

Evolve Automobile Innovation Index ETF

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



As at February 28, 2019

TICKER: CARS

MACROECONOMIC HIGHLIGHTS:

- Partnerships between carmakers to develop electric vehicle (EV) technology and other related ancillary products and services continued apace in February, indicating a shift in co-operation among automakers.
- Two partnerships announced during the month include Volkswagen's plans to invest some \$1.7 billion in Ford's Argo AI, an autonomous vehicle start-up unit owned by Ford; as well as, BMW's and Daimler's establishment of an approximately \$3.5 billion partnership to develop a suite of "mobility services." The two German giants plan to work on driverless vehicles, ride-hailing and pay-per-use cars.
- Hyundai, on the other hand, is aiming to become one of the top three electric-car manufacturers by 2025. The company plans to launch a platform dedicated to EVs next year and expects to introduce 44 electrified models by 2025. It also plans to launch an "autonomous robot taxi" fleet in South Korea on a trial basis by 2021. In total, Hyundai estimates that it will invest roughly \$40 billion in research and development over the next five years.
- Currently, electric cars still account for only a fraction of vehicles on the roads but that is expected to change over the next five years. According to the Boston Consulting Group nearly a third of the miles that Americans will rack up on roads by 2030 will be in electrified, autonomous vehicles operated by ride-sharing services.
- One of the highlights of the month was the 2019 Canadian International Autoshow held at the Metro Toronto Convention Centre, highlighting several futuristic developments in the automotive sector.
- FLO, Canada's largest EV charging network displayed a charging station that could be installed in homes. With charging technology continuing to evolve, the driving range of EVs are getting much longer. For instance, the Kia Soul EV has a range of up to 385 kms, whereas the Nissan Leaf has range of up to 363 kms. This development will be the tipping point for EVs to become competitive with gas-powered vehicles for range and long distance utility.





- Also on display were hydrogen powered and hybrid vehicles – as alternatives to EVs. Toyota displayed its hydrogen fuel cell, while Hyundai showcased a model of its Hydrogen car, which is in pre-production. Some affordable choices in the hybrid category were also on display, including the Kia Optima hybrid, priced at \$30,000 and the Kia Niro hybrid at \$25,000.
- Another big theme at the Autoshow were digital dashboard screens. Some vehicles with new dashboard screens included the Land Rover 4, which has a rear-view mirror that displays a video image from a rear-facing camera. Mercedes Benz also had a very wide full screen dashboard, whereas Jaguar showed off a car with a 2-screen dashboard.

PERFORMANCE ATTRIBUTION:

- The ETF produced a positive return in February. At the end of the month, it held 67% of its portfolio by weight in companies in the Auto Supply Chain; 17% in Auto Parts and Equipment and 16% in Auto Makers. Each of these sub-sectors contributed positively to the ETF's return.

SOURCES:

- <https://www.inverse.com/article/52745-volkswagen-is-bringing-smartphone-like-portable-chargers-to-electric-cars>
- <https://www.cnet.com/roadshow/news/hyundai-launch-ev-dedicated-platform-2020/>
- <https://www.bbc.com/news/business-47376677>
- <https://www.forbes.com/sites/sebastianblanco/2019/02/28/bmw-daimler-will-work-together-on-autonomous-vehicles-for-mid-2020s/#6e3874454346>

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