

FOR PROFESSIONAL / QUALIFIED CLIENTS  
AND QUALIFIED INVESTORS ONLY

**BlackRock**

# Time to take action



Please note that the Fund typically has a risk of high volatility.

Climate change is a significant long-term risk for investors' portfolios and, to date, much of the public debate has focused on this. We believe investors should also consider the opportunities that increasing efforts to limit carbon emissions will create.

The BlackRock Global Funds (BGF) **Sustainable Energy Fund** is focused on capturing opportunities created by the transition to a lower carbon global economy, across power, transportation and the built environment. We expect the sector to deliver above market earnings growth and believe that, in many instances, this is not reflected in valuations.

**Capital at risk:** The value of investments and the income from them can fall as well as rise and is not guaranteed. Investors may not get back the amount originally invested.

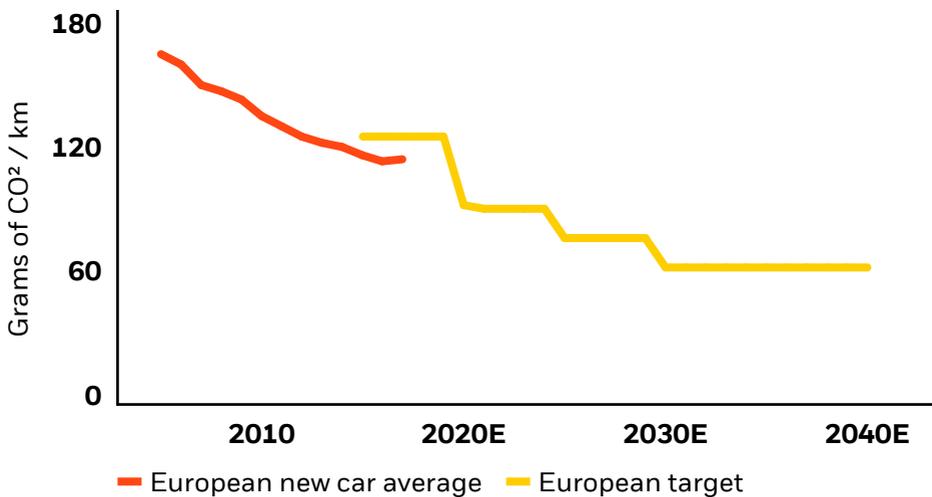


# What is driving the theme?

## Regulation

**Governments are supporting the transition to a lower carbon world**

### Regulatory targets in Europe for new cars<sup>1</sup>



## Society

**Society wants to reduce carbon emissions**

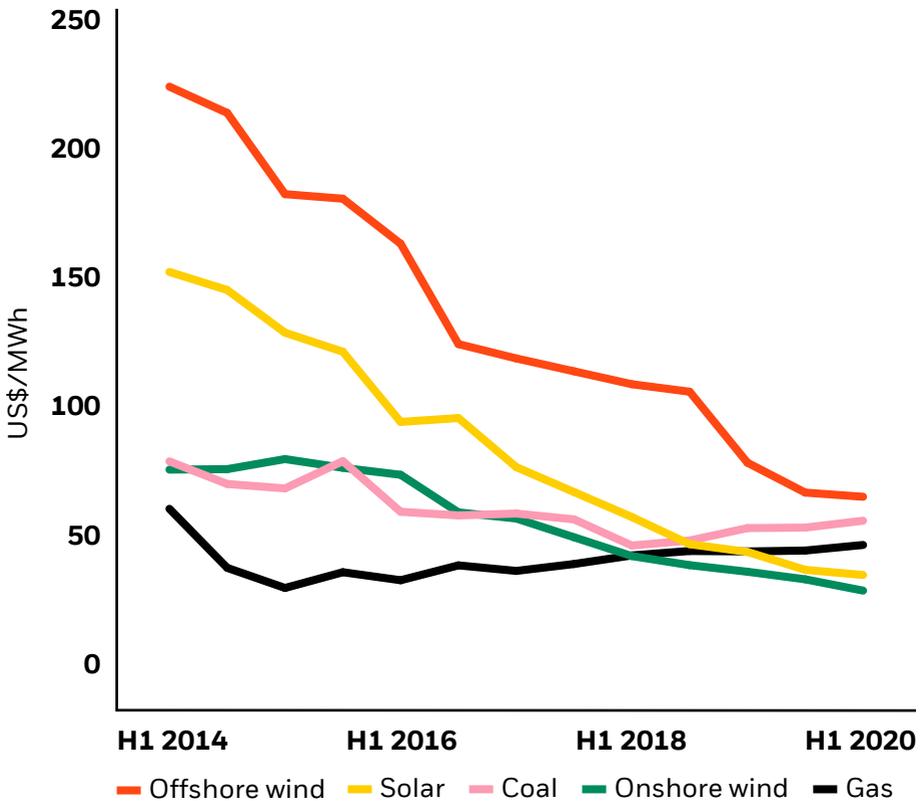
**“Across the globe, millions join biggest climate protest ever”**  
The Guardian, 20<sup>th</sup> September 2019.

