

Evolve Canadian Utilities Enhanced Yield Index Fund

June 30, 2025

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 161 Bay Street, Suite 1210, Toronto, ON, M5J 2S1 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 Utilities Enhanced Yield Index Fund (the "Fund") seeks to provide exposure to an equal-weighted portfolio of primarily Canadian utilities services companies while generating enhanced income through a covered call strategy. The Fund aims 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 Canada Utility Index, or a successor index. To enhance yield and manage risk, 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 conditions.

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 4, 2024, and the Unhedged Class A and F Mutual Fund Units effectively began operations on October 11, 2024, no performance data can be shown. The Fund's net assets were \$130.4MM as at June 30, 2025.

For the six-month period ended June 30, 2025, the Fund generated an increase (decrease) in net assets attributable to holders of redeemable units from operations of \$8,052,655. This compares to (\$3,635,396) for the year ended December 31, 2024. The Fund distributed \$9,538,393 to unitholders during the period (2024 - \$2,561,610). The decision to make distributions exceeding earnings was made by Evolve Funds Group Inc. (the "Manager"), due to the following factors:

The Funds' Declaration of Trust requires that sufficient amounts be paid or made payable each year so that the Funds are not liable for any non-refundable income tax under Part I of the Tax Act.

Amounts included in the calculation of the Fund's net income and net realized capital gains for a taxation year may encompass amounts that have not yet been received by the Fund.

The Manager believes that maintaining regular and stable distributions is vital to meet unitholder expectations and retain investor confidence. Consequently, distribution rates are only adjusted in response to material changes.

The Manager believes that a full business cycle is required for a comprehensive evaluation of results.

The Manager holds a strong conviction in the Fund's investment objective and its future growth prospects.

Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the six-month period ended June 30, 2025, 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 (%)
June 30, 2025	1.225 : 1	1.264 : 1	1.249 : 1	124.90
December 31, 2024	1.188 : 1	1.267 : 1	1.247 : 1	124.70

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Portfolio Manager Commentary

The Canadian utilities showed strength in the first half of 2025, managing a volatile macroeconomic environment marked by fluctuating interest rates, geopolitics, and accelerating demand tied to digital infrastructure¹. While the year began with continued pressure from high borrowing costs, sentiment improved meaningfully following two rate cuts from the Bank of Canada in January and March². These moves supported valuations in capital-intensive sectors and reinforced the utilities sector's appeal to investors³.

Structural demand growth remained a defining theme throughout the period, driven by the rapid expansion of Artificial Intelligence (AI), cloud computing, and hyperscale data centers across Canada⁴. Power usage from these applications has surged, with data centers now drawing electricity loads equivalent to small cities⁵. Utilities with access to reliable base load generation—particularly natural gas—saw renewed demand from industrial and digital clients.

At the same time, the sector continued to play a key role in supporting Canada's clean energy transition. Several utilities advanced grid modernization projects and renewable energy developments, though permitting delays and rising construction costs remained challenges. Nonetheless, investor demand for stability and yield helped anchor performance, with dividend-paying utilities outperforming other interest-sensitive sectors during periods of market volatility.

Looking ahead, the Canadian utilities sector remains well-positioned. The prospect of additional monetary easing, coupled with structural electricity demand from AI and data centers, supports a constructive outlook for the remainder of the year.

Performance Attribution

For the six-month period ending June 30, 2025, Emera Inc. made the biggest contribution to the Fund, followed by AltaGas Limited. By weight, the Fund's largest holdings were Rogers Communications Inc., Class 'B', TELUS Corporation, and BCE Inc.

(1) <https://www.bankofcanada.ca/2025/06/macro-financial-update/>

(2) <https://www.bankofcanada.ca/2025/03/mpr-march-2025/>

(3) <https://www.bloomberg.com/news/articles/2025-05-utilities-outperform-in-rising-rate-environment>

(4) <https://www.nrdc.org/resources/how-data-centers-consume-energy>

(5) https://www.energy.gov/sites/default/files/2024-12/Data_Center_Energy_Consumption_Report.pdf

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

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.

