

# Evolve Active Global 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](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 Global Fixed Income Fund

December 31, 2023

---

## Investment Objective and Strategies

---

The Evolve Active Global Fixed Income Fund (the "Fund") seeks to generate positive returns throughout the interest rate and economic cycles, firstly by allocating to different credit asset classes, and also through bottom-up individual security selection. The Fund seeks to provide long term returns in excess of the 3-month U.S. dollar Secured Overnight Financing Rate by investing primarily in global debt securities of corporate 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, Hedged ETF Units returned 7.8%. The Hedged Class A Mutual Fund Units returned 9.3% and the Hedged Class F Mutual Fund Units returned 7.7%. The Fund's net assets were \$20.5MM as at December 31, 2023.

## Portfolio Manager Commentary

---

The Fund generated healthy positive total returns in 2023 to conclude a strong year for the strategy. As well as a strong contribution from credit spreads, global yield curves rallied materially amidst growing conviction that the Federal Reserve (Fed) had reached the end of its monetary tightening cycle. This gave corporate bonds a strong tailwind. Carry is also important to the strategy, and with the current elevated level of corporate bond yields, this was another tailwind for the Fund during the period.

In the latter half of 2022, the market remained anxious about inflation, energy supply and security, and the risk of a recession looming, causing investors to employ defensive investment strategies heading into 2023. Yet in the event, 2023 presented a much more benign picture for risk assets. Official interest rates continued to rise through much of the year, and it was not until the fourth quarter when economic data started to paint the sought-after picture of moderating inflation that the yield curves began to rally. The year was also marked by the distress of a number of US regional banks and then the bailout of Credit Suisse in the first half of 2023, as well as the rise in geopolitical tension in the Middle East in October, but neither event created the systemic risk shockwaves initially feared. Corporate earnings were not universally robust throughout the year given the macroeconomic conditions, with some sectors like packaging suffering from gluts of stock dating back to 2022.

More broadly, Emerging Markets is an attractive and important part of the Fund's opportunity set, and in that regard the story of 2023 has been a constructive one. To illustrate, returns of the High Yield Emerging Markets Corporate Plus Index for the year have been healthy at 8.7%. Since Emerging Market economies tend to prosper when US rates fall and the US dollar softens, it is intuitive that the latter part of the year has been best for Emerging Market corporates, but it is expected that 2024 will be even more favourable. The Fund has been allocating to non-China Asia, Latin America, and selectively in eastern European banks, also tentatively increasing allocation to Turkey amidst signs of financial policy stabilisation.

Performance drivers were broad-based in 2023 with carry, spread, and rate duration all contributing positively to the Fund. In addition to macroeconomic conditions which supported performance, the strategy has remained closely focused on individual stock selection. Allocating to improving credits and mispriced stories has helped performance with multiple credit rating upgrades including "rising star" upgrades to investment grade for a series of issuers in the automotive, airline and business services sectors.

Source: Allianz Global Investors GmbH

## 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 Global Fixed Income 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 Hedged ETF Units and the Hedged Class F Mutual Fund Units and 1.40% of the net asset value of the Hedged 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 \$167,840 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 \$39,241 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>

	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)
For the periods ended:					
<b>Hedged ETF Units - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	45.73	49.26	50.22	51.36	49.22
<b>Increase (decrease) from operations:</b>					
Total revenue	2.06	1.54	1.68	1.83	1.93
Total expenses	(0.45)	(0.44)	(0.43)	(0.48)	(0.50)
Realized gains (losses)	(1.27)	(3.26)	1.66	(1.94)	0.64
Unrealized gains (losses)	3.14	(0.12)	(2.39)	0.38	0.97
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.48</b>	<b>(2.28)</b>	<b>0.52</b>	<b>(0.21)</b>	<b>3.04</b>
<b>Distributions:</b>					
From income (excluding dividends)	(1.50)	(1.50)	(1.18)	(1.07)	(1.50)
From capital gains	-	-	(0.03)	-	-
Return of capital	-	-	(0.29)	(0.43)	-
<b>Total annual distributions<sup>3</sup></b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(1.50)</b>
<b>Net Assets per Unit, end of period</b>	<b>47.71</b>	<b>45.73</b>	<b>49.26</b>	<b>50.22</b>	<b>51.36</b>

