

Evolve Automobile Innovation Index Fund

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 March 29, 2019

TICKER: CARS

MACROECONOMIC HIGHLIGHTS:

- Developments in electric (EV) and autonomous vehicles (AV) continued to dominate the automotive industry in March. According to the World Economic Forum, the global EV market is growing exponentially, increasing six folds between 2013 to 2015. Incidentally, this growth rate has accelerated since then with an increasing number of car companies venturing into the EV market.
- Although the current EV market segment represent one to two percent of total vehicle sales worldwide, it is forecasted that EV sales will surpass those of traditional vehicles by 2038, with the global fleet of EVs expected to surpass one billion by 2047.ⁱ
- In March, Hyundai Motor Group and Russia's biggest technology company Yandex NV announced plans to jointly develop autonomous vehicles and build an autonomous control system to be marketed to rival car manufacturers and car-sharing startups; while Volvo Cars and Baidu Inc. joined forces to develop robotaxis in China.ⁱⁱ
- The VAD (Verband der Automobilindustrie) announced that Germany's automotive industry will invest some \$45 billion in EVs over the next three years to triple the number of models vying for buyers. The plan is pivotal to reach ambitious goals in the European Union to reduce carbon dioxide emissions.ⁱⁱⁱ
- Tesla's unveiled its mid-size electric SUV, the Model Y. The more expensive models of the car will be available to the public in 2020, while more affordable versions will be available the following year. Tesla anticipates that it will sell more Model Ys than Model 3s and Model Xs combined.^{iv}
- Daimler Trucks has agreed to buy a majority stake in self-driving truck software maker Torc Robotics as part of a broader push to develop autonomous vehicles. Torc has developed technology that allows vehicles to operate at a high level of automation, known as level 4, helping Daimler to accelerate its own plans for commercializing self-driving vehicles.^v
- Incidentally, China has become the largest market for EVs. In 2018, EV sales in China surged by 62 percent to 1.3 million, about 4 percent of total car purchases, compared to 2 percent of car purchases in the US. By 2022, 10.3 million new electric vehicles are projected to be sold globally, with China expanding by 37 percent to 3.6 million and the US increasing 26 percent to nearly 2 million.^{vi}





- According to a KPMG 2019 report, Canada ranks No. 12 among countries that are making the most progress toward a fully autonomous future. The Netherlands, Singapore and Norway are ranked in the first three spots.^{vii}
- BMW, a stock held by the ETF, announced that it will partner with Daimler to invest approximately US\$2.2 billion to battle Uber and Didi in developing services on five fronts: REACH NOW for multimodal services; CHARGE NOW for charging; FREE NOW for taxi ride hailing; PARK NOW for parking; and SHARE NOW for car sharing.
- Nvidia Corp. announced its Q4 FY 19 results which exceeded earnings and revenue estimates. However, revenue guidance for 2020 is forecasted to be “flat to down slightly.”

PERFORMANCE ATTRIBUTION:

- At the end of the month, the ETF 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. Nvidia Corp. was the best performing stock, followed by Advanced Microdevices and Knowles Corp.

SOURCES:

- ⁱ <https://www.zdnet.com/article/ark-invest-tesla-is-three-years-ahead-of-all-its-competitors/>
- ⁱⁱ <https://www.bloomberg.com/news/articles/2019-03-19/hyundai-signs-deal-with-russia-s-yandex-for-autonomous-cars>
- ⁱⁱⁱ <https://www.bloomberg.com/news/articles/2019-03-02/german-car-industry-to-invest-45-billion-in-electric-vehicles>
- ^{iv} <https://www.cnn.com/2019/03/14/tech/tesla-model-y-unveil/index.html>
- ^v <https://ca.finance.yahoo.com/news/daimler-buys-torc-robotics-stake-self-driving-trucks-131947637--finance.html>
- ^{vi} <https://www.zdnet.com/article/ark-invest-tesla-is-three-years-ahead-of-all-its-competitors/>
- ^{vii} <https://mobile.guideautoweb.com/en/articles/50000/which-countries-are-the-most-prepared-for-autonomous-cars/>

DISCLAIMER:

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