

Webinar on Climate-related investments

Outlook

Marouane Bouchriha, co-manager on Climate-related strategies
Vincent Meuleman, co-manager on Climate-related strategies

14/04/2022

Three major environment challenges



Global warming & climate change



Overexploitation of natural resources



Pollution and inefficient waste management

Rough start to the year

Global equity markets dropped had a tough start to the year, as investors worry about:

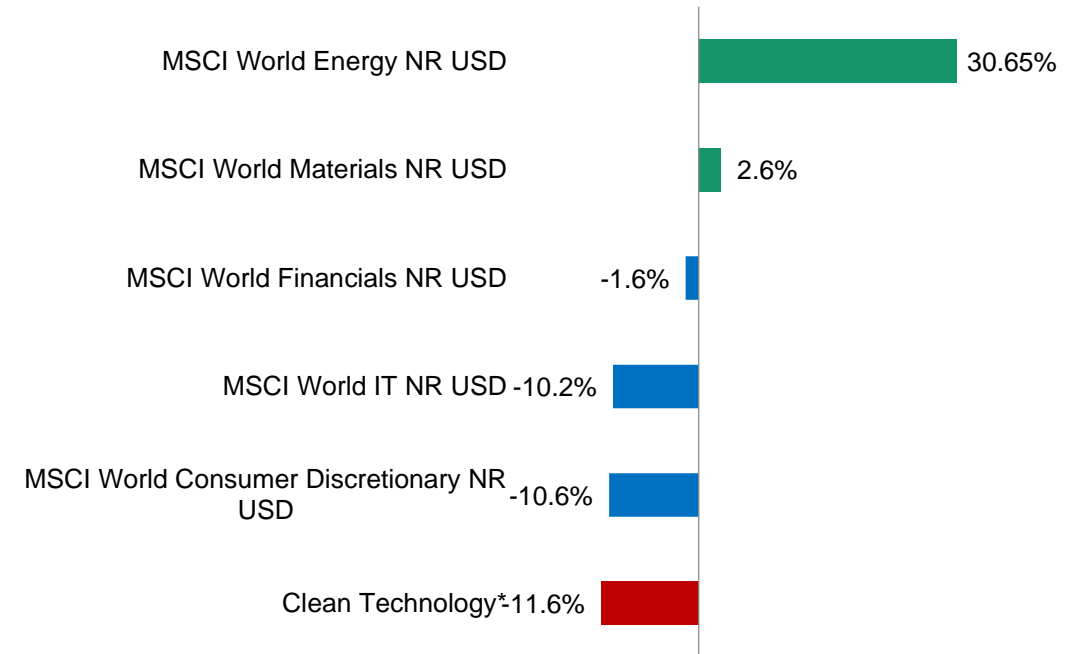
- Inflation;
- Fed's tightening path;
- Tensions in Eastern Europe.

In this context, there was a **wide dispersion between sectors**:

- Strong outperformance for materials, financials and energy;
- Consumer discretionary and IT were the main underperformers;
- Sell-off in **clean technology**.

