

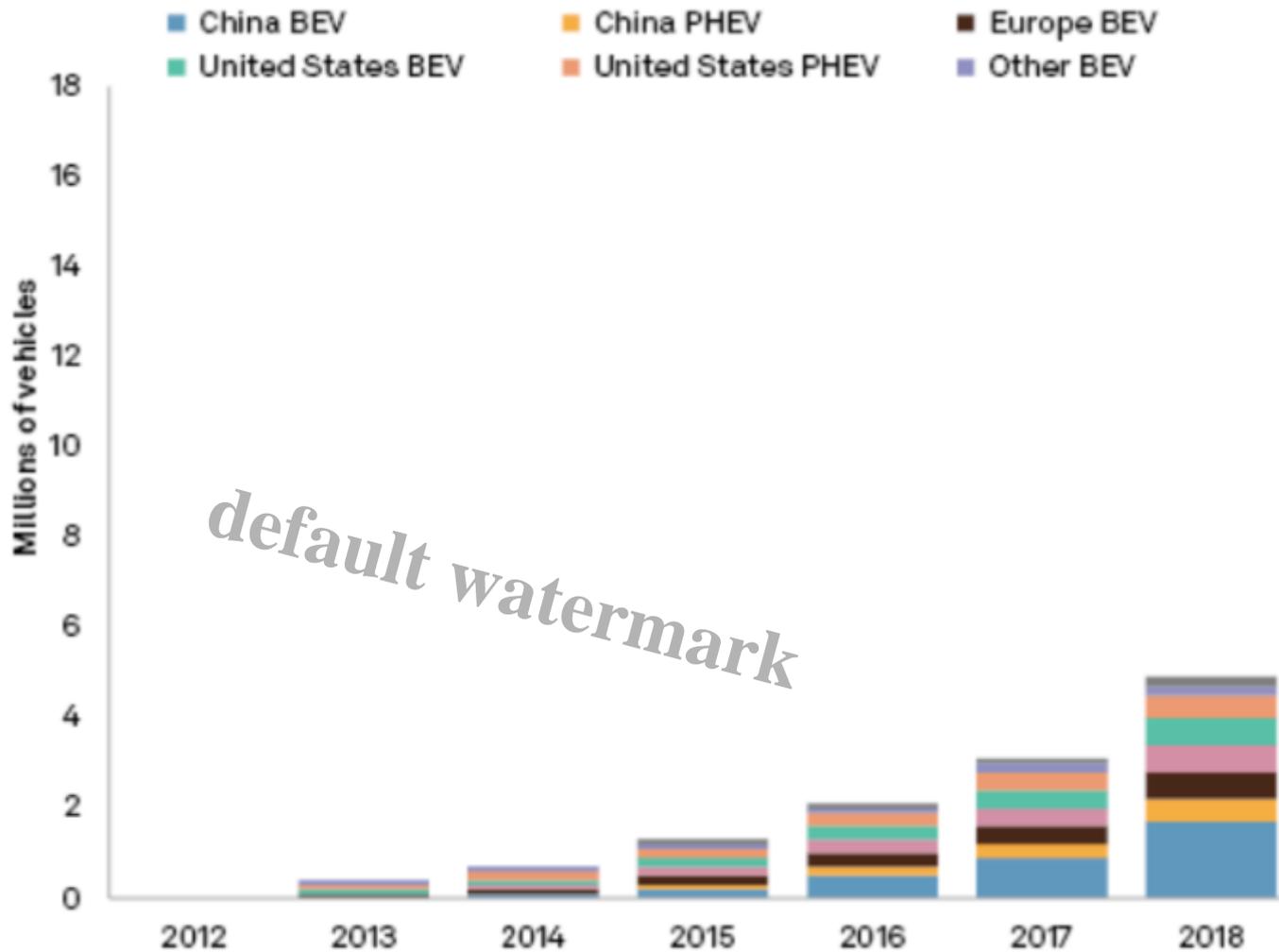
Why Investing in Electric Vehicles is a Clear Bet on the Future

Description

There's no doubt that electric vehicles (EVs) are the future. But the question is, who will win the EV race? Will it be Tesla, [Nio](#), [Rivian](#), [Xpeng](#), [BYD](#), [Hyundai](#) or perhaps [Ford](#)?

