

# Evolve Active Canadian Preferred Share 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](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.

# Evolve Active Canadian Preferred Share Fund

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## Investment Objective and Strategies

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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

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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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For the six-month period ended June 30, 2024, Unhedged ETF Units returned 10.4%. The Unhedged Class A Mutual Fund Units returned 10.0% and the Unhedged Class F Mutual Fund Units returned 10.3%. The Fund's net assets were \$49.5MM as at June 30, 2024.

## Portfolio Manager Commentary

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The first half of 2024 was a dynamic and challenging period for the Fund as it was influenced by key themes seen in broader economic conditions and financial market dynamics. In January, bond market momentum slowed as markets reassessed imminent rate cuts as both the U.S. Central Bank and the Bank of Canada (BoC) held rates steady. The strategy underperformed its benchmark during the month but provided strong long-term relative returns.

In February, rates rose along the Government of Canada yield curve, with the 2-year GoC bond yield up 26 basis points (bps) and the 10-year yield up 22bps. Treasury yields also increased. The S&P/TSX Composite Index recorded a 2.00% return, driven by value stocks. The strategy had positive absolute returns on the back of an overweight position in Canadian bank preferreds.

March saw equities led by mining and cyclical sectors, with strong performances in gold, base metals, and oil and gas stocks. The S&P/TSX Preferred Share Index rose 3.47% in March and 9.61% for the quarter. Despite the rally, the portfolio underperformed the benchmark due to a defensive posture.

In April, the S&P/TSX Composite Index declined by 1.82%, with gains in Energy and Materials sectors. The FTSE Canada Universe Bond Index returned -2.00%. The Fund underperformed its benchmark again during the month defensive position and lower fixed resets as compared to the benchmark.

In May, bonds and equities performed well, with the S&P/TSX Composite Index up 2.77% and the S&P 500 up 4.96%. The S&P/TSX Preferred Share Index advanced 2.94% during the month. The portfolio strategy benefited from its fixed income exposure.

Looking ahead, the preferred share market will be influenced by risk assets and credit spreads. We remain cautiously optimistic on credit spreads as central banks tame inflation. For the remainder of the year, the Manager anticipates the portfolio will maintain a defensive position, holding cash, fixed income, and longer duration preferred shares.

Source: Addenda Capital

## Recent Developments

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

## Related Party Transactions

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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.

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## 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 six-month period ended June 30, 2024, the Fund incurred \$182,729 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 six-month period ended June 30, 2024, the Fund incurred \$42,545 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 Unit<sup>1</sup>

For the periods ended:	June 30, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>Unhedged ETF Units - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	14.33	14.39	17.93	15.68	16.86	17.87
<b>Increase (decrease) from operations:</b>						
Total revenue	0.47	0.89	0.81	0.83	0.85	0.94
Total expenses	(0.07)	(0.14)	(0.16)	(0.17)	(0.16)	(0.17)
Realized gains (losses)	0.07	(0.59)	0.01	0.82	(4.85)	(1.34)
Unrealized gains (losses)	1.02	0.55	(3.52)	1.61	2.55	0.22
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.49</b>	<b>0.71</b>	<b>(2.86)</b>	<b>3.09</b>	<b>(1.61)</b>	<b>(0.35)</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.42)	(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)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.42)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.91)</b>
<b>Net Assets per Unit, end of period</b>	<b>15.38</b>	<b>14.33</b>	<b>14.39</b>	<b>17.93</b>	<b>15.68</b>	<b>16.86</b>

# Evolve Active Canadian Preferred Share Fund

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## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

