



iShares®

A primer on transition investing

Insights from BlackRock



Introduction

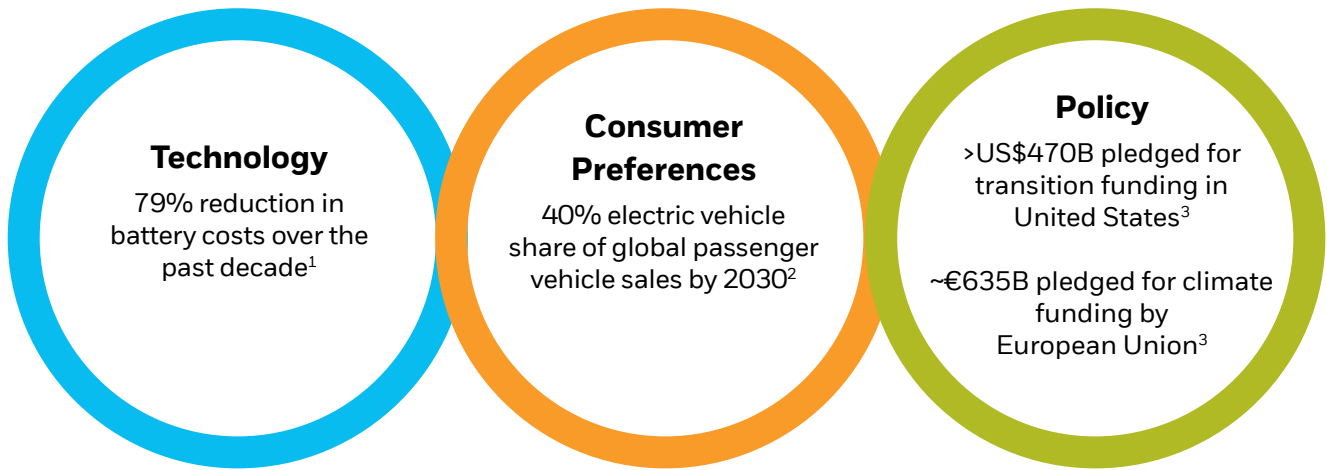
The transition to a low-carbon economy is underway – and is rewiring the economy and transforming entire sectors. From expanding the capacity of renewable energy and having more electric vehicles on the road, to transforming high-emitting sectors and ensuring sufficient supply of materials critical to all of these activities, the transition will involve a massive reallocation of resources, and have significant implications on markets and portfolios.

This paper provides a guide to transition investing for investors. Its components cover the following topics:

- the forces propelling the global energy transition and the investment implications
- what the transition investing entails
- the similarities and differences between transition investing and sustainable investing
- potential investment opportunities associated with the transition using RBC iShares exchange-traded funds (ETFs).

A primer on transition investing

Three forces are driving an economic transformation



This is creating investment opportunities...

US\$4 trillion/year

Estimated average annual spend in the energy system through 2050⁴

Up from...

US\$2.2 trillion/year

Invested on average in the energy system over the past decade⁵

...with different implications for regions and sectors.

Tipping points could accelerate the path

- Falling techno-economic costs and risk premiums
- Lower growth in traditional energy demand
- Higher potential for electrification

Sticking points could slow the path

- Supply-side bottlenecks
- Siting and permitting of new physical assets
- Trade protectionism and re-shoring

56%

of global institutional investors expect to increase their allocations to transition strategies over the next 1-3 years, based on our 2023 survey⁶

¹ BloombergNEF, Top 10 Energy Storage Trends in 2023.

² BloombergNEF, Electric Vehicle Outlook 2022. This figure reflects the report's Economic Transition Scenario.

³ BII, Rocky Mountain Institute, and European Commission, December 2022.

⁴ BlackRock Investment Institute Transition Scenario, June 2023.