A few weeks ago, the Internet was abuzz after [Elon Musk said that he expects Tesla's main rival to be a Chinese player](#). Could that be BYD, Nio or Geely? While only time will tell which Chinese player will emerge champion, one thing is certain: **we cannot underestimate China when it comes to the growing EV industry.**

Nearly half of world's electric cars are in China



Data accessed May 23, 2022.

BEV = battery electric vehicle; PHEV = plug-in hybrid electric vehicle

Source: International Energy Agency, Global electric car stock (2010-2021)

Image Source: [S&P Global](#)

After all, [China's plans were already underway more than a decade ago](#) (while other countries were still debating over whether climate change was indeed a real threat), and [the government began subsidizing EV sales as early as 2010 when the industry was still in its infancy](#). And in 2015, China [issued its plan to build charging infrastructure and pushed its main state utility companies to build out a network of chargers across the nations](#).

In contrast, other countries have only just begun to jump on the bandwagon in recent years.

Sponsored Message

China EV makers are leading the global EV race and are likely to continue their

[NikkoAM-StraitsTrading MSCI China Electric Vehicles and Future Mobility ETF](#).

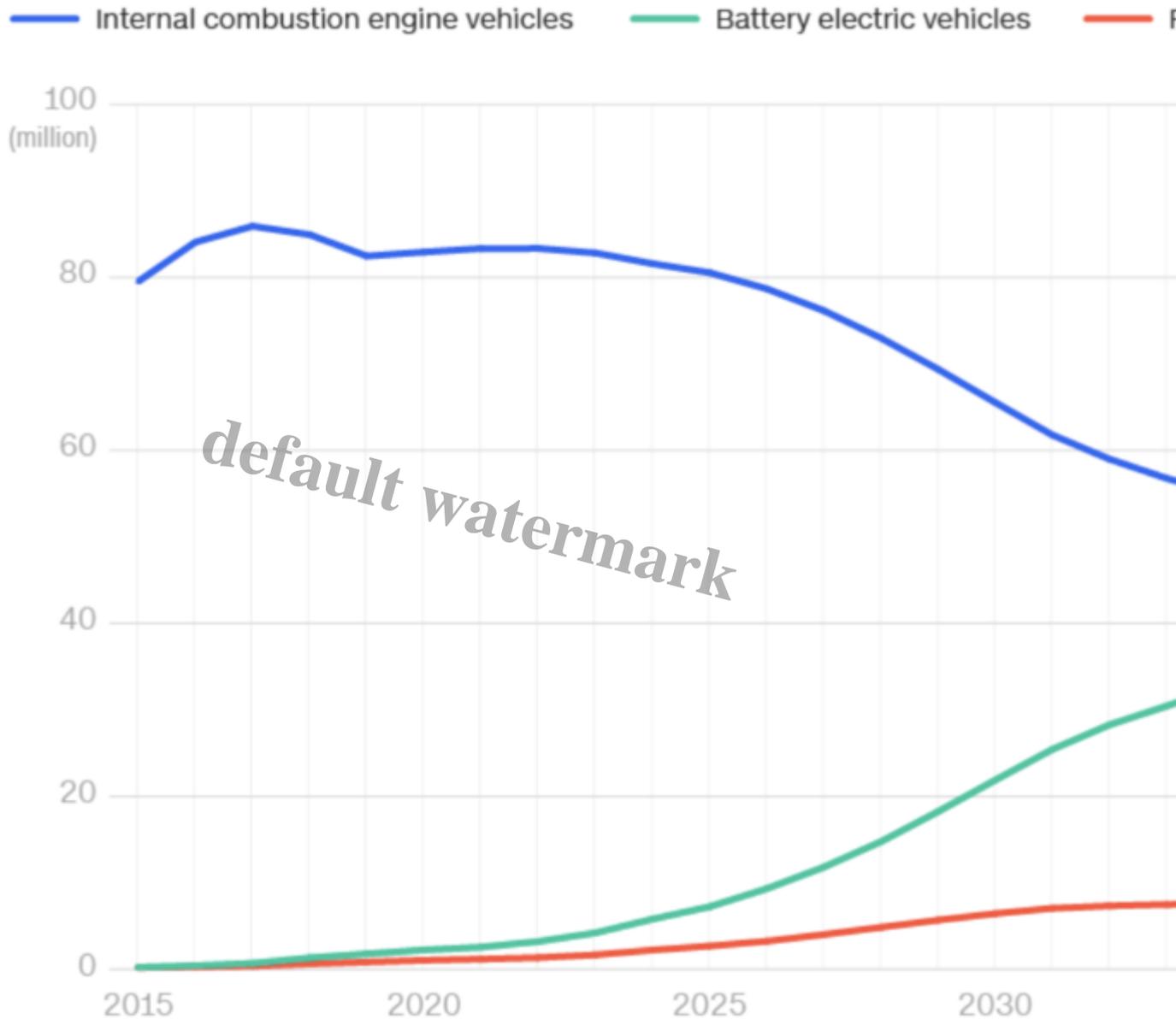
Are EVs really the future? Yes.

