

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: Unpri.org/

February was a busy month for all things cloud computing.

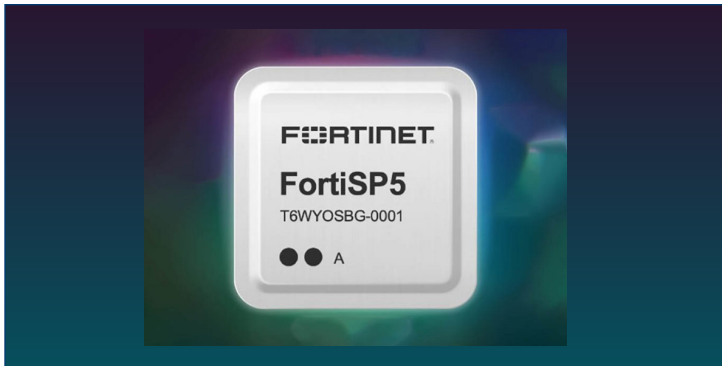
In Texas, a federal judge halted a patent infringement trial midway through arguments, issuing a rare, directed verdict in favour of defendant VMware Inc. (held by the Fund). The patent infringement case brought by WSOU Investments LLC (a patent-monetization company) alleged VMWare infringed on three of WSOU's cloud-computing patents. After WSOU rested its case, lawyers for VMWare asked the court for a directed verdict in its favour, and the judge agreed. A directed verdict indicates the court's belief that the plaintiff failed to prove a prima facie case of the offense alleged, entitling the defendant to a verdict of "not guilty".¹

Cloud computing featured prominently in the recently published Net Zero Review by former UK Energy Minister and current MP, Chris Skidmore. Expressing concerns that the UK is lagging behind its emissions reduction targets, Skidmore emphasized the need

for the public sector to modernize legacy systems and accelerate its transition to the cloud to help achieve the government's goal of net zero emissions by 2050. The UK government is expected to release an updated version of its Net Zero Strategy by the end of March, which will likely include policies based on Skidmore's 129 recommendations for decarbonization. This will put renewed pressure on the public sector to review their operations and move to more cloud-based applications to meet sustainability targets.²

Amazon (held by the Fund) reported that AWS, its cloud unit, had revenue that grew by 20% in Q4. While that is faster growth than its parent company, it means AWS missed expectations and was down from Q3's 27.5% growth rate. Industry-wide, cloud growth appears to be moderating in line with other parts of the tech industry that enjoyed boom times over the last 10 years, and which only accelerated during the pandemic. Microsoft likewise reported that revenue from its Azure platform and other cloud services were also down from the previous quarter.³

COMPANY SPECIFIC UPDATES

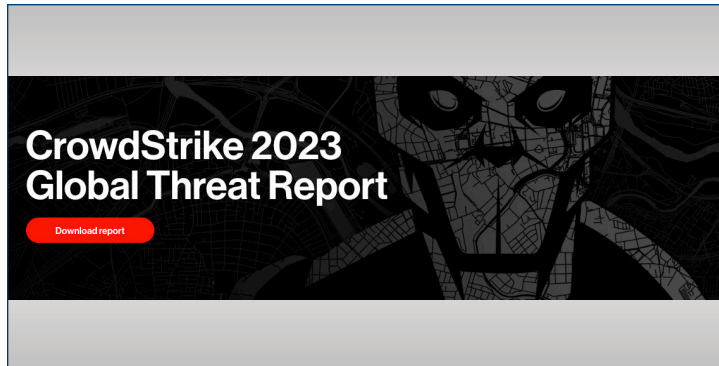


Source: Fortinet

Fortinet Inc

Fortinet, a global cybersecurity leader, announced the FortiSP5, a fifth-generation security processing unit with significant implications for cloud and edge computing. A breakthrough in ASIC technology, the FortiSP5 chip consumes 88% less power than leading industry-standard chips and in a smaller form factor. FortiSP5 can accelerate and run twice as many applications concurrently as fourth-generation chips, including NGFW, zero-trust network access, and SSL inspection.

