

Evolve Active Core Fixed Income 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.

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Investment Objective and Strategies

The Evolve Active Core Fixed Income Fund (the "Fund") seeks to provide a stable rate of return, primarily through income, and to a lesser extent, capital appreciation. The Fund invests primarily in domestic and international high quality fixed income securities, and to a lesser extent, adding yield or enhancing returns on the portfolio by opportunistically investing in international fixed income securities, emerging market debt, preferred shares, convertible bonds and non-investment grade bonds.

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 7.4%. The Unhedged Class A Mutual Fund Units returned 6.5% and the Unhedged Class F Mutual Fund Units returned 7.4%. The Fund's net assets were \$10.4MM as at December 31, 2023.

Portfolio Manager Commentary

Throughout 2023, the Fund navigated a complex and evolving fixed income landscape marked by key themes seen in broader economic conditions and financial market dynamics. Central banks, notably the Bank of Canada and the Federal Reserve, have been at the heart of market movements with their interest rate decisions in response to inflation trends. Both banks raised rates during the year, with pauses and signals closely following trends in economic data. These actions and expectations influenced bond yields, credit spreads, and overall market sentiment.

Initially, markets rallied with optimism as signs of slowing inflation emerged, only to be later tempered by persistent inflationary pressures. This led to market repricing and increased volatility, with inflation remaining a key concern as it stayed above target levels, driven by service sector persistence and labor market dislocations impacting wages. Despite the tightening of monetary policies, economic growth was supported by strong labor dynamics and household savings. However, the risk of recession loomed larger as the year progressed, with central banks maintaining restrictive policies and high real interest rates to combat inflation.

The Fund experienced varied performance across asset classes, with preferred shares and global bonds contributing inversely to portfolio returns throughout the year. Canadian preferred shares saw a rally at the start of the year, but faced challenges especially as changes in government policy affected institutional investor appetite. The fixed income markets saw periods of both positive and negative returns, influenced by central bank actions, corporate earnings, and changing economic data. The Fund's strategy of maintaining exposure to strong credits and shorter maturities, as well as a modest allocation to high yield bonds for additional yield, was central to navigating these conditions. The Fund's strategy emphasized selective asset allocation and tactical positioning. The Fund maintained a slight overweight position in corporate securities and preferred shares, with active adjustments made based on rate movements and credit spread widening. The strategy aimed to capitalize on carry and roll-down opportunities, especially in shorter maturities given the flat or inverted yield curve environment.

In conclusion, the Fund's performance in 2023 was closely tied to the strategic management of asset allocations amid shifting central bank policies, inflationary pressures, and varying economic indicators. The Fund successfully added value relative to benchmarks at times, illustrating the benefits of its active management approach against a backdrop of uncertain market conditions.

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.

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Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.20% 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 \$44,820 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 \$18,024 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	17.24	20.45	20.91	19.75	19.37
Increase (decrease) from operations:					
Total revenue	0.71	0.63	0.64	0.71	0.66
Total expenses	(0.10)	(0.10)	(0.11)	(0.11)	(0.11)
Realized gains (losses)	(1.08)	(1.73)	(0.37)	0.56	0.12
Unrealized gains (losses)	1.69	(1.76)	(0.06)	0.22	0.34
Total increase (decrease) from operations²	1.22	(2.96)	0.10	1.38	1.01
Distributions:					
From income (excluding dividends)	(0.50)	(0.44)	(0.38)	(0.47)	(0.47)
From dividends	(0.11)	(0.10)	(0.15)	(0.15)	(0.06)
From capital gains	-	-	-	-	(0.07)
Return of capital	(0.05)	(0.12)	(0.13)	(0.04)	(0.06)
Total annual distributions³	(0.66)	(0.66)	(0.66)	(0.66)	(0.66)
Net Assets per Unit, end of period	17.82	17.24	20.45	20.91	19.75

