

Evolve Active Canadian Preferred Share Fund

December 31, 2022

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 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 Active Canadian Preferred Share Fund (the "Fund") seeks to provide holders of Units with stable income and long-term capital appreciation by investing primarily in a diversified mix of preferred shares of primarily Canadian issuers, in addition to U.S. and international issuers.

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 year ended December 31, 2022, Unhedged ETF Units returned -15.5%. The Unhedged Class A Mutual Fund Units returned -16.1% and the Unhedged Class F Mutual Fund Units returned -15.2%. The Fund's net assets were \$74.9MM as at December 31, 2022.

Portfolio Manager Commentary

Similar to other investment markets, preferred shares had a challenging year in 2022. In March, the year kicked off on uneasy footing when corporate spreads widened in March due to the uncertainty surrounding the Russian invasion of Ukraine and rising interest rates. During the first quarter of the year, Toronto Dominion Bank issued a \$850 million over-the-counter (OTC) preferred share, representing the second OTC preferred share to be issued in the Canadian market. This development reinforced the view that financial institutions will favour switching their regulatory capital from retail investors to institutional investors during the year. The Fund outperformed its benchmark during the first quarter, primarily due to security selection. Being overweight Fixed Resets with low rate reset spreads contributed positively, as did securities with low duration which acted defensively in the rising interest rate environment.

In the second quarter of 2022, the S&P Preferred Shares Index declining 7.5%. In fact, the index's quarterly sector returns for Perpetuals, Fixed Resets, and Floating Rates were -11.94%, -6.46%, and -6.17%, respectively. There was no issuance in the second quarter for the preferred shares market, but there were several redemptions amounting to \$3.15 billion in total. The negative price performance continued into the latter half of the second quarter as bond yields rose. In June, corporate spreads widened again driven by uncertainty surrounded by inflation and negative growth prospects. Additionally, there were several new Limited Capital Recourse Notes (LRCN's) issued during the quarter, which further reinforced views regarding financial institutions' preference to switch from retail preferred share investors to institutional investors. The Fund performed negatively in absolute returns during the quarter but was able to provide strong downside protection relative to the benchmark.

Then, in the third quarter, there were several new issues amounting to \$1.9 billion in total. New issuances included OTC preferred shares but were coupled with redemptions of \$1.7 billion. The negative price performance continued during this period as bond yields rose. In July, corporate spreads narrowed as equity markets rallied but later reversed course in September to close slightly wider quarter-over-quarter. The TSX Preferred Share Index's quarterly sector returns for Perpetuals, Fixed Resets, and Floating Rates were -5.51%, -7.32%, and -5.07%, respectively. The Fund outperformed the benchmark during the quarter primarily due to defensive security selection and being overweight Fixed Resets with low rate reset spreads. Securities with low duration which acted defensively in the rising interest rate environment also contributed positively to overall returns.

Finally, in the fourth quarter, there were no new issuances but there was one redemption of \$0.3 billion. Price performance continued on a downward trend during the quarter as bond yields fell and tax loss harvesting was in full force. Corporate spreads narrowed during the quarter after hitting the widest levels of the year in October. The TSX Preferred Share Index's quarterly sector returns for Perpetuals, Fixed Resets and Floating Rates were -0.72%, -4.20%, and -3.07%, respectively. The market for preferred share ETFs was under pressure at the end of the year, as yields from new issue LRCN's became more attractive than preferred shares. In fact, some Canadian Banks did not redeem their preferred shares in the last quarter which repriced Canadian Bank preferred shares lower.

Recent Developments

In the year ended December 31, 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 are unknown at this time and as such, the financial impact to investments cannot be estimated.

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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 Manager is entitled to an annual management fee of 0.65% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.40% of the net asset value of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the year ended December 31, 2022, the Fund incurred \$839,811 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 0.15% 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, 2022, the Fund incurred \$193,043 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.

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

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
For the periods ended:	(\$)	(\$)	(\$)	(\$)	(\$)
Unhedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	17.93	15.68	16.86	17.87	20.64
Increase (decrease) from operations:					
Total revenue	0.81	0.83	0.85	0.94	0.96
Total expenses	(0.16)	(0.17)	(0.16)	(0.17)	(0.22)
Realized gains (losses)	0.01	0.82	(4.85)	(1.34)	(0.30)
Unrealized gains (losses)	(3.52)	1.61	2.55	0.22	(5.78)
Total increase (decrease) from operations²	(2.86)	3.09	(1.61)	(0.35)	(5.34)
Distributions:					
From dividends	(0.70)	(0.62)	(0.74)	(0.77)	(0.44)
Return of capital	(0.14)	(0.22)	(0.10)	(0.14)	(0.40)
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.91)	(0.84)
Net Assets per Unit, end of period	14.39	17.93	15.68	16.86	17.87