It will take time, but we will likely soon see a future where only clean-energy vehicles dominate. Some trends are clearer than others, and investors who are able to spot and invest in those early before they grow to dominate the future can potentially make a sizeable profit.

The [global EV industry is presently worth USD 250 billion](#), but is projected to triple to [USD 800 billion by 2027](#). A year ago, industry experts predicted that 10 million new electric vehicles (EVs) would be sold in 2022 worldwide, almost 10 times from 2017. As it turned out, their estimates were spot on. Today, with climate change, government policies, consumer trends and the rising prices of fuel coalescing, there's little doubt that this trend will continue in 2023 and beyond.

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By 2040, electric cars could outsell gasoline and diesel



CNN Source: Bloomberg New Energy Finance

Image Source: [CNN Business](#)

Around the world, many policymakers have already laid out concrete plans to decarbonize and shift demand towards EVs. [In Europe, an EU-wide ban on sales of petrol and diesel cars will be implemented by 2035](#), while [the UK has recently brought forward their own phase-out date to 2030](#). [China is aiming for 40% of vehicles sold to be electric by 2030](#), while [Singapore aims higher at 100% cleaner energy vehicles by 2040](#). As for consumers, how far an EV vehicle can go and easy access to charging points are crucial considerations before they choose to purchase an EV. In this regard, [the Singapore government has committed to building 60,000 charging points by 2030](#), whereas [China](#)

[already has 1.8 million](#) vs. the [53,000 in the US](#).

