

Evolve Active Core Fixed Income Fund

December 31, 2021

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, 2021, Unhedged ETF Units returned 1.0%. The Unhedged Class A Mutual Fund Units returned 0.2% and the Unhedged Class F Mutual Fund Units returned 0.9%. The Fund's net assets were \$26.6MM as at December 31, 2021.

Portfolio Manager Commentary

In Q1, market participants continued to look through the pandemic for signs of better days ahead as vaccines roll out and economic data surprises to the upside. Interest rates continued to move higher alongside the equity markets. Specifically, rates climbed over 80 bps during the first quarter, and the yield curve steepened significantly in the mid and long-term maturities as further US Government stimulus spurred inflation concerns. Corporate credit and high yield securities outperformed with stable to improving spreads despite strong new supply, and Preferred Shares once again outpaced both equities and bonds.

Outperformance in the Evolve Active Core Fixed Income Fund during the quarter was largely attributable to being overweight in preferred shares (via DIVS) as the asset class continued to provide strong absolute returns.

The last month of the second quarter was another good one for most asset classes, apart from short-term bonds. Members of the Federal Reserve moved forward their expectation for higher interest rates, which resulted in short-term bond yields moving higher while the rest of the yield curve moved lower. Equities initially reacted negatively with the hint that the current liquid conditions fueling the markets could be a thing of the past, but quickly shrugged that notion off and continued their march to all-time highs by month-end.

The S&P TSX returned 8.54% during Q2, while the S&P 500 returned 6.95% (CAD). Within fixed income, long bonds performed the best during the quarter as yields moved slightly lower in that area of the market, as detailed above. As a result, Provincial bonds, which have the longest duration of the Universe outperformed Federal and Corporate bonds. The FTSE Russell Universe returned 1.66%, and the FTSE Corporate Index came in at 1.28%. The Barclays Global Credit Index returned 2.34% (\$USD), but only 0.78% (\$CAD) as a result of the appreciation of the Canadian dollar. The S&P/TSX Preferred Shares Index also continued its rally, returning 5.02% and bringing its YTD total to 14.30%.

Similar to previous periods, outperformance during the second quarter in the Evolve Active Core Fixed Income Fund was largely attributable to being overweight in Preferred Shares (via DIVS) as the asset class continued to provide strong absolute returns. This was partially offset by the portfolio's exposure to global credit, which trailed the broader Canadian fixed income market.

The summer doldrums were quite apparent in the investment markets during the month of August, particularly the Canadian fixed income market. The yield curve remained effectively unchanged from the end of July to the end of August, and credit markets were similarly quiet with spreads only tightening by 1 basis point (bp) over the month from 118 bps to 117 bps. Further, new corporate bond issuance slowed down considerably during the last two weeks of the month. This relative inactivity was partly due the U.S. Fed commenting that quantitative easing would continue (i.e. no tapering) as many felt that "substantial further progress" had not been achieved yet. A similar announcement was made from the ECB when they met in early September.

The yield curve flattened aggressively during the last quarter of the year as 5-year yields rose 14 bps while 30-year rates fell 31 bps. This was the result of Central Banks announcing accelerated tapering of QE programs due to strong employment and inflation data and pulled forward potential interest rate increases. Government of Canada one-year yields rose the most during the quarter, closing the year 49 basis points higher than the end of September. Corporate spreads widened in December as equity markets were volatile but closed the year at similar levels to where they began.

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The S&P/TSX returned 6.5% during Q4, while the S&P 500 returned 10.7% in Canadian dollar terms. In Canadian fixed income universe, bonds returned 1.47% during the quarter, but declined -2.5% for the full year period. Corporate bonds modestly trailed Provincial and Federal bonds during the quarter as they did not benefit as much from the flattening of the yield curve. Foreign bonds were relatively flat in local currency but were negatively impacted by the appreciation in the Canadian dollar, with the Barclays Global Credit Index (\$CAD) declining -0.79% during the fourth quarter and by -4.03% for the full year. Similar to equities, the S&P/TSX Preferred Shares Index continued its climb higher, returning 1.62% and bringing its YTD performance to 19.4%.

Over the 1-year period the Evolve Active Core Canadian Fixed Income Fund (FIXD) provided strong downside protection versus the benchmark decline of -2.5%. Contributing to performance during the 4th quarter was the Core Fixed Income segment which benefited from its duration and yield curve positioning as the yield curve flattened. This was partially offset by allocations to preferred shares and global bonds which didn't keep pace with the FTSE Canada Universe Bond Index; however, the former was the main driver of outperformance over the full year period due to its double-digit absolute returns.

