

# US High Interest Savings Account 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.

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## Investment Objective and Strategies

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The US High Interest Savings Account Fund (the "Fund") seeks to maximize monthly income while preserving capital and liquidity by investing primarily in high interest US dollar deposit accounts.

## 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 year ended December 31, 2023, the Unhedged ETF Units returned 5.3%, the Unhedged Class A Mutual Fund Units returned 5.0%, the Unhedged Class F Mutual Fund Units returned 5.3%, and the Unhedged Class I Mutual Fund Units returned 6.0% after fees and expenses, versus the Bloomberg US Generic 1 Month T-Bill return of 5.0%. Overall, the Fund outperformed its benchmark during the period. The Fund invested solely in bank deposits with Schedule 1 Canadian banks. The Fund's net assets were \$865.1MM as at December 31, 2023.

## Portfolio Manager Commentary

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Throughout 2023, high interest savings account funds have become an increasingly attractive option for investors seeking to preserve capital and earn interest income through a reliable and liquid investment vehicle. This is largely due to the fact that the Federal Reserve has been steadily raising the Federal Funds Rate since early 2022 and continued to do so throughout 2023. In fact, the Federal Reserve raised the Federal Funds Rate by 4.25% in 2022 and hiked rates by 0.25% four times in 2023.<sup>1</sup> This series of rate hikes has bolstered the interest income potential of high interest savings account funds in an economic landscape where inflation is beginning to ease.

The central bank's transition to the highest interest rates in over two decades comes against the backdrop of inflation that showed a declining trend, decreasing from 6.4% in January to 3.4% by December.<sup>2</sup> Despite this deceleration, an uptick in inflation in December indicates persistent inflationary pressures, which has led market participants to reassess the likelihood of rate cuts in 2024. Federal Reserve Chair Jerome Powell's commitment to data-driven, "meeting-by-meeting" decisions underscores a cautious approach towards future rate adjustments, with the goal of ensuring that inflation moves back to the target without triggering economic contraction.<sup>3</sup>

In summary, high interest savings account funds continue to offer liquidity and capital preservation amid uncertain economic conditions. Investors, particularly those with a conservative risk profile or in need of a steady cash flow, have found value in allocating a portion of their portfolio to high interest savings account products in order to directly benefit from the rising interest rates while safeguarding against the eroding effects of inflation.

(1) <https://www.forbes.com/advisor/investing/fed-funds-rate-history/>

(2) <https://www.reuters.com/markets/us/traders-pare-bets-fed-will-cut-rates-march-after-inflation-data-2024-01-11/>

(3) <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>

## 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 0.15% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 0.40% of the net asset value of the of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. The annual management fee is negotiable for the Unhedged Class I Mutual Fund Units of the Fund. For the year ended December 31, 2023, the Fund incurred \$1,112,844 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.

## Operating Expenses

Operating expenses are covered by Manager that are 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.

## 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 (\$)
For the periods ended:		
<b>Unhedged ETF Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	100.03	100.00
<b>Increase (decrease) from operations:</b>		
Total revenue	5.45	1.41
Total expenses	(0.16)	(0.02)
Unrealized gains (losses)	-	0.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>5.29</b>	<b>1.40</b>
<b>Distributions:</b>		
From income (excluding dividends)	(5.20)	(1.19)
From capital gains	-	(0.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(5.20)</b>	<b>(1.21)</b>
<b>Net Assets per Unit, end of period</b>	<b>100.03</b>	<b>100.03</b>
<b>Unhedged Class A - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	10.00	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.55	0.13
Total expenses	(0.05)	(0.01)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.50</b>	<b>0.12</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.49)	(0.11)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.49)</b>	<b>(0.11)</b>
<b>Net Assets per Unit, end of period</b>	<b>10.00</b>	<b>10.00</b>

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

	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:		
<b>Unhedged Class F - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	10.00	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.54	0.13
Total expenses	(0.01)	(0.01)
Unrealized gains (losses)	-	0.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.53</b>	<b>0.13</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.52)	(0.11)
From capital gains	-	(0.01)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.52)</b>	<b>(0.12)</b>
<b>Net Assets per Unit, end of period</b>	<b>10.00</b>	<b>10.00</b>
<b>Unhedged Class I - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	10.00	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.59	0.12
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.59</b>	<b>0.12</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.58)	(0.09)
From capital gains	-	(0.03)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.58)</b>	<b>(0.12)</b>
<b>Net Assets per Unit, end of period</b>	<b>10.00</b>	<b>10.00</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023 and 2022. The Unhedged ETF Units, and the Unhedged Class A, F, and I Mutual Fund Units effectively began operations on August 30, 2022.
- 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

	December 31, 2023	December 31, 2022
For the period ended:		
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	267,577,699	85,021,681
Number of units outstanding <sup>4</sup>	2,675,000	850,000
Management expense ratio <sup>5</sup>	0.16%	0.06%
Trading expense ratio <sup>6</sup>	0.00%	0.00%
Net Asset Value per unit (\$)	100.03	100.03
Closing market price (\$)	100.01	100.03
<b>Unhedged Class A - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	300,498,141	25,006,702
Number of units outstanding <sup>4</sup>	30,041,364	2,500,379
Management expense ratio <sup>5</sup>	0.45%	0.44%
Trading expense ratio <sup>6</sup>	0.00%	0.00%
Net Asset Value per unit (\$)	10.00	10.00

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

For the period ended:	December 31, 2023	December 31, 2022
<b>Unhedged Class F - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	296,984,954	144,698,914
Number of units outstanding <sup>4</sup>	29,689,874	14,468,097
Management expense ratio <sup>5</sup>	0.17%	0.16%
Trading expense ratio <sup>6</sup>	0.00%	0.00%
Net Asset Value per unit (\$)	10.00	10.00
<b>Unhedged Class I - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	107	101
Number of units outstanding <sup>4</sup>	11	10
Management expense ratio <sup>5,7</sup>	0.00%	0.00%
Trading expense ratio <sup>6</sup>	0.00%	0.00%
Net Asset Value per unit (\$)	10.00	10.00

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

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 management fee for the Unhedged Class I Mutual Fund Units is negotiable and is paid by the unitholder directly to the Manager. As a result, the management fee is not included in the MER for the Unhedged Class I Mutual Fund Units of the Fund.

