

# Evolve S&P/TSX 60 Enhanced Yield 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](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://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/TSX 60 Enhanced Yield Fund

December 31, 2024

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## Investment Objective and Strategies

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The Evolve S&P/TSX 60 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/TSX 60 Index, or any successor thereto, while mitigating downside risk. The Fund invests primarily in the equity constituents of the S&P/TSX 60 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

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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

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For the year ended December 31, 2024, the Unhedged ETF Units returned 18.1% versus the S&P/TSX 60 Index (the "Index") return of 21.0%. The Unhedged Class A Mutual Fund Units returned 16.8% and the Unhedged Class F Mutual Fund Units returned 18.2% versus the Index return of 21.0%. The Unhedged Class H Mutual Fund Units returned 18.4% versus the Index return of 21.0%. 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 \$84.9MM as at December 31, 2024.

## Portfolio Manager Commentary

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In 2024, the S&P/TSX 60 delivered strong performance, marking its best year since 2021. A key contributor was the Financial sector, the S&P/TSX 60's largest constituent, which demonstrated robust growth throughout the year. The Financial sector's strength propelled the S&P/TSX 60 to all-time highs, underscoring its pivotal role in the Canadian equity market.

The Bank of Canada (BoC) made headlines in 2024 as the first among G7 central banks to initiate rate cuts<sup>1</sup>. Over the year, the BoC reduced the overnight lending rate by 1.75%, ending the year at 3.25%. Early easing measures bolstered equities, igniting a rally fueled by optimism in the broader market. However, late-quarter sentiment cooled as Canada's housing market showed signs of slowing and trade uncertainties began to mount.

Corporate earnings also played a significant role in shaping market performance. Shopify captured the attention of investors in November with its third quarter earnings report, delivering strong sales and an upbeat growth outlook<sup>2</sup>. As a result, the stock's price surged over 25%, cementing its status as a key driver of innovation in the Canadian market. Beyond its impressive financial results, Shopify announced plans to expand its global logistics network, further solidifying its competitive edge. Royal Bank of Canada (RBC) similarly impressed investors with consistent earnings growth and dividend increases<sup>3</sup>. Its acquisition of HSBC Canada was a defining moment, significantly enhancing its domestic and international banking operations. RBC's success underscored the resilience of Canada's financial sector amid a dynamic economic backdrop.

The closing months of 2024 brought a mix of uncertainty and volatility. Speculation around potential US tariffs on Canadian imports, fueled by the outcome of the US election, weighed heavily on Canadian equities and sent the value of the Canadian dollar tumbling. December added to these challenges, with key ministerial resignations and a Fall Economic Statement projecting a higher-than-expected fiscal deficit. These issues, compounded by trade tensions, clouded Canada's economic outlook for the year ahead. Nonetheless, pockets of stability emerged as retail sales growth and steady consumer spending offered reassurance, reflecting the underlying resilience of the Canadian economy.

As 2025 begins, attention will turn to the BoC's next monetary policy decisions. Investors will also monitor fiscal adjustments and evolving trade dynamics, particularly with the US, as Canada navigates an uncertain global economic environment. The interplay of these factors will shape the trajectory of Canadian markets in the year ahead.

## Performance Attribution

For the twelve-month period ending December 31, 2024, Shopify Inc., Class 'A' made the biggest contribution to the Fund, followed by Royal Bank of Canada. By weight, the Fund's largest holdings were Royal Bank of Canada, Global X S&P/TSX 60 Index ETF, and Shopify Inc., Class 'A'.

