

# 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 and Electric ('ACE')

### 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:Scientificamerican.com, Photo credit: John Lloyd via Flickr CC by 2.0

China is a giant player in the electric vehicle market. Back in September of 2014, Beijing announced a tax exemption for buyers of environment-friendly vehicles. Despite the policy boosting sales of electric vehicles in the country over the past decade, the government had planned to end the incentive in 2022. Now, the State Council, China's cabinet, is considering extending this exemption to boost the electric vehicle sector after it was severely hit by the COVID-19 lockdowns.<sup>1</sup>

According to reports by Xinhua News Agency, the State Council is expecting the purchase tax exemption to result in \$29.8 billion in spending by consumers on electric vehicles. This will hopefully boost the Chinese economy and lead to a high employment rate.

Also in China, Tencent, an online entertainment giant and maker of WeChat messaging, payments, and social media apps, recently launched an all-in-one cloud product for automakers called Tencent Intelligent Automobile Cloud.

It features data storage optimized for training autonomic driving systems and gives drivers access to Tencent's social media and map apps. Tencent has already partnered with 40 car manufacturers, including BMW and some U.S. automakers, to incorporate their product in over 124 vehicle models.<sup>2</sup>

In other parts of the world, Europe is also becoming a major market for electric vehicles. In June, lawmakers in the European Union voted to maintain a ban on new combustion engine cars by 2035. If the European Union follows through with its plan, it will end the use of combustion engine vehicles in Europe, sparking a major change in the transportation sector and a major win for Europe's fight against climate change.<sup>3</sup> It could also be a major windfall for manufacturers who make electric vehicles.

Another challenge electric vehicle manufacturers are facing nowadays is the rising cost of raw materials for electric vehicles, having doubled since the pandemic began.

According to a report by AlixPartners, the average raw material cost for an electric vehicle was \$8,255 in May. This is up 144% from \$3,381 per vehicle in March of 2020. The price has increased due to the rising price of cobalt, nickel, and lithium.

Rising raw material costs will not only force automakers like General Motors, Tesla, Lucid, and Rivian to raise prices, but it could also impact the launches of new electric vehicles. AlixPartners forecasts that electric vehicle models on the global market could increase to 200 by 2024 from 80 last year.<sup>4</sup>

Lastly, there has been notable developments in the increasing range of electric vehicle batteries: Contemporary Ampere Technology Co. Ltd. recently said that it has built a car battery that has a range of over 1,000 kilometers on a single charge. Named Qilin, this battery charges faster, is safer, and more durable than existing cells.<sup>5</sup>

COMPANY SPECIFIC UPDATES



Source: Blink

**Blink Charging Co.**

Blink Charging Co., an operator of electric vehicle charging stations and infrastructure, which is held by the fund, said it has acquired SemaConnect Inc., an electric vehicle infrastructure company, for \$200 million in cash and stock.

This acquisition is expected to increase Blink’s charging infrastructure by 13,000 vehicle chargers, 1,800 host locations, and 150,000 registered electric vehicle driver members.

Michael D. Farkas, CEO and founder of Blink charging, said that there is a lack of electric charging locations for a growing number of electric vehicles. The company is expected to engage in more acquisitions as it looks towards growth.<sup>6</sup>



Source: Blink

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CARS (HEDGED)	-14.10	-38.78	-41.58	7.59	17.36	11.55	10.04
CARS.B (UNHEDGED)	-13.10	-38.75	-40.61	5.65	17.74	11.71	11.53
CARS.U (USD)	-14.61	-39.81	-42.81	8.49	18.41	12.29	9.08

Source: Bloomberg, as at June 30, 2022.

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

Performance since inception of CARS.U on November 1, 2017.

### Sources:

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2. Cheng, E., "Tencent wants to be foreign automakers' go-to company for tech in China's electric car market," June 27, 2022; CNBC, <https://www.cnbc.com/2022/06/27/tencent-wants-to-be-foreign-automakers-go-to-company-for-evs-in-china.html>.
3. Aiger, J., "EU Lawmakers Uphold Ban on New Combustion Engine Cars by 2035," BNN Bloomberg, June 8, 2022; <https://www.bnnbloomberg.ca/eu-lawmakers-uphold-ban-on-new-combustion-engine-cars-by-2035-1.1776132>.
4. Wayland, M., "Raw material costs for electric vehicles have doubled during the pandemic," CNBC, June 22, 2022; <https://www.cnbc.com/2022/06/22/electric-vehicle-raw-material-costs-doubled-during-pandemic.html>.
5. Lee, D., "CATL Unveils EV Battery With One-Charge Range of 1,000 Kms," Yahoo! Finance, <https://finance.yahoo.com/news/catl-unveils-ev-battery-one-093935625.html>, June 23, 2022.
6. Roof, K., "Blink Charging Acquires SemaConnect to Boost EV Infrastructure," BNN Bloomberg, June 14, 2022; <https://www.bnnbloomberg.ca/blink-charging-acquires-semaconnect-to-boost-ev-infrastructure-1.1778534>.

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