

Evolve Active Global Fixed Income Fund

EARN seeks to generate positive returns throughout the interest rate and economic cycles, firstly by allocating to different credit asset classes, and also through bottom-up individual security selection.



EARN (Hedged)

MUTUAL FUND FUNDSERV CODE: EVF130 (Class F); EVF131 (Class A)

SUB-ADVISOR: ALLIANZ GLOBAL INVESTORS (ALLIANZGI)



AllianzGI is one of the world's leading active investment managers, managing USD 692 billion in assets, including over USD 242 billion in global fixed income (as at December 31, 2020).

MACROECONOMIC HIGHLIGHTS:

March was a mixed month for credit with improving conditions in the US and UK contrasting with resurgent Covid infections and lockdown measures in continental Europe. President Biden signed a \$2trn stimulus bill and announced a further \$2trn plan for infrastructure spending and job creation, while the US Federal Reserve kept rates unchanged and indicated a willingness to tolerate temporarily above-target inflation. Oil prices climbed strongly at the beginning of the month, with WTI crude getting to \$66/barrel, then fell back and were volatile for the second half, finishing at just under \$60/barrel.

Investment grade spreads were 3bps wider, while high yield tightened 11bps. Shorter duration issues outperformed in total return terms given rising yields. Emerging markets widened, principally on political instability in Turkey and Brazil.

In this context Financial weightings within the portfolio performed well on the steepening yield curve; our holdings in energy contributed positively despite the falling oil price, and two of our corporate hybrids also added. Our emerging markets names detracted slightly.

PORTFOLIO STRATEGY AND ACTIVITY:

During the month we rotated some exposure out of several industrial sectors, taking profits on positions in telecoms, consumer, pharmaceuticals, and energy. We added a REIT, two airlines, and kept the rest of the proceeds in treasuries.

Looking ahead we remain constructive on credit, on recovering growth and continued accommodative Central Bank policies, with further potential upside if infection rates can be brought under control in Europe. Beneath the surface, dispersion between issuer and industry remain high which creates ample opportunity to capture positive excess returns. Despite the recent rise in inflation expectations, we ultimately expect it to be more transitory in nature, however we will continue to monitor the situation closely for any signs of a sustained increase.

We believe the portfolio is well-positioned in risk-return terms, with limited duration (3y) which should limit the effects of any further volatility in government rates, while the spread is at 2.2%.

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.



Evolve ETFs

The world is evolving.
Your investments should too.

Evolve ETFs

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

416.214.4884 | 1.844.370.4884 | www.evolveetfs.com