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BBGI CLEAN ENERGY 100 USD INDEX AND STRATEGY

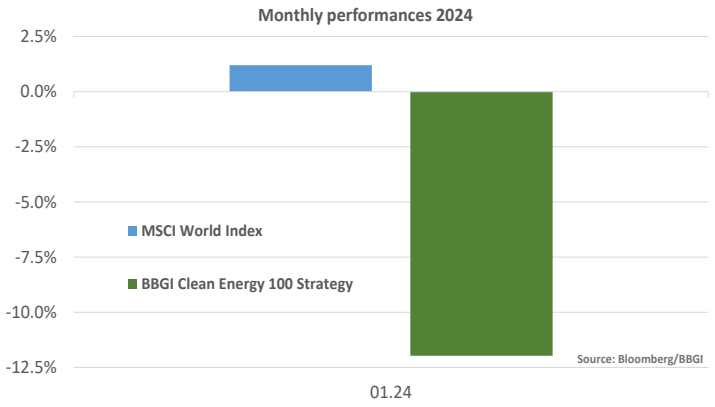
A BBGI Exclusivity since 1999

January 2024

Annualized performance of +9.63% since 1999

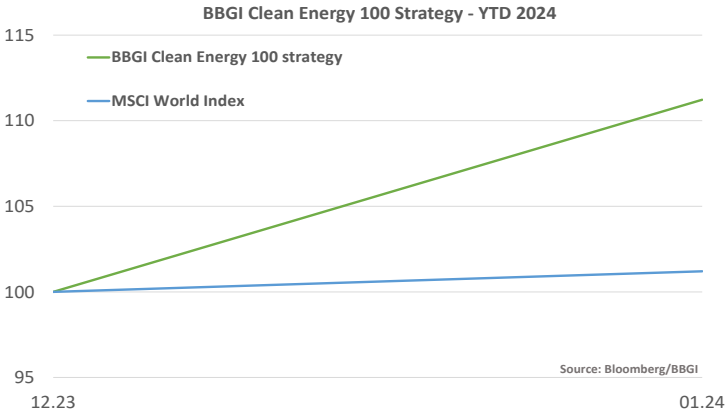
Temporary downturn in renewable energies in January

	Jan	YTD
BBGI Clean Energy 100 strategy:	**-11.97%**	**-11.97%**
BBGI Solar Sector:	**-17.23%**	**-17.23%**
BBGI Wind Sector:	**-9.68%**	**-9.68%**
BBGI Biofuel Sector:	**-14.63%**	**-14.63%**
BBGI Energy efficiency Sector:	**-8.80%**	**-8.80%**

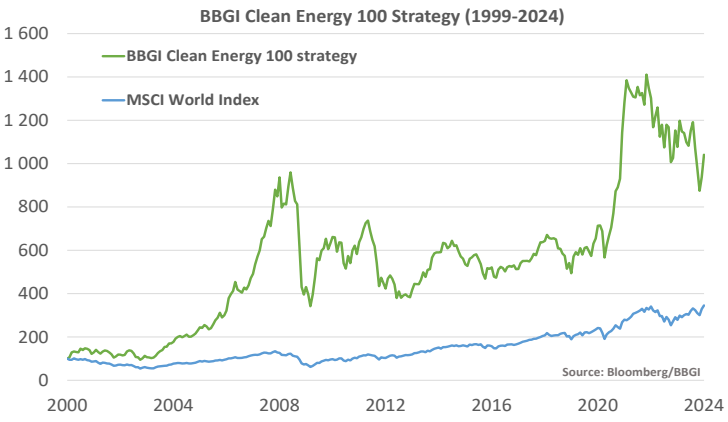


As was the case in 2023, renewable energies remain one of the most interest-rate-sensitive segments.

During January, tensions on US yields were rekindled by certain macroeconomic data indicating the resilience of US economic growth. Alternative energies suffered heavily during the month, posting a loss of -15.68%. This start to the year contrasts sharply with the enthusiasm of the last two months, particularly December, when the segments benefited strongly. Despite the slowdown in the economy, which is delaying the reversal of the Fed's monetary policy, we remain convinced of several consecutive rate cuts during the year. The first could come as early as May, and this will benefit the sector, which we believe has been penalized too heavily. The fundamentals are still positive for the sector, as they have been for the past year.



