

# Evolve Active Canadian Preferred Share Fund

December 31, 2025

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, 161 Bay Street, Suite 1210, Toronto, ON, M5J 2S1 or by visiting our website at [www.evolveetfs.com](http://www.evolveetfs.com) or SEDAR+ at [www.sedarplus.com](http://www.sedarplus.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 Active Canadian Preferred Share Fund

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## Investment Objective and Strategies

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The Evolve Active Canadian Preferred Share Fund (the "Fund") seeks to provide holders of Units with stable income and long-term capital appreciation by investing primarily in a diversified mix of preferred shares of primarily Canadian issuers, in addition to U.S. and international issuers.

## 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, 2025, Unhedged ETF Units returned 14.3%. The Unhedged Class A Mutual Fund Units returned 9.2% and the Unhedged Class F Mutual Fund Units returned 14.6%. The Fund's net assets were \$32.5MM as at December 31, 2025.

## Portfolio Manager Commentary

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Markets in 2025 were shaped by persistent uncertainty as tariff announcements, escalating Middle East tensions, U.S. fiscal policy developments, and the downgrade of U.S. sovereign credit weighed on sentiment. Central banks were closely watched as concerns about slowing growth increasingly conflicted with inflation pressures. While the Federal Reserve and the Bank of Canada eventually delivered rate cuts, the Bank of Canada signalled a high bar for further easing as labour markets and wage growth proved more resilient than expected.

Against this backdrop, the Canadian preferred share market delivered strong absolute returns in 2025, supported by favourable technicals and resilient credit fundamentals. The S&P/TSX Preferred Shares Index benefited from a steady pace of issuer redemptions, which returned capital to investors and reduced market supply, creating a persistent reinvestment bid. Periods of volatility, particularly around tariff announcements, were short-lived, with sentiment improving as trade risks appeared less punitive. While new issuance re-emerged later in the year for the first time in several years, redemption activity continued to underpin market performance.

Looking ahead, we remain cautiously constructive on the preferred share market. Issuers are expected to continue refinancing retail preferred shares into institutional capital structures where funding remains attractive, although the pace of redemptions may moderate. The asset class will remain closely linked to broader credit markets, including high yield, hybrids, as well as movements in credit spreads. While fundamentals remain supportive, elevated valuations, the potential for renewed supply, sticky inflation, and slower economic growth warrant a disciplined approach.

Source: Addenda Capital

## Recent Developments

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In 2026, financial markets are operating in an environment increasingly shaped by heightened geopolitical conflict, most notably the developing war in the middle east. The escalation has triggered sharp moves across global markets, including spikes in oil and gas prices, increased demand for safe haven assets, and renewed volatility in equities, bonds, and foreign currencies. While underlying economic activity remains resilient in several regions, higher energy prices and elevated geopolitical uncertainty have added new risks to inflation trajectories and policy expectations. Governments are reassessing defense spending and trade arrangements, while central banks face a more complex balance between managing inflation pressures and supporting growth. Market volatility has intensified across asset classes, particularly in sectors sensitive to energy costs, geopolitical risk, and global supply chains. The duration and broader economic impact of the conflict remain uncertain, and the potential financial implications for investments continue to evolve as conditions develop.

## 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.

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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 0.65% of the net asset value of the Unhedged ETF Units and the Unhedged Class F Mutual Fund Units and 1.40% 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, 2025, the Fund incurred \$281,225 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, 2025, the Fund incurred \$65,826 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 Unit<sup>1</sup>

	December 31, 2025 (\$)	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
For the periods ended:					
<b>Unhedged ETF Units - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	16.29	14.33	14.39	17.93	15.68
<b>Increase (decrease) from operations:</b>					
Total revenue	1.02	0.98	0.89	0.81	0.83
Total expenses	(0.17)	(0.14)	(0.14)	(0.16)	(0.17)
Realized gains (losses)	0.84	0.19	(0.59)	0.01	0.82
Unrealized gains (losses)	0.55	1.82	0.55	(3.52)	1.61
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>2.24</b>	<b>2.85</b>	<b>0.71</b>	<b>(2.86)</b>	<b>3.09</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.11)	(0.24)	(0.10)	-	-
From dividends	(0.83)	(0.62)	(0.67)	(0.70)	(0.62)
Return of capital	-	-	(0.07)	(0.14)	(0.22)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.94)</b>	<b>(0.86)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>
<b>Net Assets per Unit, end of period</b>	<b>17.62</b>	<b>16.29</b>	<b>14.33</b>	<b>14.39</b>	<b>17.93</b>