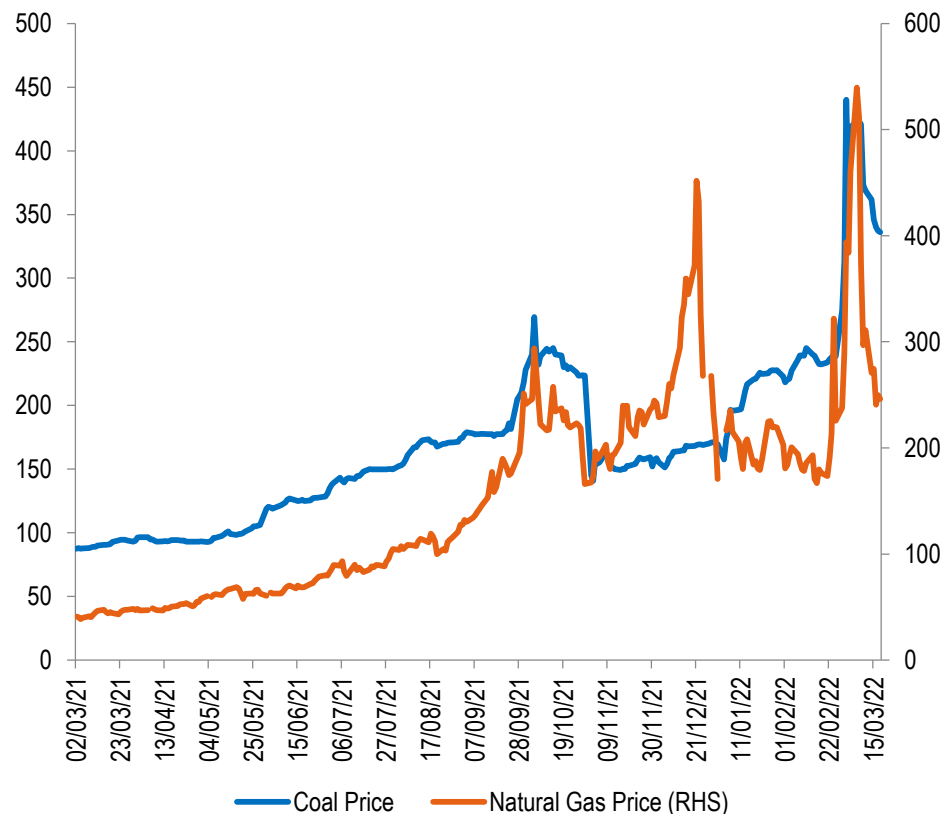
→ **Valuations have come down** across most climate-related segments.

Year-to-date performances (Net total return in USD as at 31/03/2022)

