

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).

PPERFORMANCE ANALYSIS:

Credit markets were positive for June, with spreads tightening 4bps for investment grade corporates and 14bps for high yield.

Much of the market focus was on whether the US Federal Reserve would reduce its highly accommodative policy rhetoric, given robust economic growth and near-term inflationary pressures. In the event, the Fed did indeed surprise the market with a more hawkish policy shift than was expected, but government yields had mixed performance – 5y US rates were up 9bps to 0.89%, while 10y rates sank 13bps to 1.47%. The US dollar also strengthened, which contributed to underperformance by emerging market issuers. In Europe, the European Central Bank maintained its stance but upgraded its forecasts for growth and inflation; core government bond yields were little changed but peripheral spreads tightened.

Oil and other commodity prices continued to climb sharply, with WTI Crude Futures gaining over 10% on the month to finish at \$73/barrel.

In this context all segments of the contributed positively overall but financials led the way, and high yield also contributed strongly, particularly in energy. Individual detractors were limited with only two names costing more than 1bp.

PORTFOLIO STRATEGY AND ACTIVITY:

During the month we exited some real estate names in favour of non-bank financials, and we drew down on cash and treasuries to add several new positions in communications, autos, health and personal care, and utilities.

We expect default rates to remain low, thus the main risk at this juncture is spread widening. In this respect, high yield compares well to investment grade and other fixed income segments. As central banks start to ease off their accommodation, we believe that shorter duration / high spread assets should outperform. We do not expect spreads to tighten, but see credit as an income play with the ability to withstand some moderate retracement of spreads or government yields.

While we see the market tending towards full value overall, pockets of opportunity do remain. A global opportunity set allows us to allocate flexibly, according to expectations of central bank actions and growth.

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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Evolve ETFs

The world is evolving.
Your investments should too.

Evolve ETFs

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