

affinity
PRIVATE WEALTH

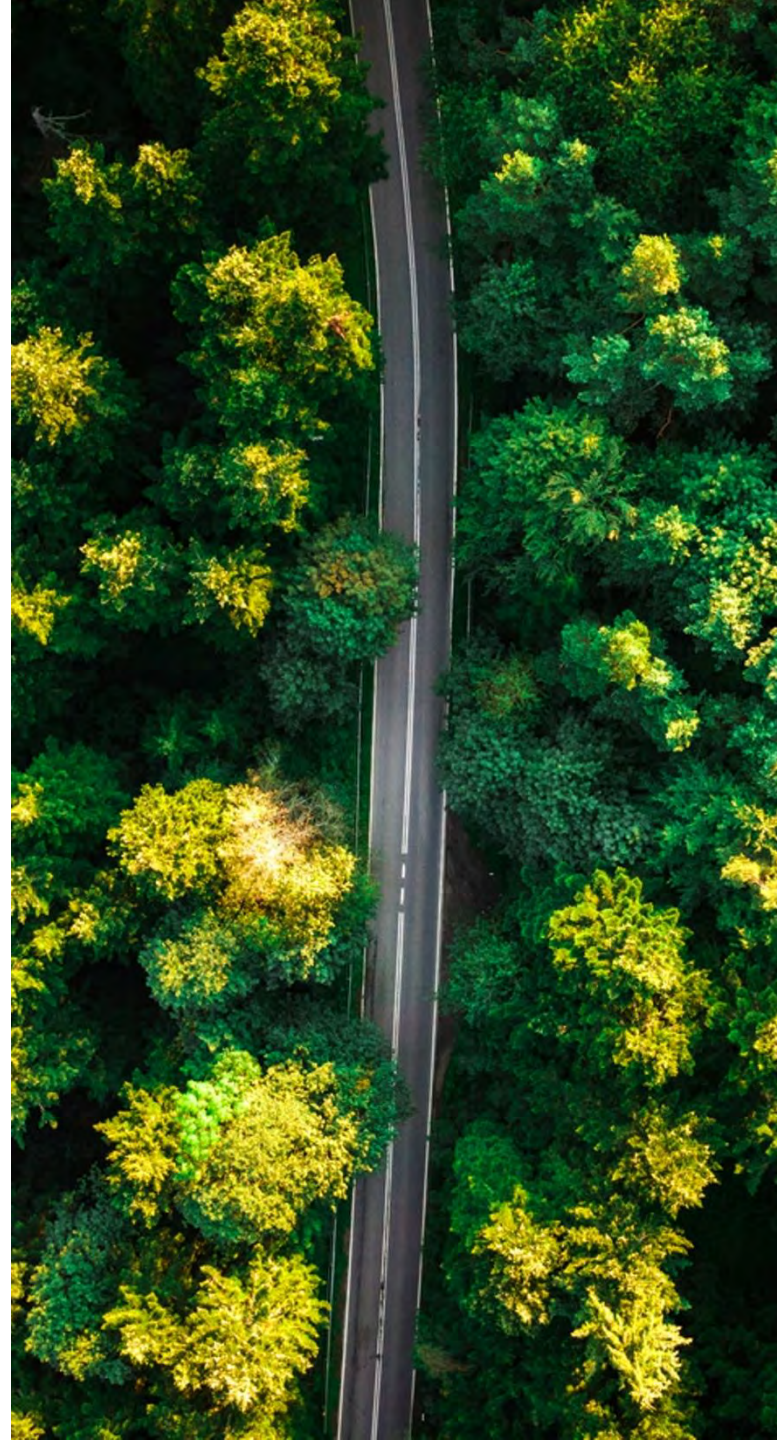


IDENTITY CRISIS

What does sustainable investing ACTUALLY mean?

AREAS OF FOCUS

- ④ Does the regulatory direction of travel serve the needs of sustainability?
- ④ What is going on in the 'real world'?
- ④ How are Affinity helping investors access the sustainable space?



WHAT IS A SUSTAINABLE INVESTMENT?

Confused? You will be...

Sustainable investment supports the expansion of an economy's productive capacity while promoting decarbonisation and preserving our planet's natural assets, driving job creation and skills development, and ensuring equal opportunities for all.

OECD

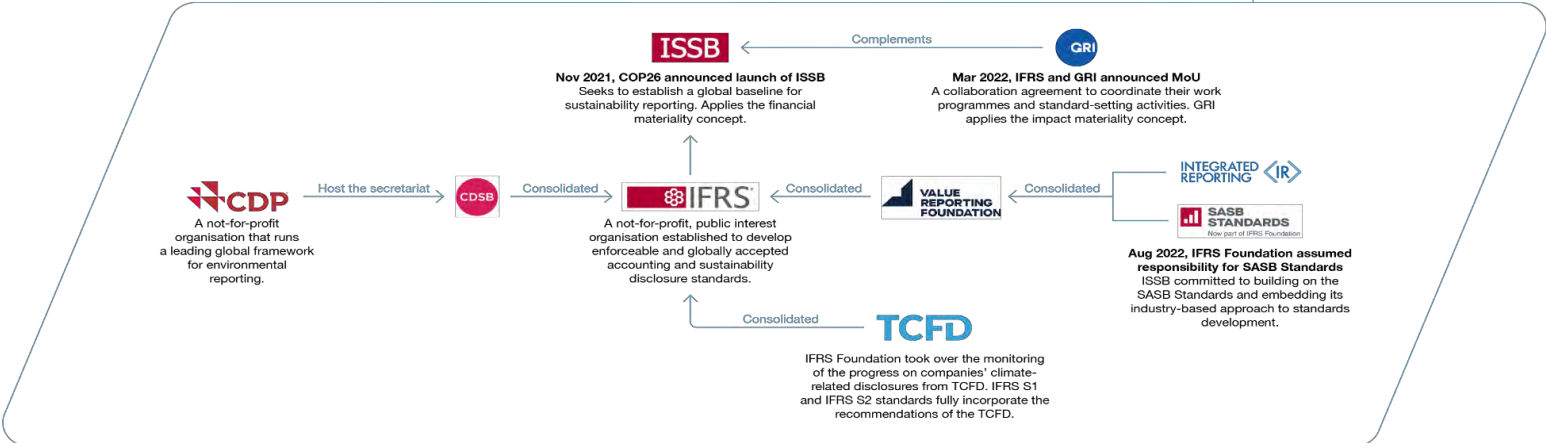
Sustainable investments are defined as investments in an economic activity that contribute to an environmental or social objective, provided that such investments do not significantly harm (DNSH) any other environmental or social objectives and that the investee companies follow good governance practices.

