

# 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.



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 \$34.4 billion in assets under management, including \$1 billion in preferred shares (as at October 30, 2020).

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## MARKET UPDATE:

In March the S&P/TSX Preferred Shares Index returning 8.84%, which outpaced the major equity and fixed income markets during the quarter. The lack of new preferred share supply (only \$450M) and several redemptions (\$1,770M), coupled with the expectations of future redemptions because of Limited Recourse Capital Notes (LRCN), contributed to the positive returns for the market. In addition, rising yields and the expectation of higher inflation has made the preferred share market a sought-after asset class, which further has caused the market to rally. The Index's quarterly sector returns for Perpetuals, Fixed Resets and Floating Rates were 2.9%, 12.5%, and 22.9%, respectively.

## PORTFOLIO UPDATE:

The Evolve Active Canadian Preferred Share Fund outperformed its benchmark in March. Outperformance during the first quarter was attributable to strong security selection and being overweight in low rate Fixed-Rate Resets.

Looking forward, we expect interest rates to be range bound with the possibly of higher rates in the short term. We believe the low preferred share supply and higher inflation expectations is supportive for the asset class; however, the evolution of the LRCN and Hybrid fixed income market could potentially become a risk to the preferred share market. Going forward, we expect performance to be primarily driven by dividend income and less from price appreciation like we saw during the last 12 months.

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**Evolve ETFs**

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Your investments should too.

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