

## 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.



As at January 31, 2019

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

### MACROECONOMIC HIGHLIGHTS:

- The development of electric vehicles (EV) and associated parts and equipment continued to advance in January on the back of the evolution of innovative technology and strong infrastructure spending
- Ford and Volkswagen announced a “global alliance” to explore partnering on EVs, including commercial vans and medium-sized pickups for global markets beginning as early as 2022, as well as to collaborate on the development of autonomous vehicles and mobility services.
- Volkswagen also announced that it plans to start production of mobile charging stations which can be set up anywhere as required, with or without connection to the power supply. The chargers will be capable of charging up to four cars at once.
- Coming under increasing competitive pressure from a growing number of EV makers, Tesla, currently the world’s number one electric car maker, announced that it is laying off 7% of its fulltime employees in the US and cutting all non-essential contractors as it seeks to deliver profits and a \$35,000 Model 3, which is currently priced at \$44,000. This move follows an earlier 9% cut of its US workforce last June.
- In an unrelated development, London’s Gatwick Airport plans to test an autonomous robot to park cars at the facility. It is expected that the autonomous system will enable the airport to pack many more cars in the same amount of lot space. Passengers will drive their cars into one of eight numbered cabins, confirm their parking reservation on a touch screen, and take their keys with them as they leave. Then, a robot will take the car to a spot in a secured lot.

### ATTRIBUTION:

The ETF provided a positive return to investors in January. At the end of the month, it held 66% of its portfolio by weight in companies in the Auto Supply Chain; and 17% each in Auto Parts and Equipment and Auto Makers. Stocks in the Auto Supply Chain contributed to the ETF’s return. The best performing stocks in this segment of the market included: Advanced Micro Devices, and Melexis NV. The Auto Parts and Equipment and Auto Makers segments contributed as well with the best performing stock being Visteon Corp, while Ferrari NV was the best performing stock in the Automaker segment.

### 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.

## 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.

As at January 31, 2019



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

### MACROECONOMIC HIGHLIGHTS:

- Although there were no major cyberattacks in January, Cybersecurity remained the No. 1 external concern for U.S. CEOs for 2019, according to a Conference Board survey of more than 800 international CEOs and 600 C-suite members. In fact, CEOs in the financial industry rank cybersecurity above a recession as a risk to their businesses.
- Cyberattacks and data theft also topped the charts of the Global Risks Report 2019 released by World Economic Forum's 14th Edition.
- The findings of the Conference Board survey, titled the C-Suite Challenge 2019™, found that only one-third of companies view cybersecurity as a threat to business growth, but noted that the price tag for cyberattacks over the next five years could mount to \$5.2 trillion, which means that ignoring security is ill-advised.
- According to an Accenture report, companies in the high-tech industry could lose more than \$753 billion in the event of a security incident, while the life sciences and automotive industries could be hit with more than \$642 billion and \$505 billion, respectively, in costs.
- Accenture cautioned that in the face of a slower economy, revamping business models or introducing new technologies could be neglected, thereby creating exposure to cybersecurity risks. It also noted that with the addition of more digital tools, security needs are elevated. Therefore, as new technologies are introduced, CEOs need to ensure the integrity of their new digital economy and develop appropriate governance policies.
- Cyber risks were also highlighted by Point Software Technologies, an Israel based cyber security firm which warned in a press release that enterprises around the world should prepare themselves to face 'mega' cyberattacks. The firm noted that large scale cyberattacks have been targeting mobile, cloud and on-premise networks and that they are scaling and fast moving like never before, with fifth generation cyberattacks increasing and impacting a greater number of firms.

### ATTRIBUTION:

The ETF provided investors with a positive return in January. Top performing holdings for the month included Virnetex Holding Corp., Secureworks Corp. A, FFRI Inc. and Limelight Networks Inc. The largest contributor to the ETF's performance was Zscaler Inc., which comprised 4.66% of the portfolio by weight.

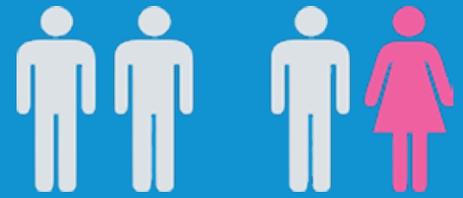
### ESG IMPACT:

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.

## 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.

As at January 31, 2019



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

### MACROECONOMIC HIGHLIGHTS:

- Gender based investing remained one of the fastest growing segments of sustainable investing as investment managers increasingly embrace gender diversity as one of the driving forces of corporate performance.
- In addition, women are also the underlying driver of investment decisions in the consumer sector. According to a Harvard Business Review article, women make up the majority of consumer decisions: 94% of furniture, 92% of vacations, 91% of homes, 60% of cars and 51% of consumer electronics
- A gender-based investment strategy has been adopted by a wide range of institutions, ranging from large asset management firms such as BNY Mellon Investment Management to development finance institutions of the G7 countries. Incidentally, G7 countries have committed to collectively mobilize \$3 billion to improve female access to quality employment, leadership opportunities and products and services that enhance economic participation.
- In Canada, Evolve ETFs pioneered gender-based investing and was followed by RBC Asset Management and Mackenzie Investments' which launched similar products.
- Data released by Statistics Canada, showed that 61.4% of Canadian women participated in the labour force in November 2018, compared to 69.6% with men. On the other hand, more women, 56.1%, enrolled in post-secondary education programs during the 2016-2017 period, compared to 43.8% men. Although the gap in women in management positions is narrowing, it remains wide with 593,400 women employed in management positions across Canada in 2017, compared with 1,123,900 men.
- It is anticipated that gender-based investment strategies will remain attractive, driven by government policy and an increasing trend towards gender equality.

### ATTRIBUTION:

The ETF had positive performance during the month of January. It held a widely diversified portfolio, with exposure of less than 1% to each holding.

### 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.

### DISCLAIMER

Commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs). Please read the prospectus before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs. Please read the prospectus for a complete description of risks relevant to the ETF. Investors may incur customary brokerage commissions in buying or selling ETF units.