Evolve Canadian Banks and Lifecos Enhanced Yield Index Fund

December 31, 2023

Annual Management Report of Fund Performance

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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, 2023, the Unhedged ETF Units returned 15.7% versus Solactive Canadian Core Financials Equal Weight Index return of 16.8%. The difference in performance of the unhedged units relative to its benchmark can be attributed primarily to management and administration fees plus applicable sales taxes and to portfolio trading. Furthermore, the difference 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. The Fund's net assets were $97.7MM as at December 31, 2023.

Leverage

The table below shows the minimum and maximum leverage levels of the Fund for the year ended December 31, 2023, 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, 2023	1.217 : 1	1.275 : 1	1.256 : 1	125.60
December 31, 2022	1.227 : 1	1.278 : 1	1.255 : 1	125.50

Portfolio Manager Commentary

In the first half of the year, the Canadian banking sector showed resilience, albeit with subdued performance in the wake of the U.S. banking crises and looming economic headwinds. As reported, Canadian banks largely evaded the direct fallout from the collapse of Silicon Valley Bank and associated contagion.[1] However, this near-miss did not leave the sector unscathed. Lingering concerns over potential system weaknesses and increased scrutiny, particularly for banks with U.S. operations, led to defensive postures, as evidenced by a slight contraction in loan growth. The anticipation of an economic downturn, reflected in the provisions for credit losses and pressures in wealth management and capital markets revenues, further underlined the challenges facing banks.[2]

By the third quarter, these challenges appeared to intensify. Analysts had already adjusted their expectations downward, projecting earnings drops due to factors such as persistent inflation, higher interest rates, and more stringent capital requirements from regulators. The mixed results among the Big Six banks indicated varying degrees of success in navigating these conditions. Royal Bank of Canada's outperformance during the period suggests some institutions may have been better positioned or adopted strategies more attuned to the evolving economic climate.[3]

By the fourth quarter, astute maneuvering in response to rising interest rates and heightened provisions for bad loans further showcased the sector's prudence. The mixed earnings results across major Canadian banks highlighted a keen sense of individual bank strategies adapting to the changing economic conditions, which is a positive indication of the sector's dynamic capabilities. Headed into 2024, bank economists indicated that they are indeed forecasting interest rate cuts by mid-2024.[4,5]

As the year progressed, Lifecos have been largely impervious to the surge in loan defaults that typically accompany an economic slowdown. Their continued growth in premiums, especially in the commercial insurance space, coupled with strategic reductions in exposure to riskier segments, has allowed them to not just weather the storm, but thrive throughout 2023.[6]

Performance Attribution

For the twelve-month period ending December 31, 2023, Great West Lifeco Inc. made the biggest contribution to the Fund, followed by Manulife Financial Corp. By weight, the Fund's largest holdings were Canadian Imperial Bank of Commerce, Bank of Montreal, and Royal Bank of Canada.

(1) https://financialpost.com/fp-finance/banking/canada-banks-chill-us-banking-crisis-q2-earnings

(2) https://www.theglobeandmail.com/business/article-canada-banks-second-quarter-earnings/

(3) https://www.theglobeandmail.com/business/article-canada-banks-third-quarter-earnings-2023/

(4) https://evolveetfs.com/2023/12/behind-the-numbers-unpacking-the-q4-earnings-report-of-major-canadian-banks/

(5) https://globalnews.ca/news/10184983/bank-of-canada-2024-rate-cut-forecast/

(6) https://www.theglobeandmail.com/business/article-how-home-and-auto-insurers-trounced-the-big-six-banks-and-became/

Recent Developments

There are no known changes at this time to the investment strategy of the Fund or the Manager.

Related Party Transactions

Evolve Funds Group Inc. (the "Manager") complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

Management Fees

The management fees are calculated based on 0.60% per annum of the average daily net asset value of the Fund. The fees are accrued daily and generally paid monthly. For the year ended December 31, 2023, the Fund incurred $389,382 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, 2023, the Fund incurred $97,854 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 Unit[1]

For the periods ended:	**December 31, 2023 ($)**	December 31, 2022 ($)
Unhedged ETF Units - Net Assets per Unit		
Net Assets per Unit, beginning of period	**7.34**	10.00
Increase (decrease) from operations:		
Total revenue	**0.48**	0.45
Total expenses	**(0.17)**	(0.14)
Realized gains (losses)	**(0.35)**	(0.17)
Unrealized gains (losses)	**1.37**	(1.01)
Total increase (decrease) from operations[2]	**1.33**	**(0.87)**
Distributions:		
From dividends	**(0.19)**	(0.14)
From capital gains	**-**	(0.07)
Return of capital	**(0.82)**	(0.56)
Total annual distributions[3]	**(1.01)**	**(0.77)**
Net Assets per Unit, end of period	**7.40**	**7.34**

1 This information is derived from the Fund's audited financial statements as at December 31, 2023 and 2022. The Unhedged ETF Units effectively began operations on February 1, 2022.

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.

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The Fund's Ratios/Supplemental Data

For the period ended:	**December 31, 2023**	December 31, 2022
Unhedged ETF Units - Ratios/Supplemental Data		
Total Net Asset Value ($)[4]	**97,705,318**	34,880,960
Number of units outstanding[4]	**13,200,000**	4,750,000
Management expense ratio[5]	**2.16%**	1.70%
Management expense ratio excluding cost of financing	**0.85%**	0.84%
Trading expense ratio[6]	**0.18%**	0.22%
Portfolio turnover rate[7]	**23.36%**	20.16%
Net Asset Value per unit ($)	**7.40**	7.34
Closing market price ($)	**7.41**	7.36

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

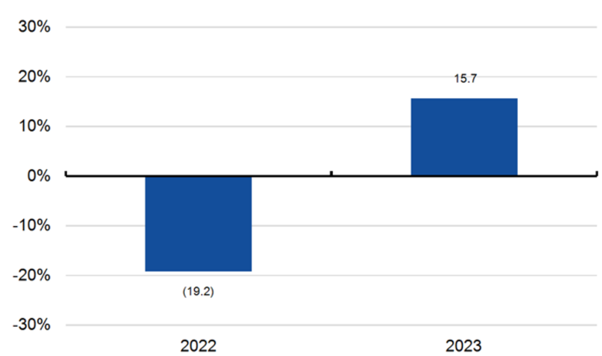
Past Performance

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’ 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 Units[1]



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

Annual Compound Return

The table below shows the historical annual compound total return of the Unhedged ETF Units. The returns are for period ended December 31, 2023. For a discussion of the relative performance of the Fund as compared to the index, please refer to the “Results of Operations” section in the “Management Discussion of Fund Performance”.

	Since Inception[1] (%)	1 Year (%)
Unhedged ETF Units	(3.5)	15.7
Solactive Canadian Core Financials Equal Weight Index	(0.7)	16.8

1 From inception date of June 13, 2019.

Summary of Investment Portfolio

All Positions

Security	Percentage of Net Asset Value (%)
Canadian Imperial Bank of Commerce	13.9
Bank of Montreal	13.4
Royal Bank of Canada	12.9
Manulife Financial Corporation	12.8
National Bank of Canada	12.6
The Bank of Nova Scotia	12.3
Great-West Lifeco Inc.	12.1
Power Corporation of Canada	12.1
The Toronto-Dominion Bank	11.9
Sun Life Financial Inc.	11.6
Total	**125.6**

Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
Equities	
Financials	125.6
Derivative Liabilities	(0.3)
Cash and Cash Equivalents	0.6
Other Assets, less Liabilities	(25.9)
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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