As organizations increasingly transition to the cloud and hybrid work models, FortiSP5 will continue to be a driver for Secure SD-WAN, delivering cost-effective security and seamless access to applications no matter the location.⁴



Source: Crowdstrike.com/global-threat-report/

CrowdStrike Holdings

Cybersecurity tech firm CrowdStrike published its 2023 Global Threat Report in February, summarizing the company's research into cybercrime for the previous year. The report covers topics such as malware-free extortion attacks, cloud-related attacks, and ongoing geopolitical conflicts.

CrowdStrike's findings reveal a shift away from malware, with an increase in the number of threat actors using data theft and extortion without deploying ransomware. Malware-free activity accounted for 71% of CrowdStrike's threat detections in 2022, up from 62% in 2021.⁵

The report also highlighted how malicious actors are looking to exploit cloud environments as a new method of attack against global organizations. Cloud exploitation increased by 95% year over year in 2022 according to the report, and the number of cases involving "cloud-conscious" threat actors almost tripled in the same timeframe.⁶

PORTFOLIO STRATEGY AND ACTIVITY

For the month, Fortinet Inc. made the largest contribution to the Fund, followed by CrowdStrike Holdings, and Hubspot Inc. The largest detractors to performance for the month were Alphabet Inc., followed by Amazon.com Inc. and VMware Inc. On last rebalance, these securities were added to the portfolio: Coupa Software Inc., Descartes Systems Group Inc., and UiPath Inc.

PERFORMANCE (%)

| TOTAL RETURNS [*] | 1 MTH | 3 MTH | 6 MTH | YTD | 1 YR | 2YR | SI ^{**} |
|----------------------------|-------|-------|-------|------|--------|--------|------------------|
| DATA (HEDGED) | -2.46 | 3.52 | -8.20 | 7.86 | -24.03 | -14.07 | -11.26 |
| DATA.B (UNHEDEDGED) | -0.41 | 5.17 | -2.78 | 8.64 | -17.65 | -10.79 | -7.99 |

Source: Bloomberg, as at February 28, 2023.

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

Sources:

1. Shapiro, M., "VMware Wins Rare Directed Verdict in Cloud-Computing Texas Trial," Bloomberg News, February 23, 2023; <https://news.bloomberglaw.com/ip-law/vmware-wins-rare-directed-verdict-in-cloud-computing-texas-trial>
2. MacRae, D., "Public sector 'must accelerate move to cloud to cut emissions,'" CloudTech, February 17, 2023; <https://www.cloudcomputing-news.net/news/2023/feb/17/public-sector-must-accelerate-move-to-cloud-to-cut-emissions/>
3. Novet, J., "Amazon's cloud business reports 20% growth in fourth quarter, missing estimates," CNBC, February 2, 2023; <https://www.cnbc.com/2023/02/02/amazon-aws-earnings-q4-2022.html>
4. "Fortinet Unveils New ASIC to Accelerate the Convergence of Networking and Security Across Every Network Edge," Fortinet, February 6, 2023; <https://www.fortinet.com/corporate/about-us/newsroom/press-releases/2023/fortinet-unveils-new-asic-accelerate-networking-security-convergence-across-network-edges>
5. Culafi, A., "CrowdStrike: Threat actors shifting away from ransomware," TechTarget, February 28, 2023; <https://www.techtarget.com/searchsecurity/news/365531804/CrowdStrike-Threat-actors-shifting-away-from-ransomware>
6. Kobialka, D., "CrowdStrike 2023 Global Threat Report: Cloud Exploitation Up 95% Year Over Year," MSSPAlert, February 28, 2023; <https://www.msspalert.com/cybersecurity-research/crowdstrike-2023-global-threat-report-cloud-exploitation-up-95-year-over-year/>

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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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