Economic growth continues to be supported by fiscal stimulus and a significantly high saving rate. In addition, the unemployment rate should see a decline as pandemic related closures subside. Inflation is expected to experience cyclical pressure due to the base effects as measures reflect the rebound from the depths of the pandemic lockdown period. Potential risks to Addenda's base case scenario include higher personal and corporate taxes due to the significant US fiscal stimulus, and inflation being higher than expected due to supportive monetary and fiscal policy which could result in driving longer term interest rates higher. Going forward, the actively managed portfolio duration will take advantage of interest rate volatility and maintain off-benchmark exposures to preferred shares and global credit.

Recent Developments

In the year 2021, 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 is 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 Investment Review Committee.

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, 2021, the Fund incurred \$65,170 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, 2021, the Fund incurred \$32,607 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.

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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, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
For the periods ended:				
Unhedged ETF Units - Net Assets per Unit				
Net Assets per Unit, beginning of period	20.91	19.75	19.37	20.01
Increase (decrease) from operations:				
Total revenue	0.64	0.71	0.66	0.48
Total expenses	(0.11)	(0.11)	(0.11)	(0.12)
Realized gains (losses)	(0.37)	0.56	0.12	(0.03)
Unrealized gains (losses)	(0.06)	0.22	0.34	(0.40)
Total increase (decrease) from operations²	0.10	1.38	1.01	(0.07)
Distributions:				
From income (excluding dividends)	(0.38)	(0.47)	(0.47)	(0.32)
From dividends	(0.15)	(0.15)	(0.06)	(0.01)
From capital gains	-	-	(0.07)	(0.01)
Return of capital	(0.13)	(0.04)	(0.06)	(0.16)
Total annual distributions³	(0.66)	(0.66)	(0.66)	(0.50)
Net Assets per Unit, end of period	20.45	20.91	19.75	19.37
Hedged Class A - Net Assets per Unit				
Net Assets per Unit, beginning of period	21.27	20.09	20.17	N/A
Increase (decrease) from operations:				
Total revenue	0.65	0.63	0.05	N/A
Total expenses	(0.28)	(0.28)	0.01	N/A
Realized gains (losses)	(0.36)	0.08	0.12	N/A
Unrealized gains (losses)	(0.13)	1.85	(0.09)	N/A
Total increase (decrease) from operations²	(0.12)	2.28	0.09	N/A
Distributions:				
From income (excluding dividends)	(0.33)	(0.30)	-	N/A
From dividends	(0.13)	(0.09)	-	N/A
Return of capital	(0.20)	-	-	N/A
Total annual distributions³	(0.66)	(0.39)	-	N/A
Net Assets per Unit, end of period	20.64	21.27	20.09	N/A

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

For the periods ended:	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
Hedged Class F - Net Assets per Unit				
Net Assets per Unit, beginning of period	21.54	20.26	20.19	N/A
Increase (decrease) from operations:				
Total revenue	0.64	0.70	0.04	N/A
Total expenses	(0.11)	(0.13)	0.01	N/A
Realized gains (losses)	(0.18)	0.23	0.13	N/A
Unrealized gains (losses)	(0.08)	1.14	0.08	N/A
Total increase (decrease) from operations²	0.27	1.94	0.26	N/A
Distributions:				
From income (excluding dividends)	(0.35)	(0.30)	-	N/A
From dividends	(0.13)	(0.09)	-	N/A
Return of capital	(0.18)	-	-	N/A
Total annual distributions³	(0.66)	(0.39)	-	N/A
Net Assets per Unit, end of period	21.07	21.54	20.26	N/A

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2021, 2020, 2019, and 2018. 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, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Unhedged ETF Units - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	22,492,306	16,207,407	30,612,500	24,693,049
Number of units outstanding ⁴	1,100,000	775,000	1,550,000	1,275,000
Management expense ratio ⁵	0.50%	0.55%	0.58%	0.60%
Trading expense ratio ⁶	0.03%	0.02%	0.00%	0.18%
Portfolio turnover rate ⁷	134.05%	86.86%	30.80%	52.41%
Net Asset Value per unit (\$)	20.45	20.91	19.75	19.37
Closing market price (\$)	20.43	20.81	19.80	19.33
Hedged Class A - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	97,975	77,699	20	N/A
Number of units outstanding ⁴	4,748	3,653	1	N/A
Management expense ratio ⁵	1.30%	1.34%	0.00%	N/A
Trading expense ratio ⁶	0.03%	0.02%	0.00%	N/A
Portfolio turnover rate ⁷	134.05%	86.86%	30.80%	N/A
Net Asset Value per unit (\$)	20.64	21.27	20.09	N/A

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

For the periods ended:	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Hedged Class F - Ratios/Supplemental Data				
Total Net Asset Value (\$) ⁴	3,964,783	304,424	20	N/A
Number of units outstanding ⁴	188,134	14,131	1	N/A
Management expense ratio ⁵	0.51%	0.60%	0.00%	N/A
Trading expense ratio ⁶	0.03%	0.02%	0.00%	N/A
Portfolio turnover rate ⁷	134.05%	86.86%	30.80%	N/A
Net Asset Value per unit (\$)	21.07	21.54	20.26	N/A

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

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.

