



# **CB Energy Transition Portfolio**

November 2022

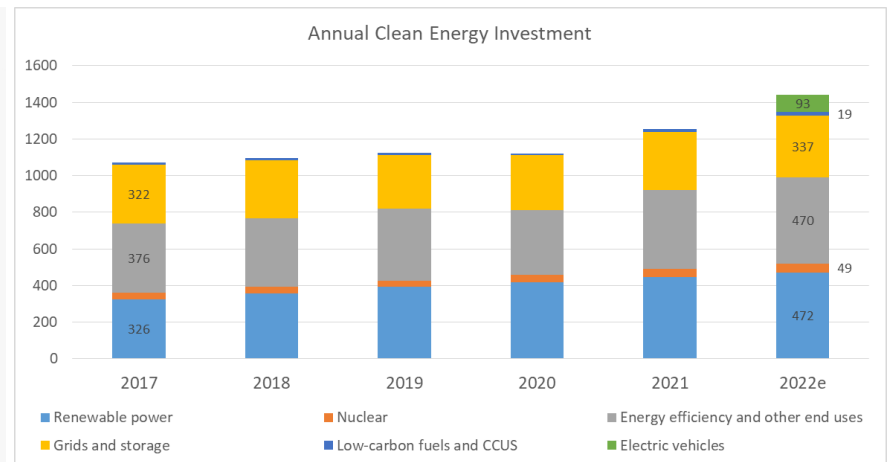
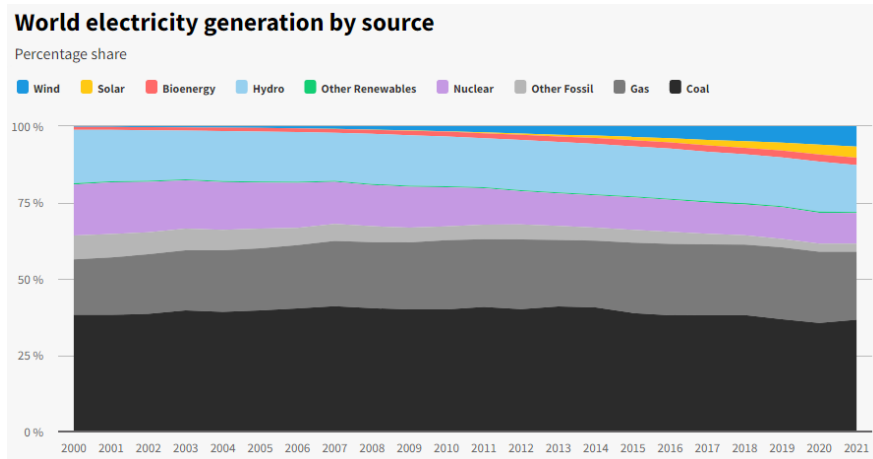


## **Energy Markets and Global Energy Transition**

CB Energy Transition Portfolio

# Energy Transition is Happening

- The energy sector is changing and global clean energy spending is ramping up:
  - long-term government programs to achieve climate goals (Kyoto, Paris)
  - nearer-term concerns on energy security and affordability (eg US Inflation Reduction Act)



- The trends and demand provide opportunities for investors
  - Energy production, Renewables, Energy efficiency, Inflation Reduction Act
  - Transportation
  - Energy security, Energy independence
  - Energy storage, Energy networks

Source: Ember, BloombergNEF

# Example: Long Constellation Energy

- Constellation Energy Corporation is an energy company headquartered in Baltimore, Maryland, United States. The company provides electric power, natural gas, and energy management services.
  - Electric power production (Fossil, Nuclear, Hydro, Solar and Wind)
  - Natural gas delivery



- Rationale: increasing gas and power prices
  - Constellation Energy is the #1 producer of carbon-free energy in the U.S.
  - Producer of 32'400 MW of capacity consisting of nuclear, wind, solar, natural gas and hydro, enough to power 20 million homes

