



—
Investing for a
world of change



Deirdre Cooper
Head of Sustainable
Equity

Opportunities at a low point in the sentiment cycle

How would you sum up 2024 for decarbonisation investors?

It has been a mixed year. Generally, the equity market has been extremely narrow, with performance driven by a small number of stocks. In decarbonisation-related sectors specifically, higher interest rates have pressured returns, particularly in the US and Europe. Partly as a consequence, sentiment towards clean-tech sectors has been very negative. This has been made worse by policy uncertainty, which intensified after the US election.

What does weaker sentiment typically mean for decarbonisation investors?

We have been here before, of course. This is probably the third major 'sentiment cycle' I have witnessed in my career. For example, sentiment towards clean-tech sectors also became extremely negative in 2009/10, 2013/14 and 2014/15. Such periods often present the most attractive entry points to allocate to decarbonisation companies.

This part of the equity market may be out of favour, but most investors still ascribe some probability to a transition to net zero, not least because of the increasing frequency of extreme weather events. And if we are going to address carbon emissions and move along the net-zero pathway, that will be a tailwind for companies enabling decarbonisation. We think investors are likely underappreciating the future growth from decarbonisation companies, making this an attractive, countercyclical entry opportunity.

What can investors in decarbonisation expect from Trump 2.0?

It will be crucial to separate ‘noise’ from ‘signal’ – i.e., to distinguish between headline-grabbing statements and policy decisions, and the issues that are material to investments. For example, a swift US withdrawal from the Paris Agreement may harm sentiment but it will not directly affect our company forecasts. The Inflation Reduction Act (IRA), the most significant piece of US climate legislation, is more important. But while it will likely face scrutiny, we have already seen a number of Republicans in Congress back the act, so it will be very difficult to dismantle. Even if the IRA is partially repealed, this won’t necessarily affect the bottom line of all decarbonisation companies. For example, the largest renewables producer in the US has locked in tax credits for the next four years, insulating it from potential fall-out.

There has also been a lot of discussion about the potential impact of tariffs. Our biggest concern is that tariffs could ultimately result in higher long-term interest rates, which would be a headwind given the very large capital investment required to decarbonise the economy. On the other hand, deregulation, such as changes to the planning framework, could accelerate investment in renewable infrastructure, as happened during Trump’s first term.

How should decarbonisation investors approach China in 2025?

The Chinese decarbonisation value chain is already subject to high tariffs, and as a consequence no Chinese electric vehicles (EVs) are being sold in the US. But large numbers of EVs are being sold in China itself. We have increasingly focused our China allocations on companies with strong positions in China’s huge and fast-growing domestic clean-tech market, and that are also well-placed to export to the rest of the world – to countries like Thailand, Brazil, Vietnam and India. These markets are all moving quickly towards electrification, not primarily because of subsidies but for economic reasons. Many of these emerging markets now have significantly higher EV penetration than the US, which is a direct result of the availability of appealing and very keenly priced Chinese EVs.

More broadly, climate policy continues to be strongly supported in China, and other nations such as India are rapidly stepping up their energy transitions. In Europe, the picture is more mixed, but countries like the UK are moving to accelerate climate investment.

How will changes in technology and consumer behaviour influence decarbonisation in 2025?

Technological innovation and shifting consumer behaviour continue to reshape the decarbonisation landscape. In China, battery advancements are enabling EV ranges up to 1,000 kilometres, eliminating range anxiety. We are also seeing important innovations in energy efficiency, especially to enable data centres to handle the power demands of artificial intelligence (AI). This is an area where we have been adding exposure in the portfolio.

Where are you finding new or underappreciated investment opportunities?

Recent negativity towards decarbonisation has created opportunities to invest in high-quality companies with structural growth potential that we do not believe is being priced by the market. As a result, we have added more stocks to the portfolio in the most recent quarter than ever before. The portfolio is now cheaper than at any point since inception, while its quality has improved.

Areas where we are finding particularly interesting opportunities include companies supporting the power needs of AI and hyperscale data centres. These include renewables developers and battery manufacturers, as well as firms supplying efficient electrical and cooling equipment, and handling the permitting and planning for new data centre projects.

General risks. All investments carry the risk of capital loss. The value of investments, and any income generated from them, can fall as well as rise and will be affected by changes in interest rates, currency fluctuations, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which the investment strategy invests. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Concentrated portfolio:** The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. **Emerging market (inc. China):** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. **Sustainable Strategies:** Sustainable, impact or other sustainability-focused portfolios consider specific factors related to their strategies in assessing and selecting investments. As a result, they will exclude certain industries and companies that do not meet their criteria. This may result in their portfolios being substantially different from broader benchmarks or investment universes, which could in turn result in relative investment performance deviating significantly from the performance of the broader market.

Important information

The content of this communication is intended for readers with existing knowledge of financial markets.

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular strategy, security, derivative or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research, or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2025 Ninety One. All rights reserved. Issued by Ninety One, January 2025. In South Africa, Ninety One SA Proprietary is an authorised financial services provider.

Australia

Level 28 Suite 3, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Botswana

Plot 64289, First floor
Tlokeng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Channel Islands

PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Germany

Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Hong Kong

Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

Luxembourg

2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

Namibia

Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Netherlands

Johan de Wittlaan 7
2517 JR Den Haag
Netherlands
Telephone: +31 70 701 3652
enquiries@ninetyone.com

Singapore

138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

— www.ninetyone.com

Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions.

For more details please visit www.ninetyone.com/contactus

South Africa

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
enquiries@ninetyone.com

Sweden

Västra Trädgårdsgatan 15,
111 53 Stockholm
Telephone: +46 8 502 438 20
enquiries@ninetyone.com

Switzerland

Dufourstrasse 49
8008 Zurich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

United Kingdom

55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

United States

Park Avenue Tower, 65 East 55th Street
New York, 10022
US Toll Free: +1 800 434 5623
usa@ninetyone.com