

Evolve US Banks Enhanced Yield 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 US Banks Enhanced Yield Fund (the "Fund") seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of the Solactive Equal Weight US Bank Index (the "Benchmark"), or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the Solactive Equal Weight US Bank Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities, at the discretion of the portfolio manager. The level of covered call option writing may vary based on market volatility and other factors.

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, the Unhedged ETF Units returned -14.6% versus the Solactive Equal Weight US Bank Index PR return of -15.5%. The Hedged ETF Units returned -21.2% versus the Solactive Equal Weight US Bank Index PR Canadian Dollar Hedged return of -20.5%. The US Dollar Unhedged ETF Units returned -20.2% versus the Solactive Equal Weight US Bank Index PR return of -15.5%. The difference in performance of the hedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and hedging strategies and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. The difference in performance of the unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes, to portfolio trading and to the assumption that all distributions made by the investment fund were reinvested in additional securities whereas the index performance is of price return only. Furthermore, the difference can also be attributed to the implementation of the call writing strategy where the Fund tends to outperform in flat or down markets and underperform during sharp market advances. This performance difference can be seen over the period the calls are written, typically with one to two months to expiry, and then resets when new option positions are established. The Fund's net assets were \$47.0MM as at December 31, 2022.

Portfolio Manager Commentary

2022 was a challenging year for U.S. equities, to say the least. In fact, during the year, the S&P 500 Index returned -18.13% on the back of recessionary concerns following multiple consecutive quarters of negative GDP growth. Furthermore, with U.S. inflation rates at 6.5% on a year-over-year basis, the Federal Reserve has raised rates by 4.25% since the beginning of 2022 in an effort to combat inflation.^{1,2} More specifically, the year began with rates at 0.25% and closed the year out at 4.50%, pushing borrowing costs to their highest level since 2008.³ Wall Street's biggest banks agree the Federal Reserve will hike U.S. interest rates further into next year, but are at odds over how high rates will go and whether the Fed will begin cutting rates by the end of 2023.⁴ Interest rate futures suggest that the Fed will set and hold short-term rates in a 4% to 5% band for much of 2023, depending on the strength of the economy.⁵ Interestingly, banks and financial services providers typically performs well in a rising interest rate environment such as the one experienced in 2022. More specifically, financial institution revenues are typically positively correlated with higher interest rates because the net margins on the bank's loan book increases.⁶

This earnings results of U.S. banks released throughout the year reflected this challenging macro-economic environment. In its third quarter 2022 earnings report, JPMorgan Chase & Co., a holding in this Fund, reported net income of \$9.7 billion, down 17% compared to the same quarter in the prior year. However, net revenue was \$33.5 billion, up 10% year-over-year, while net interest income (NII) was \$17.6 billion, up 34% driven by higher interest rates. Diluted earnings per share (EPS) were \$3.12 compared with \$3.74 in the third quarter of 2021.⁷ Citigroup Inc., another holding in this Fund, released its third quarter earnings in October, reporting net income of \$3.5 billion, a decrease of 25% from the prior-year period; and earnings per share (EPS) of \$1.63, a decrease 24% from the prior-year period.⁸ Wells Fargo, a holding in this Fund, reported third quarter diluted EPS of \$0.85, lower by \$0.32 year-over-year, attributed operating losses related to litigation, customer remediation, and regulatory matters. The bank also reported net interest income increased 36% as compared to the third quarter of 2021, primarily due to the impact of higher interest rates, higher loan balances, and lower mortgage-backed securities premium amortization, partially offset by lower interest income from Paycheck Protection Program (PPP) loans and loans purchased from securitization pools.⁹ Finally, The Goldman Sachs Group, Inc., a holding in this Fund, reported third quarter earnings which surpassed analyst expectations, driven by strong bond-trading results. The company said profit fell 43% to \$3.07 billion year-over-year, or to \$8.25 per share, exceeding the estimated \$7.69 per share. For comparison, EPS was \$7.73 for the second quarter of 2022. Net revenues were \$11.98 billion for the third quarter of 2022, 1% higher than Q2 2022 but 12% lower year-over-year, driven by lower net revenues in Investment Banking and Asset Management, partially offset by higher net revenues in Global Markets and Consumer & Wealth Management.¹⁰

