

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 July 31, 2018



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

MACROECONOMIC HIGHLIGHTS:

- Further evidence shows that gender diversity leads to better corporate performance.
 - A study by the NUS Business School in Singapore found that gender diversity on corporate boards was linked to higher corporate governance scores, which in turn had a strong correlation with higher financial performance. The research found that an increase of one female independent director on a corporate board predicted an increase to the company's financial performance by 11.8%.¹⁹
 - In the investment space, research conducted by Frontier Advisors indicated that gender diversity in fund management teams was linked to better risk-adjusted returns, ultimately benefitting investors.²⁰
- 2018 is shaping to be a year of important milestones for women, as more women are occupying positions in which female representation has been historically low or non-existent.
 - Heather Brilliant and Diane C. Nordin were recently elected to the CFA Institute's Board of Governors as chair and vice chair respectively, the highest governing authorities of the organization.²¹
 - The city of London appointed Lori Hamer as fire chief, the first woman in southwestern Ontario to hold the role. She follows Deryn Rizzi of Vaughan, who was the first woman in the province appointed to the role as of this June.²²
- Research shows that three is the magic number for the amount of women needed in leadership positions in order to enact a shift in an organization's culture. The study conducted by Vicki W. Kramer and Alison M. Konrad highlighted how organizations should aim for diversity with culture and not simply diversity with quota.²³

ATTRIBUTION:

- Holdings in Eli Lilly & Company rose 14.6%* over the past month, following the company's development of a new experimental osteoarthritis drug in collaboration with Pfizer. The drug will potentially offer a safer alternative to opioids for patients treating osteoarthritis pain.²⁴ Lilly also announced this month the extension of its collaboration with Dana Farber Cancer Institute.²⁵
- Andeavor also contributed to the ETF's performance, its holdings seeing a 13.0%* rise this month. The refiner based out of San-Antonio announced that it has secured additional pipeline and storage capacity in Mexico from the country's oil and gas company.²⁶

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 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 July 31, 2018



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

MACROECONOMIC HIGHLIGHTS:

- With the recent spike in high profile data breaches, cyber security is becoming a top concern for business leaders.
 - A report from Positive Technologies found that the global rate of cyber security incidents increased 32% in the past year and is not expected to slow any time soon. Use of malware in cyber attacks rose 75%, the method comprising 63% of all attacks.¹⁰
 - A survey distributed by KPMG found that 4 in 10 UK chief executives believe that falling victim to a cyber attack is no longer a question of “if”, but “when”. The firm highlighted that a notable gap in corporate cyber security strategy is a lack of understanding of data security and the severity of a breach.¹¹
- Cyber security concerns have also reached a critical point at the national level.
 - The Director of U.S. National Intelligence Dan Coats warned of ongoing cyber attacks from Russia, China, Iran and North Korea. American infrastructure and government figure among key targets. On July 13, the Department of Justice indicted 12 Russian intelligence officers accused of hacking the Democratic National Committee during the 2016 presidential electoral race.¹²
 - The federal Canadian Finance Department detected a number of vulnerabilities in its current cyber security strategy. A potential cyber attack of the department could have far-reaching effects, given the sensitivity of the data under its control.¹³
- As the world becomes more connected, the need for cyber security will only increase. Advances in in-car infotainment, navigation and telematics systems introduce new vulnerabilities to cyber attacks. The automotive cyber security market is expected to surpass USD \$837 million by 2024, according to a report by Global Market Insights, Inc.¹⁴

ATTRIBUTION:

- Holdings in Check Point Software Technologies rose 14.2%* following a better-than-expected second quarter reported by the company.¹⁵ Check Point announced a strategic partnership with WireX Systems, with a goal to advance detection, neutralization and prevention of security threats for customers.¹⁶
- The ETF's position in Booz Allen Hamilton saw its shares rise 7.0%*, coinciding with the company's signing of agreements with the U.S. military to support cyber security initiatives. Booz Allen was awarded \$92 million from the U.S. Navy's Space and Naval Warfare Systems Command¹⁷ and \$885 million from the U.S. Department of Defense for their services over the next five years.¹⁸

