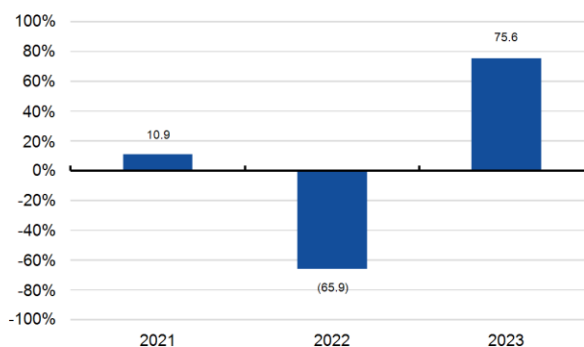
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ETC Unhedged ETF Units¹



ETC/U US Dollar Unhedged ETF Units²



1 The Unhedged ETF Units of the Fund effectively began operations on September 24, 2021.

2 The US Dollar Unhedged ETF Units of the Fund effectively began operations on September 24, 2021. Returns presented based on NAV equivalent in USD.

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
Bitcoin ETF	68.3
Ether ETF	31.6
Total	99.9

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
ETFs - Digital Assets	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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