

# 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



Source: Boeing

Boeing Co. has become a cloud customer. The company is using all three cloud computing giants—Amazon.com Inc., Microsoft Corp. and Alphabet Inc.'s Google to transform its digital footprints.

The aircraft manufacturer signed a multiyear agreement with big tech companies to upgrade its hosting and maintain its software applications through a network of servers. Boeing wants to move its applications to cloud where they will be maintained at data centers operated by cloud service providers.

Boeing is upgrading its technology to avoid delays and glitches that increase the costs of producing new aircrafts. It's investing in tools like digital twins where there is a virtual model of actual hardware that could help the company envision new aircraft concepts and assembly lines that would build these aircrafts.<sup>1</sup>

Google is aiming to operate 24/7 on carbon-free energy by 2030. The company has come a long way. In 2007, Google said it had become carbon-neutral, wherein it purchased the same amount of carbon offsets to make operations zero emissions. In 2017, the company matched total electricity use with renewable energy purchases.<sup>2</sup>

Maud Texier, the head of energy development for data centers at Google, said that being able to design each stage of the data centers' hardware and software are beneficial to the company, and could help the company become more efficient.

## COMPANY SPECIFIC UPDATES



Source: Getty Images

### Microsoft Corporation

Global software giant and emerging cloud computing company Microsoft Corporation, which is held by the fund and is its biggest holding, reported robust financial performance for its most recent quarter.

Its cloud computing business has been in the limelight, and the recent quarter proved once again that Microsoft's Azure is gaining traction. Azure Cloud Infrastructure grew 49% in the most recent quarter in constant currency terms. This was higher than expected by the company and analysts following Microsoft.

Microsoft's CFO, Amy Hood said that numerous contract renewals for the cloud product is a sign that customers are satisfied, getting great value, and willing to commit again.<sup>3</sup>



Source: AmazonWebServices



Source: SAP

## Amazon.com Inc.

Amazon.com, held by the fund and one of the top 10 holdings, said its business growth for Amazon Web Services (AWS), which is the largest cloud services provider, increased 36.5% in the first quarter of 2022. This was faster than analysts had projected.

Amazon's AWS revenue jumped to \$18.44 billion and amounted to 16% of the company's total revenue. It's also a very profitable endeavour for the company—AWS produced an operating income of \$6.52 billion, which was up 57%.

Furthermore, automaker Stellantis (formerly known as Fiat Chrysler) will be using AWS for its in-car dashboard software. Best Buy, a brick-and-mortar and emerging online retailer, also opted for more AWS tools during the first quarter.<sup>4</sup>

## SAP SE

SAP SE., the fifth largest holding in the fund and Europe's largest software maker with a growing cloud software business, said that the Russia-Ukraine war would impact profits in 2022.

However, there's a bright spot: the company's cloud software business jumped 25% in the first quarter of 2022. Its cloud backlog soared 23% year-over-year. These are promising figures as SAP is in the midst of moving most of its business to the cloud.<sup>5</sup>

## PERFORMANCE (%)

TOTAL RETURNS <sup>*</sup>	1 MTH	3 MTH	6 MTH	YTD	1 YR	SI <sup>**</sup>
DATA (HEDGED)	-14.91	-19.44	-33.82	-28.99	-20.85	-9.96
DATA.B (UNHEDEDGED)	-12.99	-18.88	-31.77	-28.26	-17.97	-9.49

Source: Bloomberg, as at April 29, 2022.

\*\* Performance of DATA and DATA.B since inception on January 6, 2021.

### Sources:

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2. Clifford, C. "How Google plans to use 100% carbon-free energy in its data centers by 2030," CNBC, April 13, 2022; <https://www.cnbc.com/2022/04/13/google-data-center-goal-100percent-green-energy-by-2030.html>.
3. Bass, D. "Microsoft cloud growth propels higher quarterly sales, earnings," BNN Bloomberg, April 26, 2022; <https://www.bnnbloomberg.ca/microsoft-cloud-growth-propels-higher-quarterly-sales-earnings-1.1757333>.
4. Novet, J. "Amazon's cloud business grows almost 37%, but slows from last quarter," CNBC, April 28, 2022; <https://www.cnbc.com/2022/04/28/aws-earnings-q1-2022.html>.
5. Denton, J. "SAP Stock Falls After Earnings. Exiting Russia Will Hurt the Software Giant," Barron's, April 22, 2022; <https://www.barrons.com/articles/sap-stock-earnings-russia-exit-51650616243>.

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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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