

Evolve S&P 500® Enhanced Yield 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.

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

Investment Objective and Strategies

The Evolve S&P 500® Enhanced Yield Fund (the “Fund”) seeks to provide long-term capital growth by replicating, net of fees and expenses, the performance of the S&P 500 Index, or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the S&P 500 Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio, at the discretion of the Manager. The level of covered call option writing may vary based on market volatility and other factors.

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 Hedged and Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units of the Fund effectively began operations on January 9, 2023, and the US Dollar Unhedged ETF Units effectively began operations on July 6, 2023, no performance data can be shown. The Fund’s net assets were \$79.9MM as at December 31, 2023.

Portfolio Manager Commentary

In 2023, the S&P 500 rebounded from the previous year’s decline. While the performance of the multiple sectors within the index varied greatly, the technology sector, or more specifically the Information Technology and Communication Services sectors, contributed the most to gains during the year. On the other hand, Consumer Staples, Energy, and Utilities lagged, detracting from the index’s overall performance as they faced various headwinds in a year marked by sector rotation and changing investor focus.¹

The S&P 500’s growth was heavily influenced by the so-called ‘Magnificent Seven’ technology giants (NVIDIA, Tesla, Alphabet, Apple, Meta Platforms, Microsoft, and Amazon), which accounted for a significant portion of the index’s returns. Demand for NVIDIA’s chips used in the development of AI technologies catapulted the company’s valuation to surpass \$1 trillion during the year, a feat that only a handful of companies have accomplished in the past. Furthermore, Tesla shares have surged since late April with investors piling into the EV maker after it signed landmark deals with Ford and GM to allow the automakers access to its wide-spread charging network. The ‘Magnificent Seven’ accounted for over 60% of the S&P 500’s total returns during the period, which is indicative of both their outsize market influence and the investor optimism surrounding the technology sector.²

In the healthcare sector, the slump in demand for Covid-19 related products presented challenges, yet another opportunity for growth presented itself through the burgeoning market for diabetes and obesity treatments, particularly for companies such as Eli Lilly and Novo Nordisk. These two healthcare giants capitalized on the weight-loss drug boom, significantly increasing their market values during the period. In fact, Novo Nordisk made headlines during the year as it became Europe’s most valuable listed company.³

The financial sector, on the other hand, experienced a year of recovery following the US banking crisis in early 2023.⁴ The sector was initially rocked by the collapse of financial institutions such as Silicon Valley Bank, which prompted consolidation across the market. Most notably, JPMorgan Chase’s acquisition of First Republic Bank. This consolidation, along with supportive federal measures, underscored the banking sector’s ability to adapt to crises such as this. As interest rates rose over the year, banks enjoyed an increase in net interest income, though the long-term sustainability of this boost remained uncertain as the Federal Reserve appeared to be nearing the end of its rate hiking cycle.⁵ Despite also facing headwinds such as lower consumer spending and geopolitical risks, the sector performed strongly in the latter half of the year with many banks reporting strong Q3 and Q4 earnings. These reports painted a picture of a resilient US consumer and business landscape, even as the sector grappled with macroeconomic uncertainties.⁶

Performance Attribution

For the twelve-month period ending December 31, 2023, iShares Core S&P 500 ETF made the biggest contribution to the Fund, followed by Microsoft Corporation. By weight, the Fund’s largest holdings were iShares Core S&P 500 ETF, Apple Inc, and Microsoft Corporation.

(1) <https://www.spglobal.com/spdji/en/commentary/article/us-equities-market-attributes/>

(2) <https://markets.businessinsider.com/news/stocks/tech-stocks-tesla-nvidia-apple-microsoft-amazon-the-magnificent-seven-2023-6>

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

(3) <https://www.reuters.com/business/healthcare-pharmaceuticals/novo-nordisk-lilly-see-insatiable-demand-weight-loss-drugs-2023-11-02/#:~:text=The%20success%20of%20these%20drugs,that%20far%20surpass%20their%20peers.>

(4) <https://www.bloomberg.com/news/articles/2023-06-06/2023-banking-crisis-key-lessons-from-the-svb-first-republic-collapses>

(5) <https://www.nytimes.com/2023/05/01/business/first-republic-stock-deposits-sale.html>

(6) <https://www.reuters.com/business/finance/us-banks-second-quarter-earnings-results-charts-2023-07-21/>

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.

Management Fees

The Manager is entitled to an annual management fee of 0.45% of the net asset value of the Unhedged ETF Units, Hedged ETF Units, US Dollar Unhedged ETF Units, and the Unhedged Class F Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. The Manager is entitled to an annual management fee of 1.45% of the net asset value of the Unhedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. The Manager is entitled to an annual management fee of 0.30% of the net asset value of the Unhedged Class H Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the year ended December 31, 2023, the Fund incurred \$191,649 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 \$64,159 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.

