

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



Source: Forbes, "How Esports Are Fueling The Data Economy" Image Source: IBM

The growing popularity of e-Gaming has forced 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.¹

There's another theme that's been getting a great deal of attention these days: the metaverse, a 3D virtual world focused on social connection.

Real estate in the metaverse is getting expensive. In a blockchain-based virtual world called Sandbox, someone recently paid \$450,000 for virtual land in order to be neighbors with Snoop Dogg. In Decentraland, an open-source 3D virtual world platform, digital real estate prices have surged 400% to 500% in the past few months.²

COMPANY SPECIFIC UPDATES



Source: Businesswire.com, Plants vs. Zombies: Battle For Neighborville™ Complete Edition (Graphic: Business Wire)

Electronic Arts Inc.

Electronic Arts, one of the fund's top 10 holdings, reported that second quarter of fiscal year 2022, ended September 30, 2021, was the strongest second quarter in the company's history.

The maker of well-known games like The Sims, Need for Speed, and Plants vs. Zombies registered revenue of \$1.8 billion for the second quarter of fiscal year 2022. In the same period a year ago, it reported revenue of \$1.2 billion. This represents an increase of over 58% year over year. For the entire year of fiscal 2022, Electronic Arts forecasts revenue to be about \$6.9 billion and net income to hit approximately \$583.0 million, or \$2.02 per diluted share.³

Activision Blizzard, Inc.

Activision Blizzard, held by the fund, focuses on developing and publishing interactive egames, content, and services. The company reported revenue of almost \$2.1 billion for the third quarter of 2021. This was a decent improvement over the \$1.9 billion the company reported in the same period of 2020. Its games were in high demand; Activision Blizzard monthly active users hit 390 million for the quarter. Activision Blizzard's flagship brands continue to do well. Call of Duty Mobile's net bookings jumped over 40% year over year in the third quarter. World of Warcraft continued to receive strong engagement and net bookings. Candy Crush, which grew over 20% year over year, remains one of the top games on app stores.⁴ For the entire year of 2021, Activision Blizzard expects revenue to be \$8.7 billion and earnings per share of \$3.27 and \$3.70 on a non-generally accepted accounting principles (GAAP) basis. Wall Street analysts expect revenue to be \$8.7 billion and non-GAAP earnings per share to be \$3.78.⁵



Source: Activision Blizzards largest game series, Call of Duty

PERFORMANCE (%)

| TOTAL RETURNS* | 1 MTH | 3 MTH | 6 MTH | YTD | 1 YR | 2 YR | SI** |
|----------------------|-------|-------|--------|-------|-------|-------|-------|
| HERO (HEDGED) | -2.75 | 4.23 | -12.03 | -6.17 | -6.17 | 25.07 | 24.50 |

Source: Bloomberg, as at December 31, 2021.

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

Sources:

1. "Esports Ecosystem in 2022: Key industry companies, viewership growth trends, and market revenue stats," Insider Intelligence, January 3, 2021; <https://www.insiderintelligence.com/insights/esports-ecosystem-market-report/>.
2. DiLella, C., and Day, A., "Investors are paying millions for virtual land in the metaverse," CNBC, January 12, 2021; <https://www.cnbc.com/2022/01/12/investors-are-paying-millions-for-virtual-land-in-the-metaverse.html>.
3. "Electronic Arts Reports Q2 FY22 Financial Results," Electronic Arts Inc., November 3, 2021; https://s22.q4cdn.com/894350492/files/doc_financials/2022/q2/Q2-FY22-Earnings-Release-vFinal.pdf.
4. "Activision Blizzard Announces Third-Quarter 2021 Financial Results," Activision Blizzard Inc., November 2, 2021; <https://investor.activision.com/node/34856/pdf>.
5. "Activision Blizzard, Inc. (ATVI); Analysis," Yahoo! Finance, <https://finance.yahoo.com/quote/ATVI/analysis?p=ATVI>, last accessed January 12, 2022.

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The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETF or returns on investment in the ETF. ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

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