

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: Roadandtrack.com/carculture

Numbers released in February show that, so far, 2023 is a good year for the electric vehicle industry. Year-over-year, global EV registrations are up over 662,000 units to date (or roughly 10% above 2022 figures), with the Chinese market the main driver of growth. Continued YoY growth in other EV markets was also strong in Belgium (+75%), Japan (+104%), the United States (+118%), India (+256%), and Australia (+352%).¹ Overall, new projections estimate the global market for EVs at 80.7 million units by 2030, growing at a CAGR of 30.7% between 2022-2030.²

Rising EV affordability is playing a significant role in this continued growth. Thanks to price cuts since January, Tesla's Model 3 sedan now sells for \$4,930 less than the average new vehicle sold in the US. Tesla (held by the Fund) also dropped the price of its Model Y

sport utility vehicle (already the #3 best-selling SUV in the US last year) by \$13,000. The move prompted Ford Motor Co. to cut prices on its electric Mustang Mach-E.³ And, in response, Lucid Group Inc. (also held by the Fund) offered consumers \$7,500 in discounts on its Air electric luxury sedans.⁴

At the same time, new EV start-ups like China's Xpeng are making aggressive pushes into the global market. In February, Xpeng launched two of its flagship electric cars in Denmark, Norway, the Netherlands, and Sweden. Xpeng has already priced its P7 sedan below Tesla's Model 3 in the face of intense competition from other Chinese car manufacturers as well as European companies like Volkswagen, who are all-in on electric vehicles.⁵

COMPANY SPECIFIC UPDATES



Source: TeslaInc

Tesla Inc.

Tesla Inc. has seen a nearly 70% surge in its stock price this year, from the beginning of January to the end of February. By the end of February, the stock was up 100% in value from its lowest trading point on January 6, 2023. The company has benefited from higher demand for its electric vehicles after price cuts to several models, including the Model 3 sedan and its Model Y sport utility vehicle. Investors that are open to growth stocks were also returning to Tesla amid signs of continued economic stability coupled with a slower pace of Federal Reserve interest-rate increases.⁶



Source: Nvidia

Nvidia Corp

Nvidia Corp. reported better-than-expected revenue (\$6.05 billion) and net income for Q4, despite an overall year-over-year decrease in both. The chipmaker's automotive revenue was up 135% from last year at \$294 million for the quarter. Prior to the February earnings report, Nvidia was up about 45% overall for 2023 to date.⁷ Increasingly seen as one of the chip manufacturers best positioned to weather a recession, Nvidia's CEO Jensen Huang said that breakthroughs like ChatGPT mean AI is now at "inflection point," with businesses of all sizes and across all sectors racing to incorporate AI and machine learning into their businesses. He cited the benefits this will have for Nvidia's chip business, as well as its new cloud-based AI supercomputer, available to customers via a web browser.⁸

PORTFOLIO STRATEGY AND ACTIVITY

For the month, Tesla Inc. made the largest contribution to the CARS ETF, followed by Nvidia Corporation and Cirrus Logic Inc. The largest detractors to performance for the month were Canoo Inc., followed by Blink Charging Co. and Lucid Group Inc. On last rebalance, the following securities were added to the portfolio: Mullen Automotive Inc., and Renault SA.

PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	5 YR	SI**
CARS (HEDGED)	-5.24	14.11	-31.60	-25.65	8.91	11.97	7.28	7.86
CARS.B (UNHEDGED)	-3.40	14.81	-27.00	-23.68	11.00	14.02	9.03	10.42
CARS.U (USD)	-5.75	13.92	-32.19	-26.30	10.39	12.98	7.66	7.10

Source: Bloomberg, as at February 28, 2023.

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

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

Sources:

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3. Randall, T., "Tesla Undercuts Average US Car by Almost \$5,000 in EV Shakeout," BNN Bloomberg, February 21, 2023; <https://www.bnnbloomberg.ca/tesla-undercuts-average-us-car-by-almost-5-000-in-ev-shakeout-1.1886251>
4. Rosevear, J., "Lucid joins the EV discounting fray with \$7,500 'credits' on some of its Air luxury sedans," CNBC, February 9, 2023; <https://www.cnbc.com/2023/02/09/lucid-offers-ev-discounts-air-sedans.html>
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6. Albright, A., "Elon Musk Regains His Spot as the World's Richest Person," Bloomberg, February 27, 2023; <https://www.bloomberg.com/news/articles/2023-02-27/elon-musk-is-world-s-richest-person-again-after-100-tesla-stock-surge#xj4y7vzkg>
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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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