EU Taxonomy, SFDR

Sustainable investing balances traditional investing with environmental, social, and governance-related (ESG) insights to improve long-term outcomes.

CFA Institute

REGULATORY OVERSTEP?



Source: IFC, 2023

REGULATORY OVERSTEP?

ESMA Guidelines on Fund Names

*Funds using sustainable terms
must commit to invest
meaningfully (undefined) in
sustainable investments
(undefined).*

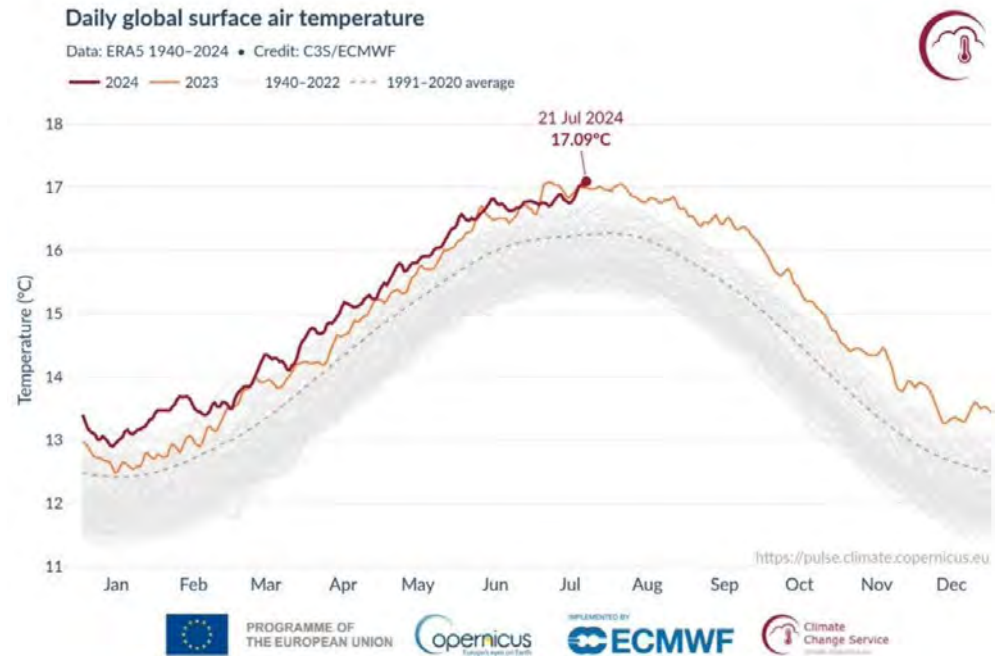
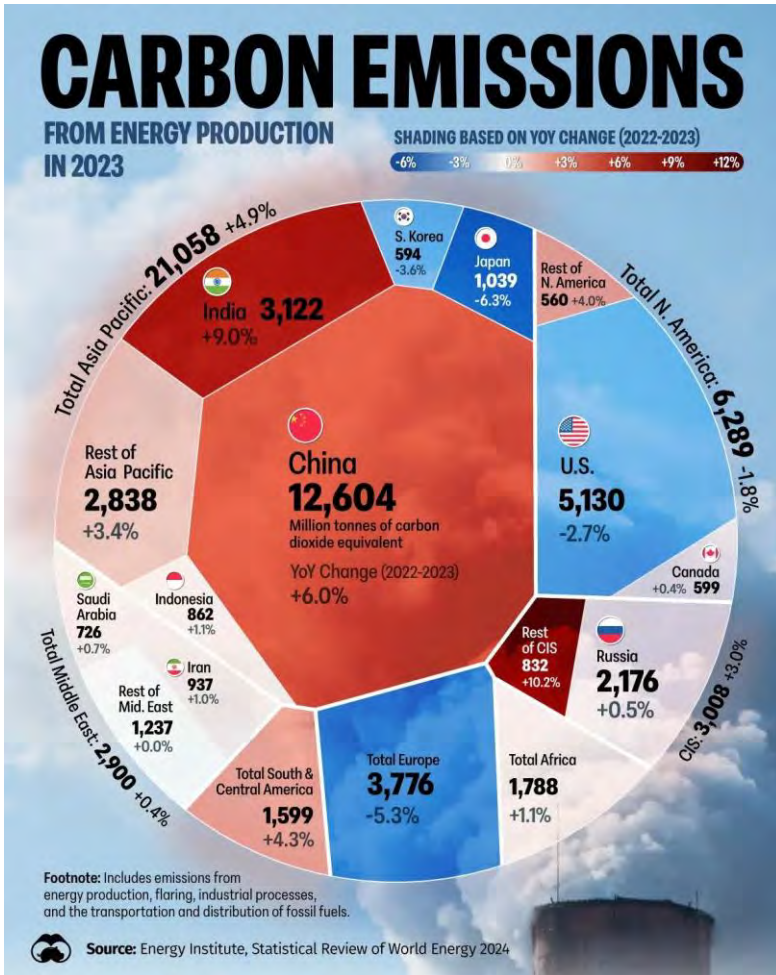
How the pieces fit together...



Source: KPMG

WHAT IS SUSTAINABLE FINANCE?

Why is this so important?



