

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 September 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 outperformed the Index during the third quarter. Being overweight in the Bank sector contributed to the performance. The issuance of Limited Recourse Capital Notes (LRCN) by Canadian banks into the bond market proved to be the catalyst needed to boost the preferred share market and the bank preferred shares in particular. The market is now expecting limited preferred supply from the banks and for the overall market to shrink due to these LRCN's. The Index's quarterly sector returns for Perpetuals, Fixed Resets and Floating Rates were 8.36%, 12.27%, and 14.12%, respectively.

PORTFOLIO UPDATE:

We have seen a substantial economic recovery attributed to fiscal and monetary stimulus. This has created a supportive environment for risk assets, including preferred shares. In the short term, the market is vulnerable to the continuing pandemic and economic shocks. Interest rates will remain in the current low range. We are cautious on the outlook, but still believe yields are attractive longer term. We have been cautiously adding to Fixed Resets and reducing Perpetuals. We are overweight in P2's, focusing on issuers with strong credit fundamentals.

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.

