

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: Photo by Bjoern Wylezich | Shutterstock.com

Skyrocketing demand for electric vehicles globally is creating material shortages, particularly with lithium. Used in batteries for electric vehicles, lithium is a key component that can not be substituted. Lithium prices have surged 500% in the last year in light of the soft metal shortage.

Analysts at Macquarie Group Ltd. say that "a perpetual deficit," could be the case for the lithium market. Meanwhile, Citigroup Inc. warned that further price increases could be ahead for lithium prices, and has, therefore, doubled its price target for the metal for 2022.

According to Benchmark Mineral Intelligence, current lithium prices could increase the costs of producing an electric vehicle by \$1,000. If those who make lithium batteries can't get lithium, it might become difficult to meet global emissions targets.¹

Recently, Ford Motor Co. began testing geofencing for connected vehicles. Ford's Geofencing Speed Limit Control system could help make streets safer for drivers and pedestrians. It improves roadside appearances and helps drivers avoid speeding fines.

Michael Huynh, manager City Engagement Germany for Ford Motor Co., said that connected vehicles have the potential to make driving easier and build safer roads. Geofencing can ensure speeds are reduced where necessary.²

It is rumoured that Apple Inc. has been building an electric vehicle for years. Recently, the iPhone maker hired Ford Motor Co.'s executive, Desi Ujkashevic, who had helped Ford with vehicle engineering and safety on Ford's Escape, Explorer, Fiesta, Focus, Lincoln MKC and Aviator. She also played a role in developing electric vehicles for Ford.³

COMPANY SPECIFIC UPDATES



Source: Kirsten Korosec

Rivian Automotive Inc.

Rivian Automotive Inc., held by the fund, is an electric pick-up truck and sports utility vehicle maker. The company recently announced that it is ramping up production of electric vehicles and is on track to deliver 25,000 vehicles this year. The company has built 5,000 electric vehicles since production started in September, and has delivered 1,227 vehicles to customers in the first quarter.

Rivian is also making strong strides to increase manufacturing capacity. It has received \$1.5 billion in state and local incentives to build its second five-billion-dollar factory in Georgia. This factory is expected to be in operation in 2024.

Furthermore, the company is also making electric delivery vans for Amazon.com Inc, its second largest shareholder.⁴



Source: Tesla

Tesla Inc.

Tesla Inc., an electric vehicle maker with global reach, which is held by the fund, said that the firm’s Chinese operations are having logistical issues. The company’s factory in Shanghai was shut down for three weeks in April due to lockdowns in order to curb the spread of COVID-19. Tesla only shipped 1,512 vehicles from Shanghai in April.⁵

Tesla’s competitors are making bold claims. Speaking to CNBC’s “Squawk Box Europe” at the World Economic Forum, Herbert Diess, chairman of the board at Volkswagen, said that the German auto manufacturer could be overtaking Tesla when it comes to electric vehicle sales by 2025.⁶

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CARS (HEDGED)	1.06	-28.73	-25.41	22.68	27.79	14.94	13.87
CARS.B (UNHEDGED)	0.04	-29.51	-23.78	19.31	26.69	15.14	15.15
CARS.U (USD)	1.61	-29.50	-27.27	24.46	29.51	15.84	13.08

Source: Bloomberg, as at May 31, 2022.

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

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

Sources:

1. Lee, A. "The Trouble With Lithium," BNN Bloomberg, May 25, 2022; <https://www.bnnbloomberg.ca/the-trouble-with-lithium-1.1770692>.
2. "Ford trials geofencing tech that could automatically reduce the speed of vehicles to improve safety for all," Automotive World, May 24, 2022; <https://www.automotiveworld.com/news-releases/ford-trials-geofencing-tech-that-could-automatically-reduce-the-speed-of-vehicles-to-improve-safety-for-all>.
3. Gurman, M. and Naughton, K. "Apple Hires 31-Year Ford Veteran to Ramp Up Electric-Car Work," BNN Bloomberg, May 3, 2022; <https://www.bnnbloomberg.ca/apple-hires-31-year-ford-veteran-to-ramp-up-electric-car-work-1.1760476>.
4. Ludlow, E. "Rivian Says Production Increased, Keeps Sales Target at 25,000," BNN Bloomberg, May 11, 2022; <https://www.bnnbloomberg.ca/rivian-says-production-increased-keeps-sales-target-at-25-000-1.1764602>.
5. "Tesla's China Plant Facing More Disruptions From Covid Lockdown," Yahoo! Finance, May 10, 2022; <https://ca.news.yahoo.com/tesla-halts-output-shanghai-plant-020307752.html>.
6. Meredith, S. "Volkswagen chief says German car giant will overtake Tesla on electric vehicle sales by 2025," CNBC, May 24, 2022; <https://www.cnbc.com/2022/05/24/volkswagen-ceo-says-carmaker-will-overtake-tesla-on-ev-sales-by-2025.html>.

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*The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETF or returns on investment in the ETF. ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

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