

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.

TSX

EARN

ETF TICKER: EARN

MUTUAL FUND FUNDSERV CODES: EVF130 (CLASS F); EVF131 (CLASS A)

SUB-ADVISOR: ALLIANZ GLOBAL INVESTORS (ALLIANZGI)



AllianzGI is one of the world's leading active investment managers, managing over USD 703 billion in assets, including over USD 239 billion in global fixed income (as at December 31, 2021).

Minutes from the US Federal Reserve meeting at the end of July re-enforced expectations that the Fed will be reluctant to pivot towards a less hawkish stance given ongoing concerns about the path of inflation and inflation expectations, and Fed Chair Powell underscored this message with a hawkish speech at the Jackson Hole meeting of central bankers. While US and global rates moved higher against this backdrop, some data points, especially in the US, seemed to hint at a moderation of inflationary impulses, while oil prices and freight rates have fallen. The second quarter earnings season was reasonably supportive: while margin pressure is an issue for many, reduced earnings expectations were broadly met and outlooks constructive.

In the credit markets, spreads were mixed on the month as hopes for some relief from monetary tightening faded. Global investment grade corporates tightened 2bps while high yield widened 3bps overall. Total returns were dominated by the interest rate moves, however, with almost all areas negative. One notable exception was in Asian high yield, where the announcement that selected firms would be eligible to issue state-guaranteed onshore bonds sent prices rallying.

In this context the portfolio was down slightly, with performance driven mostly by rising interest rates. Performance was comfortably ahead of traditional investment grade and high yield indices, however, even when looking at the shorter duration universe. Our securitised allocation was stable, and our equity hedge position helped. We also benefited from the continued recovery in our retail REIT positions. Among the industrials and financials allocations, losses were spread widely and there were no idiosyncratic issues.

Portfolio strategy and activity

During the month we reduced in EMEA financials. We also reduced in autos, media, and capital goods. We added modestly in telecoms, pharmaceuticals, and a utility.

Looking ahead, the likely persistence of a tightening monetary policy bias continues to raise downside growth risks for the global economy over the next 6-12 months and against that backdrop we are unlikely to be moving away from an overall cautious positioning. But within that a close focus on single-name, currency and regional rotations will be in focus. We continue to note that the re-investment opportunities at the front end of yield curves are attractive in general.

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.