

# 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.



BASE (Hedged)



BASE.B (Unhedged)

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## MACROECONOMIC HIGHLIGHTS:

Solid first-quarter earnings and a sharp increase in the price of copper helped lift the value of shares in copper and gold miner Freeport-McMoRan (held by the Fund).

The rising price of copper suggests that the recovery of the industrial economy is beginning to pick up speed as many regions of the world look to the end of the global pandemic. Demand for copper is likely to increase as spending on construction, electrical networks, transportation, and industrial machinery opens up post-pandemic. Likewise, the accelerating shift toward green energy from solar power and wind farms, as well as growing consumer preference for electric vehicles, mean that large quantities of copper will be needed in these industries for use in storage and transmission.

Likewise, the first quarter of the year has seen a boom in steel and iron ore.

North American prices for the benchmark hot-rolled coil steel are up 300% from pandemic lows, with prices also climbing in Europe. Worldwide steel demand is projected to grow 5.8%, exceeding pre-pandemic levels by the end of the year, according to the World Steel Association. In China, where steel is already at its most expensive since 2008, consumption will keep growing from record levels. China already accounts for half of the total global demand for steel.

Steel Dynamics, Inc., held by the Fund, announced record first-quarter earnings, with record net sales of \$3.5 billion, up from \$2.6 billion for the same period last year. Likewise, the company had record operating income of \$594 million and record net income of \$431 million. This comes on the back of near-record steel shipments of 2.8 million tons and record steel fabrication shipments of 184,000 tons in Q1.

Nucor Corp., the largest U.S. steelmaker, likewise announced record quarterly earnings for Q1 2021. Earnings of \$942.4 million made for the most profitable quarter in company history. Citing strong demand in most end-use markets coupled with lean inventories across supply chains, Nucor CEO Leon Topalian said he expects earnings for the second quarter of 2021 to exceed those of Q1.

At the same time, Nucor announced an expansion of capacity at its Gallatin mill in Kentucky later in 2021 and the launch of a new steel plate mill in 2022. Topalian said that Nucor is well-positioned to tackle any new

infrastructure projects that come out of President Joe Biden's plan to spend \$620 billion on infrastructure, including highways, roads, and bridges.

Brazilian steelmaker Cia Siderurgica Nacional (CSN) indicated in April that it was "attentive to opportunities" for its cement division after the announcement of an expected divestiture by LafargeHolcim in its activities in Brazil. CSN's Chief Executive Officer Benjamin Steinbruch said the company is interested in "potential M&A in the cement business" and could also proceed with the initial public offering of its cement division.

## PERFORMANCE ATTRIBUTION:

The top-performing stocks in the fund for April were Cia Siderurgica Nacional SA, Freeport-McMoRan Inc, and Vale SA. The Fund's largest exposure to stock by weight was to Nucor Corp, Steel Dynamics Inc, and Sibanye-Stillwater Ltd.

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## SOURCES:

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Your investments should too.

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