FUND RESEARCH NOTE · CANADIAN LISTED ETFs · U.S. EQUITY INCOME

BIGY — Evolve US Equity UltraYield ETF

A Very High Headline Yield, Built on a Very Concentrated, Leveraged Bet — What Investors Need to See Past

July 17, 2026 | Prepared by Dividend North Research | For education & informational purposes only — not investment advice

VERDICT **AVOID / HIGH CAUTION**	BIGY pairs a concentrated top-10 mega-cap portfolio with up to 1.33x leverage and a headline distribution yield near 37–46%. The NAV has fallen roughly 40% from its 52-week high while the payout has stayed fixed — a textbook sign the distribution is being funded by capital erosion, not sustainable option income. This is a yield-trap profile, not an income solution, and is not suitable as a core or income-replacement holding.

EXECUTIVE SUMMARY

The Evolve US Equity UltraYield ETF (BIGY) invests in a small, concentrated basket of the largest U.S. companies — effectively the S&P 500's top 10 names — and writes covered calls on roughly half the portfolio while adding up to 1.33x (33%) leverage to “enhance” both income and growth. It pays a fixed $0.3125 distribution twice a month, which annualizes to $7.50 per unit. On today's ~$16 unit price, that is a trailing distribution yield in the high-30s to mid-40s percent range — one of the highest headline yields of any Canadian-listed equity ETF.

The number that matters more than the yield, though, is the NAV. BIGY launched in September 2025 around the $25–$27 range and now sits at $16.48 — a decline of roughly 40% in about ten months, even as the broad S&P 500 (via a plain CAD-hedged fund like VSP) is up for the year. A fixed-dollar distribution paid out of a shrinking NAV is the classic mechanical signature of a yield trap: the fund is arguably returning investors' own capital back to them, dressed up as income, while the unit price bleeds lower underneath. Investors attracted by the eye-catching yield need to understand that yield and total return are not the same thing here, and on the evidence so far, they have moved in opposite directions.

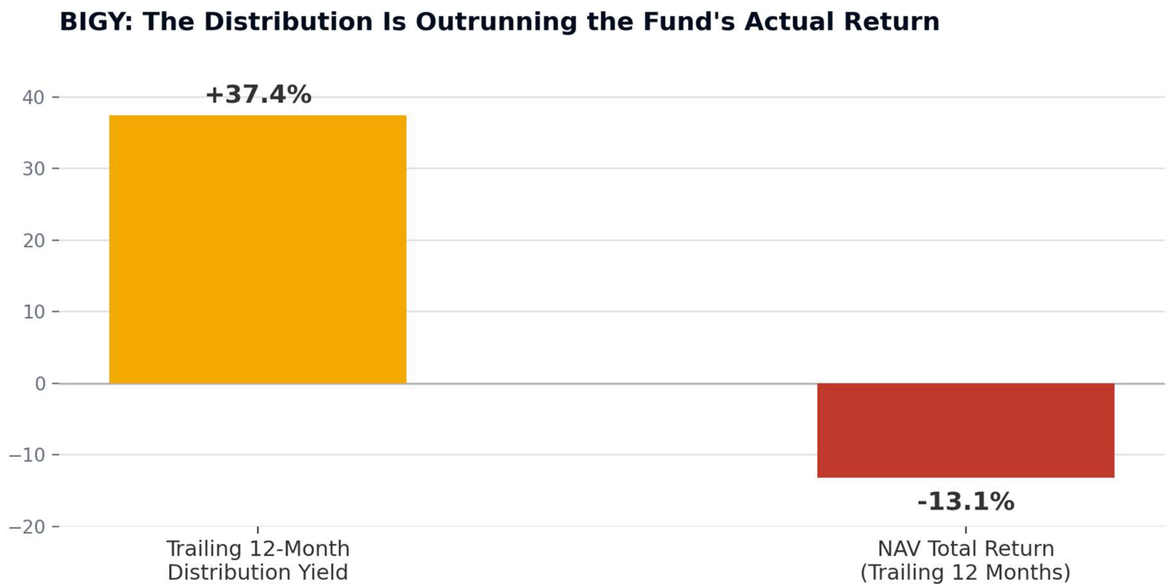
FUND SNAPSHOT

FIELD	DETAIL	FIELD	DETAIL
Ticker	BIGY — Toronto Stock Exchange	**Inception Date**	September 9, 2025
Issuer	Evolve Funds Group Inc.	**NAV (Jul 15, 2026)**	$16.48
Management Fee	0.40% (plus applicable taxes)	**Assets Under Mgmt.**	~$330M CAD
Strategy	Covered calls on ~50% of portfolio	**Distribution Freq.**	Twice monthly (cash)
Last Distribution	$0.3125 / unit	**Registered Accounts**	TFSA, RRSP, RRIF, FHSA, RESP
Leverage	Modest, up to 1.33x (33% of NAV)	**Currency**	CAD-hedged

Source: Evolve ETFs (evolveetfs.com/product/bigy), as at July 15, 2026. Figures change frequently; verify current values before trading.