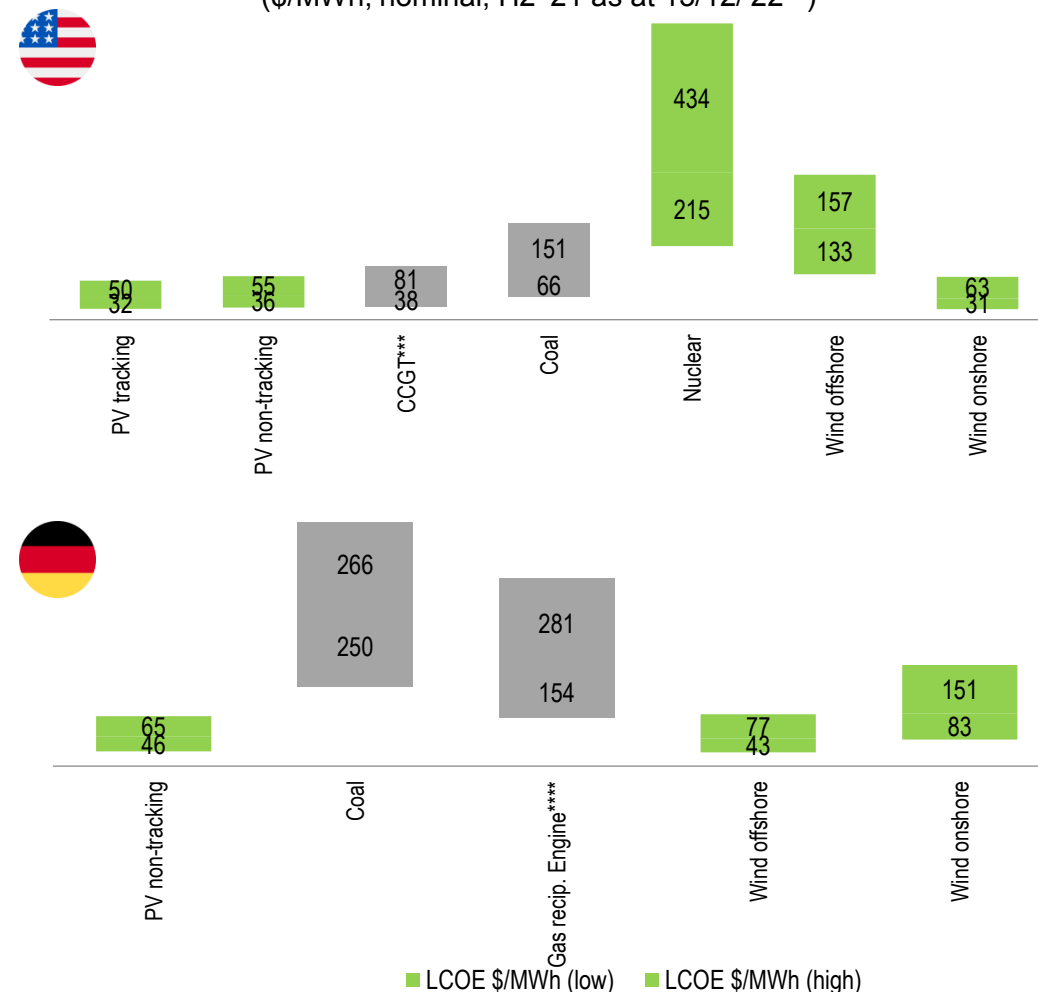


The war in Ukraine has increased renewables' attractiveness

Evolution of **coal** and **natural gas** price*



Current LCOE range
(\$/MWh, nominal, H2 '21 as at 13/12/'22**)



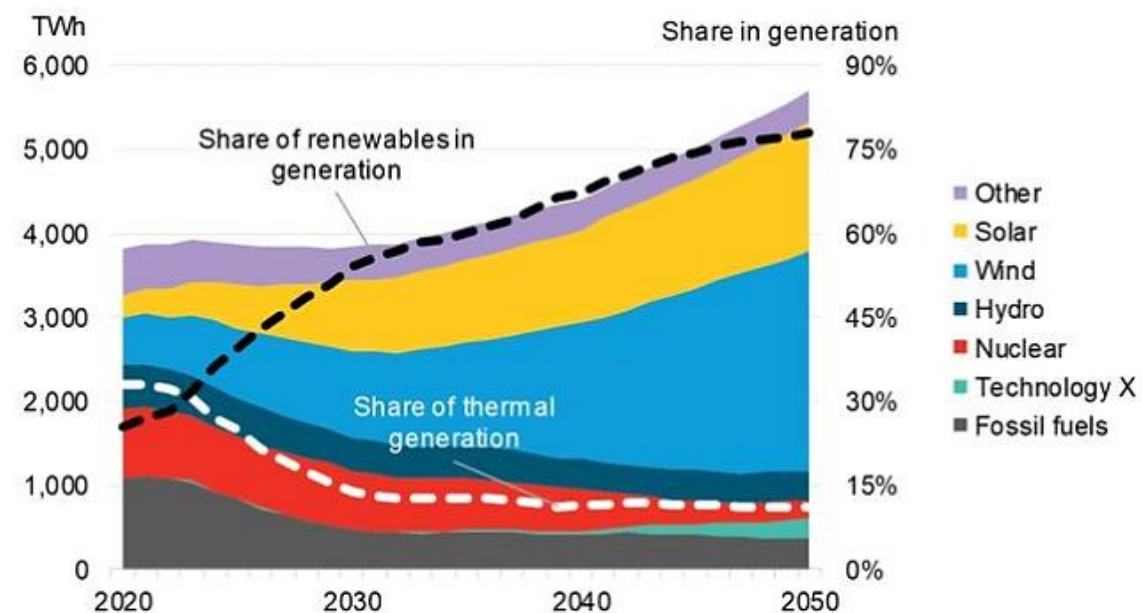
Sources: *Bloomberg®, coal and gas futures as at 21/03/2022 ** Levelized cost of energy BNEF *** Combined cycle gas turbine **** Electricity generation with natural gas

