

## 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 January 29, 2021

**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:

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 term; 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%. Finally, the Barclays Global Aggregate Index declined -0.88% (\$USD) and -0.61% in \$CAD.

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## PORTFOLIO UPDATE:

The Evolve Active Core Fixed Income Fund performance was attributable to strength from the underlying Canadian and High Yield bonds, as well as strong absolute and relative performance from the Preferred Shares allocation. With the latter, 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, and should help the CorePlus strategy to outperform traditional bonds.

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