

Evolve Innovation Index Fund

EDGE provides investors with access to global companies that are involved in innovative or disruptive trends across a broad range of industries.

As at April 30, 2019



ETF TICKER: EDGE (Hedged)

MUTUAL FUND FUNDSERV CODE: EVF160 (Class F); EVF161 (Class A)

MACROECONOMIC HIGHLIGHTS:

- Developments in the AI space made headlines during April. Google announced that it wants to position itself as an “AI first” company and plans to establish research centers across the globe in places such as Tokyo, Zurich, New York, and Paris. It opened its first center in Ghana, Africa.ⁱ
- Google also expanded its partnership with Salesforce in an attempt to create a smarter customer service experience. The goal is to combine Salesforce’s customer knowledge with Google’s customer service-related AI products.ⁱⁱ
- Facebook also confirmed that it is working on an artificial intelligence-based digital voice assistant similar to Amazon’s Alexa and Google Assistant. Facebook says it is focusing less on messaging and more on platforms in which hands-free interaction, via voice control and potentially gesture control, is paramount.ⁱⁱⁱ
- The month was dominated by earnings reports by companies held by the ETF.
- Fortinet Inc. the global leader in integrated and automated cybersecurity solutions reported its Q1 2019 results which beat earnings and revenue estimates. Revenue was up 18% YoY, while billings were up 19%YoY.
- Alphabet Inc. reported Q1 2019 results, which missed estimates. While advertising revenue rose 15%, this was the slowest pace of growth since 2015. The number of clicks on Google ads also rose, by 39%, but this represented the lowest YoY growth since 2016. Although the slowdown can be attributed to changes YouTube has had to make to improve user experience, increasing competition also appears to be limiting growth.
- FireEye Inc. reported Q1 2019 results which were in line with estimates. Revenues rose by approximately 6% YoY.
- Proofpoint, which specializes in email and data-loss protection, and is a competitor to FireEye and Symantec, also reported Q1 results which beat earnings and revenue estimates. Revenues were up 25% YoY and billings were up 15% YoY.





- SAP, Europe's most valuable technology company reported Q1 2018 results, indicating that revenue was up 16% YoY. The company also reported an adjusted operating margin of 24% for the quarter, as it grapples with a catch-up transition to cloud computing. New cloud bookings were up 32%, while cloud revenue grew 45% YoY.
- Facebook Inc. reported Q1 results, which beat earnings and revenue estimates. It reported revenue of \$15 billion. The company also announced that it has set aside \$3 billion to pay a potentially record-setting US Federal Trade Commission fine over its abysmal privacy and security track record.
- Snap reported Q1 2019 results, with YoY revenue growth accelerating by to 39% to \$320m, with positive guidance for Q2. Daily active users increased 2% to 190 million compared to previous quarter.
- Twitter reported Q1 2019 results, beating street expectations. It reported revenue of \$787m, up 18% YoY.
- In the genomic segment of the portfolio, Bristol-Myers Squibb reported Q1 2019 results, with earnings beating expectations, Q1 2019 revenue increased by 14% YoY to \$6 billion and the company issued positive guidance for Q2.
- Bristol-Myers also obtained approval to move forward with the acquisition of Celgene in Q3 2019. The acquisition will diversify Bristol-Myers' pipeline of experimental drugs, enabling it to consolidate its plans to create a leading biopharma company with first-in and best-in class medicines.

PERFORMANCE ATTRIBUTION:

- The ETF tracks a benchmark index designed to expose investors to returns in six sectors: big data and cloud computing, robotics and automaton, cyber security, automotive innovation and social media, which together account for 87% of the weight of the portfolio in roughly equal individual segment weights; and genomics – which has a 13% weight.

SOURCES:

ⁱ <https://www.cnn.com/2019/04/14/africa/google-ai-center-accra-intl/index.html>

ⁱⁱ <https://techcrunch.com/2019/04/10/salesforce-and-google-want-to-build-a-smarter-customer-service-experience/>

ⁱⁱⁱ <https://www.theverge.com/2019/4/17/18412757/facebook-ai-voice-assistant-portal-oculus-vr-ar-products>

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.