HOW BIGY IS BUILT

BIGY's design has three moving parts stacked on top of each other, and each one adds risk rather than reducing it. First, the equity sleeve is not the S&P 500 — it benchmarks against the "S&P 500 Top 10 Index," meaning the fund's fortunes are tied to roughly ten mega-cap names (the likes of Nvidia, Microsoft, Apple, Amazon, Alphabet, Meta, and similar). That is a concentrated, tech-and-AI-heavy bet dressed up in a benchmark name that sounds broad. Second, Evolve writes covered calls on roughly 50% of the portfolio to generate premium income, which caps upside on the covered portion during rallies. Third, the fund adds cash-borrowed leverage of up to 1.33x (33% of NAV) on top of that concentrated, partially-capped equity book to further "enhance" both income and growth.



Trailing 12-month distribution yield vs. trailing 12-month NAV total return for BIGY. A yield this far above the fund's actual return is a sign the payout is being funded by return of capital, not sustainable income. Sources: investing.com, TradingView, as at July 2026.

The combination is what makes BIGY's yield so high and, at the same time, so fragile. Leverage amplifies both gains and losses on a book that is already concentrated in a handful of volatile mega-cap stocks; the covered calls then cap much of the upside that would otherwise help offset those losses. When the underlying names pull back or simply chop sideways, the fund can lose NAV from three directions at once — price decline, leverage drag, and capped recovery — while continuing to pay out a fixed distribution regardless. That fixed $0.3125 payout has not been cut even as NAV fell from the high-$20s to $16.48, which is only mathematically possible if a meaningful share of each distribution is return of capital rather than option premium or investment income.

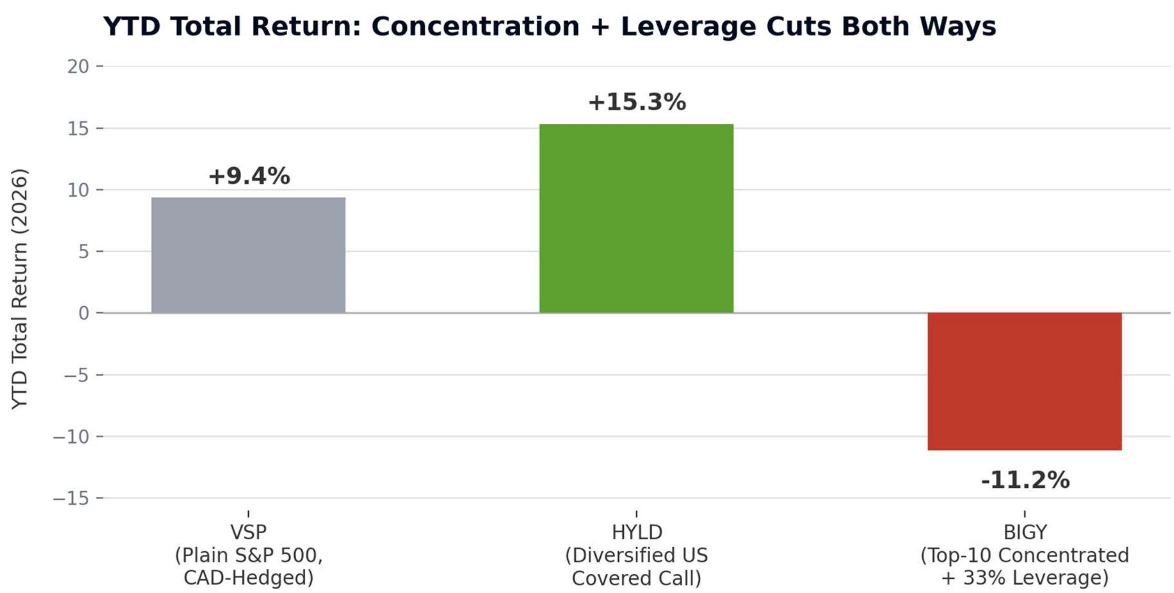
BIGY VS. THE ALTERNATIVES

It's worth asking what an investor gives up — and takes on — by choosing BIGY over a plain S&P 500 fund or a more diversified covered-call alternative.

	VSP (Vanguard, Plain S&P 500)	HYLD (Hamilton, Diversified CC)	BIGY (Evolve, Top-10 + Leverage)

Strategy	Passive S&P 500 index, CAD-hedged	Covered calls across a diversified, sector-balanced U.S. portfolio	**Covered calls (~50%) on the 10 largest S&P 500 mega-caps only**
MER	0.09%	~0.65% (embedded, 0% at HYLD level)	**~0.40%+ management fee**
Leverage	None	Modest, ~25% of NAV	**Modest, up to 33% (1.33x) of NAV**
Diversification	505 holdings, broad sector mix	Diversified, sector mix similar to S&P 500	**~10 mega-cap names — concentrated in Tech**
Distribution Yield	0.86%	~11–12%	**~37% trailing (income twice monthly)**
YTD Total Return (2026)	+9.36%	+15.35%	**-11.15%**
Track Record	Since 2012	Since 2022	**Since Sept 2025 (new)**

MER, yield and return figures are approximate as at July 2026 and change frequently. HYLD's management fee is 0% at the HYLD level, with costs embedded in its underlying Hamilton ETFs (all-in TER ~0.65%). Always confirm current figures with each issuer before investing.