1 Source: Credit Suisse and ACEA, April 2019.  
For illustrative purposes only.

# Economics

Lower carbon solutions are becoming increasingly cost competitive

## Continued cost declines of renewables<sup>2</sup>



2 Source: BlackRock using data from Bloomberg NEF, May 2020. For illustrative purposes only.

# Why the BGF Sustainable Energy Fund?

## **1** Benefit from the transition to a lower carbon economy

The Fund can invest in any company that benefits from the transition to a lower carbon economy. Currently, the three key areas of focus are clean power, energy efficiency and clean transportation. Examples of companies the team looks at in transportation include those supplying key components or technology for electric vehicles or those supporting the build-out of the related charging infrastructure. Within energy efficiency, the team includes companies that offer products that reduce energy consumption in buildings or industrial applications. Finally, within clean power, the team invests in companies that own renewable energy projects as well as those manufacturing the related equipment.

**Risk:** There can be no guarantee that the investment strategy can be successful and the value of investments may go down as well as up.

## **Clean power**

### **Examples:**

- Clean utilities
- Renewable energy technology

## **Energy efficiency**

### **Examples:**

- Insulation
- Smart buildings
- Industrial efficiency

## **Clean transportation**

### **Examples:**

- Electric vehicle manufacturers and related sub-suppliers
- Suppliers of emissions-reduction equipment for vehicles with traditional internal combustion engines

## **2** **A forward-looking investment strategy**

The BGF Sustainable Energy Fund is one of the longest-running energy transition funds in the world<sup>1</sup>. For a company to be included in the Fund, the team typically looks for at least 25% of revenues to come from sustainable energy-related businesses and for such to be a key growth driver for the business. Investment is based on three pillars: business fundamentals, valuation, and environmental, social and governance (ESG) considerations—with all three being as equally important. The investment process involves a combination of bottom-up analysis of individual companies and a top-down macro overlay, with a view to also avoid emotive ‘hype’ stocks.

1 Source: BlackRock, as at September 2020.

# How we pick stocks

## Fundamentals

**Sector specialists**

**Company meetings**

**Site visits**

## Valuation

**Screens**

**Financial modelling**

**Research templates**

## ESG

**Formal exclusions**

**Ethix screens**

**Engagement**

**Risk:** This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This is for illustrative and informational purposes and is subject to change. It has not been approved by any regulatory authority or securities regulator. The environmental, social and governance (“ESG”) considerations discussed herein may affect an investment team’s decision to invest in certain companies or industries from time to time. Results may differ from portfolios that do not apply similar ESG considerations to their investment process.

# 3

## A sustainable solution for portfolios

The Fund follows a four-layered approach to ESG. Firstly, it will not invest in companies that are classified in the following sectors (as defined by the Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas. Secondly, the team uses a combination of ESG data, which is incorporated into BlackRock's Aladdin system, and fundamental ESG research. Thirdly, the portfolio is screened on a quarterly basis for controversies related to the 10 UN Global Compact Principles. Finally, the team works closely with BlackRock's Investment Stewardship and BlackRock Sustainable Investing teams. Where necessary, the team may engage directly with companies on ESG issues. The Fund's aim is to maximise total returns and we believe that diligent ESG analysis is a key pillar to achieving this goal.

### The UN Sustainable Development Goals that the Fund is most closely aligned with are:



**Risk:** The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

**Risk:** While proprietary technology platforms may help manage risk, risk cannot be eliminated.

# BlackRock's thematic platform

The BGF Sustainable Energy Fund is one of BlackRock's Active Equity Thematics products. The following is a list of the full range of themes:

## Active

<b>Circular economy</b>	<b>FinTech</b>	<b>Future of transport</b>
<b>Next generation technology</b>	<b>Nutrition</b>	<b>Sustainable energy</b>

## Passive

<b>Ageing population</b>	<b>Agribusiness</b>	<b>Automation &amp; robotics</b>
<b>Digitalisation</b>	<b>Digital security</b>	<b>Electric vehicles &amp; driving technology</b>
<b>EM consumer growth</b>	<b>Global clean energy</b>	<b>Global timber &amp; forestry</b>
<b>Global water</b>	<b>Healthcare innovation</b>	<b>Inclusion &amp; diversity</b>
<b>Smart city infrastructure</b>		

**We also offer a product that invests across BlackRock's entire thematic platform**

<b>Multi-theme</b> Incorporating all of the Megatrend themes
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Source: BlackRock, September 2020. For illustrative purposes only.

# The team

## **Alastair Bishop and Charles Lilford**

co-manage the Fund and have been covering the sustainable energy sector for 17 and 16 years, respectively. They are supported by a dedicated analyst, Lindsay Sinclair, and five product strategists.

The team also collaborates with the broader

## **Active Equity platform,**

which contains over

## **200 investors**

exchanging ideas and gaining local insights from colleagues located all over the world.



**Alastair Bishop**  
Portfolio manager



**Charles Lilford**  
Portfolio manager

Source: BlackRock, as at September 2020.

**Risk:** There is no guarantee that a positive investment outcome will be achieved.

# Key features

## Aim

The Sustainable Energy Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of sustainable energy companies. Sustainable energy companies are those which are engaged in alternative energy and energy technologies including: renewable energy technology; renewable energy developers; alternative fuels; energy efficiency; enabling energy and infrastructure. The Fund will not invest in companies that are classified in the following sectors (as defined by Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas.

## Holdings

30–50 stocks

## Fund launch date

15 March 2001

## D2 share class ISIN

LU0252964944

## SEDOL

B43C420



Source: BlackRock, as at August 2020

**Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.**

## Risk warnings

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

## Fund specific risks

### Concentration Risk

Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events.

### Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

### Energy Securities Risk

Investments in the new energy securities are subject to environmental concerns, taxes, government regulation, price and supply fluctuations.

### Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

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