

## 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 May 29, 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-on tone continued in the month of May with talk of the “peak in the virus” and the “worst” of the economic slowdown behind us. Central banks and Governments around the globe continued to add liquidity to the financial markets and put cheques in individual's pockets which lead to the market thinking there will be pent up demand to fuel the rebound now that the economy is reopening.

The S&P TSX returned 3.03% in May while the S&P 500 Index (\$CAD) returned 4.75%. Interest rates were fairly steady but the narrowing in credit spreads gained momentum which was evidenced by positive bonds returns once again. In this environment the FTSE Universe returned 0.31%, and the FTSE Corporate Index returned 0.60%. The Preferred Shares Index on the other hand pulled back by -1.72% after having rallied significantly in the prior month. The lack of interest in the Preferred share market could be attributed to Institutional investors being cautious and retail investors being more focused on frothy equity markets. The monthly Index sector returns for Perpetuals, Fixed Resets, and Floating Rates, were 1.32%, -2.55%, and -5.74, respectively. Quarter-to-date, the market has returned 10.7% but is still down -14.55% since the beginning of the year.

### PORTFOLIO UPDATE:

Addenda Capital Inc. took over management of DIVS on April 1, 2020 and have continued transitioning the portfolio composition to better reflect their economic and market outlook. While continuing to be in a period of transition, the DIVS portfolio trailed the benchmark during the month of May. The portfolio is still currently overweight Floating structures and underweight Perpetuals as a result of the legacy manager's positioning, which negatively impacted relative performance during the month of May. From a corporate sector positioning perspective, the portfolio is overweight in energy transportation, and underweight in utilities and financials.





Addenda expects to be in a low rate environment in the short term and 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%.

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