Year-to-date 2026 total return: a plain, unleveraged S&P 500 fund (VSP) and a diversified leveraged covered-call fund (HYLD) are both positive, while BIGY's concentrated top-10 bet with leverage is negative — evidence that concentration, not leverage itself, is the main driver of BIGY's underperformance.

THE BULL CASE

— Very high current cash flow. At a trailing yield in the high-30s to mid-40s percent range, paid twice monthly, BIGY generates substantial near-term cash flow per dollar invested — useful for investors who specifically want to draw income now and are not focused on capital preservation.

- Exposure to the market's biggest winners. The underlying top-10 mega-caps have been the primary engine of U.S. equity returns over the past several years; a rebound in these names would flow through to BIGY's NAV (net of the capped, covered portion).
- Low headline management fee. At 0.40% (plus taxes), the stated management fee is inexpensive relative to many actively managed income products, though it does not capture the full cost of leverage and options overhead.
- Registered-account eligible. Like most Canadian ETFs, BIGY can be held in a TFSA, RRSP, RESP or FHSA, with distributions taxed according to their return-of-capital / income / capital gains composition, reported annually.
- One-ticket simplicity. For investors who specifically want concentrated mega-cap exposure with an income overlay, BIGY packages leverage, covered calls, and stock selection into a single, liquid, exchange-traded product.

KEY RISKS & CONSIDERATIONS

- NAV erosion while the distribution stays fixed. BIGY's NAV has fallen from the high-$20s at inception to $16.48 — roughly a 40% decline — while the $0.3125 semi-monthly distribution has not been reduced. This is the single biggest red flag: a payout that doesn't flex with the fund's actual earning power is very often being paid partly out of investors' own capital.
- Concentration risk disguised as an S&P 500 product. BIGY benchmarks to the “S&P 500 Top 10 Index,” not the S&P 500 itself. Roughly ten mega-cap names — heavily weighted to a handful of technology and AI-linked companies — drive nearly all of the fund's performance. A drawdown in that narrow group hits BIGY far harder than it would hit a diversified 500-stock index fund.
- Leverage stacked on concentration. Up to 1.33x leverage applied to an already-concentrated portfolio amplifies losses, not just gains. In a down or choppy market for mega-cap tech, leverage can accelerate NAV decline meaningfully faster than an unleveraged fund holding the same names.
- Covered calls cap the recovery. Roughly half the portfolio has calls written against it, which limits how much the fund can participate in a sharp rebound in its underlying holdings — the very thing that would help repair NAV after a drawdown.
- Extremely high headline yield is not automatically “income.” A trailing distribution yield near 37–46% is far in excess of what option premiums on large-cap U.S. equities can sustainably generate in most environments. Investors should assume a substantial portion of each distribution is return of capital until annual tax reporting proves otherwise.
- Short track record. BIGY launched in September 2025 and has not completed a full year of performance reporting; Evolve's own materials note that formal performance figures are not yet available.
- Tax character uncertainty. Return-of-capital distributions reduce an investor's adjusted cost base rather than being taxed as income in the year received, which can create a larger, deferred capital gain (or unexpected tax bill) upon sale — investors should not assume the current cash distribution is tax-free income.
- Erosion compounds over time. Because distributions are a fixed dollar amount per unit regardless of NAV, the effective yield on the *original* investment rises mechanically as NAV falls — which can make a fund look more “attractive” by yield alone even as it is becoming objectively worse for a buy-and-hold investor.

WHO BIGY IS — AND ISN'T — FOR

BIGY is not well suited as a core holding, a retirement-income replacement, or a “set and forget” position — the combination of concentration, leverage, and a NAV trend that has moved sharply against unitholders since inception argues for real caution. It may have a narrow, tactical use for experienced investors who specifically want short-term, high cash-flow exposure to mega-cap tech names and who plan to monitor the position closely (Evolve itself flags that investors should review holdings "as frequently as daily"). For anyone seeking durable income or core U.S. equity exposure, a diversified alternative — a plain S&P 500 fund like VSP, or a diversified covered-call fund like HYLD — has delivered a better outcome over the same stretch at lower structural risk.

FINAL VERDICT

VERDICT **AVOID / HIGH CAUTION**	BIGY's headline yield is real, but so is the roughly 40% NAV decline that has accompanied it since the fund's September 2025 launch. Concentration in ~10 mega-cap names, leverage of up to 1.33x, and a fixed distribution that has not adjusted to a shrinking asset base together produce a classic yield-trap pattern. This is not a case against covered-call income investing generally — HYLD's diversified approach has delivered both income and a strong total return over the same period — it is a case against this specific concentrated, leveraged construction. Investors drawn in by the yield should look past the number on the screen and focus on total return.