

BBGI Clean Energy 100 index

USD

A BBGI exclusivity since 1999

March 2021

BBGI Clean Energy 100 Index outperforms best-in-class ETF

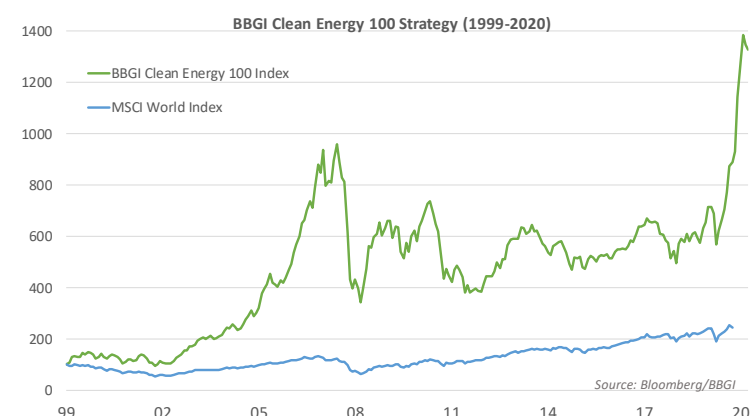
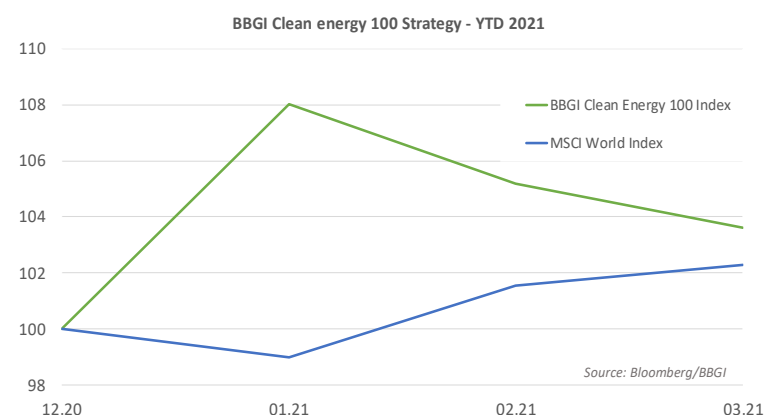
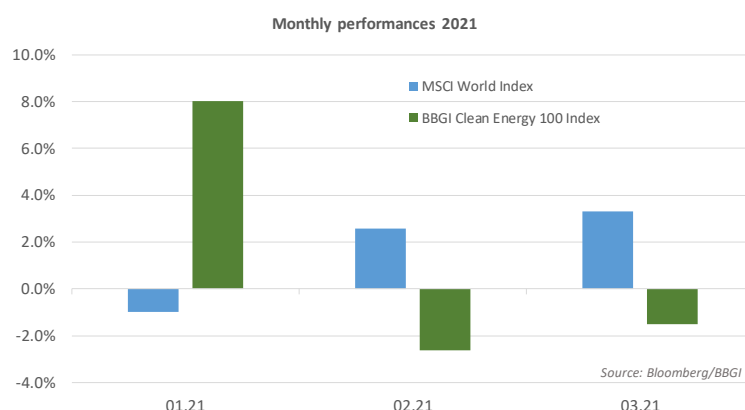
	March.	YTD
BBGI Clean Energy 100 Index :	-1.51%	+3.61%
BBGI Solar Sector :	-2.75%	+3.84%
BBGI Wind Sector :	+1.15%	-2.60%
BBGI Biofuel Sector :	-2.96%	+11.23%
BBGI Energy Efficiency Sector:	-1.13%	+3.54%

The evolution of the indices:

The last month of the first quarter of 2021 ends on a slightly negative note for alternative energy and the BBGI Share Clean Energy strategy. Three of the four sub-indices that make up the index are in slight decline this month. The energy efficiency sector slipped by **-1.13%** and the biofuel segment, after holding its own in February, fell by **-2.96%**. Solar recorded a loss similar to last month's (**-2.75%**), while the wind sector was the only one to rise again by **+1.15%**.

For the second month in a row, the clean energy strategy loses some ground, after having fallen by **-2.61%** in February, but significantly less in March (**-1.51%**). The main driver of these pressures on the overall performance of the renewable energy sector is unsurprisingly the rise in US bond yields. Indeed, in February the effect of rising borrowing costs caused a small wave of hesitation among investors and led once more to some profit taking. The same was true in March, when a second rate hike of 46 basis points had a similar effect on the sector.

