

# 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



A recent report published by Fortune Business Insights found that the **global cloud computing market is expected to reach \$800 billion by 2028**, which is **more than three times its current 2021 valuations** at \$250 billion. This estimate equates to a 17.9% compounded annual growth rate (CAGR). Governments around the world are increasing their focus on cloud solutions. The US, UK, China, and India are among the top nations implementing cloud solutions in conjunction with other technologies like AI and machine learning. Asia Pacific is expected to see the greatest surge in growth as demand for cloud-based solutions in manufacturing and healthcare increases. One hurdle for widespread adoption of cloud-based solutions continues to be data security and privacy concerns. Organizations will need to increase their cybersecurity spend simultaneously with their transition to the cloud.<sup>1</sup>

This month **France announced a \$2.1 billion support plan** for the **country's cloud computing industry**. The hope is the investment will give French companies a place in the growing global cloud computing industry. The plan will be broken into public financing, EU financing and private co-financing.<sup>2</sup>

Cloud computing companies seem to be one of the few industries not as severely impacted by the global chip shortage. This chip shortage is a result of two factors: the pandemic limiting the production of chips, and the demand for these chips outpacing supply. The good news for cloud providers is that the chip shortage has impacted traditional enterprise data centers significantly more. In fact, many cloud service providers have started producing their own chips used in their systems resulting in more innovation and less reliance on chip manufacturers. However, manufacturing chips does require significant R&D investments which is disadvantaging the smaller cloud providers.<sup>3</sup>

## COMPANY SPECIFIC UPDATES

### Alphabet Inc

Google invested **\$1 billion in futures-exchange CME Group Inc** in a deal to move the company's core trading systems to the cloud. As a result of this partnership, Google Cloud's unit will eventually power markets that handle trillions of dollars in trades each day. This 10-year deal will leverage technologies like artificial intelligence to streamline operations. The financial services sector has been slower to adopt cloud computing than other sectors. With the CME's \$80 billion market cap, Google has secured a strong client in the sector. In an interview, Google Cloud Chief Executive Thomas Kurian called the investment



*"a reflection of our commitment to the transformation of the financial system, not just to one company's infrastructure."*<sup>4</sup>

## Amazon.com Inc

Amazon announced it will be investing **\$4.3 billion in a cloud computing hub in Calgary**. This will be the largest tech investment in Alberta's history and will create 950 full time jobs across Canada.<sup>5</sup>

AWS is reportedly opening an AWS Skills Center in downtown Seattle to break down barriers in entering the cloud computing industry. The center will provide free training, career networking and job placements for anyone curious about the cloud computing industry. This is Amazon's first skills center, with plans to expand across the globe.<sup>6</sup>



## Microsoft Corp

Microsoft announced a new technology that will make its cloud computing services work in data centers it doesn't own. This strategy will allow cloud software services, like databased tools, to run inside its own data centers, as well as those owned by customers or its competitors. This move has encouraged some customers to continue using its services even when they cannot use Microsoft's data centers.<sup>7</sup>

Microsoft also announced a strategic alliance with Sega, the Tokyo based game maker this month. Sega will leverage Microsoft Azure's cloud program to build out its next generation cloud gaming. Game streaming is the future of gaming, and this partnership will optimize the development process and bring high-quality gaming experiences to players using Azure cloud technologies.<sup>8</sup>

## Salesforce.com Inc

Salesforce reported third quarter earnings that beat expectations on earnings and sales. Sales were up 27% from the same period last year. **Sales Cloud reported \$1.5 billion in sales, up 17% from a year ago and Salesforce's Service Cloud business was up 20% from last year to \$1.66 billion.** Slack's acquisition outperformed analyst expectations. The app contributed \$276 million in sales and the number of customers that spent over \$100,000 on Slack is up 44% year over year. Salesforce also named current President and COO Bret Taylor co-CEO to work alongside current CEO Marc Benioff. However, shares fell right after the earnings report because guidance for fourth quarter earnings fell short of analyst expectations.<sup>9</sup>



## Sources:

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4. [https://www.wsj.com/articles/google-invests-1-billion-in-exchange-giant-cme-strikes-cloud-deal-11636029900?st=sbuslrklgy946tn&reflink=article\\_gmail\\_share](https://www.wsj.com/articles/google-invests-1-billion-in-exchange-giant-cme-strikes-cloud-deal-11636029900?st=sbuslrklgy946tn&reflink=article_gmail_share)
5. <https://calgaryherald.com/news/local-news/amazon-bringing-cloud-computing-hub-to-calgary-with-4-billion-investment>
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9. <https://www.cnbc.com/2021/11/30/salesforce-crm-q3-2022-earnings-.html>

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