PRIVATE SECTOR LEADERSHIP

BMW – capacity to recycle 10,000 cars a year



[How our vehicles are shaping the recycling of tomorrow \(bmwgroup.com\)](http://bmwgroup.com)

Source: McKinsey & Company

PRIVATE SECTOR LEADERSHIP

Green premiums for Eco Products



[INVESTORS](#) [MEDIA](#) [CAREERS](#) [EVENTS](#) [ACADEMY](#)

[WHO WE ARE](#) [WHAT WE DO](#) [SUSTAINABILITY](#) [INNOVATION](#) [Q](#)



WHY ECOPACT?

The building sector accounts for nearly 40% of our world's CO₂ emissions. Decarbonizing the built environment is therefore essential for a net-zero future.

ECOPact is a low-carbon concrete product range which can reduce the embodied carbon of buildings, infrastructure and homes by at least 30% without offsets. It is available in more than 30 markets around the world.

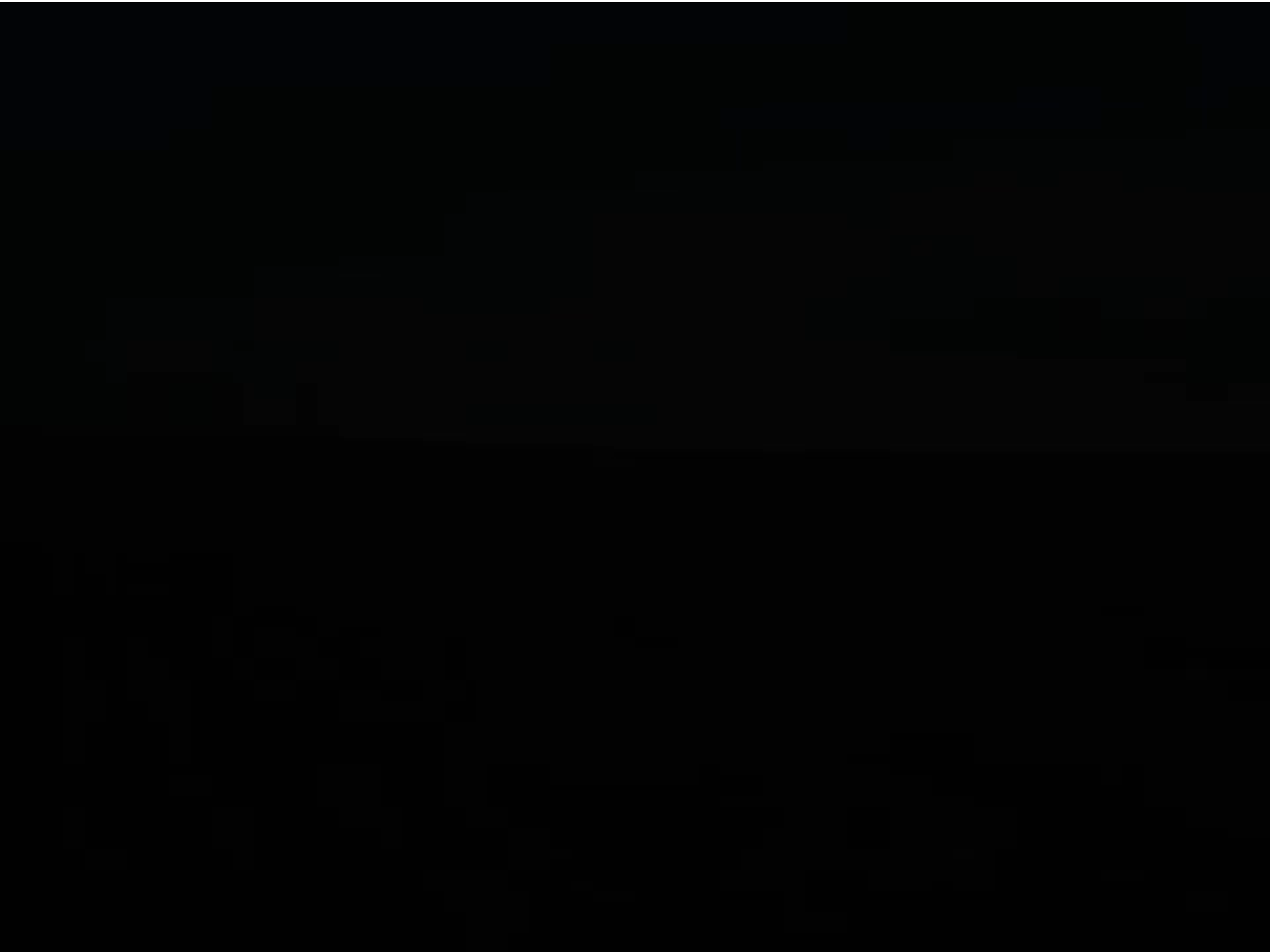
[Low-Carbon Concrete](#) | [ECOPact](#) | [Holcim](#)