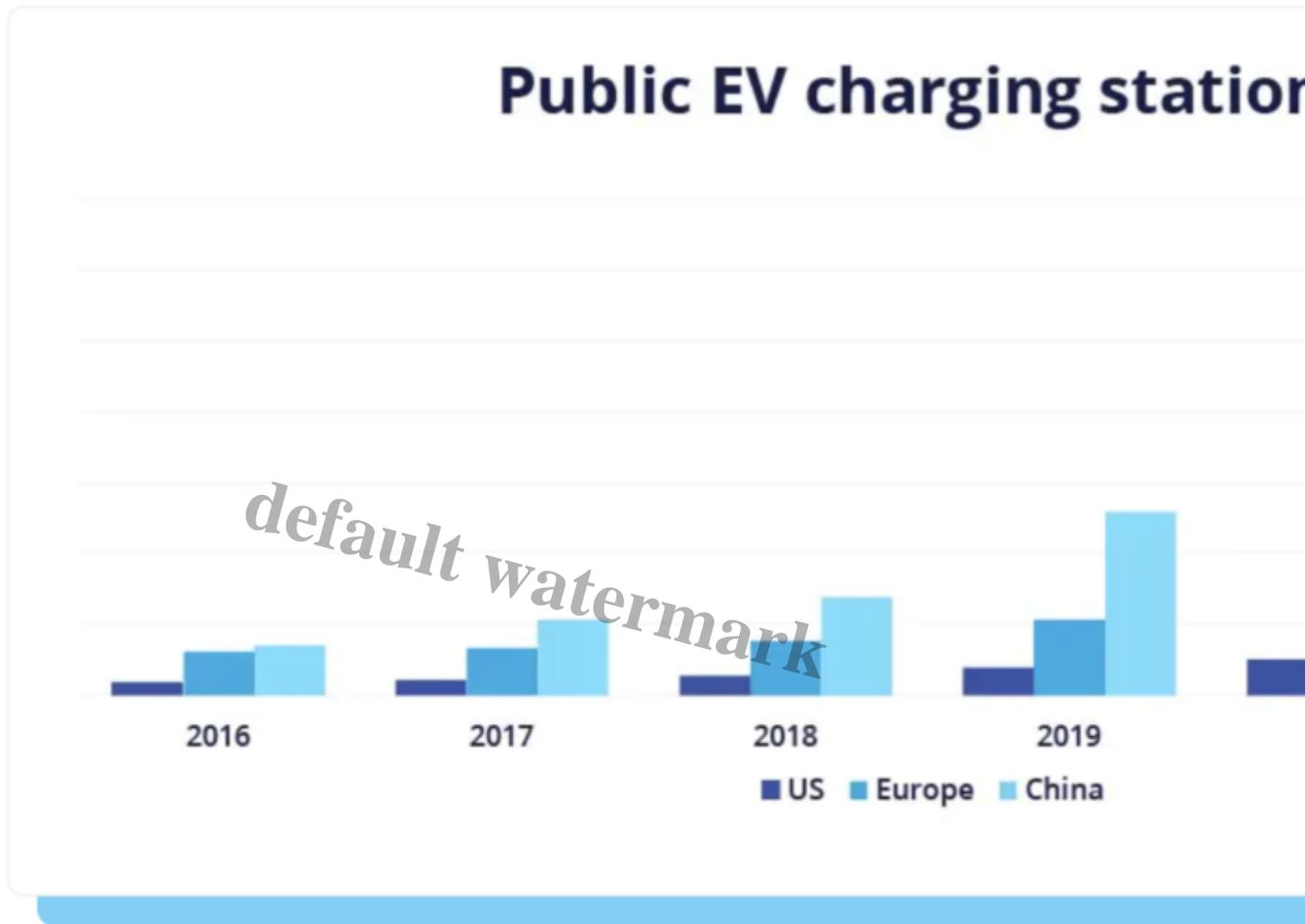


Image Source: [Trident Technology](#)

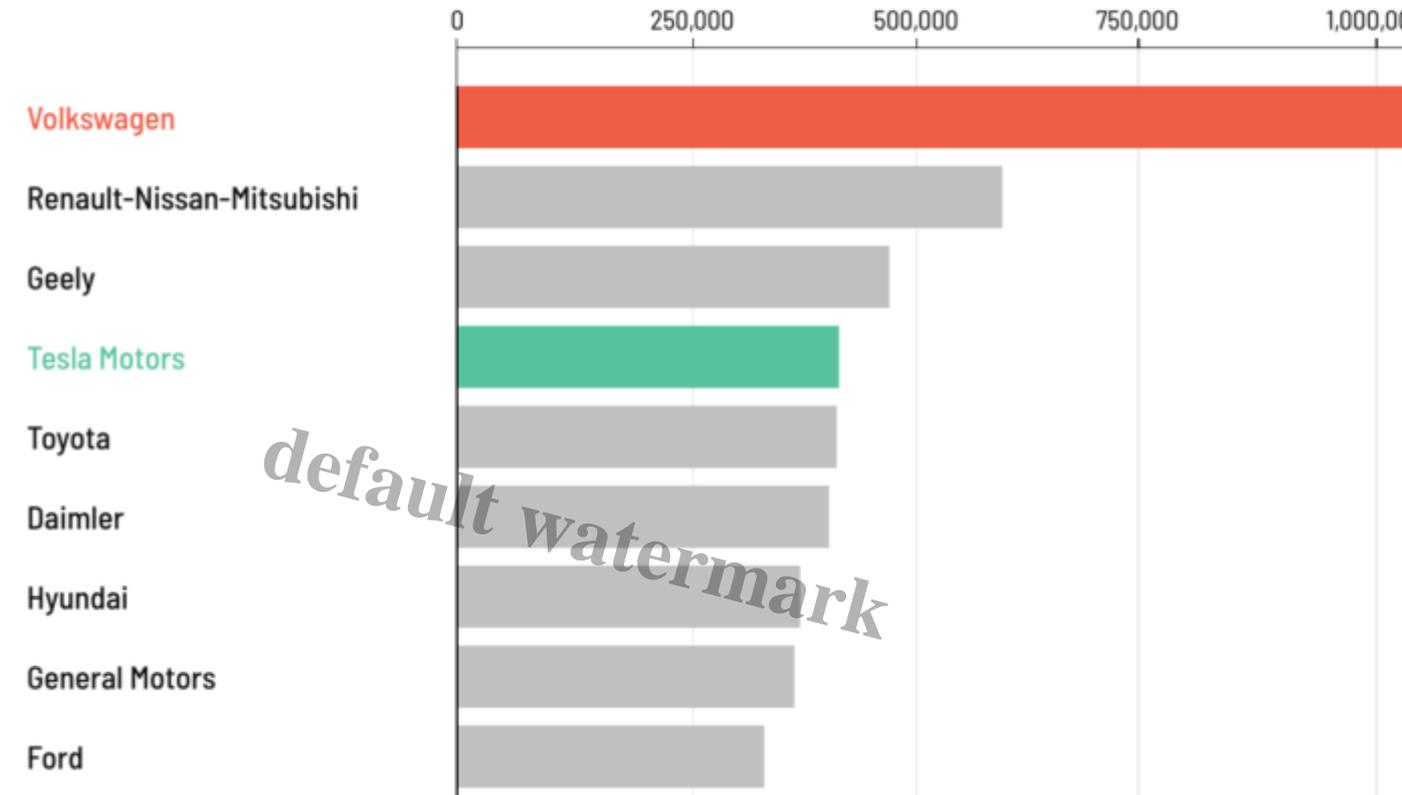
Which EV stock will be the winner?

