

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 August 31, 2018

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

MACROECONOMIC HIGHLIGHTS:

- Sales of Electric Vehicles (EVs) continue to increase. BMW sales of plug-in electric models in August delivered 11,669 units, which is an increase of 62.3% than the previous year.
- 6,109 new passenger plug-in cars were registered in Norway, which is 13.3% more than a year ago at an amazing 42.1% market share. Norway is leading this trend having set a goal of all new vehicles being emission free by 2025. This transition will make Norway one of the cleanest “carbon” countries in the world as 98% of Norwegian electricity comes from hydropower.
- In August, Tesla set a new global record for sales of an electric car in a single month with an estimated 17,800 units of the Model 3. Tesla’s attractive brand, high performing cars and charismatic CEO keep auto innovation in the public eye.

ATTRIBUTION:

- Elon Musk’s tweets about taking Tesla private caused the share price to move wildly in August. It rallied 35%* in early August to \$388, then dropped 24%* from that peak by month end. Exciting as this news was, the end result is the company will remain public, satisfying both the bulls and the bears in one of the most followed names in the US market.
- Chip makers made the largest contribution to the ETF return for the month. Shares of Nvidia and AMD rose 14.7%* and 37.3%*, respectively. Semiconductors have had a strong year as more and more product categories join the “Internet-of-Things”. Many products, including new cars, now contain an Internet connected computer. Autonomous driving applications demand the powerful semiconductors which tends to drive profitability for chip companies who have products serving this category.

ESG IMPACT:

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

*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 August 31, 2018



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

MACROECONOMIC HIGHLIGHTS:

- Cyber security as a global arms race is a story that continues to grow. Investigation into Russian interference in the 2016 US election continues to draw headlines.
- Now the US finds itself facing off against other world powers. China is looking to narrow the gap with the US in terms of cyberwarfare capabilities, according to an assessment of Chinese military capabilities published by the Department of Defense (DoD). According to the report, the Chinese army has emphasized the importance of cyberspace for national security because of the country's increasing reliance on its digital economy.
- Skilled labour continues to lag the need for cyber security expertise. A recent review of job openings that suggests Australia only has 7 percent of the cybersecurity skills it needs. This has led some security firms to create their own "universities" at which they train new recruits in order to meet market demand.
- Not all cyber threats come from the dark web or foreign countries. Apple removed the Facebook VPN app from the iPhone app store in August for violating policies on data collection. In a world where data is the new oil, is it any surprise that companies will do anything to gather it?

ATTRIBUTION:

- Shares in network security provider Fortinet jumped 33%* in the month as they expanded their strategic relationship with IBM and was named one of Fortune Magazine's 100 fastest growing companies. Fortinet shares have returned 91.7%* for the year to the end of August.
- Palo Alto Networks continues to deliver strong returns for the portfolio, gaining 16.6%* for the month and 59.5%* year-to-date. Their rapid growth has been driven by its core network firewall product taking market share from larger peers such as Cisco and Juniper in the last few years. Market share for core product offerings is critical in the cyber security market where the sale of lucrative ancillary items such as professional services is often related.

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 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 August 31, 2018



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

MACROECONOMIC HIGHLIGHTS:

- Adding to the growing volume of literature, a recent study by Harvard Law School found gender diverse boards benefit companies in three main ways:
 1. Gender diverse boards manage risk better.
 2. Gender diverse boards offer more comprehensive understanding of key company stakeholders.
 3. Gender diversity increased board attendance and effectiveness.
- Governments are promoting the theme through new legislation. California passed a bill requiring all publicly traded firms to have at least one woman on their boards by the end of 2019. By 2021, companies in the state will be required to give women at least 40% of their board seats.

This follows in the footsteps of similar legislation passed by Norway in 2008. More than a dozen countries now have similar rules on the books including Belgium, France, Italy, Spain and the Netherlands.

ATTRIBUTION:

- Tech names led the way for the month with AMD, Adobe and Salesforce.com delivering 37.3%*, 7.7%* and 11.3%* respectively. The Information Technology sector in the ETF is up 32%* year-to-date.
- Another strong contributor has been the Energy sector which has gained 19%* year-to-date. Oil and gas major Hess Corp gained 2.6%* in the month to extend a run that has returned 43%* since the start of the year.
- Overall performance has supported the thesis that firms with strong gender diversity practices tend to be leaders in their industries with mature, stable and growing businesses.

ESG IMPACT:

The ETF'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.