(1) <https://www.reuters.com/markets/rates-bonds/bank-canada-cuts-rates-first-time-four-years-2024-06-05/>

(2) <https://www.shopify.com/news/shopify-q3-2024-revenue-growth-accelerates-to-26-free-cash-flow-margin-expands-to-20>

# Evolve S&P/TSX 60 Enhanced Yield Fund

December 31, 2024

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

## Recent Developments

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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

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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 0.45% of the net asset value of the 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, 2024, the Fund incurred \$235,314 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](http://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 \$85,046 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/TSX 60 Enhanced Yield Fund

December 31, 2024

## 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 Unit<sup>1</sup>

	December 31, 2024 (\$)	December 31, 2023 (\$)
For the periods ended:		
<b>Unhedged ETF Units - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	19.41	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.66	0.64
Total expenses	(0.19)	(0.21)
Realized gains (losses)	0.11	(0.04)
Unrealized gains (losses)	2.65	1.35
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.23</b>	<b>1.74</b>
<b>Distributions:</b>		
From dividends	(0.39)	(0.26)
From capital gains	-	(0.18)
Return of capital	(1.53)	(1.48)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.92)</b>	<b>(1.92)</b>
<b>Net Assets per Unit, end of period</b>	<b>20.85</b>	<b>19.41</b>
<b>Unhedged Class A - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	19.22	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.64	0.62
Total expenses	(0.40)	(0.41)
Realized gains (losses)	0.12	(0.18)
Unrealized gains (losses)	2.66	2.48
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.02</b>	<b>2.51</b>
<b>Distributions:</b>		
From dividends	(0.32)	(0.35)
From capital gains	-	(0.14)
Return of capital	(1.60)	(1.43)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.92)</b>	<b>(1.92)</b>
<b>Net Assets per Unit, end of period</b>	<b>20.39</b>	<b>19.22</b>
<b>Unhedged Class F - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	19.42	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.66	0.64
Total expenses	(0.18)	(0.21)
Realized gains (losses)	0.10	(0.04)
Unrealized gains (losses)	2.73	1.14
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.31</b>	<b>1.53</b>
<b>Distributions:</b>		
From dividends	(0.47)	(0.30)
From capital gains	-	(0.17)
Return of capital	(1.45)	(1.45)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.92)</b>	<b>(1.92)</b>
<b>Net Assets per Unit, end of period</b>	<b>20.87</b>	<b>19.42</b>

# Evolve S&P/TSX 60 Enhanced Yield Fund

December 31, 2024

## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

	December 31, 2024 (\$)	December 31, 2023 (\$)
For the periods ended:		
<b>Unhedged Class H - Net Assets per Unit</b>		
Net Assets per Unit, beginning of period	19.76	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.66	0.07
Total expenses	(0.15)	(0.02)
Realized gains (losses)	0.14	(0.02)
Unrealized gains (losses)	3.39	0.25
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>4.04</b>	<b>0.28</b>
<b>Distributions:</b>		
From dividends	(0.35)	(0.49)
From capital gains	-	(0.09)
Return of capital	(1.57)	(1.02)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.92)</b>	<b>(1.60)</b>
<b>Net Assets per Unit, end of period</b>	<b>21.31</b>	<b>19.76</b>

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2024 and 2023. The Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units effectively began operations on January 9, 2023.
- 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

	December 31, 2024	December 31, 2023
For the periods ended:		
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	39,092,662	13,100,941
Number of units outstanding <sup>4</sup>	1,875,000	675,000
Management expense ratio excluding proportion of expenses from underlying investment funds <sup>5</sup>	0.68%	0.68%
Management expense ratio <sup>6,9</sup>	0.69%	0.71%
Trading expense ratio <sup>7</sup>	0.25%	0.43%
Portfolio turnover rate <sup>8</sup>	105.66%	142.86%
Net Asset Value per unit (\$)	20.85	19.41
Closing market price (\$)	20.86	19.39
<b>Unhedged Class A - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	813,752	1,707,992
Number of units outstanding <sup>4</sup>	39,909	88,858
Management expense ratio excluding proportion of expenses from underlying investment funds <sup>5</sup>	1.78%	1.78%
Management expense ratio <sup>6,9</sup>	1.79%	1.81%
Trading expense ratio <sup>7</sup>	0.25%	0.43%
Portfolio turnover rate <sup>8</sup>	105.66%	142.86%
Net Asset Value per unit (\$)	20.39	19.22
<b>Unhedged Class F - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$) <sup>4</sup>	8,202,038	6,163,102
Number of units outstanding <sup>4</sup>	392,979	317,335
Management expense ratio excluding proportion of expenses from underlying investment funds <sup>5</sup>	0.65%	0.68%
Management expense ratio <sup>6,9</sup>	0.66%	0.71%
Trading expense ratio <sup>7</sup>	0.25%	0.43%
Portfolio turnover rate <sup>8</sup>	105.66%	142.86%
Net Asset Value per unit (\$)	20.87	19.42

