

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 June 29, 2018



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



THIS YEAR'S TOP PERFORMING CANADIAN-LISTED EQUITY ETF¹⁰

Globe & Mail - By Clare O'Hara - Published: June 1, 2018

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MACROECONOMIC HIGHLIGHTS:

- As cyberattacks show no signs of waning, companies are increasing their spending on cybersecurity measures. Collective cybersecurity spending of companies surveyed by Harvey Nash and KPMG was determined to be \$46 billion (June 2018). 77% of these organizations rated cybersecurity as an important priority, a 6% increase since last year's distribution of the same survey.⁸
- To meet increasing national cybersecurity needs, the Canadian government has released an update to its cybersecurity strategy. The updated plan allocates \$500 million in funding to protect Canadian businesses and public from cyberattacks. Initiatives outlined in the new plan include the establishment of a new Canadian Centre for Cyber Security, a cybersecurity certification program for small businesses and additional resources to help the RCMP tackle cyber crime.¹¹
- Cyberwarfare is now of international concern, as evidenced by China's hacking of a U.S. Navy contractor, in which 614 gigabytes of highly sensitive data relating to undersea warfare was exposed. A Chinese civilian spy agency targeted a contractor working for the Naval Undersea Warfare Center and was able to steal material related to a highly guarded project concerning updating military technologies. The resulting effects could mean that the U.S. is in a vulnerable position should the two countries ever engage in conflict.⁹

ATTRIBUTION:

- Holdings in Zscaler, Inc. rose 38.1%* during the period following an announcement in late June about the first closed-loop integration with Microsoft Cloud App Security to enable secure and seamless adoption of SaaS services for enterprise customers.¹² Around the same time, Zscaler also expanded its partner community to include new SD-WAN and security partners and is introducing new and enhanced API integrations with them.¹³
- The Fund's position in ForeScout Technologies Inc. saw its shares rise 15.6%* during the month after they made an announcement that it is the first IoT security¹⁴ in its class to receive independent product certifications under both the Common Criteria and the U.S. Department of Defense's (DoD) Information Network Approved Products List (DoDIN APL) designation. These certifications assure U.S. government buyers and contractors that ForeScout's technology meets exacting security and integrity benchmarks necessary for supporting government agencies' crucial missions.¹⁵

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 June 29, 2018

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

MACROECONOMIC HIGHLIGHTS:

- Innovations in the automotive industry are proving to have more significance than just flashy trends, attracting funding from national and state governments from Japan to the US, who see these emerging markets as long standing and immensely profitable.
 - In an effort to get driverless cars on the road by 2020, the Japanese government is backing the development of a 3D mapping system that would allow cars to know their positions and surroundings with inch-level accuracy.¹
 - In promotion of electric cars' widespread adoption, the states of California, New York and New Jersey have pledged \$1.3 billion towards charging infrastructure for these vehicles. This scale of investment has the potential to drive change in policy, business and tech at the national level.²
- Another indicator in support of mass adoption of electric vehicles, industry giants like Uber are launching incentives of their own to promote wider usage of greener transportation. EV drivers in select cities (Austin, Los Angeles, Montreal, Sacramento, San Diego, San Francisco and Seattle) that sign on with the service will have access to monetary incentives and exclusive app features.³
- In the latest oil industry move towards EVs, oil giant BP announced the acquisition of Chargemaster, UK's biggest electric vehicle charging company with over 6,500 charging points across the country. The company will be rebranded as "BP Chargemaster".⁴

ATTRIBUTION:

- Holdings in Tesla Inc. contributed to the Fund's performance, rising 22.2%* during the month after the company built 5000 of its Model 3 electric sedans in a single week, hitting their production target and achieving a milestone to prove it can mass-produce electric cars.⁵ Additionally, on June 14th, Tesla presented a plan to build the "Chicago Express Loop", an underground transit system with vehicles built on the modified Tesla X chassis that can carry passengers at a speed of 125 to 150 mph to and from the Chicago O'Hare International Airport.⁶
- Advanced Micro Devices Inc. also contributed to performance, as its shares rose 10.8%* over the period. The company promised 32-core Threadripper processors for the third quarter of 2018. The 32-core Threadripper doubles the core count and capabilities of the original processor, though it can still fit in the same motherboard socket.⁷

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 North American companies that have demonstrated commitment to gender diversity as part of their corporate social responsibility strategy.

