

## 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 June 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 Evolve Active Canadian Preferred Share Fund (DIVS) portfolio underperformed the S&P/TSX Preferred Share Index during the second quarter, primarily due to security and structure selection. Interest rates have remained low, particularly the Government of Canada 5-year rate, which is a negative factor for the preferred share market. This headwind was more than offset by credit spreads narrowing in this quarter due to very optimistic expectations for a full economic recovery from the COVID impact. The Index's sector returns for Perpetuals, Fixed Resets and Floating Rates, were 17.0%, 14.85%, and -0.62%, respectively.

There has been substantial stimulus by governments and central bankers, which has lessened the economic decline, but it will still require significant time to repair the damage. We are cautious on the outlook for the market, but believe the market is exhibiting good long term value. Yields are attractive as we expect them to stay low and be range-bound. We have been cautiously adding to our Fixed Reset exposure and reducing our Perpetuals because of their relative valuations. We are overweight in P2's, focusing on issuers with strong credit fundamentals.

### 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. The DIVS transition has progressed and we have made significant changes to replicate the Addenda Preferred Share mandates. DIVS held almost 11% in Floating rate preferred shares and we have reduced that significantly. The credit quality has also been enhanced as the fund was overweight P3 and is now underweight. We expect to have the fund fully transitioned by the end of July.



TSX

DIVS

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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.*