Source: McKinsey & Company



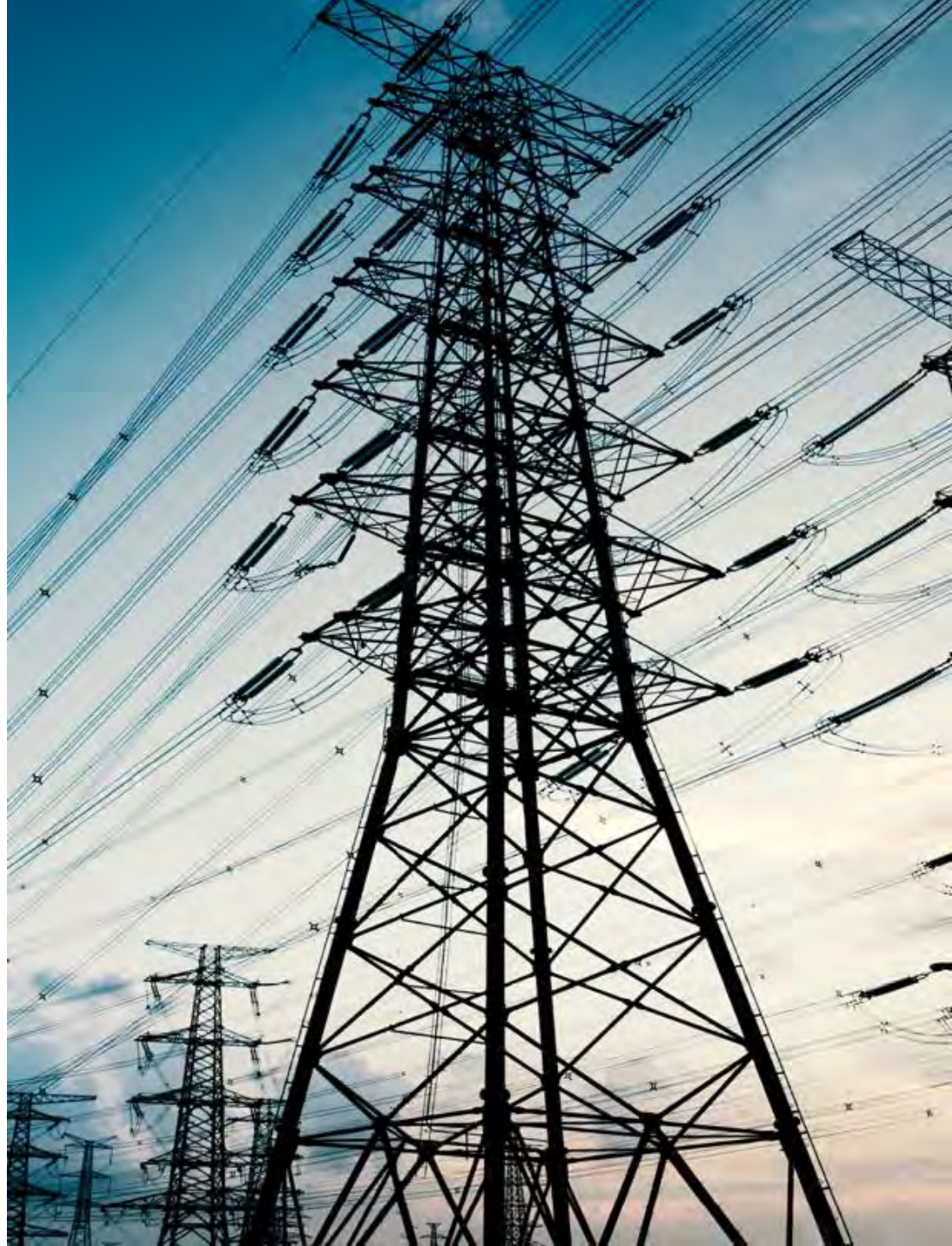
PRIVATE SECTOR LEADERSHIP

AI meets agriculture for a
sustainable outcome



THE ENERGY TRANSITION CONTINUES

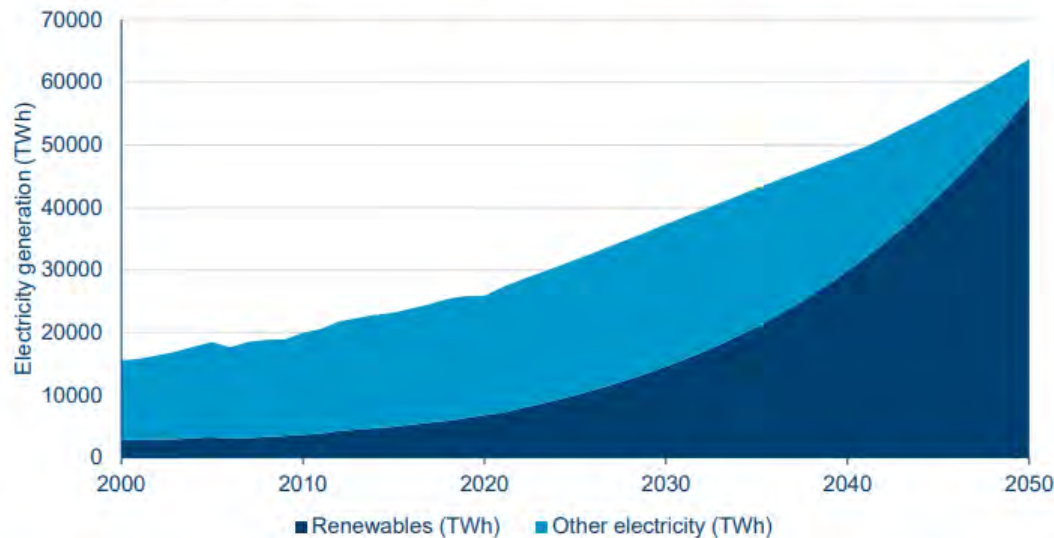
The electrification of
everything



SUSTAINABLE INVESTING

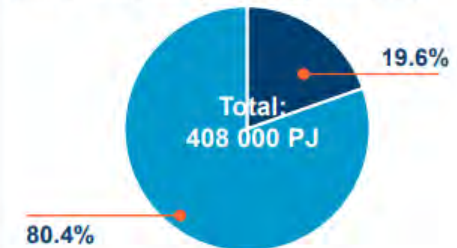
Energy transition – there is no transition without transmission

Electricity generation to increase by 2.5-times, or 3% p.a. (CAGR 2020-2050)