For the one month period ending June 29, 2018



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

MACROECONOMIC HIGHLIGHTS:

- General Motors Co. increased its progress towards gender equality by naming its first female CFO, Dhiyva Suryadevara. GM joins the short list of S&P 500 companies with women in CEO and CFO roles, with Mary Barra serving as chief executive officer since 2014 and now Suryadevara. The slow rate of women ascending to C-Suite positions means that Suryadevara's new appointment is a cause to be celebrated, particularly given the male dominated nature of the auto industry.¹⁶
- A recent study by Deloitte examined the current state of gender diversity specific to CIO position allotment. The research determined that companies with gender diverse technology teams demonstrated higher financial performance than their less diverse counterparts. Key aspects of this enhanced performance include increased innovation, lower project costs, better team dynamics and better problem solving. Deloitte's research also highlighted that a willingness to take risks and persistence after failure were among qualities found predominantly in female leaders that contributed to their business success.¹⁷

ATTRIBUTION:

- Holdings in Darden Restaurants Inc. rose 24.3%* over the month, contributing to the Fund's performance after it announced plans for a major expansion to open 45 to 50 new restaurant locations across its eight branded restaurants including Olive Garden. Darden expects same-store sales at all its branded restaurants to grow by up to 2% in 2019.¹⁸
- Kroger Co. also contributed to the Fund's performance, as its shares rose 18.6%* in June. Kroger is partnering with Nuro, an autonomous car company founded by Google engineers, to pilot the use of driverless cars in same-day grocery delivery for select areas in the U.S.¹⁹ Kroger also recently signed a deal with Ocado, a British online grocery retailer, to build and deliver from robot-staffed warehouses.²⁰

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 ETFs

SOURCES:

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² <https://www.theverge.com/2018/6/1/17416778/california-new-york-electric-charging-investment-stations>

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⁵ <https://mobilesyup.com/2018/07/03/tesla-model-3-production-goals/>

⁶ https://www.washingtonpost.com/news/morning-mix/wp/2018/06/14/tesla-in-a-tunnel-elon-musk-to-build-125-mph-underground-transit-line-from-ohare/?noredirect=on&utm_term=.a7eb4f750ad7

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⁸ <http://www.digitaljournal.com/business/companies-ramp-up-data-privacy-in-wake-of-attacks/article/524343#ixzz51846WuhX>

⁹ https://www.washingtonpost.com/world/national-security/china-hacked-a-navy-contractor-and-secured-a-trove-of-highly-sensitive-data-on-submarine-warfare/2018/06/08/6cc396fa-68e6-11e8-bea7-c8eb28bc52b1_story.html?noredirect=on

¹⁰ <https://www.theglobeandmail.com/investing/markets/etfs/article-a-cybersecurity-fund-is-the-best-performing-etf-of-2018-yet-few/>

¹¹ <https://globalnews.ca/news/4269222/ottawa-unveils-new-cybersecurity-strategy-targeting-public-businesses/>

¹² <https://www.businesswire.com/news/home/20180626005498/en/Zscaler-Announces-Integration-Microsoft-Cloud-App-Security>

¹³ <https://www.channelpartnersonline.com/2018/06/26/zscaler-adds-partnerships-to-accelerate-network-security-transformation/>

¹⁴ Based on Gartner Market Guide for IoT Security, October 3, 2016

¹⁵ <https://globenewswire.com/news-release/2018/06/26/1529421/0/en/ForeScout-Achieves-Common-Criteria-and-UC-APL-Certifications-to-Benefit-Government-Customers.html>

¹⁶ <https://www.bloomberg.com/news/articles/2018-06-13/general-motors-names-first-female-cfo-to-succeed-40-year-veteran>

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¹⁸ <http://fortune.com/2018/06/21/darden-restaurants-olive-garden-new-locations/>

¹⁹ <https://www.cnn.com/2018/06/27/kroger-to-soon-begin-driverless-grocery-delivery.html>

²⁰ <https://www.cnn.com/2018/05/17/reuters-america-update-5-kroger-inks-ocado-grocery-delivery-deal-to-battle-amazon-threat.html>

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Brookfield Place, 161 Bay Street, Suite 2700, Toronto ON M5J 2S1

416.214.4884 | 1.844.370.4884 | www.evolveetfs.com