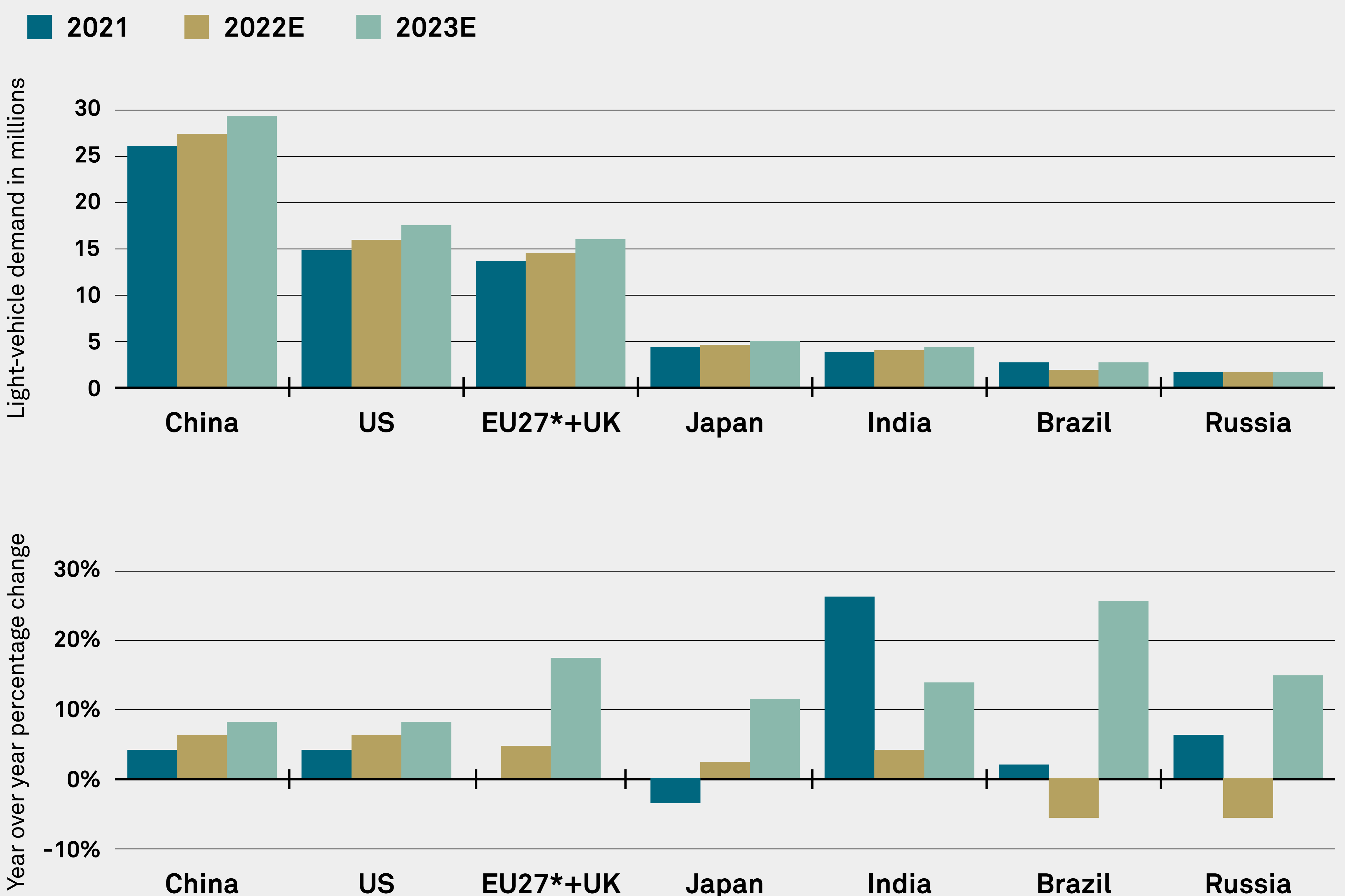


On the road

Global supply chain issues and a silicon chip crunch have caused pent-up demand for new vehicles in the US and other markets...