As an investor, **if you are able to spot what you believe to be a "sure-win" stocks that are riding on a strong tailwind and you invest in them early, potentially you stand a pretty good chance of profiting handsomely.** For instance, those who identified Amazon for e-commerce, Google (Alphabet) for online search, Apple for consumer smartphones or even TSM for 4G and smart devices have made a killing in the stock markets.

However, the reality is that's easier said than done. And in the business world, **a lot of companies will fail in the race to global dominion** (who still remembers Yahoo or [GoTo in the online search engine race?](#)). There is no guarantee that today's leaders will still be tomorrow's winner. Although Tesla is, and has been, number 1 in terms of market share for several years, [other players like Ford are now starting to catch up.](#)

Top electric car manufacturers in 2025

Sales figures for the future industry leaders



CNN Source: LMC Automotive.
LMC sales and projections do not include South America, Canada and Mexico, or commercial vans.

Source: [CNN Business has its bet on Volkswagen and Geely to overtake Tesla.](#)

What's more, even if you had invested in market-leader Tesla, [the ride would have been a shaky one](#):

- Tesla's share price went up by 12 times (1200%) in 20 months during the pandemic.
- The stock then shed 70% in just 14 months, after its peak.
- Investors who waited to invest only *after* Tesla became profitable (Jan 2021), are still in the red today.
- Many investors who entered after Tesla rose to mainstream popularity on Youtube are still in the red today.
- Those who went in (including funds) after Tesla entered the S&P 500 (Dec 2020), are mostly still in the red today.

In fact, only a small handful of investors managed to profit from Tesla e.g. those who dared to invest in Tesla during last month's problems ([CEO being distracted by Twitter and assuaged with calls for his resignation](#), [protests against price cuts](#), [Elon Musk being sued for fraud](#), etc), and those who invested before Tesla's stock became mainstream.

Market Summary > Tesla Inc

190.90 USD

+169.09 (775.29%) ↑ past 5 years

Closed: 2 Mar, 7:59 pm GMT-5 • Disclaimer

After hours 190.85 **-0.050 (0.026%)**

1D | 5D | 1M | 6M | YTD | 1Y | **5Y** | Max



Source: Google Finance (screenshot on 3 March 2023)

Investing via EV ETFs

So for those who prefer to avoid the volatility that comes with individual EV stocks, another way is to invest via EV exchange-traded funds (ETFs). There are various options for you to choose from, and you can also opt for ETFs that allow you to diversify across the different players in this value chain — manufacturers, battery technology companies, builders of charging infrastructure, etc that support the entire ecosystem.