# Evolve S&P/TSX 60 Enhanced Yield Fund

December 31, 2024

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

For the periods ended:	December 31, 2024	December 31, 2023
<b>Unhedged Class H - Ratios/Supplemental Data</b>		
Total Net Asset Value (\$)⁴	36,780,573	5,145,787
Number of units outstanding⁴	1,725,851	260,393
Management expense ratio excluding proportion of expenses from underlying investment funds⁵	0.48%	0.50%
Management expense ratio⁶,⁹	0.49%	0.53%
Trading expense ratio⁷	0.25%	0.43%
Portfolio turnover rate⁸	105.66%	142.86%
Net Asset Value per unit (\$)	21.31	19.76

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

5 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.

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.

9 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

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.

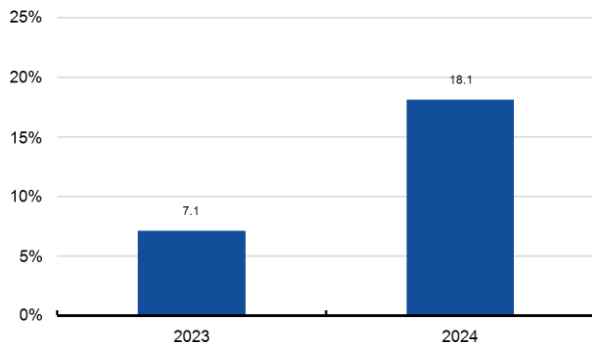
## Year-by-Year Returns

The bar chart below shows the Unhedged ETF Units and the Unhedged Class A, F, and H 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.

# Evolve S&P/TSX 60 Enhanced Yield Fund

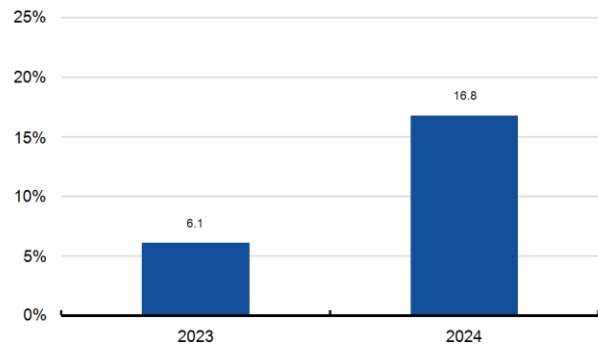
December 31, 2024

## ETSX Unhedged ETF Units<sup>1</sup>



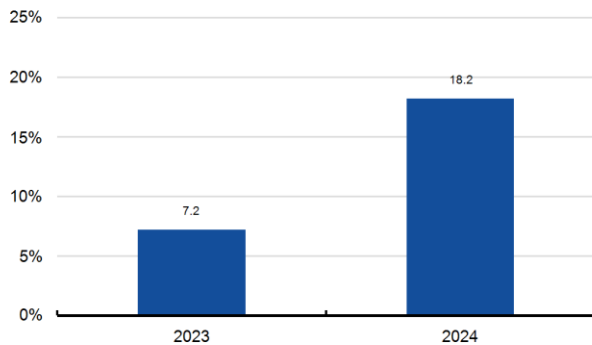
1 The Unhedged ETF Units of the Fund effectively began operations on January 9, 2023.

