

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 November 30, 2020



ETF TICKER: CARS (Hedged); CARS.B (Unhedged); CARS.U (USD)

MUTUAL FUND FUNDSERV CODE: EVF140 (Class F); EVF141 (Class A)

MACROECONOMIC HIGHLIGHTS:

The COVID-19 pandemic helped to erase more than a third of global car sales through the first four months of the year. The electric vehicle (EV) market has held up comparatively better, owing to its specific consumer demographic and targeted fiscal support measures enacted in China and select European countries.

Electrification will not be limited to only the passenger vehicle segment. Commercial purposes including transit and delivery vehicles are already gaining in popularity. The Canadian federal government committed \$1.5 billion to purchase 5,000 zero-emission buses and further enhance charging infrastructure by 2025.

A report from Allied Market Research forecasts that the global EV market will reach approximately \$567 billion by the year 2025. This would represent a CAGR of 22.3% from 2018 to 2025. Many of the top automobile manufacturers are set to unveil EVs in the first half of this decade.

EVs will create safer roads and a cleaner environment. It is expected 90% of worldwide vehicle production to be EV by 2040, with many countries planning to ban gas and diesel cars within the next 20 years, including Germany, France, U.K., Norway, Netherlands, India, and China.

President-elect, Biden, hopes to jump-start EV market, he has outlined a \$2 trillion climate proposal that would make the U.S. power sector carbon free by 2035, while pushing the country to net zero emissions by 2050.

Among the top performers in the CARS portfolio this year is Plug Power, up +735%. A pioneer of clean-energy power supplies, the company is focused on hydrogen and fuel cell systems that are used to power electric motors primarily in the electric mobility and stationary power markets, includes EVs, electric forklifts, and electric industrial vehicles. Plug Power recently announced to raise \$1 billion capital to accelerate the first nation-wide green hydrogen network.

In Q3 this year, Plug Power's revenue hit \$106.99 million amounting to 79.9% year-over-year increase and beating estimates by \$1.23 million. Outlook also remains positive, it raised its FY20 gross billings estimate to between \$325 and \$330 million from \$310 million.





Another top performer in the CARS portfolio this year is NIO Inc., the “Tesla” of China, up +1,157%. NIO was included in the portfolio during rebalance in April, 2019, its market value recently surpassed General Motors. The company sells luxury EVs to Chinese consumers and has seen a surge in business over the past year. Recently NIO announced that 5,055 electric vehicles were delivered in China in October, representing year-over-year growth of 100% and a monthly record for the company.

NIO has partnered with an Intel company, Mobileye, engaging in a strategic collaboration on the development of highly automated and autonomous vehicles (AV) for consumer markets. As part of the planned cooperation, NIO will engineer and manufacture a self-driving system designed by Mobileye, building on its Level 4 (L4) AV kit. This self-driving system would be the first of its kind, targeting consumer autonomy and engineered for automotive qualification standards, quality, cost and scale. NIO will mass-produce the system for Mobileye and also integrate the technology into its electric vehicle lines for consumer markets and for Mobileye’s driverless ride-hailing services.

The automobile industry is set to undergo significant changes in the years ahead. Automotive innovation is likely to be the biggest disruptive technology over the next 10 years. Future cars are expected to be the most sophisticated piece of tech that we own.

SOURCES: Bloomberg, IMF, gminsights, TD Economics, CNBC, Intel

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