**THE EVFM VALUE CHAIN IS UNDERPINNED BY 5 FUTURE-PROOF SECTORS
- ALL PRIMED FOR MULTI-DECADE EXPANSION.**

- Battery-Packing
- Charging Infrastructure
- Battery Recycling
- Battery Technology
- Electric Vehicles
- Energy Storage
- Hybrid Vehicles



Source: [NikkoAM](#)

But while a lot of the world's attention is on US manufacturer Tesla, the truth is that **America is lagging far behind China when it comes to EVs** in terms of sales, charging infrastructure, cost and policy support. [For instance, last year, the US passed the crucial tipping point of EVs accounting for 5% of new car sales, but China already passed that level in 2018.](#)

[Even Elon Musk has acknowledged that Tesla's biggest rival will likely be a Chinese player.](#)

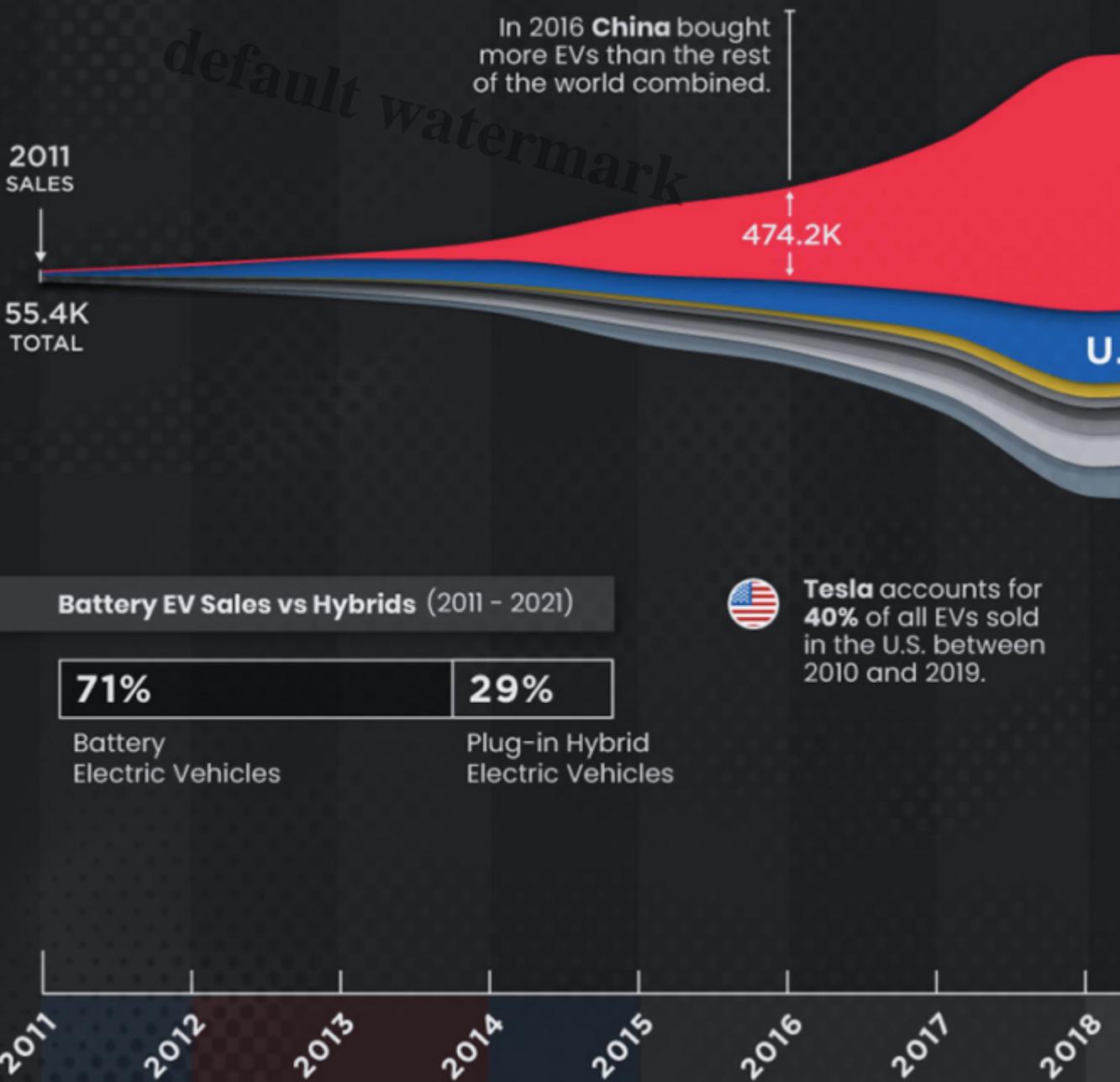
That's hardly surprising when you consider how China is leading global EV sales - 1 out of every 2 EVs sold in 2021 went to China, and the country currently leads the world in consumer acceptance for EVs at [30% of new car sales](#). In fact, [many experts believe China can seize as much as 60% of global EV sales!](#)

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10 YEARS OF GLOBAL EV SALES

A look at the explosion in global EV sales since 2011, broken down by country.



