

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.

NEO

FIXD

ETF TICKER: FIXD (UNHEDGED)

MUTUAL FUND FUNDSERV CODE: EVF110 (CLASS F); EVF111 (CLASS A)

SUB-ADVISOR: ADDENDA CAPITAL



Active management in Fixed Income 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.

Market and Portfolio Review

The month of April saw continued volatility across all markets. The key headwinds remain the same: Inflation concerns forcing Central banks to increase interest rates aggressively (negative for stock valuations and economic growth), the war in the Ukraine (supply shock to commodities such as oil, natural gas, and grains), reduced fiscal stimulus and lockdowns in China to contain Covid (a hit to supply chains and commodity demand). Market participants are worried that the headwinds will lead to a significant global slowdown and profits may get squeezed as supply chains struggle to adapt.

April has proved to be a challenging month for equities with the S&P/TSX falling -5%, while the S&P 500 tumbled -6.6% (in Canadian dollar terms). In Canadian fixed income, Universe bonds declined -3.49% as a result of the significant rise in market interest rates. Provincial bonds declined the most due their generally higher duration compared to Federal and Corporates. Foreign bonds were also negative in local currency and were further impacted, but the depreciation in the Canadian dollar helped soften the blow. The Barclays Global Credit Index declined -5.74% (in U.S. dollar terms) and -3.55% (in Canadian dollar terms) during the month of April. Preferred shares were certainly not immune to the macro and geopolitical events, with the S&P/TSX Preferred Shares Index declining sharply by -7.04% as a result of rising interest rates and widening credit spreads.

The Evolve Active Core Fixed Income Fund (FIXD) portfolio declined alongside the bond market during the month of April. Underperformance during the month was attributable to the off-benchmark allocation to Preferred Shares which decline more than Canadian bonds; although this was partially offset by relative outperformance versus the broader Preferred Shares market. The underlying Core Bonds component of the

FIXD strategy also had a negative impact on relative performance due the portfolio's longer than benchmark duration; however, the overall FIXD portfolio has a shorter-than-benchmark duration.

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

Global growth slows but remains above longer-term trends supported by fiscal stimulus and a historically high savings rate. We expect that growth will be primarily driven by the consumer and government sectors, although supported but positive business investment. Unemployment will continue to fall and dislocations in the labour force should work their way out as the participation rate rises.

Inflation pressure should peak in 2022 but remain above central bank targets due to supply chain issues, elevated commodity prices, and increasing labour costs. Significant dislocations in the labour markets with more job openings than available workers put upward pressure on wages. Structural forces (aging demographics, technology advancements, and a growing debt overhang) will continue as headwinds to long term inflation

2022 will be a transition year as central banks raise administered monetary policy rates and start to reverse bond purchase programs.

Global monetary policy evolves at different speeds as some central banks move to tighten while others maintain extraordinary easy policy. Above target price inflation will be the primary focus of central banks.

Fiscal stimulus via direct consumer programs has mostly finished but infrastructure spending will continue to contribute positively to growth.

Risks

Future details surrounding how central banks reduce the size of their bond purchase programs and the pace/amount of policy tightening contribute to market volatility.

The path of inflation proves more persistent causing central banks to move aggressively to combat price increases and negatively impact economic momentum in the process.

Pandemic related lockdowns should diminish, although uncertainties continue throughout 2022.

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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.

The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETF or returns on investment in the ETF. ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

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.