

## RISK

This is a marketing communication. Please refer to the Prospectus, Supplement and KID/KIID for the Funds, which contain detailed information on their characteristics and objectives and full information on the risks, before making any final investment decisions.

The Funds are equity funds. Investors should be willing and able to assume the risks of equity investing. The value of an investment and the income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested. The Fund invests at least 80% in companies involved in the generation, storage, efficiency and consumption of sustainable energy sources (such as solar, wind, hydro, geothermal, biofuels and biomass), and can be volatile.

Past performance does not predict future returns.

## ABOUT THE STRATEGY

<b>Launch</b>	19.12.2007
<b>Index</b>	MSCI World
<b>Sector</b>	IA Commodity/Natural Resources
<b>Managers</b>	Will Riley Jonathan Waghorn
<b>EU Domiciled</b>	Guinness Sustainable Energy Fund Guinness Sustainable Energy UCITS ETF
<b>UK Domiciled</b>	WS Guinness Sustainable Energy Fund

## INVESTMENT POLICY

The Guinness Sustainable Energy Funds are managed for capital growth and invest at least 80% in companies involved in the generation, storage, efficiency and consumption of sustainable energy sources (such as solar, wind, hydro, geothermal, biofuels and biomass). We believe that over the next twenty years the sustainable energy sector will benefit from demand growth, improving economics and both public and private support, offering attractive investment opportunities. The Funds are actively managed and use the MSCI World Index as a comparator benchmark only.

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## COMMENTARY

### REVIEW OF 1Q 2025

While tariff uncertainty continues to pressure global equity markets, we believe that IRA clarity and increased clean energy spending in Europe could act as key drivers for the sustainable energy sector in 2025. In this month's report, we review 1Q 2025 macro developments and fund contribution.

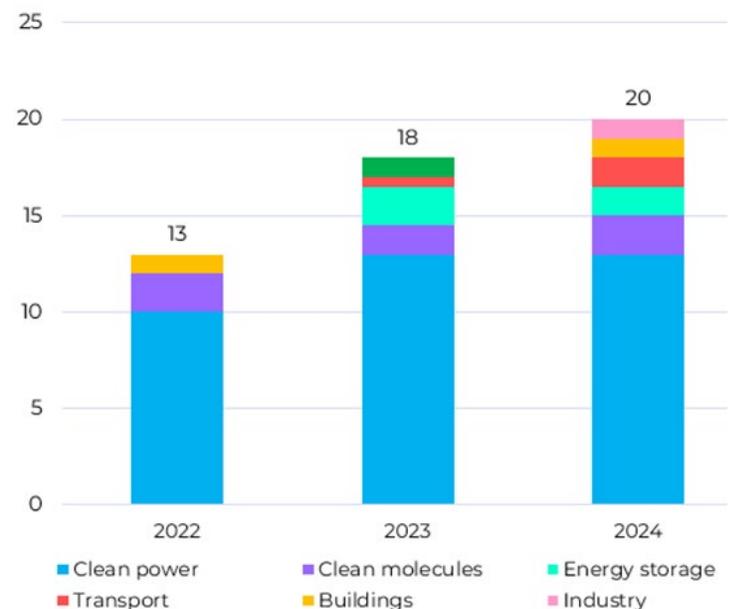
### EQUITIES

The Guinness Sustainable Energy Fund (Class Y) delivered a return of -3.5% (in USD) in March, outperforming the MSCI World which returned -4.4%. It was another volatile month for global equities, driven by macroeconomic uncertainty and the threat of tariffs. A rotation out of US and into European equities resulted in the fund's top performers being several of our European holdings.

### CHART OF THE MONTH: SUSTAINABLE ENERGY M&A

Heightened levels of M&A activity in the sustainable energy space suggests growing potential value in publicly listed equities. Private companies and private equity investors have been strategically acquiring undervalued assets, signaling their belief that the current downturn in the sector is a temporary, cyclical slowdown.

### Corporate of climate-tech M&A deals with a value > \$1bn



Source: BNEF, Guinness Global Investors, 2025

MARCH NEWS AND EVENTS IN REVIEW

In this section, we review the key news items and their impact on our various portfolio sub-sectors over the last month.

News	Sub-Sector	Impact
<p>In a renewed effort to preserve the IRA's clean energy tax credits, 21 House Republicans signed a letter to the House Ways and Means Committee opposing a full repeal of the legislation. This follows a similar letter from last summer, signed by 18 House Republicans, highlighting the credits' importance to their states' economic outlooks. As we noted in our January outlook, we believe Trump will struggle to make significant changes to the IRA since over three-quarters of IRA-related manufacturing projects have been announced in Republican states.</p>	<p>US Clean Energy Manufacturing</p>	
<p>Nuclear energy continued to gather momentum this month as a coalition of major companies pledged to support the goal of tripling global nuclear capacity by 2050. The latest signatories, which include technology groups such as Amazon and Google alongside oil and gas companies including Occidental and Dow, join the 30 countries that endorsed the initiative in 2023. The move underscores growing interest in nuclear power as a dependable, low-carbon energy source amid rising demand.</p>	<p>Nuclear Energy</p>	
<p>The Trump Administration has moved ahead with its plan to impose broad reciprocal tariffs on trade partners. Under the new policy, a 10% tariff will be levied on all countries, regardless of whether they maintain a trade surplus with the US. Countries with the largest trade deficits will face additional tariffs of up to 49%. The Administration has indicated that these tariffs will remain in place until the President deems the threat posed by trade imbalances to be adequately addressed. While it is difficult to be precise about exposures and outcomes at present, the tariffs are expected to have the largest impact on the industrial and automotive sectors.</p>	<p>Global trade</p>	
<p>A report from the Solar Energy Industries Association and Wood Mackenzie revealed that solar and energy storage accounted for 84% of the United States' new electricity generation capacity in 2024. This surge in renewable capacity was largely driven by robust policy support and the IRA. The report noted that 2024 marked the largest annual growth for any energy technology in the US in over two decades. NextEra Energy, the leading US utility and energy provider, emphasised that the integration of renewables and storage is still best positioned to meet rising power demand, citing their immediate availability and cost-effectiveness versus other forms of generation.</p>	<p>Solar Sector</p>	
<p>Rising electricity demand forecasts and subdued valuations continued to underpin dealmaking in the sustainable energy sector in March. US private equity firm Apollo agreed to acquire the UK's OEG Energy Group (operator of one of the largest cargo-carrying fleets) in a deal valuing the offshore services provider at more than \$1bn. In the US, the start of 2025 has seen a flurry of power sector transactions, namely Constellation Energy's \$16.4bn acquisition of Calpine, with 27 deals worth a combined \$36.4bn recorded in January and February, according to Reuters.</p>	<p>Sustainable Energy M&amp;A</p>	

## MANAGERS' COMMENTS

## Review of 1Q 2025

**While tariff uncertainty continues to pressure global equity markets, we believe that clarity over the future of the Inflation Reduction Act (IRA) in the US and increased clean energy investment in Europe could act as key drivers for the sustainable energy sector in 2025. Despite elevated interest rates, energy transition investment continues to reach new highs, driven by surging electricity demand and major power consumers such as data centre owners increasingly turning to renewables to secure their long-term power needs. In this report, we discuss macro developments and fund performance from 1Q 2025 and conclude that the fund's 1 year forward P/E discount to the MSCI World of 18% appears inconsistent with its expected superior earnings growth.**

The first quarter of 2025 saw the Guinness Sustainable Energy Fund delivering a total return (USD) of -5.31%, versus the MSCI World Index (net return) of -1.79%. US policy uncertainty (executive orders, tariffs, Inflation Reduction Act) dominated the sector's performance and outlook, causing a further headwind to sentiment. We believe that current valuations appear overly pessimistic and appear to have fallen below private market valuations, spurring a wave of M&A in the sector.

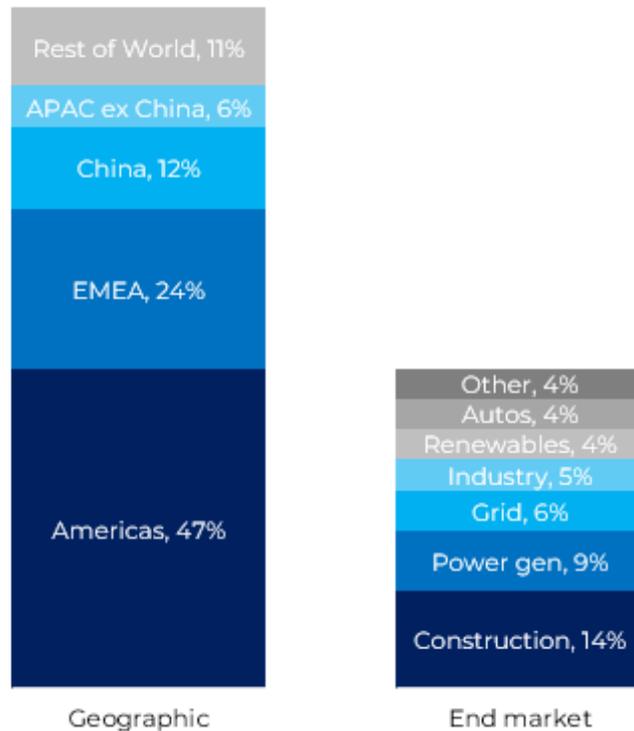
On his first day in office, President Trump signed a flurry of **executive orders** affecting the energy sector. These included declaring a national energy emergency to relax environmental restrictions and streamline permitting, withdrawing from the Paris Agreement (again), revoking Biden's 2021 electric vehicle (EV) targets, halting unspent government funds for EV charging stations, and suspending new federal leases for offshore wind projects. While the speed and quantum of his executive orders was impressive, the announcements were broadly consistent with his election campaign with few positive or negative surprises. Notably absent from his day one executive orders was any mention of plans to repeal the IRA itself.

Uncertainty over the future of the **Inflation Reduction Act** remains a key overhang for US renewables. While it would be unwise to provide firm predictions at this stage, we draw confidence from a letter sent by a group of 21 Republican lawmakers to the Ways and Means committee (which influences federal budgets) asking to preserve the IRA's clean energy tax credits. As a reminder, a full-scale repeal of the legislation would require a majority in both houses, which the Republican party holds by only a slim margin. We expect to gain greater clarity on the future of the IRA in the Republicans first budget, thought to be sometime in the second quarter, and continue to believe that any bill where tax credits are not repealed in full is likely to act as a strong firming event for sector sentiment which is currently very depressed.

At the start of April, the US government has introduced broad **tariffs**, including a 10% universal levy on nearly all imports and additional "reciprocal" tariffs targeting countries with large trade surpluses with the US. While it is difficult to be precise about exposures and outcomes at present, the tariffs are expected to impact the industrial and automotive sectors the most. At the present time, we believe the most instructive analysis is to look at the end-markets of our portfolio by revenue. Our portfolio has around 47% revenue exposure to the US (underweight the MSCI World which is at 51%), of which around 9% is exposed to US industrial and automotive end markets. In mitigation, many of our companies employ "in-region, for-region" manufacturing strategies to minimize cross-border tariff exposure; a sizeable amount of our exposure is via US electrification names which have strong capacity to pass tariff related costs through to end customers thanks to the current supply-demand imbalance; and experience of previous tariff cycles in 2018-2019 provided our companies with a playbook to navigate the current environment.

