

# Evolve Artificial Intelligence Fund

December 31, 2024

Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual 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 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

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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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Since the Fund effectively began operations on March 22, 2024, no performance data can be shown. The Fund's net assets were \$7.7MM as at December 31, 2024.

## Portfolio Manager Commentary

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The Artificial Intelligence (AI) sector achieved remarkable advancements in 2024, underscoring its transformative impact across all industries. AI emerged as one of the most dominant themes in financial markets throughout the year, driven by growing shareholder demand for innovation and integration in a wide array of corporations. While still in the early stages of development, AI continues to solidify its position as one of the most groundbreaking technological revolutions of the modern era.

A defining moment came in May with OpenAI's release of GPT-4o, an enhanced version of GPT-4<sup>1</sup>. This update introduced faster and more precise natural language processing capabilities while significantly reducing computational requirements, further establishing OpenAI's leadership in the field. Complementing this, OpenAI also launched Sora<sup>2</sup>, a breakthrough in AI-assisted robotics that leverages advanced generative models to revolutionize automation and manufacturing processes. These innovations demonstrated AI's potential expanding beyond digital applications.

AI chipmakers NVIDIA and Broadcom performed exceptionally over the year, driven by unprecedented demand for AI infrastructure from individuals and enterprises. NVIDIA achieved a record-breaking quarterly revenue of \$30 billion<sup>3</sup>, propelled by the adoption of its next-generation Blackwell AI chips, which offer unparalleled performance in training and deploying large language models (LLMs)<sup>4</sup>. Broadcom also capitalized on the generative AI boom, with its CEO describing AI demand as "massive"<sup>5</sup>. The specialized chips such as the ones developed by NVIDIA and Broadcom are integral to AI operations, enabling rapid data processing, efficient model training, and the deployment of AI-powered tools across industries.

Google added to the momentum in December with the unveiling of its revolutionary quantum computing chip, Willow, which has been praised for its potential to solve complex computations exponentially faster than traditional processors<sup>6</sup>. These semiconductor breakthroughs are poised to significantly enhance the capabilities and scalability of the AI industry.

Apple also made advancements in the AI space, debuting its Apple Intelligence platform at the Worldwide Developers Conference. Key innovations included the integration of Siri with ChatGPT and the introduction of iOS 18, which incorporates advanced AI features designed to enhance user experience and productivity<sup>7</sup>. This marked a significant expansion of Apple's role in the AI ecosystem.

These milestones collectively illustrate the rapid evolution of the AI sector, creating vast opportunities for growth. The Fund remains strategically positioned to capitalize on these advancements by investing in companies at the forefront of AI innovation and infrastructure development.

## Performance Attribution

For the twelve-month period ending December 31, 2024, Broadcom Inc. made the biggest contribution to the Fund, followed by Apple Inc. By weight, the Fund's largest holdings were Alphabet Inc., Class 'C', NVIDIA Corporation, and Amazon.com Inc.

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

(2) <https://techcrunch.com/2024/12/09/openais-sora-is-launching-today-heres-highlights-from-the-first-review/>

(3) <https://observer.com/2024/08/nvidias-quarterly-revenue-hits-record-30b-as-the-a-i-boom-continues/>

(4) <https://www.cnbc.com/2024/10/03/nvidia-ceo-demand-for-blackwell-ai-chip-is-insane.html>

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(5) <https://www.cnn.com/2024/12/12/broadcom-avgo-earnings-report-q4-2024-.html>

(6) <https://www.bbc.com/news/articles/c791ng0zvl3o>

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

## Recent Developments

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In 2025, trade tensions have escalated as the United States considers imposing new tariffs on key trading partners, including Canada and Mexico, along with broader reciprocal measures on other nations. In response, affected countries may enact retaliatory tariffs, further increasing uncertainty in global trade. These developments have contributed to heightened market volatility and could disrupt global supply chains, particularly impacting trade-sensitive sectors. The duration and full impact of these events remain uncertain, and as such, the financial implications for investments cannot be estimated at this time.

## Related Party Transactions

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Evolve Funds Group Inc. (the "Manager"), a corporation incorporated under the laws of the Province of Ontario, is the trustee, manager, and portfolio advisor of the Fund and is responsible for the day-to-day administration of the Fund. The Fund pays annual management fees to the Manager as consideration for its services. Any management fees paid to the Manager are related party transactions, as the Manager is considered to be a related party to the Fund. The management fees are disclosed in the statements of comprehensive income in the annual financial statements of the Fund and are discussed in greater detail below.

The Fund is permitted to purchase, sell and hold securities of certain issuers that are directly or indirectly related to the Manager. With respect to investment in related issuers, the Manager has relied on the approval that it has received from the Investment Review Committee ("IRC"). The Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the IRC.

## 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 year ended December 31, 2024, the Fund incurred \$28,121 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.

## 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 year ended December 31, 2024, the Fund incurred \$12,241 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.

# Evolve Artificial Intelligence 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 Unit<sup>1</sup>

	December 31, 2024 (\$)
For the periods ended:	
<b>Hedged ETF Units - Net Assets per Unit</b>	
Net Assets per Unit, beginning of period <sup>2</sup>	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.04
Total expenses	(0.11)
Realized gains (losses)	(0.47)
Unrealized gains (losses)	2.59
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>2.05</b>
<b>Net Assets per Unit, end of period</b>	<b>11.84</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 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

	December 31, 2024
For the periods ended:	
<b>Hedged ETF Units - Ratios/Supplemental Data</b>	
Total Net Asset Value (\$) <sup>4</sup>	7,698,898
Number of units outstanding <sup>4</sup>	650,000
Management expense ratio <sup>5</sup>	0.97%
Trading expense ratio <sup>6</sup>	0.25%
Portfolio turnover rate <sup>7</sup>	44.07%
Net Asset Value per unit (\$)	11.84
Closing market price (\$)	11.84

- 4 This information is provided as at December 31, 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.

# Evolve Artificial Intelligence Fund

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## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Alphabet Inc., Class 'C'	10.4
NVIDIA Corporation	10.3
Amazon.com Inc.	10.1
Apple Inc.	9.8
Meta Platforms Inc., Class 'A'	9.3
Broadcom Inc.	8.7
Microsoft Corporation	8.7
Salesforce Inc.	2.9
Advanced Micro Devices Inc.	2.0
Cisco Systems Inc.	1.9
ServiceNow Inc.	1.9
Accenture PLC, Class 'A'	1.8
Adobe Inc.	1.6
Qualcomm Inc.	1.6
International Business Machines Corporation	1.6
Palantir Technologies Inc., Class 'A'	1.5
Applied Materials Inc.	1.1
SoundHound AI Inc.	0.9
CrowdStrike Holdings Inc., Class 'A'	0.9
Marvell Technology Inc.	0.8
AppLovin Corporation, Class 'A'	0.8
Intel Corporation	0.8
Micron Technology Inc.	0.7
Workday Inc., Class 'A'	0.5
MicroStrategy Inc., Class 'A'	0.5
<b>Total</b>	<b>91.1</b>

### Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	19.7
Consumer Discretionary	10.1
Financials	0.3
Health Care	0.2
Industrials	0.2
Information Technology	69.3
Derivative Assets	0.0
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.4
Other Assets, less Liabilities	(0.1)
<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).



**Evolve Artificial Intelligence Fund**