

# Evolve Active Global Fixed Income Fund

June 30, 2023

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-844-370-4884, by writing to us at Evolve Funds, 40 King Street West, Suite 3404, Toronto, ON, M5H 3Y2 or by visiting our website at [www.evolveetfs.com](http://www.evolveetfs.com) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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## Investment Objective and Strategies

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The Evolve Active Global Fixed Income Fund (the "Fund") seeks to generate positive returns throughout the interest rate and economic cycles, first by allocating to different credit asset classes, and also through bottom-up individual security selection. The Fund seeks to provide long term returns in excess of the 3-month U.S. dollar Secured Overnight Financing Rate by investing primarily in global debt securities of corporate issuers.

## Risk

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There were no changes to the Fund over the period of this report that materially affected the level of risk associated with an investment in the Fund. Prospective investors should read the Fund's most recent prospectus and consider the description of risks contained therein.

## Results of Operations

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For the six-month period ended June 30, 2023, Hedged ETF Units returned 2.0%. The Hedged Class A Mutual Fund Units returned 2.7% and the Hedged Class F Mutual Fund Units returned 2.0%. The Fund's net assets were \$23.0MM as at June 30, 2023.

## Portfolio Manager Commentary

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The first half of 2023 for the Fund was characterized by a dynamic and challenging global fixed income landscape. In January, a risk-on sentiment prevailed in financial markets, driven by signs of easing inflation and hopes of Central Banks adopting a more accommodative stance. The Fund benefitted from a significant rally in credit spreads, particularly in BBB and BB corporate spreads. This outperformance continued into February, despite a slight market downturn due to concerns over inflationary pressures and hawkish central bank statements.

March saw choppy waters in global credit markets, as questions arose about the near-term path of economic activity amidst tight credit expansion expectations. However, April provided a respite, with markets turning their attention to corporate earnings and macroeconomic data. Global BBB and BB corporate spreads tightened during the month, and the fund delivered modest positive returns.

In May, global credit markets lacked clear direction, with spreads widening marginally against higher front-end yields. The market remained conflicted, trying to reconcile signs of economic resilience with mixed corporate earnings and potential risks in certain sectors. Despite this uncertainty, the Fund generated competitive total returns for May.

In June, global bonds sold off as hawkish central bank statements and ongoing inflation concerns led to higher interest rates. However, global BBB and BB credit spreads tightened, and the Fund delivered respectable returns amid a volatile macro environment.

Throughout the first half of 2023, the Fund demonstrated resilience and adaptability. Prudent security selection, relative value trades, and portfolio hedging contributed to the Fund's ability to navigate through challenging market conditions. The Fund's focus on front-end yields, careful security selection, and active risk management has been key to delivering competitive risk-adjusted returns for investors.

Source: Allianz Global Investors GmbH

## Related Party Transactions

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Evolve Funds Group Inc. (the "Manager") complies with its current policy and procedures regarding investments in related issuers and reports periodically to the Investment Review Committee.

## Management Fees

The Manager is entitled to an annual management fee of 0.65% of the net asset value of the Hedged ETF Units and the Hedged Class F Mutual Fund Units and 1.40% of the net asset value of the Hedged Class A Mutual Fund Units of the Fund, accrued daily and generally paid monthly in arrears. For the six-month period ended June 30, 2023, the Fund incurred \$89,419 in management fees. These management fees were received by the Manager for the day-to-day operations of the fund, including managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the [www.evolveetfs.com](http://www.evolveetfs.com) website, and providing all other services including marketing and promotion.

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## Administration Fees

The administration fees are calculated based on 0.15% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are generally paid monthly. For the six-month period ended June 30, 2023, the Fund incurred \$21,143 in administration fees. These administration fees were received by the Manager for the following operating expenses of the Fund including but not limited to: mailing and printing expenses for periodic reports to unitholders; Registrar and Transfer Agent and Custodian; any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; IRC committee member fees and expenses in connection with the IRC; expenses related to compliance with NI 81-107; fees and expenses relating to voting of proxies by a third party; insurance coverage for the members of the IRC; fees payable to the auditors and legal advisors of the Fund; regulatory filing, stock exchange and licensing fees and CDS fees; costs and expenses of complying with all applicable laws, regulations and policies, including expenses and costs incurred in connection with the continuous public filing requirements such as permitted prospectus preparation and filing expenses; and legal, accounting and audit fees and fees and expenses of the Trustee, Custodian and Manager which are incurred in respect of matters not in the normal course of the Fund's activities. The administration fee paid to the Manager by the Fund may, in any particular period, be less than or exceed the operating expenses that the Manager incurs for the Fund.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the period indicated.