## Guinness Sustainable Energy Fund revenue exposure by geography and end market

## Guinness Sustainable Energy



Source: Company reports, Guinness Global Investors (March 2025)

Over in Europe, February saw the European Commission introduce the **Clean Industrial Deal**, a policy aimed at boosting the EU's clean manufacturing sector and industrial competitiveness. The plan includes adding 100GW of renewable energy capacity annually until 2030 and making €100 billion available to support energy-intensive industries such as steel, metals, and chemicals. The deal also proposes streamlining bureaucratic processes, increasing European Investment Bank-backed guarantees for renewable energy projects, and supporting power grid manufacturers. We will wait to see the results of this proposal, but it's promising to see the commission take action given the bloc's tendency to be "long" on targets, but "short" on actual support.

At the same time, there has been a renewed focus on ramping up defence spending in Europe. We would argue that energy remains one of Russia's most powerful geopolitical weapons to use against Europe and we see the development of sustainable energy forms in the EU as enhancing energy security, supporting economic competitiveness and driving decarbonization. These strategic priorities were reflected in Germany's recent debt brake reform, unlocking approximately €1 trillion in additional investment into defence, infrastructure and energy transition projects over the next decade.

Global **energy transition investment** reached a new record high of \$2.1 trillion in 2024, an 11% increase from the previous year. According to Bloomberg New Energy Finance, spending on clean energy projects has more than doubled since 2020 and is now nearly twice the level of fossil fuel investments. Growth was driven by investments in power grids, renewable energy, and electrified transport. China led the way with \$818 billion in energy transition spending, while significant investments were also seen in the EU and the US. Notably, this surge occurred despite higher interest rates, demonstrating that electricity generated from renewable sources like onshore wind and solar remains cost-effective versus fossil fuels.

IEA estimates for **global electricity demand** have been revised upwards in the first quarter of 2025. Having grown at 2.8% per annum between 2000-23, electricity consumption grew by an estimated 4.3% in 2024 and is expected to maintain a higher level of growth going forwards, averaging c.4% per annum until 2027. Emerging markets account for 85% of this growth, with China leading the expansion. The electrification of buildings, transportation, and data centres continues to drive electricity consumption, with electricity projected to account for 27% of total energy demand by 2030, up from 23% in 2023 and 18% in 2015. With this in mind, we believe the investment opportunity for the electrification of energy demand and the supply of sustainable energy will be significant for years to come.

## Guinness Sustainable Energy

Data centre owners are increasingly looking to renewables to meet their growing electricity needs, helping to drive global corporate **power purchase agreement (PPA)** volumes to new highs. According to Bloomberg New Energy Finance, total signed agreements exceeded 62GW in 2024, up 35% year-on-year. The top four buyers—Amazon, Google, Meta, and Microsoft—accounted for 40% of the total demand. Approximately 95% of these agreements were for onshore wind and solar, with predictable operating costs making them well suited for long-term contracts, offering hyperscalers with long term price visibility, a distinct advantage over fossil fuels. The increased demand has driven US PPA prices from \$25/MWh in 2019 to over \$60/MWh today, with prices exceeding \$100/MWh for some geothermal contracts.

### The Guinness Sustainable Energy Fund

With a backdrop of rising macroeconomic and geopolitical uncertainty, the Guinness Sustainable Energy Fund delivered -5.31% performance in the first quarter, underperforming the MSCI World Index (-1.79). Within the portfolio our best performing segments were our power generation and electrical equipment names while underperforming segments included our electric vehicles, displacement and solar equipment manufacturers.

The quarter saw a rotation out of US equities for multiple reasons including the launch of DeepSeek in China leading to a reassessment of US technology valuations and concerns over potential US trade tariffs. A shift in Europe towards defense and infrastructure spending and a relaxation of the German fiscal debt brake (freeing up an estimated €1 trillion of additional spending capacity) were positive catalysts for a shift towards Europe. As a result, the top 7 contributors over the period were European listed companies, while 9 of the 10 weakest contributors were listed in the US.

The Generation subsector was the strongest in the quarter with Iberdrola, Ormat, and China Suntien performing well as the sector benefitted from its safe haven status in uncertain times, rising global electricity demand and rising renewable power prices. Iberdrola delivered a 19% return in the quarter after delivering strong full year results and upgrading guidance following its acquisitions of ENW in the UK and Avangrid in the US.

Within our electrical equipment and grid exposed names, European names (SPIE, Siemens, Legrand) outperformed their US peers (Hubbell, Eaton). SPIE was the fund's top contributor in the quarter, initially benefitting from upgraded guidance at its capital markets day, followed by expectations of faster growth thanks to higher German infrastructure spending.

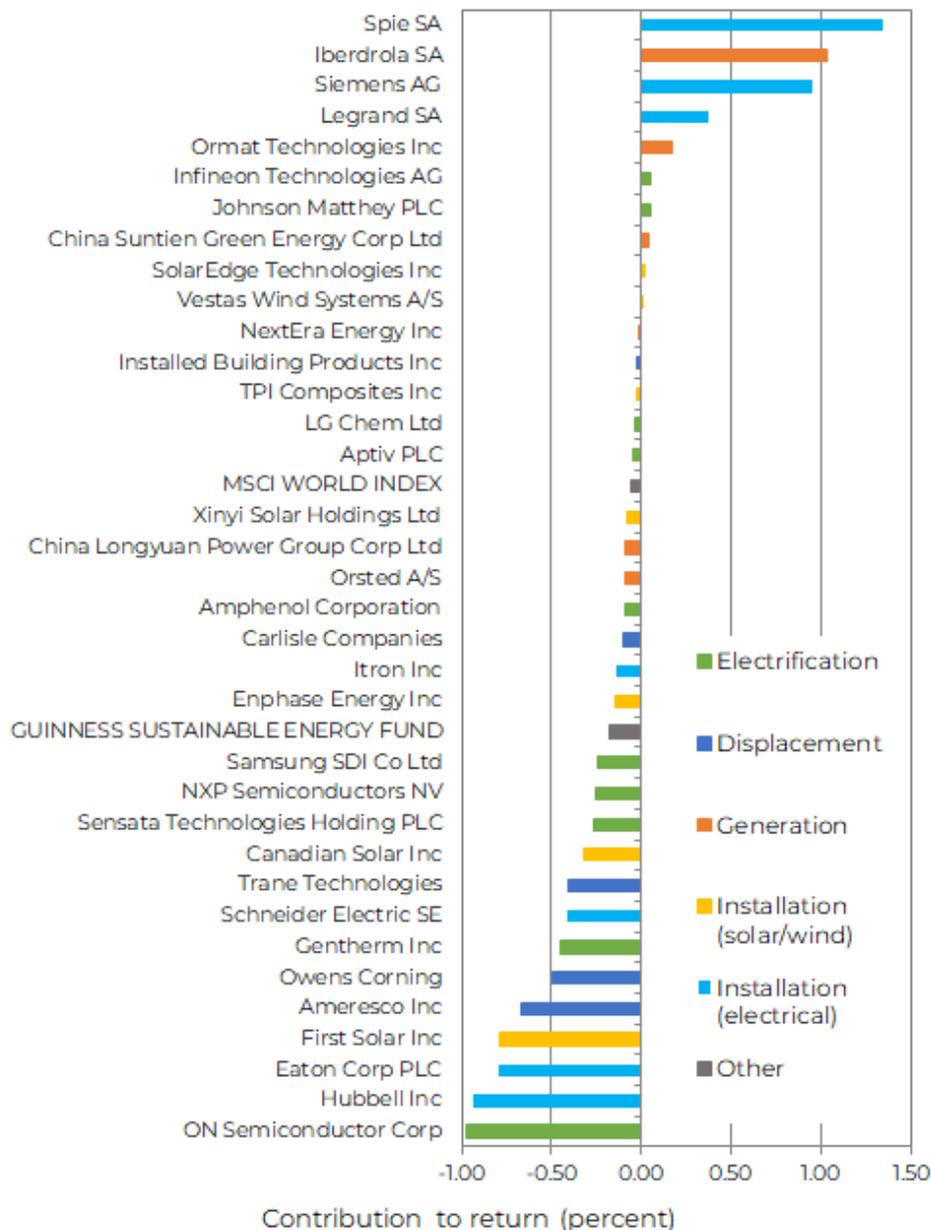
A number of our displacement companies delivered a negative contribution as macro uncertainty weighed on the construction sector. Ameresco was weak in the quarter after management noted some uncertainty around federal government projects in its guidance after seeing one project cancelled and two others paused so far this year. Despite a strong \$2.5 billion backlog of contracted projects, and continued efforts to diversify into higher margin energy assets, the market is concerned about the company's federal exposure.

As a key beneficiary of US tax credits, First Solar delivered the weakest contribution thanks to declining sentiment towards IRA-exposed names alongside delivering lower than expected margins due to a warranty charge associated with its Series 7 modules.

The electrification subsector was the weakest in the quarter. Onsemi and Gentherm delivered negative contribution after offering softer-than-expected guidance as a result of inventory digestion at Chinese customers and lower light vehicle production respectively. Bucking the trend of generally weaker electrification performance, Infineon delivered positive contribution in the quarter thanks to share gain in automotive microcontrollers and continued demand strength from AI.

### Q1 2025 contribution for Guinness Sustainable Energy Fund

## Guinness Sustainable Energy



Source: Bloomberg, Guinness Global Investors estimates; 31 March 2025

At 31 March 2025, the Guinness Sustainable Energy Fund traded on a 2025/26 P/E ratio of 15.6x/13.2x. On a twelve-month forward view, the Fund trades at about a 18% P/E discount to the MSCI World Index, despite offering compound annual earnings growth of 15.7% (based on consensus expectations) out to 2027, well in excess of the earnings growth rate of the MSCI World at 9.6%.

### Valuation and earnings growth of the Guinness Sustainable Energy Fund

As at 31 March 2025

	PE			EV/EBITDA			Dividend Yield		EPS Growth (%pa)		CFROI	
	2024	2025E	2026E	2024	2025E	2026E	2025E	2026E	2019-24	2024-27	2025E	2026E
Guinness Sustainable Energy Fund	18.3x	15.6x	13.2x	10.6x	9.8x	8.2x	1.8%	2.1%	5.0%	15.7%	10.3%	11.6%
MSCI World Index	20.3x	18.7x	16.8x	13.8x	12.6x	11.5x	1.9%	2.1%	6.7%	9.6%	9.5%	10.2%
Fund Premium/(Discount)	-10%	-17%	-22%	-23%	-22%	-29%						

\*2024 P/E = Latest month-end price / 2024 earnings; Portfolio = median CFROI; Index data = HOLT MSCI World ETF median CFROI, EPS derived from consensus, adjusted for Canadian Solar

Source: Guinness Global Investors (31 March 2025). CFROI = Cash flow return on investment

## Guinness Sustainable Energy

Typically, we would expect to pay a premium for a product offering faster EPS growth than the broader market, but as at the 31<sup>st</sup> March 2025, the fund trades at a meaningful discount, reflecting the pessimism baked into the space in our view. This valuation dislocation appears to be attracting long term financial and strategic buyers, looking to grow their exposure to a multi-decade growth theme for a discount, resulting in an uptick in M&A across our investment universe in the last 2 years. Bloomberg New Energy Finance notes that the number of climate-tech M&A deals with a value of over \$1 billion dollars has increased from 13 in 2022 to 20 in 2024.

In this recent quarter, M&A was focused on renewables producers and network companies mostly. Constellation Energy agreed to purchase Calpine Corp for \$16.4 billion, creating the largest coast-to-coast power generator in the country, Brookfield agreed to acquire National Grid's US onshore renewables business for \$1.74 billion and Canadian Institutional investor CDPQ agreed to acquire IPP Innergex Renewable Energy for \$6.9 billion.

