

Evolve Active Canadian Preferred Share Fund

December 31, 2023

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.

Evolve Active Canadian Preferred Share Fund

December 31, 2023

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, 2023, Unhedged ETF Units returned 5.7%. The Unhedged Class A Mutual Fund Units returned 4.8% and the Unhedged Class F Mutual Fund Units returned 5.6%. The Fund's net assets were \$54.0MM as at December 31, 2023.

Portfolio Manager Commentary

The year 2023 has been a period of significant volatility and change for global financial markets, with equity, fixed income, and Canadian preferred shares experiencing notable fluctuations. The year started with a rally across markets, buoyed by signs of inflation slowing and expectations that central banks might ease up on monetary policy tightening. However, this optimism was short-lived, as inflation proved to be stubborn, leading to a more volatile market environment with central banks signaling a need for a sustained period of elevated interest rates. The overarching theme for the year was the impact of central banks' policies on interest rates. Market dynamics frequently shifted based on the anticipation and reaction to central bank interest rate decisions. The Bank of Canada and the Federal Reserve both implemented rate hikes during the year, which affected market sentiment and investment strategies.

The bond market experienced a roller-coaster year, with periods of positive returns giving way to sell-offs as investors adjusted to a changing interest rate landscape. The FTSE Canada Universe Bond Index's performance reflected these shifts, with all sectors and maturities having both positive and negative returns at different times. This market mirrored the volatility seen in bonds and equities, participating in early rallies but also suffering declines as yields rose and credit spreads widened. Despite these challenges, there were periods where the preferred shares market recovered, particularly when government policy became more favorable. Economic indicators and corporate earnings also played a critical role in shaping market performance. Strong economic data often led to reassessments of rate cut expectations, while corporate earnings supported stock market gains when they met or exceeded analysts' expectations.

The Fund had a mixed year, outperforming its benchmark in some months but trailing in others. The Fund's portfolio strategy, including a bias towards Fixed Resets with high back-end spreads and a focus on issuers with strong fundamentals, was consistent throughout the year. The Fund also maintained an overweight position in P-2 rated securities. The portfolio's positioning in fixed income securities and its cash holdings were significant factors in its performance, with the strategy shifting to accommodate market conditions.

In summary, the year 2023 for the financial markets was defined by the interplay between inflation dynamics, central bank policies, and varying economic data, which collectively influenced investor sentiment and market performance. The Fund navigated this landscape with a strategic focus on security selection and a defensive posture, adapting to the evolving conditions to manage risk and seek opportunities.

Source: Addenda Capital

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.

Evolve Active Canadian Preferred Share Fund

December 31, 2023

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, 2023, the Fund incurred \$478,840 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, 2023, the Fund incurred \$110,641 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, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:					
Unhedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	14.39	17.93	15.68	16.86	17.87
Increase (decrease) from operations:					
Total revenue	0.89	0.81	0.83	0.85	0.94
Total expenses	(0.14)	(0.16)	(0.17)	(0.16)	(0.17)
Realized gains (losses)	(0.59)	0.01	0.82	(4.85)	(1.34)
Unrealized gains (losses)	0.55	(3.52)	1.61	2.55	0.22
Total increase (decrease) from operations²	0.71	(2.86)	3.09	(1.61)	(0.35)
Distributions:					
From income (excluding dividends)	(0.10)	-	-	-	-
From dividends	(0.67)	(0.70)	(0.62)	(0.74)	(0.77)
Return of capital	(0.07)	(0.14)	(0.22)	(0.10)	(0.14)
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.84)	(0.91)
Net Assets per Unit, end of period	14.33	14.39	17.93	15.68	16.86

