

# 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)



Global Investors

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).

## Performance Analysis

During the period European interest rates sold off somewhat, especially late in the month following the hawkish tone of the ECB's December meeting; US rates also sold off but less markedly. China's moves towards post-covid reopening and possible support for its troubled real estate sector provided a boost for risk assets especially across Emerging Markets.

For the portfolio, softness in rates was more than offset by the benefits of carry and spread tightening (generically, BBB corporates tightened 9bps in the month, and BB corporates by 8bps), underscoring the attractions of the front end of credit curves while interest rate volatility remains in play.

All sectors contributed positively in December. Within financials, positive contributions were led by banking and followed by insurance and REITs. Our industrial holdings performed nicely as well, led by consumer cyclicals and non-cyclicals. Communications also contributed well positive.

## Portfolio Strategy and Activity

Trading activity in the fund was moderate, as we made some additions to European and American BB and BBB corporate holdings and took profit on one outperforming Emerging Markets credit.

Global credit markets continue to be driven by the path of interest rates and the interplay between central banks' battle with inflation and the risks of global slowdown. Corporate credit quality is likely to be challenged in 2023 by high input prices, labour availability and slowing demand. There is close investor focus on refinancing risks for lower rated corporates and we expect that sifting winners from losers will require attention to the cost of debt and its availability, as well as the more traditional industry sector selection. Companies have realised the change in focus, and many are focusing on debt reduction rather than higher dividends. With interest rates set to remain volatile, a soft economic backdrop for 2023 and attractive carry and roll down opportunities in shorter maturities due to flat or inverted yield curves, we continue to be very focused in our name selection on higher quality credit at the front end.

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**EVOLVE**  
ETFs

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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](http://www.evolveetfs.com)