Clarity on the future of the IRA is likely to be a key catalyst in the year ahead as would any funding announcements related to the EU Green Deal or European energy security. The sector would also be a beneficiary of looser monetary policy, lower inflation and lower US treasury yields while higher fossil fuel prices would further improve the relative economics of renewable technologies. We expect investor interest in sustainable energy equities to recover in 2025 reflecting these catalysts and we expect that the current attractive valuation level will act as a catalyst as well. We believe that the Guinness Sustainable Energy portfolio, chosen from our universe of around 250 companies, provides concentrated exposure to the theme at attractive valuation levels that are particularly attractive relative to consensus earnings growth expectations.

### Key themes in the Guinness Sustainable Energy Fund

Theme	Example holdings	Weighting (%)
1 Electrification of the energy mix	 	36.5%
2 Rise of the electric vehicle and auto efficiency	 	12.5%
3 Power semiconductors	 	8.9%
4 Battery manufacturing		2.1%
5 Expansion of the wind industry		8.4%
6 Expansion of the solar industry		7.2%
7 Heating, lighting and power efficiency		17.7%
8 Geothermal		3.7%
9 Other (inc cash)		3.1%

*Source: Guinness Global Investors (31 March 2025)*

PERFORMANCE

Past performance does not predict future returns.

The **Guinness Sustainable Energy Fund** (Class Y, 0.68% OCF) delivered a return of -3.5% in the month, while the MSCI World Index (net return) delivered -4.4% (all in USD terms).

Guinness Sustainable Energy Fund	Ytd	1 Yr	3 Yrs	5 Yrs	10 Yrs*
Fund (Class Y)	-5.3%	-16.0%	-7.2%	13.5%	3.7%
MSCI World NR Index	-4.4%	7.0%	7.6%	16.1%	9.5%
Out/Underperformance	-0.9%	-23.0%	-14.8%	-2.6%	-5.8%

	2024	2023	2022	2021	2020
Fund (Class Y)	-11.8%	-0.4%	-12.5%	10.4%	84.1%
MSCI World NR Index	18.7%	23.8%	-18.1%	21.8%	15.9%
Out/Underperformance	-30.4%	-24.2%	5.6%	-11.4%	68.2%

	2019	2018*	2017*	2016*	2015*
Fund (Class Y)	31.4%	-15.2%	20.2%	-15.4%	-12.0%
MSCI World NR Index	27.7%	-8.7%	22.4%	7.5%	-0.9%
Out/Underperformance	3.7%	-6.5%	-2.2%	-23.0%	-11.2%

The Fund was launched on 19.12.2007. \*Simulated past performance prior to the launch of the Y class on 16/02/2018. The Performance shown is a composite simulation for Y class performance being based on the actual performance of the Fund's E class, which has an OCF of 1.24%. On 31/12/2018, the benchmark became the MSCI World NR. Prior to this, the benchmark was the Wilderhill Clean Energy Index (ECO Index).

The **WS Guinness Sustainable Energy Fund** (Class Y, 0.67% OCF) delivered a return of -6.3% in the month in GBP, while the MSCI World Index (net return) delivered -6.8%.

WS Guinness Sustainable Energy Fund	Ytd	1 Yr
Fund (Class Y, 0.67% OCF)	-8.3%	-17.5%
MSCI World NR Index	-4.7%	4.8%
Out/Underperformance	-3.6%	-22.2%

	2024	2023
Fund (Class Y, 0.67% OCF)	-10.4%	-5.8%
MSCI World NR Index	20.8%	16.8%
Out/Underperformance	-31.2%	-22.6%

The Fund was launched on 30.12.2022.

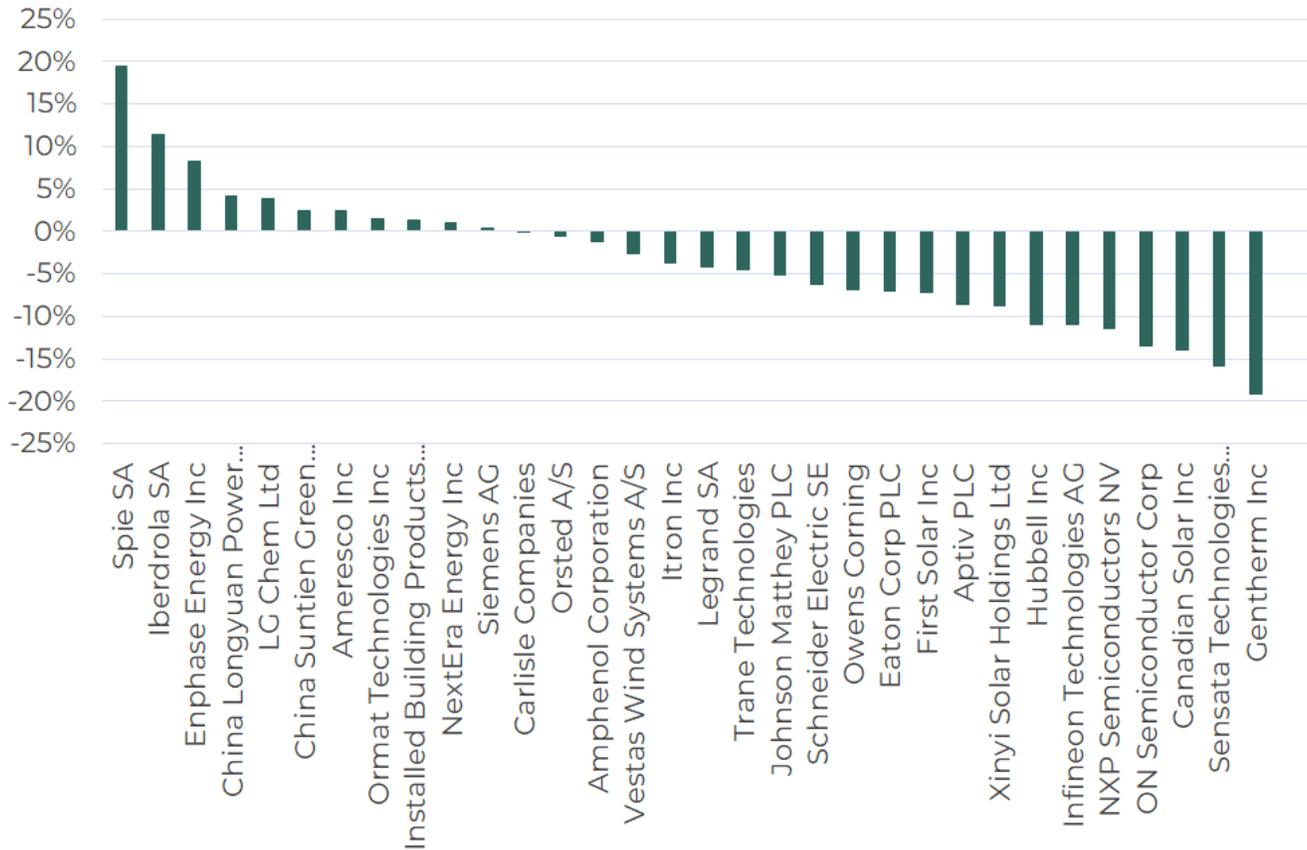
Source: FE fundinfo, bid to bid, total return net of fees as of 31.03.2025. Investors should note that fees and expenses are charged to the capital of the Funds. This reduces the return on your investment by an amount equivalent to the Ongoing Charges Figure (OCF). The performance shown has been reduced by the current OCF shown. Returns for share classes with different OCFs will vary accordingly. Transaction costs also apply and are incurred when a Fund buys or sells holdings.

Guinness Global Investors has been the investment manager of the **Guinness Sustainable Energy Fund UCITS ETF** since July 2024. We will include performance data for this vehicle in due course.

## Guinness Sustainable Energy

Within the Fund, the strongest performers were Spie SA, Iberdrola SA, Enphase Energy Inc, China Longyuan Power Group Corp Ltd and LG Chem Ltd while the weakest performers were Gentherm Inc, Sensata Technologies Holding PLC, Canadian Solar Inc, ON Semiconductor Corp and NXP Semiconductors NV.

**Stock by Stock performance over the month, in USD**

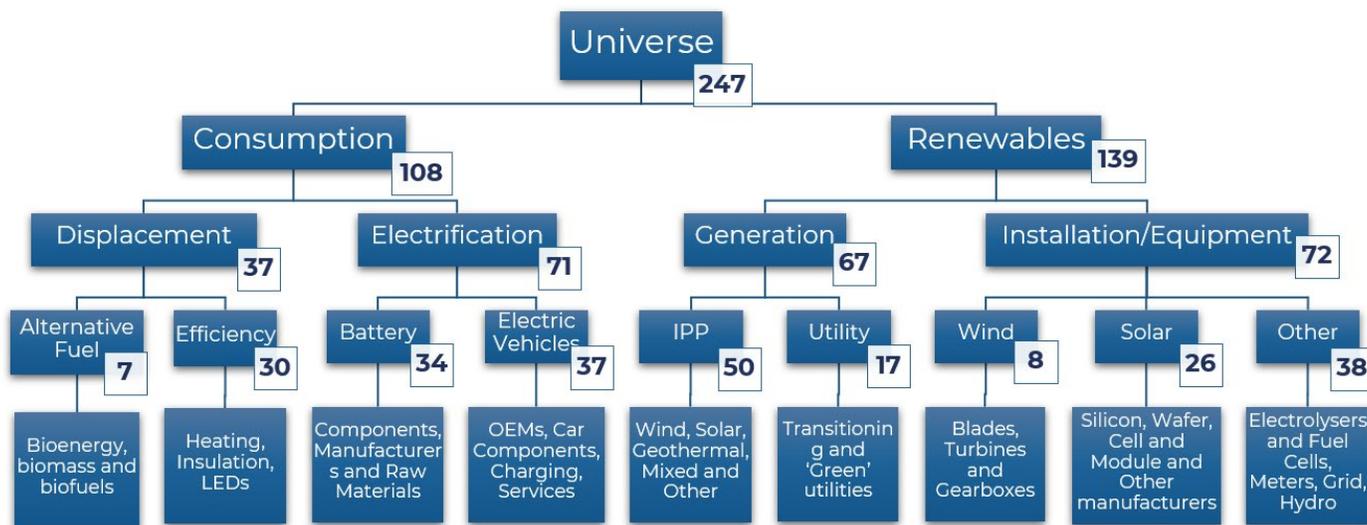


*Source: Bloomberg. As of 31st March 2025*

PORTFOLIO

The Guinness Sustainable Energy Fund is positioned to benefit from many of the long-term themes associated with the transition towards a lower-carbon economy and of sustainable energy generation via investment in companies with activities that are economic with limited or zero government subsidy and which are profitable. We do not limit ourselves to 'pure plays', opening our universe up to some companies with existing hydrocarbon-based fuel exposure, but this must be allied with a commitment to transitioning their business models towards sustainable energy sources. Our investment universe comprises around 250 companies which are classified into four key areas:

- **Generation** includes companies involved in the generation of sustainable energy, either pure-play companies or those transitioning from hydrocarbon-based fuels
- **Installation** includes companies involved in the manufacturing of equipment for the generation and consumption of sustainable energy
- **Displacement** includes companies involved in the displacement or improved efficient usage of existing hydrocarbon-based energy
- **Electrification** includes companies involved specifically in the switching of hydrocarbon-based fuel demand towards electricity, especially for electric vehicles



We monitor each of the industry areas very closely and hope that detailed top-down (macro) analysis of each (complemented with disciplined equity screening and stock valuation work) will allow us to deliver attractive fund performance via a broadly equally weighted portfolio of 30 stocks. The portfolio is designed to create a balance between maintaining fund concentration and managing stock-specific risk.