Evolve Active Canadian Preferred Share Fund

December 31, 2023

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

For the periods ended:	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
Unhedged Class A - Net Assets per Unit					
Net Assets per Unit, beginning of period	16.50	20.59	18.04	19.41	20.00
Increase (decrease) from operations:					
Total revenue	1.02	0.91	0.97	0.97	0.77
Total expenses	(0.29)	(0.33)	(0.36)	(0.32)	(0.25)
Realized gains (losses)	(0.62)	0.17	0.92	(5.15)	(2.30)
Unrealized gains (losses)	0.13	(4.07)	1.63	4.91	4.63
Total increase (decrease) from operations²	0.24	(3.32)	3.16	0.41	2.85
Distributions:					
From income (excluding dividends)	(0.06)	-	-	-	-
From dividends	(0.37)	(0.65)	(0.59)	(0.84)	(0.49)
Return of capital	(0.41)	(0.19)	(0.25)	-	(0.07)
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.84)	(0.56)
Net Assets per Unit, end of period	16.42	16.50	20.59	18.04	19.41
Unhedged Class F - Net Assets per Unit					
Net Assets per Unit, beginning of period	18.69	23.01	20.06	20.22	19.99
Increase (decrease) from operations:					
Total revenue	1.08	0.97	1.02	1.01	0.76
Total expenses	(0.18)	(0.19)	(0.22)	(0.03)	(0.02)
Realized gains (losses)	(0.42)	(0.65)	0.99	(5.98)	(1.41)
Unrealized gains (losses)	(2.43)	(0.50)	0.64	4.90	0.89
Total increase (decrease) from operations²	(1.95)	(0.37)	2.43	(0.10)	0.22
Distributions:					
From dividends	-	(0.64)	(0.62)	(0.07)	-
Return of capital	(0.84)	(0.20)	(0.08)	-	-
Total annual distributions³	(0.84)	(0.84)	(0.70)	(0.07)	-
Net Assets per Unit, end of period	18.85	18.69	23.01	20.06	20.22

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023, 2022, 2021, 2020, and 2019. 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, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Unhedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	53,839,585	74,555,334	150,341,987	136,368,768	209,870,181
Number of units outstanding ⁴	3,756,785	5,181,785	8,382,800	8,694,800	12,444,800
Management expense ratio excluding underlying fund expenses ⁵	0.91%	0.90%	0.89%	0.92%	0.90%
Management expense ratio ⁶	0.91%	0.90%	0.89%	0.93%	0.92%
Trading expense ratio ⁷	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate ⁸	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	14.33	14.39	17.93	15.68	16.86
Closing market price (\$)	14.24	14.38	17.86	15.63	16.82

Evolve Active Canadian Preferred Share Fund

December 31, 2023

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

For the periods ended:	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Unhedged Class A - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	111,445	215,659	637,369	615,781	375,544
Number of units outstanding ⁴	6,789	13,073	30,960	34,136	19,345
Management expense ratio excluding underlying fund expenses ⁵	1.75%	1.71%	1.69%	1.78%	1.73%
Management expense ratio ⁶	1.75%	1.71%	1.69%	1.78%	1.78%
Trading expense ratio ⁷	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate ⁸	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	16.42	16.50	20.59	18.04	19.41
Unhedged Class F - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	11,543	148,786	11,961	20	20
Number of units outstanding ⁴	612	7,962	520	1	1
Management expense ratio excluding underlying fund expenses ⁵	0.90%	0.88%	0.88%	0.00%	0.00%
Management expense ratio ⁶	0.90%	0.88%	0.88%	0.00%	0.05%
Trading expense ratio ⁷	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate ⁸	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	18.85	18.69	23.01	20.06	20.22

4 This information is provided as at December 31, 2023, 2022, 2021, 2020, and 2019.

5 Management expense ratio excluding underlying fund expenses 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 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.

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.

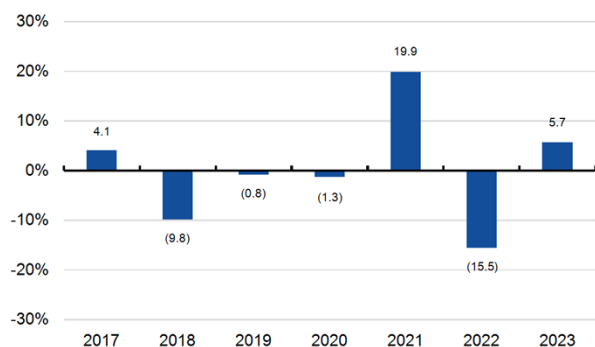
Year-by-Year Returns

The bar chart below shows the 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 period would have grown or decreased by the last day of that financial period.

