

Evolve Active Canadian Preferred Share Fund

December 31, 2024

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 Canadian Preferred Share Fund (the "Fund") seeks to provide holders of Units with stable income and long-term capital appreciation by investing primarily in a diversified mix of preferred shares of primarily Canadian issuers, in addition to U.S. and international 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, 2024, Unhedged ETF Units returned 20.2%. The Unhedged Class A Mutual Fund Units returned 19.3% and the Unhedged Class F Mutual Fund Units returned 20.0%. The Fund's net assets were \$49.5MM as at December 31, 2024.

Portfolio Manager Commentary

In 2024, the Canadian and U.S. markets reflected a dynamic interplay between inflation moderation, monetary easing, and evolving macroeconomic conditions. Central banks acted decisively to lower interest rates, with the Bank of Canada cutting its policy rate by 125 basis points and the Federal Reserve implementing reductions totaling 100 basis points. These actions fostered a constructive backdrop for risk assets, including preferred shares and corporate credit, although persistent inflation in wages and services tempered market sentiment.

Bond markets exhibited resilience, particularly in the latter half of the year, as yields declined across maturities. Equities also posted gains, with the S&P/TSX Composite Index supported by strong performances in energy and industrials, alongside improving corporate earnings. The preferred share market benefitted from redemptions, ongoing LRCN issuance, and credit spread stability, contributing to robust returns despite periods of heightened volatility.

The Fund adopted a defensive stance throughout the year, emphasizing fixed income exposure and longer-duration preferred shares. This strategy aligned with expectations of slowing economic growth and cautious central bank easing. While underperformance occurred during select months, the strategy delivered strong absolute returns over the year, supported by perpetuals and long-dated fixed-rate resets.

The outlook for 2025 remains cautiously optimistic. Continued monetary easing and a resilient economy should underpin risk assets, though inflation uncertainties and potential reflation risks warrant vigilance. The Fund will maintain its defensive positioning, focusing on high-quality preferred shares and fixed income to navigate a slower macroeconomic environment while seeking incremental opportunities in improving credit markets.

Source: Addenda Capital

Recent Developments

In 2025, trade tensions have escalated as the United States considers imposing new tariffs on key trading partners, including Canada and Mexico, along with broader reciprocal measures on other nations. In response, affected countries may enact retaliatory tariffs, further increasing uncertainty in global trade. These developments have contributed to heightened market volatility and could disrupt global supply chains, particularly impacting trade-sensitive sectors. The duration and full impact of these events remain uncertain, and as such, the financial implications for investments cannot be estimated at this time.

Related Party Transactions

Evolve Funds Group Inc. (the "Manager"), a corporation incorporated under the laws of the Province of Ontario, is the trustee, manager, and portfolio advisor of the Fund and is responsible for the day-to-day administration of the Fund. The Fund pays annual management fees to the Manager as consideration for its services. Any management fees paid to the Manager are related party transactions, as the Manager is considered to be a related party to the Fund. The management fees are disclosed in the statements of comprehensive income in the annual financial statements of the Fund and are discussed in greater detail below.

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The Fund is permitted to purchase, sell and hold securities of certain issuers that are directly or indirectly related to the Manager. With respect to investment in related issuers, the Manager has relied on the approval that it has received from the Investment Review Committee ("IRC"). The Manager complies with its current policy and procedures regarding investments in related issuers and reports periodically to the IRC.