**Guinness Global Investors is a signatory of the United Nations Principles for Responsible Investment. The Guinness Sustainable Energy Fund prioritises returns whilst delivering concentrated exposure to companies playing a key role in global decarbonisation. The Fund’s holdings align most closely with four of the UN’s sustainable development goals:**



**Buys/Sells**

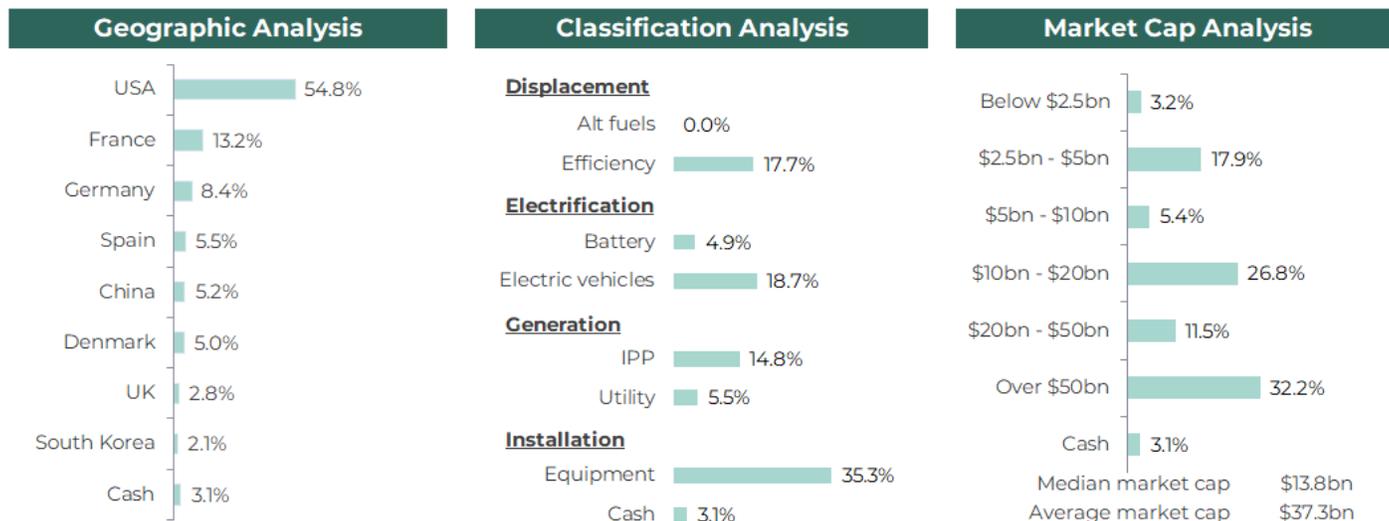
**Buys**

- **Amphenol** is one of the world's largest designers, manufacturers and marketers of electronic connectors and sensors, selling into a range of fast-growing markets such as IT Datacom and Industrials and benefitting from the broader trends of electrification. The company has an excellent track record of capital allocation, backed by a decentralised and entrepreneurial management culture that is hyper-focused on reducing costs throughout the business. Relative to peers, Amphenol has demonstrated superior execution, higher margins, and better organic growth.
- **Carlisle Cos** is a US building products company that primarily manufactures advanced, energy efficient roofing membranes for commercial customers. We find the business offers compelling value for growth in a consolidated market with a considerable installed base. We are encouraged to see that the business derives the majority of its revenues from replacement demand and is able to pass efficiently pass through costs, helping to reduce cyclicity in the business. Carlisle is a highly free-cash flow generative business with a management team that has demonstrated impressive capital allocation capabilities and a culture of cost management.

**Sells**

- We sold our final small residual weighting in **TPI Composites** after concluding that the industrial and financial challenges facing the third-party wind blade manufacturer were too great and that little value would accrete to the existing equity holders. We switched our remaining holding in **SolarEdge** into EnPhase and exited **Samsung SDI** as we have become increasingly concerned about competition from lower cost, LFP-focused Chinese battery manufacturers.

**Portfolio structure analysis**



Data as of month end. Source: Guinness Global Investors. Portfolio holdings are subject to change.

**Portfolio sector breakdown**

The following table shows the asset allocation of the Fund at month end and at previous year ends.

## Guinness Sustainable Energy

Asset allocation as %NAV	Current	Change	Year end			Previous year ends			
	Mar-25		Dec-24	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
<b>Consumption</b>	<b>41.3%</b>	<b>-0.3%</b>	<b>41.6%</b>	<b>43.9%</b>	<b>44.9%</b>	<b>43.4%</b>	<b>36.7%</b>	<b>41.7%</b>	<b>26.5%</b>
Displacement	17.7%	-0.2%	17.9%	15.3%	15.0%	11.8%	9.9%	13.4%	16.4%
Alternative Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
Efficiency	17.7%	-0.2%	17.9%	15.3%	15.0%	11.8%	9.9%	13.4%	12.5%
Electrification	23.5%	-0.1%	23.6%	28.5%	29.9%	31.6%	26.8%	28.2%	10.1%
Batteries	4.9%	-1.7%	6.6%	10.2%	11.6%	8.9%	10.8%	12.6%	3.9%
Electric vehicles	18.7%	1.6%	17.0%	18.4%	18.2%	22.8%	16.0%	15.7%	6.2%
<b>Renewables</b>	<b>55.6%</b>	<b>-2.1%</b>	<b>57.7%</b>	<b>51.9%</b>	<b>49.3%</b>	<b>51.3%</b>	<b>60.4%</b>	<b>54.1%</b>	<b>69.7%</b>
Generation	20.3%	-0.2%	20.5%	19.5%	17.7%	23.1%	24.6%	22.2%	27.3%
IPP	14.8%	-0.6%	15.4%	10.9%	8.7%	14.5%	17.0%	18.9%	26.7%
Utility	5.5%	0.4%	5.2%	8.6%	9.0%	8.6%	7.6%	3.2%	0.6%
Installation	35.3%	-1.9%	37.2%	32.4%	31.6%	28.2%	35.8%	32.0%	42.5%
Equipment	35.3%	-1.9%	37.2%	32.4%	31.6%	28.2%	35.8%	32.0%	42.5%
Cash	3.1%	2.3%	0.7%	4.2%	5.8%	5.3%	3.0%	4.2%	3.8%

Source: Guinness Global Investors

## Valuation

At the month end, the Guinness Sustainable Energy portfolio traded on the following multiples:

As at 31 March 2025

	PE			EV/EBITDA			Dividend Yield		EPS Growth (%pa)		CFROI	
	2024	2025E	2026E	2024	2025E	2026E	2025E	2026E	2019-24	2024-27	2025E	2026E
Guinness Sustainable Energy Fund	18.3x	15.6x	13.2x	10.6x	9.8x	8.2x	1.8%	2.1%	5.0%	15.7%	10.3%	11.6%
MSCI World Index	20.3x	18.7x	16.8x	13.8x	12.6x	11.5x	1.9%	2.1%	6.7%	9.6%	9.5%	10.2%
Fund Premium/(Discount)	-10%	-17%	-22%	-23%	-22%	-29%						

\*2024 P/E = Latest month-end price / 2024 earnings; Portfolio = median CFROI; Index data = HOLT MSCI World ETF median CFROI, EPS derived from consensus, adjusted for Canadian Solar

Source: Guinness Global Investors, Bloomberg

### Portfolio holdings as at end March 2025

Our portfolio is typically allocated across 30 broadly equally weighted equities providing exposure across the value chain of sustainable energy.

We hold a c.41% weight to companies associated with the consumption (or demand) of sustainable energy. Our largest exposure here is to companies involved in the electrification of demand, either via the creation of new batteries (c.5%) or the electrification of transportation (c.19% weight), while we have c.18% weight to those companies involved in either displacing existing energy sources or improving overall energy efficiency.

We hold one lithium-ion battery manufacturer, LG Chem, which is a Korean chemicals company and the largest lithium-ion battery manufacturer in the world.

The portfolio holds seven names in the electric vehicle sub-category, giving it exposure to companies that provide semiconductors, electronics, components and software/services to the growing EV and autonomous vehicle industry. Onsemi, Infineon and NXP Semi are providers of power semiconductors and microcontrollers that are a necessity for higher-voltage electric vehicles to become competitive with ICE (internal combustion engine) vehicles, while Gentherm, Aptiv and Sensata are component manufacturers and service providers that should benefit from the ever-increasing amount of electronics present in electric vehicles. Amphenol supplies connectors, sensors and high voltage interconnect solutions that are vital for EVs and EV charging infrastructure.

Our displacement holdings provide pure-play quality exposure to heating industries (Trane Technologies), insulation (Installed Building Products, Owens Corning, Carlisle Companies), energy efficient electrical equipment and services (Hubbell) and energy efficiency projects (Ameresco), and the group as whole will benefit from the increasing industry focus on energy efficiency that is expected to be a very long-term trend.

In terms of the supply of sustainable energy, we hold a c.20% weight to companies involved in the generation of sustainable energy and c.35% weight to those exposed to the installation of or equipment used in the process of sustainable energy generation.

China Suntien and China Longyuan are our two pure-play Chinese wind power producers, and they represent two of our seven generation holdings. The remaining exposure comes in the form of geothermal (Ormat), plus offshore wind and broad-based wind/solar renewable energy generation through Orsted and NextEra Energy (the largest producer of renewable energy in the world). Iberdrola is our one utility.

We hold exposure to the solar and wind equipment and manufacturing value chains. Xinyi Solar is the world's largest supplier of the glass used in solar cell modules, and Enphase manufactures the inverters required to convert DC solar power into consumable AC electricity. Canadian Solar and First Solar give integrated exposure to the solar cell and module manufacturing process. Vestas provides broad exposure to the strong growth that we expect in the onshore and offshore wind markets

Our remaining exposure to installation (Itron, Eaton, Legrand, Siemens and Schneider Electric) consists of companies that provide equipment and services to improve the efficiency and metering of electricity transmission and consumption.