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Other notable headlines during the year included that of TD Bank Group's acquisition of First Horizon Corporation, a holding in this Fund. The US\$13.4 billion deal was announced on February 28th, 2022 and is projected to close in the first quarter of 2023. The acquisition is expected to accelerate the bank's U.S. growth strategy and will make it a top 6 U.S. bank with approximately US\$614 billion in assets under management.¹¹ U.S. Bancorp, another holding in this Fund, which announced in September that it would acquire MUFG Union Bank's core regional banking franchise from Mitsubishi UFJ Financial Group. The transaction is expected to close on December 1st, 2022 and will allow U.S. Bancorp gain more than 1 million consumer customers and about 190,000 small business customers on the West Coast in addition to significant loans and deposits.¹²

Performance Attribution

For the twelve month period ending December 31, 2022, First Horizon Corporation made the biggest contribution to the Fund, followed by First Citizens Bancshares Inc. and Regions Financial Corp. By weight, the Fund's largest holdings were Bank of America Corp., Citigroup Inc., and Citizens Financial Group Inc.

(1) <https://www.usinflationcalculator.com/inflation/current-inflation-rates/#:~:text=The%20annual%20inflation%20rate%20for,ET/>

(2) <https://www.federalreserve.gov/monetarypolicy/openmarket.htm//>

(3) <https://www.cnbc.com/2022/09/23/borrowing-costs-hit-multi-year-highs-after-fed-hike.html>

(4) <https://www.bloomberg.com/news/articles/2022-11-18/wall-street-economists-split-on-whether-fed-cuts-rates-in-2023?leadSource=uverify%20wall>

(5) <https://www.forbes.com/sites/simonmoore/2022/11/12/the-schedule-for-the-feds-2023-meetings-and-what-to-look-for/?sh=7d1e0dbd2368>

(6) <https://www.investopedia.com/articles/investing/052814/these-sectors-benefit-rising-interest-rates.asp>

(7) <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/quarterly-earnings/2022/3rd-quarter/c363d5ac-0a3e-483e-88ec-89767a8e266e.pdf>

(8) <https://www.citigroup.com/citi/investor/data/qer322.pdf?ieNocache=839>

(9) <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/earnings/third-quarter-2022-earnings.pdf>

(10) <https://www.goldmansachs.com/media-relations/press-releases/current/pdfs/2022-q3-results.pdf>

(11) <https://stories.td.com/us/en/article/td-to-expand-in-the-southeastern-u-s-with-acquisition-of-first-horizon-lang-swap>

(12) <https://ir.usbank.com/news-releases/news-release-details/us-bancorp-receives-full-regulatory-approval-acquisition-mufg>

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.

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 Independent Review Committee.

Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Fund, accrued daily and generally paid monthly. For the year ended December 31, 2022, the Fund incurred \$191,922 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.

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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 \$63,973 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; fees payable to the index provider, 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

For the periods ended:	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
Unhedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	22.38	17.70	21.46	18.10	21.25
Increase (decrease) from operations:					
Total revenue	0.54	0.48	0.56	0.59	0.51
Total expenses	(0.24)	(0.25)	(0.30)	(0.31)	(0.34)
Realized gains (losses)	0.67	2.16	(4.01)	(0.47)	(10.55)
Unrealized gains (losses)	(3.86)	3.36	1.80	5.21	5.07
Total increase (decrease) from operations²	(2.89)	5.75	(1.95)	5.02	(5.31)
Distributions:					
From dividends	(0.26)	(0.24)	(0.30)	(0.32)	(0.24)
From capital gains	(0.33)	-	-	-	-
Return of capital	(0.91)	(1.17)	(1.08)	(0.94)	(0.66)
Total annual distributions³	(1.50)	(1.41)	(1.38)	(1.26)	(0.90)
Net Assets per Unit, end of period	17.70	22.38	17.70	21.46	18.10
Hedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	20.44	16.27	20.21	16.45	21.08
Increase (decrease) from operations:					
Total revenue	0.47	0.45	0.49	0.54	0.48
Total expenses	(0.21)	(0.25)	(0.26)	(0.28)	(0.32)
Realized gains (losses)	(0.50)	1.16	(1.83)	(2.13)	(1.36)
Unrealized gains (losses)	(3.77)	2.70	3.75	5.31	(5.41)
Total increase (decrease) from operations²	(4.01)	4.06	2.15	3.44	(6.61)
Distributions:					
From dividends	(0.23)	(0.18)	(0.23)	(0.30)	(0.15)
From capital gains	(0.34)	-	-	-	-
Return of capital	(0.93)	(1.23)	(1.15)	(0.96)	(0.75)
Total annual distributions³	(1.50)	(1.41)	(1.38)	(1.26)	(0.90)
Net Assets per Unit, end of period	14.75	20.44	16.27	20.21	16.45