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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 six-month period ended June 30, 2025, the Fund incurred \$343,094 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 six-month period ended June 30, 2025, the Fund incurred \$84,602 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

	June 30, 2025 (\$)	December 31, 2024 (\$)
For the periods ended:		
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	9.11	10.06
Increase (decrease) from operations:		
Total revenue	0.31	0.29
Total expenses	(0.09)	(0.07)
Realized gains (losses)	0.01	(0.08)
Unrealized gains (losses)	0.51	(1.09)
Total increase (decrease) from operations²	0.74	(0.95)
Distributions:		
From income (excluding dividends)	(0.83)	-
From dividends	-	(0.01)
From capital gains	-	(0.03)
Return of capital	-	(0.51)
Total annual distributions³	(0.83)	(0.55)
Net Assets per Unit, end of period	9.00	9.11

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

	June 30, 2025 (\$)	December 31, 2024 (\$)
For the periods ended:		
Unhedged Class A - Net Assets per Unit		
Net Assets per Unit, beginning of period	9.23	9.99
Increase (decrease) from operations:		
Total revenue	0.38	0.25
Total expenses	(0.14)	(0.07)
Realized gains (losses)	0.04	(0.06)
Unrealized gains (losses)	0.40	(1.17)
Total increase (decrease) from operations²	0.68	(1.05)
Distributions:		
From income (excluding dividends)	(0.83)	-
From dividends	-	(0.01)
From capital gains	-	(0.01)
Return of capital	-	(0.26)
Total annual distributions³	(0.83)	(0.28)
Net Assets per Unit, end of period	9.07	9.23
Unhedged Class F - Net Assets per Unit		
Net Assets per Unit, beginning of period	9.25	9.99
Increase (decrease) from operations:		
Total revenue	0.32	0.22
Total expenses	(0.09)	(0.05)
Realized gains (losses)	0.02	(0.04)
Unrealized gains (losses)	0.43	(0.76)
Total increase (decrease) from operations²	0.68	(0.63)
Distributions:		
From income (excluding dividends)	(0.83)	-
From dividends	-	(0.01)
From capital gains	-	(0.01)
Return of capital	-	(0.26)
Total annual distributions³	(0.83)	(0.28)
Net Assets per Unit, end of period	9.14	9.25

- 1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2025, and the audited annual financial statements as at December 31, 2024. The Unhedged ETF Units effectively began operations on September 4, 2024 and the Unhedged Class A and F Mutual Fund Units effectively began operations on October 11, 2024.
- 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

	June 30, 2025	December 31, 2024
For the period ended:		
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value (\$) ⁴	116,517,831	71,536,606
Number of units outstanding ⁴	12,950,000	7,850,000
Management expense ratio ⁵	0.85%	0.84%
Trading expense ratio ⁶	1.07%	0.30%
Portfolio turnover rate ⁷	19.53%	12.69%
Net Asset Value per unit (\$)	9.00	9.11
Closing market price (\$)	8.99	9.12

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

	June 30, 2025	December 31, 2024
For the period ended:		
Unhedged Class A - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁴	2,742,754	345,692
Number of units outstanding⁴	302,544	37,471
Management expense ratio⁵	1.95%	1.93%
Trading expense ratio⁶	1.07%	0.30%
Portfolio turnover rate⁷	19.53%	12.69%
Net Asset Value per unit (\$)	9.07	9.23
Unhedged Class F - Ratios/Supplemental Data		
Total Net Asset Value (\$)⁴	11,091,618	6,064,834
Number of units outstanding⁴	1,213,341	655,877
Management expense ratio⁵	0.84%	0.83%
Trading expense ratio⁶	1.07%	0.30%
Portfolio turnover rate⁷	19.53%	12.69%
Net Asset Value per unit (\$)	9.14	9.25

4 This information is provided as at June 30, 2025, and December 31, 2024.

5 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.

6 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.

7 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

Since the Fund is a reporting issuer for less than one year, with inception date September 4, 2024, for the Unhedged ETF Units and inception date October 11, 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 (%)
Rogers Communications Inc., Class 'B'	14.3
TELUS Corporation	13.2
BCE Inc.	12.9
Emera Inc.	12.8
AltaGas Limited	12.7
Enbridge Inc.	12.0
Fortis Inc.	11.9
TC Energy Corporation	11.8
Pembina Pipeline Corporation	11.8
Hydro One Limited	11.5
Total	124.9

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Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Communication Services	40.4
Energy	35.6
Utilities	48.9
Derivative Liabilities	(0.2)
Cash and Cash Equivalents	0.8
Other Assets, less Liabilities	(25.5)
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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