

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 July 31, 2019



ETF TICKER: EDGE (Hedged)

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

MACROECONOMIC HIGHLIGHTS:

In July, Microsoft updated its privacy policy to disclose that human transcribers may listen to recordings of people using its Skype calling service and Cortana virtual assistant. This move was made on the back growing criticisms of Microsoft, as well as Google, Facebook, and Apple for using human transcribers to review audio quality of their voice products and to train translation or transcription algorithms. Criticisms stemmed from concerns that the companies failed to adequately notify users about their practices.

While Microsoft is continuing to use human transcribers, raising concerns about privacy, Google, Apple, and Facebook have said that they would pause the use of human transcribers.ⁱ

After over a year of waiting in regulatory limbo, the United States Justice Department approved the \$26 billion merger deal between T-Mobile and Sprint. Both the FCC and the Justice Department are required to approve the deal before it can move forward, although the FCC has already signalled that it will approve it. T-Mobile and Sprint claim that their combined assets would make them a more viable competitor to AT&T and Verizon. The companies said they would be able to lower prices for consumers and more quickly deploy next-generation 5G networks across the country - are arguments that have faced harsh criticism from consumer advocates and some experts.

In fact, over a dozen state attorneys general have filed a multistate lawsuit to block the deal, claiming that when it comes to corporate power, bigger isn't always better and that the merger would cause irreparable harm to mobile subscribers nationwide by cutting access to affordable, reliable wireless service for millions of Americans.ⁱⁱ

Facebook's plan to create a new cryptocurrency, Libra, has come under scrutiny. The social media company has been forced to defend the project on Capitol Hill, amid regulatory concerns around data privacy and potential illegal usage, while the G-7 has warned that it poses serious legal risks. In fact, Libra has been deemed an experiment in monetary systems for the digital age, and has inevitably been compared to popular cryptocurrencies like bitcoin. However, many experts question whether Libra can even be called a cryptocurrency.



One of the biggest differences lies in the underlying technology behind both currencies. With bitcoin, transactions are recorded anonymously on a public ledger known as the blockchain, making it virtually tamper proof. Libra also uses a form of blockchain, or distributed ledger technology but unlike bitcoin, its blockchain is permissioned — at least for now — meaning that transactions can only be added to it by a group of trusted parties.ⁱⁱⁱ

Amazon, one of the most influential but controversial companies of the internet age, turned 25 in July. The company has embedded itself so thoroughly into the infrastructure of modern life, and into the business models of so many companies, including its competitors, that it's nearly impossible to avoid it. As the company entered into more industries, its size, scale and influence has exploded. From 2014 to 2018, its revenue nearly tripled, from \$89 billion to \$233 billion. And its profits have surged to reach \$10.1 billion last year.^{iv}

In news about companies held by the ETF, Fortinet Inc., the global leader in integrated and automated cybersecurity solutions reported Q2 results, beating expectations and raising its full-year adjusted earnings outlook, prompting multiple analysts to raise their price targets. The company reported second-quarter net income of \$72.7 million, or 42 cents a share, compared with \$49.3 million, or 28 cents a share, in the year-ago period. Revenue rose to \$521.7 million from \$441.3 million in the year-ago quarter.

FireEye Inc., which won the award for “Best Security Company of the Year” at the 2019 Cyber Security Awards announced Q2 earnings results, with revenue increasing 7% YoY, to beat estimates. Revenue was boosted by strong cloud based platform and new business sales. FireEye also announced the opening of a London Office to better serve its growing UK customer base.

PERFORMANCE ATTRIBUTION:

The ETF tracks a benchmark index designed to expose investors to returns in seven sectors: big data and cloud computing, robotics and automaton, cyber security, automotive innovation, 5G and social media, which together accounted for 84% of the weight of the portfolio; and genomics – which had a 16% weight.





SOURCES:

ⁱ <https://fortune.com/2019/08/14/microsoft-workers-listen-skype-cortana/>

ⁱⁱ <https://www.theverge.com/2019/7/26/6646158/t-mobile-sprint-merger-justice-department-approves-26-billion-fcc>

ⁱⁱⁱ <https://www.cnbc.com/2019/07/19/bitcoin-vs-libra-how-facebooks-cryptocurrency-is-different.html>

^{iv} <https://www.engadget.com/2019/07/05/this-week-in-tech-history-amazon-turns-25/>

DISCLAIMER:

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