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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
	(\$)	(\$)	(\$)	(\$)	(\$)
US Dollar Unhedged ETF Units - Net Assets per Unit⁴					
Net Assets per Unit, beginning of period	27.56	21.82	26.68	26.40	N/A
Increase (decrease) from operations:					
Total revenue	0.66	0.57	0.71	0.09	N/A
Total expenses	(0.29)	(0.31)	(0.38)	(0.05)	N/A
Realized gains (losses)	0.94	2.43	(5.82)	0.40	N/A
Unrealized gains (losses)	(4.61)	2.81	3.17	(0.21)	N/A
Total increase (decrease) from operations²	(3.30)	5.50	(2.32)	0.23	N/A
Distributions:					
From dividends	(0.36)	(0.26)	(0.35)	(0.01)	N/A
From capital gains	(0.48)	-	-	-	N/A
Return of capital	(1.28)	(1.51)	(1.50)	(0.14)	N/A
Total annual distributions³	(2.12)	(1.77)	(1.85)	(0.15)	N/A
Net Assets per Unit, end of period	21.69	27.56	21.82	26.68	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 and Hedged ETF Units effectively began operations on October 12, 2017 and the US Dollar Unhedged ETF Units began operations on November 26, 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.
- 4 Per unit figures are stated in CAD equivalent.

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 (\$) ⁵	7,079,005	5,035,885	3,097,714	3,219,518	2,262,348
Number of units outstanding ⁵	400,000	225,000	175,000	150,000	125,000
Management expense ratio ⁶	0.67%	0.64%	0.70%	0.70%	0.68%
Trading expense ratio ⁷	0.16%	0.19%	0.67%	0.43%	0.52%
Portfolio turnover rate ⁸	61.13%	78.93%	203.76%	103.77%	100.98%
Net Asset Value per unit (\$)	17.70	22.38	17.70	21.46	18.10
Closing market price (\$)	17.70	22.38	17.70	21.46	18.10
Hedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁵	36,133,370	24,525,649	4,881,866	1,515,581	822,343
Number of units outstanding ⁵	2,450,000	1,200,000	300,000	75,000	50,000
Management expense ratio ⁶	0.68%	0.68%	0.69%	0.70%	0.68%
Trading expense ratio ⁷	0.16%	0.19%	0.67%	0.43%	0.52%
Portfolio turnover rate ⁸	61.13%	78.93%	203.76%	103.77%	100.98%
Net Asset Value per unit (\$)	14.75	20.44	16.27	20.21	16.45
Closing market price (\$)	14.75	20.51	16.25	20.21	16.45

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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
US Dollar Unhedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$)⁵	3,795,085	3,445,043	1,636,700	1,334,148	N/A
Number of units outstanding⁵	175,000	125,000	75,000	50,000	N/A
Management expense ratio⁶	0.67%	0.65%	0.77%	0.09%	N/A
Trading expense ratio⁷	0.16%	0.19%	0.67%	0.43%	N/A
Portfolio turnover rate⁸	61.13%	78.93%	203.76%	103.77%	N/A
Net Asset Value per unit (\$)	21.69	27.56	21.82	26.68	N/A
Closing market price (\$)	21.68	27.58	21.85	26.70	N/A

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

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.

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.

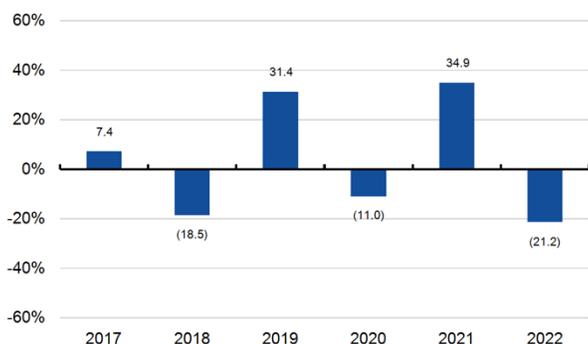
Past Performance

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.

