

Evolve Active Canadian Preferred Share Fund

DIVS 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.

For the month ending December 31, 2019



ETF TICKER: DIVS (Unhedged)

MUTUAL FUND FUNDSERV CODE: EVF100 (Class F); EVF101 (Class A)

SUB-ADVISOR: Foyston, Gordon & Payne, Inc.



Active management in Canadian Preferred Shares continue to be an attractive investment opportunity. Foyston, Gordon & Payne Inc. has managed Canadian Preferred Shares since 2012 and the FGP Preferred Share Fund since November 22, 2015.

MARKET UPDATE:

There was a dramatic improvement in sentiment toward preferred shares in the fourth quarter. In contrast to the prior quarter, bond yield volatility abated and yields rose as global trade tensions eased and geopolitical concerns de-escalated. This rise in yields will be supportive of dividend levels on preferred shares with rates resetting in the coming years.

Heading into the fall, some market participants were concerned December would bring a repeat of 2018, which saw widespread tax-loss selling of preferred shares by retail investors. However, tax-loss activity this time around was largely in the form of investors switching out of individual preferred share issues into others with similar characteristics, resulting in a neutral market impact. The lack of tax-loss selling was another positive for investor sentiment.

The primary driver of performance through a cycle for this strategy is security selection, not interest rate anticipation. Our portfolio is constructed based on thorough credit research and associated valuation methodologies to identify undervalued securities relative to the market. Market mis-pricings have persisted across the various preferred shares issues from the same company. In many instances, we have been able to purchase shares at both a lower price and with a higher yield than other issues of equivalent credit risk. While this situation may seem illogical, it highlights the relative inefficiencies that exist within the Canadian preferred share market.

PORTFOLIO UPDATE:

Our outlook for preferred shares continues to be positive, largely driven by the significant yield advantage our portfolio offers relative to other fixed income options available in the market today. For example, our preferred share portfolio yield of 5.7% provides investors with an additional yield of nearly 300 basis points above the corporate bond index. This yield should increase slightly over time, even in the absence of an upward move in key interest rates.

The portfolio's strategy continues to focus on lower risk companies and credit risk-adjusted returns. We see meaningful upside in our portfolio and expect this asset class to revert to a more properly priced environment as sentiment improves towards the space from stability in the economic data.



Commissions, management fees and expenses all may be associated with an investment in the exchange traded funds managed by Evolve ETFs (the "ETFs"). The prospectus contains important detailed information about the ETFs. Please read the prospectus before investing. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

Investment returns and assets under management are expressed in Canadian dollars unless otherwise noted. Investment returns are gross of investment management fees, net of fund expenses for FGP pooled funds, and include reinvestment of dividends and income. Returns are time weighted and annualized for periods greater than one year. Values change frequently and past investment performance may not be repeated. Securities mentioned herein are not to be construed as recommendations to buy or sell and are not representative of Foyston, Gordon & Payne Inc. accounts/portfolios as a whole. Any projections in this investment presentation are estimates only and may not be realized in the future. Any information herein describing FGP's pooled funds is for illustration purposes only.