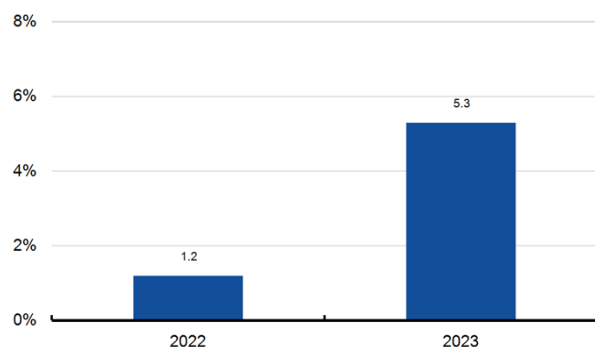
## Past Performance

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.

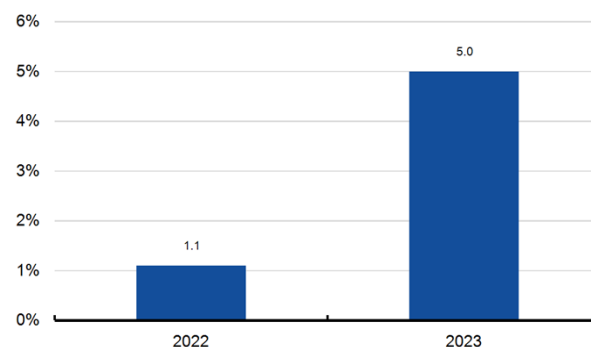
## Year-by-Year Returns

The bar chart below shows the Unhedged ETF Units' and the Unhedged Class A, F and I 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.

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



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



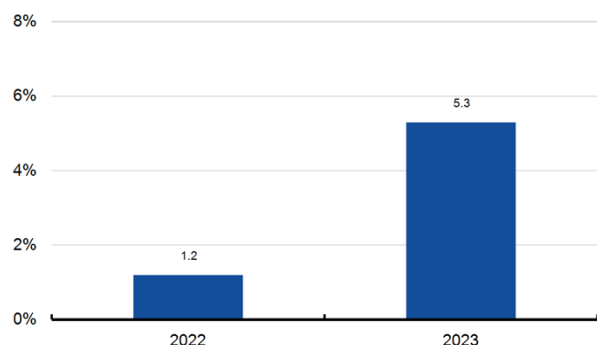
1 The Unhedged ETF Units of the Fund effectively began operations on August 30, 2022.

2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on August 30, 2022.

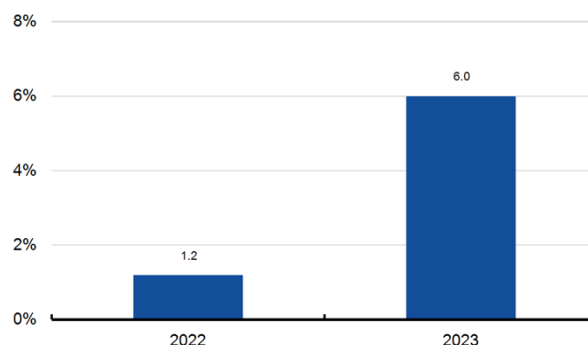
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## Unhedged Class F Mutual Fund Units<sup>3</sup>



## Unhedged Class I Mutual Fund Units<sup>4</sup>



3 The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on August 30, 2022.

4 The Unhedged Class I Mutual Fund Units of the Fund effectively began operations on August 30, 2022.

## Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units and the Unhedged Class A, F and I Mutual Fund Units. The returns are for period ended December 31, 2023. As a basis of comparison, we have provided the performance of Bloomberg US Generic 1 Month T-Bill ("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 (%)
Unhedged ETF Units	4.9	5.3
Bloomberg US Generic 1 Month T-Bill	4.8	5.0
Unhedged Class A Mutual Fund Units	4.6	5.0
Bloomberg US Generic 1 Month T-Bill	4.8	5.0
Unhedged Class F Mutual Fund Units	4.9	5.3
Bloomberg US Generic 1 Month T-Bill	4.8	5.0
Unhedged Class I Mutual Fund Units	5.4	6.0
Bloomberg US Generic 1 Month T-Bill	4.8	5.0

1 From inception date of August 30, 2022 for the Unhedged ETF Units, and the Unhedged Class A, F, and I Mutual Fund Units.

## Summary of Investment Portfolio

### All Positions

	Percentage of Net Asset Value (%)
Security	
National Bank of Canada Cash Account	49.4
Scotiabank Cash Account	31.5
CIBC Cash Account	18.8
<b>Total</b>	<b>99.7</b>

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## Industry Allocation

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Portfolio by Category	Percentage of Net Asset Value (%)
<b>Bank Deposits</b>	
US High Interest Savings Cash Accounts	99.7
Cash and Cash Equivalents	(0.1)
Other Assets, less Liabilities	0.4
<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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