# Evolve Active Global Fixed Income Fund

December 31, 2023

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

For the periods ended:	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Hedged Class A - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	45.57	47.78	48.94	50.46	50.01
<b>Increase (decrease) from operations:</b>					
Total revenue	2.29	1.48	1.76	1.75	1.31
Total expenses	(0.01)	(0.81)	(0.87)	(0.88)	(0.66)
Realized gains (losses)	(1.30)	(0.86)	(0.56)	1.43	(0.69)
Unrealized gains (losses)	3.27	(4.38)	(0.51)	1.72	1.53
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>4.25</b>	<b>(4.57)</b>	<b>(0.18)</b>	<b>4.02</b>	<b>1.49</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	(0.42)	(1.49)	(1.39)	(1.00)
Return of capital	-	(0.08)	(0.01)	(0.04)	-
<b>Total annual distributions<sup>3</sup></b>	<b>-</b>	<b>(0.50)</b>	<b>(1.50)</b>	<b>(1.43)</b>	<b>(1.00)</b>
<b>Net Assets per Unit, end of period</b>	<b>49.82</b>	<b>45.57</b>	<b>47.78</b>	<b>48.94</b>	<b>50.46</b>
<b>Hedged Class F - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	47.61	50.99	50.61	51.61	50.04
<b>Increase (decrease) from operations:</b>					
Total revenue	2.17	1.61	1.20	1.86	1.31
Total expenses	(0.48)	(0.47)	-	(0.48)	(0.27)
Realized gains (losses)	(1.32)	(3.99)	1.66	(2.12)	0.26
Unrealized gains (losses)	3.39	1.63	(2.49)	0.56	0.55
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.76</b>	<b>(1.22)</b>	<b>0.37</b>	<b>(0.18)</b>	<b>1.85</b>
<b>Distributions:</b>					
From income (excluding dividends)	(1.50)	(0.91)	-	(0.02)	(0.50)
Return of capital	-	(0.09)	-	(1.41)	-
<b>Total annual distributions<sup>3</sup></b>	<b>(1.50)</b>	<b>(1.00)</b>	<b>-</b>	<b>(1.43)</b>	<b>(0.50)</b>
<b>Net Assets per Unit, end of period</b>	<b>49.72</b>	<b>47.61</b>	<b>50.99</b>	<b>50.61</b>	<b>51.61</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023, 2022, 2021, 2020, and 2019. The Hedged ETF Units effectively began operations on November 9, 2018 and the Hedged 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
<b>Hedged ETF Units - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	20,541,074	27,917,680	29,578,373	30,658,805	39,063,215
Number of units outstanding <sup>4</sup>	430,505	610,505	600,505	610,505	760,505
Management expense ratio <sup>5</sup>	0.91%	0.90%	0.84%	0.92%	0.90%
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%
Portfolio turnover rate <sup>7</sup>	92.64%	75.04%	80.75%	90.99%	57.54%
Net Asset Value per unit (\$)	47.71	45.73	49.26	50.22	51.36
Closing market price (\$)	47.70	45.71	49.37	50.13	51.29

# Evolve Active Global Fixed Income 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
<b>Hedged Class A - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	55	50	2,045	503,809	6,628
Number of units outstanding <sup>4</sup>	1	1	43	10,294	131
Management expense ratio <sup>5</sup>	0.00%	1.73%	1.76%	1.76%	1.84%
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%
Portfolio turnover rate <sup>7</sup>	92.64%	75.04%	80.75%	90.99%	57.54%
Net Asset Value per unit (\$)	49.82	45.57	47.78	48.94	50.46
<b>Hedged Class F - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	2,631	1,951	53	53	5,147
Number of units outstanding <sup>4</sup>	53	41	1	1	100
Management expense ratio <sup>5</sup>	0.94%	0.96%	0.00%	0.93%	0.85%
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%
Portfolio turnover rate <sup>7</sup>	92.64%	75.04%	80.75%	90.99%	57.54%
Net Asset Value per unit (\$)	49.72	47.61	50.99	50.61	51.61

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

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.

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.

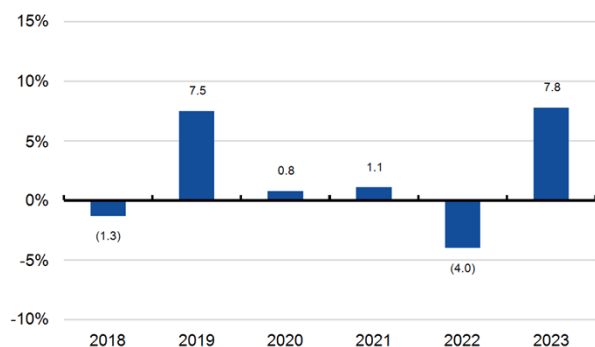
## Year-by-Year Returns

The bar chart below shows the Hedged ETF Units' and the Hedged 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 Global Fixed Income Fund

