

Evolve Slate Global Real Estate Enhanced Yield Fund

December 31, 2022

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 Slate Global Real Estate Enhanced Yield Fund's (the "Fund") investment objective is to provide a recurring income level consistent with the underlying rental income derived from properties owned by the publicly listed real estate issuers held by the Fund.

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

Since the Fund effectively began operations on September 21, 2022, no performance data can be shown. The Fund's net assets were \$1.0MM as at December 31, 2022.

Portfolio Manager Commentary

Global REITs had a challenging year in terms of performance with the annual return for the FTSE EPRA/NAREIT Developed Index of -24.4%. Fourth quarter returns, however, posted a rebound with the FTSE EPRA/NAREIT Developed Index returning 7.1%. The positive return for REITs in the final quarter of the year was a result of several themes showing signs of moderation. Global inflation, although remaining high, began to stabilize and Central Banks signaled that the pace of future interest rate increases may slow. Although geopolitical tensions continue to be elevated, initial supply chain disruptions have started to ease, and the price of energy fell with warmer temperatures across Europe.

Given this year's performance, global REITs are trading on average at a substantial discount to what we calculate as their fair value. Specifically, the industrial and residential sectors are currently trading at levels below those reached at the onset of the pandemic and well below what we believe to be fair value. A few sectors, such as self-storage and healthcare, are trading closer to underlying property values but remain attractively valued despite their history.

Despite the selloff in REIT prices, however, the direct or private real estate market has not seen the same degree of value correction. Proxies for private market values, such as the NCREIF-Open End Diversified Core Equity Index or Blackstone's private REIT, have exhibited positive valuations for the year. This compares to REITs within the same geography which are down more than 20%. Looking at the disconnect between public and private real estate, we note that most sectors are trading at some of their cheapest valuations of the last decade, potentially setting the stage for positive performance ahead. Taking US REITs, as an example, we can see that discounted REITs have typically signaled a very good entry point for the asset class with solidly positive performance over the year ahead.

Fundamentals are not broken. Despite fear from investors regarding leverage and the potential negative impact on future earnings as interest rates increase, most major REIT markets such the US, UK and Hong Kong are generally well positioned. Based on our modelling of cashflows, our expectations for FFO growth have come in during the year but remain solidly in positive territory. We believe this will also continue to support the attractive dividend yields in the asset class, averaging ~5% and well covered by operating cash flows.

With good fundamentals and depressed REIT prices, we were not surprised that the year was active from an M&A perspective. Direct market transactions are an important valuation support for REITs and it was encouraging to see well capitalized investors remaining active in 2022 taking public REITs private at a significant premiums to their share prices and, in most cases, at a premium to their underlying asset values.

Performance Attribution

For the twelve month period ending December 31, 2022, First Capital REIT made the biggest contribution to the Fund, followed by Simon Property Group Inc. and Dexus Industrial REIT. By weight, the Fund's largest holdings were Link Real Estate Investment Trust, Agree Realty Corporation, and VICI Properties Inc.

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Recent Developments

In the year ended December 31, 2022, 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 are 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 management fees are calculated based on 0.75% per annum of the average daily net asset value of the Fund. The fees are accrued daily and generally paid monthly. For the year ended December 31, 2022, the Fund incurred \$2,222 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.evolveefs.com website, and providing all other services including marketing and promotion.

Operating Expenses

Unless waived or reimbursed by the Manager, the Fund pays for all operating expenses of the Fund incurred in connection with the operation and administration of the Evolve Fund, including but not limited to: mailing and printing expenses for periodic reports to Unitholders; fees payable to the 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 (if applicable) and CDS fees; banking costs and interest with respect to any borrowing (if applicable); website maintenance costs; 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 which are incurred in respect of matters not in the normal course of the Fund's activities. Additional costs which are also payable by the Fund include any taxes payable by Fund to which the Fund may be subject, including income taxes, sales taxes (including GST/HST) and/or withholding taxes; expenditures incurred upon termination of the Fund; extraordinary expenses that the Fund may incur and all amounts paid on account of any indebtedness (if applicable); any expenses of insurance and costs of all suits or legal proceedings in connection with the Fund or the assets of the Fund or to protect the unitholders, the Trustee, the Manager, and the directors, officers, employees or agents of any of them; any expenses of indemnification of the Trustee, the Unitholders, the Manager, and the directors, officers, employees or agents of any of them to the extent permitted under the Declaration of Trust; and expenses relating to the preparation, printing and mailing of information to unitholders in connection with meetings of unitholders. The Fund is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time, including brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investments.

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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, 2022 (\$)
For the period ended:	
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.29
Total expenses	(0.13)
Realized gains (losses)	(0.50)
Unrealized gains (losses)	(0.09)
Total increase (decrease) from operations³	(0.43)
Distributions:	
From dividends	(0.21)
Return of capital	(0.08)
Total annual distributions⁴	(0.29)
Net Assets per Unit, end of period	19.29

- This information is derived from the Fund's audited annual financial statements as at December 31, 2022. The Hedged ETF Units effectively began operations on September 21, 2022.
- This amount represents the initial launch price.
- 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.
- 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, 2022
For the period ended:	
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	964,483
Number of units outstanding ⁵	50,000
Management expense ratio ⁶	0.84%
Management expense ratio before waivers or absorptions ⁷	8.82%
Trading expense ratio ⁸	0.84%
Portfolio turnover rate ⁹	8.13%
Net Asset Value per unit (\$)	19.29
Closing market price (\$)	19.18

- This information is provided as at December 31, 2022.
- 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 Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at its discretion.
- 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.
- 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.

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Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date September 21, 2022, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Link Real Estate Investment Trust	4.1
Agree Realty Corporation	4.0
VICI Properties Inc., REIT	3.6
WP Carey Inc., REIT	3.3
Frasers Logistics & Commercial Trust, REIT	2.9
CapitaLand Ascendas REIT	2.9
Nippon Prologis REIT Inc.	2.6
First Capital Real Estate Investment Trust	2.6
Equity Residential, REIT	2.5
AvalonBay Communities Inc.	2.3
Granite Real Estate Investment Trust	2.1
Alexandria Real Estate Equities Inc.	2.0
Killam Apartment Real Estate Investment Trust	2.0
Assura PLC	2.0
Charter Hall Long Wale REIT	1.9
Mapletree Industrial Trust	1.9
Welltower Inc., REIT	1.8
Infrastrutture Wireless Italiane SpA	1.8
Charter Hall Retail REIT	1.8
Realty Income Corporation	1.8
Dexus, REIT	1.8
Regency Centers Corporation	1.8
Simon Property Group Inc.	1.6
Healthcare Realty Trust Inc.	1.6
Easterly Government Properties Inc.	1.6
Total	58.3

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	1.8
Real Estate	96.4
Derivative Assets	0.5
Derivative Liabilities	(0.7)
Cash and Cash Equivalents	1.9
Other Assets, less Liabilities	0.1
Total	100.0

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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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