

## 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 January 29, 2021.



# Evolve ETFs

**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:

Many investors were happy to say good-bye to 2020 and embark on a brand-new year. With many uncertainties still ahead, most notably the vaccine roll-out and the path of future economic activity, markets will be volatile. It remains to be seen whether the recent valuations can be sustained in the face of mounting virus counts and persistent lockdowns.

The S&P TSX returned -0.3% in January while the S&P returned -1.01% (USD). Yields were slightly higher in the short end but moved more significantly in the longer terms; however, returns were helped by corporate spread compression as the reach for yield continues. The FTSE Russell Universe returned -1.11% and the FTSE Corporate Bond Index returned -0.54%. Unlike the Equity and Fixed Income markets, Preferred Shares continued their trend of positive absolute returns, with the S&P/TSX Preferred Shares Index returning 2.56%.

### PORTFOLIO UPDATE:

The Evolve Active Canadian Preferred Shares Fund performance was attributable to strong sector and security selection. The lack of supply we saw towards the end of 2020 will continue to be a positive theme in 2021 because of more Limited Recourse Capital Notes (LRCN) being issued by the banks and now also by Life Insurers. In addition, large redemptions are expected in 2021 for Bank Fixed Resets (\$4.7 Billion). We expect interest rates to remain in a low range, which is supportive for the asset class. Investors will be drawn to Preferred Shares for their higher yields and as a hedge against higher rates. We have been adding to Fixed Resets and have reduced our Perpetual overweight. We are overweight in P2's, focusing on issuers with strong credit fundamentals.

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