

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.

TSX

DIVS

ETF TICKER: DIVS (UNHEDGED)

MUTUAL FUND FUNDSERV CODE: EVF100 (CLASS F); EVF101 (CLASS A)

SUB-ADVISOR: ADDENDA CAPITAL



Active management in Canadian preferred shares continues to be an attractive investment opportunity. Addenda Capital is one of Canada's largest multi-asset investment firms, with over \$38.1 billion in assets under management, including \$26.1 billion in fixed income and over \$1.2 billion in preferred shares.

Source: Addenda Capital, as at December 31, 2021. *Excludes \$1,533 million in Advisory assets and \$354 million in Overlay assets.

General Industry Update

New issuance of preferred shares in the fourth quarter totaled \$250M, and there were several redemptions (\$3,524M). The negative price performance is the first since the COVID lows in 2020. Corporate spreads widened into March driven by uncertainty surrounding the Russian invasion of Ukraine and the uncertainty surrounding rising rates.

Toronto Dominion Bank issued a \$850M over-the-counter (OTC) preferred share which does not trade on any exchange and is the second one to the market. This development reinforces our view that financial institutions will favour switching their regulatory capital from retail investors to institutional investors

The Evolve Active Canadian Preferred Share Fund outperformed its benchmark during the first quarter primarily due to security selection. Being overweight Fixed Resets with low rate reset spreads contributed positively, as did securities with low duration which acted defensively in the rising interest rate environment. We have been adding Fixed Resets with a high likelihood of being called and adding to Perpetual structures. We are overweight in P-2 rated securities, focusing on issuers with strong fundamentals.

Outlook

Higher expected interest rates and volatile credit environment. Low supply and redemptions are expected to continue. We are expecting just over \$7.9B in redemptions in 2022.

More issuance of OTC preferred shares, but minimal. LRCN market needs to remain open due to LRCN ratings need to continue; Banks will continue to replace their exchange traded preferred shares with OTC preferred shares

Expect less price return and more return from dividend income as there is risk of negative total returns in 2022.

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.

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