ETF TICKERS: TECH (HEDGED); TECH.B (UNHEDGED); TECH.U (USD)

**Investment Thesis:** FANGMA is an acronym that represents some of the most important companies in big tech - Facebook (Meta Platforms), Amazon, Netflix, Google, Microsoft, and Apple. High share prices may be a deterrent to adding all these companies individually to a portfolio, but investors can now gain exposure to all six companies for a reasonable unit price.

**GENERAL INDUSTRY UPDATE**

During the latest fiscal period, tech leaders reported significant financial developments. Google’s cloud division marked its second consecutive quarter of profitability, Meta’s financial results reflected the efficacy of its cost-containment strategies, and Microsoft navigated margin compression due to substantial investments in AI.

**COMPANY SPECIFIC UPDATES**

**Meta**

**EARNINGS:** $2.98 per share vs. $2.91 expected by Refinitive.

**REVENUE:** $32 billion vs $31.12 billion expected by Refinitive.

**Facebook**

Meta, the parent company of Facebook, reported robust earnings for the latest quarter, beating several key expectations. Earnings were $2.98 per share on revenue of $32 billion, surpassing the expected $2.91 per share and $31.12 billion in revenue. The company saw an 11% increase in revenue from the previous year, marking the first time double-digit growth has been reported since the end of 2021.

Daily Active Users (DAUs) and Monthly Active Users (MAUs) also exceeded expectations. The cost-savings plan initiated by Zuckerberg, which led to about 21,000 job cuts, appears to be enhancing efficiency, reflected in the lowering of the capital expenditures forecast for 2023 to $27 billion to $30 billion, down from a previous estimate of $30 billion to $33 billion. Overall, the report indicates a strong quarter for Meta with signs of significant growth and efficiency improvements.
COMPANY SPECIFIC UPDATES

**Apple**

Apple reported a slight fall in sales for the fiscal third quarter ended July 1, with revenue at $81.8 billion, a decrease of 1.4%, but still topping expectations of $81.69 billion. EPS rose 5% to $1.26, exceeding the anticipated $1.19. Weaker iPhone sales were offset by a strong performance in the services segment, including Apple TV+, and 8% growth in sales in China. However, concerns persist over the future growth of iPhone sales, and the company’s sales forecast for the fiscal fourth quarter is below analyst expectations. Despite this, Apple’s gross profit margin is pegged at 44% to 45%, above expectations, and research and development spending has reached $22.61 billion for the fiscal year, an increase of $3.12 billion over the previous year. The mixed results reflect Apple’s ongoing battle in a mature market and uncertainty around its next big product, the Vision Pro mixed-reality headset.²

**Netflix**

Netflix reported earnings of $3.29 per share on revenue of $8.19 billion for the latest quarter, beating earnings expectations but falling slightly short on the anticipated revenue of $8.30 billion. The company added 5.9 million customers during the second quarter, a growth attributed to its broader crackdown on password sharing in the U.S., with plans to extend this policy. Revenue increased 3% from the prior-year period, and net income climbed to $1.49 billion. The Hollywood writers and actors strikes may potentially impact the streaming giant, but analysts expect Netflix to fare better due to its substantial international content. As a result of the strike, Netflix increased its free cash flow forecast to $5 billion for 2023, up from a prior estimate of $3.5 billion. The company forecasts further revenue growth in the coming quarters, expecting $8.5 billion for Q3, a 7% increase year over year, as it capitalizes on paid sharing and growth in its ad-supported plan.³
**COMPANY SPECIFIC UPDATES**

**Google**

Alphabet, Google’s parent company, reported a strong earnings report for the latest quarter, with earnings at $1.44 per share on revenue of $74.6 billion, beating expectations of $1.34 per share and $72.82 billion, respectively. Second-quarter revenue rose 7% from the same period last year, continuing a trend of single-digit growth as the company grapples with concerns about economic conditions and a pullback in digital ad spending. Notably, Google’s cloud unit reported its second straight profitable quarter, with operating income of $395 million, a significant turnaround from a loss of $590 million a year earlier, reflecting a 28% increase in revenue for the division. Google’s ad revenue also increased by 3.3% to $58.14 billion, while YouTube ads exceeded expectations at $7.67 billion, up from $7.34 billion last year, despite facing increased competition from TikTok. Overall, the report highlights Alphabet’s solid performance, especially in its cloud business, amid ongoing market challenges.  

**Microsoft**

Microsoft reported Q4 earnings of $2.69 per share on revenue of $56.19 billion, beating expectations, but shares fell following worse-than-expected revenue guidance for the fiscal first quarter. The company’s Intelligent Cloud segment performed well, contributing $23.99 billion in revenue, a 15% increase. However, concerns were raised as recent investments in artificial intelligence (AI) aren’t expected to yield immediate results, and extra spending on AI infrastructure is cutting into Microsoft’s cloud gross margin. The guidance for the operating segment featuring the Windows operating system also came up short of analyst expectations. Additionally, for the first time since 2016, the company’s research and development costs declined year over year, reflecting internal cost-saving measures. Despite some challenges, many analysts remain optimistic about Microsoft’s long-term prospects, particularly in AI’s potential to drive growth in Azure and Office productivity software.
COMPANY SPECIFIC UPDATES

Amazon

Amazon reported a substantial earnings beat for the latest quarter, with EPS of 65 cents, almost doubling the 35 cents expected, and revenue of $134.4 billion, surpassing the expected $131.5 billion. This represents Amazon’s biggest earnings beat since Q4 2020, reflecting the success of CEO Andy Jassy’s cost-cutting efforts, including the largest layoffs in the company’s history, with 27,000 jobs cut since last fall. Global headcount has fallen 4% year over year. For the third quarter, Amazon expects sales between $138 billion and $143 billion, reflecting the success of its “biggest ever” Prime Day discount event. After being stuck in single-digit growth for five of the past six quarters, the company has returned to double-digit growth, with some of the improvement attributed to AWS, Amazon’s cloud computing platform. Jassy’s leadership seems to be steering the company in a positive direction following the departure of founder Jeff Bezos.7

PORTFOLIO STRATEGY AND ACTIVITY

For the month, Netflix Inc made the largest contribution to the Fund, followed by Meta and Microsoft

PERFORMANCE (%)

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<th>TOTAL RETURNS*</th>
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<th>3 MTH</th>
<th>6 MTH</th>
<th>YTD</th>
<th>1 YR</th>
<th>2 YR</th>
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Source: Bloomberg, as at July 31, 2023.
** Performance of TECH, TECH.B and TECH.U since inception on May 4, 2021.
Sources:


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.

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