

## Evolve E-Gaming Index ETF

HERO invests in equity securities of companies listed domestically and globally with business activities in the electronic gaming industry.



As at January 31, 2020

**TICKER:** HERO (Hedged)

### MACROECONOMIC HIGHLIGHTS:

eSports continues to be a booming sector, with a growth rate of around 25% per annum. eSports global revenues increased an estimated 27% in 2019, exceeding US\$1 billion in revenue for the first time. The eSports global audience of 454 million in 2019 is forecast to reach 645 million by 2022.<sup>i</sup>

Activision Blizzard (a key holding of the HERO ETF) announced in January that it had entered into a multi-year strategic relationship with Google to bring Activision's top esports properties (Call of Duty League, Overwatch League, Hearthstone, and World of Warcraft) to YouTube as its exclusive streaming partner in all territories excluding China. The partnership will also see Google Cloud serve as the preferred provider for Activision Blizzard's game hosting infrastructure. The deal is worth a reported US\$160 million.<sup>ii</sup>

Activision Blizzard also struck another three-year-long strategic agreement with Electronic Sports League (ESL) and DreamHack, both part of the leading international entertainment group Modern Times Group (MTG). The ESL announcement states: "The world's largest esports company and the premier gaming lifestyle festival organizer will create new ESL Pro Tour formats for both StarCraft II and Warcraft III: Reforged, with Blizzard providing a respective prize pool of over US\$1.8 million and over US\$200,000 for the first season."<sup>iii</sup>

Major sponsors continue to be drawn to the booming eSport world, with the latest being Nike. No stranger to sports sponsorships, Nike entered into a number of sponsorship deals with eSport teams in January. Nike inked an agreement with Korean organization T1 as its exclusive apparel partner. Nike will design uniforms for all of T1's rosters, including its team in the LCK, as well as provide "cutting-edge training facilities" at T1's headquarters in Seoul, which is set to open in 2020. Nike will also create physical and mental strength training programs for the players.<sup>iv</sup>

Nike also partnered with the Spain-based Vodafone Giants to release a co-branded apparel collection in January, making it the first European eSports brand to become a global partner of the sports apparel giant.<sup>v</sup> This was followed quickly by the news that Nike had partnered with Germany's SK Gaming and retail store 11teamsports for an exclusive deal for SK Gaming's merchandise and performance wear.<sup>vi</sup>

In other sponsorship news, Bud Light has joined the top North American *League of Legends*



competition as a partner and as the “official beer of the league.” As part of a multi-year deal, Bud Light will be served at mobile bars and beer gardens at LCS Studio, with the brand also collaborating on viewing parties and post-show broadcasts. Bud Light has previously partnered with the Overwatch League and the NBA 2K League. Financial terms of this deal were not disclosed.<sup>vii</sup>

eSports betting platform Midnite—the only esports-dedicated betting operator for customers in the United Kingdom—has announced the results of a seed funding round that raised over US\$2.5 million. The round was led by Makers Fund, a venture capital firm focused on the “global interactive entertainment industry.” Midnite has now raised US\$4.5 million since April 2019, with previous investors including London-based Venrex Investment Management and executives from Betfair and GVC.<sup>viii</sup>

Allied Esports is set to receive a US\$5 million investment from real estate company Brookfield Property Partners. The deal will see Brookfield Properties help Allied Esports build esports venues in malls and retail destinations. As part of the agreement, the two parties will jointly-develop venues that will house both amateur and professional play, along with broadcast and streaming production facilities. Allied Esports recently announced that the Mall of Georgia would house its first joint esports venue with Simon Property Group, which will open in the second half of 2020.<sup>ix</sup>

And eSports infrastructure startup Vindex has established a partnership with Canadian cinema company IMAX. Founded by Major League Gaming co-founders Mike Sepso and Sundance DiGiovanni, Vindex will create esports events and exclusive content to be shown in IMAX theatres around the world through its new Vindex Studios division. IMAX operates in 81 countries with over 1,500 screens. The first productions should debut in the first half of this year.<sup>x</sup>

## SOURCES:

<sup>i</sup> <https://investorintel.com/sectors/esports-gaming/esports-gaming-intel/an-update-on-the-latest-news-in-the-esports-sector-for-january-2020/>

<sup>ii</sup> <https://esportsinsider.com/2020/01/activision-blizzard-google/>

<sup>iii</sup> <https://about.eslgaming.com/blog/2020/01/esl-and-dreamhack-enters-three-year-agreement-with-blizzard-entertainment/>

<sup>iv</sup> <https://esportsinsider.com/2020/01/t1-nike-partnership/>

<sup>v</sup> <https://esportsinsider.com/2020/01/vodafone-giants-nike/>

<sup>vi</sup> <https://gatagames.com/2020/01/18/sk-gaming-partners-with-nike-and-11teamsports/>

<sup>vii</sup> <https://esportsobserver.com/bud-light-official-beer-lcs/>

<sup>viii</sup> <https://esportsinsider.com/2020/01/midnite-seed-round/>

<sup>ix</sup> <https://esportsinsider.com/2020/01/allied-esports-brookfield-property-partners/>

<sup>x</sup> <https://variety.com/2020/digital/news/imax-esports-exclusive-vindex-mike-sepso-1203458790/>

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