

## “Get your motor runnin’, head out on the highway...” From “Born to be Wild” by Steppenwolf, 1968

The lure of the highway has enticed many Harley Davidson and Ford mustang owners to open the throttle of their fine petrol machines over the decades. That sense of adventure continues today and has clearly extended beyond the California highways, across the German autobahn, and can now be seen on the seven ring roads of Beijing...yes, seven.

But ‘the times they are a changin’, (apologies, Bob...) and the petrol enthusiasts are now being challenged by the electric vehicle manufacturers.

Tesla is often seen as the poster child of the electric vehicle (EV) industry. Elon Musk has excelled at creating attention and hype in the Tesla product development, which has fuelled (I promise, the only pun...) the success of the model 3 to become the most popular electric car globally with over 800,000 sold by end of 2020.

The year 2020 recorded over 3 million EV sales globally with 1.4 million registrations in Europe exceeding the 1.2mn in China and almost 300,000 in the US. China continues to lead as the largest market with over 4.5 million EV cars compared to 3.2 million in Europe and 1.8 million in the US. China also remains the largest car market in the world with over 25 million vehicles sold last year.

Larger countries and regions obviously sell more vehicles but the penetration rate of EV varies significantly. Norway records the highest ratio of EV and hybrid vehicle sales with over 70% in 2020, followed by Sweden at over 30% and the Netherlands at close to 25%. The penetration rate in China is closer to 5%, and less than that in Europe and the US.

Government support for the EV industry has been a contributing factor for sales globally, but this extends beyond the number of cars sold. We have previously written on the Made in China 2025 initiatives championed by the Beijing Government and the ambition for local vehicle and component manufacturing expertise.

There are several Chinese EV auto manufacturers which aim to compete with Tesla, and the larger players include NIO with a market value of U\$75bn, Xpeng (U\$38bn), and Li Auto (U\$30bn), with all listed on Wall St and beneficiaries of investor support for the EV industry following the success of Tesla in particular.

The new NIO ET7 sedan bears a passing resemblance to the Tesla model S but the charging technology is quite different. China has been supporting innovative solutions for battery technology to address the challenges of the urban population charging a vehicle whilst living in residential apartment blocks.

The NIO solution is to replace the battery with a fully charged alternative, and re charge the extracted battery for the next customer. And this exchange is carried out in less than 10 minutes.



NIO has worked with domestic battery leader CATL to develop this 'battery as a service' model. This will provide an attractive option for the customer as the battery pack can account for half of the car production cost. The customer can buy the car without the battery pack and pay a monthly rental fee for use of the battery at the exchange stations.

Aubrey are investors in NIO, and we have positive expectations on sales development with the new models launch. Car sales in the first half of this year reached almost 42,000 vehicles and are expected to be close to 100,000 by year end. The new SUV models ES6 and ES8 are selling well, and the expectations for over 150,000 unit sales in 2022 will be supported by the ET7 roll out.

The Tesla model 3 was the most popular EV in China last year with almost 140,000 sold and sells at a current price of approx. U\$38,500, but the Chinese contenders are likely to be across the model spectrum. The second placed car was the Wuling Hong Guang MINI (pictured below left) with almost 120,000 sales and a retail price of U\$4,500, but this was only launched in the Summer of last year. The price comparison is arguably harsh given the superior technology, safety, and driving features of the Tesla and the fact that it can reach 60mph in 3.5 seconds, whereas the Wuling Hong Guang MINI barely reaches 60mph top speed and the retail price reflects the quality of the materials. However, the car typifies the popularity of small cars in many Asian cities that are affordable and seen as fun cars to drive and is produced by a joint venture between state owned SAIC and another US motoring icon General Motors.



The adoption of the EV has not been confined to cars, and the expansion of the electric scooter bikes has been supported by Government initiatives aimed at reducing exhaust emissions. China has introduced a weight limit for scooters which will result in a required change from heavier acid batteries and encourage the transition to electric scooters. The lithium ion battery can be detached from the scooter and charged at home or in the office. Aubrey has invested in NIU, the leading player in the premium electric scooter segment, and the company expects unit sales growth from approx. 600,000 last year to closer to 1.5 million in 2022.

Not content with the domestic opportunity, both NIO and NIU have cast their ambitions further afield. NIU has targeted European expansion and the south east Asian markets. The La Dolce Vita lifestyle of Rome, Madrid, and Paris is supporting the expansion of the NIU flagship stores and the introduction of affordable, fashionable and technically proven electric scooter bikes. Whilst any visitors to Vietnam or Indonesia will be familiar with the enthusiasm for scooters amongst the younger population. NIO have also announced their first foray into Europe with plans to sell in Norway in September.

The ambitions of China to support the development of domestic champions and contenders to Tesla are understandable, and an industry model that has been followed historically in Japan, Korea, and many other countries. Toyota, Hyundai and VW were not always embraced in foreign markets, but perseverance and technical excellence have supported their global tyre print in recent decades and the Chinese share the same ambition in the EV arena.

## Performance

Net Performance (USD) as at 31 August 2021	YTD	1 yr	3 yrs	5 yrs	7 yrs	Inception
Aubrey Global Emerging Markets Strategy*	5.1%	20.4%	76.7%	131.6%	120.0%	256.9%
MSCI TR Net Emerging Markets USD (NDUEEGF)	2.8%	21.1%	32.6%	64.0%	41.3%	54.2%

\*The above figures have been calculated using a combination of OMGI Fund GBP share class (14Mar12 to 31Mar15) and the AGEM Fund IC2 USD Share Class from 01Apr15 which have been recalculated to simulate USD performance over the same period using GBP to USD FX Daily Spot Rate sourced via Bloomberg. The resultant combined performance is calculated in USD and presented net of management fees and transaction costs. The OMGI Fund GBP performance has been used to simulate the past performance of the AGEM fund because they have both followed the same strategy. However past and simulated performance is not a reliable indicator of future results and you may not get back what you originally invested and investment returns may increase or decrease as a result of currency fluctuations.

## Biography

### John Ewart | Fund Manager



John has over 30 years investment industry experience across global equity markets. His early career in Glasgow had a focus on European equity portfolios in the UK retail and pension fund market, and he joined First State Investments in 2000 to manage the pan European clients retail and segregated portfolios. In 2004 John moved to Alliance Trust PLC and was a member of the Global Equity Team and managed the Global Emerging Markets portfolio. He is a graduate of Strathclyde University with BA Economics and is a member of the CFA Institute. He joined Aubrey in early 2012 as a Fund Manager and covers GEM and other global markets.

## Further Reading

If you would like to read further articles, please select the following link - [Aubrey Research](#)

## Global Emerging Markets Factsheet

If you would like to receive our monthly Global Emerging Markets Manager Report by email, you can sign up here - [Sign up to Aubrey GEM Monthly Report](#)

*This document has been issued by Aubrey Capital Management Limited which is authorised and regulated in the UK by the Financial Conduct Authority and is registered as an Investment Adviser with the US Securities & Exchange Commission. You should be aware that the regulatory regime applicable in the UK may well be different in your home jurisdiction. This document has been prepared solely for the intended recipient for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice. Any comments expressed in this presentation should not be taken as a recommendation or advice. Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and of variations in the exchange rates between currencies. Past performance is not a guide to future returns and may not be repeated. Aubrey Capital Management Limited accepts no liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. This document does not in any way constitute investment advice or an offer or invitation to deal in securities. Recipients should always seek the advice of a qualified investment professional before making any investment decisions.*