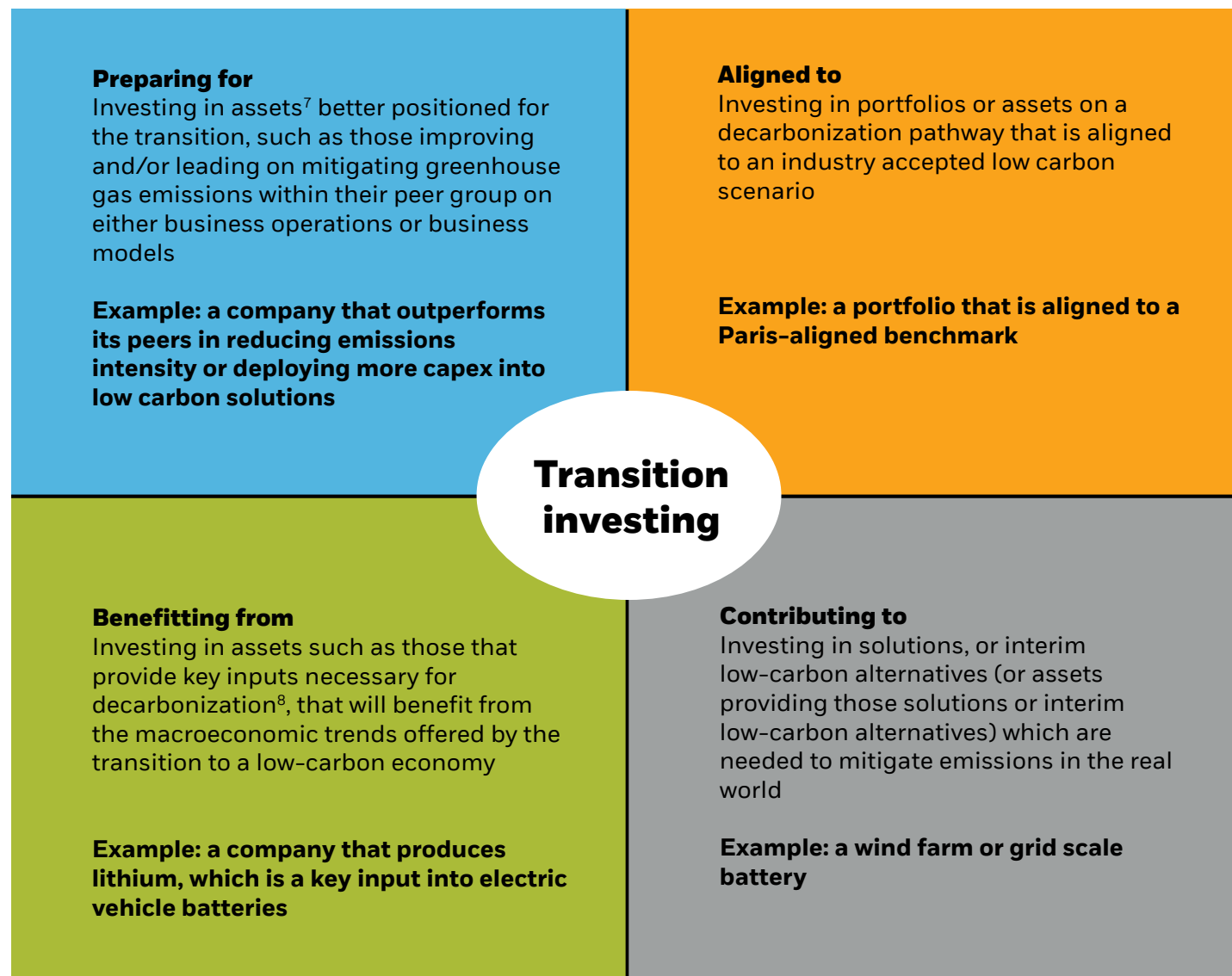
⁵ International Energy Agency, World Energy Investment 2023. All \$ figures in this brochure are given in USD.

⁶ BlackRock iResearch Services global survey, sample size n=200, May/June 2023. Survey covered institutional investors' attitudes, approaches, barriers and opportunities regarding transition investing.

A primer on transition investing

What is transition investing?

- Clients across the world are investing in the transition to a low-carbon economy to generate returns, manage risk, or execute on commitments.
- We define transition investing as: Investing with a focus on **preparing for, being aligned to, benefitting from** and/or **contributing to** the transition to a low-carbon economy.
- These are not mutually exclusive.



⁷Assets includes securities and issuers.

⁸Such key inputs are also capable of being used for non-transition purposes.