Demand for solar power exceeds all-time highs, with installations reaching 440GW in 2023. Growth could increase by +20% in 2024, supported by the concrete implementation of support plans such as the Fit 55' in Europe and the "inflation reduction act" in the USA. The wind power segment should also benefit strongly from a more clement interest rate environment in the medium term. Installations grew at a limited pace in 2023 (+100GW), but this year we could see an even stronger increase in installations in China than in the rest of the world (+11% in 2024 or 69GW), driven by the government's intention to accelerate the decarbonization of the economy.



The systematic diversified strategy of the BBGI Clean Energy 100 Index has produced an annualized return of +9.63% since 1999 against +5.44% for the MSCI World

Comments by sector:

Solar: -17.23%

In the year 2023, we saw installations increase by +76% to 443 GW, and we expect the trend to accelerate by a further +20% this year. In the previous year, we saw a slowdown in residential photovoltaic installations. Legislative changes in California, as well as inflation and rising interest rates, penalized the segment. Nevertheless, we believe there is strong potential for growth in 2024, considering the inevitable pivot of the US Federal Reserve and improving debt conditions. The government's proposal to reduce carbon emissions to zero by 2050 could propel photovoltaic installation to 650GW by 2028, according to our analysis. This figure would be achievable based on the annualized growth rate of recent years, and we believe that this scenario would be extremely favorable for companies like Enphase. The discounted cost of solar power currently stands at around $60 per Megawatt-hour, a figure roughly equivalent to that of a new wind turbine, and 50% cheaper than a new coal-fired power plant. Thanks to its capacity for economies of scale, unlike nuclear power, for example, we believe that solar power's production costs will fall even further in the future, as technology improves, and production capacity grows. Based on these factors, we believe that the double-digit growth seen in recent years could continue. Growth in the West is satisfactory, but it is obviously strongest in China. In fact, by 2023, China had installed more solar panels for production than for residential use. The country added 120 GW of utility-scale production, exceeding the 96GW of residential production on the roofs of houses and new buildings. We're witnessing a trend reversal here. In 2021 and 2022, most of the solar growth came from residential installations, due to the lack of available space in densely populated regions, but Xi Jingping's initiative to take advantage of certain deserts such as Kubuqi, which will be able to power 1 million homes, has propelled this segment to the forefront.

Biofuel: -14.63%

RIN generation was down -10% in January on the level reached in December but remains in excess of quotas in an environment of weaker fuel demand. The drop in production comes mainly from the Renewable Diesel segment, but our analyses indicate that supply could exceed quotas by +20% in 2024, an estimated surplus that is growing month by month. This phenomenon is putting pressure on the margins of biofuel producers and is beginning to reduce the run rate of the least well-positioned companies. Domestic production of renewable biodiesel and diesel has fallen by -17% and -10%

Energy Efficiency: -8.80%

The best performer in our energy efficiency segment was Ceres Energy in the UK, whose share price rose by +30.39%. After announcing the signing of its first hydrogen license with the Taiwan-based company, Delta Electronics specialized in energy and thermal management, with investors taking a keen interest in the British firm. The UK-based renewable energy developer, based in Horsham, says the long-term international agreement will cover the production and licensing of fuel cells using solid oxide technology, as well as the stacking of these cells. The deal is expected to generate £43 million for the Anglo-Saxon firm, half of which will be recognized in fiscal 2024 and the other half the following year. In 2022, the company reported revenues of £22.1 million, which, if the contract is honored in its current form, would represent almost 100% growth in sales.

Wind: -9.68%

Wind power capacity additions could reach 110GW in 2024, after rebounding to 100GW last year. We believe this figure could rise further to 150GW in 2028, supported by the momentum of falling inflation and renewable energy-friendly policies such as REPower EU and the inflation reduction act. Sales growth expectations for wind turbine manufacturers are at their worst when compared with the prerequisites for achieving the Net Zero Goal. Nevertheless, we believe the tide could turn for the sector in 2024. As previously stated, certain factors should support a return to double-digit growth in the industry, as has been the case in the past (+15% 2018-2021). China should also be a major source of demand in the medium term, as this country, which already accounts for 44% of the world's total installations, is aiming to increase its wind power capacity by +11% to reach 69GW in 2024. The government had already invested nearly 200 billion yuan by 2023.