Management Fees

The Manager is entitled to an annual management fee of 0.65% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.40% 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, 2024, the Fund incurred \$368,733 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, 2024, the Fund incurred \$86,345 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 Unit¹

	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)
For the periods ended:					
Unhedged ETF Units - Net Assets per Unit					
Net Assets per Unit, beginning of period	14.33	14.39	17.93	15.68	16.86
Increase (decrease) from operations:					
Total revenue	0.98	0.89	0.81	0.83	0.85
Total expenses	(0.14)	(0.14)	(0.16)	(0.17)	(0.16)
Realized gains (losses)	0.19	(0.59)	0.01	0.82	(4.85)
Unrealized gains (losses)	1.82	0.55	(3.52)	1.61	2.55
Total increase (decrease) from operations²	2.85	0.71	(2.86)	3.09	(1.61)
Distributions:					
From income (excluding dividends)	(0.24)	(0.10)	-	-	-
From dividends	(0.62)	(0.67)	(0.70)	(0.62)	(0.74)
Return of capital	-	(0.07)	(0.14)	(0.22)	(0.10)
Total annual distributions³	(0.86)	(0.84)	(0.84)	(0.84)	(0.84)
Net Assets per Unit, end of period	16.29	14.33	14.39	17.93	15.68

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

For the periods ended:	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)
Unhedged Class A - Net Assets per Unit					
Net Assets per Unit, beginning of period	16.42	16.50	20.59	18.04	19.41
Increase (decrease) from operations:					
Total revenue	1.12	1.02	0.91	0.97	0.97
Total expenses	(0.29)	(0.29)	(0.33)	(0.36)	(0.32)
Realized gains (losses)	0.23	(0.62)	0.17	0.92	(5.15)
Unrealized gains (losses)	2.13	0.13	(4.07)	1.63	4.91
Total increase (decrease) from operations²	3.19	0.24	(3.32)	3.16	0.41
Distributions:					
From income (excluding dividends)	(0.17)	(0.06)	-	-	-
From dividends	(0.45)	(0.37)	(0.65)	(0.59)	(0.84)
Return of capital	(0.22)	(0.41)	(0.19)	(0.25)	-
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.84)	(0.84)
Net Assets per Unit, end of period	18.69	16.42	16.50	20.59	18.04
Unhedged Class F - Net Assets per Unit					
Net Assets per Unit, beginning of period	18.85	18.69	23.01	20.06	20.22
Increase (decrease) from operations:					
Total revenue	1.20	1.08	0.97	1.02	1.01
Total expenses	(0.20)	(0.18)	(0.19)	(0.22)	(0.03)
Realized gains (losses)	0.21	(0.42)	(0.65)	0.99	(5.98)
Unrealized gains (losses)	3.16	(2.43)	(0.50)	0.64	4.90
Total increase (decrease) from operations²	4.37	(1.95)	(0.37)	2.43	(0.10)
Distributions:					
From income (excluding dividends)	(0.20)	-	-	-	-
From dividends	(0.53)	-	(0.64)	(0.62)	(0.07)
Return of capital	(0.11)	(0.84)	(0.20)	(0.08)	-
Total annual distributions³	(0.84)	(0.84)	(0.84)	(0.70)	(0.07)
Net Assets per Unit, end of period	21.73	18.85	18.69	23.01	20.06

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2024, 2023, 2022, 2021, and 2020. The Unhedged ETF Units effectively began operations on September 27, 2017 and the Unhedged 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, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Unhedged ETF Units - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	49,391,117	53,839,585	74,555,334	150,341,987	136,368,768
Number of units outstanding ⁴	3,031,785	3,756,785	5,181,785	8,382,800	8,694,800
Management expense ratio excluding underlying fund expenses ⁵	0.89%	0.91%	0.90%	0.89%	0.92%
Management expense ratio ⁶	0.89%	0.91%	0.90%	0.89%	0.93%
Trading expense ratio ⁷	0.04%	0.05%	0.06%	0.08%	0.18%
Portfolio turnover rate ⁸	16.17%	10.75%	34.81%	44.91%	60.97%
Net Asset Value per unit (\$)	16.29	14.33	14.39	17.93	15.68
Closing market price (\$)	16.19	14.24	14.38	17.86	15.63