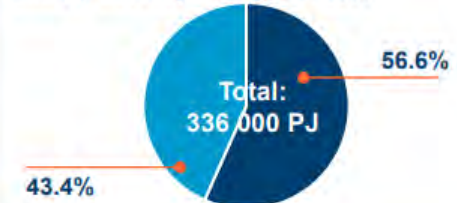


Electricity to become majority of energy use

Share of electricity in energy use 2020



Share of electricity in energy use 2050



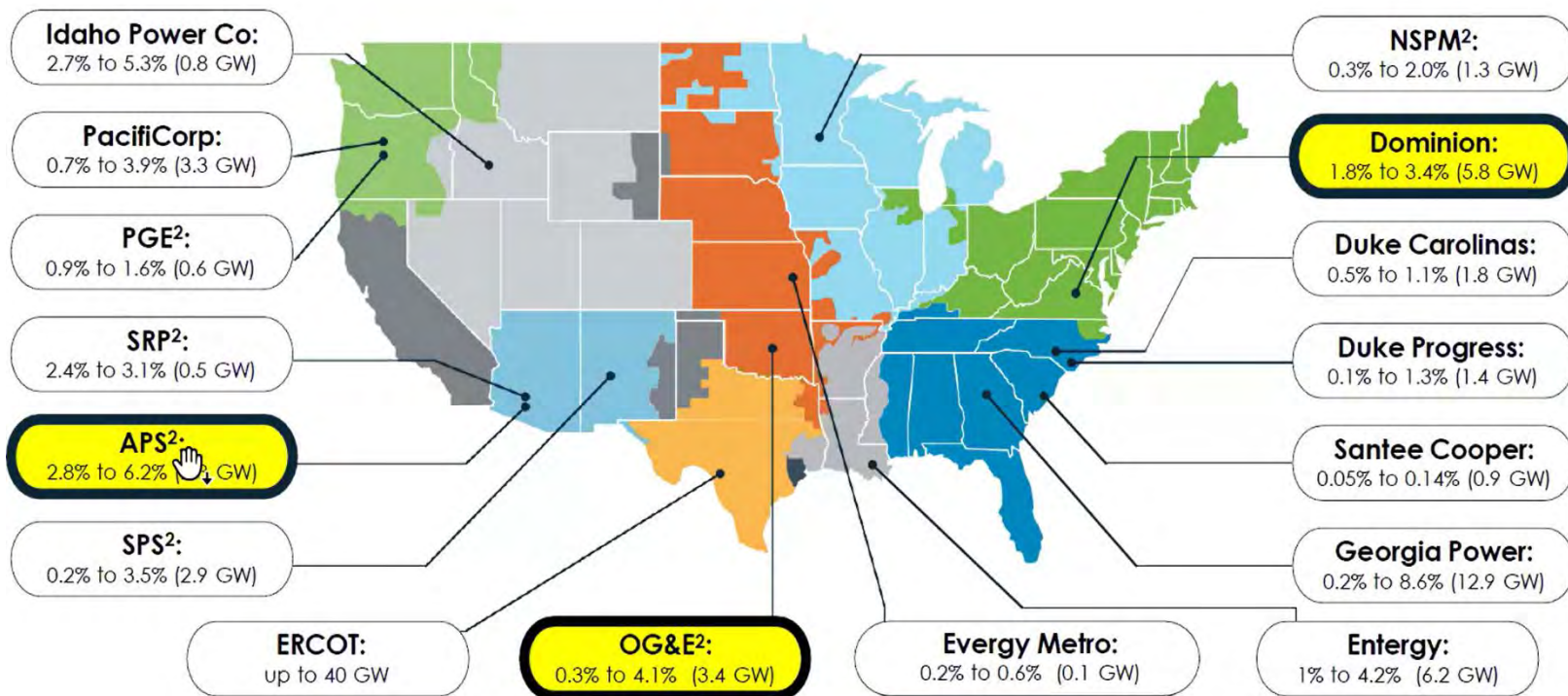
Renewable power generation to **increase** by a factor of **10**



Share of renewable power generation to increase from **26%** (2020) to **90%** (2050)

SUSTAINABLE INVESTING

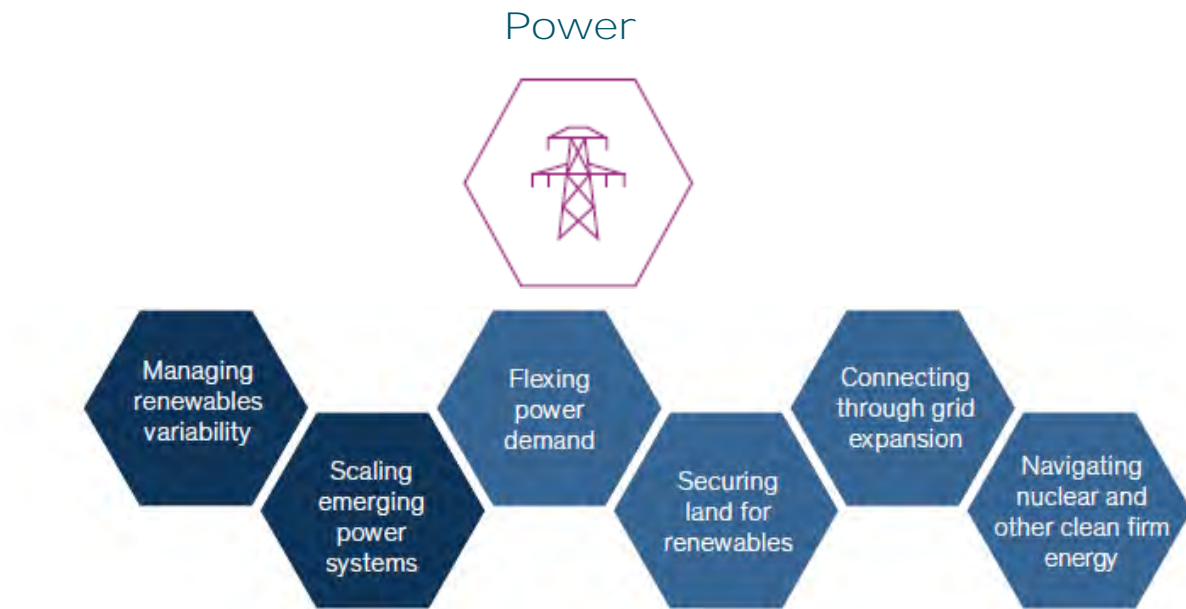
Energy transition – there is no transition without transmission



Source: Electron Capital Partners LLC

THE ENERGY TRANSITION CONTINUES

The electrification of everything



The power system is at the heart of the energy transition. Abating carbon emissions in the large energy-consuming sectors of mobility, industry, and buildings requires an electrified world.