Battery EV Sales vs Hybrids (2011 - 2021)

71%

Battery Electric Vehicles

29%

Plug-in Hybrid Electric Vehicles



Tesla accounts for **40%** of all EVs sold in the U.S. between 2010 and 2019.

Image Source: [The Visual Capitalist](#)

When it comes to the supply chain, [China also dominates; it currently accounts for 70% of global battery cell production capacity](#). With supportive government policies, including the 2060 carbon neutrality target and [a mandate on automakers requiring EVs to account for 40% of all new car sales by 2030](#), these all point to how growth in the Chinese market is set to continue at breakneck speed.

Which is why I think the bigger investment opportunity could be in China instead, especially as Chinese players already have a huge runway for growth be it domestically ([China is already the largest EV market worldwide](#)) or even expanding to become global market leader, on par with Tesla. But since I don't know which company will emerge as the winner eventually, an ETF that gives me exposure to these largest players may be the safest way to play it.

That's why I'm watching the [NikkoAM-StraitsTrading MSCI China Electric Vehicles and Future Mobility ETF](#) (SGX:EVS (SGD primary currency) or EVD (USD secondary currency)). This ETF tracks the MSCI China All Shares IMI Future Mobility Top 50 Index and best represents the broader China's EV and future mobility ecosystem, with not only EV manufacturers but also other players across the value chain.

From an index methodology perspective, the stocks selected to create the index are based on the parent index - the MSCI China All Shares Investable Market Index (IMI). MSCI uses natural language processing and algorithmic tools to screen out keywords and phrases from data sources to identify the top 50 largest companies that fit in the theme of China EV and future mobility ecosystem.



ELECTRIC VEHICLE MANUFACTURERS

Growing demand will drive innovation and motivate manufacturers to bring improved EV models to market.



HARDWARE & COMPONENTS

Continuing battery improvements will extend driving range, making EVs an increasingly attractive choice.



SOFTWARE

Developments in autonomous driving, vehicle connectivity, enhance mobility enjoyment and open new revenue streams.

Source: [NikkoAM](#)

Aside from getting diversified exposure to top Chinese carmakers including NIO, BYD, Geely and Li Auto, the ETF also includes companies across the industry's broader value chain, such as lithium battery manufacturers, solar inverters, automation control (for autonomous driving), etc. These can include companies listed in the US, Hong Kong, China and other markets.

ETF Top 25 Holdings (82.21% of Total Assets As of 03 Feb 2023)

Stock Code	Name	Weighting (%)
300750	Contemporary Amperex Technology Co Ltd Class A	11.0795
NIO	NIO Inc ADR	8.3045
01211	BYD Co Ltd Class H	6.0098
002594	BYD Co Ltd Class A	5.3499
00175	Geely Automobile Holdings Ltd	5.2828
02015	Li Auto Inc Ordinary Shares - Class A	4.3357
300014	EVE Energy Co Ltd Class A	4.0373
601012	LONGi Green Energy Technology Co Ltd Class A	3.3926
002466	Tianqi Lithium Industries Inc Class A	3.3100
000792	Qinghai Salt Lake Industry Co Ltd Class A	3.2803

300274	Sungrow Power Supply Co Ltd Class A	3.1213
002460	Ganfeng Lithium Group Co Ltd Class A	3.0523
002812	Yunnan Energy New Material Co Ltd Class A	2.6078
603799	Zhejiang Huayou Cobalt Co Ltd Class A	2.4522
002709	GUANGZHOU TINCI MATERIALS TECHNOLOGY CO LTD Class A	2.1838
603659	Shanghai Putailai New Energy Technology Co Ltd Class A	1.8426
01772	Ganfeng Lithium Group Co Ltd	1.7879
300124	Shenzhen Inovance Technology Co Ltd Class A	1.6973
01585	Yadea Group Holdings Ltd Shs Unitary 144A/RegS	1.5714
09868	XPeng Inc Class A	1.5276

300763	Ginlong Technologies Co Ltd Class A	1.3855
002074	Gotion High-tech Co Ltd Class A	1.2796
601877	Zhejiang Chint Electrics Co Ltd Class A	1.1208
688390	Jiangsu Goodwe Power Supply Technology Co Ltd Class A	1.0977
688063	Pylon Technologies Co Ltd Clas A	1.0958

In terms of fees, the ETF's expense ratio is 0.70% p.a., which is competitive within the thematic ETF space, but the best part is that [the fees are capped and any expenses in excess of the 0.70% per annum will be borne by the manager](#), Nikko Asset Management Asia (NikkoAM), rather than the fund

itself.

