

Evolve Canadian Banks and Lifecos Enhanced Yield Index 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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December 31, 2024

Investment Objective and Strategies

The Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund (the "Fund") seeks to replicate, to the extent reasonably possible and before fees and expenses, up to a 1.25 times multiple of the performance of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while mitigating downside risk. The Evolve Fund invests primarily in the equity constituents of the Solactive Canadian Core Financials Equal Weight Index, or any successor thereto, while writing covered call options on up to 33% of the portfolio securities in the portfolio, at the discretion of the Manager. The level of covered call option writing may vary based on market volatility and other factors. The Fund will use leverage in order to seek to achieve its investment objective. Leverage will be created through the use of cash borrowings or as otherwise permitted under applicable securities legislation.

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 27.8% versus Solactive Canadian Core Financials Equal Weight Index (the "Index") return of 25.8%. Since the Unhedged Class A and F Mutual Fund Units of the Fund effectively began operations on February 3, 2024, no performance data can be shown. 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 \$343.4MM as at December 31, 2024.

Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the year ended December 31, 2024, as well as the leverage at the end of the reporting period and as a percentage of the Fund's net assets.

The Fund is classified as an "alternative mutual fund" as defined in National Instrument 81-102, Investment Funds ("NI 81-102"). As an alternative mutual fund, the Fund is permitted to lever its assets per the restrictions outlined in NI 81-102. The Fund currently anticipates achieving its investment objectives and creating leverage through the use of cash borrowing. The maximum aggregate exposure of the funds to cash borrowing will not exceed approximately 25% of NAV. In order to ensure that unitholders' risk is limited to the capital invested, the funds' leverage will be rebalanced back to 25% of the funds' NAV within two business days of the funds' leverage exceeding 2% above its target leverage ratio of 25% of NAV.

Leverage Calculation (Investments Market Value/Net Asset Value)

Period Ended	Minimum Leverage	Maximum Leverage	Leverage at the end of the Reporting Period	Percentage of Net Asset Value (%)
December 31, 2024	1.228 : 1	1.261 : 1	1.255 : 1	125.50
December 31, 2023	1.217 : 1	1.275 : 1	1.256 : 1	125.60

Portfolio Manager Commentary

The Canadian financial sector demonstrated resilience and strength in 2024, navigating a complex macroeconomic landscape. Higher interest rates earlier in the year supported high net interest margins, driving strong profitability for Canadian banks. RBC, CIBC, and National Bank of Canada stood out, exceeding analyst earnings expectations through diversified revenue streams across lending, capital markets, and wealth management¹. Strategic moves, such as RBC's acquisition of HSBC Bank Canada and National Bank's planned purchase of Canadian Western Bank, further bolstered performance.

However, not all institutions met expectations. TD, BMO, and Scotiabank faced challenges, including elevated expenses and regulatory pressures, which weighed on earnings². Rising credit provisions reflected broader economic concerns, such as weaker loan demand and rising unemployment, though some banks such as BMO and CIBC anticipate credit stabilization in 2025. Dividend growth was a key highlight, with five out of six banks raising payouts in the third quarter of the year, Scotiabank being the exception. Meanwhile, a resurgence in capital markets activity in the latter half of the year boosted investment banking revenues, with increased deal-making and equity issuance. Wealth management also flourished, as firms like Scotiabank and BMO reported record client inflows amid strong equity market performance.

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2024

Life insurance companies delivered equally strong results during the year. Manulife, Sun Life, and Great-West Lifeco posted impressive earnings growth, driven by demand for insurance and wealth management products and expanding global operations⁹. Insurers prioritized innovation, investing in Artificial Intelligence (AI) and digital tools to enhance customer experience and efficiency, positioning themselves well for future growth.

Despite macroeconomic pressures, the Canadian financial sector's strong balance sheets and strategic advancements during the period supported their overall performance. Canadian banks and life insurance companies delivered robust results in 2024, laying the groundwork for sustained success looking ahead to 2025.

Performance Attribution

For the twelve-month period ending December 31, 2024, Manulife Financial Corporation made the biggest contribution to the Fund, followed by Canadian Imperial Bank of Commerce. By weight, the Fund's largest holdings were Bank of Montreal, The Bank of Nova Scotia, and Sun Life Financial Inc.

(1) <https://www.bnnbloomberg.ca/business/company-news/2024/12/04/royal-bank-of-canada-reports-422-billion-q4-profit-raises-quarterly-dividend/>

(2) <https://www.bnnbloomberg.ca/business/2024/12/05/td-misses-on-weak-us-performance-suspends-its-growth-guidance/>

(3) <https://www.bnnbloomberg.ca/business/company-news/2024/11/07/manulife-cfo-discusses-blowout-q3-earnings-as-stock-hits-all-time-high/>

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 Manager is entitled to an annual management fee of 0.60% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.60% 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 \$1,348,221 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.