Portfolio themes as at end March 2025

Theme	Example holdings	Weighting (%)
1 Electrification of the energy mix		36.5%
2 Rise of the electric vehicle and auto efficiency		12.5%
3 Power semiconductors		8.9%
4 Battery manufacturing		2.1%
5 Expansion of the wind industry		8.4%
6 Expansion of the solar industry		7.2%
7 Heating, lighting and power efficiency		17.7%
8 Geothermal		3.7%
9 Other (inc cash)		3.1%

Portfolio at end Febraury 2025 (one month in arrears for compliance reasons)

Guinness Sustainable Energy Fund (28 February 2025)			P/E			EV/EBITDA			Price/Book		
Stock	ISIN	% of NAV	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
<b>Displacement/Efficiency</b>											
Hubbell Inc	US4435106079	4.4%	24.9x	21.1x	19.8x	15.5x	15.2x	14.3x	6.1x	5.4x	4.8x
Trane Technologies PLC	IE00BK9ZQ967	4.6%	31.2x	27.6x	24.7x	20.3x	19.5x	17.9x	10.6x	9.6x	8.3x
Installed Building Products Inc	US45780R1014	2.7%	18.6x	15.7x	14.4x	10.1x	10.5x	9.8x	6.7x	4.9x	0.6x
Owens Corning	US6907421019	3.4%	8.9x	10.2x	9.4x	6.4x	6.7x	6.4x	2.6x	2.3x	2.0x
Ameresco Inc	US02361E1082	0.9%	5.9x	10.2x	7.6x	9.2x	7.8x	6.7x	0.6x	0.5x	0.5x
		<b>16.1%</b>									
<b>Electrification/Battery</b>											
LG Chem Ltd	KR7051910008	1.9%	n.m.	20.8x	8.2x	6.6x	4.8x	6.6x	0.5x	0.5x	0.6x
Samsung SDI Co Ltd	KR7006400006	1.8%	17.9x	16.6x	9.2x	10.9x	8.6x	5.9x	0.7x	0.7x	0.7x
Johnson Matthey PLC	GB00BZ4BQC70	2.9%	87.5x	9.8x	8.3x	9.7x	5.5x	5.1x	1.1x	1.1x	1.0x
		<b>6.7%</b>									
<b>Electrification/Electric Vehicles</b>											
Aptiv PLC	JE00BTDN8H13	3.1%	7.8x	9.0x	7.9x	7.2x	7.1x	6.6x	1.9x	1.5x	1.3x
ON Semiconductor Corp	US6821891057	2.5%	11.9x	18.7x	12.5x	7.7x	11.5x	9.1x	2.3x	2.1x	1.9x
Infineon Technologies AG	DE0006231004	4.0%	19.3x	22.7x	16.1x	10.3x	11.5x	9.1x	2.7x	2.5x	2.3x
NXP Semiconductors NV	NL0009538784	3.3%	18.8x	18.5x	15.3x	13.0x	13.0x	11.3x	6.0x	5.1x	4.8x
Sensata Technologies Holding PLC	GB00BFMBMT84	2.7%	7.2x	9.0x	8.1x	5.9x	8.2x	7.8x	1.5x	1.3x	1.2x
Gentherm Inc	US37253A1034	1.6%	13.2x	13.2x	10.9x	6.1x	6.3x	5.6x	1.7x	n.m.	n.m.
		<b>17.2%</b>									
<b>Generation/IPP</b>											
China Longyuan Power Group Corp Ltd	CNE100000HD4	2.4%	7.1x	6.4x	5.6x	10.0x	9.1x	8.1x	0.6x	0.6x	0.5x
Ormat Technologies Inc	US6866881021	3.7%	31.8x	34.0x	28.5x	11.2x	10.1x	9.1x	1.6x	1.6x	1.5x
NextEra Energy Inc	US65339F1012	4.8%	21.7x	19.1x	17.9x	18.3x	13.5x	12.0x	2.9x	2.5x	2.4x
Orsted A/S	DK0060094928	2.7%	27.5x	13.1x	11.1x	7.7x	7.7x	7.0x	2.1x	1.6x	1.3x
China Suntien Green Energy Corp Ltd	CNE100000TW9	1.9%	6.3x	5.2x	4.5x	9.8x	8.7x	7.8x	0.6x	0.6x	0.5x
		<b>15.4%</b>									
<b>Generation/Utility</b>											
Iberdrola SA	ES0144580Y14	5.5%	15.9x	15.4x	14.6x	9.0x	9.7x	9.1x	1.9x	1.7x	1.7x
		<b>5.5%</b>									
<b>Installation/Equipment</b>											
Schneider Electric SE	FR0000121972	5.0%	28.7x	24.9x	22.1x	17.0x	16.2x	14.7x	4.4x	4.2x	3.8x
Legrand SA	FR0010307819	5.2%	21.9x	20.4x	19.0x	14.3x	14.2x	13.2x	3.7x	3.5x	3.2x
Eaton Corp PLC	IE00B8KQN827	4.3%	29.4x	24.3x	21.7x	20.4x	19.1x	17.4x	6.2x	5.9x	5.4x
Siemens AG	DE0007236101	5.3%	21.4x	19.3x	18.5x	14.0x	13.3x	11.8x	3.2x	3.1x	2.9x
Itron Inc	US4657411066	4.2%	20.8x	20.2x	18.0x	15.7x	15.8x	14.0x	3.5x	3.1x	2.7x
Spie SA	FR0012757854	4.2%	13.3x	12.1x	11.3x	9.0x	8.3x	7.9x	2.6x	2.4x	2.2x
Xinyi Solar Holdings Ltd	KYG9829N1025	1.9%	22.5x	11.1x	8.3x	10.0x	7.3x	6.0x	1.0x	0.9x	0.8x
SolarEdge Technologies Inc	US83417M1045	0.2%	n.m.	n.m.	57.9x	n.m.	n.m.	21.0x	1.5x	1.9x	1.7x
Enphase Energy Inc	US29355A1079	1.1%	57.7x	16.9x	13.8x	36.4x	14.1x	11.2x	9.1x	6.8x	4.8x
First Solar Inc	US3364331070	2.5%	10.8x	7.3x	5.1x	7.0x	5.2x	3.7x	1.8x	1.5x	1.2x
Canadian Solar Inc	CA1366351098	1.5%	25.5x	31.3x	4.1x	10.7x	7.6x	5.3x	0.2x	0.2x	0.2x
Vestas Wind Systems A/S	DK0061539921	2.3%	29.1x	16.3x	11.8x	7.8x	5.9x	4.9x	3.9x	3.3x	2.7x
TPI Composites Inc	US8726631043	0.1%	n.m.	n.m.	n.m.	n.m.	11.0x	7.6x	n.m.	n.m.	n.m.
		<b>37.8%</b>									
<b>Cash</b>	Cash	<b>1.3%</b>									

The Fund's portfolio may change significantly over a short period of time; no recommendation is made for the purchase or sale of any particular stock.

## OUTLOOK - sustainable energy & the energy transition

Over the next thirty years, the world will continue its transition to a sustainable energy system. The key factors driving the transition are:

- **Population and GDP growth** putting a significant strain on today's energy supply
- **Economics** as sustainable sources of energy will be cheaper than the incumbents
- **Climate change** leading the world to reduce carbon emissions via cleaner energy
- **Pollution** forcing governments to drive air pollution out of cities via cleaner energy
- **Energy security** as sustainable energy sources, which are more evenly spread across all countries, facilitate lower reliance on energy imports.

The outcomes of the energy transition will of course be wide-ranging. On the **supply** side, we see a sustained shift towards renewable power generation, fulfilling global power generation needs which are set to double by 2050. On the **demand** side, we believe that improved energy efficiency will be key to limiting energy consumption growth to a manageable level so that it can be increasingly satisfied by renewable sources.

The long-term direction is clear and is driven by economics, in our opinion, while near-term geopolitical issues (such as the invasion of Ukraine in February 2022) could potentially have an effect on the speed of the transition and the relative importance of the factors stated above.

### Policy support for decarbonisation

Sustainable energy policy in the **United States** has been dominated by the re-election of Donald Trump. His term will be a backward step for the energy transition and will bring a shift in US energy policy as he targets reduced energy costs, "energy dominance", and improved competitiveness for US industry via the removal of environmental regulations. The Inflation Reduction Act (IRA) – the key Democrat-led legislation providing \$369bn of tax credits for clean energy investment – is a target for the President to help raise funds to support tax cuts elsewhere.

With respect to the Inflation Reduction Act, we think that President Trump will struggle to make substantial reforms and that he will have more success using his executive powers to promote fossil fuels instead. We expect him to put greater domestic content requirements on the various IRA tax credits, to broaden the reach of Foreign Entity of Concern (FEOC) designation beyond the electric vehicle industry and to slow down the awards of new offshore wind permits (since there is federal involvement in offshore wind). In addition, he will likely leave the Paris Agreement, lift the liquefied natural gas (LNG) export pause, roll back environmental restrictions and impose new tariffs (in excess of those placed by Biden in mid-2024) on imports related to renewable energy, particularly from China.



designed to accelerate the transition and put the EU on a path towards a healthier and safer future, to avoid wasted investments in fossil fuels, boost the competitiveness of Europe’s businesses and to make Europe more resilient.

As has often been the case in Europe, we found the bloc to be ‘long’ on targets but ‘short’ on actual support to help establish the supply chains and domestic manufacturing to allow the targets to be achieved. The Green Deal Industrial Plan, the Net Zero Industry Act and Critical Raw Materials Act (all passed in 2023) do not yet appear to be catalysing investment in the EU as little new central funding was announced to support these ambitions.

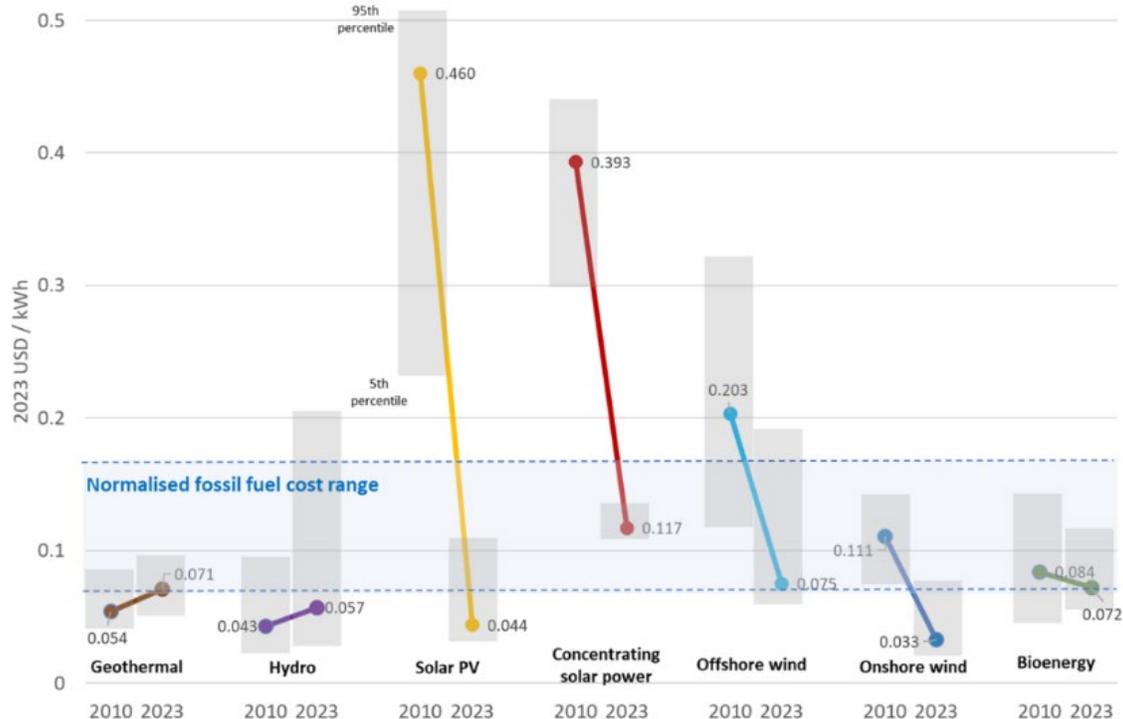
Compared with previous events, **COP 29** in November in Azerbaijan was lightly attended and appeared to do little to progress broader decarbonisation goals. Notable wins included Mexico setting a 2050 net zero target, Indonesia (operator of the fifth largest coal fleet in the world) announcing a 2040 coal phase-out target (16 years earlier than the prior target) and progress was also made towards a global carbon credit platform. The COP was billed in advance as having a particular focus on climate finance, but the ultimate agreement that developed nations pay \$300bn per year to developing nations was seen by many as being insufficient.

