

Evolve Global Materials & Mining Enhanced Yield Index ETF

BASE invests directly or indirectly in equity securities of global issuers engaged in the manufacturing, mining and/or integration of metals and materials, with added value of a covered call strategy on up to 33% of the portfolio.

As at January 31, 2020



TICKER: BASE (Hedged); BASE.B (Unhedged)

MACROECONOMIC HIGHLIGHTS:

January saw a decreased demand for base metals due to a combination of factors, including a slowdown in the economy, lingering effects of the U.S.-China trade war, and the outbreak of the coronavirus and the negative toll it has taken on the Chinese economy in particular.

Ongoing quarantine of cities and idling of manufacturing plants while necessary to help arrest the spread of the coronavirus will have a huge impact on base metal demand in 2020, given how big a consumer of base metals China represents. And a decrease in demand for base metals will have the knock-on effect of decreased silver production as a by-product of base metal mining.ⁱ

Copper, in particular, was hit hard by slowing demand in China—the world's biggest copper consumer. Prices fell to eight-week lows as concern mounted over the potential economic impact of the coronavirus. Copper's 10% price slump in January marks the metal's heaviest single month fall since 2015.ⁱⁱ

Metal markets are accustomed to a dip in Chinese demand over the Lunar New Year holidays, but coupled with government-ordered extended holidays in an effort to combat the spread of the coronavirus, the usual post- Lunar New Year demand surge is going to be postponed longer than usual as return to work is pushed farther and farther back.

Zinc (down 2.3% to \$2,288 a tonne), aluminum (down 0.4% to \$1,774 a tonne), nickel (down 2.2% to \$12,665 a tonne), lead (down 1.7% to \$1,906.50 a tonne), and tin (down 0.9% to \$16,695 a Tonne) all likewise saw declines in January, driven by many of these same factors.ⁱⁱⁱ

The story for precious metals was a better one, especially for palladium, which was a standout on the month. The white metal saw its value skyrocket in January from US\$1,900 to almost US\$2,500, a record high.^{iv} There are questions, however, about whether this price surge is sustainable over the long term.

Likewise, gold—always a haven during times of financial and geopolitical uncertainty—saw its value boosted by the ongoing concern over the coronavirus in China.^v Fears of a broader epidemic that could hamper economic growth sparking a sell-off in Asian stocks and a move to gold. The yellow metal finished the month north of US\$1582 per ounce. Silver also finished up for January, at US\$17.97 per ounce.



SOURCES:

- ¹ <https://seekingalpha.com/article/4322679-usgs-reports-2020-silver-reserves-and-silver-production>
 - ² <https://www.reuters.com/article/us-china-copper-ahome/copper-flashes-red-warning-light-on-virus-hit-to-growth-andy-home-idUSKBN1ZX1W3>
 - ³ <https://www.cnbc.com/2020/01/27/reuters-america-metals-china-virus-concerns-push-copper-to-near-8-week-low.html>
 - ⁴ <https://www.kitco.com/commentaries/2020-01-27/Palladium-Surges-above-2-400-Is-It-Sustainable.html>
 - ⁵ <https://www.cnbc.com/2020/01/21/gold-markets-china-virus-outbreak-middle-east-tensions-bank-of-japan-in-focus.html>
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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.