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

For the periods ended:	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
Unhedged Class A - Net Assets per Unit					
Net Assets per Unit, beginning of period	20.59	18.04	19.41	20.00	N/A
Increase (decrease) from operations:					
Total revenue	0.91	0.97	0.97	0.77	N/A
Total expenses	(0.33)	(0.36)	(0.32)	(0.25)	N/A
Realized gains (losses)	0.17	0.92	(5.15)	(2.30)	N/A
Unrealized gains (losses)	(4.07)	1.63	4.91	4.63	N/A
Total increase (decrease) from operations²	(3.32)	3.16	0.41	2.85	N/A
Distributions:					
From dividends	(0.65)	(0.59)	(0.84)	(0.49)	N/A
Return of capital	(0.19)	(0.25)	-	(0.07)	N/A
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.56)	N/A
Net Assets per Unit, end of period	16.50	20.59	18.04	19.41	N/A
Unhedged Class F - Net Assets per Unit					
Net Assets per Unit, beginning of period	23.01	20.06	20.22	19.99	N/A
Increase (decrease) from operations:					
Total revenue	0.97	1.02	1.01	0.76	N/A
Total expenses	(0.19)	(0.22)	(0.03)	(0.02)	N/A
Realized gains (losses)	(0.65)	0.99	(5.98)	(1.41)	N/A
Unrealized gains (losses)	(0.50)	0.64	4.90	0.89	N/A
Total increase (decrease) from operations²	(0.37)	2.43	(0.10)	0.22	N/A
Distributions:					
From dividends	(0.64)	(0.62)	(0.07)	-	N/A
Return of capital	(0.20)	(0.08)	-	-	N/A
Total annual distributions³	(0.84)	(0.70)	(0.07)	-	N/A
Net Assets per Unit, end of period	18.69	23.01	20.06	20.22	N/A

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2022, 2021, 2020, 2019, and 2018. The Unhedged ETF Units effectively began operations on September 27, 2017 and the Unhedged Class A and F Mutual Fund Units effectively began operations on April 23, 2019.
- 2 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.
- 3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

The Fund's Ratios/Supplemental Data

For the periods ended:	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Unhedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	74,555,334	150,341,987	136,368,768	209,870,181	226,117,125
Number of units outstanding ⁴	5,181,785	8,382,800	8,694,800	12,444,800	12,650,000
Management expense ratio excluding underlying fund expenses ⁵	0.90%	0.89%	0.92%	0.90%	0.90%
Management expense ratio ⁵	0.90%	0.89%	0.93%	0.92%	0.90%
Trading expense ratio ⁶	0.06%	0.08%	0.18%	0.13%	0.21%
Portfolio turnover rate ⁷	34.81%	44.91%	60.97%	81.45%	37.33%
Net Asset Value per unit (\$)	14.39	17.93	15.68	16.86	17.87
Closing market price (\$)	14.38	17.86	15.63	16.82	17.82

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

For the periods ended:	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Unhedged Class A - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	215,659	637,369	615,781	375,544	N/A
Number of units outstanding ⁴	13,073	30,960	34,136	19,345	N/A
Management expense ratio excluding underlying fund expenses ⁵	1.71%	1.69%	1.78%	1.73%	N/A
Management expense ratio ⁵	1.71%	1.69%	1.78%	1.78%	N/A
Trading expense ratio ⁶	0.06%	0.08%	0.18%	0.13%	N/A
Portfolio turnover rate ⁷	34.81%	44.91%	60.97%	81.45%	N/A
Net Asset Value per unit (\$)	16.50	20.59	18.04	19.41	N/A
Unhedged Class F - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	148,786	11,961	20	20	N/A
Number of units outstanding ⁴	7,962	520	1	1	N/A
Management expense ratio excluding underlying fund expenses ⁵	0.88%	0.88%	0.00%	0.00%	N/A
Management expense ratio ⁵	0.88%	0.88%	0.00%	0.05%	N/A
Trading expense ratio ⁶	0.06%	0.08%	0.18%	0.13%	N/A
Portfolio turnover rate ⁷	34.81%	44.91%	60.97%	81.45%	N/A
Net Asset Value per unit (\$)	18.69	23.01	20.06	20.22	N/A

4 This information is provided as at December 31, 2022, 2021, 2020, 2019, and 2018.

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. The MER for prior periods has been restated to include the expenses of any underlying funds.

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

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.

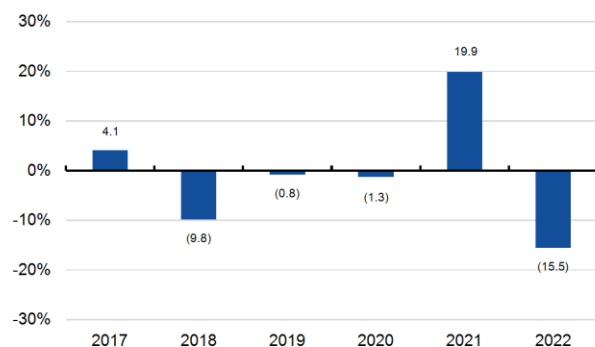
Year-by-Year Returns

The bar chart below shows the Unhedged ETF Units' and the Unhedged Class A and F Mutual Fund Units' performance for each of the financial years shown. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial year would have grown or decreased by the last day of each financial year.

