

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 July 31, 2019

ETF TICKER: CARS (Hedged); CARS.B (Unhedged); CARS.U (USD)
MUTUAL FUND FUNDSERV CODE: EVF140 (Class F); EVF141 (Class A)

MACROECONOMIC HIGHLIGHTS:

The adoption of electric cars (EV) is poised to pick up steam. Bloomberg New Energy Finance has predicted that 20 years from now, more than half of new cars sold will be electric as consumers choose EVs over gasoline powered vehicles, regardless of government incentives.

Faster adoption will be facilitated by longer range driving on a single charge; cheaper batteries; more efficient electric motors; an increase in charging stations, especially along highways; and lower-priced cars.ⁱ

Incidentally, Tesla has used its network of fast chargers as a major selling point for its cars and SUVs. Tesla, has a huge network of Superchargers worldwide that the company frequently points to as an important selling point for its EVs.

Recently, General Motors and the construction company Bechtel announced that they are teaming up to build a network of fast chargers. In addition, Electrify America, a charging network company financed by Volkswagen, is also rapidly building out a charging network.

And the chargers are getting faster. Swiss industrial company, ABB, claims its chargers will be able to fill a car's battery pack to 80% in under 10 minutes. However, this depends on cars being able to accept a charge this quickly.

In news about new developments in the EV and AV space, Volkswagen announced plan to expand its alliance with Ford to include AVs and EVs. As part of the deal, VW will invest \$2.6 billion in Argo AI, the AV start-up based in Pittsburgh. Volkswagen has staked its future, to the tune of \$91 billion, on being able to profitably mass-produce EVs, while Ford plans to spend \$11.5 billion on EV development and production over the next few years.ⁱⁱ

In addition, GM has teamed up with Honda to develop AVs, while Jaguar is launching another electric model. Toyota has joined forces with Subaru to produce pure EVs, while investing \$500 million in Uber's AV driving technology; and also unveiled improved solar technology for its vehicles. Audi has also revealed plans for autonomous driving. Meanwhile, Nissan has also developed electric technology.ⁱⁱⁱ





In July, Tesla announced improvements to its automated emergency braking (AEB) system which will automatically engage the brakes on a vehicle when the Autopilot-based system detects a pedestrian crossing the car's path, and doing the same for a cyclist.

PERFORMANCE ATTRIBUTION:

At the end of the July, the ETF held 68% of its portfolio by weight to companies in the Auto Supply Chain; and 16% each in Auto Makers and Auto Parts and Equipment. For the month, the automaker, NIO INC. ADR was the best performing stock, followed by the auto supply chain company, AMS AG, which made the largest contribution to the ETF's return.

SOURCES:

ⁱ <https://www.cnn.com/2019/07/18/cars/electric-car-market-sales/index.html>

ⁱⁱ <https://www.theverge.com/2019/7/12/20690722/ford-vw-alliance-self-driving-argo-investment-valuation>

ⁱⁱⁱ <https://www.forbes.com/sites/enriquedans/2019/07/06/the-automotive-industry-is-ripe-for-disruption-we-just-need-to-push-itharder/#300e7fb12849>

DISCLAIMER:

Commissions, management fees and expenses all may be associated with exchange traded funds (ETFs) and mutual funds (funds). Please read the prospectus before investing. ETFs and mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. There are risks involved with investing in ETFs and mutual funds. Please read the prospectus for a complete description of risks relevant to ETFs and mutual funds. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units.

