

Evolve European Banks Enhanced Yield ETF

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 European Banks Enhanced Yield ETF (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the Solactive European Bank Top 20 Equal Weight Index Canadian Dollar Hedged, or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the Solactive European Bank Top 20 Equal Weight Index Canadian Dollar Hedged, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities, 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

For the year ended December 31, 2024, the Unhedged ETF Units returned 28.7% versus the Solactive European Bank Top 20 Equal Weight Index (the "Index") return of 33.4%. The Hedged ETF Units returned 27.4% versus the Index return of 33.4%. The US Dollar Unhedged ETF Units returned 18.6% versus the Index return of 33.4%. For a discussion of the relative performance of the Fund as compared to the Index, please refer to the "Annual Compound Return" section in the "Management Discussion of Fund Performance". The Fund's net assets were \$10.0MM as at December 31, 2024.

Portfolio Manager Commentary

The European banking sector demonstrated robust performance throughout 2024. However, political instability in France introduced pockets of volatility, challenging the sector's resilience¹. Despite these headwinds, European banks have thrived, benefiting from higher interest rates that increased lenders' income and supported larger shareholder payouts.

During the year, the European Central Bank (ECB) reduced its key interest rate four times, totaling a cumulative decrease of 100 basis points². These rate cuts were in response to improving inflation dynamics and favorable macroeconomic conditions in the region. While lower rates typically exert downward pressure on net interest income, European banks have defied expectations. Earnings have remained strong and share prices have continued to climb.

Shareholder returns have been a standout feature in 2024, with European banks pledging over €120 billion to investors comprising €74 billion in dividends and €47 billion in share buybacks. This marks a 54% increase compared to the previous year and represents the highest capital return since at least 2007³. A notable example is UniCredit, which announced plans to distribute its entire 2023 profit of €8.6 billion to shareholders. The bank's shares have more than doubled in value over the past year, underscoring its strong performance.

Standard Chartered also emerged as a top performer in 2024, driven by robust earnings growth, particularly in wealth management and trading. The company has committed to returning at least \$8 billion to shareholders through share buybacks in the coming years, a significant increase from its prior pledge of \$5 billion by 2026⁴.

Overall, the European banking sector in 2024 has been characterized by strong financial performance and remarkable resilience amid political and economic uncertainties. The ECB's interest rate cuts, coupled with an improving inflation outlook, have set out favorable conditions for the industry as it moves into 2025.

Performance Attribution

For the twelve-month period ending December 31, 2024, Standard Chartered PLC Inc made the biggest contribution to the Fund, followed by NatWest Group PLC. By weight, the Fund's largest holdings were Erste Group Bank AG, HSBC Holdings PLC, and KBC Group NV.

(1) <https://www.reuters.com/markets/europe/how-macrons-election-gamble-sowed-panic-french-markets-2024-06-14/>

(2) <https://think.ing.com/snaps/ecb-cuts-rates-by-25bp/>

(3) <https://www.ft.com/content/d181a996-780b-440a-9e84-4a1a18cae214>

(4) <https://www.bloomberg.com/news/articles/2024-10-30/stanchart-boosts-return-plan-to-8-billion-as-profit-beats>

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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.

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 management fees are calculated based on 0.60% 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, 2024, the Fund incurred \$49,274 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 \$12,213 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, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:			
Unhedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	9.53	8.44	10.00
Increase (decrease) from operations:			
Total revenue	0.74	0.54	0.53
Total expenses	(0.25)	(0.21)	(0.21)
Realized gains (losses)	1.36	0.39	(1.00)
Unrealized gains (losses)	0.58	1.06	0.02
Total increase (decrease) from operations²	2.43	1.78	(0.66)
Distributions:			
From dividends	(0.54)	(0.48)	(0.49)
Return of capital	(0.86)	(0.24)	(0.17)
Total annual distributions³	(1.40)	(0.72)	(0.66)
Net Assets per Unit, end of period	10.76	9.53	8.44
Hedged ETF Units - Net Assets per Unit			
Net Assets per Unit, beginning of period	9.86	8.73	10.00
Increase (decrease) from operations:			
Total revenue	0.70	0.57	0.56
Total expenses	(0.22)	(0.22)	(0.22)
Realized gains (losses)	1.24	0.33	(0.78)
Unrealized gains (losses)	0.65	0.62	0.03
Total increase (decrease) from operations²	2.37	1.30	(0.41)
Distributions:			
From dividends	(0.48)	(0.14)	(0.29)
Return of capital	(0.92)	(0.58)	(0.37)
Total annual distributions³	(1.40)	(0.72)	(0.66)
Net Assets per Unit, end of period	11.07	9.86	8.73

