

INNOVATION ON THE ROAD: XIAOMI ENTERS THE EV MARKET

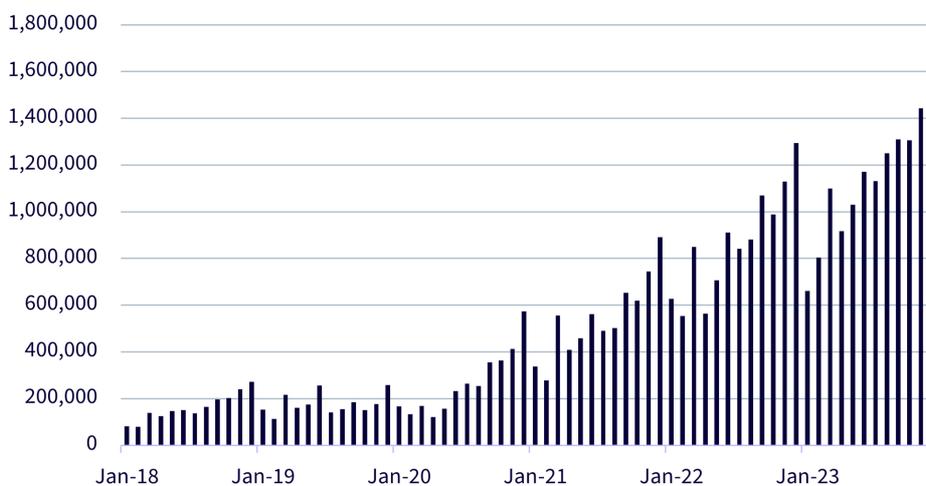
Baoqi Zhu – Senior Associate, Quantitative Research and Multi Asset Solutions
 13 May 2024

Xiaomi, primarily known for its consumer electronics, recently made headlines with its foray into the electric vehicle (EV) market by launching its first EV, Xiaomi Su7. Remarkably, the Xiaomi SU7 received nearly 90,000 preorders within 24 hours of its launch, and production for its first year on the market has sold out. This move not only marks Xiaomi’s ambitious entry into the automotive industry but also signals the burgeoning growth and potential of the EV market.

Expanding horizons in EV markets

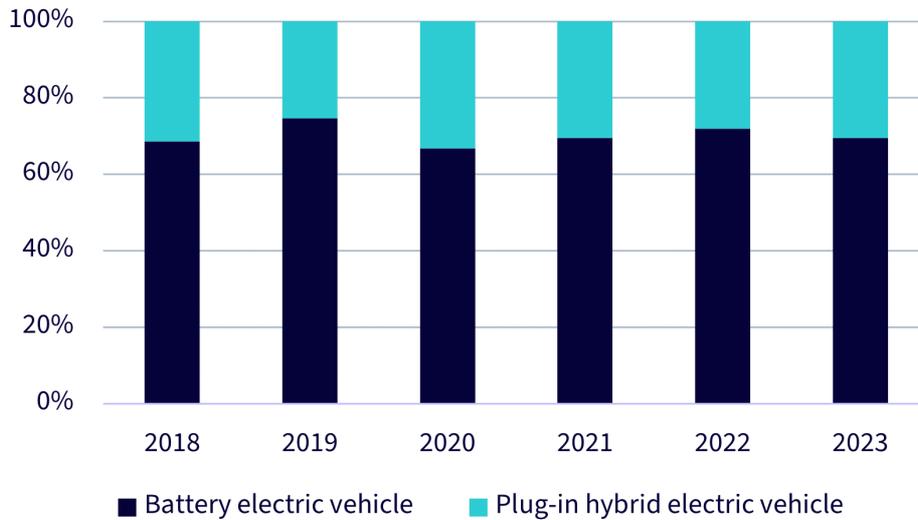
The global EV market has witnessed steady growth with seasonal patterns over the past few years. Figure 1 shows the substantial rise in sales across the years. Compared to 2022, global EV sales rose by 32% last year, reflecting a growing consumer preference for cleaner and more sustainable modes of transportation – a significant shift in the automotive industry. Among these sales, battery electric vehicles (BEV) accounted for around 70% of the market from 2017 to 2023 (see Figure 2), indicating a strong preference for fully electric models, while plug-in hybrid electric vehicles (PHEVs) made up the remaining ~30%. This robust growth underscores the significant shift towards electrification in the automotive industry, setting the stage for innovative companies like Xiaomi to enter and potentially thrive in this evolving market.

Figure 1: EV monthly sales in unit (2018-2023), worldwide



Source: Bloomberg. Historical performance is not an indication of future performance and any investments may go down in value.

