

MARCH COMMENTARY

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.



EDGE (Hedged)



EDGE.U (USD)

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

MACROECONOMIC HIGHLIGHTS:

The Cybersecurity Maturity Model Certification (CMMC) — the new security standards all defence contractors will need to adhere to in order to bid on US military contracts — is under an ongoing “internal assessment,” according to the US Department of Defense. The review was billed as “routine” for a high-impact program like CMMC.

While CMMC is over a year into development, many companies are wary of the cost to adhere to the CMMC standard. These requirements include paying for third-party assessors to inspect your networks against a set of five-tiered stacking certification levels that identify the maturity and reliability of your company’s cybersecurity infrastructure.

Failure to meet the CMMC level required in a contract means a contractor is ineligible to bid on contracts for companies making up the defence industrial base (DIB)—the 300,000+ businesses, organizations, and universities that research, design, supply, and operate US military systems.

Volkswagen announced plans to establish six battery cell production “gigafactories” in Europe by the end of the decade as part of an effort to significantly increase mass adoption of electric vehicles globally. They also announced plans for a “new unified cell” that will drive the cost of battery systems to “significantly below €100” (around \$119.19) per kilowatt-hour. The unified cell would roll out in 2023 and be used in as much as 80% of the VW group’s electric vehicles by 2030. VW plans for the company, which also includes brands like Audi and Porsche, to be carbon neutral by 2050.

VW also plans to roll out 18,000 “public fast-charging points” in Europe by the year 2025 as part of the ‘IONITY’ joint venture with other major car makers, and strategic partners Enel in Italy, Iberdrola in Spain and BP in Great Britain. The Initiative will see VW invest 400 million euros over the next several years.

After a record 2020, the US videogame industry continues to strengthen in 2021. Data released in March by the NPD Group showed that spending on videogames grew 35% year-over-year in February to \$4.6 billion. Hardware sales likewise surged 121% to \$406 million. This marks a full year of sales gains for the industry amid pandemic conditions.

So far, the first two months of 2021 have seen spending on games growing 39% year-over-year to \$9.3 billion. Hardware sales have likewise seen a spike, with Nintendo's Switch console the best seller for the month in both units and dollar sales, making it the best February for any console game since 2009. Sony's PlayStation 5 took second place for console sales for the month. On the back of these figures, Newzoo is predicting global videogame revenues could reach \$189.3 billion in 2021.

Newzoo also released a study estimating that cloud gaming should generate \$1.4 billion by the end of 2021, which is twice the research firm's estimate for 2020. The increase is attributed to the growth in the number of users, the increase in cloud services from companies like Microsoft, Amazon, and Facebook, and increased interest from consumers in cloud gaming as a result of the pandemic. Newzoo further predicts that the cloud gaming market will be worth \$5.14 billion by the end of 2023.

PERFORMANCE ATTRIBUTION:

The EDGE ETF tracks a benchmark index designed to provide investors with access to global companies that are involved in disruptive innovation across a broad range of industries, including cyber security, cloud computing, e-gaming & e-sports, automobile innovation, 5G, blockchain, robotics & automation, and genomics. The best-performing stocks in the Fund for the month were Galaxy Digital Holdings Ltd, Marathon Digital Holdings, and Riot Blockchain Inc. By weight, the Fund's greatest exposure was to Argo Blockchain Plc, Riot Blockchain Inc, and Galaxy Digital Holdings Ltd.

SOURCES:

<https://www.fedscoop.com/dod-cmmc-review-new-administration/>

<https://www.cnbc.com/2021/03/15/vw-to-ramp-up-battery-production-with-six-gigafactories-in-europe.html>

<https://finance.yahoo.com/news/consumer-spending-video-games-jump-114511533.html>

<https://www.gamesindustry.biz/articles/2021-03-25-cloud-gaming-expected-to-hit-usd1-4-billion-in-revenue-this-year>

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Evolve ETFs

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Your investments should too.

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