However, March's decline is less severe than last month's and remains minimal compared to the gains generated in 2020 (**+79.75%**) and January 2021 (**+8.01%**), so that the diversified strategy remains very clearly positive over three months (**+3.61%**). It is far more resilient in this temporary downturn than the best Clean energy ETF, the **iShares Global Clean Energy ETF**, which collapsed by **-13.95%**. These patterns further demonstrate the downside resistance of our diversification strategy of the 100 stocks in the **BBGI Clean Energy 100 Index**. The rise in interest rates remains relatively low historically and should not be a concern in the long term for a sector such as renewable energy, whose projects will ultimately deliver high added value.



The systematic diversified strategy of the BBGI Clean Energy 100 Index has delivered an annualised return of **+12.93%** since 1999.

Commentary by sectors:

Solar : -2.75%

The rise in US 10-year interest rates is causing a further withdrawal by some momentum investors and weighing on the sector's performance in our index. Despite this, the industry is developing more than ever in the United States as well as in Europe, where we are witnessing a process of repatriation of production lines, mainly located in Asia and China, particularly during the last decade. The Biden administration stated that it wanted to strengthen US independence in key markets such as semiconductors and the supply of rare earths, which are essential for the manufacture of photovoltaic panels, thus indirectly targeting China. The desire to overturn this Chinese hegemony has implied the introduction of import taxes, which have not had the desired effect for the moment. Indeed, production in other Asian countries such as Malaysia, Vietnam and Thailand has increased, with Chinese producers taking advantage of the opportunity to relocate their production. Even so, these measures have reduced US dependence on external producers. The use of more European or American products could increase the production costs of photovoltaic panels, which could be partly offset by lower logistics costs. A focus on high-margin segments such as residential solar could be an entry point for new companies newly repatriated to Europe and the US. The best performer of the month in our index is Taiwanese **Motech Industries (+19.27%)**.

Biofuel : -2.96%

After months of tensions, the return of ethanol demand may well emerge from the UK. Indeed, after having suffered heavily from the pandemic (consumption down by **36%** in 2020), demand could double following the decision of Boris Johnson's government to introduce **10%** Ethanol in petrol from September. This is a radical change from the current rate of **4.3%**, but to reach this target ethanol requirements will increase by **1.6 billion** litres in a scenario where demand returns to 2019 levels, more than double the 750 million litres currently used. This could lead to a massive increase in UK imports, with demand exceeding domestic production by up to 700 million litres if all drivers switch from E5 to E10 in September. This revival of imports would benefit European companies such as **Verbio AG** or the American giant **Green Plains Inc.** In our index, the best performer this month is the Brazilian company **Cosan S.A.** which generated a performance of **+10.27%**.

Energy efficiency : -1.13%

This month's top performer in the energy efficiency sector is the US company **Avista Corporation**. Indeed, the American company which operates as an energy company, providing electricity and natural gas to households and businesses in the United States has been nominated for the second time in a row by **The Ethisphere Institute** as one of the most ethical companies of 2021. Indeed, since it was founded in **1889**, the company has been delivering more than **50%** green power while keeping its carbon emissions among the lowest in the country. **Avista** continues to move closer to its goal of being carbon neutral by 2027. The US company generated a spectacular **+18.75%** increase this month.

Wind : +1.15%

The wind energy sector was the only one to generate a positive performance in March. The industry is driven in the US by the goal of installing 30 GW of offshore wind turbines massively endorsed by the Biden administration. The realization of this project could support the creation of approximately **83,000** jobs on American soil, although the time horizon is relatively short, the project seems feasible if it is accompanied by a strengthening of the American supply chains. The challenge now is to convince the European leaders to invest locally in order to strengthen local production capacity for components such as cabling or blades, which are usually imported. In Europe, the wind industry is also on a roll, with the best performer of the month in our index being the German company **Nordex SE**. The company that develops, produces and installs wind turbines saw its share price rise by **+19.80%** in March. The development of their new Delta 4000 turbines is attracting customer interest and contributing to their 2021 order book of **6GW**, a growing share of high margin products that could increase the company's long-term stability.

