

Evolve Marijuana ETF

SEED is an actively managed ETF that provides investors with exposure to a diversified portfolio of companies, both domestic and international, that are involved in the marijuana industry.

As at January 31, 2019



TICKER: SEED (Unhedged)

MACROECONOMIC HIGHLIGHTS:

- Cannabis stocks performed well during the month of January on the back of optimism over the prospects of the sector, which experienced a flurry of corporate activity.
- At a macro level, Ontario held its much anticipated lottery for its first 25 cannabis retail store licenses, with mostly mom and pop outfits emerging as winners. The province chose to limit the number of licenses due to a shortage of product which is being hampered by a licensing backlog at Health Canada.
- On the corporate front, Aphria Inc. announced a 92% increase in sales for the quarter ended November 30, 2018, fuelled by higher demand for recreational cannabis. However, its average selling price fell by 8% because recreational pot is cheaper than medical pot, contributing to the company missing its earnings target. According to Statistics Canada, retail sales rose 25% in November, the first full month following the legalization of recreational use of cannabis.
- Aurora Cannabis Inc. announced that it will buy closely held Whistler Medical Marijuana Corp., one of Canada's original 10 licensed producers, in an all-share deal valued at up to \$175 million.
- Tilray Inc., whose post-IPO lockup period expired on January 15, gave its largest shareholder Privateer Holdings Inc. an opportunity to sell its stake but the company chose not to sell at this point in time, sending Tilray's stock higher.
- Constellation Brands Inc., cut its profit outlook, partially blaming higher interest expenses from its investment in Canopy Growth Corp.
- In the meanwhile, investor attention has commenced shifting away from the Canadian market, with companies beginning to focus on the US and international markets. Canopy Growth Corp. announced plans to spend up to US\$150 million to build its first production facility in the U.S. after it obtained a hemp license from New York state – following the legalization of hemp and hemp-derived cannabidiol in the US in December.

PORTFOLIO ATTRIBUTION:

The ETF had a 29% exposure by weight to emerging cannabis stocks including, Organigram Holdings Inc., and Hexo Corp. The remainder of the portfolio, 20% by weight, was held in non-pure marijuana stocks.

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.