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

For the periods ended:	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Unhedged Class A - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	99,062	111,445	215,659	637,369	615,781
Number of units outstanding ⁴	5,301	6,789	13,073	30,960	34,136
Management expense ratio excluding underlying fund expenses ⁵	1.57%	1.75%	1.71%	1.69%	1.78%
Management expense ratio ⁶	1.57%	1.75%	1.71%	1.69%	1.78%
Trading expense ratio ⁷	0.04%	0.05%	0.06%	0.08%	0.18%
Portfolio turnover rate ⁸	16.17%	10.75%	34.81%	44.91%	60.97%
Net Asset Value per unit (\$)	18.69	16.42	16.50	20.59	18.04
Unhedged Class F - Ratios/Supplemental Data					
Total Net Asset Value (\$) ⁴	19,379	11,543	148,786	11,961	20
Number of units outstanding ⁴	892	612	7,962	520	1
Management expense ratio excluding underlying fund expenses ⁵	0.93%	0.90%	0.88%	0.88%	0.00%
Management expense ratio ⁶	0.93%	0.90%	0.88%	0.88%	0.00%
Trading expense ratio ⁷	0.04%	0.05%	0.06%	0.08%	0.18%
Portfolio turnover rate ⁸	16.17%	10.75%	34.81%	44.91%	60.97%
Net Asset Value per unit (\$)	21.73	18.85	18.69	23.01	20.06

4 This information is provided as at December 31, 2024, 2023, 2022, 2021, and 2020.

5 Management expense ratio excluding underlying fund expenses 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 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.

7 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.

8 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.

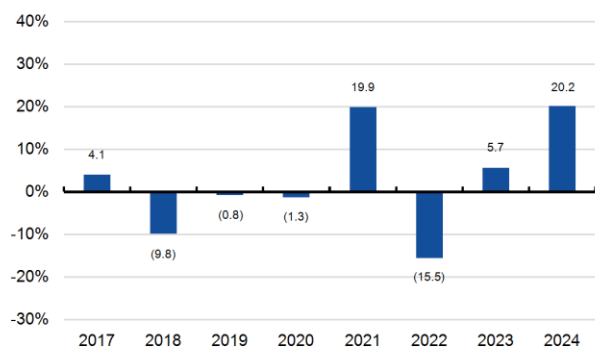
Year-by-Year Returns

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 of each financial period would have grown or decreased by the last day of that financial period.

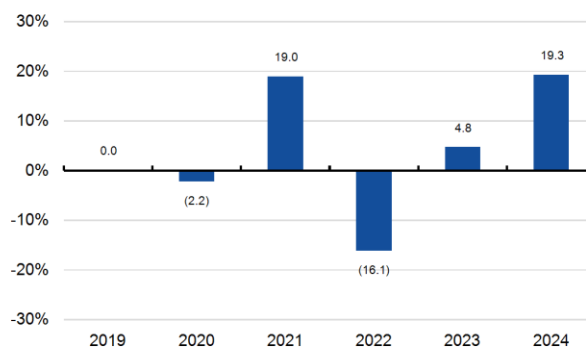
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DIVS Unhedged ETF Units¹



