

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 17, 2020



ETF TICKER: EDGE (Hedged)

MUTUAL FUND FUNDSERV CODE: EVF160 (Class F); EVF161 (Class A)

UPDATE:

Global equities have fallen nearly 30% since the peak of the markets on February 19th. EDGE has performed in line with major equity indices, down -32.6%, outperforming many of its competitors.

The top detractor in the portfolio was Automotive Innovation, and the top contributor was the 5G category.

Telecom giants within the 5G category are less affected by this pandemic crisis. Companies such as Verizon are well prepared to handle increased data usage given more people are working from home. In addition, Verizon has recently increased its capital guidance for 2020 to accelerate transition to 5G and help support the economy during this period of disruption. Verizon's stock is only down -6.5% since the peak of the markets on February 19th.

MACROECONOMIC HIGHLIGHTS:

The FCC announced that bidding in its third millimetre wave spectrum auction for 5G services yielded the highest gross winning bids of the millimetre wave band auctions to date. After 104 rounds of bidding, the auction concluded with bidders winning 14,142 (or more than 99%) of the available licenses, and grossing over US\$7.5 billion in winning bids.ⁱ

T-Mobile US and Sprint Corp., the third- and fourth-largest US wireless carriers, issued amended terms of their merger deal in February. The change involved reducing stakes of the Japanese investment conglomerate SoftBank, an influential stakeholder of Sprint Corp., to 24%, down from 27%, and raising the stake of T-Mobile US Inc.-parent Deutsche Telekom to 43%, up from 42% previously. The deal, when completed, will make the merged T-Mobile US and Sprint Corp. the third-largest wireless carrier in the United States.ⁱⁱ

The shares of Nvidia Corp.'s surged higher in early February following blistering Q4 results from its data center and gaming units. Earnings for Q4 totalled US\$950 million, compared to US\$567 million a year earlier. Adjusted earnings of \$1.89 per share beat projections of \$1.67 per share. Revenue for the quarter rose 40.7% to US\$3.11 billion from US\$2.21 billion last year.



The United Kingdom announced that it would ban sales of new gasoline and diesel cars from 2035—five years earlier than previously planned. Additionally, for the first time, hybrid vehicles will now be included in this ban. The UK government said the more aggressive approach was necessary to fight the climate crisis and help the United Kingdom cut carbon emissions to “net zero” by 2050.ⁱⁱⁱ

Tesla is in advanced talks with CATL to use that company’s lithium iron phosphate (LFP) batteries in cars made at its China plant. Such a deal would mark the first time for the U.S. automaker to include LFP batteries in its vehicles as it seeks to lower production costs amid a slowdown of EV sales in China. Because LFP batteries contain no cobalt—one of the most expensive metals used in EV battery manufacture—the new batteries would be cheaper than Tesla’s existing batteries by a “double-digit percent.”^{iv}

Cyber-crime profits reached at least US\$3.5 billion in 2019, reports the FBI’s Internet Crime Complaint Centre (IC3). This total is based on the 467,361 complaints from individuals and businesses received by IC3 during 2019. The actual dollar value is likely much higher since many cybercrimes go unreported by the victims. Phishing and extortion remain the most popular ways of scamming people, with techniques becoming increasingly sophisticated, making it hard for people to tell what is legitimate and what is not. Ransomware netted criminals more than US\$8.9 million in 2019.^v

Facial recognition startup Clearview AI said its full client list—which includes over 600 law enforcement agencies—was stolen. Intruders were able to learn how many accounts those agencies set up and how many searches they’ve conducted. Clearview said its servers weren’t breached, nor was its database of three billion images, and that they were able to patch the vulnerability.^{vi}

Clearview came under intense public scrutiny earlier in 2020 when a The New York Times revealed that Clearview built its facial recognition database by scraping publicly available photos from websites like Facebook, Instagram, YouTube and Venmo.^{vii}

The largest-ever study to analyze the genome of entire tumours has provided the most complete picture yet of how DNA errors drive tumour cell growth. The results could pave the way for full genome sequencing of all of a cancer patients’ tumours, which could then be used to match each tumour with a specific molecular cancer treatment.^{viii}

Genomics firm Exelixis, Inc. reported financial results for the fourth quarter and full year 2019 in February. Total revenues for Q4 and year ended December 31, 2019, were US\$240.3 million and US\$967.8 million, respectively, compared to \$228.6 million and \$853.8 million for the same periods in 2018.^{ix}

PERFORMANCE ATTRIBUTION:

EDGE tracks a benchmark index designed to expose investors to returns in seven sectors:



big data and cloud computing, robotics and automation, cybersecurity, automotive innovation, 5G and social media, which together accounted for 88% of the weight of the portfolio in February 2020; and genomics, which accounted for had a 12% weight. The best-performing stocks in the fund for the month were Nvidia Corp. (Robotics & Automation), T-Mobile US Inc. and Softbank Group (5G), and DocuSign Inc. (Big Data & Cloud).

SOURCES:

- ⁱ <https://www.natlawreview.com/article/what-s-new-5g-february-2020>
- ⁱⁱ <https://www.marketscreener.com/DEUTSCHE-TELEKOM-AG-444661/news/Deutsche-Telekom-AG-T-Mobile-US-Inc-and-Sprint-Corp-announce-amendment-to-business-combination-a-30035629/>
- ⁱⁱⁱ <https://edition.cnn.com/2020/02/04/business/petrol-and-diesel-ban-uk/index.html>
- ^{iv} <https://www.reuters.com/article/us-tesla-china-electric-exclusive/exclusive-tesla-in-talks-to-use-cats-cobalt-free-batteries-in-china-made-cars-sources-idUSKBN20C0RP>
- ^v <https://www.bbc.com/news/technology-51474109>
- ^{vi} <https://www.engadget.com/2020/02/26/clearview-ai-client-list-exposure/>
- ^{vii} <https://www.nytimes.com/2020/01/18/technology/clearview-privacy-facial-recognition.html>
- ^{viii} <https://www.sciencemag.org/news/2020/02/massive-cancer-genome-study-reveals-how-dna-errors-drive-tumor-growth>
- ^{ix} <https://www.businesswire.com/news/home/20200225006003/en/Exelixis-Announces-Fourth-Quarter-Full-Year-2019>

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