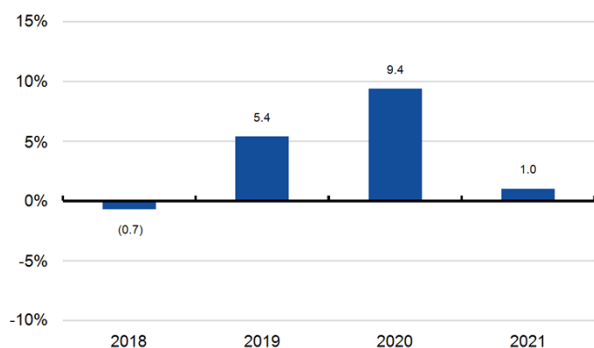
Past Performance

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.

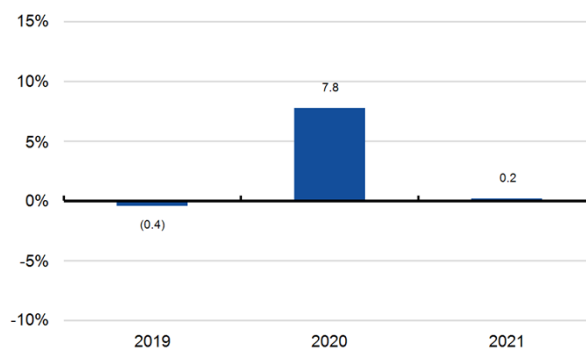
Year-by-Year Returns

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

FIXD Unhedged ETF Units¹



Unhedged Class A Mutual Fund Units²



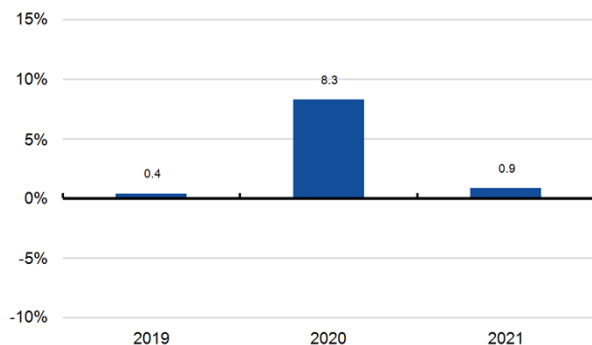
1 The Unhedged ETF Units effectively began operations on March 28, 2018.

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

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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, 2021. 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	3.9	1.0	5.2
FTSE Canada Universe Bond Index	3.8	(2.5)	4.2
Unhedged Class A Mutual Fund Units	2.9	0.2	N/A
FTSE Canada Universe Bond Index	2.7	(2.5)	N/A
Unhedged Class F Mutual Fund Units	3.6	0.9	N/A
FTSE Canada Universe Bond Index	2.7	(2.5)	N/A

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

Security	Percentage of Net Asset Value (%)
Evolve Active Global Fixed Income Fund	14.5
Province of Ontario	9.9
Evolve Active Canadian Preferred Share Fund	7.8
Province of Ontario	6.3
Hydro-Quebec	4.0
Province of Ontario	2.6
Royal Bank of Canada, Variable, Callable	1.9
The Toronto-Dominion Bank	1.8
Royal Office Finance Limited Partnership, Series 'A'	1.7

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Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Fortis Inc.	1.6
Government of Canada	1.5
Original Wempi Inc., Series 'B2'	1.4
The Hospital for Sick Children, Series 'A'	1.3
Fair Hydro Trust, Callable	1.2
City of Toronto	1.1
Federation des caisses Desjardins du Quebec, Variable, Callable	1.1
Canada Housing Trust No. 1	1.0
Bank of Montreal, Callable	1.0
Brookfield Asset Management Inc.	1.0
The Toronto-Dominion Bank, Variable, Callable	1.0
407 International Inc., Callable	1.0
TriSummit Utilities Inc., Callable	1.0
The Toronto-Dominion Bank, Variable, Callable	1.0
Manulife Financial Corporation, Variable, Callable	1.0
Royal Bank of Canada, Variable, Callable	1.0
Total	68.7

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Asset-Backed Securities	1.4
Communication Services	1.4
Consumer Discretionary	1.3
Consumer Staples	0.5
Energy	9.6
Financials	21.4
Government	31.9
Health Care	1.4
Industrials	1.7
Information Technology	0.2
Real Estate	1.6
Utilities	4.5
Equities	
ETFs - Domestic Equity	7.8
ETFs - International Fixed Income	14.5
Cash and Cash Equivalents	0.2
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.



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