# Evolve Active Canadian Preferred Share Fund

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

For the periods ended:	December 31, 2025 (\$)	December 31, 2024 (\$)	December 31, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)
<b>Unhedged Class A - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	18.69	16.42	16.50	20.59	18.04
<b>Increase (decrease) from operations:</b>					
Total revenue	1.14	1.12	1.02	0.91	0.97
Total expenses	(0.37)	(0.29)	(0.29)	(0.33)	(0.36)
Realized gains (losses)	1.16	0.23	(0.62)	0.17	0.92
Unrealized gains (losses)	(0.21)	2.13	0.13	(4.07)	1.63
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.72</b>	<b>3.19</b>	<b>0.24</b>	<b>(3.32)</b>	<b>3.16</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.07)	(0.17)	(0.06)	-	-
From dividends	(0.56)	(0.45)	(0.37)	(0.65)	(0.59)
Return of capital	-	(0.22)	(0.41)	(0.19)	(0.25)
<b>Total annual distributions<sup>3</sup></b>	<b>(0.63)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>
<b>Net Assets per Unit, end of period</b>	<b>19.90</b>	<b>18.69</b>	<b>16.42</b>	<b>16.50</b>	<b>20.59</b>
<b>Unhedged Class F - Net Assets per Unit</b>					
Net Assets per Unit, beginning of period	21.73	18.85	18.69	23.01	20.06
<b>Increase (decrease) from operations:</b>					
Total revenue	1.39	1.20	1.08	0.97	1.02
Total expenses	(0.11)	(0.20)	(0.18)	(0.19)	(0.22)
Realized gains (losses)	1.22	0.21	(0.42)	(0.65)	0.99
Unrealized gains (losses)	1.09	3.16	(2.43)	(0.50)	0.64
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>3.59</b>	<b>4.37</b>	<b>(1.95)</b>	<b>(0.37)</b>	<b>2.43</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.13)	(0.20)	-	-	-
From dividends	(1.04)	(0.53)	-	(0.64)	(0.62)
Return of capital	-	(0.11)	(0.84)	(0.20)	(0.08)
<b>Total annual distributions<sup>3</sup></b>	<b>(1.17)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.84)</b>	<b>(0.70)</b>
<b>Net Assets per Unit, end of period</b>	<b>23.66</b>	<b>21.73</b>	<b>18.85</b>	<b>18.69</b>	<b>23.01</b>

1 This information is derived from the Fund's audited annual financial statements as at December 31, 2025, 2024, 2023, 2022, and 2021. The Unhedged ETF Units effectively began operations on September 27, 2017 and the Unhedged Class A and F Mutual Fund Units effectively began operations on April 23, 2019.

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

For the periods ended:	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
<b>Unhedged ETF Units - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	32,275,241	49,391,117	53,839,585	74,555,334	150,341,987
Number of units outstanding <sup>4</sup>	1,831,785	3,031,785	3,756,785	5,181,785	8,382,800
Management expense ratio <sup>5</sup>	0.89%	0.89%	0.91%	0.90%	0.89%
Trading expense ratio <sup>6</sup>	0.11%	0.04%	0.05%	0.06%	0.08%
Portfolio turnover rate <sup>7</sup>	47.55%	16.17%	10.75%	34.81%	44.91%
Net Asset Value per unit (\$)	17.62	16.29	14.33	14.39	17.93
Closing market price (\$)	17.70	16.19	14.24	14.38	17.86

