

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 August 31, 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 slight reversal in bond yields during the month of August, was mainly driven by the Federal Reserve's new average inflation targeting policy which will allow inflation to rise above the historic 2% target. This pushed bond yields higher; most notably in the longer-end of the yield curve. The riskier markets continued the recent trend to move higher with the US tech sector being the largest contributor to those gains. The S&P/TSX Index returned 2.3% in August while the S&P 500 returned 7.2% (USD). As mentioned, interest rates rose slightly but the narrowing in credit spreads continued which helped to offset some of the losses in the fixed income markets. In this environment, the FTSE Russell Universe declined 1.13%; however, the S&P/TSX Preferred Shares Index returned 4.55%, as result of the market pricing in less supply from the Canadian Banks. Generally, the market is expecting the preferred share market to shrink due to the Banks being able to issue Limited Recourse Capital Notes (LRCN).

PORTFOLIO UPDATE:

The Evolve Active Canadian Preferred Shares Fund (DIVS) returned 5.10% during the month of August. Outperformance during the month of August was primarily driven by the portfolio being overweight Bank Fixed Resets. The Portfolio has been transitioning and is close to replicating Addenda's preferred share strategy.

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.