

Evolve E-Gaming Index ETF

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



HERO (Hedged)

MACROECONOMIC HIGHLIGHTS:

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 market will be \$5.14 billion by the end of 2023.

The pandemic continues to have fallout for in-person trade events within the industry. The Tokyo Game Show announced that this year's 25th anniversary event be held online from Thursday, September 30th to Sunday, October 3rd. It will follow the online-only format of the 2020 show. Likewise, PAX East 2021 organizer ReedPop announced that the in-person event has been cancelled this year and replaced by a free three-day online event from July 15th to July 18th.

Activision Blizzard announced the appointment of Armin Zerza as its next CFO. Zerza joined the organization in 2015 as the CFO of Blizzard Entertainment. Zerza is currently both the COO of Blizzard and the CCO of Activision Blizzard. He replaces the retiring Dennis Durkin in the CFO role, and Zerza's term begins April 1st.

Electronic Arts (held by the Fund) inked a new long-term deal with the PGA Tour to return to the world of golf titles. EA previously published PGA Tour games until 2015, when an existing agreement lapsed. In addition, EA plans to release a new college football game in 2023.

Online games giant Nexon has invested \$874 million across four major games companies they feel “demonstrate the ability to develop and sustain strong, globally recognized intellectual property.” Investments were made in Bandai Namco and toys manufacturer Hasbro, as well as Konami and Sega Sammy, both holdings of the Fund. Nexon emphasized that these are “long-term friendly investments” with “no intention of acquisition or activism.”

The 11th Annual Game Publisher Rankings were released in March by review aggregator site Metacritic. Metacritic’s ranking is calculated based on four factors: average Metascore, percentage of scored products with good reviews, percentage of scored products with bad reviews, and number of “great” titles (Metascore of 90 or higher). Three of the Fund’s holdings ranked in the top five, with Sega at number one, alongside Capcom (#3) and Activision Blizzard (#5).

SOURCES:

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