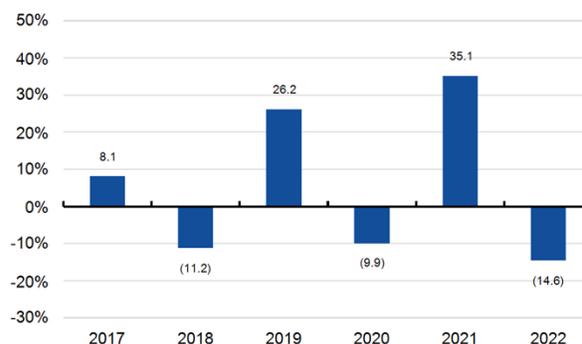
Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged, and US Dollar Unhedged ETF 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.

CALL Hedged ETF Units¹



CALL/B Unhedged ETF Units²



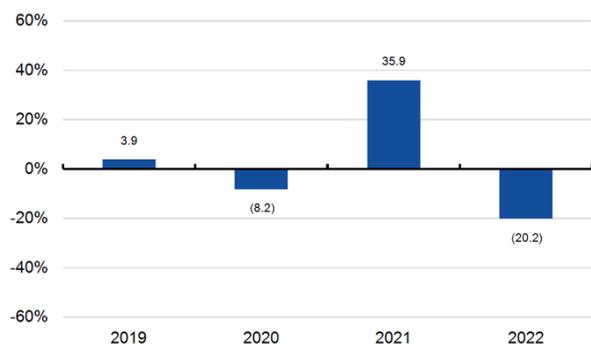
1 The Hedged ETF Units of the Fund effectively began operations on October 12, 2017.

2 The Unhedged ETF Units of the Fund effectively began operations on October 12, 2017.

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CALL/U US Dollar Unhedged ETF Units³



³ The US Dollar Unhedged ETF Units of the Fund effectively began operations on November 26, 2019. Returns presented based on NAV equivalent in USD.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged, Unhedged, and US Dollar Unhedged ETF Units. The returns are for period ended December 31, 2022. For a discussion of the relative performance of the Fund as compared to the index, please refer to the "Results of Operations" section in the "Management Discussion of Fund Performance".

	Since Inception ¹ (%)	1 Year (%)	3 Year (%)
Hedged ETF Units	1.6	(21.2)	(1.8)
Solactive Equal Weight US Bank Index PR Canadian Dollar Hedged	3.1	(20.5)	(0.9)
Unhedged ETF Units	4.5	(14.6)	1.3
Solactive Equal Weight US Bank Index PR	6.8	(15.5)	3.4
US Dollar Unhedged ETF Units	1.1	(20.2)	(0.1)
Solactive Equal Weight US Bank Index PR	3.9	(15.5)	3.4

¹ From inception date of October 12, 2017 for the Hedged and Unhedged ETF Units, and from inception date of November 26, 2019 for the US Dollar Unhedged ETF Units.

Summary of Investment Portfolio

All Positions

	Percentage of Net Asset Value (%)
Security	
JPMorgan Chase & Company	5.8
First Horizon Corporation	5.4
Citizens Financial Group Inc.	5.2
The Goldman Sachs Group Inc.	5.1
Huntington Bancshares Inc.	5.1
Regions Financial Corporation	4.9
The PNC Financial Services Group Inc.	4.9
Bank of America Corporation	4.8
KeyCorp	4.7
Fifth Third Bancorp	4.7

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All Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
U.S. Bancorp	4.7
Wells Fargo & Company	4.6
Citigroup Inc.	4.5
First Citizens BancShares Inc., Class 'A'	4.5
Truist Financial Corporation	4.5
East West Bancorp Inc.	4.4
Comerica Inc.	4.0
First Republic Bank	4.0
M&T Bank Corporation	3.9
Western Alliance Bancorporation	3.9
Signature Bank	3.2
SVB Financial Group	2.8
Total	99.6

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	99.6
Derivative Assets	0.6
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	(0.7)
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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