### The Fund's Net Assets Per Unit<sup>1</sup>

For the periods ended:	June 30, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
<b>Hedged ETF Units - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	45.73	49.26	50.22	51.36	49.22	50.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.94	1.54	1.68	1.83	1.93	0.24
Total expenses	(0.22)	(0.44)	(0.43)	(0.48)	(0.50)	(0.06)
Realized gains (losses)	(0.39)	(3.26)	1.66	(1.94)	0.64	-
Unrealized gains (losses)	0.70	(0.12)	(2.39)	0.38	0.97	(0.83)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.03</b>	<b>(2.28)</b>	<b>0.52</b>	<b>(0.21)</b>	<b>3.04</b>	<b>(0.65)</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.75)	(1.50)	(1.18)	(1.07)	(1.50)	(0.13)
From capital gains	-	-	(0.03)	-	-	-
Return of capital	-	-	(0.29)	(0.43)	-	-
<b>Total annual distributions<sup>3</sup></b>	<b>(0.75)</b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(1.50)</b>	<b>(0.13)</b>
<b>Net Assets per Unit, end of period</b>	<b>45.89</b>	<b>45.73</b>	<b>49.26</b>	<b>50.22</b>	<b>51.36</b>	<b>49.22</b>
<b>Hedged Class A - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	45.57	47.78	48.94	50.46	50.01	N/A
<b>Increase (decrease) from operations:</b>						
Total revenue	1.01	1.48	1.76	1.75	1.31	N/A
Total expenses	-	(0.81)	(0.87)	(0.88)	(0.66)	N/A
Realized gains (losses)	(0.40)	(0.86)	(0.56)	1.43	(0.69)	N/A
Unrealized gains (losses)	0.60	(4.38)	(0.51)	1.72	1.53	N/A
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.21</b>	<b>(4.57)</b>	<b>(0.18)</b>	<b>4.02</b>	<b>1.49</b>	<b>N/A</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	(0.42)	(1.49)	(1.39)	(1.00)	N/A
Return of capital	-	(0.08)	(0.01)	(0.04)	-	-
<b>Total annual distributions<sup>3</sup></b>	<b>-</b>	<b>(0.50)</b>	<b>(1.50)</b>	<b>(1.43)</b>	<b>(1.00)</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>46.78</b>	<b>45.57</b>	<b>47.78</b>	<b>48.94</b>	<b>50.46</b>	<b>N/A</b>

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## The Fund's Net Assets Per Unit<sup>1</sup> (cont'd)

For the periods ended:	June 30, 2023 (\$)	December 31, 2022 (\$)	December 31, 2021 (\$)	December 31, 2020 (\$)	December 31, 2019 (\$)	December 31, 2018 (\$)
<b>Hedged Class F - Net Assets per Unit</b>						
Net Assets per Unit, beginning of period	47.61	50.99	50.61	51.61	50.04	N/A
<b>Increase (decrease) from operations:</b>						
Total revenue	0.96	1.61	1.20	1.86	1.31	N/A
Total expenses	(0.23)	(0.47)	–	(0.48)	(0.27)	N/A
Realized gains (losses)	(0.34)	(3.99)	1.66	(2.12)	0.26	N/A
Unrealized gains (losses)	0.60	1.63	(2.49)	0.56	0.55	N/A
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.99</b>	<b>(1.22)</b>	<b>0.37</b>	<b>(0.18)</b>	<b>1.85</b>	<b>N/A</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.75)	(0.91)	-	(0.02)	(0.50)	N/A
Return of capital	-	(0.09)	-	(1.41)	-	N/A
<b>Total annual distributions<sup>3</sup></b>	<b>(0.75)</b>	<b>(1.00)</b>	<b>-</b>	<b>(1.43)</b>	<b>(0.50)</b>	<b>N/A</b>
<b>Net Assets per Unit, end of period</b>	<b>47.80</b>	<b>47.61</b>	<b>50.99</b>	<b>50.61</b>	<b>51.61</b>	<b>N/A</b>

1 This information is derived from the Fund's unaudited interim financial statements as at June 30, 2023 and the audited annual financial statements as at December 31, 2022, 2021, 2020, 2019, and 2018. The Hedged ETF Units effectively began operations on November 9, 2018 and the Hedged Class A and F Mutual Fund Units effectively began operations on April 23, 2019.