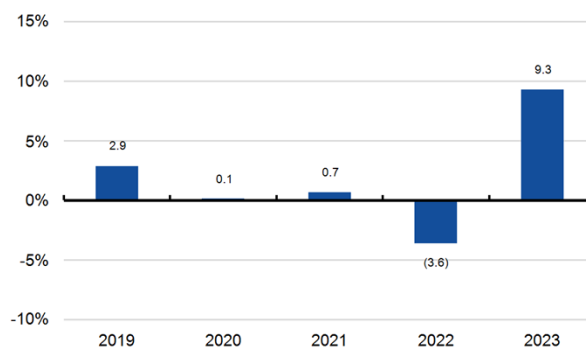
December 31, 2023

## EARN Hedged ETF Units<sup>1</sup>



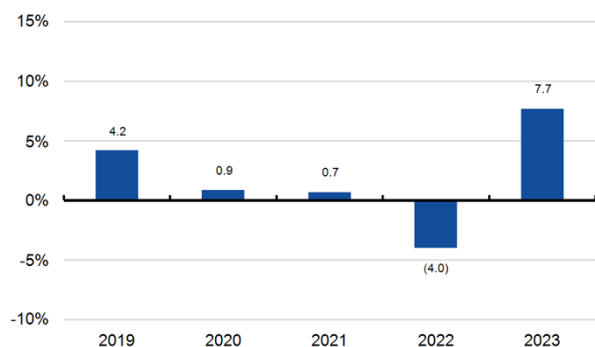
1 The Hedged ETF Units of the Fund effectively began operations on November 9, 2018.

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



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

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



3 The Hedged 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 Hedged ETF Units and the Hedged 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 ICE BofA 1-5 Year Global Corporate Index (100% CAD Hedged) ("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 <sup>1</sup> (%)	1 Year (%)	3 Year (%)
Hedged ETF Units	2.2	7.8	1.5
ICE BofA 1-5 Year Global Corporate Index (100% CAD Hedged)	2.0	6.5	0.0
Hedged Class A Mutual Fund Units	1.9	9.3	2.0
ICE BofA 1-5 Year Global Corporate Index (100% CAD Hedged)	1.6	6.5	0.0
Hedged Class F Mutual Fund Units	2.0	7.7	1.4

# Evolve Active Global Fixed Income Fund

December 31, 2023

	Since Inception <sup>1</sup> (%)	1 Year (%)	3 Year (%)
ICE BofA 1-5 Year Global Corporate Index (100% CAD Hedged)	1.6	6.5	0.0

1 From inception date of November 9, 2018 for the Hedged ETF Units and from inception date of 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	
CPUK Finance Limited, Callable	1.7
Lloyds Banking Group PLC, Variable, Callable, Perpetual	1.7
UBS Group AG, 3.75% due May 26, 2025	1.6
Virgin Money UK PLC, Variable, Callable, 4.00% due September 25, 2026	1.6
General Motors Financial Company Inc., Callable, 2.35% due September 03, 2025	1.6
Grainger PLC, 3.375% due April 24, 2028	1.5
Banca Monte dei Paschi di Siena SpA, Callable	1.5
Last Mile Logistics Pan Euro Finance DAC, Series '1X', Class 'A', Floating Rate	1.4
Vallourec SA, Callable, 8.50% due June 30, 2026	1.4
Deutsche Lufthansa AG, Callable	1.4
Faurecia SE, Callable, 3.125% due June 15, 2026	1.4
SPIE SA, Callable, 2.625% due June 18, 2026	1.4
Telecom Italia SpA, Callable, 2.75% due April 15, 2025	1.4
Digital Euro Finco LLC, Callable, 2.5% due January 16, 2026	1.4
Cellnex Finance Company SA, Callable, 2.25% due April 12, 2026	1.4
Renault SA, Callable, 2.50% due June 2, 2027	1.4
Bertelsmann SE & Company KGaA, Variable, Callable	1.4
Domi 2021-1 BV, Series '21-1', Class 'A', Floating Rate, Callable, due June 15, 2053	1.3
Credit Agricole SA, Variable, Callable, Perpetual, 8.125%	1.3
Abertis Infraestructuras SA, Callable, 1.25% due February 7, 2028	1.3
IQVIA Inc., Callable, 5.7% due May 15, 2028	1.3
NBM US Holdings Inc., Callable, 7% due May 14, 2026	1.3
Akbank TAS, 6.8% due February 6, 2026	1.3
Barclays PLC, Variable, Callable, Perpetual, 8%	1.3
KeyCorp, 4.15% due October 29, 2025	1.3
<b>Total</b>	<b>35.6</b>

# Evolve Active Global Fixed Income Fund

December 31, 2023

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Debt Instruments</b>	
Asset-Backed Securities	4.7
Communication Services	6.8
Consumer Discretionary	13.9
Consumer Staples	1.3
Energy	5.4
Financials	34.0
Health Care	2.2
Industrials	12.5
Information Technology	0.8
Materials	5.8
Real Estate	5.0
Utilities	2.9
Derivative Assets	1.3
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	0.8
Other Assets, less Liabilities	2.7
<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).





**Evolve Active Global Fixed Income Fund**