MARKET UPDATE:

The summer doldrums were quite apparent in the investment markets during the month of August, particularly the Canadian fixed income market. The yield curve remained effectively unchanged from the end of July to the end of August, and credit markets were similarly quiet with spreads only tightening by 1 basis point (bp) over the month from 118 bps to 117 bps. Further, new corporate bond issuance slowed down considerably during the last two weeks of the month. This relative inactivity was partly due the US Fed commenting that quantitative easing would continue (i.e. no tapering) as many felt that "substantial further progress" had not been achieved yet. A similar announcement was made from the ECB when they met in early September.

The S&P/TSX returned 1.6% in August, while the S&P 500 returned 3.0% ($USD) but 4.3% in Canadian dollar terms because of the latter currency depreciating over the period. In Canadian fixed income, Universe bonds were flat returning -0.1% as a result of the quiet activity in interest rates and credit spreads described above. Corporate bonds modestly outperformed Provincial and Federal bonds due to their higher overall yields, although all three sectors had flat absolute returns. From a maturity perspective, short-term bonds were the “best” performing with a return of 0.1%, while long-term bonds declined -0.4%. Similar to Canada, foreign bonds were also relatively flat during the month of August but benefited from the depreciating Canadian dollar with the Barclays Global Credit Index ($CAD) returning 0.84. The S&P/TSX Preferred Shares Index continued its climb higher, although at a slower pace than previous months and similar to last month - returning 1.06% and bringing its YTD performance to 16.43%.

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.

AUGUST COMMENTARY

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 $35.5 billion in assets under management, including $24.3 billion in fixed income and over $1.1 billion in preferred shares.

Source: Addenda Capital, as at March 31, 2021. *Excludes $1,146 million in Advisory assets and $295 million in Overlay assets.
The Evolve Active Canadian Preferred Share Fund (DIVS) outperformed its benchmark in August. In terms of positioning, within Financials (which dominates the market) we continue to be overweight in Insurance and Bank issuers, and underweight in Diversified Financials. We are modestly overweight in Energy and Real Estate, while underweight in Utilities and Telecommunications.

Looking forward, we expect interest rates to be range-bound with the possibility 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.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs) and mutual funds. Please read the prospectus before investing. ETFs and mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs and mutual funds. Please read the prospectus for a complete description of risks relevant to the ETF and mutual fund. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

Certain statements contained in this documentation constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “intend” or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.