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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	17.27	20.64	21.27	20.09	20.17
Increase (decrease) from operations:					
Total revenue	0.72	0.62	0.65	0.63	0.05
Total expenses	(0.25)	(0.25)	(0.28)	(0.28)	0.01
Realized gains (losses)	(1.09)	(1.73)	(0.36)	0.08	0.12
Unrealized gains (losses)	1.73	(1.81)	(0.13)	1.85	(0.09)
Total increase (decrease) from operations²	1.11	(3.17)	(0.12)	2.28	0.09
Distributions:					
From income (excluding dividends)	(0.39)	(0.34)	(0.33)	(0.30)	-
From dividends	(0.09)	(0.08)	(0.13)	(0.09)	-
Return of capital	(0.18)	(0.24)	(0.20)	-	-
Total annual distributions³	(0.66)	(0.66)	(0.66)	(0.39)	-
Net Assets per Unit, end of period	17.70	17.27	20.64	21.27	20.09
Unhedged Class F - Net Assets per Unit					
Net Assets per Unit, beginning of period	17.79	21.07	21.54	20.26	20.19
Increase (decrease) from operations:					
Total revenue	0.74	0.64	0.64	0.70	0.04
Total expenses	(0.11)	(0.10)	(0.11)	(0.13)	0.01
Realized gains (losses)	(1.16)	(1.74)	(0.18)	0.23	0.13
Unrealized gains (losses)	1.73	(1.39)	(0.08)	1.14	0.08
Total increase (decrease) from operations²	1.20	(2.59)	0.27	1.94	0.26
Distributions:					
From income (excluding dividends)	(0.52)	(0.48)	(0.35)	(0.30)	-
From dividends	(0.12)	(0.11)	(0.13)	(0.09)	-
Return of capital	(0.02)	(0.07)	(0.18)	-	-
Total annual distributions³	(0.66)	(0.66)	(0.66)	(0.39)	-
Net Assets per Unit, end of period	18.41	17.79	21.07	21.54	20.26

- 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 March 28, 2018 and the Unhedged Class A and F Mutual Fund Units effectively began operations on June 4, 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	9,445,023	10,428,966	22,492,306	16,207,407	30,612,500
Number of units outstanding ⁴	530,000	605,000	1,100,000	775,000	1,550,000
Management expense ratio excluding underlying fund expenses ⁵	0.60%	0.51%	0.50%	0.55%	0.58%
Management expense ratio ⁶	0.68%	0.68%	0.70%	0.71%	0.70%
Trading expense ratio ⁷	0.00%	0.03%	0.03%	0.02%	0.00%
Portfolio turnover rate ⁸	58.74%	105.36%	134.05%	86.86%	30.80%
Net Asset Value per unit (\$)	17.82	17.24	20.45	20.91	19.75
Closing market price (\$)	17.73	17.25	20.43	20.81	19.80

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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	69,248	65,013	97,975	77,699	20
Number of units outstanding ⁴	3,912	3,765	4,748	3,653	1
Management expense ratio excluding underlying fund expenses ⁵	1.44%	1.31%	1.30%	1.34%	0.00%
Management expense ratio ⁶	1.52%	1.47%	1.51%	1.54%	0.24%
Trading expense ratio ⁷	0.00%	0.03%	0.03%	0.02%	0.00%
Portfolio turnover rate ⁸	58.74%	105.36%	134.05%	86.86%	30.80%
Net Asset Value per unit (\$)	17.70	17.27	20.64	21.27	20.09
Unhedged Class F - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	931,639	1,501,481	3,964,783	304,424	20
Number of units outstanding ⁴	50,605	84,422	188,134	14,131	1
Management expense ratio excluding underlying fund expenses ⁵	0.60%	0.52%	0.51%	0.60%	0.00%
Management expense ratio ⁶	0.68%	0.68%	0.70%	0.80%	0.24%
Trading expense ratio ⁷	0.00%	0.03%	0.03%	0.02%	0.00%
Portfolio turnover rate ⁸	58.74%	105.36%	134.05%	86.86%	30.80%
Net Asset Value per unit (\$)	18.41	17.79	21.07	21.54	20.26

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.

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.

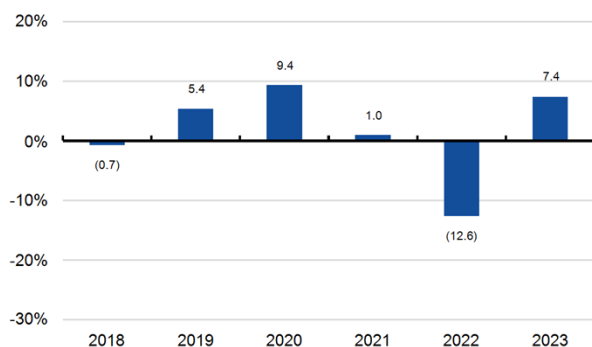
Year-by-Year Returns

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.