THE ENERGY TRANSITION CONTINUES

The demand for critical materials

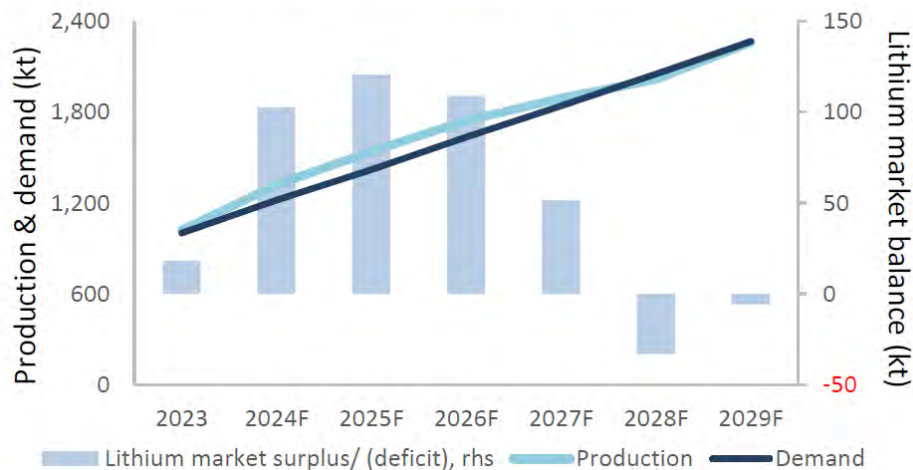


To be continued...?!

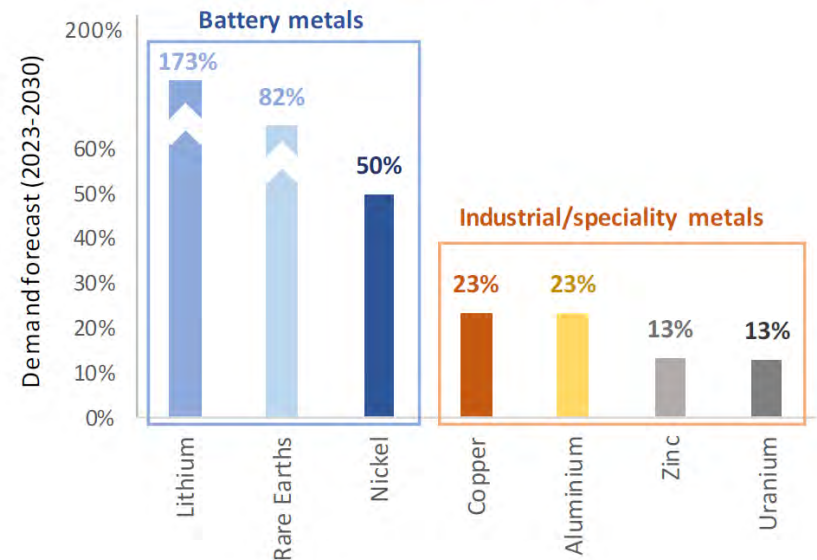
THE ENERGY TRANSITION CONTINUES

Rio Tinto – why buy lithium assets now?

Lithium market deficit on the horizon



Many “future facing” metals face soaring demand forecasts by 2030





EFFICIENCY VERSUS SCARCITY

...or Tools versus Jewels

NOT JUST FOR SUSTAINABLE

K2 Electron held in our Responsible mandates

Data Centers & Electricity Demand

(Long Winners)



Utilities

(Long Winners)



Electric Grid Infrastructure

(Long Winners)



Alternatives / Renewables

(Short Winners)

Electric Vehicle / OEM Suppliers Green Hydrogen Battery Makers / Lithium

Infrastructure

(Long Winners)



Alternatives / Renewables

(Long Losers)



OUR MANAGED STRATEGIES

	Responsible Income	Responsible Real Return	Responsible Growth
Currency	GBP / USD	GBP / EUR	GBP
Objective	Income with capital preservation	Balance between income and growth	Growth
Target outcome	Cash plus 1% to 3%	CPI plus 1% to 3%	CPI plus 2% to 4%
Volatility range	4% to 8%	8% to 13%	12% to 17%
Time horizon	3 to 5 years	5 to 7 years	7 years plus
Max drawdown	-8%	-15%	-25%

	Sustainable Balanced	Sustainable Growth
Currency	GBP / USD / EUR	GBP / USD / EUR
Objective	Risk-adjusted returns and positive impact	Growth with impact
Target outcome	CPI plus 1% to 3%	CPI plus 2% to 4%
Volatility range	8% to 13%	14% to 18%
Time horizon	5 to 7 years	10 years plus
Max drawdown	-17%	-30%

