

# 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

A recently released *Consumer Reports* survey revealed that 71% of Americans showed some interest in buying or leasing an electric vehicle, with 22% saying they would "seriously consider" and 14% saying they would "definitely" buy or lease an electric vehicle. Interestingly, the survey was conducted prior to the gas price surge in the U.S. In 2020, only 4% of survey respondents said they would "definitely" consider an electric vehicle.<sup>1</sup>



Source: Cleantechnica.com image courtesy of Chevrolet

## Volkswagen and Ford, Investing in EV Production



Source: Canadianautodealer.ca

With more people interested in electric vehicles now than ever before, automakers are preparing to meet the demand. In an interview with CNBC, the CEO of Volkswagen, Herbert Diess, revealed that the company is witnessing solid demand for electric vehicles in Asia, Europe, and the U.S.

Furthermore, Volkswagen is ramping up production with five new assembly plants and trying to keep delivery times short.<sup>2</sup>

Ford Motor Co. is also working hard to push into the electric car market. In the coming weeks, the automaker plans to cut as many as 8,000 jobs from its internal combustion engine vehicles business unit (Ford Blue) to fund operations of its electric vehicle business unit (Model e).

In March, the CEO of Ford Motors, Jim Farley, restructured the company into two business units and aimed to cut \$3.0 billion in costs by 2026.<sup>3</sup>

With robust demand for electric vehicles, there's a growing need for more charging stations. The White House is working hard to boost the charging infrastructure in the U.S. Last year, it announced an investment of \$7.5 billion to increase the number of charging stations under the Infrastructure Law.

More recently, the Biden Administration has announced that several private firms are willing to invest \$700 million to grow the country's electric vehicle charging network. This investment will help build 250,000 chargers per year and create more than 2,000 jobs. Furthermore, it will make charging more affordable, accessible and equitable for consumers.<sup>4</sup>

## COMPANY SPECIFIC UPDATES

| |  
 - C A N O O -  
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Source: Courtesy of Walmart

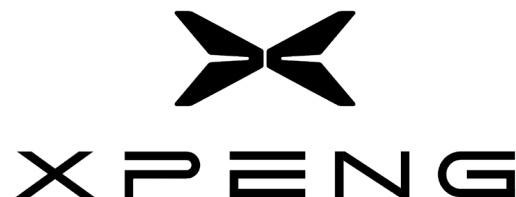
## Blink Charging Co.

Canoo Inc., held by the fund, is an automaker startup that is focused on designing, engineering, developing, and manufacturing electric vehicles for commercial and consumer markets.

Recently, the company announced that Walmart would be the first entity to receive 4,500 of its all-electric specialty vehicles, Lifestyle Delivery Vehicle (LDV). The retail giant also has the option to buy up to 10,000 more.

This move is part of Walmart's initiative to achieve zero emissions by 2040. Walmart plans to use the LDVs for last-mile delivery, which is considered the final step in the online order delivery process.

Canoo says the LDVs will be on the road in 2023, as the companies refine and finalize vehicle configuration in the coming weeks in the Dallas-Fort Worth metroplex.<sup>5</sup>



Source: Insideevs.com

## XPeng Inc.

XPeng, a Chinese electric car maker, held by the fund, has shown strides with its affiliate companies XPeng Robotics and HT Aero.

Xpeng Robotics announced recently that it has raised \$100 million to commercialize its household robotics in the next two years. The money raised will be used to increase research and development, investment in robotic hardware and software, speed up product development, and recruit talent. As per the company, the robots are expected to enter households in the next two years.

HT Aero, another affiliate of Xpeng, has put its efforts into developing flying cars. The company raised \$500 million from outside investors to develop a car that could both fly and drive on roads.<sup>6</sup>

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CARS (HEDGED)	15.91	-29.04	-27.67	11.53	20.62	15.23	13.27
CARS.B (UNHEDGED)	14.99	-29.56	-27.51	8.99	20.79	15.38	14.59
CARS.U (USD)	15.59	-30.42	-29.54	11.24	21.88	15.94	12.30

Source: Bloomberg, as at July 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. Edelstein, S., "Survey: Even before the gas price surge, 71% of Americans would consider and EV," Green Car Reports, July 8, 2022; [https://www.greencarreports.com/news/1136414\\_survey-before-gas-price-71-percent-americans-consider-ev](https://www.greencarreports.com/news/1136414_survey-before-gas-price-71-percent-americans-consider-ev).
2. Frangoul, A. "Volkswagen CEO says EV outlook is 'very good,' expects to reduce delivery times this year," CNBC, July 7, 2022; <https://www.cnbc.com/2022/07/07/hinese-en-ceo-says-ev-outlook-is-very-good.html>.
3. Naughton, K., "Ford plans up to 8,000 job cuts to help fund EV investment," BNN Bloomberg, July 20, 2022; <https://www.bnnbloomberg.ca/ford-plans-up-to-8-000-job-cuts-to-help-fund-ev-investment-1.1794680>.
4. Mihalascu, D. "White House Welcomes \$700M Private US Investments In EV Charging," InsideEVs, June 29, 2022; <https://insideevs.com/news/595182/white-house-welcomes-700-million-usd-private-us-investments-ev-charging>.
5. Car And Driver, <https://www.caranddriver.com/news/a40587886/hinese-canoo-ev-delivery-trucks-purchase/>, July 22, 2022.
6. Kharpal, A., "Chinese EV maker Xpeng's robotics arm raises \$100 million to bring robots to households in 2 years," CNBC, July 12, 2022; <https://www.cnbc.com/2022/07/12/hinese-ev-maker-xpengs-robotics-company-raises-100-million.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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