

Affin Hwang Aiman Global Multi Thematic Fund

September 2021

Energy transition trends momentum continues

In Collaboration With

Schroders

The energy ecosystem needs to change in order to meet global goals of reaching net zero emissions

Energy transition is about the complete change in our energy ecosystem, impacting the way we produce, distribute and consume power. This requires three key structural shifts that are creating exciting opportunities for investors across a number of sectors:



The first of these shifts concerns the **decarbonisation of power generation**, replacing electricity produced by coal and gas with electricity generated from renewables such as wind and solar.



The second concerns the **electrification of energy**, boosting the overall electricity consumption through things like electric vehicles, electric heat pumps, and other key electrical commodities.



The third concerns **improving efficiency of energy consumption**, using distributed energy production to produce electricity at the point of use. We are also using better building controls in energy efficiency solutions to improve the efficiency with which we consume and distribute power.

All three of these structural shifts are required to reach our net zero goals within our energy system, and we have continued to see increased momentum of these shifts over the past six months. Costs continue to fall, not only in renewables, but also in items like batteries and hydrogen. Consumer demand for electric vehicles, heat pumps, residential solar and other applications continue to grow and policy support around the world is becoming a lot more aligned. For example, the US President, Joe Biden recently announced details of his US\$2 trillion infrastructure plan to modernise and cut emissions from the power sector, with the eventual goal of producing 100% carbon-free electricity by 2035.

We are also starting to see some of the conventional oil majors accelerating their business shifts, driven primarily by climate change activists and active asset managers, like Schrodgers. We continue to believe that these existing energy companies accelerating the shift in their business models is ultimately very healthy for the broader energy transition ecosystem and those companies themselves.

Global energy transition investment strategy and outlook

Concerns around inflation were at the front of investor's minds over the last few months. With respect to energy transition sectors, inflation threats come in two distinct forms.



The first concerns **near term supply chain bottlenecks and the impact the rising input and logistics costs could have on company earnings**, both this year and beyond. We have already seen a significant increase in the cost of key raw materials, such as copper, steel and aluminium, as well as an even larger rise in the price that companies need to pay to ship goods around the world.



The second inflation threat concerns the potential for longer term, **more pervasive inflation**, and the **potential impact that this could have on interest rates** and subsequently, financing costs and growth company valuations across the energy transition landscape.

While we are concerned about these short-term inflation threats, our longer-term view about the energy transition opportunity continues to go from strength to strength, as the fundamental drivers behind the space grow ever stronger. Valuations have also pulled back from their lofty highs at the start of this year, presenting a number of attractive opportunities for investors.

The Schrodgers energy transition investment team remain focused on identifying companies across the different parts of the energy transition supply chain that should be better at withstanding any near-term inflation threats.

We are attracted to companies that have significant earnings and cash flow generation potential, improving and higher returns, as well as robust sustainable business models, which we continue to believe is critical for companies to capture and ultimately best benefit from the energy transition investment trends to come.

Watch: Energy transition trends momentum continues

<https://bit.ly/EnergyTransitionTrends>



Disclaimer

This article has been prepared by Affin Hwang Asset Management Berhad (hereinafter referred to as "Affin Hwang AM") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to Affin Hwang AM and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of Affin Hwang AM. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, Affin Hwang AM makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product. Affin Hwang AM is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. Affin Hwang AM and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither Affin Hwang AM nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.

WARNING STATEMENT

A copy of the Prospectus and Product Highlights Sheet ("PHS") can be obtained at Affin Hwang Asset Management Berhad's sales offices or at www.affinhwangam.com. Investors are advised to read and understand the contents of Affin Hwang Aiiiman Global Multi Thematic Fund's (or the "Fund") Prospectus dated 12th August 2021 and corresponding PHS before investing. There are fees and charges involved when investing in the Fund. Investors are advised to consider and compare the fees and charges as well as the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and the past performance of the Fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibilities for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.

#GrowWithUs