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

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 (\$)
For the period ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.31
Total expenses	(0.24)
Realized gains (losses)	0.62
Unrealized gains (losses)	4.09
Total increase (decrease) from operations³	4.78
Distributions:	
Return of capital	(1.86)
Total annual distributions⁴	(1.86)
Net Assets per Unit, end of period	22.01
Hedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.37
Total expenses	(0.24)
Realized gains (losses)	0.50
Unrealized gains (losses)	2.83
Total increase (decrease) from operations³	3.46
Distributions:	
From dividends	(0.13)
Return of capital	(1.73)
Total annual distributions⁴	(1.86)
Net Assets per Unit, end of period	22.04
US Dollar Unhedged ETF Units - Net Assets per Unit⁵	
Net Assets per Unit, beginning of period ²	28.52
Increase (decrease) from operations:	
Total revenue	0.26
Total expenses	(0.17)
Realized gains (losses)	0.38
Unrealized gains (losses)	1.61
Total increase (decrease) from operations³	2.08
Distributions:	
From dividends	(0.13)
Return of capital	(1.12)
Total annual distributions⁴	(1.25)
Net Assets per Unit, end of period	29.09

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

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

	December 31, 2023 (\$)
For the period ended:	
Unhedged Class A - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.37
Total expenses	(0.47)
Realized gains (losses)	0.44
Unrealized gains (losses)	3.26
Total increase (decrease) from operations³	3.60
Distributions:	
From dividends	(0.05)
Return of capital	(1.81)
Total annual distributions⁴	(1.86)
Net Assets per Unit, end of period	21.80
Unhedged Class F - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.37
Total expenses	(0.25)
Realized gains (losses)	0.56
Unrealized gains (losses)	3.00
Total increase (decrease) from operations³	3.68
Distributions:	
From dividends	(0.14)
Return of capital	(1.72)
Total annual distributions⁴	(1.86)
Net Assets per Unit, end of period	22.02
Unhedged Class H - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	20.00
Increase (decrease) from operations:	
Total revenue	0.05
Total expenses	(0.03)
Realized gains (losses)	0.06
Unrealized gains (losses)	0.37
Total increase (decrease) from operations³	0.45
Distributions:	
From dividends	(0.19)
Return of capital	(1.36)
Total annual distributions⁴	(1.55)
Net Assets per Unit, end of period	22.29

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2023. The Hedged and Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units effectively began operations on January 9, 2023. The US Dollar Unhedged ETF Units effectively began operations on July 6, 2023.

2 This amount represents the initial launch price.

3 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.

4 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

5 Per unit figures are stated in CAD equivalent.

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

The Fund's Ratios/Supplemental Data

	December 31, 2023
For the period ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	550,349
Number of units outstanding⁶	25,000
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	0.68%
Management expense ratio⁸,¹¹	0.69%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	22.01
Closing market price (\$)	22.00
Hedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	46,824,481
Number of units outstanding⁶	2,125,000
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	0.68%
Management expense ratio⁸,¹¹	0.69%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	22.04
Closing market price (\$)	22.07
US Dollar Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	2,181,431
Number of units outstanding⁶	75,000
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	0.68%
Management expense ratio⁸,¹¹	0.70%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	29.09
Closing market price (\$)	29.16
Unhedged Class A - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	1,893,786
Number of units outstanding⁶	86,854
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	1.79%
Management expense ratio⁸,¹¹	1.80%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	21.80
Unhedged Class F - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	11,580,874
Number of units outstanding⁶	525,973
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	0.68%
Management expense ratio⁸,¹¹	0.69%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	22.02

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

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

	December 31, 2023
For the period ended:	
Unhedged Class H - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁶	16,856,356
Number of units outstanding⁶	756,124
Management expense ratio excluding proportion of expenses from underlying investment funds⁷	0.51%
Management expense ratio⁸,¹¹	0.52%
Trading expense ratio⁹	0.23%
Portfolio turnover rate¹⁰	127.99%
Net Asset Value per unit (\$)	22.29

6 This information is provided as at December 31, 2023.

7 Management expense ratio excluding proportion of expenses from underlying investment funds 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.

8 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.

9 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.

10 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.

11 The Fund's MER includes an estimated proportion of the MER for any underlying investment funds held in the Fund's portfolio during the period.

Past Performance

Since the Fund is a reporting issuer for less than one year, with inception date January 9, 2023, for the Hedged and Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units, and inception date July 6, 2023, for the US Dollar Unhedged ETF Units, providing performance data for the period is not permitted.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
iShares Core S&P 500 ETF	30.9
Apple Inc.	4.9
Microsoft Corporation	4.8
Amazon.com Inc.	2.4
NVIDIA Corporation	2.1
Alphabet Inc., Class 'A'	1.4
Meta Platforms Inc., Class 'A'	1.4
Alphabet Inc., Class 'C'	1.2
Tesla Inc.	1.2
Berkshire Hathaway Inc., Class 'B'	1.1
JPMorgan Chase & Company	0.9
UnitedHealth Group Inc.	0.8
Broadcom Inc.	0.8
Eli Lilly & Company	0.8
Visa Inc., Class 'A'	0.7
Exxon Mobil Corporation	0.7

Evolve S&P 500® Enhanced Yield Fund

December 31, 2023

Top 25 Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
Johnson & Johnson	0.7
Mastercard Inc., Class 'A'	0.6
The Home Depot Inc.	0.6
The Procter & Gamble Company	0.6
Costco Wholesale Corporation	0.5
Merck & Company Inc.	0.5
AbbVie Inc.	0.5
Adobe Inc.	0.5
Chevron Corporation	0.5
Total	61.1

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	6.0
Consumer Discretionary	7.5
Consumer Staples	4.3
Energy	2.7
ETFs - United States Equity	30.9
Financials	9.0
Health Care	8.7
Industrials	6.1
Information Technology	20.0
Materials	1.7
Real Estate	1.7
Utilities	1.6
Derivative Assets	0.6
Derivative Liabilities	(0.1)
Cash and Cash Equivalents	1.4
Other Assets, less Liabilities	(2.1)
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.



Evolve S&P 500® Enhanced Yield Fund