

## DECEMBER 2021 COMMENTARY



# Evolve Innovation Index Fund

EDGE provides investors with access to global companies that are involved in innovative or disruptive trends across a broad range of industries.

TSX  
**EDGE**

ETF TICKERS: EDGE (HEDGED); EDGE.U (USD)

MUTUAL FUND FUNDSERV CODE: EVF160 (CLASS F); EVF161 (CLASS A)

**Investment Thesis:** Innovation is a long-term, key driver of global economic growth. Access 8 themes that are reshaping our world. Data and AI are at the center of technological innovation.

### 8 Themes

- |  |   |
|--|---|
| <b>1. Cybersecurity:</b> Non-discretionary need to protect our data infrastructure             | <b>5. Genomics:</b> Better drugs, developed in a fraction of the time at lower costs              |
| <b>2. Cloud Computing:</b> Store and access data through the internet                          | <b>6. Robotics and Automation:</b> The rise of robots will boost productivity and economic growth |
| <b>3. 5G:</b> Increasing wireless delivery speeds and efficiencies to connect the world        | <b>7. Fintech:</b> Transforming how financial services are delivered and consumed                 |
| <b>4. Automobile Innovation:</b> The car is becoming digital: Autonomous, Connected & Electric | <b>8. eGaming:</b> Largest and fastest-growing entertainment sector                               |

## GENERAL INDUSTRY UPDATE

### Automobile Innovation



Source: kpmg.com,"Global Automotive Executive Survey 2021"

Electric vehicle (EV) sales are expected to grow significantly in the coming years. According to a KPMG survey conducted on auto industry executives, EV sales could amount to 52% of total sales by 2030 in the U.S., China, and Japan.

Of the survey respondents, 77% said that mass adoption within 10 years was possible, even without government aid.<sup>1</sup>

With more EVs on the road, there's an increasing need for infrastructure changes (including the addition of charging stations) on a global scale.

According to the Department of Energy, there are 46,000 EV public charging sites currently in the U.S.

With the Biden Administration aiming for EV to make up 50% of total auto sales by 2030, industry insiders say a million more fast chargers will be required. EV sales currently account for just two percent of the market.<sup>2</sup>

With demand for charging infrastructure growing, the U.S. government is expected to lay out the EV Charging Action Plan. The goal is for the Department of Energy and Department of Transportation to work together to make those EV sale targets a reality.



Source: nrdc.org,"EV Charging Infrastructure Package Introduced in Michigan"



Source: Ariacybersecurity.com, "A look at Cyber Security Spending In 2019: Where Budgets are Increasing and Why"

## Cybersecurity

According to PricewaterhouseCoopers' 2022 Global Digital Trust Insights Survey, 69% of responding organizations said their cybersecurity spending was expected to increase in 2022. A further 26% of the respondents forecast their cybersecurity spending to increase by 10% or more.<sup>3</sup>

Technology research and advisory firm Gartner forecasts that spending on inflation security and risk management could see a big jump in 2022. It's expected to be \$172.0 billion in 2022, up from \$155.0 billion in 2021 and \$137.0 billion in 2020.



Source: Egamersworld.com, "Five Ways to turn eGaming into a Profession"

## eGaming

E-Gaming is becoming popular, forcing investors, brands, and media outlets to pay attention. According to estimates by Insider Intelligence, in 2022, there will be 29.6 million monthly esports viewers in the United States. This would be an increase of 11.5% from 2021.

More eyeballs mean significantly more business. Newzoo forecasts that esports ecosystem revenue could hit \$1.8 billion by 2022. Media rights, live event ticket sales, merchandise sales, in-game purchases, sponsorship, and advertising will all play roles in this revenue growth.<sup>5</sup>

## 5G

Verizon Communications Inc., held by the fund, provides communications, technology, information, and entertainment products and services to consumers, businesses, and governments around the world. This company is at the forefront of the 5G wave in the U.S.