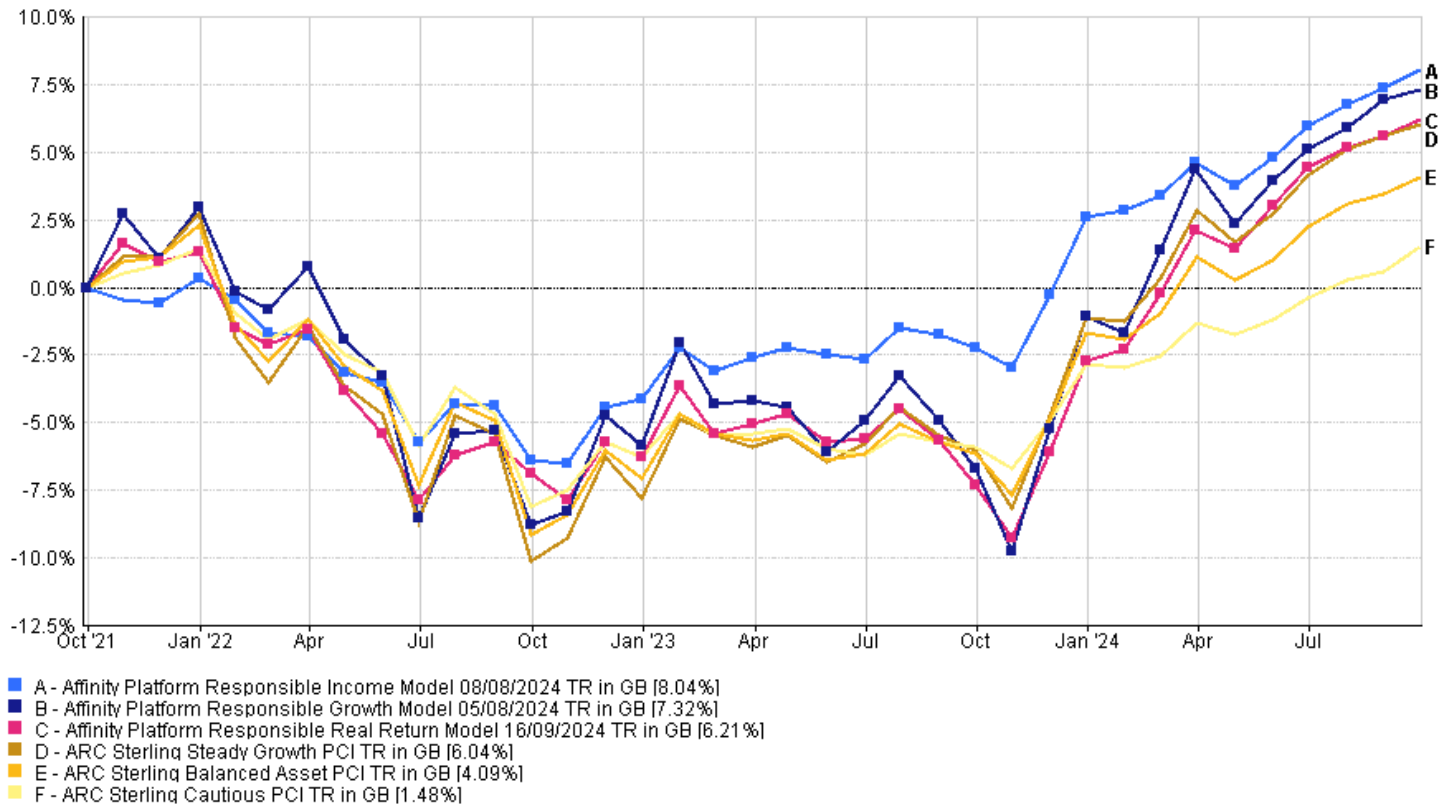
ACCESSING OUR EXPERTISE

- ④ Affinity Sustainable Growth Fund Irish UCITS (minimum investment £100)
- ④ Managed Portfolio Service (MPS); through investment platforms, via International IFA partners (minimums will vary)
- ④ Segregated portfolio (minimum investment £500k)



RESPONSIBLE STRATEGY PERFORMANCE

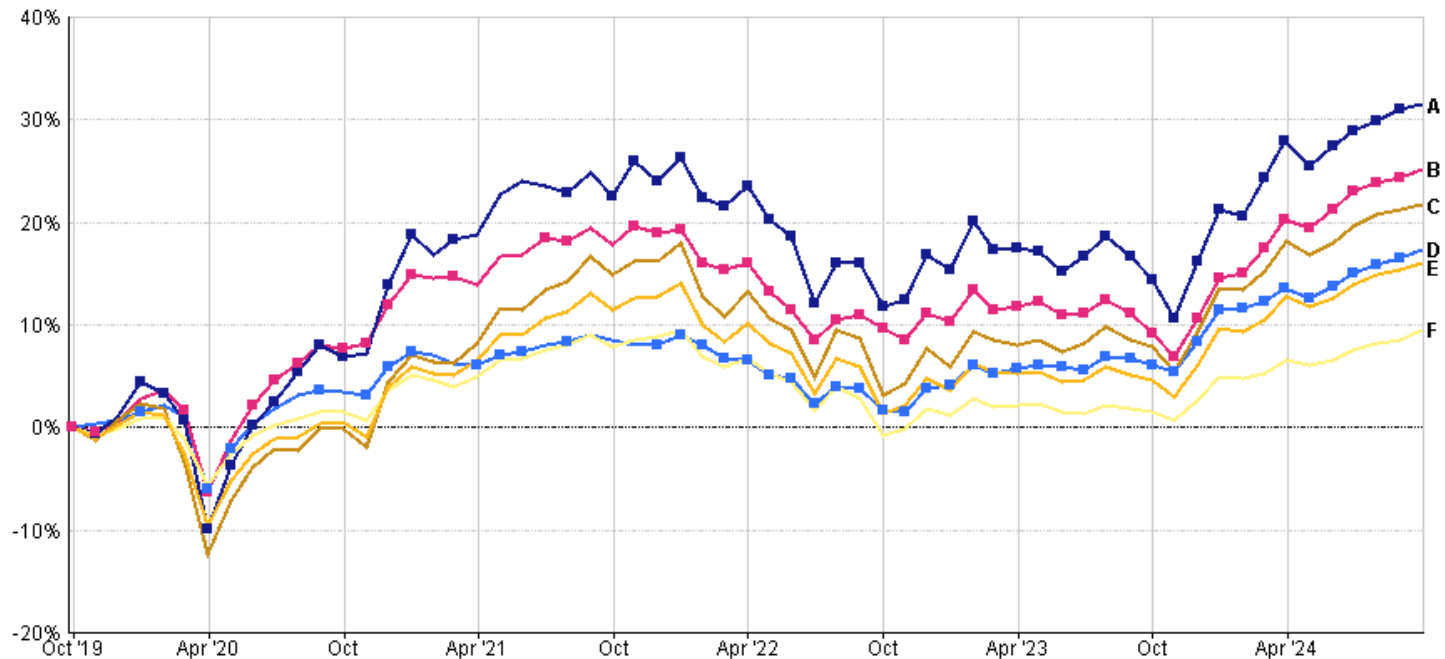
3 years shown versus peer indices (Asset Risk Consultants)