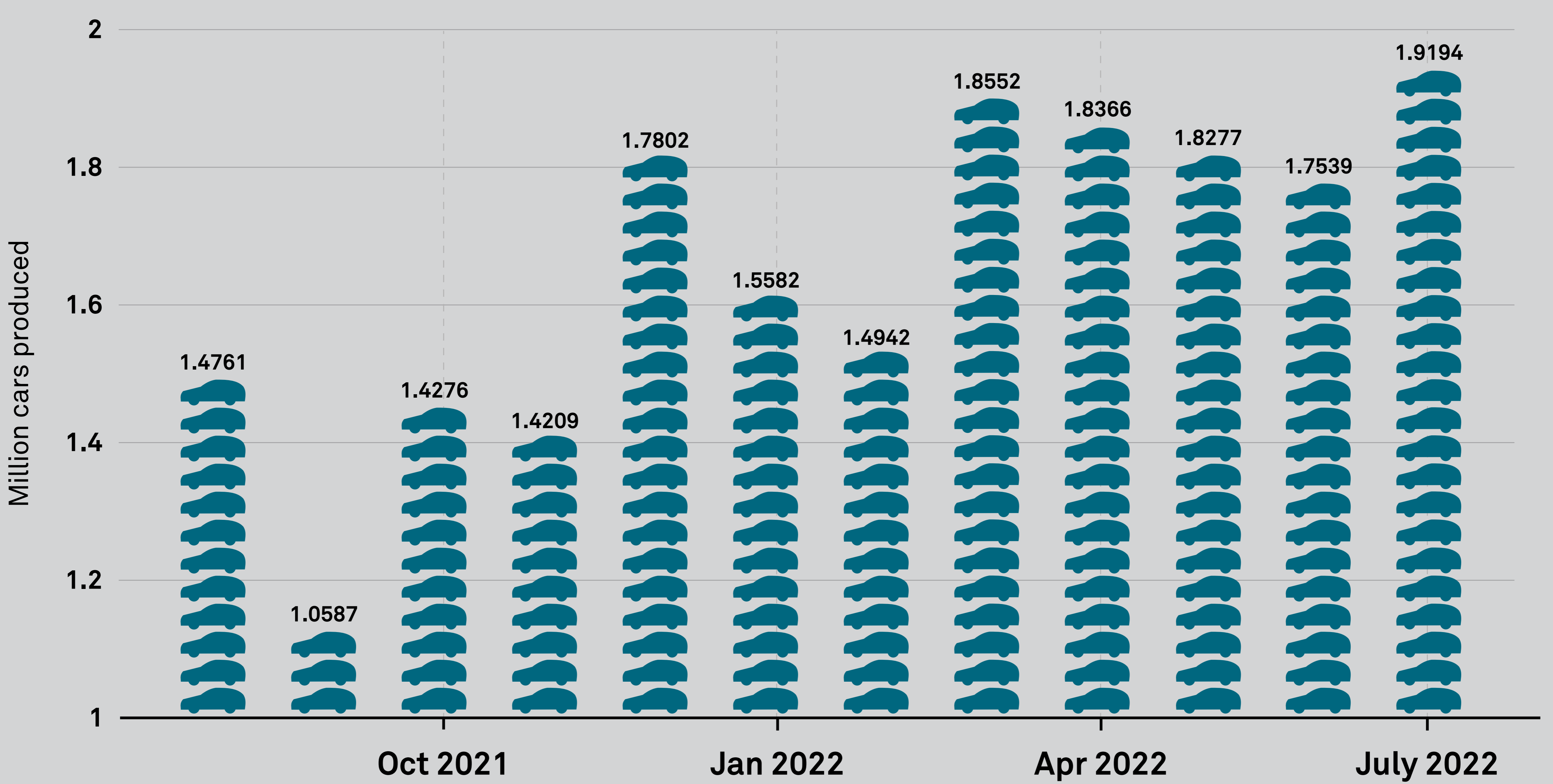
FORECASTING 2022 GLOBAL LIGHT-VEHICLE TO RECOVER 1%-5% AS CHIP CRUNCH CONTINUES



* The 27 European Union countries after the UK left the EU.
 Note: All markets are light-vehicle registrations except the US, which represents sales to retail and fleet customers.
 Source: Wards intelligence, Morningstar, March 2022.