Source: arstechnica.com,  
Image source: Verizon

Verizon recently announced that it has exceeded its 2021 expansion targets. The company has installed 14,000 new 5G Ultra Wideband cell sites. Through these newly installed sites it is able to provide phone service to parts of 87 U.S. cities, 5G Home to parts of 65 cities, and 5G Internet to parts of 62 cities. These cities include Atlanta, Chicago, Los Angeles, Athens, Knoxville, and Tacoma.

Verizon's 5G Ultra Wideband data usage has increased a whopping 750% year over year.

The speed of its 5G network has been a big priority for Verizon Communications. In recent field tests, it noted speeds of 1.5 gigabits per second (Gbps) and 3.0 Gbps, respectively. In a lab study, Verizon Communications and Qualcomm Technologies, Inc. were able to attain a download speed of 7.92 Gbps using carrier aggregation, ultimately suggesting higher speeds of internet could be possible in the near future.<sup>6</sup>



Source: Forbes.com "What Is Fintech And How Does It Affect How I Bank?"  
Image Source : Getty



Source: Evolveetfs.com, "How Cloud Robotics Marries the Twin Innovations of Cloud Computing and Automation,"

## Robotics & Automation

The automation of processes/tasks, and the use of robots are both growing trends. One recent example of this is DHL, a parcel delivery company.

In the 2021 holiday season, the company increased its use of robots. DHL now has 1,500 picking robots at its warehouses around the U.S.<sup>7</sup>

Marvell Technology Inc, one of the fund's top 10 holdings, is an infrastructure semiconductor solutions provider. The company's net revenue jumped 61% year over year to \$1.2 billion for the third quarter of fiscal 2022.<sup>8</sup>

Its non-generally accepted accounting principles (GAAP) net income for the third quarter of fiscal 2022 was \$364.0 million, or \$0.43 per diluted share. This beat the \$0.38 analysts had projected.<sup>9</sup>

According to the company's own projections for the fourth quarter of fiscal 2022, revenue is expected to be 1.32 billion +/- 3%, and non-GAAP diluted earnings per share are expected to be between \$0.45 and \$0.51.



## Fintech

Merger and acquisition (M&A) activity is robust in the Fintech industry these days. Firms are trying to capture new markets, increase product offerings, and continually innovate.

Mastercard Inc, held by the fund, is a financial technology company focused on providing transaction processing and other payment-related products and services in the U.S. and internationally. It offers services under the MasterCard, Maestro, and Cirrus brands.

The company acquired Dynamic Yield from McDonald's Corporation for an undisclosed amount. Sources familiar with the deal pegged the price tag at \$300.0 million.

Dynamic Yield specializes in personalization and decision logic technology. Its tech has been in use at McDonald's drive-throughs and ordering kiosks in various markets globally. By acquiring Dynamic Yield, Mastercard could expand its product offering.<sup>10</sup>



Source: Foodnavigator.com "Corteva Agriscience cultivates consumer centric and 'crops for purpose' market approach," Gettyimages / Ryan Beyer

## Genomics

Corteva, Inc., held by the fund, is a global agriculture company focused on providing seed crop protection and digital solutions to maximize productivity and enhance yields. Corteva reported that sales grew 27% in the third quarter of 2021 to \$2.4 billion. Net income for the quarter amounted to \$36.0 million—an increase of 109% year-over-year (EPS \$0.05).

For the entire year of 2021, Corteva increased its previously provided guidance. It now expects full-year sales to be between \$15.5 billion and \$15.7 billion, which represents an annual growth of 10% for 2021. Operating EPS is expected to be between \$2.05 and \$2.15, which would mean profit growth of 40%.<sup>11</sup>

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	SI**
<b>EDGE (HEDGED)</b>	-1.00	12.16	12.16	32.01	32.20	21.10

Source: Bloomberg, as at December 31, 2021.

\*\* Performance of EDGE since inception on April 30, 2018.

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