

Evolve Cyber Security Index ETF

CYBR invests primarily in equity securities of companies located domestically or internationally that are involved in the cyber security industry through hardware and software development.

For the one month period ending February 28, 2018



TICKER: CYBR (Hedged); CYBR.B (Unhedged)

MANAGEMENT FEE: 0.40%

MACROECONOMIC HIGHLIGHTS:

- In early February, Scalar Decisions Inc. released the results of a study that examined the cyber security readiness of Canadian firms, and it highlighted the rising number of security breaches and the growing cost of recovery. The survey showed that 9 out of 10 Canadian companies had suffered at least one cyber security breach in 2017, with 47% reporting that sensitive data was stolen. Over a third of those surveyed (36%) indicated that they lacked confidence in their companies' ability to defend against attacks.⁵
- As the world becomes increasingly connected, cyber attacks are more widespread and damaging, driving need for greater cyber security. The latest Economic Impact of Cybercrime report (by the Center for Strategic and International Studies and McAfee), estimates that cybercrime now costs the world almost US\$600 billion a year, up US\$445 billion from three years ago. ⁶ This estimate is likely lower than the actual cost as cybercrime is often underreported.
- Governments also have a greater need to invest in cyber security. The Canadian government, in its February budget, is expected to invest up to \$1 billion to "address a number of cybersecurity issues across multiple departments and agencies", including an update to the National Cyber Security Strategy.⁷
- U.K.-based cyber insurer, Beazley PLC, released its latest Breach Briefing report, which outlines the kinds of cyber attacks impacting its U.S. clients in 2017. The company's response team reported an increase in "social engineering schemes" and expects an increase in cyber attacks in 2018 that lead to business interruption, largely as a result of cloud-based platforms and connected devices in businesses.⁸

ATTRIBUTION:

- Holdings in SailPoint Technologies Holdings Inc. rose 30.7%* during the period as the company announced a strategic partnership with Okta Inc. to provide a stronger identity solution to securely authenticate and govern access to applications and data across an enterprise.
- The Fund's position in leading email and data security company Mimecast Ltd. gained as its shares rose 17.5%* during the month following its move to Lexington, Massachusetts, to accommodate the company's rapid growth. The move should also allow the company to reach the competitive pool of high-tech talent in the Boston area. Additionally, Mimecast announced that its CEO and CFO will present at the Goldman Sachs Technology and Internet Conference in 2018.

ESG IMPACT:

Cyber security has become an increasingly important component of ESG as significant breaches like the Equifax Inc. and Uber hacks appear to be just the beginning of cyber attacks on vulnerable institutions and businesses.

*CAD Returns.



Evolve Automobile Innovation Index ETF

CARS invests primarily in equity securities of companies that are directly or indirectly involved in developing electric drivetrains, autonomous driving or network connected services for automobiles.



For the one month period ending February 28, 2018

TICKER: CARS (Hedged); CARS.B (Unhedged); CARS.U (USD)

MANAGEMENT FEE: 0.40%

MACROECONOMIC HIGHLIGHTS:

- There have been many signs of rapid change in the automotive industry, including the recent annual outlook from BP PLC, one of the world's largest oil producers, which points to rising demand for electric cars and trucks. The company indicated that it believes global demand for crude oil will likely plateau during the late 2030s, expecting 320 million electric vehicles on the road by 2040, compared with about 2 million in 2016.¹
- The California Department of Motor Vehicles announced new rules, effective April 2, to allow technology companies to begin trials of their electric and self-driving cars without a safety driver at the wheel. Regulators are updating rules for a fully driver-less test, a major step in the process for self-driving vehicle development in a commercial capacity.²

ATTRIBUTION:

- Holdings in Skyworks Solutions Inc. contributed to the Fund's performance, rising 17.3%* during the month after it had announced a new suite of network-driven products from its Sky5 platform, specifically supporting wireless 5G networks. According to Ericsson's June 2017 Mobility Report, 15% of the world's population is expected to be covered by 5G in 2022.³ 5G technology, designed to be more power efficient than the current 4G LTE, will be important for the growth of internet-connected devices ("Internet of Things").⁴
- Shares of amsAG also contributed to performance, rising 33.8%* over the period, as its fourth-quarter profits increased by more than tenfold. The company, which is a supplier to Apple Inc., benefited from rising demand for sensors used in smartphones.