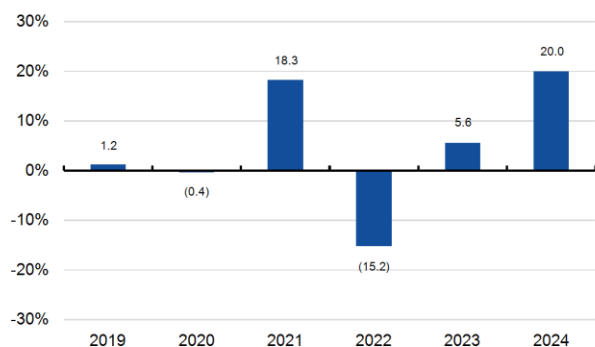
Unhedged Class A Mutual Fund Units²



1 The Unhedged ETF Units of the Fund effectively began operations on September 27, 2017.

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

Unhedged Class F Mutual Fund Units³



3 The Unhedged 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 Unhedged ETF Units and the Unhedged Class A and F Mutual Fund Units. The returns are for the period ended December 31, 2024. As a basis of comparison, we have provided the performance of S&P/TSX Preferred Total Return Index ("Index"). The difference in performance of the Unhedged ETF Units, and the Unhedged Class A and F Mutual Fund Units can be attributed to the difference of criteria for determining the constituents of the Fund and the Index, it is not expected that the Fund's performance will mirror that of the Index. Additionally, 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 (%)	5 Year (%)
Unhedged ETF Units	2.4	20.2	2.4	4.9
S&P/TSX Preferred Total Return Index ²	4.2	24.7	2.7	6.5
Unhedged Class A Mutual Fund Units	3.6	19.3	1.6	4.1
S&P/TSX Preferred Total Return Index ²	6.1	24.7	2.7	6.5
Unhedged Class F Mutual Fund Units	4.4	20.0	2.4	4.8

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	Since Inception ¹ (%)	1 Year (%)	3 Year (%)	5 Year (%)
S&P/TSX Preferred Total Return Index ²	6.1	24.7	2.7	6.5

- 1 From inception date of September 29, 2017 for the Unhedged ETF Units, and from inception date April 23, 2019 for the Unhedged Class A and F Mutual Fund Units.
- 2 The Index is designed to serve the investment community's need for an investable benchmark representing the Canadian preferred stock market. The Index is comprised of preferred stocks trading on the Toronto Stock Exchange that meet certain criteria relating to minimum size, liquidity, issuer rating, and exchange listing.

Summary of Investment Portfolio

Top 25 Positions

Security	Percentage of Net Asset Value (%)
The Toronto-Dominion Bank, Variable, Callable, Perpetual	5.3
Royal Bank of Canada, Series 'BT', Variable, Callable, Perpetual	5.3
Bank of Montreal, Variable, Callable, Perpetual	4.4
Enbridge Inc., Preferred, Series '19'	3.6
Power Corporation of Canada, Preferred, Series 'G', Perpetual	3.4
Manulife Financial Corporation, Variable, Callable, 7.117% due June 19, 2082	3.3
Canadian Imperial Bank of Commerce, Preferred, Series '47'	3.2
Pembina Pipeline Corporation, Preferred, Series '15'	3.1
Manulife Financial Corporation, Preferred, Series '11'	2.8
Royal Bank of Canada, Variable, Callable, Perpetual	2.7
TC Energy Corporation, Preferred, Series '7', Perpetual	2.5
Power Financial Corporation, Preferred, Series 'V'	2.5
Pembina Pipeline Corporation, Preferred, Series '25', Perpetual	2.5
Enbridge Inc., Preferred, Series '7', Perpetual	2.2
Gibson Energy Inc., Variable, Callable, 8.700% due July 12, 2083	2.2
Brookfield Renewable Power Preferred Equity Inc., Preferred, Series '5'	2.2
Great-West Lifeco Inc., Preferred, Series 'S', Perpetual	2.2
Enbridge Inc., Series 'C', Variable, Callable, 6.625% due April 12, 2078	2.1
The Toronto-Dominion Bank, Perpetual	2.1
Manulife Financial Corporation, Preferred, Series '9'	2.1
Brookfield Renewable Partners Limited Partnership, Preferred, Series '13', Perpetual	1.9
Canadian Imperial Bank of Commerce, Series '56', Variable, Callable, Perpetual	1.9
The Toronto-Dominion Bank, Preferred, Series '18', Perpetual	1.8
Power Corporation of Canada, Preferred, Series 'D'	1.7
Power Financial Corporation, Preferred, Series 'E'	1.6
Total	68.6

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Debt Instruments	
Energy	5.3
Financials	6.1
Equities	
Communication Services	0.7
Energy	21.5
Financials	57.5
Utilities	7.9
Cash and Cash Equivalents	1.1
Other Assets, less Liabilities	(0.1)
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.



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