

Evolve Artificial Intelligence Fund

June 30, 2024

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 Artificial Intelligence Fund (the "Fund") seeks to provide exposure to securities of publicly traded issuers that the Manager has determined are expected to benefit from increased adoption of AI.

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 March 22, 2024, no performance data can be shown. The Fund's net assets were \$4.8MM as at June 30, 2024.

Portfolio Manager Commentary

The first half of 2024 was marked by significant advancements in the Artificial Intelligence (AI) industry, underscoring its role as a key driver of technological innovation in the marketplace. A major development during the period was the introduction of GPT-4o by OpenAI in May¹, showcasing unprecedented capabilities in natural language understanding. This advancement to GPT-4 which was launched in March 2023, provides faster, more accurate responses using less computational resources than its predecessor².

Major technology companies have also made strategic moves to bolster their AI capabilities. In April, Google announced the consolidation of DeepMind's quantum computing division³, aiming to integrate quantum-enhanced machine learning algorithms into its AI infrastructure. This strategic acquisition is expected to accelerate the development of sophisticated AI models, potentially transforming sectors such as pharmaceuticals and finance. In June, Apple unveiled its plans to bolster its AI capabilities at the Worldwide Developers Conference (WWDC), in which it announced Apple Intelligence, Siri with ChatGPT, iOS 18 and more⁴.

Regulatory developments also impacted the AI landscape during the period. In February, the European Union introduced the AI Act, establishing comprehensive guidelines for AI development and deployment⁵. This legislation emphasizes transparency and ethical use, addressing concerns about data privacy and algorithmic bias. In the United States, the Federal Trade Commission issued new guidelines in February to curb deceptive practices in AI marketing, emphasizing the need for honesty and transparency in AI-related claims⁶.

Overall, AI-focused companies performed strongly throughout the period and led market gains. Large technology companies like NVIDIA and Apple have seen substantial stock price appreciation, driven by strong demand for AI-optimized hardware and software solutions. To illustrate, during the period NVIDIA performed so strongly that it ousted Microsoft to become the largest publicly traded company in the world⁷. In fact, the company's stock experienced so much appreciation that it announced a 10-for-1 stock split during its fiscal first quarter 2025 earnings release in an effort to become more affordable to investors. Other firms competing in the semiconductor space like Broadcom, Intel, and Micron Technology also enjoyed a strong first half of the year, with demand for their chips surging⁸.

In summary, the first half of 2024 has been exciting and transformative for the AI industry, with technological innovations, strategic corporate maneuvers, and evolving regulatory frameworks shaping the landscape.

Performance Attribution

For the six-month period ending June 30, 2024, NVIDIA Corporation made the biggest contribution to the Fund, followed by Apple Inc. By weight, the Fund's largest holdings were Apple Inc., Microsoft Corporation, and Alphabet Inc.

(1) <https://openai.com/index/hello-gpt-4o/>

(2) <https://www.supernormal.com/blog/gpt-4-vs-gpt-4o>

(3) <https://www.reuters.com/technology/google-consolidates-its-deepmind-research-teams-amid-ai-push-2024-04-18/>

(4) <https://www.cnn.com/2024/06/10/apple-wwdc-live-updates.html>

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(5) <https://artificialintelligenceact.eu/#:~:text=What%20is%20the%20EU%20AI,AI%20to%20three%20risk%20categories.>

(6) <https://www.ftc.gov/news-events/news/press-releases/2024/02/ftc-proposes-new-protections-combat-ai-impersonation-individuals>

(7) <https://www.cnbc.com/2024/06/18/nvidia-passes-microsoft-in-market-cap-is-most-valuable-public-company.html>

(8) <https://www.reuters.com/technology/broadcom-soars-demand-ai-chips-power-forecast-raise-2024-06-13/>

Recent Developments

There are no known changes at this time to the investment strategy of the Fund or the Manager.

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 six-month period ended June 30, 2024, the Fund incurred \$5,776 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 0.25% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2024, the Fund incurred \$2,407 in administration fees. These administration fees were received by the Manager for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; 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 the Fund.

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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, 2024 (\$)
For the period ended:	
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	10.00
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	(0.04)
Realized gains (losses)	0.15
Unrealized gains (losses)	1.00
Total increase (decrease) from operations³	1.13
Net Assets per Unit, end of period	10.73

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2024. The Hedged ETF Units effectively began operations on March 22, 2024.
- 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

	June 30, 2024
For the period ended:	
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁴	4,829,239
Number of units outstanding ⁴	450,000
Management expense ratio ⁵	0.94%
Trading expense ratio ⁶	0.45%
Portfolio turnover rate ⁷	19.53%
Net Asset Value per unit (\$)	10.73
Closing market price (\$)	10.75

- 4 This information is provided as at June 30, 2024.
- 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 March 22, 2024, providing performance data for the period is not permitted.

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Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Apple Inc.	9.9
Microsoft Corporation	9.9
Alphabet Inc., Class 'C'	9.9
Amazon.com Inc.	9.8
Meta Platforms Inc., Class 'A'	9.7
NVIDIA Corporation	9.6
Broadcom Inc.	7.4
Advanced Micro Devices Inc.	3.2
Salesforce Inc.	2.8
Adobe Inc.	2.3
Qualcomm Inc.	2.2
Applied Materials Inc.	1.9
Cisco Systems Inc.	1.8
Accenture PLC, Class 'A'	1.7
Intel Corporation	1.6
Micron Technology Inc.	1.4
CrowdStrike Holdings Inc., Class 'A'	1.1
Synopsys Inc.	0.8
Marvell Technology Inc.	0.6
Palantir Technologies Inc., Class 'A'	0.6
Spotify Technology SA	0.6
Workday Inc., Class 'A'	0.5
Super Micro Computer Inc.	0.5
Snowflake Inc., Class 'A'	0.5
Fair Isaac Corporation	0.3
Total	90.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	20.2
Consumer Discretionary	9.8
Financials	0.2
Health Care	0.2
Information Technology	69.0
Derivative Assets	0.0
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(0.1)
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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