

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.

As at April 30, 2020



ETF TICKER: DIVS (Unhedged)

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

SUB-ADVISOR: Addenda Capital



Active management in Canadian Preferred Shares continue to be an attractive investment opportunity. Addenda Capital is one of Canada's largest multi-asset investment firms, with over \$31.7 billion in assets under management, including \$1.1 billion in preferred shares (as at December 31, 2019).

MARKET UPDATE:

The risk markets proved to be resilient even in the face of the worst pandemic crisis in the modern era. Central Banks and Governments of nearly all nations around the globe have shown their willingness to add liquidity as necessary to the financial markets. As a result, risk markets, namely Equities, Corporate bonds and Preferred Shares, rebounded from the depths of the crisis in March. This is astounding even in the face of devastating economic numbers showing skyrocketing unemployment and nosediving growth rates. The markets appear to be looking forward to a rebound in the second half of 2020.

The S&P TSX returned 10.8% in April and the S&P 500 (\$CAD) returned 10.1%. Interest rates continued to fall further and combined with narrowing credit spreads, saw positive bonds returns once again. The biggest beneficiary of these declining credit spreads and return to risk taking was the Preferred Shares market, which saw a return of 12.61%. The monthly Index sector returns for Perpetuals, Fixed Resets, and Floating Rates, were 12.45%, 12.93%, and 5.25%, respectively.

PORTFOLIO UPDATE:

Addenda Capital Inc. took over management of DIVS on April 1, 2020, and have begun transitioning the portfolio composition to better reflect their economic and market outlook. While still in a period of transition, the DIVS portfolio returned modestly higher than the benchmark during the month of April. The portfolio is currently overweight Floating and underweight Fixed Resets with high reset spreads and perpetuals, as a result of the legacy manager's positioning, and that partially offset Addenda's relative performance. Addenda expects to be in a low rate environment in the short term and the fund will be prudently reducing its floating rates exposure. They expect the market to trade in a range as clarity on how the economic fundamentals become clear. Addenda believes the market is exhibiting good long term value, and yields are very attractive and ranging between 6% to 10%.



TSX

DIVS

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