## Unhedged Class A Mutual Fund Units<sup>2</sup>



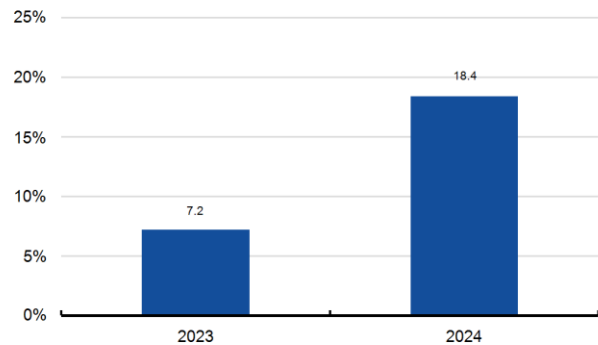
2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on January 9, 2023.

## Unhedged Class F Mutual Fund Units<sup>3</sup>



3 The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on January 9, 2023.

## Unhedged Class H Mutual Fund Units<sup>4</sup>



4 The Unhedged Class H Mutual Fund Units of the Fund effectively began operations on January 9, 2023.

## Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units. The returns are for the period ended December 31, 2024. The difference in performance of the Unhedged ETF Units and the Unhedged Class A, F and H Mutual Fund Units relative to the Index can be attributed primarily to management and administration fees plus applicable sales taxes, and to portfolio trading. Furthermore, the difference in performance of the Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund 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 <sup>1</sup> (%)	1 Year (%)
Unhedged ETF Units	12.6	18.1
S&P/TSX 60 Index <sup>2</sup>	15.2	21.0
Unhedged Class A Mutual Fund Units	11.5	16.8
S&P/TSX 60 Index <sup>2</sup>	15.2	21.0
Unhedged Class F Mutual Fund Units	12.7	18.2
S&P/TSX 60 Index <sup>2</sup>	15.2	21.0

# Evolve S&P/TSX 60 Enhanced Yield Fund

December 31, 2024

	Since Inception <sup>1</sup> (%)	1 Year (%)
Unhedged Class H Mutual Fund Units	12.8	18.4
S&P/TSX 60 Index <sup>2</sup>	15.2	21.0

- 1 From inception date of January 9, 2023 for the Unhedged ETF Units and the Unhedged Class A, F, and H Mutual Fund Units.
- 2 The Index is a capitalization-weighted index. It consists of 60 of the largest and most liquid stocks listed on the Toronto Stock Exchange (TSX). They are usually domestic or multinational industry leaders.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Royal Bank of Canada	8.0
Global X S&P/TSX 60 Index ETF	6.9
Shopify Inc., Class 'A'	6.0
The Toronto-Dominion Bank	4.3
Enbridge Inc.	4.3
Brookfield Corporation	3.9
Bank of Montreal	3.3
Canadian Pacific Kansas City Limited	3.2
The Bank of Nova Scotia	3.1
Canadian Natural Resources Limited	3.0
Constellation Software Inc.	2.9
Canadian Imperial Bank of Commerce	2.8
Canadian National Railway Company	2.6
Manulife Financial Corporation	2.5
TC Energy Corporation	2.3
Suncor Energy Inc.	2.1
Waste Connections Inc.	2.1
Alimentation Couche-Tard Inc.	2.0
Agnico Eagle Mines Limited	1.8
Sun Life Financial Inc.	1.6
Intact Financial Corporation	1.5
National Bank of Canada	1.4
Dollarama Inc.	1.3
Barrick Gold Corporation	1.3
Wheaton Precious Metals Corporation	1.2
<b>Total</b>	<b>75.4</b>



# Evolve S&P/TSX 60 Enhanced Yield Fund

December 31, 2024

## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Equities</b>	
Communication Services	2.5
Consumer Discretionary	3.4
Consumer Staples	4.0
Energy	15.9
ETFs - Canadian Equity	6.9
Financials	34.2
Industrials	10.3
Information Technology	10.3
Materials	8.5
Real Estate	0.6
Utilities	2.8
Derivative Liabilities	(0.0)
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(0.3)
<b>Total</b>	<b>100.0</b>

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](http://www.evolveetfs.com).



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