For the periods ended:	June 30, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
<b>Unhedged Class A - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	16.42	16.50	20.59	18.04	19.41	20.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.54	1.02	0.91	0.97	0.97	0.77
Total expenses	(0.13)	(0.29)	(0.33)	(0.36)	(0.32)	(0.25)
Realized gains (losses)	0.07	(0.62)	0.17	0.92	(5.15)	(2.30)
Unrealized gains (losses)	1.15	0.13	(4.07)	1.63	4.91	4.63
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.63</b>	<b>0.24</b>	<b>(3.32)</b>	<b>3.16</b>	<b>0.41</b>	<b>2.85</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.42)	(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)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.42)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.56)</b>
<b>Net Assets per Unit, end of period</b>	<b>17.63</b>	<b>16.42</b>	<b>16.50</b>	<b>20.59</b>	<b>18.04</b>	<b>19.41</b>
<b>Unhedged Class F - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	18.85	18.69	23.01	20.06	20.22	19.99
<b>Increase (decrease) from operations:</b>						
Total revenue	0.57	1.08	0.97	1.02	1.01	0.76
Total expenses	(0.10)	(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)	2.22	(2.43)	(0.50)	0.64	4.90	0.89
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.69</b>	<b>(1.95)</b>	<b>(0.37)</b>	<b>2.43</b>	<b>(0.10)</b>	<b>0.22</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.42)	-	-	-	-	-
From dividends	-	-	(0.64)	(0.62)	(0.07)	-
Return of capital	-	(0.84)	(0.20)	(0.08)	-	-
<b>Total annual distributions<sup>3</sup></b>	<b>(0.42)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.70)</b>	<b>(0.07)</b>	<b>-</b>
<b>Net Assets per Unit, end of period</b>	<b>20.36</b>	<b>18.85</b>	<b>18.69</b>	<b>23.01</b>	<b>20.06</b>	<b>20.22</b>

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2024, and the 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.

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## The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	49,335,126	53,839,585	74,555,334	150,341,987	136,368,768	209,870,181
Number of units outstanding <sup>4</sup>	3,206,785	3,756,785	5,181,785	8,382,800	8,694,800	12,444,800
Management expense ratio excluding underlying fund expenses <sup>5</sup>	0.86%	0.91%	0.90%	0.89%	0.92%	0.90%
Management expense ratio <sup>6</sup>	0.86%	0.91%	0.90%	0.89%	0.93%	0.92%
Trading expense ratio <sup>7</sup>	0.05%	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate <sup>8</sup>	8.19%	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	15.38	14.33	14.39	17.93	15.68	16.86
Closing market price (\$)	15.31	14.24	14.38	17.86	15.63	16.82
<b>Unhedged Class A - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	120,680	111,445	215,659	637,369	615,781	375,544
Number of units outstanding <sup>4</sup>	6,846	6,789	13,073	30,960	34,136	19,345
Management expense ratio excluding underlying fund expenses <sup>5</sup>	1.52%	1.75%	1.71%	1.69%	1.78%	1.73%
Management expense ratio <sup>6</sup>	1.52%	1.75%	1.71%	1.69%	1.78%	1.78%
Trading expense ratio <sup>7</sup>	0.05%	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate <sup>8</sup>	8.19%	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	17.63	16.42	16.50	20.59	18.04	19.41
<b>Unhedged Class F - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	39,959	11,543	148,786	11,961	20	20
Number of units outstanding <sup>4</sup>	1,962	612	7,962	520	1	1
Management expense ratio excluding underlying fund expenses <sup>5</sup>	0.93%	0.90%	0.88%	0.88%	0.00%	0.00%
Management expense ratio <sup>6</sup>	0.93%	0.90%	0.88%	0.88%	0.00%	0.05%
Trading expense ratio <sup>7</sup>	0.05%	0.05%	0.06%	0.08%	0.18%	0.13%
Portfolio turnover rate <sup>8</sup>	8.19%	10.75%	34.81%	44.91%	60.97%	81.45%
Net Asset Value per unit (\$)	20.36	18.85	18.69	23.01	20.06	20.22

4 This information is provided as at June 30, 2024, and 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.

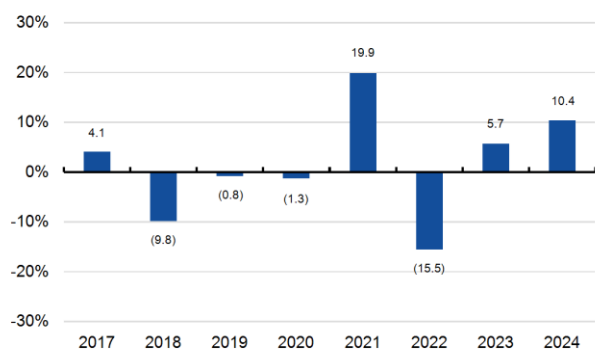
# Evolve Active Canadian Preferred Share Fund