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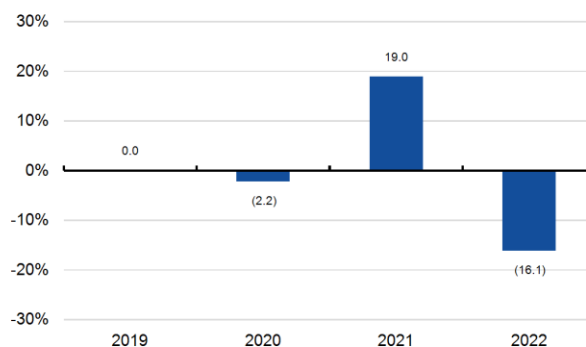
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DIVS Unhedged ETF Units¹



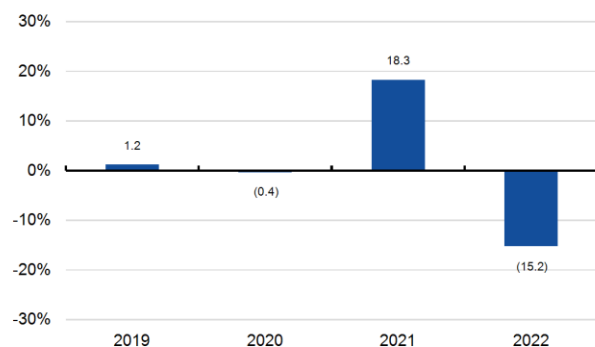
1 The Unhedged ETF Units of the Fund effectively began operations on September 27, 2017.

Unhedged Class A Mutual Fund Units²



2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

Unhedged Class F Mutual Fund Units³



3 The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units and the Unhedged Class A and F Mutual Fund Units. The returns are for period ended December 31, 2022. As a basis of comparison, we have provided the performance of S&P/TSX Preferred Total Return Index ("Index"). As the criteria for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Since Inception ¹ (%)	1 Year (%)	3 Year (%)
Unhedged ETF Units	(1.3)	(15.5)	0.0
S&P/TSX Preferred Total Return Index	0.4	(18.1)	1.2
Unhedged Class A Mutual Fund Units	(0.7)	(16.1)	(0.8)
S&P/TSX Preferred Total Return Index	1.6	(18.1)	1.2
Unhedged Class F Mutual Fund Units	0.3	(15.2)	(0.1)

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	Since Inception ¹ (%)	1 Year (%)	3 Year (%)
S&P/TSX Preferred Total Return Index	1.6	(18.1)	1.2

1 From inception date of September 29, 2017 for the Unhedged ETF Units, and from inception date April 23, 2019 for the Hedged Class A and F Mutual Fund Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Enbridge Inc., Preferred, Series '19'	4.1
Canadian Imperial Bank of Commerce, Preferred, Series '47'	4.0
Royal Bank of Canada, Series 'BT', Variable, Callable	3.3
Power Corporation of Canada, Preferred, Series 'G'	3.3
Pembina Pipeline Corporation, Preferred, Series '15'	3.1
The Toronto-Dominion Bank, Variable, Callable	3.1
The Toronto-Dominion Bank, Preferred, Series '3'	2.9
AltaGas Limited, Preferred, Series 'E'	2.8
Manulife Financial Corporation, Preferred, Series '11'	2.6
Rogers Communications Inc., Variable, Callable	2.4
Power Financial Corporation, Preferred, Series 'V'	2.4
Bank of Montreal, Variable, Callable	2.3
Manulife Financial Corporation, Preferred, Series '9'	2.2
Brookfield Renewable Power Preferred Equity Inc., Preferred, Series '5'	2.1
The Toronto-Dominion Bank, Preferred, Series '5'	2.1
Enbridge Inc., Preferred, Series '7'	2.1
Great-West Lifeco Inc., Preferred, Series 'S'	2.1
TC Energy Corporation, Preferred, Series '7'	2.0
The Toronto-Dominion Bank, Preferred, Series '18'	2.0
Bank of Montreal, Preferred, Series '27'	1.8
Pembina Pipeline Corporation, Preferred, Series '25'	1.7
Power Corporation of Canada, Preferred, Series 'D'	1.6
Power Financial Corporation, Preferred, Series 'E'	1.6
Bank of Montreal, Preferred, Series '29'	1.5
Bank of Montreal, Preferred, Series '31'	1.5
Total	60.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Communication Services	2.4
Energy	1.9
Financials	4.5
Equities	
Communication Services	0.6
Energy	18.4
Financials	57.2
Utilities	9.2
Cash and Cash Equivalents	6.3
Other Assets, less Liabilities	(0.5)
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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