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

For the periods ended:	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
<b>Unhedged Class A - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	27	99,062	111,445	215,659	637,369
Number of units outstanding <sup>4</sup>	1	5,301	6,789	13,073	30,960
Management expense ratio <sup>5</sup>	1.86%	1.57%	1.75%	1.71%	1.69%
Trading expense ratio <sup>6</sup>	0.11%	0.04%	0.05%	0.06%	0.08%
Portfolio turnover rate <sup>7</sup>	47.55%	16.17%	10.75%	34.81%	44.91%
Net Asset Value per unit (\$)	19.90	18.69	16.42	16.50	20.59
<b>Unhedged Class F - Ratios/Supplemental Data</b>					
Total Net Asset Value (\$) <sup>4</sup>	274,153	19,379	11,543	148,786	11,961
Number of units outstanding <sup>4</sup>	11,586	892	612	7,962	520
Management expense ratio <sup>5</sup>	0.39%	0.93%	0.90%	0.88%	0.88%
Trading expense ratio <sup>6</sup>	0.11%	0.04%	0.05%	0.06%	0.08%
Portfolio turnover rate <sup>7</sup>	47.55%	16.17%	10.75%	34.81%	44.91%
Net Asset Value per unit (\$)	23.66	21.73	18.85	18.69	23.01

4 This information is provided as at December 31, 2025, 2024, 2023, 2022, and 2021.

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.

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

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.

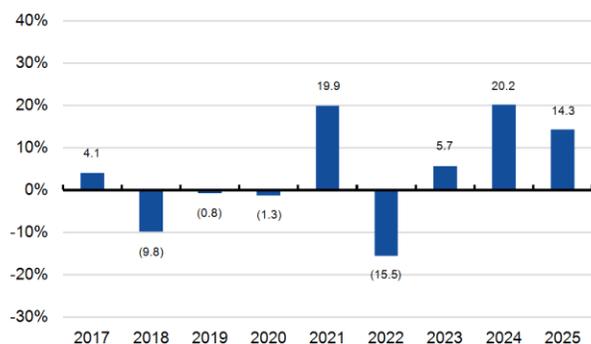
## Year-by-Year Returns

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

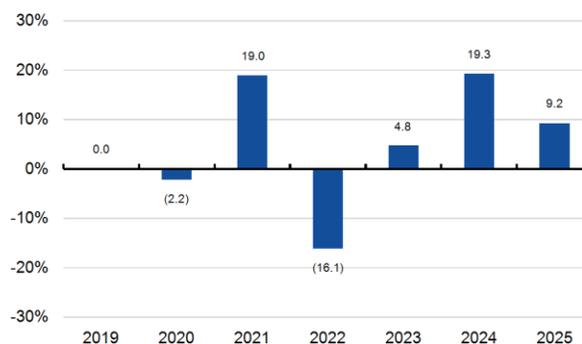
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## DIVS Unhedged ETF Units<sup>1</sup>



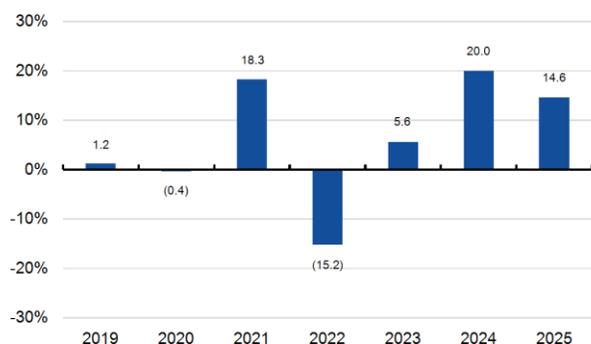
## Unhedged Class A Mutual Fund Units<sup>2</sup>



