



## WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

### On EV's – again.



**Javier Blas**  @JavierBlas · Jun 21

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From the Middle East to Europe to Latin America, middle-income nations are struggling with electricity supply amid rising consumption.

Country-wide outages have hit this week Kuwait, Montenegro, Bosnia, Albania, Croatia and Ecuador.

We gave Readers a break from analyzing the 'electrify everything' movement for a few readings. Recent financial events have readers asking our opinions. We're back to looking at energy use in transportation.

We've predicted government carrot & stick policies designed to entice/enforce the populace moving to EVs would prove politically difficult, perhaps career-ending. We anticipated once consumers faced the costs, infrastructure requirements, taxation to pay for it, and resale values would reject all-battery EV's along with the associated policies. We predicted populist politicians at both ends of the spectrum would seize on consumer /voter anger. We saw the 'Gilets Jaunes' Yellow Vest protests in France as early signs of trouble.

To clarify, we were and are not denying the need for change. Readers will recall we predicted hybrid electric vehicles would prove a reasonable path to lower emissions, explaining our avoiding Tesla and favoring Toyota. We weren't denying the potential for profits. We worried about losses.

Our job is to hold profitable investments on client's behalf. Ideas that don't make sense economically tend to not make sense politically...eventually. While it's then fun to blame

politicians, voters in many western democracies sent these same well-intended folks to power on mandates of climate change. It's what we wanted....as long as someone else paid for it. We got it in spades.

We predicted malinvestment driven by these policies would lead to investor pain. These concerns have borne out. Investors are taking a beating on the sector.

### Cathie Wood's ARK Innovation Fund ETF (ARKK-US-\$43.87) – 5 years



Source: Refinitiv, NBF, Hilberry

The ARK Innovation fund went all-in on the Bold and New in green tech. The lefthand starting entry for June/2019 is \$45. The peak is \$159 in Feb/2021. The price has fallen -73% to recent levels around \$43.

### Rivian Automotive In (RIVN-US-\$14.54) since IPO Nov/2021



Source: Refinitiv, NBF, Hilberry



All-battery electric pickup manufacturer Rivian Automotive went public in Nov/2021. First opening trade was \$106.75. Peak occurred Dec/2021 around \$126.75. The price is -88% from the high to \$14.50 this week.

### Fisker Inc (FSRNQ-OTC-\$0.017)



Source: Refinitiv, NBF, Hilberry

US Luxury EV maker Fisker Inc, after receiving \$529 million in US Govt subsidies in 2008, sought bankruptcy protection in 2014. Equity investors were wiped out.

[https://en.wikipedia.org/wiki/Fisker\\_Automotive](https://en.wikipedia.org/wiki/Fisker_Automotive)

The residual entity was purchased by a Chinese conglomerate, resold back to the founder via another private equity deal, who then resurrected the brand in 2016 as Karma Inc, then changed the name to **Fisker Inc** and raised yet more public capital. The private equity instrument finally went public again at \$10 Oct/2018. ‘Once bitten, Twice shy’ didn’t apply.

The share price hit highs of \$32 in March/2021 during the ESG bubble. Unfortunately for investors, Fisker Inc has, again, claimed bankruptcy protection with their shares, again, being delisted from the NYSE. The residual shares trade on the OTC Bulletin Board around 1 cent each. 100% losses. Twice Bitten, Thrice shy?

### ‘How Fisker Died’ – Quartz

<https://qz.com/fisker-bankruptcy-ev-startup-timeline-1851546787>

### Fisker goes bust: what happened and what does it mean for owners?

<https://www.electrifying.com/blog/article/fisker-finally-goes-bust-what-happened-and-what-it-means-to-owners>



## Lion Electric (LEV-T-\$1.22)



Source: Refinitiv, NBF, Hilberry

Canadian battery-electric powered school bus and commercial vehicle manufacturer Lion Electric was financed via a Special Purpose Acquisition Corporation (SPAC) in May/2021 at \$10 to the private equity SPAC buyers. The SPAC then sold the entity to the public in an IPO during the Spring 2021 ESG bubble. The May/2021 opening trades were in the \$20 range, spiking to \$28 in June/2021. It wasn't just private money. The company's vehicles qualify for hefty government subsidies.