30/09/2021 - 30/09/2024 Data from FE fundinfo2024

RESPONSIBLE STRATEGY PERFORMANCE

5 years shown versus peer indices (Asset Risk Consultants)



- A - Affinity Platform Responsible Growth Model 05/08/2024 TR in GB [31.60%]
- B - Affinity Platform Responsible Real Return Model 16/09/2024 TR in GB [25.11%]
- C - ARC Sterling Steady Growth PCI TR in GB [21.80%]
- D - Affinity Platform Responsible Income Model 08/08/2024 TR in GB [17.30%]
- E - ARC Sterling Balanced Asset PCI TR in GB [16.05%]
- F - ARC Sterling Cautious PCI TR in GB [9.55%]

30/09/2019 - 30/09/2024 Data from FE fundinfo2024

SUSTAINABLE INVESTING

What do sustainable themes need for new upside?

Key challenges in 2023-24:

- ① **Narrow market rally** – ‘mega tech’ and ‘AI plays’ accounting for the large majority of gains
- ① **‘Higher for longer’** rates outlook tough for longer duration assets
- ① **Pressure on earnings**, valuations have de-rated in response
- ① Political wavering, weakening sentiment => **outflows**

Key opportunities from here:

- ① **Rally broadens** out and/or market recognises tech/AI theme depends on renewables & electrification
- ① **Interest rate cuts** should be a tailwind for key sustainable themes
- ① **Earnings stabilising**, valuations now attractive
- ① Negative sentiment **already ‘in the price’**, crowding is elsewhere

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THANK YOU

FIND OUT MORE ABOUT
OUR FUND HERE



OUR SUSTAINABLE THEMES

Founded on the 17 UN SDGs



clean energy



education



future mobility



health and wellbeing



natural capital



reduced inequality



resource efficiency



sustainable infrastructure

SUSTAINABLE INVESTING

Energy transition – valuation opportunity

Portfolio valuation characteristics

- The Guinness Sustainable Energy portfolio trades on a 12mth forward P/E ratio discount of 19% versus the MSCI World Index. The lowest relative valuation since the first half of 2020
- On consensus estimates, the portfolio offers more than double the EPS growth of the MSCI World Index between 2023 and 2027

Guinness Sustainable Energy Fund P/E premium/discount vs MSCI World (1yr fwd)



As at 31 August 2024

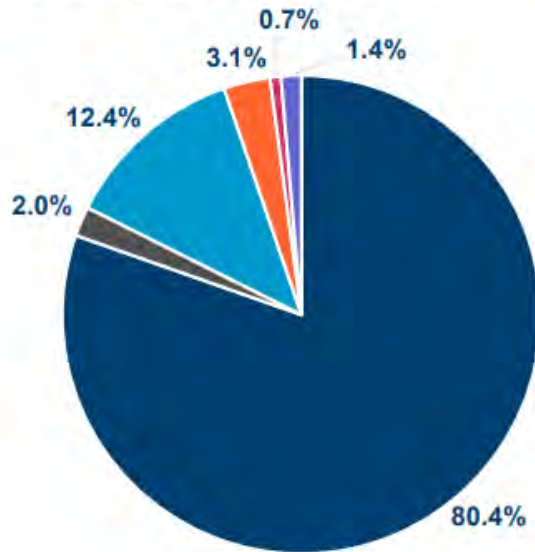
	PE			EV/EBITDA			Dividend Yield		EPS Growth (%pa)		CFROI	
	2023	2024E	2025E	2023	2024E	2025E	2024E	2025E	2018-23	2023-26	2024E	2025E
Guinness Sustainable Energy Fund	17.5x	17.8x	14.1x	11.0x	11.0x	9.1x	1.6%	1.8%	7.6%	14.0%	8.4%	10.7%
MSCI World Index	21.8x	20.3x	18.2x	14.3x	12.9x	11.6x	1.9%	2.0%	5.1%	9.2%	9.1%	9.7%
Fund Premium/(Discount)	-19%	-12%	-22%	-23%	-15%	-22%						

*2023 P/E = Latest month-end price / 2023 earnings; Portfolio = median CFROI; Index data = Credit Suisse MSCI World ETF median CFROI

SUSTAINABLE INVESTING

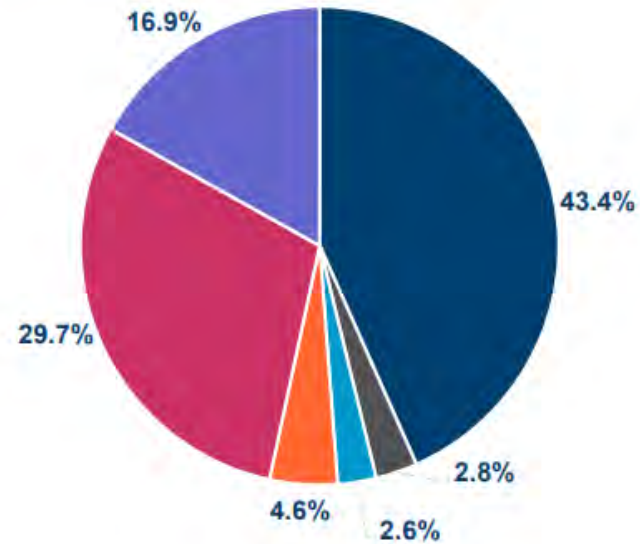
The evolving energy mix

Primary Energy Consumption 2020



■ Other Energy ■ Nuclear ■ Thermal
■ Hydro ■ Solar ■ Wind

Primary Energy Consumption 2050



■ Other Energy ■ Nuclear ■ Thermal
■ Hydro ■ Solar ■ Wind