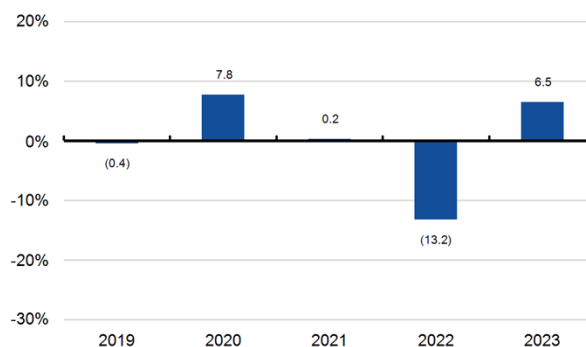
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FIXD Unhedged ETF Units¹



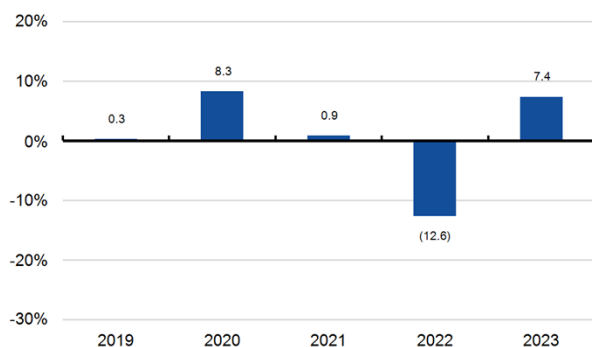
Unhedged Class A Mutual Fund Units²



1 The Unhedged ETF Units of the Fund effectively began operations on March 28, 2018.

2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on June 4, 2019.

Unhedged Class F Mutual Fund Units³



3 The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on June 4, 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 FTSE Canada Universe Bond 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	1.4	7.4	(1.8)
FTSE Canada Universe Bond Index	1.4	6.7	(2.8)
Unhedged Class A Mutual Fund Units	(0.1)	6.5	(2.5)
FTSE Canada Universe Bond Index	0.1	6.7	(2.8)
Unhedged Class F Mutual Fund Units	0.6	7.4	(1.8)

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	Since Inception ¹ (%)	1 Year (%)	3 Year (%)
FTSE Canada Universe Bond Index	0.1	6.7	(2.8)

1 From inception date of March 28, 2018 for the Unhedged ETF Units and from inception date of June 4, 2019 for the Unhedged Class A and F Mutual Fund Units.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Government of Canada, 3.50% due March 1, 2028	5.7
Government of Canada, 0.25% due March 1, 2026	5.2
Evolve Active Global Fixed Income Fund	4.8
Government of Canada, 1.50% due June 1, 2031	3.6
Royal Office Finance Limited Partnership, Series 'A', 5.209% due November 12, 2037	3.4
Fair Hydro Trust, Callable, 3.357% due May 15, 2033	3.2
The 55 Ontario School Board Trust, Series 'A', 5.90% due June 2, 2033	2.7
The Hospital for Sick Children, Series 'A', 5.217% due December 16, 2049	2.7
Hydro-Quebec, 6.00% due February 15, 2040	2.4
Government of Canada, 1.25% due June 1, 2030	2.3
Province of Ontario, 1.55% due November 1, 2029	2.1
Province of British Columbia, 2.80% due June 18, 2048	2.1
Calgary Airport Authority, Callable, 3.454% due October 7, 2041	2.1
TransCanada Trust, Variable, Callable, 4.65% due May 18, 2077	2.0
Province of Ontario, 2.90% due June 2, 2049	1.9
Enbridge Southern Lights Limited Partnership, 4.014% due June 30, 2040	1.9
Government of Canada, 1.75% due December 1, 2053	1.8
Government of Canada, 2.75% due June 1, 2033	1.7
Keyera Corporation, Callable, 3.959% due May 29, 2030	1.7
Enbridge Inc., Variable, Callable, 5.375% due September 27, 2077	1.7
The Toronto-Dominion Bank, Variable, Callable, 3.06% due January 26, 2032	1.6
Rogers Communications Inc., Callable, 2.90% due December 9, 2030	1.5
Bell Canada, Callable, 5.15% due November 14, 2028	1.4
The Bank of Nova Scotia, 1.85% due November 2, 2026	1.4
Government of Canada, 1.50% due April 1, 2025	1.3
Total	62.2

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Asset-Backed Securities	0.8
Communication Services	4.8
Consumer Discretionary	2.4
Consumer Staples	0.4
Energy	12.3
Financials	18.5
Government	39.6
Health Care	2.9
Industrials	2.4
Utilities	1.3
Equities	
ETFs - International Fixed Income	4.8
Cash and Cash Equivalents	9.5
Other Assets, less Liabilities	0.3
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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