2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

3 Distributions were paid in cash or reinvested in additional units of the Fund, or both. Actual distributions may vary slightly owing to rounding.

## The Fund's Ratios/Supplemental Data

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Hedged ETF Units - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	22,970,669	27,917,680	29,578,373	30,658,805	39,063,215	9,843,937
Number of units outstanding <sup>4</sup>	500,505	610,505	600,505	610,505	760,505	200,000
Management expense ratio <sup>5</sup>	0.91%	0.90%	0.84%	0.92%	0.90%	0.92%
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%	0.00%
Portfolio turnover rate <sup>7</sup>	57.07%	75.04%	80.75%	90.99%	57.54%	5.58%
Net Asset Value per unit (\$)	45.89	45.73	49.26	50.22	51.36	49.22
Closing market price (\$)	45.97	45.71	49.37	50.13	51.29	49.28
<b>Hedged Class A - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	52	50	2,045	503,809	6,628	N/A
Number of units outstanding <sup>4</sup>	1	1	43	10,294	131	N/A
Management expense ratio <sup>5</sup>	0.00%	1.73%	1.76%	1.76%	1.84%	N/A
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%	N/A
Portfolio turnover rate <sup>7</sup>	57.07%	75.04%	80.75%	90.99%	57.54%	N/A
Net Asset Value per unit (\$)	46.78	45.57	47.78	48.94	50.46	N/A

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## The Fund's Ratios/Supplemental Data (cont'd)

For the periods ended:	June 30, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Hedged Class F - Ratios/Supplemental Data</b>						
Total Net Asset Value (\$) <sup>4</sup>	2,491	1,951	53	53	5,147	N/A
Number of units outstanding <sup>4</sup>	52	41	1	1	100	N/A
Management expense ratio <sup>5</sup>	0.94%	0.96%	0.00%	0.93%	0.85%	N/A
Trading expense ratio <sup>6</sup>	0.05%	0.03%	0.03%	0.04%	0.06%	N/A
Portfolio turnover rate <sup>7</sup>	57.07%	75.04%	80.75%	90.99%	57.54%	N/A
Net Asset Value per unit (\$)	47.80	47.61	50.99	50.61	51.61	N/A

4 This information is provided as at June 30, 2023 and December 31, 2022, 2021, 2020, 2019, and 2018.

5 Management expense ratio ("MER") is based on total expenses plus harmonized sales tax (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

6 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

7 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

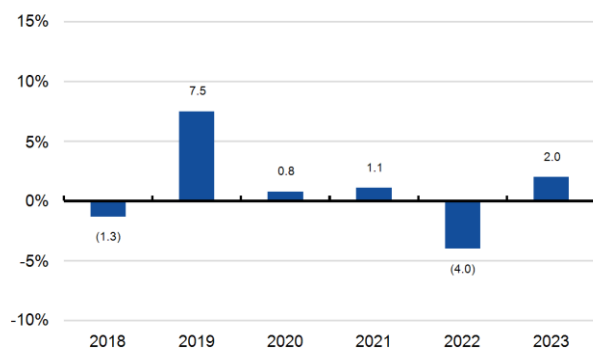
## Past Performance

The performance information does not take into account sales, redemption, distribution, income taxes payable by any unitholder or other optional charges that, if applicable, would have reduced returns or performance. The performance information shown assumes that all distributions made by the investment Fund in the periods shown were reinvested in additional securities of the investment fund. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