Source: Bloomberg (CEG Nasdaq)

# Example: Short Energy Consumers

- European energy prices surged due to the war in Ukraine. Big consumers of energy in Europe are facing higher energy costs and a number of companies have issued profit warnings, notably in sectors:
  - European industrial groups (cement, chemicals)
  - European data centers



- Rationale: impact of power price surge
  - Energy prices have a direct impact on costs at data centers
  - Revenues are usually subscription based which only adjust with a lag

Source: Bloomberg (VPN LD)

# Example: Long Pilbara Minerals

- Pilbara Minerals is an Australian lithium and tantalite mining company.
  - Critical minerals are required for battery production
  - Pilbara has developed a strategy to profit from the entire lithium supply chain



- Rationale: long-term lithium demand
  - Governments are pushing the transition to electric vehicles (buses and cars) and energy storage units
  - Battery production capacity is limited by critical material supply
  - Projected cell factory capacity expected to increase sharply with various announcements of giga-factories

Source: Bloomberg (PLS ASX)

## Energy Markets and Global Energy Transition



### **CB Energy Transition Portfolio**

## Objective

- Generate attractive risk-adjusted returns by capitalizing on the energy transition trend, in particular renewables, energy security, energy storage and energy efficiency

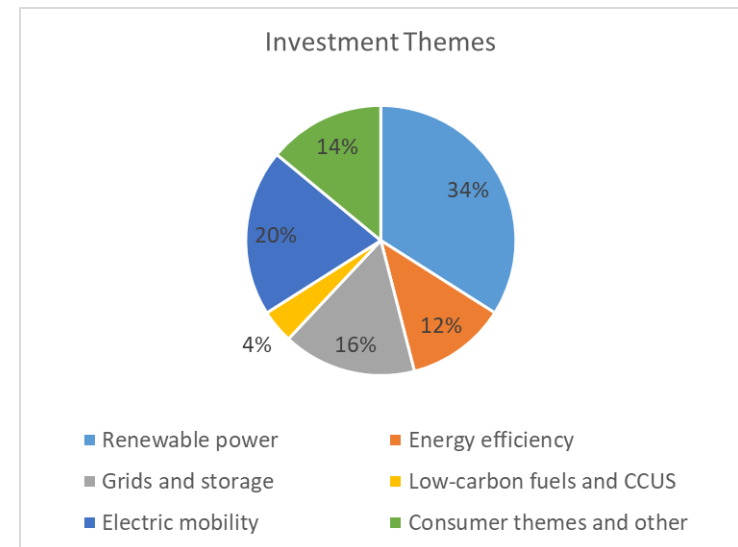
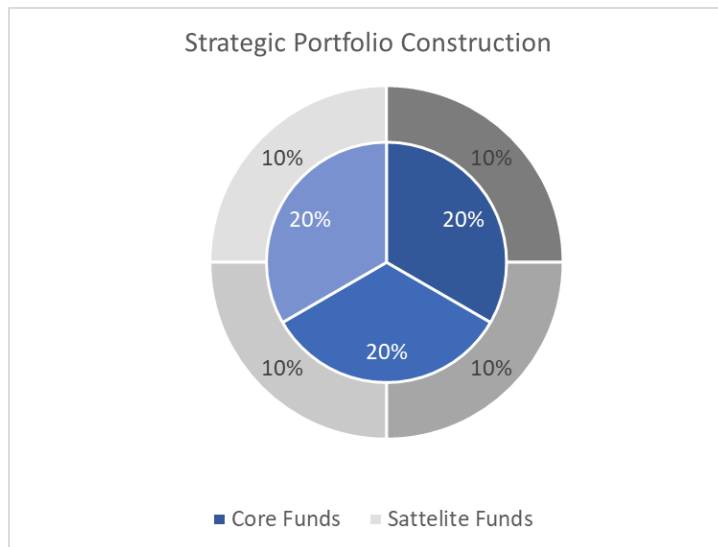
## Concept

