

## **QIF Quarterly Newsletter – April 2024**

Today's media coverage would have you believe that the EV business is a dog – and getting worse. They cite slowing demand, leading to excess dealer inventory and forced production cutbacks (and OEM losses). Further blame goes to inadequate charging infrastructure and continued range anxiety. Increasingly, headlines spotlight failing new EV manufacturers (e.g., Lucid, Fisker), creating an even more negative perception. All of these make people wonder if the transition from ICE (internal combustion engine) vehicles will ever happen.

We believe it will. Crossing the chasm for a company ushering new technology into a marketplace is always challenging. Here, we are watching an entire global industry making the leap. The world does not have a lot of experience in this realm, especially for an industry as large and ingrained as the automobile business. Early adopters and Tesla can only propel the EV industry so far. Any expectations that the transition would be smooth were unrealistic and naive.

Part of the challenge has been the lack of lower cost vehicles and limited SUV / pickup model selection. New models are coming now, providing consumers with more affordable options. There are a number of other factors that continue to lower the barrier of adoption and drive the industry forward: (i) lower battery prices, (ii) manufacturing efficiencies as production scales, (iii) more – and better – infrastructure installed, (iv) Inflation Reduction Act money finally starting to flow, (v) increased competition among OEMs (especially Chinese manufacturers), (vi) improving technology, and (vii) better-engineered customer experiences. In addition, the EPA recently announced further tailpipe emissions reductions that will push U.S. OEMs and the new EV entrants to sell more EVs<sup>1</sup>. The shift to EVs will take time, but it is happening.

To put this all into perspective:<sup>2</sup>

- In 2023, domestic EV sales were 7.6% of the market, up from 5.9% in 2022. In California, over 20% of new car sales last year were EVs (excluding hybrids).
- 1.2+ million EVs were sold in the US last year. Over half were Teslas, with strong showings from German and Korean OEMs.
- Predictions for 2024 sales growth range from 20-30% in the US.
- The public charging network reached nearly 165,000 ports in 2023, up 21% from the prior year. This includes approximately 40,000 DC fast chargers. Public networks report near doubling of usage over the past year.

Outside of the US, the picture is rosier thanks to Chinese manufacturers who have managed to construct a more integrated supply chain with much lower costs yet still a very good product. Increasingly, these vehicles will get exported (or built closer to end markets) bringing price points down further – yes, including domestically.

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<sup>1</sup> <https://www.nytimes.com/2024/03/20/climate/biden-phase-out-gas-cars.html>

<sup>2</sup> Data source: [Statzon](#) as of March 6, 2024.

Current EV drivers express limited concerns about range anxiety especially in California where the infrastructure buildout is much further along. For most people, it takes almost no time to refuel one's vehicle because recharging happens at home (80% of charging<sup>3</sup>) or at work where the car sits idle much of the time anyway. It is easy. Even members of the QIF team can do it.

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During Q4 2023, we harvested our investment in Welligence, a company where we provided the initial seed capital in 2018 when we backed 29-year-old Ross Lubetkin to build a modern data analytics company serving the international upstream business providing previously unavailable data and machine learning tools primarily to financial firms and industry players. Although a small investment, the Welligence team were terrific stewards of our capital and have built a fast growing business with offices in the US, UK, Middle East, and Asia. We expect that their future remains bright.

Below is a reminder of our existing portfolio and what each company does. We welcome your thoughts and advice.



Jeffrey Harris



Rob Meister



Chase Randolph



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<sup>3</sup> Data source: U.S. DoE statistics.

## QIF Portfolio Updates

### **Atmosic™**

[Atmosic](#) is re-architecting wireless connectivity solutions especially around WiFi and Bluetooth to radically reduce IoT dependence on batteries. Initial applications include TV remote controls, wearables, glucose monitor sensors, keyboards, etc.

### **BeZero**

[BeZero](#) combines risk analytics, software and science to provide independent and transparent coverage and ratings of carbon offset credits in a historically opaque market. BeZero has introduced ex-ante carbon ratings for project developers to further increase carbon credit quality transparency to accelerate funding for carbon projects. Its ratings are accessible through various media including Bloomberg.



