

# Evolve E-Gaming Index ETF

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

TSX

HERO

ETF TICKER: HERO (HEDGED)

**Investment Thesis: eGaming is the largest and fastest growing entertainment sector.**

**Adoption growth is being driven by:**

- Shift from physical to digital distribution
- Increased accessibility through mobile gaming
- Advancements in cloud computing

**Multiple consumer experiences including:**

- Playing video games
- Watching streams
- Collaborating and socializing
- Competitive gaming (eSports)

## GENERAL INDUSTRY UPDATE

### The Metaverse

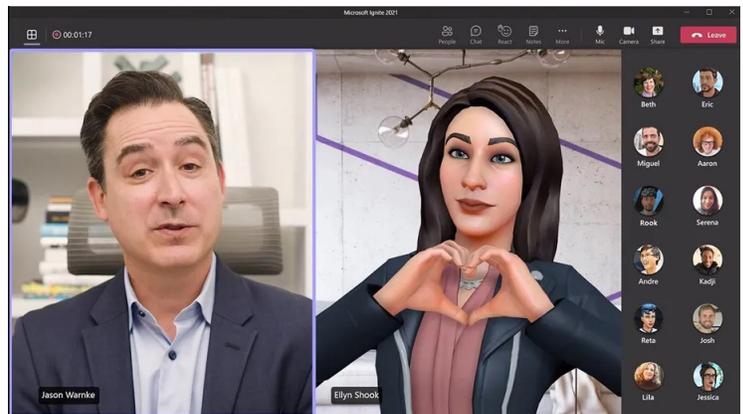
The metaverse was a hot topic this month with Facebook changing its name to Meta to reflect their commitment to building out the metaverse. Mark Zuckerberg, CEO, commented that they are a company that builds technology to connect people and the name Facebook didn't fully reflect everything the company is currently doing.<sup>1</sup>



Source: Meta

What is the metaverse? It's basically a virtual world that merges aspects of online gaming, social media, virtual reality, e-commerce and much more. It's hard to imagine because it does not really exist yet. Even though it feels like our lives are continuing to shift more and more to the virtual world, there are still many things that we simply can't do online. During Zuckerberg's re-branding announcement he went over some examples of what Meta imagines to be possible in the metaverse – including both play and work. Imagine creating a 3D avatar within Facebook and using it to join virtual meetings where it feels as if you were in an actual room with your colleagues. After work, you could attend a virtual concert with friends as their avatars appear in front of you along with thousands of other strangers. After the concert you can purchase a t-shirt from Amazon with your cryptocurrency wallet and wear it the next day to your virtual work meeting. The metaverse will also allow you to do things that aren't possible in the real world, like having your work meeting in a space station.<sup>2</sup>

Bloomberg estimates that the metaverse's global revenue opportunity could be \$800 billion in 2024. The size of this opportunity is attracting companies other than just Meta (or Facebook). Microsoft, Tencent, Roblox and Nvidia are all making significant investments in this new virtual world. Microsoft announced they are bringing Mesh, a collaborative virtual platform, to Microsoft Teams next year. Video game makers are working to elevate their 3D online worlds to resemble social networks and integrate other aspects like e-commerce and live events into the games.<sup>3</sup>



Nvidia, the largest video game chip manufacturer, thinks this could be the next gold mine for technology. Their CEO believes that the top companies in the next few years will be based on connected worlds. Telehealth could become more like an in-person doctor visit and online shopping could feel as if you are physically trying the item out in store. The biggest hurdle right now is the expensive price point and adoption of VR headsets. Bloomberg estimates that it will take at least 3 years before Meta VR headsets have 15-20 million users.<sup>5</sup> The

## GENERAL INDUSTRY UPDATE CONT.

metaverse might look different in China than it does in the rest of the world since Facebook is banned in China. The opportunity for the metaverse is massive in China, which is no surprise given the country's massive gaming industry. According to Newzoo, 78% of Chinese consumers ages 14-50 are interested in socializing inside virtual games. That is higher than the US at around 57%. Tencent is positioned very well for this opportunity as it is

the local publisher of Roblox's gaming platform, where users can already create virtual worlds. The company touches everything from gaming to mobile payments, social media with WeChat and more. The question remains if China's regulations will restrict some of the potential growth.<sup>6</sup>

## COMPANY SPECIFIC UPDATES

### Roblox

Roblox, held by the fund, is an online gaming platform where players can build their own creations and share them with users from around the world. It differs from many of its gaming competitors because its catalogue of games are created by its users. The company announced this month that it reached a new record of 43.2 million daily users and 206 million monthly users – 1.5x more than Minecraft and 20x more than Fortnite. The platform currently appeals more to younger users with over 2/3 of kids 9-12 playing in the US. Roblox is another company committed to growing the metaverse by turning the gaming space into a virtual reality. More recently, Roblox has been working on creating in-game expansions that include a virtual 'Party Place' feature that allows users to host their own online events. Imagine instead of reading about ancient Rome in history books, an entire classroom of kids could visit the city re-created inside Roblox.<sup>7</sup>

### Applovin

AppLovin, held by the fund, is a US mobile app technology platform. It launched in 2012 and is currently valued at around \$37 billion USD. The company helps app developers grow and manage their business with marketing, publishing, and software analysis tools. Acquisitions are a large part of AppLovin's strategy. In October, Twitter announced it would be selling MoPub a mobile advertising network to AppLovin for \$1.05 billion. The MoPub network is used by 45,000 mobile apps and reaches 1.5 billion users. AppLovin jumped almost 10% the day of the news and is up over 50% over the last 3 months.<sup>9</sup>



## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	6 MTH	YTD	1 YR	2 YR	SI**
HERO (HEDGED)	5.56	-9.39	-4.97	8.01	31.43	27.17

Source: Bloomberg, as at October 29, 2021.

\*\* Performance of HERO since inception on June 13, 2019.

### Sources:

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