

## 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 February 26, 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:

If you were looking for a little volatility to start the year, February certainly delivered. Yields rose roughly 50 bps over the month while stocks continued their march higher on further reopening expectations and vaccine optimism.

The S&P TSX returned 4.36% in February while the S&P returned 2.76% (USD). In fixed income, returns were helped slightly by extra yield in the Corporate space, but only marginally as all securities were dragged along with the rising rate environment. The FTSE Russell Universe declined 2.52%, while the FTSE Corporate Bond Index was modestly better, but still negative, at -1.95%. Similarly, the Barclays Global Aggregate Credit Index declined -2.32% in \$CAD. Unlike the Fixed Income markets, Preferred Shares continued their trend of positive absolute returns, with the S&P/TSX Preferred Shares Index returning 2.56% during the month of February

### PORTFOLIO UPDATE:

Performance in February for the Evolve Active Core Fixed Income Fund was attributable to the portfolio's shorter-than-benchmark duration which had a positive impact in the rising interest rate environment. In addition, relative strength from the underlying Global Fixed

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Income component, as well as continued strong absolute and relative performance from the Preferred Shares allocation, further contributed to added value. 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. Despite the recent rise in market interest rates, we still expect them 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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