

Good morning,

A bit of a softer week in marketland as investors weighed concerns around inflation, against the positives backdrop of 80% of S&P 500 companies beating lofty earnings estimates in the third quarter. The outlook from the corporate world remains very positive, especially in a zero interest rate world where traditional bonds offer little appeal. GDP outlooks from central banks the world over it seems are very strong, so in our eyes it makes good sense that markets remain within 1% of all-time highs.

Turning our attention to a hot topic, especially in the wake of the COP 26 summit in Glasgow over the past two weeks: electric vehicles. I had a ride recently in Porsche's first fully electric sedan, the Taycan. It was very impressive, and I have to admit I was not aware Porsche had entered the EV arms race. Seemingly everyone has.

Between COP and the reminder that politicians the world over seem determined to accelerate the transition of all of us into EVs (we might want to slow down and build some more charging stations and for that matter, electrical grid capacity before we get too far ahead of ourselves here), and the fact Tesla is the first automaker to hit an incredible \$1 trillion value on the public markets (larger value than the next 11 largest automakers COMBINED), it is obvious that this market will grow rapidly, whether we are entirely ready for it or not.

We have discussed this at length internally and like most, love the idea of cleaner automobiles and less air pollution. That said, there is a stark reality here that must be faced, and politicians gathering in large numbers to tackle the world's climate issues are obviously not the perfect people to acknowledge obvious challenges, political types instead love talking about big & aspirational goals much more than the nitty gritty of how to achieve those goals. Ninepoint Partners portfolio manager Eric Nuttall [wrote a piece this week](#) that's a worthwhile read, discussing the "Chasm Between Government Policy and Our Energy reality," that put forth some of those realities in stark numerical terms:

"Electric car sales were approximately five million units in 2020 and while this number will steadily increase as more automakers develop new models at varying price points, how long will it take not just for electric car sales to gain meaningful share of new sales but to displace the 1.4 billion existing install base (of internal combustion vehicles on the road today) which will continue to grow for years to come (the Energy Information Administration recently projected that the U.S. internal combustion car fleet won't peak until 2038)?"

Challenges aside, it's a quest worth pursuing, and hopefully at some stage China will stop adding coal fired power plants ([38 MW of new coal power in 2020 alone, with 247 MW more coal power production I development or planning phases](#)) and get on the same page as the western world when it comes to pollution.

As of now, Tesla dominates the EV market share at 23% of 2020's vehicle sales, followed by Volkswagen at 11% and other notables such as Renault Nissan Mitsubishi (when did that become one company???) and Hyundai at 7-9%. With Ford, GM and other luxury manufacturers like Porsche, Audi and Mercedes entering the fray, what does the EV market project out to in five years and beyond?

The infographic attached shows Ford, Toyota, Daimler and BMW making small gains in share from 4.5% to 12% combined by 2025. Tesla projects to be steady in the 20% range. Why you ask? Musk's aggressiveness and strategic vision are not to be underestimated. Musk has gone as far as acquiring his own lithium mine in Nevada to source crucial inputs for the batteries that power EV's. Tesla's brand is also a powerhouse: "...more than **one-fourth** of shoppers who are considering an EV said Tesla is their top choice."

GM plans to sell only EV's beyond 2035. Ford projects 40% of their vehicle sales being electric by 2030.

"**BloombergNEF** expects annual passenger EV sales to reach 13 million in 2025, 28 million in 2030, and 48 million by 2040, outselling gasoline and diesel models (42 million). As the EV market continues to grow globally, competitors hope to take a run at Tesla's lead—or at least stay in the race."

An interesting market to say the least...many muse about why Tesla has what seems to be an impossibly high value as a company. This says that they are not only the front runner in this race, they continue to make investments to stay ahead of the pack and dominate a rapidly growing market.

All that said, I would point out that the calls for the death of the internal combustion vehicle are very much out of step with reality on the ground.

Have a good weekend.

https://elements.visualcapitalist.com/electric-car-companies-visualizing-the-race-for-ev-dominance/?utm_source=Visual+Capitalist+Infographics+%28All%29&utm_campaign=ce0eb96800-EMAIL&utm_medium=email&utm_term=0_31b4d09e8a-ce0eb96800-43789525

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