Some of you might recognize the ETF manager, as NikkoAM is prominent in the local ETF scene and already has 5 other well-known ETFs listed on SGX, including:

- NikkoAM Singapore STI ETF
- NikkoAM-StraitsTrading Asia ex Japan REIT ETF
- ABF Singapore Bond Index Fund
- Nikko AM SGD Investment Grade Corporate Bond ETF
- NikkoAM-ICBCSG China Bond ETF

Do note that this ETF is generally higher risk (limited to one sector) and more volatile in nature, especially in contrast to many of the other ETFs listed above by the same ETF manager. This is a feature of it being a thematic ETF and focused on a subset (China) of a standalone industry (EVs and Future Mobility), so you should not expect it to give you the same level of stability or diversification as a broader ETF or an entire country market index-based ETF.

Sponsored Message

NikkoAM is one of Asia's largest asset management firms, and **was recently awarded the best ETF provider in Singapore for 2022** at the Asset Asian Awards 2022.



Just like its other ETFs, you can get access to the [NikkoAM-StraitsTrading MSCI China Electric Vehicles and Future Mobility ETF \(SGX:EVS or EVD\)](#) through FundSupermart, or via any brokerage that offers you access to the SGX market and ETFs. Or, if you're a whale and you intend to invest 50,000 units or more, you can get access via participating dealers for direct subscriptions:

- CGS-CIMB Securities
- FSMOne
- Futu Singapore (moomoo)
- iFast Financial
- Phillip Capital

- Tiger Brokers
- UOB KayHian

If you're thinking of doing dollar-cost averaging into this ETF, you can also do that via the regular saving plans (RSP) options offered by Phillip Securities (Share Builders Plan) or FundSupermart as well.

Of course, I'm mindful that there are potential risks involved as well. [The central Chinese government has recently phased out its subsidies for EVs](#), although [some local cities \(like Shanghai\) continue to offer them](#). While I generally believe the Chinese government will continue to support the growth of the EV industry, there's no telling what policy changes may happen down the road. Individual stocks in the EV space can also be quite volatile, and ultimately, the success of each stock boils down to the execution of business plans by each EV company.

Conclusion

The future of transport will very likely include not just mass adoption of EVs, but also autonomous vehicles, distributed energy storage, intelligent transport systems, more advanced batteries, and more. There's no doubt that at the rate of which government policies and car players are moving, we will see this future arrive sooner rather than later.

If you're a good stock picker, do start identifying companies that you think will likely outperform and dominate, whether that's Tesla, BYD, Nio, or any other player. Personally, I'm not a fan of Tesla and find it overvalued even at today's prices, whereas I feel a bigger opportunity might sit with the Chinese manufacturers and suppliers.

But if you're not so sure, or you prefer not to deal with the uncertainty and volatility that comes with individual stock picks, a fuss-free approach to access a portfolio of companies that best represents the EV and future mobility ecosystem within a single trade might be a better way. And if you're convinced China will continue its growth trajectory, then an ETF like SGX:EVS or EVD might be a great way to ride on that wave.

What do you think about this ETF? Share your thoughts with me below!

[Read more details about the ETF \(SGX:EVS or EVD\) here](#) to help you decide!

Disclosure: This post is written in collaboration with Nikko Asset Management to raise awareness about their EV ETF, which was successfully [listed on SGX just over a year ago](#). All research and opinions are that of my own. You should read more about the ETF [here](#) and [here](#), or speak with a licensed financial advisor, in order to help you arrive at your own decision whether this fund might be suitable for your investment objectives.

Important Information:

This document is purely for informational purposes only with no consideration given to the specific investment. You should seek advice from a financial adviser before making any investment. In the event that you choose to invest, you should be aware that the value of your investment may go up or down.

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Past performance or any prediction, projection or forecast is not indicative of future performance. The value of units and income from them may fall or rise. Investments in the Fund are subject to investment risk.

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Category

1. Investing
2. Stocks

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