

# 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



Video games and e-gaming continue to gain popularity and are evolving into more than just “games”. According to data collected by Newzoo, those who just play video games are in the minority. Instead, watching gaming content, socializing without actually playing video games, and attending e-gaming events are becoming a trend.

Gaming is now one of the largest entertainment platforms, with 79% of the world’s population engaging in e-games and video games in one way or another.<sup>1</sup>

As video games are becoming even more popular, companies that sell consoles, devices, and everything that comes along with it, are catering to the changing needs of gamers’ lifestyles.



Source: Shutterstock/Ekkaphan Chimpalee

## Recent Announcements from Gaming Giants Microsoft and Sony

Microsoft Corporation, maker of gaming console Xbox and Xbox Cloud Gaming, has announced that it plans to make its browser, Edge, more gamer-friendly. It will have a new gaming-focused homepage and games integration, a “Clarity Boost” that will enhance Xbox Cloud Gaming streams, and an efficiency mode, which will stop the Edge from using resources on the PC when games are being played. The efficient mode will be available to gamers using Windows 10 and Windows 11 operating systems.<sup>2</sup>

Sony, maker of PlayStation (PS) consoles and, most recently, the PS5, has announced that it will also make gaming monitors and headsets under its InZone brand. The InZone M9 gaming monitor is made for PC, but also comes with specifications for gamers to take full advantage of PS5 and Xbox Series X. The InZone HP headsets come with various features and claim to have a battery life of 32 hours per charge.<sup>3</sup>

Another boon for gamers is the fact that the price for graphics processing units (GPUs) fell 15% in May and have been declining at a similar pace over the past few months. GPUs are used in gaming computers to accelerate the creation and rendering of images, videos, and animations.

The crash in cryptocurrency prices may have largely contributed to the GPU price drop. Over the past few years, cryptocurrency miners bought up GPUs to give more computing power to their mining operations. This caused a significant increase in GPU prices and created shortages. Nowadays, cryptocurrency miners are unloading GPUs into the secondary market.<sup>4</sup>



Source: blogs.windows.com

## COMPANY SPECIFIC UPDATES



Source: Galagames

### Gala Games

Gala Games, a Web3 gaming company that integrates Non-Fungible Tokens (NFT) into a blockchain ecosystem for games, recently announced that it will soon publish its games on the Epic Games Store, starting with its Wild West game, Grit.

Although the exact launch date has yet to be determined, Gala hopes to bring games with NFTs into the mainstream and expose more gamers to this new genre of entertainment. Currently, the player base is small for blockchain games, but thanks to Epic Games' 194 million plus users, the partnership could help solidify Gala's place as a leader in the budding Web3 games industry.

This announcement is just one of many for Gala. The company also announced a Web3 first-person-shooter game, launched the Gala Music platform, and plans to launch the world's first NFT esports game, Spider Tanks.<sup>5</sup>

## PERFORMANCE (%)

TOTAL RETURNS <sup>1</sup>	1 MTH	3 MTH	6 MTH	YTD	1 YR	2 YR	3YR	SI <sup>2</sup>
HERO (HEDGED)	-6.51	-9.65	-19.64	-19.64	-29.30	-2.22	11.14	11.81

Source: Bloomberg, as at June 30, 2022.

<sup>2</sup> Performance of HERO since inception on June 13, 2019.

### Sources:

1. "How Consumers Are Engaging with Games in 2022 | Newzoo Consumer Insights Report," Newzoo, accessed July 13, 2022; <https://newzoo.com/insights/trend-reports/how-consumers-are-engaging-with-games-in-2022>.
2. Warren, T., "Microsoft Edge gets new Xbox and PC gaming performance features," The Verge, June 23, 2022; <https://www.theverge.com/2022/6/23/23179788/microsoft-edge-xbox-pc-gaming-efficiency-mode-clarity-boost-features>.
3. Faulkner, C., "Sony's InZone gaming monitors and headsets are for more than just PS5 gamers," The Verge, June 28, 2022; <https://www.theverge.com/2022/6/28/23180410/sony-inzone-gaming-monitors-hands-on-specs-price-ps5-pc>.
4. Walton, J., "Below MSRP and Only Getting Cheaper: The GPU Deluge Begins," tom's Hardware, June 15, 2022; <https://www.tomshardware.com/news/graphics-card-prices-update-june-15>.
5. Takahashi, D., "Gala Games' blockchain game Grit will debut on the Epic Games Store," Venture Beat, June 6, 2022; <https://venturebeat.com/2022/06/06/gala-games-blockchain-game-grit-will-debut-on-the-epic-games-store>.

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