

# Evolve Cloud Computing Index Fund

DATA invests primarily in equity securities of companies located domestically or internationally that have business operations in the field of cloud computing.

TSX

DATA

ETF TICKERS: DATA (HEDGED); DATA.B (UNHEDGED)

**Investment Thesis:** Cloud computing is revolutionizing every industry. Data is our most precious resource - the new oil.

**Cloud Computing advantages include:**

- Cost reduction/time to market
- Global accessibility
- Easy to implement and upgrade
- Centralized security
- Save energy

**Cloud computing services include:**

- Infrastructure as a Service (IaaS)
- Software as a Service (SaaS)
- Platform as a Service (PaaS)
- Games as a Service (GaaS)

## GENERAL INDUSTRY UPDATE

The global shift to remote work continues to fuel the cloud computing industry. While third quarter earnings were mixed across sectors, one common theme was the impressive growth of cloud computing divisions. An article published by the Wall Street Journal highlighted cloud business as one of the fastest growing sectors in tech right now. The cloud computing market is expected to grow from **\$706.6 billion in 2021 to \$1.3 trillion by 2025.**<sup>1</sup>

McKinsey refers to this massive opportunity as the **‘Trillion-Dollar Cloud’**. Their report projects over a \$1 trillion-dollar opportunity for companies that leverage the full capability of the cloud. McKinsey breaks down this figure into two parts: ‘Rejuvenate’ and ‘Innovate’. The rejuvenate aspect refers to cost optimization and core-business digitization and is believed to be valued at \$440 billion. However, the real opportunity is how the cloud is being used to drive new innovations. This aspect is valued at almost twice as much at \$770 billion. While it’s beneficial to reduce costs, the real winners of this shift will be the organizations that use this technological development to transform their current offerings.<sup>2</sup>

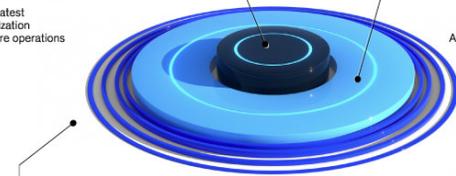
**The value of cloud transcends IT and is estimated at more than \$1 trillion.**

**1. Rejuvenate \$430 billion**

- IT cost optimization**  
Cost optimization of application development and maintenance and IT infrastructure
- Risk reduction**  
Improved business resilience of the organization
- Core-operations digitization**  
Implementation of latest technological/digitization achievements in core operations

**2. Innovate \$770 billion**

- Innovation-driven growth**  
Business growth from new and enhanced use cases in analytics, IoT, and automation
- Accelerated product development**  
Enhancement of operating-model agility, ease of cloud configuration, and democratized access to computational power
- Hyper-scalability**  
Access to instant on-demand elasticity in compute and storage capacity to scale across customer segments, geographies, and channels



**3. Pioneer Additional opportunity**

- Early adoption of cloud technology**  
Embracing culture of experimentation with low cost of failure and gaining experience in cloud technology, which is an enabler for early adoption of future tech such as quantum computing, AR/VR/MR (mixed reality), blockchain, and 3-D/4-D printing

Source: Independent third-party research data (OmnicomGroup and Known), industry and McKinsey expert interviews, McKinsey D2020 IT cost benchmarking, McKinsey Global Institute research, team analysis

McKinsey & Company

## COMPANY SPECIFIC UPDATES

### Amazon (AWS)

Amazon’s cloud division, AWS, outperformed analyst expectations posting its highest growth since 2019. AWS’s revenue came in at \$16.11 billion for the quarter, representing a 39% growth rate from a year ago. AWS continues to lead the industry capturing 41% of the

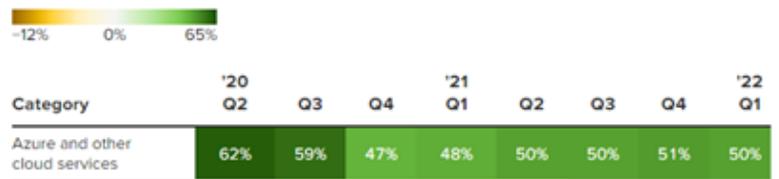
cloud market share. CNBC reported that almost 15% of Amazon’s total revenue came from AWS and Amazon’s cloud unit had more operating income than the company has a whole.<sup>4</sup>

## COMPANY SPECIFIC UPDATES CONT.

### Microsoft (Azure)

Microsoft’s stock hit all-time highs after they reported Q3 earnings, partly fueled by growth in their cloud business. The company’s total revenue rose 22% year over year – it’s fastest growth since 2018. Microsoft said **Azure and other cloud services grew 50% year over year in the quarter.**<sup>5</sup>

**Microsoft products and services growth**  
Year-over-year change by fiscal quarter



5

### Alphabet (Google Cloud)

Alphabet reported earnings this month and posted strong revenue growth to their cloud business compared to last year. Despite slightly missing analyst expectations, **Google Cloud grew 45%** year over year with \$4.99 billion in revenue. The company needs to work on selling more large cloud contracts to enterprises to close the gap between market leaders Amazon and Microsoft.<sup>6</sup>

Google Cloud also announced a partnership with **Scotiabank** in a push to create more personal and predictive banking experience for customers. It will integrate data to Google cloud and leverage the company’s analytics and AI solutions. Scotiabank has made significant investments in its cloud strategy over the last several years and this announcement is further reinforcement on their focus to innovate.<sup>7</sup>

Also in October, Google Cloud unveiled its **carbon footprint tracker** that will track customers emissions from their cloud usage to help companies cut their carbon footprint. Microsoft already offers a service very similar to this, however Google’s will now also alert customers when they are wasting energy on inactive cloud services.<sup>8</sup>

### SAP

Last year SAP made a strategic shift from on-premises IT infrastructure to remote cloud computing to compete with competitors Salesforce and Oracle. This shift appears to be paying off as SAP’s cloud revenue rose 20% for the quarter totaling \$2.8 billion.<sup>9</sup>



Picture-alliance/dpa

## Sources:

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