

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: Sony

The metaverse is forecasted to experience explosive growth over the next decade, soaring from a market size of \$22.79 billion in 2021 to \$3 trillion in 2031, expanding at a compound annual growth rate of 62.91%.¹

Countries like Seoul, Dubai, and Taiwan are already making great strides to deploy metaverse technology to create smarter cities. Meanwhile, new opportunities are emerging in a wide number of industries, from education to industrial, remote work, art, and entertainment.

For this to become a sustainable, economic success, the metaverse needs to be fully interoperable and portable. This can be achieved, in part, by the further adoption of web3 technologies.

This includes cryptocurrency. Not only is it a way to buy and sell items in the metaverse, but blockchain assets like non-fungible tokens (NFTs) can help establish and validate ownership of digital objects in the metaverse and allow users to navigate the metaverse in ways that are currently not available.

Many large technology companies are taking strides to make

the metaverse more interoperable. Sony Corporation's new Mocopi tracking bands, which are worn on the hands, feet, back, and head, create a full-body avatar experience, allowing users to better interact with virtual reality (VR). In addition to the metaverse, the product is geared toward animation professionals and filmmakers.²

The consumer metaverse is the most popular facet of the metaverse. It is characterized by immersive games, retail experiences, and the massive popularity of VR glasses. But a lot more money is expected to be made in the industrial metaverse, which is exemplified by digital twins, predictive maintenance, and augmented field service.³

By 2030, the industrial metaverse could be worth \$100 billion. By comparison, the consumer metaverse is projected to be worth \$50 billion, and the enterprise metaverse \$30 billion.

Digital twins technology is important for the metaverse, but it has crossover applications that go beyond virtual retail and gaming, and is better associated with architecture, engineering and construction, manufacturing, energy and utilities, and aerospace and defense.

COMPANY SPECIFIC UPDATES



Source: Gamesindustry.biz

NetEase Inc

NetEast Inc, which is held by the fund, is a leading internet and gaming services provider. The company announced recently that its game division, NetEase Games, has acquired SkyBox Labs, a Canadian-based game studio.⁴

The SkyBox Labs development is the latest in a string of acquisitions NetEase has made in recent years, which also includes Grasshopper Manufacture, the name behind No More Heroes; and Quantic Dream, the Paris-based studio responsible for Heavy Rain, Detroit: Become Human, and Beyond: Two Souls.^{5,6}

Gaming is an important building block for the metaverse. It's about creating games that put people, places, and things in shared communities and worlds that are easily accessible through various devices.

To build a realistic metaverse, companies like NetEase Inc must continue to acquire leading gaming developers.



Source: Ptc.com

PTC Inc

PTC Inc, which is also held by the fund, is a Boston-based software company that helps businesses digitally transform their products, with a portfolio that spans computer-aided design (CAD), product lifecycle management (PLM), Industrial Internet of Things (IIoT), and Augmented Reality (AR) markets.

The company announced recently that its Creo CAD product and Windchill PLM technology were used by the National Ignition Facility (NIF) which recently achieved nuclear fusion, generating more energy than it consumed.⁷

With more than 3.5 million components comprised of 750,000 unique part designs, the NIF system is thought to be the largest Creo and Windchill assembly ever created and, perhaps, the largest assembly ever modeled in 3D CAD.

PTC Inc's CAD and AR software, which are the cornerstones of unlocking the full potential of the metaverse, helps businesses and government organizations design and create innovative mixed reality products.

PORTFOLIO STRATEGY AND ACTIVITY

For the month, Tencent Holdings Ltd made the largest contribution to the Fund, followed by Activision Blizzard Inc and NetEase Inc. The largest detractors to performance for the month were Unity Software Inc, Advanced Micro Devices, Inc., and NVIDIA Corporation. On the last rebalance, PTC Inc was added to the portfolio.

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	3 MTH	6 MTH	YTD	1 YR	SI**
MESH (HEDGED)	-8.65	-2.69	-13.24	-48.61	-48.61	-47.87

Source: Bloomberg, as at December 31, 2022.

** Performance of MESH since inception on November 24, 2021.

Sources:

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2. Dent, S., "Sony steps into the Metaverse with the 'Mocopi' motion tracking system," [engadget.com](https://www.engadget.com/sony-mocopi-movement-tracker-metaverse-avatars-131721036.html), November 29, 2022; <https://www.engadget.com/sony-mocopi-movement-tracker-metaverse-avatars-131721036.html>.
3. Lawton, G., "Why the industrial metaverse will eclipse the consumer one," [VentureBeat.com](https://venturebeat.com/virtual/why-the-industrial-metaverse-will-eclipse-the-consumer-one/), December 23, 2022; <https://venturebeat.com/virtual/why-the-industrial-metaverse-will-eclipse-the-consumer-one/>.
4. "SkyBox Labs is joining NetEase Games," NetEase, Inc., January 6, 2023; <https://netease.gcs-web.com/news-releases/news-release-details/skybox-labs-joining-netease-games>.
5. "Announcement on Grasshopper Manufacture Inc. Joining NetEase Games," NetEase, Inc., October 22, 2021; <https://netease.gcs-web.com/news-releases/news-release-details/announcement-grasshopper-manufacture-inc-joining-netease-games>.
6. "NetEase Acquires Leading French Game Developer & Publisher Quantic Dream," NetEase, Inc., August 31, 2022; <https://netease.gcs-web.com/news-releases/news-release-details/netease-acquires-leading-french-game-developer-publisher-quantic>.
7. "PTC Discloses Enabling Role in Nuclear Fusion Breakthrough," PTC, December 20, 2022; <https://investor.ptc.com/resources/news/news-details/2022/PTC-Discloses-Enabling-Role-in-Nuclear-Fusion-Breakthrough/default.aspx>.

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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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