

DECEMBER 2021 COMMENTARY

Evolve Metaverse ETF

MESH provides investors with an actively managed diversified portfolio of companies involved in the development of the metaverse.

TSX

MESH

ETF TICKER: MESH (HEDGED)

Investment Thesis: The metaverse is an immersive next-generation digital universe with vast opportunities in the software, VR/AR hardware and virtual platforms involved in its development.

GENERAL INDUSTRY UPDATE



Source: Shutterstock

The Internet has experienced unprecedented technological change over the last 30 years, from impossible-to-navigate static pages of the early 1990s, to dynamic content and social media sites like Wikipedia, Facebook, and Twitter in the 2000s, to the Metaverse of 2022—an immersive 3D next-generation of the Internet, fueled by virtual and augmented reality technology.

While more of a concept than current reality, the metaverse is quickly becoming one of the most popular topics in the tech world. In October and November 2021, the term “metaverse” appeared in more than 12,000 English-language news articles. In the first nine months of the year the term “metaverse” appeared in less than 4,000 articles. It appeared in fewer than 400 articles in any previous year.¹

The momentum carried into 2022, with the metaverse being called “the heart of the 2022 Consumer Electronics Show”



Source: Rawpixel

(CES) in Las Vegas. From a technology perspective, the metaverse is going to evolve quickly over the next 20 years, much like the internet has changed.²

According to Grayscale Investments, revenue from virtual gaming worlds are estimated to grow from \$180 billion in 2020 to \$400

billion in 2025, expanding at a compound annual growth rate of 14.23%.³

The metaverse extends well beyond the world of gaming, influencing everything from advertising, social commerce, digital events, hardware, crypto, and developer/creator monetization.

Together, these innovations have created new online experiences that is attracting a large and growing number of new users.

While the metaverse is still in its infancy, internet-native companies, and those that develop hardware, software, and virtual platforms will support the metaverse in order to gain a foothold in a trillion-dollar opportunity that is poised to become the largest and most influential in history. This helps explain why Facebook pivoted towards the metaverse and changed its name to Meta Platforms Inc.

Over the coming quarters we will see more and more tech companies incorporating and even switching to areas that are forecasted to benefit from the emergence of the metaverse, this includes a surge in AR and VR devices, wearables, cryptocurrencies, virtual reality infrastructure, and non fungible tokens (NFTs).



Source: Techopian.com, “AI and blockchain to help create the Metaverse”

COMPANY SPECIFIC UPDATES

Matterport

Matterport, Inc. which is held by the fund, announced that it acquired Enview, Inc, a pioneer in AI for 3D spatial data, for \$37.0 million.⁴ The company's 3D AI platform has been used to help solve challenges ranging from infrastructure protection for Fortune 500 companies, disaster recovery applications, and logistics and mobility for national security companies. What's exciting about the Enview acquisition is its ability to help Matterport speed up the development of its next-generation spatial data analytics platform. Perfect for the metaverse, Enview's 3D AI platform solves complex 3D challenges as part of a digital twin ecosystem.



Source: Matterport



Source: Unity

Unity

Unity, which is also held by the fund, is the world's leading platform for creating and operating real-time 3D content. The company cemented its leading position in the metaverse with the acquisition of Weta Digital's tools, pipeline, technology, and engineering talent for \$1.62 billion.⁵ New Zealand-based Weta Digital's interoperable 3D art technology has been used to create the visual effects in movies and TV shows, including Game of Thrones, Lord of the Rings, and Avatar.

Sources:

1. Oremus, W., "In 2021, tech talked up 'the metaverse.' One problem: It doesn't exist yet," The Washington Post; December 30, 2021; <https://www.washingtonpost.com/technology/2021/12/30/metaverse-definition-facebook-horizon-worlds>.
2. Lecoq, M., "CES 2022: All roads lead to the metaverse as companies showcase their latest AR and VR tech," euronews.com, January 7, 2022; <https://www.euronews.com/next/2022/01/07/ces-2022-all-roads-lead-to-the-metaverse-as-companies-showcase-their-latest-ar-and-vr-tech>.
3. Grider, D., "The Metaverse," Grayscale Investments, LLC, November 2021; https://grayscale.com/wp-content/uploads/2021/11/Grayscale_Metaverse_Report_Nov2021.pdf.
4. "Matterport Completes Acquisition of Enview to Bring Powerful Property Insights and Analytics to Millions of Digital Twins," Matterport, Inc., January 6, 2022; <https://matterport.com/news/matterport-completes-acquisition-enview-bring-powerful-property-insights-and-analytics>.
5. "Unity Completes Acquisition of Weta Digital's Tools, Pipeline, and Engineering Talent," Unity, December 1, 2021; <https://investors.unity.com/news/news-details/2021/Unity-Completes-Acquisition-of-Weta-Digitals-Tools-Pipeline-and-Engineering-Talent/default.aspx>.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs) and mutual funds. Please read the prospectus before investing. ETFs and mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs and mutual funds. Please read the prospectus for a complete description of risks relevant to the ETF and mutual fund. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

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.

Certain statements contained in this documentation constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.