

## Evolve Active Core Fixed Income Fund

FIXD invests primarily in domestic and international high quality fixed income securities, and to a lesser extent, adding yield or enhancing returns on the portfolio by opportunistically investing in international fixed income securities, emerging market debt, preferred shares, convertible bonds and non-investment grade bonds.



As at April 30, 2020

**ETF TICKER:** FIXD (Unhedged)

**MUTUAL FUND FUNDSERV CODE:** EVF110 (Class F); EVF111 (Class A)

**SUB-ADVISOR:** Addenda Capital



Fixed income allocations remain a core component of many investor portfolios as a source of income and portfolio diversification. Addenda Capital is one of Canada's largest multi-asset investment firms, with over \$31.7 billion in assets under management, including \$20.8 billion in fixed income (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.

During the month of April, the S&P/TSX returned 10.8%, the S&P 500 (\$CAD) returned 10.1%, and the MSCI EAFE (\$CAD) returned 3.9%. Interest rates continued to fall further, and combined with narrowing credit spreads, saw positive bond returns once again. In Canada, the FTSE Universe and Corporate Bond Indices returned 3.8% and 4.7%, respectively; while globally, the Barclays Global Aggregate Credit Index returned 1.5%. One of the biggest beneficiaries of these declining credit spreads and return to risk taking was the Canadian Preferred Shares market, which saw a return of 12.61%.

### PORTFOLIO UPDATE:

Addenda Capital Inc. took over management of FIXD on April 1, 2020, and have begun transitioning the portfolio composition to better reflect Addenda's economic and market outlook. While still in a period of transition, the FIXD portfolio returned 5.5% and significantly outperformed the benchmark during the month of April. Outperformance was the result of strength from the underlying Canadian bonds, combined with an allocation to Canadian Preferred Shares which was one of the best performing asset classes during the month. Over the next several weeks, Addenda will continue to transition the portfolio away from the legacy manager's holdings and begin adding more satellite strategies such as global credit, high yields bonds and commercial mortgages.



Looking forward, the uncertainty surrounding the longevity of the pandemic will weigh on all markets through the next three to six months. Central banks around the world have shifted to maximum monetary easing policies and Federal Governments have also stepped in with huge fiscal stimulus support. Interest rates will be maintained in a much lower range until the economy shows sustainable signs of recovery. Addenda will actively trade portfolio duration to take advantage of any volatility. Portfolio credit exposure will be increased opportunistically as valuations are now very attractive. This will include adding to preferred shares, global and domestic credit as well as high yield.

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*Commissions, management fees and expenses all may be associated with exchange traded funds (ETFs), mutual funds and pooled funds. Please read the prospectus before investing. ETFs, mutual funds and pooled funds ("investment products") are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing, please read the prospectus and investment documentation for a complete description of risks relevant to these investment products. Investors may incur customary brokerage commissions in buying or selling ETF units. 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.*