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

	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:			
US Dollar Unhedged ETF Units - Net Assets per Unit⁴			
Net Assets per Unit, beginning of period	12.03	10.71	12.73
Increase (decrease) from operations:			
Total revenue	0.98	0.66	0.64
Total expenses	(0.33)	(0.27)	(0.26)
Realized gains (losses)	1.54	0.45	(1.22)
Unrealized gains (losses)	0.92	1.35	(0.36)
Total increase (decrease) from operations²	3.11	2.19	(1.20)
Distributions:			
From dividends	(0.75)	(0.85)	(0.61)
Return of capital	(1.18)	(0.12)	(0.33)
Total annual distributions³	(1.93)	(0.97)	(0.94)
Net Assets per Unit, end of period	13.42	12.03	10.71

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2024, 2023 and 2022. The Hedged, Unhedged, and US Dollar Unhedged ETF Units effectively began operations on January 7, 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.
- 4 Per unit figures are stated in CAD equivalent.

The Fund's Ratios/Supplemental Data

	December 31, 2024	December 31, 2023	December 31, 2022
For the periods ended:			
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	4,305,790	5,240,393	7,592,142
Number of units outstanding ⁵	400,000	550,000	900,000
Management expense ratio ⁶	0.84%	0.87%	0.85%
Trading expense ratio ⁷	0.84%	0.67%	0.99%
Portfolio turnover rate ⁸	133.57%	75.84%	96.36%
Net Asset Value per unit (\$)	10.76	9.53	8.44
Closing market price (\$)	10.77	9.57	8.42
Hedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	5,026,540	2,011,714	10,068,781
Number of units outstanding ⁵	454,000	204,000	1,154,000
Management expense ratio ⁶	0.63%	0.87%	0.85%
Trading expense ratio ⁷	0.84%	0.67%	0.99%
Portfolio turnover rate ⁸	133.57%	75.84%	96.36%
Net Asset Value per unit (\$)	11.07	9.86	8.73
Closing market price (\$)	11.08	9.88	8.71

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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
US Dollar Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$)⁵	671,035	1,624,268	1,981,682
Number of units outstanding⁵	50,000	135,000	185,000
Management expense ratio⁶	0.86%	0.90%	0.84%
Trading expense ratio⁷	0.84%	0.67%	0.99%
Portfolio turnover rate⁸	133.57%	75.84%	96.36%
Net Asset Value per unit (\$)	13.42	12.03	10.71
Closing market price (\$)	13.40	12.10	10.63

5 This information is provided as at December 31, 2024, 2023 and 2022.

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.

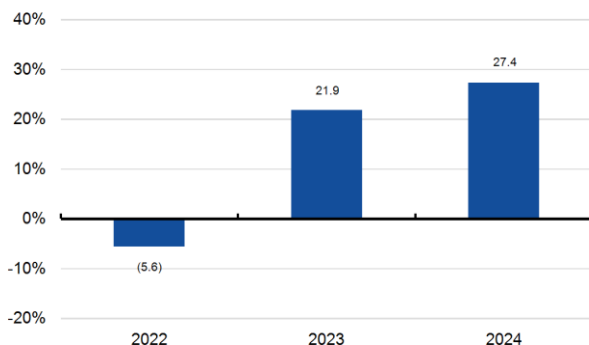
Past Performance

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.

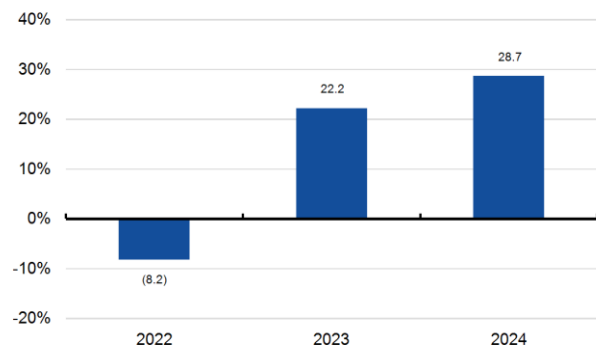
Year-by-Year Returns

The bar chart below shows the Hedged, Unhedged, and US Dollar Unhedged ETF Units' performance for each of the financial years. 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.

