

# 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:theguardian.com/photograph: Justin Sullivan/Gettyimages

In August, officials in California—the most populous state in the U.S.—recently took a historic step to fight climate change. Starting in 2035, sales of new gasoline-powered vehicles will be banned. The state plans to phase out gasoline-powered vehicles in steps in an attempt to boost sales of electric vehicles. The new rule requires 35% of total new vehicle sales to be battery-powered or hydrogen by 2026, and 68% by 2030. In 2021, just 12.41% of all new cars sold in California were zero-emission.

This decision could motivate other states to implement similar policies. At least 15 states, including New York, New Jersey, and Pennsylvania, have adopted California's vehicle standards when it comes to zero-emission cars.<sup>1</sup>

Meanwhile in Canada, the government of British Columbia is increasing incentives for buying electric vehicles. The province announced that it will increase the rebate for battery-electric, fuel-cell electric, and long-range plug-in hybrid electric vehicles from \$3,000 to \$4,000.

The rebate rate for lower-range plug-in hybrid electric vehicles is also being increased to \$2,000 from \$1,500.

In a statement, The Ministry of Energy, Mines and Low Carbon Innovation of British Columbia said that more than 90% of the province's residents would be eligible for the rebate and that they can save up \$9,000 on new electric vehicles when federal incentives are added.<sup>2</sup>

As a boom in electric vehicle sales continues globally, money is pouring into the electric vehicle charging industry. This year, \$4.8 billion has been rolled out towards increasing the number of charging stations worldwide.

BloombergNEF forecasts that cumulative investing in charging stations will surpass \$360 billion globally by 2030 and over \$1.0 trillion by 2040. An investment of \$1.4 trillion would be needed for the entire fleet to consist of electric vehicles by 2050.<sup>3</sup>

COMPANY SPECIFIC UPDATES



Source: Bizjournals.com/image: Albanybusinessreview

**Plug Power Inc.**

Plug Power Inc., a company that engages in providing end-to-end clean hydrogen and zero-emissions fuel cell solutions, which is held by the fund, signed a deal with Amazon.com Inc. recently to supply liquid green hydrogen.

Plug Power will supply Amazon with 10,950 tons of green hydrogen every year starting in 2025. Amazon said that it has 15,000 hydrogen fuel-cell-propelled forklifts, and it plans to increase that to 20,000 units in the next three years.

This deal is fruitful for Plug Power, as well. The company revealed that this deal will help them get closer to their \$3.00 billion revenue goal by 2025. Also, the company granted Amazon a warrant to buy up to 16 million shares, at an exercise price of \$22.98 a share for the first nine million shares.<sup>4</sup>



Source: Chargepoint.com

**ChargePoint Holdings Inc.**

ChargePoint Holdings Inc., one of the recent additions to the fund, a company that offers electric vehicle charging and charging solutions in the U.S., is getting a lot of attention from analysts.

Not too long ago, analysts at JPMorgan Chase projected that ChargePoint's stock price could reach as high as \$20.00. Now, Maheep Mandloi, an analyst at Credit Suisse has revealed that the Inflation Reduction Act (IRA) could trigger ChargePoint's stock price to climb to \$22.00. In a note to clients, analysts at Credit Suisse said that the climate bill could boost the stock price of the company by 50%.<sup>5</sup>

The IRA is a \$437-billion-dollar bill that just passed recently, and it's focused on climate, health subsidies, and drought relief. U.S. electric vehicle makers could be big beneficiaries of this bill as it offers incentives to them. Also, the bill could boost sales of electric vehicles in the U.S. as business and individuals could get credits.<sup>6</sup>

**PORTFOLIO STRATEGY AND ACTIVITY**

For the month, Fluence Energy Inc. made the largest contribution to the Fund, followed by Stem Inc., and Plug Power Inc. The largest detractors to performance for the month were Lion Electric Co., followed by Ambarella Inc., and Sitime Corp. On last rebalance, these securities were added to the portfolio: Aptiv PLC, ChargePoint Holdings Inc., EVgo Inc, Polestar Automotive Holding UK PLC, and SES AI Corp. By weight, the Fund's largest geographic exposure was to the United States, followed by Japan and the Netherlands.

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
CARS (HEDGED)	-3.07	-31.22	-30.47	4.77	22.56	13.33	12.30
CARS.B (UNHEDGED)	-1.20	-30.41	-29.78	4.26	23.20	14.07	14.03
CARS.U (USD)	-3.67	-32.97	-32.54	3.89	23.75	13.87	11.20

Source: Bloomberg, as at August 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. Newburger, E., "California bans the sale of new gas-powered cars by 2035," CNBC, August 25, 2022; <https://www.cnbc.com/2022/08/25/california-bans-the-sale-of-new-gas-powered-cars-by-2035.html>.
2. "B.C. boosts electric-vehicle rebate to a maximum of \$4K," CBC, August 2, 2022; <https://www.cbc.ca/news/canada/british-columbia/british-columbia-boosts-ev-rebate-1.6539386>.
3. Fisher, R., "Car-Charging Investment Soars, Driven by EV Growth and Government Funds," BNN Bloomberg, August 16, 2022; <https://www.bnnbloomberg.ca/car-charging-investment-soars-driven-by-ev-growth-and-government-funds-1.1806282>.
4. "Amazon signs green hydrogen supply deal with Plug Power," Reuters, August 25, 2022; <https://www.reuters.com/business/sustainable-business/amazon-signs-hydrogen-supply-deal-with-plug-power-2022-08-25>.
5. "Why ChargePoint Shares Popped Today," The Globe And Mail, September 7, 2022; <https://www.theglobeandmail.com/investing/markets/stocks/JPM-N/pressreleases/10075266/why-chargepoint-shares-popped-today>.
6. Laing, K., "Five Things That Biden's Climate Bill Will Change for Automakers," BNN Bloomberg, August 16, 2022; <https://www.bnnbloomberg.ca/five-things-that-biden-s-climate-bill-will-change-for-automakers-1.1806535>.

Commissions, trailing commissions, management fees and expenses all may be associated with exchange traded mutual funds (ETFs) and mutual 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 the ETF and mutual fund. Investors may incur customary brokerage commissions in buying or selling ETF and mutual fund units. This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual.

\*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.

Certain statements contained in this documentation constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Evolve undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.