Focus on renewables in the EU

Renewables will continue to be developed

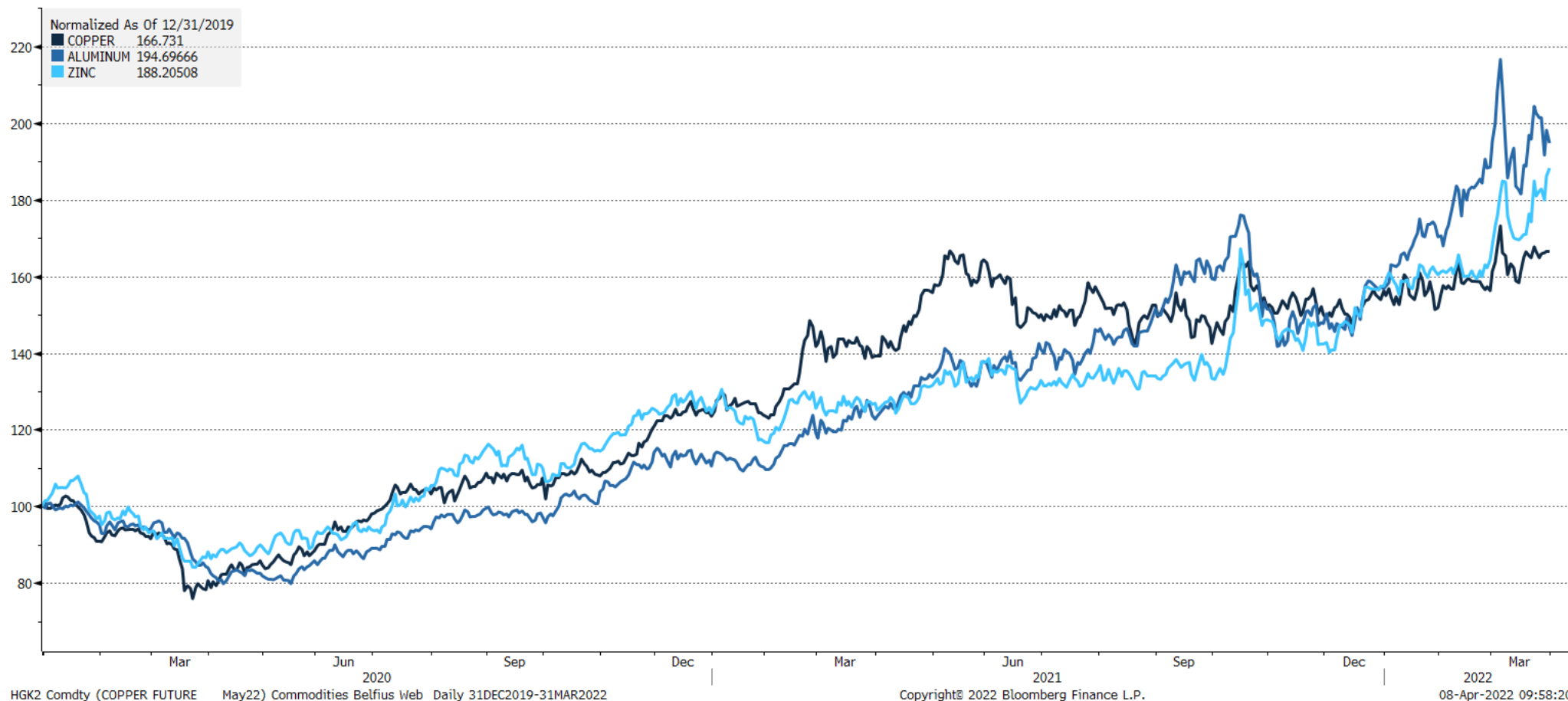
- Repower EU is the new proposal to reduce dependency on Russian gas.
- Accelerate the near-term deployment rate for renewables by 20% versus its existing Fit for 55 strategy (+80 GW by 2030):
 - ▶ 480GW of **wind** by 2030 (vs. c. 190GW in 2021), average installation target of 32GW p.a.;
 - ▶ 420GW of **solar** energy by 2030 (vs. 165GW in 2021) , average installation target of 28GW p.a.;
 - ▶ Additional 5 Mt of **green hydrogen** production.

