

BBGI CLEAN ENERGY 100 USD INDEX AND STRATEGY

A BBGI Exclusivity since 1999

June 2022

Annualised performance of
+11.13% since 1999

Renewable energies were not spared in June

	June	YTD
BBGI Clean Energy 100 strategy:	-8.90%	-17.48%
BBGI Solar Sector :	-5.56%	-9.56%
BBGI Wind Sector :	-2.57%	-9.44%
BBGI Biofuel Sector :	-10.70%	-14.89%
BBGI Energy efficiency Sector:	-11.23%	-24.093%

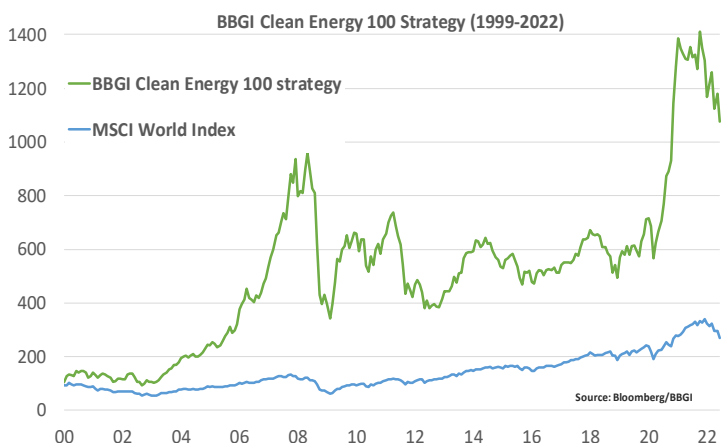
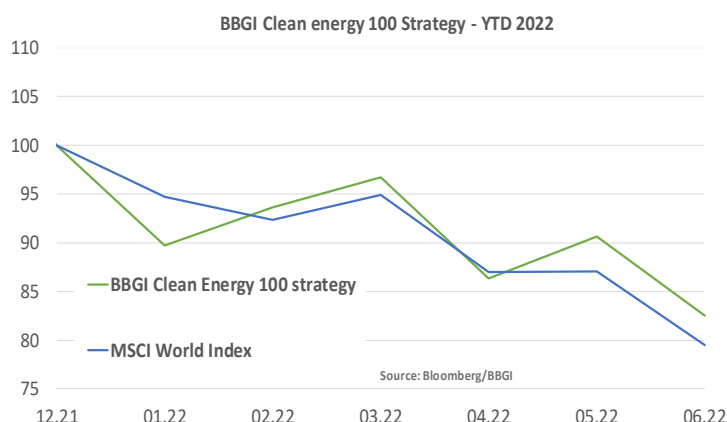
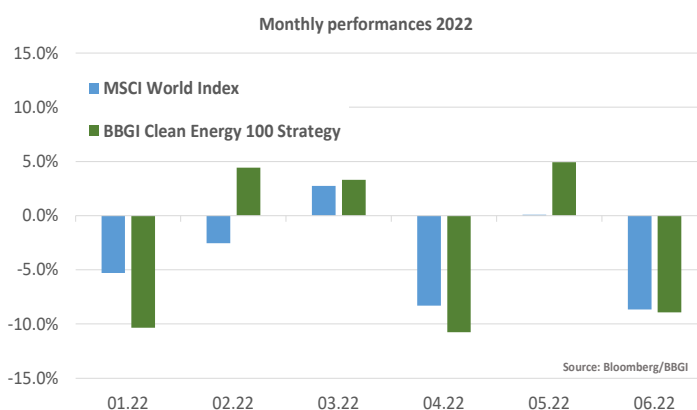
Investment Climate :

The renewable energy sector fell again in June (-8.90%) after rebounding in May. Indeed, very negative market conditions and macroeconomic tensions also put pressure on renewable energy stocks. The four segments that make up the Clean Energy 100 strategy all moved into negative territory and ended the first half in the red. The hardest hit sector is energy efficiency, which fell by -11.23% this month, while the biofuel industry did slightly better, dropping by -10.56%. The solar energy segment also fell (-5.56%), while the wind industry held up better, losing only -2.57%.

The general correction in the equity markets has not spared renewable energies this month, which have been in negative territory since the beginning of the year. However, they are more resilient than traditional performance indices such as the MSCI World (-23.94%) or the Nasdaq (-24%), which have accumulated larger losses over the first half of the year 2022. The fundamentals are still good for renewable energies, we can see a divergence between the price of carbon credits and the evolution of the stock prices of the main players in the ecological transition, which could mean a significant upside potential in the long term.