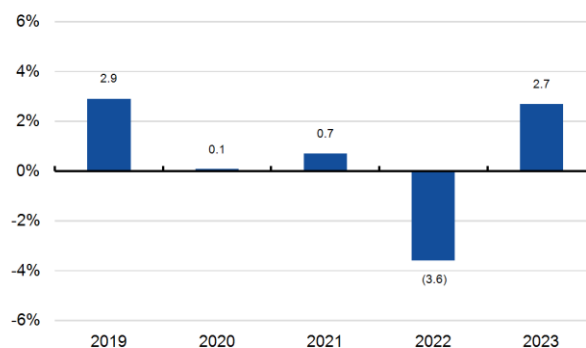
## Year-by-Year Returns

The bar chart below shows the Hedged ETF Units' and the Hedged Class A and F Mutual Fund Units' performance for each of the financial years shown and for the six-month period ended June 30, 2023. The chart shows, in percentage terms, how much an investment made in the Fund on the first day of each financial period would have grown or decreased by the last day of that financial period.

### EARN Hedged ETF Units<sup>1</sup>



### Hedged Class A Mutual Fund Units<sup>2</sup>



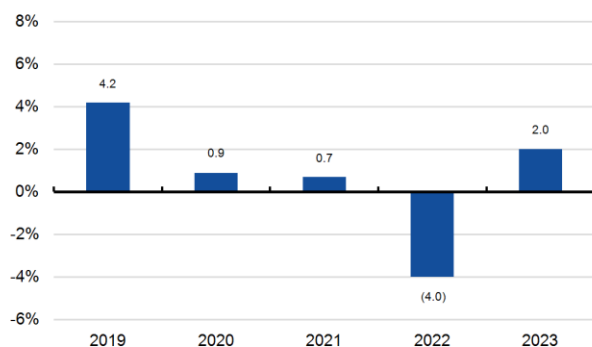
1 The Hedged ETF Units of the Fund effectively began operations on November 9, 2018.

2 The Hedged Class A Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

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## Hedged Class F Mutual Fund Units<sup>3</sup>



<sup>3</sup> The Hedged Class F Mutual Fund Units of the Fund effectively began operations on April 23, 2019.

## Summary of Investment Portfolio

### Top 25 Positions

	Percentage of Net Asset Value (%)
Security	
Arrow CMBS 2018 Designated Activity Company, Series '18-1', Class 'A1'	1.8
Permanent TSB Group Holdings PLC	1.6
Anglo American Capital PLC	1.5
EDP Finance BV	1.5
CPUK Finance Limited, Callable	1.4
UBS Group AG	1.4
General Motors Financial Company Inc., Callable	1.3
National Grid Electricity Distribution PLC, Callable	1.3
Lloyds Banking Group PLC, Variable, Callable, Perpetual	1.3
Virgin Money UK PLC, Variable, Callable	1.3
Orano SA, Callable	1.3
Hammerson PLC	1.3
Domi 2021-1 BV, Series '21-1', Class 'A', Floating Rate, Callable	1.3
Banca Monte dei Paschi di Siena SpA, Callable	1.3
Vallourec SA, Callable	1.3
Schneider Electric SE, Callable	1.2
Last Mile Logistics Pan Euro Finance DAC, Series '1X', Class 'A', Floating Rate	1.2
Rolls-Royce PLC, Callable	1.2
SPIE SA, Callable	1.2
Deutsche Lufthansa AG, Callable	1.2
Telecom Italia SpA, Callable	1.2
Faurecia SE, Callable	1.2
Cellnex Finance Company SA, Callable	1.2
Digital Euro Finco LLC, Callable	1.2
Autostrade per l'Italia SpA	1.2
<b>Total</b>	<b>32.9</b>

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## Industry Allocation

Portfolio by Category	Percentage of Net Asset Value (%)
<b>Debt Instruments</b>	
Asset-Backed Securities	5.9
Communication Services	6.3
Consumer Discretionary	9.8
Consumer Staples	1.1
Energy	4.3
Financials	34.3
Health Care	7.1
Industrials	12.8
Materials	8.6
Real Estate	2.9
Utilities	3.9
Derivative Assets	0.6
Derivative Liabilities	(0.4)
Cash and Cash Equivalents	2.0
Other Assets, less Liabilities	0.8
<b>Total</b>	<b>100.0</b>

The summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund. Updates are available quarterly by visiting our website at [www.evolveetfs.com](http://www.evolveetfs.com).



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