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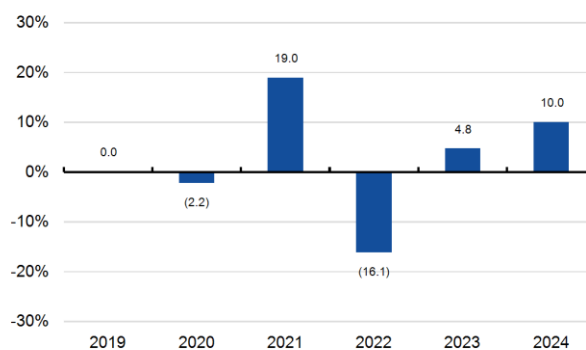
## Year-by-Year Returns

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 and for the six-month period ended June 30, 2024. 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.

### DIVS Unhedged ETF Units<sup>1</sup>



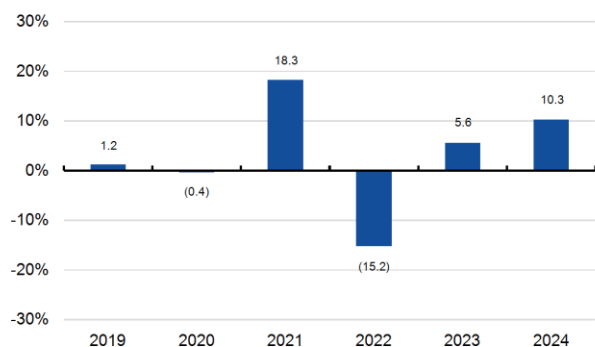
### Unhedged Class A Mutual Fund Units<sup>2</sup>



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

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

### Unhedged Class F Mutual Fund Units<sup>3</sup>



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

## Summary of Investment Portfolio

### Top 25 Positions

Security	Percentage of Net Asset Value (%)
Royal Bank of Canada, Series 'BT', Variable, Callable, Perpetual	5.4
The Toronto-Dominion Bank, Variable, Callable, Perpetual	4.9
Bank of Montreal, Variable, Callable, Perpetual	4.7
The Toronto-Dominion Bank, Preferred, Series '3'	3.9

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## Top 25 Positions (cont'd)

Security	Percentage of Net Asset Value (%)
Enbridge Inc., Preferred, Series '19'	3.7
Power Corporation of Canada, Preferred, Series 'G', Perpetual	3.3
Canadian Imperial Bank of Commerce, Preferred, Series '47'	3.2
Manulife Financial Corporation, Variable, Callable	3.2
Pembina Pipeline Corporation, Preferred, Series '15'	3.0
The Toronto-Dominion Bank, Preferred, Series '28'	2.9
Manulife Financial Corporation, Preferred, Series '11'	2.8
Royal Bank of Canada, Variable, Callable, Perpetual	2.6
TC Energy Corporation, Preferred, Series '7', Perpetual	2.5
Pembina Pipeline Corporation, Preferred, Series '25', Perpetual	2.4
Power Financial Corporation, Preferred, Series 'V'	2.4
Enbridge Inc., Preferred, Series '7', Perpetual	2.2
Gibson Energy Inc., Variable, Callable	2.1
Brookfield Renewable Power Preferred Equity Inc., Preferred, Series '5'	2.1
Great-West Lifeco Inc., Preferred, Series 'S', Perpetual	2.1
Manulife Financial Corporation, Preferred, Series '9'	2.1
Enbridge Inc., Series 'C', Variable, Callable	2.1
The Toronto-Dominion Bank, Preferred, Series '18', Perpetual	1.9
Canadian Imperial Bank of Commerce, Series '56', Variable, Callable, Perpetual	1.9
Brookfield Renewable Partners Limited Partnership, Preferred, Series '13', Perpetual	1.8
Power Corporation of Canada, Preferred, Series 'D'	1.6
<b>Total</b>	<b>70.8</b>

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Debt Instruments</b>	
Communication Services	0.5
Financials	7.5
Energy	5.1
<b>Equities</b>	
Communication Services	0.5
Energy	17.6
Financials	61.4
Utilities	5.8
Cash and Cash Equivalents	1.5
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).



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