EBNK Hedged ETF Units¹



EBNK/B Unhedged ETF Units²



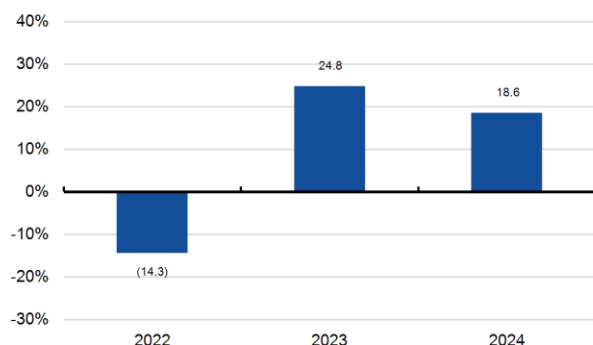
1 The Hedged ETF Units of the Fund effectively began operations on January 7, 2022.

2 The Unhedged ETF Units of the Fund effectively began operations on January 7, 2022.

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EBNK/U US Dollar Unhedged ETF Units³



³ The US Dollar Unhedged ETF Units of the Fund effectively began operations on January 7, 2022. Returns presented based on NAV equivalent in USD.

Annual Compound Return

The table below shows the historical annual compound total return of the Hedged, Unhedged, and US Dollar Unhedged ETF Units. The returns are for the period ended December 31, 2024. The difference in performance of the Hedged, Unhedged and US Dollar Unhedged ETF Units relative to the Index can be attributed primarily to management and administration fees plus applicable sales taxes, and to portfolio trading. The difference in performance of the Hedged ETF Units relative to the Index can also be attributed to the fact that the Index used is unhedged, while the Hedged ETF Units are hedged to Canadian Dollars. The difference in performance of the US Dollar Unhedged ETF Units relative to the Index can also be attributed to the fact that the Index used is denominated in Canadian Dollars, while the US Dollar Unhedged ETF Units of the Fund are denominated in US Dollars. Furthermore, the difference in performance of the Hedged, Unhedged, and US Dollar Unhedged ETF Units relative to the Index can also be attributed to the implementation of the call writing strategy where the Fund tends to outperform in flat or down markets and underperform during sharp market advances. This performance difference can be seen over the period the calls are written, typically with one to two months to expiry, and then resets when new option positions are established.

	Since Inception ¹ (%)	1 Year (%)
Hedged ETF Units	13.7	27.4
Solactive European Bank Top 20 Equal Weight Index ²	16.3	33.4
Unhedged ETF Units	13.1	28.7
Solactive European Bank Top 20 Equal Weight Index ²	16.3	33.4
US Dollar Unhedged ETF Units	8.3	18.6
Solactive European Bank Top 20 Equal Weight Index ²	16.3	33.4

¹ From inception date of January 7, 2022 for the Hedged, Unhedged, and US Dollar Unhedged ETF Units.

² The Index is an Index of Solactive AG and is calculated and distributed by Solactive AG. The Index tracks the performance of the largest 20 companies from the banking industry in the European stock market, on an equally-weighted basis. The Index is calculated as a net total return index, is rebalanced quarterly and is denominated in Canadian Dollars.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Erste Group Bank AG	5.6
HSBC Holdings PLC	5.4

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All Positions (cont'd)

	Percentage of Net Asset Value (%)
Security	
KBC Group NV	5.3
Standard Chartered PLC	5.2
Banco Bilbao Vizcaya Argentaria SA	5.2
NatWest Group PLC	5.1
Swedbank AB, Class 'A'	5.0
Danske Bank A/S	5.0
Banco Santander SA	5.0
Lloyds Banking Group PLC	4.9
ING Groep NV	4.9
Skandinaviska Enskilda Banken AB, Class 'A'	4.9
DNB Bank ASA	4.8
Commerzbank AG	4.8
Intesa Sanpaolo SpA	4.8
Nordea Bank Abp	4.8
Credit Agricole SA	4.7
BNP Paribas SA	4.7
UniCredit SpA	4.6
CaixaBank SA	4.6
Total	99.3

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	99.3
Derivative Assets	0.1
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.8
Other Assets, less Liabilities	(0.2)
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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