

# Evolve Automobile Innovation Index Fund

CARS invests primarily in equity securities of companies that directly or indirectly involved in developing electric drivetrains, autonomous driving or network connected services for automobiles.

TSX  
**CARS**

ETF TICKERS: CARS (HEDGED); CARS.B (UNHEDGED); CARS.U (USD)  
MUTUAL FUND FUNDSERV CODE: EVF140 (CLASS F); EVF141 (CLASS A)

**Investment Thesis: The car is becoming digital. Autonomous, Connected, Electric and Shared ('ACES')**

## Electrification

- Technological advances
- Improved vehicle experiences
- EVs becoming cost competitive with ICE (Internal Combustion Engine) counterparts
- Government mandates on carbon
- Charging network build-out
- Re-charge times
- Battery capacities/range

## Autonomous Technology

- Smarter chips
- Better and cheaper sensors
- Smart infrastructure
- Government mandates for safety
- Only Level 2 (partial automation) is available today
- Advanced Driver Assist ('ADAS') in most cars
- Level 3 (conditional), 4 (high) and 5 (full) years away

## GENERAL INDUSTRY UPDATE



Source: [Oxfordshirelive.co.uk/news](https://oxfordshirelive.co.uk/news)

Globally, the demand for electric vehicles remains robust, but the growth of charging stations is lagging behind. According to an in-depth study by Ryan Fisher at BNEF, the number of electric vehicles on the road per public charging point jumped to 9.2. At the end of 2020, this figure was 7.4.

China, one of the biggest and fastest growing markets for electric vehicles, has done well when it comes to charging stations. Since 2018, the growth of charging stations has kept up with the increasing demand for electric cars. The country now has more than half of the world's public charging points.

In the U.S., the number of chargers for every electric vehicle continues to decline. Europe is also lagging behind when it comes to charging infrastructure as electric vehicle sales in the region have surged since 2019. In Germany, for example, the ratio of electric vehicles per charging point in 2019 was eight. In 2021, it was at 20.<sup>1</sup>

The Canadian government announced an Incentives for Zero-Emission Vehicles (iZEV) program in May of 2019 to make a push towards the emission-free auto market and end sales of gas-powered vehicles by 2035. This program has now been extended to March 2025 and there are some adjustments that include a larger portion of the electric vehicle market.

Under the new iZEV, battery-electric cars with sticker prices between \$55,000 and \$65,000 would qualify for a \$5,000 rebate. Also, electric pickup trucks, minivans, and SUVs with prices between \$60,000 and \$70,000 will also be eligible for a rebate. Previously, only electric vehicles priced between \$45,000 and \$55,000 were eligible for a rebate.

Furthermore, under the new iZEV, plug-in hybrid (PHEV) models with 50 km or more of electric driving range can get a rebate of \$5,000.<sup>2</sup>

COMPANY SPECIFIC UPDATES



Source: Tesla

**Tesla Inc**

Tesla Inc., an electric car manufacturer held by the fund, announced robust 2022 first quarter earnings, beating analysts' consensus with earnings per share at \$3.22, and revenue jumping 87% to \$18.76 billion.

With electric vehicle demand remaining solid globally, Tesla's CFO and CEO Elon Musk said they remain confident that the company could grow 50% over 2021 numbers.

Elon Musk also said that the company will likely produce one and a half million cars this year, while also cautioning customers that those ordering now are facing long wait times and some orders won't arrive until next year.<sup>3</sup>



Source: BYD Co. Ltd.

**BYD Co. Ltd.**

BYD Co., held by the fund, is an electric car maker based in China that is backed by legendary investor Warren Buffett. The company announced that it has stopped production of fossil-fuelled vehicles since March.

On Twitter, the company said that it has become the first automotive manufacturer in the world to stop production of fuel-combusting vehicles. In the first quarter of 2022, the company electric vehicle production jumped 170% to 292,165 units.

According to advisory firm Sino Auto, which is based in Beijing, BYD will also make batteries for electric vehicles and it's the first electric or plug-in hybrid vehicle maker in China to sell 100,000 units a month.<sup>4</sup>

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CARS (HEDGED)	-16.54	-29.48	-28.69	25.98	20.23	16.31	13.89
CARS.B (UNHEDGED)	-15.19	-29.54	-27.31	23.02	19.92	16.79	15.45
CARS.U (USD)	-17.47	-30.62	-30.53	27.87	21.74	16.81	12.95

Source: Bloomberg, as at April 29, 2022.

\*\* Performance since inception of CARS and CARS.B on September 27, 2017.  
Performance since inception of CARS.U on November 1, 2017.

### Sources:

1. McKerracher, C. "Electric Vehicle Growth Outpaces Installation of Battery Chargers," BNN Bloomberg, April 12, 2022; <https://www.bnnbloomberg.ca/electric-vehicle-growth-outpaces-installation-of-battery-chargers-1.1751140>.
2. Ilika, D. "Canadian Government Expands EV Rebate Program," AutoTrader.ca, April 25, 2022; <https://www.autotrader.ca/editorial/20220425/canadian-government-expands-ev-rebate-program/>.
3. Kolodny, L. "Tesla reports \$18.76 billion in revenue and record margins in Q1," CNBC, April 20, 2022; <https://www.cnbc.com/2022/04/20/tesla-tesla-earnings-q1-2022.html>.
4. "China's BYD to Stop Producing Fossil-Fueled Vehicles on EV Shift," BNN Bloomberg, April 4, 2022; <https://www.bnnbloomberg.ca/china-s-byd-to-stop-producing-fossil-fueled-vehicles-on-ev-shift-1.1747203>.

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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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