...but restocking could soon be well underway as car production in the US ramps up.

US CAR PRODUCTION



Source: IEA, Tradingeconomics.com, Federal Reserve, August 2022.



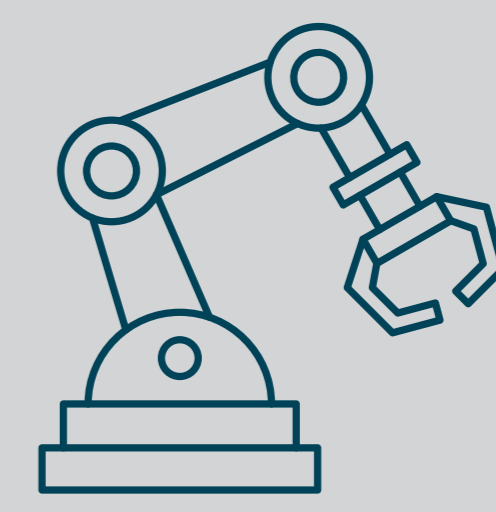
1.27M

new vehicle inventory
August 2022.¹



2.46M

unsold used vehicles in the
US July 2022.²



US car production rose to

1.92M in July,

up from

1.75M in June 2022.³



¹ BofA Securities, Auto Inventories Monthly Insight, September 6, 2022.

² Cox Automotive, Used-Vehicle Supply Holds Steady at Normal Level, Prices Rise, August 12, 2022.

³ Trading Economics, United States Car Production, Accessed August 2022.

Vehicle restocking enters the fast lane

The 1.27 million new vehicle inventory is the highest level since June 2021. According to BofA Securities, this translates into a days' supply (DS) of 29DS, which is ~37% below the five-year average of 47DS and up from 27DS in July. The magnitude of the inventory shortage serves as a reminder of the challenges and hurdles faced globally by the automotive companies and their suppliers, impacting consumers and businesses across the eco-system.

New technologies, safety systems, and new powertrains are just a few of the many drivers of the sustained demand. We believe the secular growth outlook over the mid to long-term in the mobility theme remains very attractive for auto-related holdings. Areas such as advanced driver-assistance systems (ADAS) and electrification remain places for potential above average growth over the mid to long term. ADAS content and functionality per vehicle continues to increase in key markets, as does the underlying secular shift to vehicle electrification, which remains a key focus for Europe and China due to emission policies and regulation.

During August, the US seasonally adjusted annual rate (SAAR) was 13.4 million, which was relatively flat compared to July's 13.5 million. These levels are what is typically seen in a recession, but the supply chain has meant shortages of vehicles. We continue to believe demand remains above supply. Looking at 2022, we believe it could achieve growth of 10 to 15% year-on-year, assuming there is not a consumer recession. Inventory restocking could accelerate as supply-chain bottlenecks ease.

Similar to the US market, Western Europe could be attractive once production normalizes. However, the Ukraine-Russia conflict is a material risk to the macroeconomic outlook in Europe. There is also the risk of energy rationing in Western Europe, particularly in Germany, due to the risk of lower Russian natural gas supplies. This may negatively affect many industries that are energy intensive such as steel, chemicals, and to lesser extent the auto industry.

Newton Mobility Team

All investments involve some level of risk, including loss of principal. Certain investments have specific or unique risks.

Recent market risks include pandemic risks related to COVID-19. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others.

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