Evolution of European power generation from 2020-2050



The war in Ukraine has increased renewables' attractiveness

Evolution of copper, aluminum and zinc prices*



Sources: * Futures, active contracts, Bloomberg© as at 31/03/2022

3 elements for a constructive mid-term perspective

1. Normalisation macro-economic environment

- **Growth** and **inflation** should **ease** during H2 of 2022;
- Base effects and the impact of rate hikes should lead to:
 - ▶ **Acceptable inflation** figures;
 - ▶ A flattening of the rate curve;
 - ▶ And eventually a cut by the Fed towards the end of 2023 again.

➡ Investors should start to **switch** again towards

- ▶ **growth**, and
- ▶ **defensive growth** sectors, including climate solutions.

2. Easing of bottlenecks

- **Solar demand** has suffered from bottlenecks and skyrocketing logistic costs;
- Wind players were highly impacted by **supply-chain** issues and Covid-19 lockdowns at some Chinese port;
- **Electric vehicle penetration**, though higher-than-expected was dragged down by semiconductor shortages.

➡ We see **clear indications of a stabilisation**

- ▶ through **new capacity coming online**
- ▶ and an easing in the **wind supply-chain** by H2.

3. Long-term capex drivers

- To reach **Net Zero**, we'll need at least an **annual capex** of \$ 3 trillion per year;
- This theme will become important for global growth;
- The **green thematic** will become the **locomotive of global capex spending**.

➡ In 2021, the global economy saw a synchronized recovery. This year, investors should **focus** again on **sustainable growth** and the green thematic will be central.

Energy and commodity prices strong support for climate-related investments

Massive investments in climate-related solutions



- The current crisis results in accelerated investments in **alternative energy sources**.
- The pace of development of Europe's **hydrogen economy** will be increased.
- Climate investments will be an important **economic growth driver**.

Increased focus on circularity



- Commodity rally has been beneficiary to commodity producers and companies that provide **alternative solutions** to them.
- Circularity leads to **less reliance on raw materials**.
- The crisis pushed **momentum for circular regulations and investments** forward.
- Decouple raw material extraction and economic growth is a **quick win for the environment and companies**.

Increasing demand for alternative transportation solutions



- Increasing fossil fuel prices have a significant impact on **demand for electric vehicles**.
- Rising gasoline prices can eventually also boost **public transport and** alternatives, such as **e-bikes**.

Sources: Bloomberg BNEF ©, European Environment Agency, Bloomberg BNEF ©, JP Morgan, Imarc, Bloomberg performance of MSCI World vs. iShares Global Clean Energy and Cleantech Index, World Bank, IEA, McKinsey, OECD, Goldman Sachs Global Investment Research

This marketing communication is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Warning: Past performance of a given financial instrument or index or an investment service or strategy, or simulations of past performance, or forecasts of future performance does not predict future returns. Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change.

In respect to money market funds, please be aware that an investment in a fund is different from an investment in deposits and that the investment's principal is capable of fluctuation. The fund does not rely on external support for guaranteeing its liquidity or stabilizing its NAV per unit or share. The risk of loss of the principal is borne by the investor.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. Investor rights and complaints procedure, are accessible on Candriam's dedicated regulatory webpages <https://www.candriam.com/en/professional/legal-and-disclaimer-candriam/regulatory-information/>. This information is available either in English or in local languages for each country where the fund's marketing is approved. **This is a marketing communication. Please refer to the prospectus of the fund and to the key information document before making any final investment decision.** According to the applicable laws and regulations, Candriam may decide to terminate the arrangements made for the marketing of a relevant fund at any time.

Information on sustainability-related aspects: the information on sustainability-related aspects contained in this communication are available on Candriam webpage <https://www.candriam.com/en/professional/market-insights/sfdr/>. The decision to invest in the promoted product should take into account all the characteristics or objectives of the promoted product as described in its prospectus, or in the information documents which are to be disclosed to investors in accordance with the applicable law.



CLIENT RELATION
OFFICES

AMSTERDAM
DUBAI
FRANKFURT
GENEVA
ZURICH
MADRID
MILAN
NEW YORK

MANAGEMENT
CENTERS

LUXEMBOURG
BRUSSELS
PARIS
LONDON