

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 June 30, 2020



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

MACROECONOMIC HIGHLIGHTS:

Following a sharp curtailment of mining activity early in the year due to the coronavirus pandemic, the global materials and mining sector commenced showing signs of renewed life as lockdown conditions eased towards the end of the second quarter.

Early in the first quarter, concerns over the spread of the coronavirus triggered a sharp sell-off in the stock market, leading to a decline in the price of gold, negating the safe haven status typically attributed to the yellow metal. Although this was partially due to investors selling gold to cover losses made in other segments of the market, the price of gold, silver and other base metals fell on the back of reduced demand, particularly from China, which at the onset of the pandemic was the most affected country. Incidentally, China is one of the world's largest buyers of gold and base metals.

However, in June gold regained strength and crossed the \$1800-mark for the first time since 2011, fuelled in part by concerns over a sharp spike in coronavirus cases in some US states and by substantial central bank stimulus which boosted the non-interest bearing metal. Vast amounts of global stimulus to shield economies from the ravages of Covid-19 have pushed real yields below zero and have consequently made bullion more attractive.

Concurrently, copper climbed higher in the second quarter on nascent signs of a recovery in Chinese demand, while the dramatic spread of the coronavirus in top mining regions in South America, particularly Brazil, fuelled fears of a major disruption to supply.

In April, gold and platinum group metals producer Sibanye-Stillwater, one of the ETFs largest holdings, received approval to commence limited mining operations in South Africa, subject to the implementation of agreed protocols to address COVID-19 related health and safety risks.ⁱ Earlier in March, the company, the world's largest primary producer of platinum and rhodium, cautioned that the suspension of its operations will adversely impact on production at the SA mines and advised shareholders that its production for 2020 may differ from previous guidance.ⁱⁱ

The rising price of gold resulted in AngloGold Ashanti more than trebling its first quarter cash flow from operating activities and enabling it to boost its available liquidity to more than \$2-billion.



The company, one of the ETFs largest holdings, reported that that its diverse portfolio of 14 mines in nine countries helped to limit the impact of Covid-19-related stoppages in the first quarter.ⁱⁱⁱ

Throughout the period, the manager periodically used a covered call strategy to add value to the portfolio. Although the manager has the option of writing covered calls on up to 33% of the portfolio, volatile market conditions did not permit the continuous application of the strategy.

MACROECONOMIC HIGHLIGHTS:

At the end of June, the ETF held its largest exposure to Newmont Corp, which was the second largest contributor to its performance for the 6-month period ending June 30. The best performing stock was Gold Fields ADR, with Sibanye Gold ADR ranking third.

During the period, Gerdau SA, the largest producer of long steel in the Latin America and Lyondell Basell, one of the largest plastics, chemicals and refining companies in the world were the worst performing stocks in the ETF and were removed from the Solactive Global Materials & Mining Index.

SOURCES:

ⁱ <https://www.mining-journal.com/covid-19/news/1384798/sibanye-stillwater-to-restart-as-south-africa%E2%80%99s-lockdown-extends>

ⁱⁱ <https://www.kitco.com/news/2020-03-25/Sibanye-Stillwater-warns-of-production-drop-after-mine-closures.html>

ⁱⁱⁱ <https://www.miningweekly.com/article/anglogold-cash-flow-soars-231-liquidity-boosted-to-2bn-2020-05-11>

DISCLAIMER:

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.