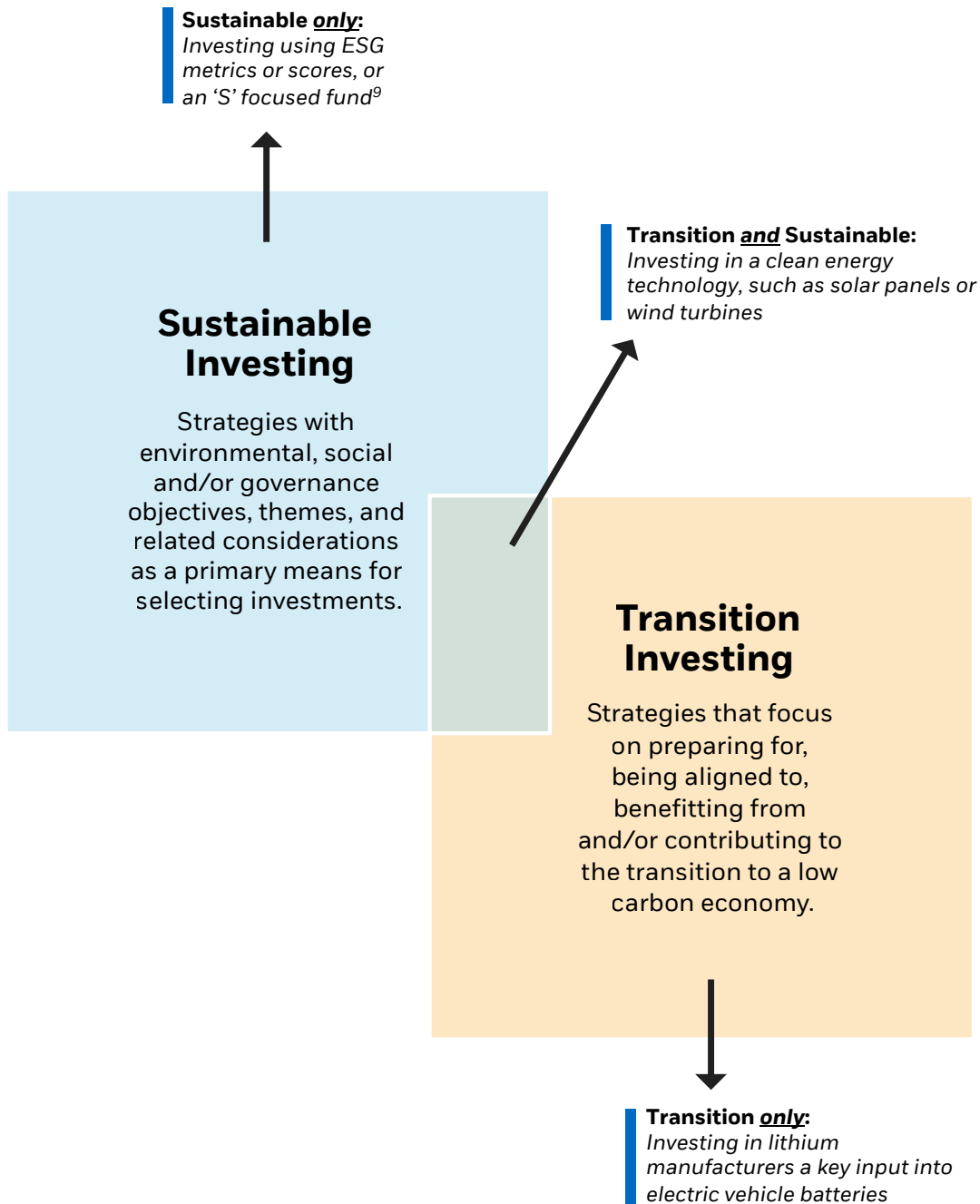
Our current definition of transition investing was informed by industry and competitor practices, as well as existing regulations, with an eye towards future evolution of the landscape. Source: BlackRock, as of June 2023.

A primer on transition investing

How do sustainable and transition relate?

- Not all sustainable strategies are transition, and not all transition strategies are sustainable.
- Understanding the relationship between these two types of investing strategies can help investors better identify products and solutions that meet their objectives

Illustrative examples:



For illustrative purposes only. This graphic represents the relationship between sustainable investing and transition investing and are not drawn to scale.

⁹ESG stands for Environmental, Social and Governance. 'S' focused fund: 'S' stands for Social.

A primer on transition investing

How to get transition investing exposure with RBC iShares

The transition to a low-carbon economy is underway and is being powered by long-term forces such as consumer preferences, government policies, and technology advancements. This may present potential investment risks as well as opportunities. We highlight several RBC iShares ETFs that may help capture the opportunities associated with the transition.

Clean energy

iShares Global Clean Energy Index ETF

XCLN

0.35%
Management fee

Provides exposure to global companies involved in clean energy-related businesses. FactSet revenue classification and S&P Trucost power generation data are used to identify companies involved in clean energy opportunities, including: ethanol & fuel alcohol, geothermal energy, solar energy, biomass & bio-fuel, hydro-electricity, photovoltaic cells, fuel cells, and wind energy.

Transition materials

iShares S&P/TSX Energy Transition Materials Index

XETM

0.55%
Management fee

Invests in North American listed securities deemed to be beneficiaries of the increased investment in critical minerals required for the energy transition. Specifically, these companies are engaged in the mining, exploration, or manufacturing of products using alumina, aluminum, bauxite, cobalt, copper, lithium, manganese, molybdenum, nickel, palladium, platinum, rare earth metals, silver, uranium, and zinc.

Electric & autonomous vehicles

iShares Global Electric and Autonomous Vehicles Index ETF

XDRV

0.39%
Management fee

Provides access to companies at the forefront of self-driving and electric vehicle innovation, leveraging Morningstar's Equity Research team to access global companies along the full value chain, and identify companies that are positioned to benefit from increased adoption of autonomous and electric vehicles.

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