

## 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 August 31, 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 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 Core Fixed Income Fund had slightly positive performance during the month of August despite the benchmark declining. Outperformance during the month of August was attributable to relative strength from the underlying Core Canadian bonds, combined with strong absolute and relative performance from the Preferred Shares satellite strategy. Going forward, Addenda anticipates continued volatility in rates and spreads as the market reacts to a slower-than-expected economic recovery and potential rising corporate insolvencies. Interest rates will be maintained in a much lower range for quite some time, and Addenda will actively trade portfolio duration to take advantage of any volatility.



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