[Carbon Direct](#) provides end-to-end carbon management services to large corporations for seamless carbon footprinting, reduction strategies, and procurement of high-quality carbon credits. Carbon Direct's software platform provides organizations with the information and resources to deliver on their climate commitments. The new platform provides auditable carbon footprints, actionable strategies for emission reductions, and high-quality carbon removal portfolios.

### **-chargepoint+**

[ChargePoint](#) (NYSE: CHPT) designs, develops and markets networked EV charging system infrastructure connected through cloud-based services. CHPT ended its 2024 fiscal year on January 31, 2024, with \$507 million in revenue, up 8% from the prior year. Subscription revenue was \$120 million, representing 41% Y-o-Y growth<sup>4</sup>. The company continues to extend its technology and market leadership position across North America and Europe, while improving gross margins and capturing better operating leverage.

### **DATAGRATIION**

[DatagratiON](#) delivers enterprise software for upstream operators to integrate data from disparate systems into one platform. The company continues to grow its ARR as more oil/gas operators realize the economic benefits of its software.



[Dragos](#) provides cybersecurity threat analysis, detection, and prevention software for physical assets primarily for utilities, oil & gas, and manufacturing companies in the U.S. and select other countries. The company continues its rapid growth across the multiple geographies and expanding vertical markets that it serves.

### **Heirloom**

[Heirloom](#) continues to make great strides scaling its direct air capture technology using limestone to absorb CO<sub>2</sub> and then storing it underground or into materials such as concrete. Heirloom's first commercial direct air capture facility with capacity for 1,000 tons of CO<sub>2</sub>/year operates in California, and a 17,000-ton facility is under development in Louisiana.

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<sup>4</sup> Data source: ChargePoint filings.

 ORENNIA

[Orennia](#) provides market-leading data and analytics to private equity firms, investment banks, utilities, corporations allowing them to make informed decisions across renewables, clean fuels and decarbonization investments. The company continues to grow nicely supporting developers and financiers of renewable power plants.

 POWERFACTORS

[Power Factors](#) is the largest provider of asset management software for owners and operators of wind, solar and battery storage systems globally and continues to expand its business benefitting from the significant worldwide investment in new facilities. The company continues to grow nicely behind an upgraded product offering and broadened product line stemming from its recent acquisitions. The company welcomed its new CEO, Julieann Esper Rainville, in March.

PROJECT  
CANARY

[Project Canary](#) offers low-cost, continuous, real-time methane emissions monitoring with a certification process for oil & gas and other emitters to measure ESG performance and support Responsibly Sourced Gas. The company continues to set the standard for high fidelity measurement and rigorous data analysis based on hard science. The company welcomed its new CEO, Scott Lang, in February.

## RECURVE

[Recurve](#) provides a software and online marketplace platform, called FLEXmarket, that enables demand flexibility from behind-the-meter to help manage the grid and reduce electricity prices. FLEXmarket is live and scaling rapidly in seven open markets in California. Several months ago, Recurve's innovation was [profiled in a long-form article](#) by Canary Media.

 Risilience®

[Risilience](#) provides an analytics platform and services to help large companies quantify potential climate risk impact and identify mitigation actions, track progress on their net-zero strategies, and comply with increasing climate-related reporting requirements. The company continues to gain traction across large multinationals especially around consumer-packaged goods, investment firms, and international retailers.

## seismos

[Seismos](#) uses advanced acoustics technology to help oil and gas operators better characterize well stimulations and improve economics. Recently, Seismos introduced new technology that displaced the need for fiber optics to monitor the stimulation process across frac stages. The company continues to expand internationally and has also begun to serve pipelines detecting flow rates, leaks, and stuck pigs.

## workrise™

[Workrise](#) offers a digital platform for contingent skilled workers in oil and gas and renewables industries and is the leading workforce management solution for the skilled trades. The company has expanded its offering to support upstream company procurement of other value-added services and products. The company welcomed its new CEO, Mick Hollison, in March.

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