Figure 2: Battery EVs vs. plug-in hybrid EVs sales in unit (2018-2023), worldwide

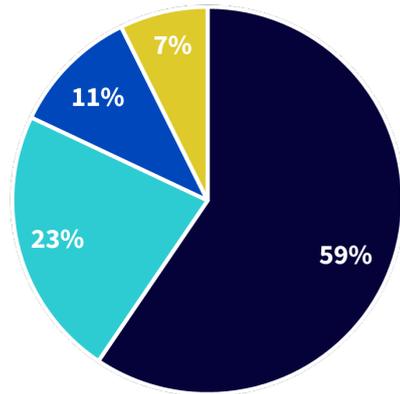


Source: Bloomberg. Historical performance is not an indication of future performance and any investments may go down in value.

China’s unmistakable role in the EV market

Among the leading players in the global EV market, China has carved a prominent role as a large consumer market and a pivotal manufacturer. In 2023, China accounted for a staggering 59% of global EV sales, demonstrating its dominant position in the industry. Moreover, over 55%¹ of the EVs sold were produced by Chinese automotive companies, underlining China's significant influence and manufacturing capability in the EV sector, in the same year. Notably, BYD alone produced over 20%² of the EVs sold worldwide in 2023, showcasing its considerable impact and leadership within the market. The entry of Chinese companies like Xiaomi into the EV sector is reflective of this trend. The prominent role of China in the EV market highlights not only the scale of its impact but also the strategic importance of monitoring and potentially engaging with this rapidly expanding market segment.

Figure 3: Electric Vehicle Sales in Unit by Region in 2023



■ China ■ Europe ■ USA ■ Other

Source: Bloomberg

Connected cars and the future of the automotive industry

The concept of connected cars, which integrate communication technologies into vehicles, represents significant innovation and transformation in the automotive industry. Connected cars like the xiaomi SU7 are equipped with technology that enables them to communicate and interact with other devices both inside and outside the vehicle. Xiaomi’s emphasis on connected car features even extends to potential synergies with its range of smart home appliances. For example, As the driver nears home, the vehicle might send a signal to adjust the thermostat, turn on the lights, and even preheat the oven, all seamlessly integrated through the car’s onboard system. Such synergistic capabilities are not just futuristic – they are imminent. About 95% of new vehicles sold globally will be connected by 2030³.

A systematic way to capture the Automobile Innovation

As we explore the evolution of EVs and connected cars and their impacts on the automotive sector, capturing investment opportunities that arise from this shift could be challenging.

The wisdomTree Berylls LeanVal Global Automotive Innovators Index (WTCAR, its NTR tracked by [WCAR](#)) offers a systematic approach to capture the exciting opportunities for investors, focusing on companies transforming the automotive and mobility ecosystem automotive innovation, including the electrification and connectivity of vehicles:

- Electrification
- Connectivity
- Autonomous driving
- Shared mobility

The WTCAR index strategically includes a range of Chinese EV and EV parts manufacturers,

which account for around 12% weight in the index, as of the end of March 2024. This allocation captures the growth opportunities presented by China's rising prominence in EV production and sales, offering investors exposure to this dynamic segment of the market. Besides, the index encompasses constituents that are involved in developing connected car technologies, highlighting its alignment with next-wave automotive advancements.

Although Xiaomi is not currently a constituent of the index, its focus on innovation and integrating advanced technologies, like connected car features, resonates with the index's investment philosophy. As Xiaomi continues to develop its automotive capabilities, its potential inclusion in the WTCAR index could offer investors a unique opportunity to participate in the growth of automotive innovation.

Conclusion

Xiaomi's recent entry into the EV market represents a significant step for a company traditionally focused on consumer electronics. As a new entrant, Xiaomi is positioning itself as a challenger in a rapidly evolving industry increasingly leaning towards integrating advanced technologies in vehicles. This shift towards EVs equipped with smart technologies highlights the ongoing transformation within the automotive sector. The WTCAR Index, reflecting broader automotive innovation, does not yet include Xiaomi but aligns with the industry's direction. This situation highlights the potential for investors to engage with a market in transition, influenced by both established leaders and innovative newcomers.

Sources

¹ Source: Bloomberg NEF

² Source: Bloomberg NEF

³ McKinsey & Company, "Unlocking the full life-cycle value from connected-car data".

Related Products

+ [WisdomTree Global Automotive Innovators UCITS ETF - USD Acc \(WCAR\)](#)

Related Blogs

+ [Is China the new Japan of the automotive industry?](#)

+ [The automotive industry is changing gears with the electrification megatrend](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the

United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund. Investors should read the prospectus of WT Issuer ("WT Prospectus") before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009,

Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta

This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco

This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.