

## 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 September 30, 2019



**ETF TICKER:** EDGE (Hedged)

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

### MACROECONOMIC HIGHLIGHTS:

In September, Facebook announced the launch of three new hardware products, Portal, Portal Mini, and Portal TV, focused on video calling and augmented reality, with privacy as a key selling feature. As a result, the company will double down on its voice assistant products that will compete with similar devices from Google and Amazon for an increased share of consumers' attention. These second-generation products each feature a camera with a set of microphones, and combine video calls with augmented reality features such as multiplayer games and 3D camera lenses.

According to eMarketer, nearly 112 million people in the U.S., or one third of the population, will use a voice assistant at least monthly this year. The Amazon Echo, a pioneer of the product category, still dominates market share with an estimated 63% of all U.S. smart speaker sales in 2019. The category is facing increased competition, however, with Google estimated to reach 31% of sales this year and others such as Facebook and Apple estimated to collectively reach 12%.<sup>i</sup>

In the meanwhile, Libra, Facebook's crypto-based payments network initiative launched last June, appears to be losing support among some its major backers such as Visa and Mastercard, among others. It would appear that some of the early backers of the project, which was expected to come on stream next year, are reconsidering their involvement following a backlash from U.S. and European government officials. Wary of attracting regulatory scrutiny, they have declined Facebook's requests to publicly support the project.<sup>ii</sup>

According to the Financial Times, a Google researcher's paper claiming to have achieved quantum supremacy, a major early milestone in the field of quantum computing, appeared on a NASA website this week before being removed.

Incidentally, Google, as well as IBM, Microsoft, Intel, and other large tech companies and start-ups, have been working to build quantum computers, a new kind of computer based on an entirely different architecture than classical computers. Though this announcement is not official, scientists and industry experts have long expected Google to build a quantum computer capable of performing calculations that classical computers cannot.



For instance, the Google publication, according to the Financial Times, claimed that the company's quantum processor can perform a calculation "in three minutes and 20 seconds that would take today's most advanced classical computer, known as Summit, approximately 10,000 years."<sup>iii</sup>

In the 5G space, Verizon announced that it has launched its 5G millimeter wave network in parts of New York City, including uptown, midtown, and downtown Manhattan, along with select parts of Brooklyn, the Bronx, and Queens. In total, Verizon now provides mobile 5G services in 11 cities and plans to reach over 30 cities by the end of the year and more than 50 percent of the US by the end of 2020.<sup>iv</sup>

Facebook, which is currently facing four separate antitrust investigations in the US, including probes by the FTC, the Department of Justice, Congress and a bipartisan group of state attorneys general, could face another investigation following a complaint from Snapchat. The company claims that Facebook prevented Snapchat-related terms from trending on Instagram and has handed over a trove of documents to the Federal Trade Commission detailing Facebook's efforts to stifle its business. This move may mean trouble for Facebook as investigators zero in on its aggressive behavior that may have run afoul of antitrust law.

Snapchat also says Instagram threatened to take away users' verified status if they posted Snapchat links on their profile. In 2016, Instagram banned users from doing so. According to the Wall Street Journal, the FTC is also investigating Facebook for copying key features from their rivals after the company failed to acquire them, which happened with Snapchat and Foursquare.<sup>v</sup>

In the meantime, should Senator Elizabeth Warren become the next US president, she has vowed to break up big technology companies such as Google, Facebook and Amazon. Yet, a growing contingent of Democratic donors in Silicon Valley, where many of these behemoth tech companies are located, are looking to support Warren's 2020 campaign.

Incidentally, many of the largest U.S. tech companies have also already stopped pursuing big acquisitions under Trump's populist approach to regulatory policy, which has successfully blocked Broadcom's hostile acquisition of Qualcomm and unsuccessfully sued to block AT&T's \$108 billion acquisition of Time Warner.<sup>vi</sup>

## PERFORMANCE ATTRIBUTION:

The Fund tracks a benchmark index designed to expose investors to returns in seven sectors: 5G, big data and cloud computing, robotics and automaton, cyber security, automotive innovation, and social media, which together accounted for 88% of the weight of the portfolio; and genomics – which had a 12% weight. The best performing stock in the portfolio for the month was Seattle Genetics Inc., followed by Samsung Electronics Co. Ltd.



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**SOURCES:**

- i <https://www.forbes.com/sites/mnunez/2019/09/18/facebook-moves-deeper-into-hardware-with-the-launch-of-three-new-portal-devices/#140dc094bea4>
- ii <https://www.wsj.com/articles/visa-mastercard-others-reconsider-involvement-in-facebook-s-libra-network-11569967023>
- iii <https://gizmodo.com/google-says-its-achieved-quantum-supremacy-a-world-fir-1838299829>
- iv <https://www.theverge.com/2019/9/19/20873652/verizon-5g-new-york-city-manhattan-brooklyn-bronx-queens>
- v <https://www.forbes.com/sites/gradsoflife/2019/08/22/talent-rewire-community-members-are-changing-the-world/#545af8243d94>
- vi <https://www.cnbc.com/2019/10/01/silicon-valley-ready-to-back-elizabeth-warren-despite-tech-break-up-plan.html>

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