Recently, new debates on the development potential of hydrogen versus batteries have appeared in the specialized media. Of course, there are many cases where batteries are superior to hydrogen in terms of storage and energy efficiency at the moment, but we do not see the future society without either technology.

Indeed, we are convinced that the energy ecosystem will use hydrogen where the battery has reached its limits. Sectors that appear to be niches at the moment compared to the electric car, such as the decarbonisation of the metal industry or the transport of very heavy loads, will soon prove to be an essential step and a major challenge on the path to ecological transition.



The systematic diversified strategy of the BBGI Clean Energy 100 Index has produced an annualised return of +13.11% since 1999 against +5.37% for the MSCI World

Comments by sector:

Solar: -5.56%

The photovoltaic energy segment started to decline again in June and ended the first half of the year in negative territory. This is one of the most resilient renewable energy sectors, losing only -5.56% despite the very negative interest rate environment for equities and even more so for renewable energy. Indeed, in comparison, international equities have fallen by around -20% since the beginning of the year. At the same time, we note that global demand for photovoltaic energy is on track to increase by +30% over the year 2022, and this rapid growth explains the resilience of stocks active in the sector during the first half of the year compared to the other segments that make up our index and the equity markets.

The solar industry has outperformed other sectors in the first half of the year, but average company share prices are still below their highs in 2021. This suggests substantial upside potential if the positive demand trend continues, which we believe is likely given the macroeconomic factors and the recent European energy crisis. Indeed, it is in Europe that much of the demand will materialise in the medium term, with German installers already indicating that their teams' order books are full for residential projects. Solar panel manufacturers such as **Longi Green Energy** and **Canadian Solar**, which are very active on the old continent, will benefit particularly from this.

Biofuel: -10.70%

Ethanol prices are still at record levels in the US, Brazil and Europe since Russia entered Ukraine. Indeed, this upward movement is a direct result of the major disruption in the energy sector, particularly in oil and gas. At the same time, the arrival of summer and the increase in car travel have supported the demand for ethanol for European producers like Verbio. Indeed, ethanol prices are historically correlated to those of gasoline, and as a result the recent rise in the oil market pushed ethanol prices up to \$2.47 in July from a five-year average of \$1.67.

In Brazil the dynamics are similar and the market is even more directly affected by price fluctuations. Indeed, the particularity of Brazil lies in the large number of so-called "**Flex Fuel Vehicles**" which can accept up to 100% ethanol and a mix of at least 20% coupled with traditional petrol. This category of vehicle has contributed greatly to the increase in demand for ethanol, being very flexible in its consumption of petrol, and has pushed the price of biofuel to its highest point in a decade.

Energy Efficiency : -11.23%

The best performer in the energy efficiency segment is the Chinese company efficiency segment is the Chinese company China High speed transmission, which is China's largest producer of gears and transmissions for wind technology. The company is holding the line and performed positively by +3.27% in June while the segment corrected strongly by -11.23%. According to a recent study, the industrial gearbox market is expected to grow by USD 9.3 billion by 2024. The majority of this growth is expected to come from the Asia Pacific region. India, Japan and China are very active in wind turbine production and have some of the largest companies in the industry. Industrial gearbox technology is a fundamental component in the development of this energy, which has seen its production costs fall in recent years. The same has been true for gearboxes, thanks to the optimisation of designs and the growing competition in this promising sector. The price of these precision gearboxes, of which China High Speed Transition is one of the leaders, is expected to fall by a further -5%, thereby supporting demand and continuing to benefit the stock market development of the Chinese company.

Wind : -2.57%

The wind energy sector ended the second half of the year with a decline, but withstood the general contraction of the financial markets since the beginning of the year by posting a cumulative loss of only -9.44%. This outperformance can be attributed to the many incentives provided by European governments for this industry, which will be one of the fundamental pillars of the transition to energy independence in the old continent. This dynamic should support the development of the sector and compensate for the rise in raw material prices that are holding back wind energy projects. Indeed, the strong rise in commodities during the first half of the year acts as a double-edged sword for the sector, which benefits from high energy prices but simultaneously suffers from the price of industrial metals such as aluminum, on which companies are heavily dependent. Valuations remain generous despite a correction of nearly 10%, which is explained by a downward revision of short-term corporate earnings.