Evolve Active Canadian Preferred Share Fund

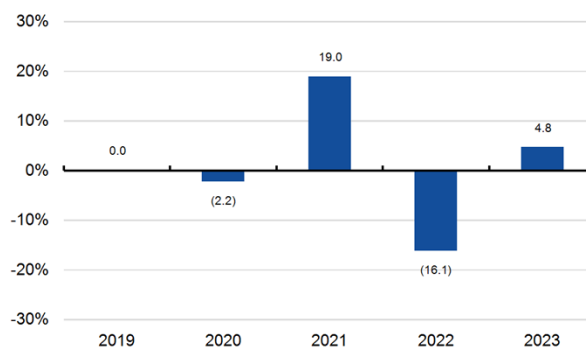
December 31, 2023

DIVS Unhedged ETF Units¹



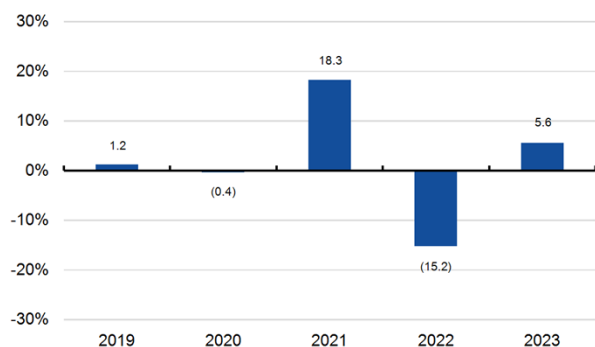
1 The Unhedged ETF Units of the Fund effectively began operations on September 27, 2017.

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, 2023. 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	(0.2)	5.7	2.4
S&P/TSX Preferred Total Return Index	1.3	5.9	1.2
Unhedged Class A Mutual Fund Units	0.5	4.8	1.5
S&P/TSX Preferred Total Return Index	2.5	5.9	1.2
Unhedged Class F Mutual Fund Units	1.4	5.6	1.9

Evolve Active Canadian Preferred Share Fund

December 31, 2023

	Since Inception ¹ (%)	1 Year (%)	3 Year (%)
S&P/TSX Preferred Total Return Index	2.5	5.9	1.2

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

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Royal Bank of Canada, Series 'BT', Variable, Callable	4.6
Bank of Montreal, Variable, Callable, Perpetual	4.3
The Toronto-Dominion Bank, Variable, Callable	4.2
Manulife Financial Corporation, Variable, Callable	4.0
Enbridge Inc., Preferred, Series '19'	3.6
Rogers Communications Inc., Variable, Callable	3.5
AltaGas Limited, Preferred, Series 'E'	3.3
Power Corporation of Canada, Preferred, Series 'G'	3.1
Canadian Imperial Bank of Commerce, Preferred, Series '47'	3.0
The Toronto-Dominion Bank, Preferred, Series '3'	3.0
Pembina Pipeline Corporation, Preferred, Series '15'	3.0
Manulife Financial Corporation, Preferred, Series '11'	2.9
The Toronto-Dominion Bank, Callable, Series '28'	2.6
Pembina Pipeline Corporation, Preferred, Series '25'	2.3
Power Financial Corporation, Preferred, Series 'V'	2.3
TC Energy Corporation, Preferred, Series '7'	2.1
Manulife Financial Corporation, Preferred, Series '9'	2.1
Great-West Lifeco Inc., Preferred, Series 'S'	2.1
Enbridge Inc., Preferred, Series '7'	2.0
Gibson Energy Inc., Variable, Callable	1.9
Brookfield Renewable Power Preferred Equity Inc., Preferred, Series '5'	1.9
The Toronto-Dominion Bank, Preferred, Series '18'	1.9
Enbridge Inc., Series 'C', Variable, Callable	1.8
Bank of Montreal, Preferred, Series '27'	1.7
Canadian Imperial Bank of Commerce, Series '56', Variable, Callable	1.7
Total	68.9

Evolve Active Canadian Preferred Share Fund

December 31, 2023

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Communication Services	3.5
Financials	8.4
Energy	4.5
Equities	
Communication Services	0.6
Energy	16.7
Financials	55.7
Utilities	8.2
Cash and Cash Equivalents	3.0
Other Assets, less Liabilities	(0.6)
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.



Evolve Active Canadian Preferred Share Fund