

# 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:

South African miner Gold Fields, held by the Fund, released its Q1 results in May. The company reported quarterly production of ~541,000 gold-equivalent ounces at all-in sustaining costs of \$1,078/oz. This is a production increase of 1% year-over-year from 2020. High gold prices and a weaker rand to the dollar have benefitted South African mining houses, whose revenues are mostly in dollars while costs are in rand.

The bullion miner also announced major capital spending plans for 2021, including a \$46.11 million US solar plant at its South African South Deep mine. Construction of the 40 MW solar plant is expected to begin in Q2 2021 and will consist of 116,000 solar panels and cover 118 ha, roughly the size of 200 soccer fields. When completed, the plant will generate 20% of the mine's electricity and save the mine more than \$8.8 million US (ZAR 120 million) on the cost of electricity per year.

The use of self-generated, renewable energy will likewise boost Gold Fields Group's use of renewable electricity from 3% to more than 11%. This will reduce the company's overall carbon footprint by around 100,000 tonnes of CO<sub>2</sub> a year, contributing to Gold Fields' long-term commitment to carbon-neutral operations.

In a clear sign that the US economy is in a recovery phase from the lows brought on by the pandemic, US domestic raw steel production expanded on a weekly basis for the week ending May 29 beyond the 80% capacity utilization threshold required for sustained profitability in the steel industry. This increase comes amid robust domestic demand and represents growth in demand of 50.1% from the same period last year. In May 2020, capacity utilization across the US steel industry sat at just 51.1% as demand for steel dried up in major markets due to pandemic-induced shutdowns.

The rising demand for steel in the non-residential construction and automotive markets has been a boon for several of the Fund's holdings, including Steel Dynamics Inc and Nucor Corporation.

Nucor has said it expects second-quarter earnings to be the highest quarterly earnings in its history, outpacing its record-setting earnings in the first quarter. Earnings are expected to be mainly driven by higher pricing and margins in the steel mills segment, given supply shortages and higher raw material costs.

In its capacity as North America's largest steel recycler, Nucor boosted its ongoing sustainability initiative in May with an announced partnership with Array Technologies. Array is one of the world's largest manufacturers of ground-mounting systems for solar power projects. Nucor, which already supplies a range of products to the solar industry, will provide Array with torque tubes and rolled steel used for its solar energy systems components. While also incorporating renewable energy sources in its manufacturing processes, participating in the renewable sector as a supplier has been lucrative for Nucor. Last year, the company said orders for its products by the renewable energy sector exceeded the 2019 volume by 15% just through September 2020.

Also in May, Nucor announced a plan to buy back up to \$3 billion of the company's outstanding common stock. This plan replaces a previously authorized \$2 billion buyback program begun in 2018, which, to date, had purchased roughly \$1.55 billion worth of the company's common stock. Shares of Nucor have gained 150.9% in the past year.

## PERFORMANCE ATTRIBUTION:

The top-performing stock in the fund for May was Gold Fields Ltd, followed by Nucor Corp, and Newmont Corp. The Fund's largest exposure to stock by weight was to Freeport-McMoRan Inc, followed by Nucor Corp, and Steel Dynamics Inc.

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## SOURCES:

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<https://www.fool.com/investing/2021/05/12/nucor-signs-supply-agreement-with-array-technology/>

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Your investments should too.

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