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2024

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 \$338,079 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 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	7.40	7.34	10.00
Increase (decrease) from operations:			
Total revenue	0.45	0.48	0.45
Total expenses	(0.17)	(0.17)	(0.14)
Realized gains (losses)	0.05	(0.35)	(0.17)
Unrealized gains (losses)	1.80	1.37	(1.01)
Total increase (decrease) from operations³	2.13	1.33	(0.87)
Distributions:			
From dividends	(0.18)	(0.19)	(0.14)
From capital gains	-	-	(0.07)
Return of capital	(1.05)	(0.82)	(0.56)
Total annual distributions⁴	(1.23)	(1.01)	(0.77)
Net Assets per Unit, end of period	8.04	7.40	7.34
Unhedged Class A - Net Assets per Unit			
Net Assets per Unit, beginning of period ²	7.24	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.39	N/A	N/A
Total expenses	(0.23)	N/A	N/A
Realized gains (losses)	0.17	N/A	N/A
Unrealized gains (losses)	1.87	N/A	N/A
Total increase (decrease) from operations³	2.20	N/A	N/A
Distributions:			
Return of capital	(1.13)	N/A	N/A
Total annual distributions⁴	(1.13)	N/A	N/A
Net Assets per Unit, end of period	7.99	N/A	N/A

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2024

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

	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)
For the periods ended:			
Unhedged Class F - Net Assets per Unit			
Net Assets per Unit, beginning of period ²	7.24	N/A	N/A
Increase (decrease) from operations:			
Total revenue	0.41	N/A	N/A
Total expenses	(0.15)	N/A	N/A
Realized gains (losses)	0.06	N/A	N/A
Unrealized gains (losses)	1.83	N/A	N/A
Total increase (decrease) from operations³	2.15	N/A	N/A
Distributions:			
From dividends	(0.10)	N/A	N/A
Return of capital	(1.03)	N/A	N/A
Total annual distributions⁴	(1.13)	N/A	N/A
Net Assets per Unit, end of period	8.05	N/A	N/A

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2024, 2023 and 2022. The Unhedged ETF Units effectively began operations on February 1, 2022 and the Unhedged Class A and F Mutual Fund Units effectively began operations on February 3, 2024.
- 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.

The Fund's Ratios/Supplemental Data

	December 31, 2024	December 31, 2023	December 31, 2022
For the period ended:			
Unhedged ETF Units - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	336,396,533	97,705,318	34,880,960
Number of units outstanding ⁵	41,850,000	13,200,000	4,750,000
Management expense ratio ⁶	0.83%	0.85%	0.84%
Trading expense ratio ⁷	1.36%	1.08%	1.50%
Portfolio turnover rate ⁸	27.83%	23.36%	20.16%
Net Asset Value per unit (\$)	8.04	7.40	7.34
Closing market price (\$)	8.05	7.41	7.36
Unhedged Class A - Ratios/Supplemental Data			
Total Net Asset Value (\$) ⁵	432,649	N/A	N/A
Number of units outstanding ⁵	54,179	N/A	N/A
Management expense ratio ⁶	1.96%	N/A	N/A
Trading expense ratio ⁷	1.36%	N/A	N/A
Portfolio turnover rate ⁸	27.83%	N/A	N/A
Net Asset Value per unit (\$)	7.99	N/A	N/A

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2024

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

For the period ended:	December 31, 2024	December 31, 2023	December 31, 2022
Unhedged Class F - Ratios/Supplemental Data			
Total Net Asset Value (\$)⁵	6,588,454	N/A	N/A
Number of units outstanding⁵	818,004	N/A	N/A
Management expense ratio⁶	0.84%	N/A	N/A
Trading expense ratio⁷	1.36%	N/A	N/A
Portfolio turnover rate⁸	27.83%	N/A	N/A
Net Asset Value per unit (\$)	8.05	N/A	N/A

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. The trading expense ratio includes the cost of financing.

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

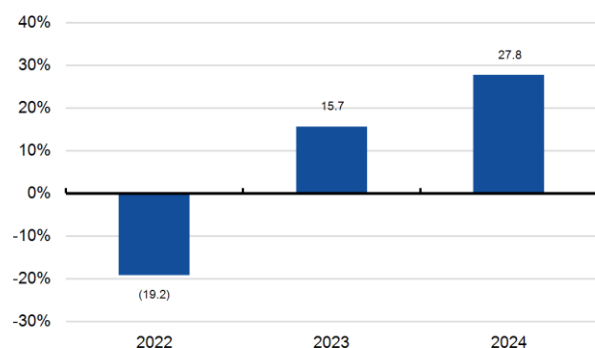
The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment 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.

Since the Unhedged Class A and F Mutual Fund Units of the Fund have been reporting issuers for less than one year, with inception date February 3, 2024, providing performance data for the period is not permitted.

Year-by-Year Returns

The bar chart below shows the Unhedged ETF 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.

BANK Unhedged ETF Units¹



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

Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2024

Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units. The returns are for the period ended December 31, 2024. The difference in performance of the Unhedged ETF Units relative to the Index can be attributed primarily to management and administration fees plus applicable sales taxes, portfolio trading, and due to the fact that the Fund is permitted to lever its assets through the use of cash borrowing, which can magnify the performance of the Fund up to 1.25 times the performance of the Index. Furthermore, the difference in performance of the 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 (%)
Unhedged ETF Units	6.3	27.8
Solactive Canadian Core Financials Equal Weight Index ²	7.7	25.8

1 From inception date of February 1, 2022.

2 The Index is an Index of Solactive AG and is calculated and distributed by Solactive AG. The Index tracks the performance of the 10 largest companies classified in the Life/Health Insurance, Major Banks, Multi-Line Insurance or Regional Banks industries in the Canadian 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

	Percentage of Net Asset Value (%)
Security	
Bank of Montreal	13.3
The Bank of Nova Scotia	12.9
Sun Life Financial Inc.	12.9
Canadian Imperial Bank of Commerce	12.7
Manulife Financial Corporation	12.6
Royal Bank of Canada	12.5
Great-West Lifeco Inc.	12.4
National Bank of Canada	12.2
The Toronto-Dominion Bank	12.0
Power Corporation of Canada	12.0
Total	125.5

Industry Allocation

	Percentage of Net Asset Value (%)
Portfolio by Category	
Equities	
Financials	125.5
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.3
Other Assets, less Liabilities	(25.8)
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 Canadian Banks and Lifecos Enhanced Yield Index Fund