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 July 31, 2018

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

MACROECONOMIC HIGHLIGHTS:

- The auto industry is evolving to meet changing consumer behaviour and growing environmental concerns.
 - Volkswagen has plans to launch its own electric car sharing platform called 'We' in 2019.¹
 - Tesla Inc. recently announced its plans for a new factory in Shanghai, expected to produce 500,000 electric vehicles within two to three years. Tesla's expansion into China represents a significant growth opportunity in the sector, given that the country is the world's largest market for electric vehicles.²
- The potential for autonomous driving is proving to go beyond consumer markets.
 - A Swedish start-up introduced an all-electric, autonomous logging truck. The "T-log" developed by Einride operates at level 4 autonomy and has no driver cab. The truck is designed to withstand rigorous environments, demonstrating how autonomous and electric vehicles will have a place within different industries.³
 - An autonomous car developed by Roborace became the first ever autonomous racing car to complete the Hillclimb at the Goodwood Festival of Speed. The car drove at speeds of 75 mph (although capable of higher speeds according to Roborace) and navigated the track without a driver.⁴
- City and provincial actors are showing support for electric and autonomous vehicles, paving the way for higher demand and adoption from consumers.
 - The City of Toronto plans on piloting a new project in 2020 that would look to shuttle commuters to and from transit stations using autonomous vehicles.⁵
 - BC Hydro announced their opening of 13 new electric vehicle charging stations across the southern area of the province, capable of charging an EV's battery to 80% in 30 minutes or less. The current figure of 9,000 electric vehicles in the province is expected to rise to 300,000 by 2030.⁶

ATTRIBUTION:

- Holdings in Advanced Micro Devices rose 21.0%*, following the anticipated announcement of their new B450 chipset, the successor to the popular B350 chipset. The B450 chipset is promising for consumers on a tight budget, as companies like Asus, Gigabyte and MSI are likely to follow the chip's release with the announcement of their own more affordable motherboards.⁷
- EnerSys also contributed to the ETF's performance, its shares seeing a 8.8%* rise over the last month. The company signed a four-year agreement with Navistar to supply their International branded trucks and dealer aftermarket program with its Odyssey batteries.⁸ EnerSys also released its PowerSafe ESG battery this month, which has a capacity range of 187-935 amp-hours (good for 8 hours' use).⁹

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 ESG ETFs

SOURCES:

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- ² <https://www.theglobeandmail.com/business/international-business/asia-pacific-business/article-tesla-to-open-factory-in-shanghai-with-annual-capacity-of-500000-cars/>
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- ⁵ <https://www.thestar.com/news/gta/2018/07/03/toronto-plans-to-test-driverless-vehicles-for-trips-to-and-from-transit-stations.html>
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- ¹² <https://www.cbsnews.com/news/intel-chief-dan-coats-says-of-cyber-attacks-we-are-at-a-critical-point/>
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- ¹⁶ <https://www.prnewswire.com/news-releases/check-point-and-wirex-systems-partner-to-improve-network-security-300679196.html>
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- ¹⁸ <https://blogs.wsj.com/cio/2018/07/30/pentagon-signs-885-million-artificial-intelligence-contract-with-booz-allen/>
- ¹⁹ <https://www.businesstimes.com.sg/hub/leading-women/women-do-make-a-difference>
- ²⁰ <https://www.investordaily.com.au/markets/43356-gender-diversity-linked-to-higher-returns>
- ²¹ <https://www.globalbankingandfinance.com/cfa-institute-reaches-milestone-as-women-elected-to-board-leadership-positions/>
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- ²³ <https://money.cnn.com/2018/07/02/pf/women-boards-representation/index.html>
- ²⁴ <https://www.reuters.com/article/us-pfizer-study/pfizer-lilly-pain-drug-meets-late-stage-trial-goals-idUSKBN1K81AL>
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- ²⁶ <https://www.houstonchronicle.com/business/energy/article/Andeavor-secures-more-Mexico-pipeline-and-storage-13097063.php>

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