On a positive note, **global investment in clean technologies** grew and is likely to have hit nearly \$2 trn in 2024 according to the IEA – almost twice the spend on coal, oil and gas in the year, and up from \$1.7 trn in 2023. Higher-than-anticipated borrowing costs have been offset by easing supply chain pressures and falling prices, especially for solar PV and battery technologies. The greater investment means that clean energy is becoming a greater share of global GDP growth (having averaged 10% in 2023) with the number of clean energy jobs growing and accounting for more than half of employment in the global energy sector

**Renewable electricity is the cheapest** form of new electricity supply in most situations. According to Levelized Cost of Electricity (LCOE) estimates from the International Renewable Energy Agency (IRENA), the cost of wind and solar projects commissioned in 2023 ranged from \$0.03-0.11/kWh, well below the fossil fuel cost range of \$0.08-0.17/kWh. Despite increases in project financing costs and inflation across the broader economy, the LCOE of solar and onshore wind projects fell by 12% and 3% respectively, vs 2022. This illustrates that renewables remain cost competitive and this keeps the long-term driver of renewables adoption intact.

**Global LCOE of newly commissioned utility-scale renewable power generation technologies (2010–2023)**

LCOE = levelized cost of electricity

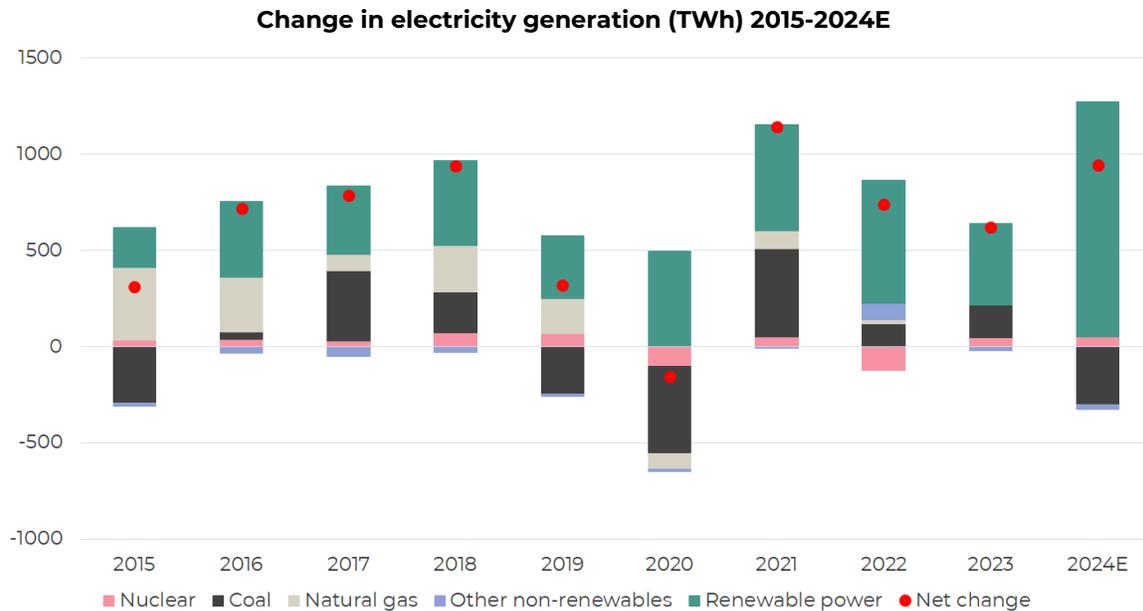


Source: IRENA; Guinness Global Investors, December 2024

## Installations and power generation

Around 690 GW of **new renewable generation capacity** was installed in 2024, 170 GW higher than the record installations in 2023 and more than triple the 194 GW installed pre-COVID in 2019. At around 460 GW, solar represented around three quarters of the new capacity additions. Wind came next, at around 110 GW, followed by hydropower, then bioenergy.

**Renewable electricity generation** in 2024 is likely to have increased by 1,300 TWh (around 13%), reaching over 10,600 TWh and outpacing global electricity demand (estimated 970 TWh or 3% growth in 2024). Most of the rise in renewable power generation can be attributed to the increase in installed solar and wind capacity, although it was also boosted by a strong recovery in hydro output after drought conditions in various regions the year before. The growth in renewable power generation implies a 2% fall in global fossil fuel generation (-330 TWh).



More than half of the electricity demand growth in 2024 came from five technologies: electric vehicles (EVs), heat pumps, electrolysers, air conditioning and data centres. The spread of these technologies is accelerating the growth in electricity demand, but overall energy demand is not growing as fast, since electrification is more efficient than fossil fuels.

## Energy displacement: efficiency and alternative fuels

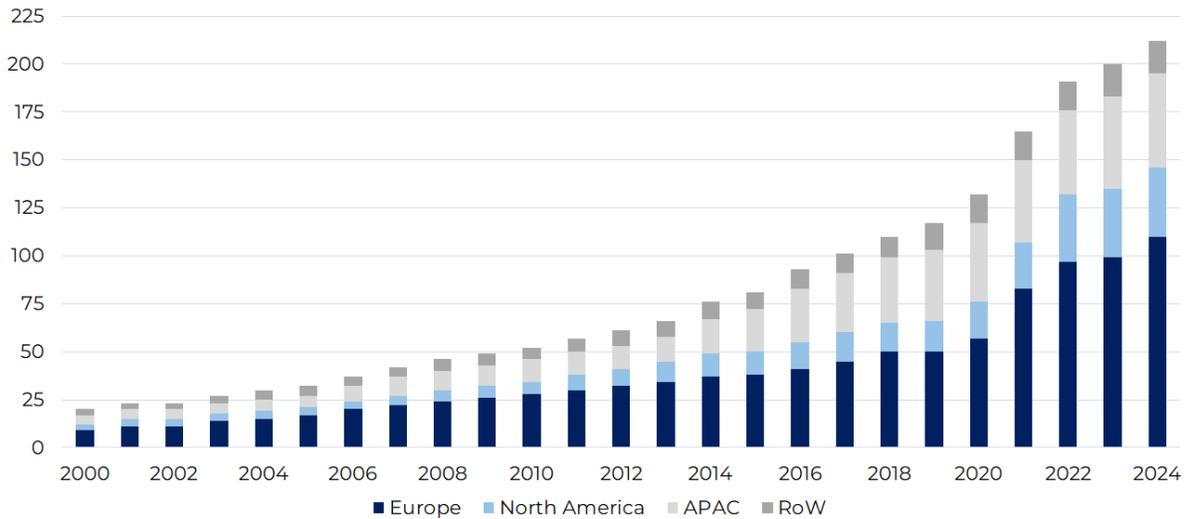
It is a common misconception that achieving rapid growth in renewable power generation will be enough to deliver government targets for pollution, energy security and decarbonisation. Renewable power generation is a key part of the solution, but we see the displacement and more efficient use of existing energy sources as just as critical, and arguably more urgent, in achieving these goals. The IEA refers to the theme of energy efficiency as being the 'first fuel' that should be considered in delivering the energy transition. It is the one energy source that every country can access in abundance today.

In our base case, we assume global energy demand growth over the next 30 years of around 1% pa. This assumes significant efficiency improvements relative to an historical energy demand growth rate of around 2% pa. Within the energy displacement sector, the key areas of focus are **efficiency** and **alternative fuels**.

### Energy efficiency

It is hard to understate the importance of **energy efficiency**. Energy efficiency and energy security raced up the political agenda following the spike in energy prices following the Russian invasion of Ukraine in 2022.

National policies in force targeting building efficiency



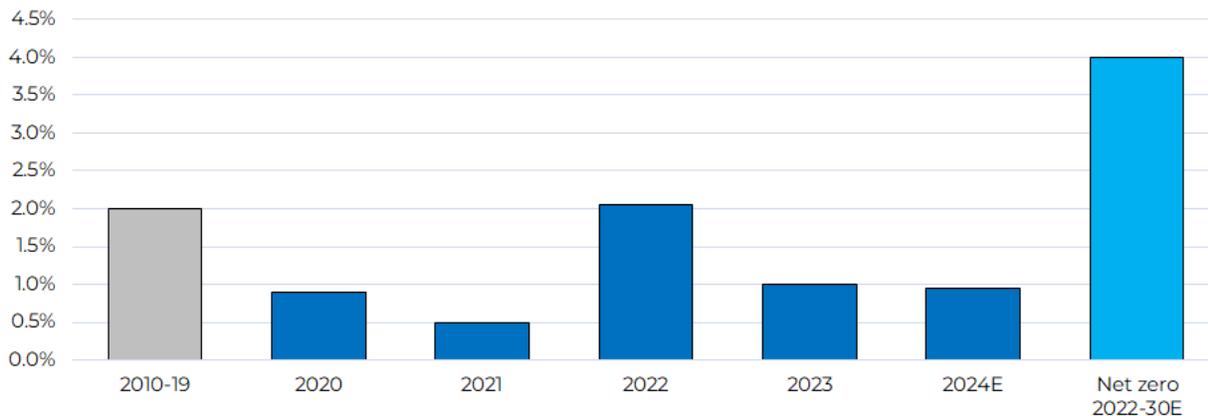
Source: IEA, Guinness Global Investors, December 2024

The increase was most pronounced in Europe, where the REPower EU plan aimed to rapidly reduce dependence on Russian natural gas imports and fast-track the green transition. In 2024, the EU set new goals to achieve 100% zero-emission buildings by 2050, adding to existing targets to install 10 million heat pumps by 2027 and reduce final energy consumption by 13% by 2030.

Elevated energy prices drove three years of double-digit growth in global efficiency spending from 2020 to 2022. Investment then retreated 7% in 2023 as higher interest rates weighed on housebuilders and renovation activity and a 16% decline in Chinese construction significantly impacting the delivery of green buildings globally. In 2024, despite continued headwinds, spending is expected to have remained resilient, falling just 3% to \$270bn, 35-40% higher than 2019 levels.

We believe that Europe’s decision to end its reliance on Russian gas is likely to lead to structurally higher natural gas (and therefore electricity) prices in Europe and Asia. Higher energy prices should support efficiency project economics, ultimately providing a tailwind to the COP28 goal to double the global average annual rate of energy efficiency improvements from around 2% to over 4% every year until 2030.

Global annual improvement in primary energy intensity



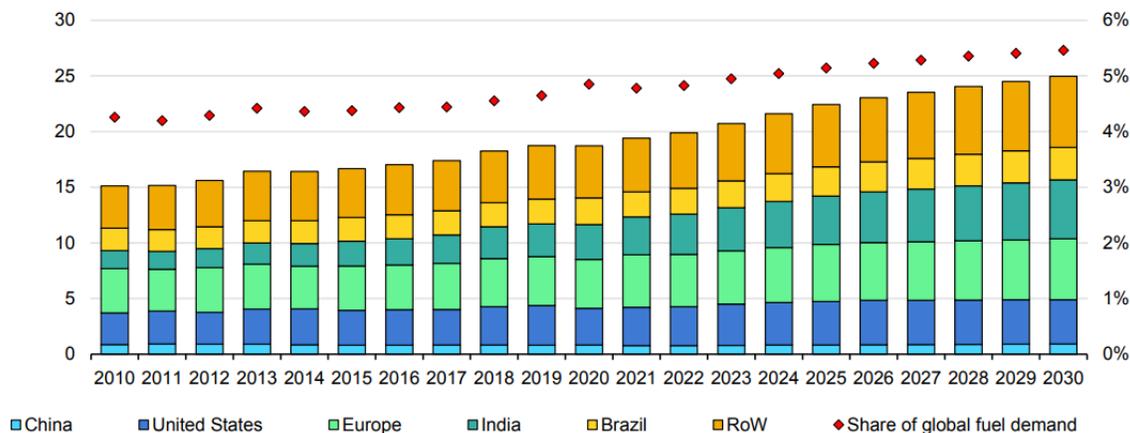
Source: IEA, Guinness Global Investors, December 2024

### Alternative Fuels

**Alternative (or renewable) fuels** are set to play an important role in tackling emissions in carbon-intensive, hard-to-abate sectors. Global demand for these fuels in 2024 was around 21.5 exajoules (EJ) across industry, buildings and transportation, satisfying around 5% of their energy needs. Solid biofuels were the most prominent, making up 75% of alternative fuel consumption globally, followed by liquid biofuels at 20%, and biogas trailing at 5%. Four countries – the United States, India, Brazil, and China – represented over 50% of global demand.