ESG IMPACT:

The Fund invests in several companies that have ESG mandates, including holdings in companies that develop electric vehicles and other clean-driving technologies.

*CAD Returns.



Evolve North American Gender Diversity Index ETF

HERS invests in equity securities of companies domiciled in Canada and the United States that have demonstrated commitment to gender diversity as part of their corporate social responsibility strategy.

For the one month period ending February 28, 2018



TICKER: HERS (Hedged); HERS.B (Unhedged)

MANAGEMENT FEE: 0.40%

MACROECONOMIC HIGHLIGHTS:

- A recent study, called the Global Leadership Forecast, reviewed demographic data from over 2,400 companies in 54 countries, and determined that diversity, particularly gender diversity, increases the bottom line. It found that companies with at least 30% gender diversity and more than 20% women at the senior level have outperformed their less diverse counterparts. The study found that gender diversity contributed to these companies being 1.4 times more likely to have sustained profitable growth.⁹
- The reality that gender diverse companies are more likely to see better financial returns than non-gender-diverse companies is beginning to take hold in U.S. boardrooms, making firms more conscious of and responsive to the concerns of female employees and others. One example is International Business Machines Corp.'s (IBM) management, who believe that gender equality is central to the company's business success. IBM recently won an award for its gender-diversity efforts from Catalyst, a global non-profit organization that promotes women's leadership.¹⁰

ATTRIBUTION:

- Holdings in Motorola Solutions Inc. rose 11.0%* over the month, contributing to the Fund's performance, after the company announced that it had entered into a US\$1 billion agreement to purchase Vancouver-based Avigilon Corp. The acquired firm holds over 750 patents and its video products are used for surveillance in prisons, airports, government facilities, health care centers, schools and casinos.
- The Estee Lauder Companies Inc. holdings also contributed, as they rose 7.0%* in February. The company is benefiting from its "digital first" approach, as well as its focus on online marketing tactics and digital tools to reach consumers. It has enlisted social media influencers to upload content, having beauty consultants chat with customers online and creating more local-language content for different regions. The company has also attempted to create a more digital-friendly workplace, providing educational events and e-commerce training for its workers.¹¹

ESG IMPACT:

The Fund's holdings are focused on U.S. and Canadian companies that have demonstrated commitment to gender diversity as part of their corporate social responsibility strategy, which satisfies ESG mandates. All companies held within the Solactive Equileap North American Gender Equality Index are ranked according to Equileap's 19-point gender diversity criteria.

*CAD Returns.



Evolve ESG Funds

SOURCES:

¹ <http://money.cnn.com/2018/02/20/investing/peak-oil-demand-bp-electric-cars/index.html>

² <https://techcrunch.com/2018/02/27/california-to-allow-testing-of-self-driving-cars-without-a-driver-present/>

³ <https://www.businesswire.com/news/home/20180225005068/en/Skyworks-Unveils-Suite-Sky5%E2%84%A2-Solutions>

⁴ <https://www.zacks.com/stock/news/293845/skyworks-supports-5g-network-launches-sky5-solutions-suit>

⁵ <https://www.newswire.ca/news-releases/9-in-10-canadian-companies-suffered-at-least-one-cyber-security-breach-last-year-673327943.html>

⁶ <https://www.itworldcanada.com/article/cyber-crime-costs-the-world-almost-us600-billion-a-year-report/402038>

⁷ <https://www.canadianunderwriter.ca/technology/cyberattacks-will-increasingly-lead-business-interruption-cyber-insurer-warns-1004127738/>

⁸ <http://www.cbc.ca/news/politics/budget-billion-cyber-security-1.4547685>

⁹ <https://www.fastcompany.com/40533912/global-study-shows-gender-diversity-boosts-the-bottom-line>

¹⁰ <https://www.csmonitor.com/World/2018/0221/Gender-equality-as-trade-secret-Businesses-awaken-to-a-long-dawning-idea>

¹¹ <http://adage.com/article/cmo-strategy/estee-lauder-fights-short-attention-spans-online-makeover/312264/>

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