



Evolve Automobile Innovation Index

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.

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

Investment Thesis: The car is becoming digital. Autonomous, Connected & 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

MACRO ECONOMIC HIGHLIGHTS

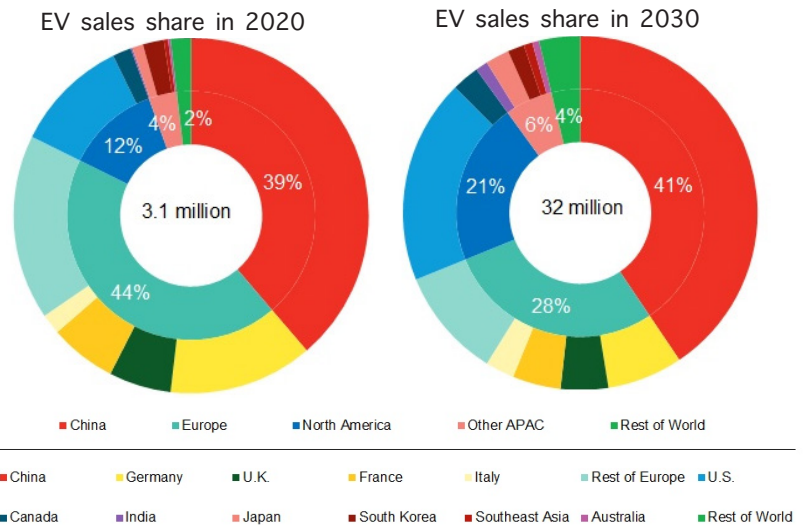
The global EV Market is expected to grow 10x this decade.

32 million passenger vehicles are projected to be sold in 2030 (up from 3 million in 2020). China, Europe and the US will remain the top markets. During the same period, EVs will jump to 33% of total global sales (vs 4.3% in 2020).

On August 5th, Biden set the goal that 50% of all new cars sold by 2030 be battery-electric, plug-in hybrid or fuel cell-powered.

Currently, the main **barriers for widespread EV adoption** are **batteries, charging infrastructure, and chip shortages.**

BNEF's outlook for passenger EV sales by market



Source: BloombergNEF

1 Batteries

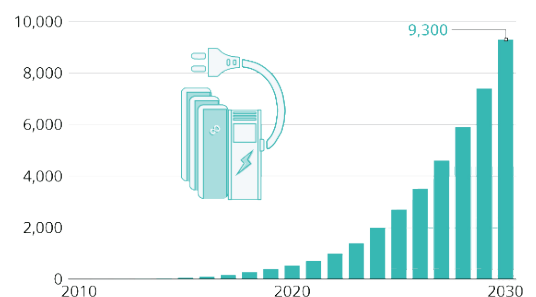
Demand for lithium-ion batteries could surge as much as 5.9 terawatt-hours a year in 2030, putting a strain on supply chains.

Solid-state battery technology will be key to increasing cell-level energy density up to 500Wh/kg and driving battery prices down to \$61/kWh by 2030. Solid-state batteries should be a cheaper and safer alternative to current lithium-ion batteries.

At the end of July, QuantumScape announced it's testing a 10-layer solid state battery cell.

High Demand for Lithium-Ion Batteries

Cumulative lithium-ion battery demand for electric vehicle/energy storage applications (in GW hours)



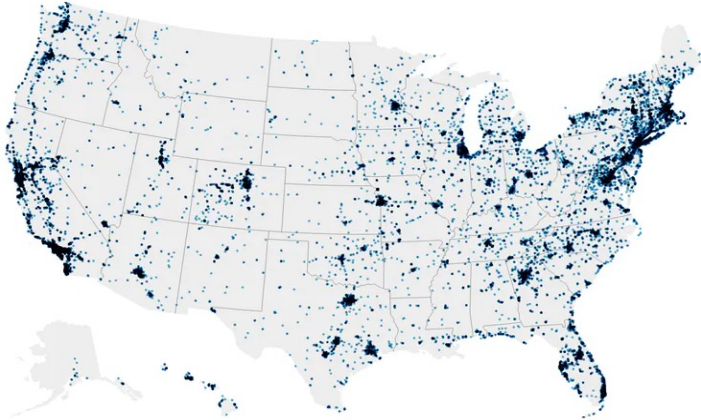
Source: Bloomberg

2 Charging Infrastructure

Biden's \$1 Trillion infrastructure bill will allocate **\$7.5 billion** to EV charging stations. However, industry experts say an investment of **\$50 billion** is required to build a charging network that can support the number of EVs by 2030.

Looking for an electric vehicle charging station?

The U.S. has about 43,000 public EV charging stations and 106,000 public chargers, but they get harder to find when traveling long distances in rural areas.



Charging stations as of August 2021. Darker areas are clusters of many stations, primarily in large cities. Map: The Conversation/CC-BY-ND · Source: Department of Energy

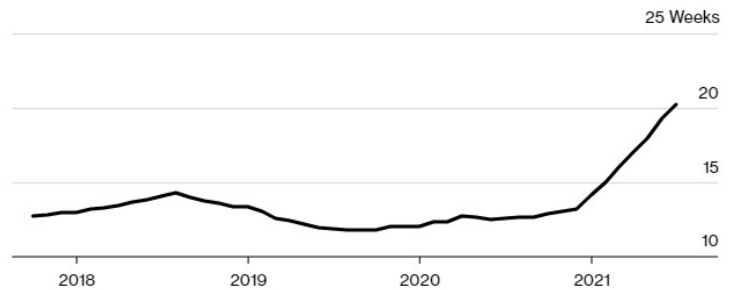
3 Chip Shortage

Vehicle manufacturers, including EVs, were affected by supply chain issues this month. The chip shortage that was predicted to start easing by Q2 2021 shows no signs of slowing yet.

Toyota, who claimed to be unaffected by the shortage in May, just announced it would cut production in Japan by 40% because of the shortage. In August, GM, Ford, Stellantis and VW all said they would also likely have to cut production.

The Long Wait For Chips

The gap between ordering a chip and delivery is still growing



Source: Susquehanna Financial Group

Automakers EV Investments

Despite these challenges, automakers are committed to developing their EV line ups to hit sales and net-zero goals. According to Bloomberg, reaching **net-zero requires 355 million EVs by 2030** - or **1 in 5 cars** need to be electric.

The chart to the right shows automakers EV and digital R&D commitments as a percentage of total capex. Volkswagen is investing **58% of all capex** into EVs and digital.

Capex Is Destiny

Automakers' electric vehicle and digital R&D and capex commitments as a percentage of total R&D and capex



Sources: Companies, BloombergNEF

Note: calculated as equal annual investment over companies' stated investment periods, divided by 2020 R&D and Capex.

Bloomberg Green

PERFORMANCE ATTRIBUTION

For the month, SiTime Corp Inc. made the biggest contribution to the Fund, followed by ITM Power and Ceres Power.

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	SI**
CARS (HEDGED)	-0.05	4.39	57.87	62.66	33.36	26.96
CARS.B (UNHEDGED)	0.96	3.18	54.80	63.12	34.07	28.80
CARS.U (USD)	-0.17	4.10	60.00	67.54	35.57	26.85

Source: Bloomberg, as at August 31, 2021. ** Performance of CARS & CARS.B since inception on September 27, 2017 and CARS.U performance since inception on November 1, 2017.

SOURCES:

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