- Implemented through actively managed Long/Short Equity strategies managed by seasoned managers with proven track records
- Crossbow's disciplined fund selection and monitoring process identifies managers generating superior risk-adjusted performance on a consistent basis
- Robust portfolio construction seeking diversification across geographies, sub-strategies and investment styles



- The existing energy transition trend has now accelerated due to the sanctions on Russian energy, particularly in Europe
  - This boost will initially be gradual due to capacity and licensing constraints, but European renewables additions could double or triple vs. current expectations
- The REPowerEU Plan is EU's response to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition
  - The demand for renewables will increase and measures are underway to accelerate the roll-out of renewable energy
- China has a very large renewable energy sector, but Europe and US have a greater universe of established investment specialists
  - Historically hesitant to enter China's green industries due to advantages enjoyed by domestic companies, preferential government procurement practices, and inconsistent levels of transparency
  - Emerging countries like India, Vietnam and Indonesia will eventually have to adapt to export and obtain financing in a global world

- Focus on investment managers in Europe and US
- Core allocations to generalists within the energy transition space
- Complemented with specialists to provide additional diversification and returns. Example: energy storage



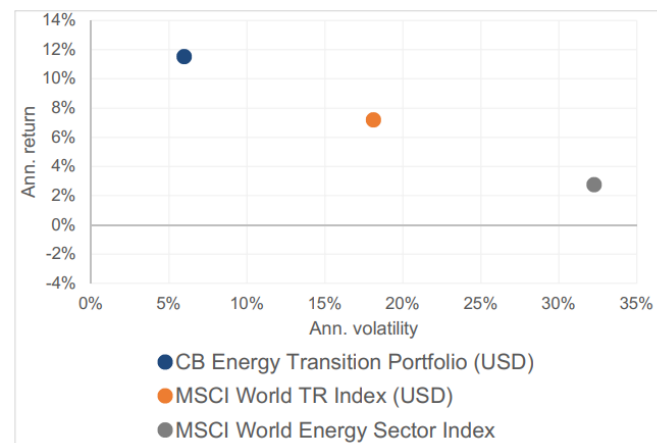
Source: Crossbow Partners

# Statistics CB Energy Transition Portfolio

## Key statistics since January 2018

	CB Energy Transition Portfolio (USD)	MSCI World TR Index (USD)	MSCI World Energy Sector Index
Annualized return	11.52%	7.19%	2.75%
Annualized volatility	5.99%	18.11%	32.27%
Maximum monthly gain	5.11%	12.79%	28.17%
Maximum monthly loss	-3.88%	-13.24%	-29.64%
Maximum drawdown	-3.88%	-25.42%	-59.17%
Correlation to benchmarks	-	0.33	0.23

## Risk vs. return since January 2018



## Monthly returns

BM1: MSCI World TR Index (USD) | BM2: MSCI World Energy Sector Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM1	BM2
2022	-0.59%	1.88%	3.71%	1.65%	0.32%	-1.38%	1.57%	4.99%	-0.23%	0.28%	0.29%		13.03%	-14.51%	46.44%
2021	2.01%	-0.35%	-0.88%	0.99%	-0.47%	0.39%	0.29%	1.91%	0.74%	1.37%	1.09%	-0.35%	6.91%	21.82%	35.09%
2020	1.69%	0.59%	-1.24%	-0.13%	2.17%	3.56%	4.38%	2.73%	1.63%	1.65%	5.11%	3.88%	29.10%	15.88%	-34.40%
2019	-1.18%	0.00%	-0.36%	2.02%	-0.13%	2.02%	0.54%	0.61%	1.70%	0.98%	-0.07%	0.63%	6.91%	27.68%	7.69%
2018	2.32%	-2.21%	2.48%	0.48%	0.42%	-3.88%	1.67%	0.87%	1.32%	-3.04%	1.98%	0.30%	2.48%	-8.71%	-18.22%

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