

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: Mmoculture.com2021/08/Kindomthebloodtrailer



While there have been numerous blockbuster films that were based on video games, and vice-versa, a new trend has more recently emerged, developing video games based on popular Netflix shows.

Video game developer Action Square will be introducing a new game called Kingdom: The Blood, based on the popular Korean Netflix show, Kingdom. The video game will be both a single player and multiplayer action role playing game (RPG) that includes a conquest mode, a multi-boss battle mode, and PvP combat mode. It will also allow players to make their own characters. Kingdom: The Blood will be launched on PC and mobile.

During Netflix Geeked Week, Action Square also announced plans to offer other video games based on Netflix shows including The Queen's Gambit, Too Hot to Handle, and Shadow & Bone.¹

Meanwhile, Sony Interactive Entertainment, maker of PlayStation, continues to make solid strides to increase its footprint in the video game market beyond just consoles. Recently, the company announced that it is acquiring Repeat.gg, one of the biggest e-gaming tournament platforms in the world. Repeat.gg allows users to compete for cash prizes across online games in asynchronous esports tournaments.

Since its inception, Repeat.gg has hosted over 100,000 tournaments with more than 2.3 million participants.

The acquisition will give Repeat.gg more resources, game titles, and technology that could help the company grow significantly in the next couple of years. Steven Roberts, vice president of global competitive gaming at Sony Interactive Entertainment said that with the acquisition of Repeat.gg, the company is excited to explore more ways for players to engage in competitive gaming and increase its e-gaming offerings.²

According to Ampere Analysis, video game sales could decline this year for the first time in years. The research firm says that video game sales are expected to decline 1.2% year-over-year in 2022 to \$188.0 billion.

Video game sales soared 26% from 2019 to 2021 reaching \$191.0 billion. During COVID-19 shutdowns in 2020, video gaming excelled as people spent more time indoors. Furthermore, next-generation consoles from Microsoft and Sony also helped boost video game sales in 2020.³

COMPANY SPECIFIC UPDATES



Source: diabloimmortal.blizzard.com

NetEase Inc.

NetEase Inc., held by the fund, is a Chinese Internet technology company that provides online services centered on content, community, communications, and commerce. The company recently released the highly anticipated game, Diablo Immortal which it co-developed with Activision Blizzard Inc. after a series of delays.

In China, video games need to be approved before they can be released and monetized by companies. Over the past year and a half, authorities in China halted several game approvals and scrutinized gaming companies among other technology firms. The regulators also introduced rules capping playing time for online games for children under 18 to a maximum of three hours per week.⁴

Immortals' debut will help to relieve some of the uncertainty surrounding video game developers in China, such as NetEase and long-time partner Blizzard. Despite already earning 10 million downloads in the first week after its international launch outside China in June, NetEase expects China's \$44-billion-dollar gaming community to be the game's largest market. Last month, shares in NetEase jumped more than 5% in pre-market trading in New York.⁵

PERFORMANCE (%)

TOTAL RETURNS ¹	1 MTH	3 MTH	6 MTH	YTD	1 YR	2 YR	3YR	SI ²
HERO (HEDGED)	5.19	3.21	-8.80	-15.46	-19.87	-1.47	12.62	13.31

Source: Bloomberg, as at July 31, 2022.

² Performance of HERO since inception on June 13, 2019.

Sources:

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2. Bankhurst, A., "PlayStation Acquires Esports Platform Repeat.gg," IGN, July 18, 2022; <https://www.ign.com/articles/playstation-acquires-esports-platform-repeatgg>.
3. Browne, R., "Video game sales set to fall for first time in years as industry braces for recession," CNBC, July 7, 2022; <https://www.cnbc.com/2022/07/07/video-game-industry-not-recession-proof-sales-set-to-fall-in-2022.html>.
4. Kharpal, A., "Chinese gaming stocks jump after Beijing approves new titles in a sign scrutiny is easing," CNBC, July 13, 2022; <https://www.cnbc.com/2022/07/13/chinese-gaming-stocks-jump-after-beijing-approves-new-games.html>.
5. Huang, Z., "NetEase to Launch Diablo Immortal in China After Long Delay," BNN Bloomberg, July 21, 2022; <https://www.bnnbloomberg.ca/netease-to-launch-diablo-immortal-in-china-after-long-delay-1.1794944>.

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¹The 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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