*"Lion6 heavy-duty truck is eligible for subsidies of up to \$243,750"*

<https://ir.thelionelectric.com/English/news/news-details/2022/LION-ELECTRIC-TRUCKS-ELIGIBLE-FOR-UP-TO-150000-IN-FUNDING-FROM-CANADAS-INCENTIVES-FOR-MEDIUM-AND-HEAVY-DUTY-ZERO-EMISSION-VEHICLES-PROGRAM/default.aspx>

Despite all this dosh floating around, it hasn't worked out for investors. You could buy all the LEV shares you wanted on Thursday this week for \$1.22, **-87%** from the SPAC IPO and **-95%** from the Jun/2021 peak.

The pain wasn't restricted to groovy car and nifty bus makers. The entire sector has been taking a thrashing.

## iShares Global Clean Energy ETF (ICLN-NSDQ-\$13.77)



Source: Refinitiv, NBF, Hilberry



The **iShares Global Clean Energy ETF** went public in Jun/2008 at \$50 then spiked to \$60. Four years later it traded near \$6.00. Yes Six Dollars. Recent prices have been \$13-\$14. **-72%** from the IPO.

It's not just wild-eyed newbies or ESG themed stocks getting beaten up. The above bankruptcy of Fisker spilled over to Canadian auto-industry parts manufacturer (conventional and EVs), **Magna International**. In 2021 Magna agreed to manufacture parts for the Fisker 'Ocean' model. Demand was expected to be heavy. Then it wasn't. May 21, 2024 Magna announced a complete write-down of \$319 million related to its investment in Fisker 'Ocean' model manufacturing capacity.

## Magna International (MG-TSX-\$56.95)



Source: Refinitiv, NBF, Hilberry

Magna's Share price has retraced the heady times of the 2021 ESG Bubble. We suspect investors are worried Fisker is a canary in the coal shaft for broader EV sales, with major automaker CEO's warning regulators all-battery EV's just aren't selling. Dealers are seeing uncomfortably large EV inventories (gasoline-electric hybrid sales have been solid).

Will Magna's production line commitments to other EV manufacturers also be impaired? Will the personal troubles of past CEO and founder Frank Stronach also weigh on investor risk appetite? Magna's share price decline from \$120 to \$57 discounted \$18 billion in market cap. We don't think the company can lose that much on EV reversals, let alone slower than anticipated demand. As we've pointed out recently, we think the decline is excessive BUT we're also not 'fighting the tape'. We haven't added to our existing positions...yet.

Even industry stalwart Toyota (TM-NYSE-ADS \$203.88) saw its \$USD ADR share price sag from highs around \$255 in March/2024 breaking the \$200 level this week. What's going on? Goldman Sachs explains.

## ***'Why are EV sales slowing?' – Goldman Sachs***

<https://www.goldmansachs.com/intelligence/pages/why-are-ev-sales-slowng.htm>

### **How have we handled the EV sector and what are we doing now?**

We've avoided investing directly in EV manufacturing. Picking winners is hard. Our most direct 'bet' on transportation has been Toyota. Despite Toyota's recent price declines, we are satisfied with our holdings. We see Toyota's pragmatic approach, focused mostly on hybrids with a nod to hydrogen (it's small beer) as correct. Investors have agreed. We think Magna will, eventually, prove a Canadian champion. We also continue to focus on electric power producers in Canada (Emera) and the US (NextEra) believing we'll win no matter what. We won't win as big if we luck out on the one car model everyone wants in 2025, but we'll do just fine thank you. We thought the dismissal of 'conventional energy' was a mistake with value to be had. It wasn't popular in 2020-21 but we're thankful for the returns.

**DISCLAIMER: We hold Emera, Magna Intl., NextEra and Toyota personally, for family members and for client accounts over which we have trading authority. We have traded in all four securities within the past 60 days. The above is for information only and is not a solicitation to purchase securities. Seek professional advice before investing.**

This weekend we will also be giving thanks for living in this wonderful country, and for the chance to wave a Canadian flag without political assumptions from our neighbors!

***"...Just for now I'd like to rest  
In the shade of a maple tree  
To the blue Canadian sky  
I'll say a prayer for the world out there..."***

Gordon Lightfoot – Highway Songs



# Happy Canada Day Everybody!

Steve & Anna Hilberry



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## FOR THE RECORD Close: June 27, 2024

DOW INDUSTRIALS:	39,164
S&P 500:	5,482
S&P/TSX COMP:	21,942
WTI:	\$82.24
LOONIE IN \$USD:	\$0.7281 \$US

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