

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: Shutterstock



Mobile gaming continues to gain traction. According to a research report by Technavio, a leading global technology research and advisory company, the mobile gaming market is expected to grow to \$66.43 billion by 2026—growth at a compound annual growth rate (CAGR) of 12.26% between 2021 and 2026.

The report also states that 47% of the mobile gaming market's growth will come from the Asia-Pacific region. Countries like China, Japan, and South Korea could be the key market for mobile gaming.

In addition to this, multiplayer mobile games could be one of the key drivers in helping the growth of the mobile gaming market. Games like MMO and Pokémon Go could gain popularity with the help of smartphone companies launching unique features such as enhanced displays.¹

In other news, Warren Buffett said that Berkshire Hathaway has been building a stake in Activision Blizzard. Berkshire Hathaway recently accumulated 9.5% of Activision Blizzard shares.

Buffett said that he sees this as a merger arbitrage opportunity. He insisted that odds are in favour of a deal closing. His reasoning for buying more shares is that Activision Blizzard's stock is trading below Microsoft's offer and acquiring shares at the current levels could mean big returns.²



Source: Techcrunch.com

COMPANY SPECIFIC UPDATES



Source: Roblox

Roblox Corp.

Roblox Corp., held by the fund and one of the top 10 holdings, is an online entertainment platform that lets users play games created by other users. Recently, the company registered a loss per share of \$0.27 in the first quarter 2022. Revenue for the company came in lighter than expected, as well.

However, the company remains optimistic. In an interview with CNBC, the CEO of Roblox, David Baszucki, said that the company will start seeing bookings increase with user growth. Bookings are defined as sales of the company's virtual currency. In the quarter ending in March, Roblox reporting a decline of three percent in bookings.

The company is seriously looking into developing alternative sources of sales and new users' growth for virtual work. It's planning to push for new search features and looking into simplifying partnerships with brands, and growing the amount of user-generated content sold on the platform. Furthermore, Roblox's future could possibly include being able to connect coworkers in enterprise settings.³



Source: Electronic Arts

Electronic Arts Inc.

Electronic Arts Inc., the second largest holding in the fund, is a global leader focused on developing, marketing, publishing, and distributing games, content, and services for game consoles, PCs, mobile phones, and tablets. Recently, the company said that it will end a three-decade partnership with FIFA.

The company's well-known FIFA video game will now be known as EA SPORTS FC.

Cam Weber, EVP and group GM for EA Sports & Racing, said in a statement that the independent platform will bring new opportunities to innovate, create, and evolve. While the name will change, the game will have most of the teams and players that have made it popular. Electronic Arts was able to keep the teams and players through separate licence agreements with soccer leagues in England, Spain, Italy, Germany, the U.S., and the UEFA.⁴

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	3 MTH	6 MTH	YTD	1 YR	2 YR	SI**
HERO (HEDGED)	4.95	-4.74	-16.40	-14.04	-24.50	5.98	14.72

Source: Bloomberg, as at May 31, 2022.

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

Sources:

1. "Mobile Gaming Market Size to grow by USD 66.43 billion | 47% of the growth will originate from APAC | Technavio," PR Newswire, May 19, 2022; <https://www.prnewswire.com/news-releases/mobile-gaming-market-size-to-grow-by-usd-66-43-billion--47-of-the-growth-will-originate-from-apac-technavio-301550272.html>.
2. Miao, H., "Warren Buffett says Berkshire owns 9.5% of Activision Blizzard shares in merger arbitrage bet," CNBC, April 30, 2022; <https://www.cnbc.com/2022/04/30/buffett-berkshire-owns-9point5percent-of-activision-blizzard-shares-in-merger-arbitrage-bet.html>.
3. Leswing, K., "Roblox CEO says April bookings are starting to turn around after a difficult March," CNBC, May 11, 2022; <https://www.cnbc.com/2022/05/11/roblox-ceo-david-baszucki-says-bookings-are-turning-around.html>.
4. Iyengar, R., "EA Sports will end its video game partnership with FIFA," CNN, May 10, 2022; <https://www.cnn.com/2022/05/10/tech/ea-sports-fifa-partnership-ending/index.html>.

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.