

## 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 November 29, 2019



**ETF TICKER:** EDGE (Hedged)

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

### MACROECONOMIC HIGHLIGHTS:

Innovative developments continued to be dominated by big tech companies during the month. Facebook announced three new products that will make it easier for people to donate to charities and causes they want to support. The products include a new fundraiser sticker for Facebook Stories, a donate button for Instagram business accounts and a donate button for video game live-streamer accounts. The updates push Facebook deeper into online charitable donations industry, which is currently dominated by incumbents GoFundMe and Paypal, both of which charge a 2.9% payment-processing fee on each donation, in addition to 30 cents for every donation. Facebook will not charge a fee on any donations.

Incidentally, the non-profit donations industry generates billions of dollars each year. In 2018, more than 55 million people used Paypal to give \$9.6 billion to non-profits. Since 2010, GoFundMe has been used to raise more than \$5 billion. Facebook, by comparison, has helped individuals and organizations raise more than \$2 billion since 2015.<sup>i</sup>

Google announced that it will offer consumer checking accounts next year, according to the Wall Street Journal. The move is the latest example among big tech companies venturing into finance, including Apple Inc.'s credit card and Facebook's venture into a digital currency. Google's checking account project is code-named Cache. It was reported that Citigroup and a credit union at Stanford University will manage the accounts. Customers would be able to access their checking accounts through Google Pay, which is projected to have 100 million users by 2020.<sup>ii</sup>

IBM reported that it has built financial services-specific cloud technology in collaboration with Bank of America, which will be the first major bank to use the platform. The public platform, IBM's first industry-specific cloud, is designed to meet the high regulatory, security and resiliency standards required of the financial services industry. Cloud services used by banks have come under scrutiny in Washington after a massive data breach at Capital One raised questions over the risks posed by banks' reliance on third-party cloud providers. U.S. lawmakers have asked regulators to consider direct oversight of the cloud services big tech companies provide to banks - like Amazon's Web Services, Microsoft's Azure and Google Cloud - saying they have become a critical component of the global financial system.<sup>iii</sup>





Facebook's CEO, Mark Zuckerberg, said the social media company is planning to integrate its three instant messaging apps, WhatsApp, Facebook Messenger, and Instagram's direct message function. Traditionally, the three apps have targeted different audiences, had different uses, and different structures, with a certain degree of autonomy among them. While the three apps will continue to be standalone and separate, their technical infrastructure will be the same. The change will require that every communication will be end-to-end encrypted, visible only to the users and no-one else.<sup>iv</sup> Given Facebook's track record on privacy, industry analysts as well as lawmakers and politicians viewed the move with some degree of skepticism.<sup>v</sup>

Amazon is protesting the Pentagon's decision to award a \$10 billion cloud-computing contract to Microsoft, citing "unmistakable bias" in the process. The company said it filed its protest in the U.S. Court of Federal Claims, which deals with financial claims against the federal government. Amazon's competitive bid for the "war cloud" project drew criticism from President Donald Trump and its business rivals. The project, formally called the Joint Enterprise Defence Infrastructure, or JEDI, pitted leading tech titans Microsoft, Amazon, Oracle and IBM against one another. Amazon was widely considered the front-runner in the contract competition. Tech giants Oracle and IBM pushed back with their own bids and also formally protested the bidding process last year. Oracle later challenged the process in federal court, but lost.<sup>vi</sup>

Facebook removed tens of millions of posts, photos and videos over the past six months for violating its terms of service that restrict the use of child pornography, drug and gun sales, and terrorism. The company revealed its sweeping efforts to police its own network in its latest biannual transparency report, which also includes data from Instagram. Facebook said that it removed about 11.6 million pieces of content it deemed to be child nudity and sexual exploitation of children in the third quarter, roughly double the number of pieces of content removed for the same reason in the first quarter. The New York Times in September claimed that Facebook Messenger was responsible for nearly 12 million of the 18.4 million worldwide reports of child sexual abuse material.<sup>vii</sup>

In a new study by Accenture, it was noted that artificial intelligence is so important for business success, that most executives fear their companies will fail without it. Seventy-five percent of executives believe they risk going out of business in 5 years if they don't scale AI." Additionally, 76% of respondents said they are struggling to widely adopt A.I. in their businesses. Accenture's report was based on a survey of 1,500 C-suite executives worldwide, from industries including banking, energy, life sciences, and travel.<sup>viii</sup>

Aventura Technologies, former partner of banned surveillance provider Hikvision, which has proclaimed that its tools were "Made in the U.S.A." over the past 19 years, was accused of using Chinese technology instead. The Department of Justice has accused the company and seven current and former employees, of a scheme dating back to 2006 to defraud the U.S. government by selling Chinese-made equipment with a "known cybersecurity vulnerability," raising concerns about the national security implications of Chinese surveillance equipment being installed on critical U.S. networks.



The Justice Department said Chinese-made, Aventura gear “was installed on dozens of Army, Navy and Air Force bases, Department of Energy facilities, and among other places, on Navy aircraft carriers.”<sup>ix</sup>

In the genomic sector, a neuro-radiologist at Toronto’s Western Hospital reportedly carried out the world’s first robotic brain surgery. The robot-assisted aneurysm coiling was conducted on a 64-year-old female patient, using a CorPath GRX, a second-generation robotics platform capable of “submillimetric” movements. It is controlled using joysticks and touchscreen controls.<sup>x</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 87% of the weight of the portfolio; and genomics – which had a 13% weight. The best performing stock in the portfolio for the month was the Genomics company, Beigene Ltd., followed by Big Data & Cloud Computing company, Paycom Software Inc.

**SOURCES:**

- <sup>i</sup> <https://www.forbes.com/sites/mnunez/2019/11/14/facebook-instagram-challenge-paypal-with-new-donation-tools/>
- <sup>ii</sup> <https://www.forbes.com/sites/beasleydavid/2019/11/13/googles-latest-venture-checking-accounts/>
- <sup>iii</sup> <https://www.reuters.com/article/us-bank-of-america-ibm-cloud-idUSKBN1XG0J7>
- <sup>iv</sup> <https://www.iflscience.com/technology/facebook-plans-to-merge-whatsapp-messenger-and-instagram-what-does-this-mean-for-you/>
- <sup>v</sup> <https://www.businessinsider.com/lawmakers-react-facebook-plans-merge-messaging-apps-2019-1>
- <sup>vi</sup> <https://ca.finance.yahoo.com/news/amazon-protest-10b-pentagon-contract-234143664.html>
- <sup>vii</sup> <https://www.forbes.com/sites/mnunez/2019/11/13/facebook-instagram-child-porn-removal-mark-zuckerberg-ook-and-instagram-was-wider-than-believed/>
- <sup>viii</sup> <https://fortune.com/2019/11/14/executives-fear-accenture-a-i/>
- <sup>ix</sup> <https://www.forbes.com/sites/thomasbrewster/2019/11/07/this-new-york-company-claimed-its-government-surveillance-tools-were-made-in-the-usa--they-were-really-chinese-spy-tech-doj-says/>
- <sup>x</sup> <https://www.digitaltrends.com/cool-tech/robot-brain-surgery-canada/>

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