Alternative fuel consumption is expected to grow steadily at around 2.5% per year out to 2030, reaching 25EJ, with over 65% of demand growth coming from India, China, Brazil, the US and Europe. Solid bioenergy contributes over 60% of the total demand growth with liquid biofuels, used predominantly in transportation, representing around 25% of the total growth.

Global renewable fuel demand (EJ)



Source: IEA (incl. estimates), December 2024

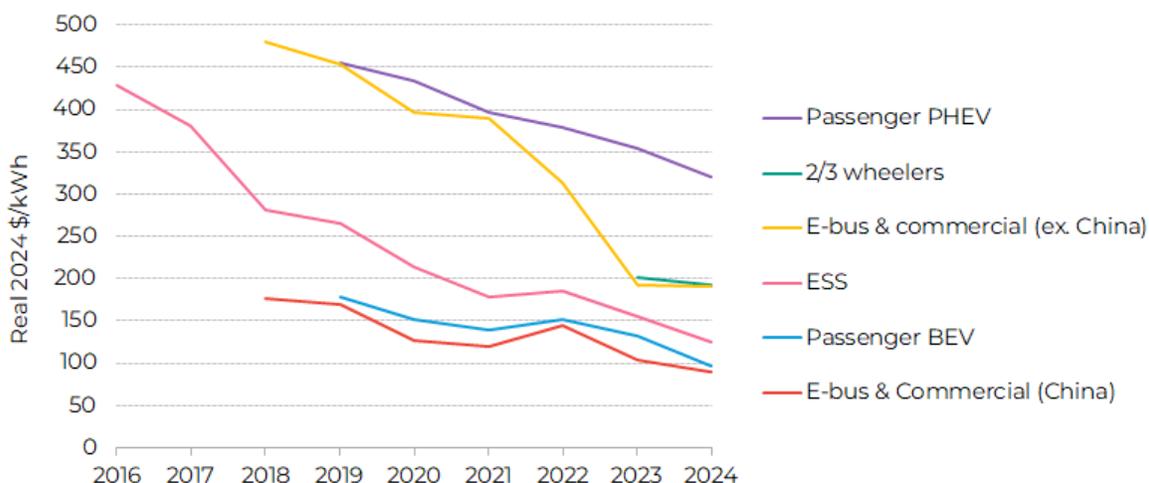
It is important to remember that alternative fuels broadly remain more expensive than their fossil fuel counterparts, meaning that policy support is key to underpinning future growth. For example, the \$2/litre cost of producing biojet (often known as Sustainable Aviation Fuel, SAF) is nearly three times as much as the \$0.75/litre cost of producing traditional jet fuel. Blending targets will still be needed to encourage the uptake of liquid biofuels while limiting the financial impact to consumers.

**Electrification: batteries and electric vehicles**

Global **battery demand** is expected to have reached 1.2TWh in 2024, up 29% year-on-year and up nearly 500% since 2020. Battery prices (across all applications) fell a further 20% to \$115/kWh in 2024, due to rapid growth of lower-cost Chinese manufacturing. Assuming a continuation of the 18% historic learning rate, Bloomberg New Energy Finance forecasts battery prices could fall to around \$70/kWh by 2030.

The battery market is primarily driven by passenger electric vehicles (EVs), representing 70% of demand, with energy stationary storage (ESS) a distant second at 14%. Looking ahead, we expect passenger vehicles to remain the dominant driver, with emergent demand from commercial vehicles acting as a tailwind, resulting in an average annual growth in battery demand of around 20% per year out to 2030. The price of batteries for EVs fell below \$100/kWh for the first time in 2024, driven by economies of scale and an increase in the adoption of lithium iron phosphate (LFP) chemistries. Thanks to its greater stability and lower cost, LFP's share of the global cathode mix has grown from 17% in 2020 to 44% in 2024. China now boasts the lowest battery pack prices globally at \$94/kWh, 20-30% lower than the US and Europe, and is the only region to see average prices below \$100/kWh.

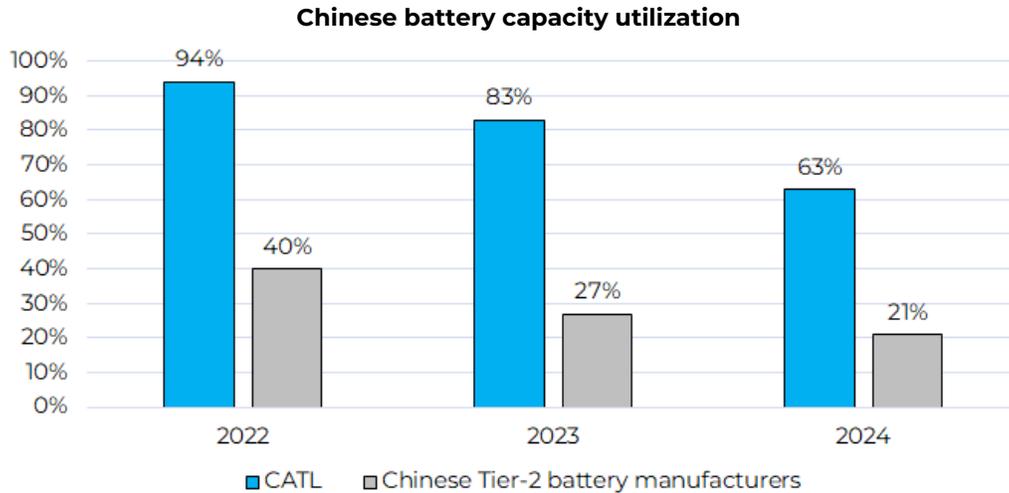
Historical volume-weighted average pack prices by sector



Source: BNEF, Guinness Global Investors, December 2024

## Guinness Sustainable Energy

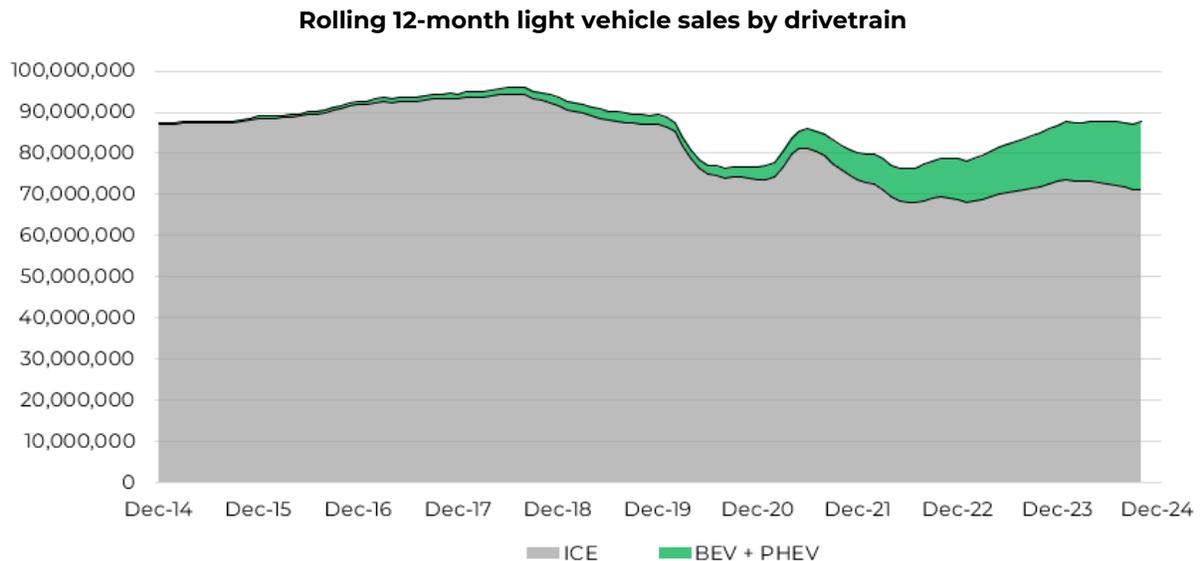
Weaker-than-expected EV demand in 2024 led to falling battery manufacturing utilisation rates across the industry, falling as low as 21% for tier 2 manufacturers in China compared to 63% for industry leader CATL. Smaller players facing persistently low utilization and weak profitability are starting to respond by curtailing investment or exiting the industry entirely. Benchmark Minerals noted that at least 25 gigafactory projects across China and Europe were cancelled or postponed in 2024, leading to downward revisions to long-term supply estimates. With EV penetration due to accelerate across the West in 2025 and 2026, we expect utilization rates at tier 1 manufacturers to inflect positively, helping to boost margins and profitability.



*Source: Bernstein, Guinness Global Investors, December 2024*

2024 saw rising trade tensions after the Biden administration more than tripled tariffs on Chinese imports of lithium-ion batteries (7.5% to 25%) and quadrupled tariffs on Chinese EVs (25% to 100%) in an attempt to shield domestic manufacturers from China's "unfair economic practices". With the election of Donald Trump, trade barriers look set to rise further in 2025 and beyond. Given Trump's hostile stance towards China, we see it as highly likely that the US will incentivise 'friendly' countries to bring their technology and build battery manufacturing capacity in the US, presenting an opportunity for Japanese and South Korean manufacturers.

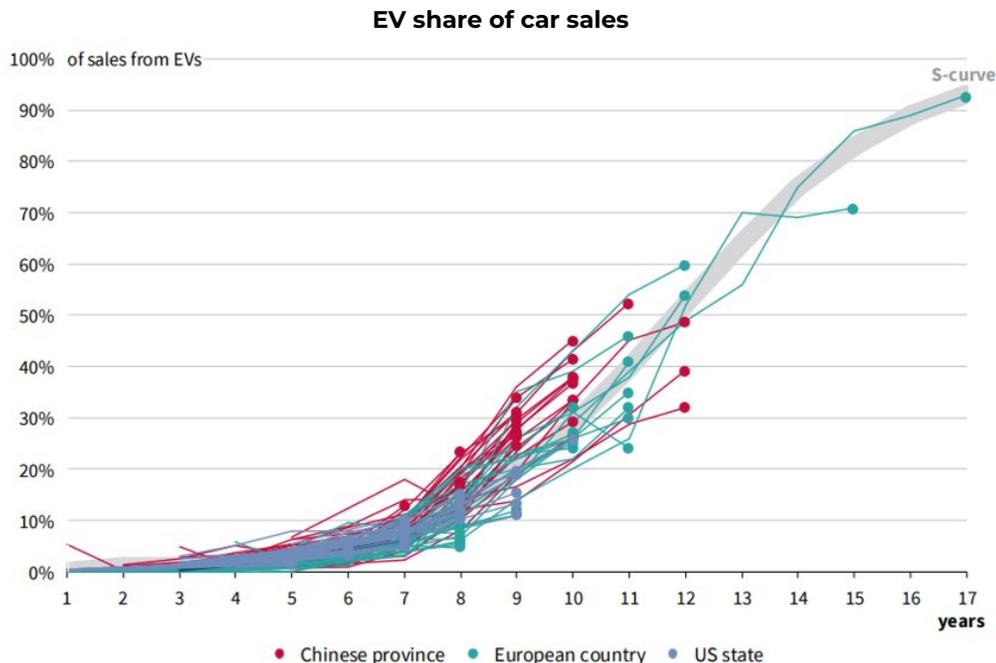
**Electric vehicles** continued to gain popularity in 2024, growing 20% year-over-year to 17 million units (a 20% penetration rate). Meanwhile, internal combustion engines (ICEs) continue to lose share, with sales having fallen by around 25% since their peak in 2017.



