

# Evolve US Banks Enhanced Yield Fund

CALL offers investors potential benefits from the positive fundamentals of the largest U.S. banks, with the added value of a covered call strategy applied on up to 33% of the portfolio. Covered call options have the potential to provide extra income and help hedge long stock positions.



CALL (Hedged)



CALL.B (Unhedged)

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## MACROECONOMIC HIGHLIGHTS:

Citigroup Inc., held by the Fund, created a unit within its energy investment bank to capitalize on the transition toward a lower-carbon, clean energy economy. The new unit will focus on companies involved in hydrogen, charging infrastructure, carbon capture and sequestration, and biofuels. Citigroup had previously announced in March the consolidation of three of its investment banking units—energy, power, and chemicals—into a single entity focused on sustainability.

Citi established a five-vehicle investment program aimed at increasing investment capital allocated to Black investment managers. Five Black-led investment management firms will each receive \$40 million to invest in preserving local workforces and affordable housing across the country. The initiative is part of Citi's Action for Racial Equity.

"This initiative underscores our commitment to help close the racial wealth gap and increase economic mobility in the US," said Gina Nisbeth, Director, Citi Community Capital. "Increasing access to capital funding with clients who have the track record, expertise, and cultural competency to identify and finance additional affordable housing units is essential to support stronger, more inclusive neighbourhoods."

Citi announced plans to hire 1,000 wealth professionals in Hong Kong over the next five years to help grow its \$310 billion in Asian assets currently under management by an additional \$150 billion. Hiring will include 550 new private bankers and relationship managers by 2025.

Citizens Financial Group, Inc. announced plans to acquire 80 HSBC branches in New York City Metro, Mid-Atlantic/Washington DC, and Southeast Florida under its Citizens Bank brand. The acquisition from HSBC Bank USA—which is exiting from US retail operations—includes approximately \$9.0 billion in deposits and \$2.2 billion in loans, adds 800,000 new customers, and closes gaps in Citizens Bank coverage in several attractive markets like New York City and Florida.

The proposed merger of Boston Private Financial Holdings, Inc., a leading provider of integrated wealth management, trust and banking services to individuals, families, businesses, and non-profits, into SVB Financial Group (held by the Fund) hit something of a rocky patch late in April. Boston Private adjourned a special meeting of shareholders until May 4, 2021, to solicit additional votes supporting the merger. However, after SVB reiterated that its offer was its "best and final," the vote was taken, and the merger approved.

In testimony before the US House Financial Services Committee in May, Jamie Dimon, the CEO of JPMorgan Chase (held by the Fund), expressed personal reservations about cryptocurrency but said he would not prevent JPMorgan Chase from offering crypto-related financial services.

“A lot of our clients are asking, ‘can we help them buy or sell cryptocurrency?’” Dimon said at JPMorgan Chase’s annual shareholder meeting on May 18. “And we’re investing in that as we speak.”

Dimon suggested that cryptocurrency could benefit from a more rigid regulatory framework and thinks that in the future, the government will “pay a lot more attention” to the asset class.

The Wells Fargo Investment Institute released its 2021 midyear outlook report, entitled “Fuel for Growth” in June. The report sees an intensifying US economic recovery into 2022 thanks to COVID-19 vaccines, accelerated spending of last year’s accumulated private savings, historically low interest rates, and multiple continued government support programs. While citing concerns about rising inflation rates, taxes, and interest rates, the report argues these factors are unlikely to blunt the recovery.

The report forecasts a global economic boom hitting a 48-year high by the end of 2021, followed by a strong but more sustainable pace of growth through 2022. Wells Fargo expects global inflation to exceed its pre-pandemic pace both this year and next. The report suggests vigorous global economic recovery could lead to record corporate earnings in 2021 and 2022, sending equity prices to new all-time highs. The S&P 500 Index target range is 4,400-4,600 for year-end 2021 and 4,800-5,000 for year-end 2022.

## PERFORMANCE ATTRIBUTION:

For the first six months of 2021, SVB Financial Group made the biggest contribution to the Fund, followed by Wells Fargo & Co, and Goldman Sachs Group Inc. By weight, the Fund’s largest exposure over the first six months of 2021 was to SVB Financial Group, followed by Regions Financial Corp, and Ameriprise Financial Inc.

## SOURCES:

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Scotia Plaza, 40 King Street West, Suite 3404, Toronto ON M5H3Y2

416.214.4884 | 1.844.370.4884 | [www.evolveetfs.com](http://www.evolveetfs.com)