

Evolve Canadian Aggregate Bond 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 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 Canadian Aggregate Bond Enhanced Yield Fund (the "Fund") seeks to provide holders of Units with attractive monthly income and long-term capital appreciation by investing primarily in fixed income ETFs or fixed income securities primarily issued in Canada. To enhance yield, as well as to mitigate risk and reduce volatility, the Fund will employ a covered call option writing program 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 Unhedged ETF Units of the Fund effectively began operations on September 26, 2024, and the Unhedged Class A and F Mutual Fund Units effectively began operations on October 9, 2024, no performance data can be shown. The Fund's net assets were \$22.4MM as at December 31, 2024.

Portfolio Manager Commentary

In 2024, the Canadian aggregate bond market experienced a robust year, driven by an aggressive rate-cutting cycle from the Bank of Canada (BoC) and favorable macroeconomic conditions. The BoC reduced the overnight rate five times, marking a significant shift in monetary policy aimed at supporting economic growth amid easing inflationary pressures.

The first 25 basis point rate cut was announced in June, and marked the BoC's first in four years¹. This decision reflected growing confidence that inflation was under control and signaled a transition toward more accommodative monetary policy. The initial cut provided a significant boost to the Canadian bond market, as lower yields drove bond prices higher. Investors welcomed the move, interpreting it as a signal of sustained monetary support, which propelled demand for fixed-income securities.

Momentum in the bond market continued through the second half of the year, with the BoC accelerating its easing measures. In December, the BoC surprised markets with a larger-than-expected 50 basis point cut, its second consecutive 50 basis point reduction, bringing the overnight rate to 3.25%. This marked the lowest level since the previous tightening cycle ended, and underscored the BoC's commitment to stimulating the Canadian economy². While the BoC hinted at the possibility of additional rate cuts in 2025, it emphasized a cautious approach, favoring smaller 25 basis point adjustments to assess the cumulative impact of the easing measures.

These rate cuts in addition to steady economic growth created a favorable environment for the Canadian aggregate bond market, which delivered strong performance throughout the year. As yields declined, bond prices rallied, providing investors with both price appreciation and income generation.

Overall, the Canadian aggregate bond market benefited significantly from the BoC's monetary policy actions and remained an attractive option for investors seeking stability and income. With monetary policy expected to remain accommodative in the near term, the bond market continues to enjoy strong tailwinds heading into 2025.

(1) <https://www.bankofcanada.ca/2024/06/fad-press-release-2024-06-05/>

(2) <https://www.canadalife.com/investment-management/news-insights/monthly-market-update-december-2024.html>

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.

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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 0.45% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.20% 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 \$14,113 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 \$4,481 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 (\$)
For the periods ended:	
Unhedged ETF Units - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	19.98
Increase (decrease) from operations:	
Total revenue	0.22
Total expenses	(0.05)
Realized gains (losses)	0.05
Unrealized gains (losses)	0.13
Total increase (decrease) from operations³	0.35
Distributions:	
From income (excluding dividends)	(0.12)
From capital gains	(0.01)
Return of capital	(0.17)
Total annual distributions⁴	(0.30)
Net Assets per Unit, end of period	19.76
Unhedged Class A - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	19.73
Increase (decrease) from operations:	
Total revenue	0.18
Total expenses	(0.08)
Realized gains (losses)	0.09
Unrealized gains (losses)	(0.04)
Total increase (decrease) from operations³	0.15
Distributions:	
From income (excluding dividends)	(0.12)
Return of capital	(0.08)
Total annual distributions⁴	(0.20)
Net Assets per Unit, end of period	19.86

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

	December 31, 2024 (\$)
For the periods ended:	
Unhedged Class F - Net Assets per Unit	
Net Assets per Unit, beginning of period ²	19.73
Increase (decrease) from operations:	
Total revenue	0.18
Total expenses	(0.05)
Realized gains (losses)	0.07
Unrealized gains (losses)	0.12
Total increase (decrease) from operations³	0.32
Distributions:	
From income (excluding dividends)	(0.10)
Return of capital	(0.10)
Total annual distributions⁴	(0.20)
Net Assets per Unit, end of period	19.88

- 1 This information is derived from the Fund's audited annual financial statements as at December 31, 2024. The Unhedged ETF Units effectively began operations on September 26, 2024 and the Unhedged Class A and F Mutual Fund Units effectively began operations on October 9, 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
For the periods ended:	
Unhedged ETF Units - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	21,241,777
Number of units outstanding ⁵	1,075,000
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	0.66%
Management expense ratio ^{7,10}	0.76%
Trading expense ratio ⁸	0.36%
Portfolio turnover rate ⁹	46.65%
Net Asset Value per unit (\$)	19.76
Closing market price (\$)	19.76
Unhedged Class A - Ratios/Supplemental Data	
Total Net Asset Value (\$) ⁵	1,016,221
Number of units outstanding ⁵	51,176
Management expense ratio excluding proportion of expenses from underlying investment funds ⁶	1.47%
Management expense ratio ^{7,10}	1.57%
Trading expense ratio ⁸	0.36%
Portfolio turnover rate ⁹	46.65%
Net Asset Value per unit (\$)	19.86

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

	December 31, 2024
For the periods ended:	
Unhedged Class F - Ratios/Supplemental Data	
Total Net Asset Value (\$)⁵	123,641
Number of units outstanding⁵	6,220
Management expense ratio excluding proportion of expenses from underlying investment funds⁶	0.66%
Management expense ratio⁷,¹⁰	0.76%
Trading expense ratio⁸	0.36%
Portfolio turnover rate⁹	46.65%
Net Asset Value per unit (\$)	19.88

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

6 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.

7 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.

8 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.

9 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.

10 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 September 26, 2024, for the Unhedged ETF Units and inception date October 9, 2024, for the Unhedged Class A and F Mutual Fund Units, providing performance data for the period is not permitted.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
BMO Aggregate Bond Index ETF	50.0
iShares Core Canadian Universe Bond Index ETF	49.8
Total	99.8

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
ETFs - Canadian Fixed Income	99.8
Cash and Cash Equivalents	0.3
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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