1 The Unhedged ETF Units of the Fund effectively began operations on September 27, 2017.

2 The Unhedged Class A Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

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



3 The Unhedged Class F Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

## Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units and the Unhedged Class A and F Mutual Fund Units. The returns are for the period ended December 31, 2025. As a basis of comparison, we have provided the performance of S&P/TSX Preferred Total Return Index ("Index"). The difference in performance of the Unhedged ETF Units and the Unhedged Class A and F Mutual Fund Units can be attributed to the difference of criteria for determining the constituents of the Fund and the Index, it is not expected that the Fund's performance will mirror that of the Index. Additionally, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	Since Inception <sup>1</sup> (%)	1 Year (%)	3 Year (%)	5 Year (%)
Unhedged ETF Units	3.7	14.3	13.2	8.0
S&P/TSX Preferred Total Return Index <sup>2</sup>	5.6	16.0	15.3	8.4
Unhedged Class A Mutual Fund Units	4.4	9.2	10.9	6.4
S&P/TSX Preferred Total Return Index <sup>2</sup>	7.5	16.0	15.3	8.4
Unhedged Class F Mutual Fund Units	5.9	14.6	13.2	7.8

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	Since Inception <sup>1</sup> (%)	1 Year (%)	3 Year (%)	5 Year (%)
S&P/TSX Preferred Total Return Index <sup>2</sup>	7.5	16.0	15.3	8.4

- 1 From inception date of September 29, 2017 for the Unhedged ETF Units, and from inception date April 23, 2019 for the Unhedged Class A and F Mutual Fund Units.
- 2 The Index is designed to serve the investment community's need for an investable benchmark representing the Canadian preferred stock market. The Index is comprised of preferred stocks trading on the Toronto Stock Exchange that meet certain criteria relating to minimum size, liquidity, issuer rating, and exchange listing.

## Summary of Investment Portfolio

### Top 25 Positions

Security	Percentage of Net Asset Value (%)
Brookfield Corporation, Preferred, Series '32', Variable, Callable	5.6
Enbridge Inc., Preferred, Series '19', Variable, Callable, Perpetual	5.3
Fortis Inc., Preferred, Series 'M', Variable, Callable, Perpetual	3.7
Pembina Pipeline Corporation, Preferred, Series '15', Variable, Callable, Perpetual	3.2
Enbridge Inc., Preferred, Series '7', Variable, Callable, Perpetual	3.2
Power Corporation of Canada, Preferred, Series 'G', Callable, Perpetual	3.1
TC Energy Corporation, Preferred, Series '7', Variable, Callable, Perpetual	2.7
Manulife Financial Corporation, Preferred, Series '11', Variable, Callable, Perpetual	2.6
Intact Financial Corporation, Preferred, Series '13', Callable, Perpetual	2.6
TC Energy Corporation, Preferred, Series '1', Variable, Callable, Perpetual	2.5
Coast Capital Savings Federal Credit Union, Variable, Callable	2.5
BCE Inc., Preferred, Series 'AF', Perpetual	2.5
Power Financial Corporation, Preferred, Series 'V', Callable, Perpetual	2.4
Pembina Pipeline Corporation, Preferred, Series '25', Variable, Callable	2.4
Brookfield Renewable Power Preferred Equity Inc., Preferred, Series '5'	2.2
The Toronto-Dominion Bank, Preferred, Series '1', Variable, Callable	2.0
Manulife Financial Corporation, Preferred, Series '9', Variable, Callable, Perpetual	2.0
Brookfield Renewable Partners Limited Partnership, Preferred, Series '13', Variable, Callable	1.9
Great-West Lifeco Inc., Preferred, Series 'S', Callable, Perpetual	1.9
BCE Inc., Preferred, Series 'AA', Variable, Callable, Perpetual	1.7
Canadian Utilities Limited, Preferred, Perpetual	1.7
Royal Bank of Canada, Variable, Callable	1.6
Power Corporation of Canada, Preferred, Series 'D', Callable, Perpetual	1.6
Brookfield Corporation, Preferred, Series '34', Variable, Callable	1.5
Emera Inc., Preferred, Series 'A', Variable, Callable, Perpetual	1.5
<b>Total</b>	<b>63.9</b>

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## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Debt Instruments</b>	
Financials	2.5
<b>Equities</b>	
Communication Services	4.9
Energy	31.0
Financials	44.2
Utilities	17.3
Cash and Cash Equivalents	0.9
Other Assets, less Liabilities	(0.8)
<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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