

Evolve Innovation Index Fund

EDGE provides investors with access to global companies that are involved in innovative or disruptive trends across a broad range of industries.

As at March 29, 2019



TICKER: EDGE (Hedged)

MACROECONOMIC HIGHLIGHTS:

- The increasingly popular social media platforms such as Facebook, Twitter, Instagram and YouTube have now become major avenues for cybercrime. According to a report published by the cybersecurity firm, Bromium, nearly 1 in 5 organizations worldwide are now infected by malware distributed by social media. The report estimates that cyber criminals earn nearly \$3.25 billion annually by exploiting popular social media platforms.
- Canadians are quite vulnerable to cybercrime. A survey by Carbon Black, a leader in cloud-delivered, next generation endpoint security, found that 83% of Canadian organizations surveyed have been breached in the last 12 months; 76% have seen an increase in attack volumes; and 81% have experienced more sophisticated attacks. To counteract the threat, 85% of surveyed organizations plan to increase spending on cyber defense.
- During the month, U.S. chip supplier Nvidia Corp acquired Israeli chip designer Mellanox Technologies Ltd. in a deal that would help the firm boost its data center and artificial intelligence business. Nvidia provides chips to speed up artificial intelligence tasks such as teaching servers to recognize images while Mellanox makes chips that connect the servers inside the data center.ⁱⁱ
- In another AI-related transaction, the fast food giant, McDonald's announced that it is acquiring Dynamic Yield, an Israeli company that uses artificial intelligence to give consumers personalized experiences. McDonald's said it would use the technology to tailor the items displayed on menu boards at drive-thru outlets based on the weather, how busy the restaurant is and that particular time of day. It will also instantly recommend extra items based on a customer's initial order.ⁱⁱⁱ
- For securities held by the ETF, Salesforce.com Inc. announced earnings and revenues that beat estimates, with year-over-year (YoY) FY 2019 revenues growing by 26%. Guidance for FY 2020 are in line for the year, but is expected to fall slightly lower in Q1 2019. The company is targeting an increase in revenue for 2023, driven by innovation in technology, including demand for AI. To achieve this, the company has introduced the next generation of its AI platform, Einstein. It has also extended its strategic alliance with Google to deepen the integration between its Marketing Cloud and Google Analytics 360.





- Broadcom Inc. reported strong Q1 2019 results, beating earnings estimates and maintaining its fiscal 2019 outlook. Revenues rose 8.8% YoY and the company increased its dividend by 50%, sending its stock price to an all time high after at least 13 street analysts raised its target price. Broadcom, which was named a Forbes 100 Digital Company in 2018, is focused on industrial automation and networking, providing products in motor control, medical systems and equipment, and industrial networking.
- Nvidia Corp. announced its Q4 FY 19 results which exceeded earnings and revenue estimates. However, its revenue guidance for 2020 is forecasted to be “flat to down slightly.” On the other hand, Palo Alto Networks Inc., reported earnings that beat estimates by 24%, with revenues growing 30% year-over-year (YoY). Palo Alto Networks also completed the acquisition of Demisto, a leading Israeli cybersecurity firm specializing in security orchestration, automation and response.

PERFORMANCE ATTRIBUTION:

- The ETF tracks a benchmark index designed to expose investors to returns in six sectors: big data and cloud computing, robotics and automaton, cyber security, automotive innovation and social media, which together account for 87% of the weight of the portfolio in roughly equal individual segment weights; and genomics – which has a 13% weight.

SOURCES:

ⁱ <https://www.cpomagazine.com/cyber-security/cyber-criminals-have-turned-social-media-cyber-crime-into-a-3-billion-business/>

ⁱⁱ <https://ca.reuters.com/article/technologyNews/idCAKBN1QS197-OCATC>

ⁱⁱⁱ <https://www.cnn.com/2019/03/26/business/mcdonalds-tech-startup-acquisition/index.html>

DISCLAIMER:

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