*Source: LMC, Cleantechica, Guinness Global Investors, December 2024*

Slowing EV sales growth was largely attributable to higher financing costs, a post-COVID inflationary spike in vehicle prices and a weakening macroeconomic environment. Lower interest rates and cheaper batteries will improve EV affordability and should act as further positive catalysts for the sector.

We take confidence from Norway, which has banned ICE vehicle sales this year after seeing EV penetration rise from just 10% in 2013 to over 90% in 2024. While Norway is a small high-income country, it is interesting that its EV adoption curve is being tracked very closely by China, which achieved EV penetration rates of over 50% in the second half of 2024. Indeed, RMI analysis covering over 110 countries, states, and provinces across Europe, the US, and China found a universal S-curve pattern in EV deployment, with EV sales taking six years to get to 5%, and only another six years to get to 50%. If growth continues along these S-curves, **RMI estimates that electric vehicles will make up over 80% of new vehicle sales in China and Europe by 2030 with the United States reaching that level by 2035.**



*Source: RMI, December 2024*

Ultimately, we believe EVs will be cheaper to buy, cheaper to run and cheaper to maintain, driving the journey towards 50% global EV sales penetration in 2030 and over 90% sales penetration in 2040. Whilst regulatory and policy-based initiatives have been necessary to grow the EV industry to critical size, EVs can ultimately offer better technology (Chinese battery manufacturer CATL has developed a lithium iron phosphate battery with a 1,000km range), better efficiency (EVs convert over 85% of energy stored into motion, compared to less than 40% for ICE vehicles) and better economics (60% of all EVs sold in China in 2023 were cheaper than the ICE equivalent) that will allow them to dominate.

## Renewable installations: solar, wind, power grids and nuclear

### Solar

**Solar** deployments grew significantly again in 2024, with global installations of around 600 GW, up around four times (40% per year) since 2020 and nearly double the 22% annual growth achieved between 2014 and 2019. The rapid uptake is undoubtedly due to the vast improvements in both solar technology and solar economics, with module prices continuing to tumble, falling by 90% over the past 10 years to a record low of just 9 cents per watt in 2024. The profitability of module manufacturers suffered as oversupply caused modules prices to fall below the cash cost of manufacturing at times.

Solar continues to become more efficient. Around 20 years ago, solar modules were 5% efficient, 10 years ago they were 15% efficient, current modules are around 25% efficient and current research suggests that we may achieve 50% efficiency over

the longer term. This could open the door to solar power costs falling 50-75% to as little as 1-3 cents per kilowatt hour (c/kWh), thereby cementing its position at the bottom of the electricity cost curve.

Looking to 2025, we expect growth across all major geographies to result in full-year global installations of around 670 GW. China will continue to dominate, making up approximately 50% of the global market as it attempts to decarbonize its power grid and achieve peak emissions before 2030. Growth should remain robust in North America driven by hyperscalers looking to lock in solar power purchase agreements which offer zero-carbon electricity with long-term price visibility and one of the fastest times to power. Data centres also provide a tailwind in Europe, which is expected to grow at a more restrained pace after more than doubling over the previous three years.

**Global solar module installations, 2010-2025E (GW)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E
<b>OECD solar installations (annual)</b>																
North America	1	2	4	6	7	8	15	12	12	15	22	26	26	40	48	53
Germany	7	7	8	3	2	1	1	2	4	4	5	6	7	15	15	16
Spain	0	0	0	0	0	0	0	0	0	5	4	6	9	9	8	9
Rest of Europe	3	4	5	5	5	8	5	7	9	14	15	21	28	46	55	56
Australia	0	1	1	1	1	1	1	1	4	3	4	6	4	6	4	5
South Korea	0	0	0	1	1	1	1	1	2	4	6	4	3	3	3	4
Japan	1	1	2	7	10	11	8	7	7	7	9	6	6	5	4	5
<b>Total OECD</b>	<b>17</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>25</b>	<b>31</b>	<b>32</b>	<b>31</b>	<b>39</b>	<b>53</b>	<b>65</b>	<b>75</b>	<b>86</b>	<b>128</b>	<b>141</b>	<b>152</b>
<i>Change</i>	10	7	0	0	2	5	1	0	7	14	12	10	18	42	55	25
<b>Non-OECD solar installations (annual)</b>																
China	0	3	3	14	13	19	30	53	44	33	52	69	107	260	309	330
India	0	0	1	1	1	2	5	10	11	11	4	13	19	14	27	29
Rest of non-OECD	1	3	3	4	6	4	8	7	12	21	29	26	40	42	123	156
<b>Total Non-OECD</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>18</b>	<b>21</b>	<b>27</b>	<b>46</b>	<b>72</b>	<b>67</b>	<b>65</b>	<b>85</b>	<b>107</b>	<b>172</b>	<b>316</b>	<b>458</b>	<b>515</b>
<i>Change</i>	1	3	2	11	2	6	19	26	-5	-2	20	22	58	144	286	198
<b>Total solar installations (annual)</b>	<b>19</b>	<b>29</b>	<b>31</b>	<b>42</b>	<b>46</b>	<b>56</b>	<b>75</b>	<b>101</b>	<b>106</b>	<b>118</b>	<b>150</b>	<b>182</b>	<b>252</b>	<b>444</b>	<b>599</b>	<b>667</b>
<i>Change</i>	11	10	2	11	4	10	19	26	5	12	32	32	76	192	347	223

*Source: BP, BNEF, PV InfoLink, IEA and Guinness Global Investors estimates, December 2024*

Thinking longer-term, solar power sits at the bottom end of the power generation cost curve, and significant increases in solar power generation are inevitable and necessary in a low-carbon energy system. Record-low module prices will only improve the volume outlook and the down cycle in pricing will end, providing opportunities for manufacturers to regain normalised profitability levels. To offset the intermittency, we will need to see solar & storage projects being more broadly economic in order to displace new build fossil fuel power generation. Storage project costs have dropped by 89% between 2010 and 2023 meaning that, over the last couple of years, the cheapest solar & storage projects (LCOEs in the range of 4.6-6.0 c/kWh) are already competitive with the cheapest new gas/coal-fired power projects (LCOEs in the range of 3.9-4.5 c/kWh and 6.8-6.9 c/kWh respectively). Higher-cost projects still require subsidy and incentives but costs are likely to fall.

## Wind

Turning to the **wind industry**, manufacturing capacity grew by 21 GW in 2024, vs 12 GW in 2023. Total installations grew to a record 124 GW as manufacturers continued to recover from supply chain bottlenecks, raw material and labour market cost inflation and onerous non-profitable contracts that were priced before inflationary conditions hit in 2021. Wind operators also saw greater stabilisation in 2024 with no new significant project cancellations as the interest rate easing cycle started to improve project economics. In addition, power purchase agreements (PPAs) for wind reached record highs in the US (\$65/MWh in Q3 2024 according to Levelten) and remain near all-time highs in Europe (€89/MWh). This sustained pricing, as interest rates started to decline, shored up new project economics and provided much-needed certainty to operators who have sat on the sidelines for the last two or three years.

Looking into 2025, we estimate a record level around 145 GW of new installations, an increase of around 21 GW versus 2024. Encouragingly, well over half of that increase is ex-China, suggesting a material ramp in growth in the sector in the key North American and European regions.

Global wind installations, 2010-2025E (GW)

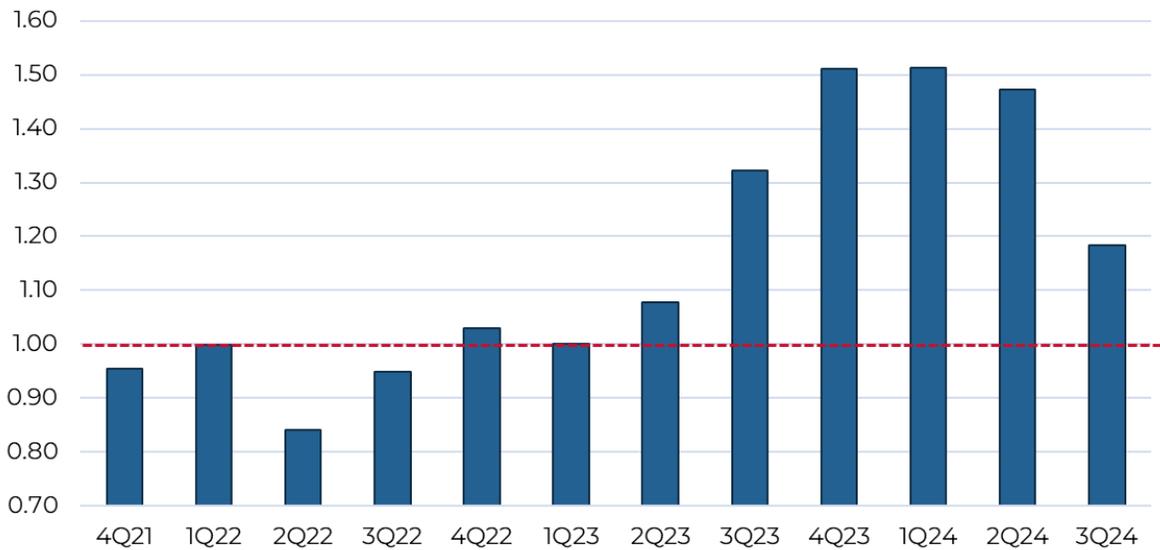
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E
<b>Onshore wind installations (annual)</b>																
North America	6	8	15	2	7	10	9	8	8	10	17	14	10	8	8	10
Latin America	0	0	0	0	5	3	3	3	4	3	3	6	4	6	6	4
Europe	9	10	12	11	11	11	12	13	8	9	14	14	15	16	11	18
China	17	18	14	15	21	29	22	17	19	26	54	42	44	54	77	81
India	1	1	2	2	2	3	4	4	2	2	1	2	2	3	3	5
RoW	3	4	4	3	4	5	5	5	4	4	4	8	5	4	5	8
<b>Total onshore</b>	<b>35</b>	<b>40</b>	<b>46</b>	<b>33</b>	<b>49</b>	<b>61</b>	<b>55</b>	<b>49</b>	<b>46</b>	<b>55</b>	<b>93</b>	<b>84</b>	<b>79</b>	<b>91</b>	<b>110</b>	<b>126</b>
<i>Change</i>	-3	5	6	-14	17	11	-6	-6	-3	9	38	-9	-5	12	19	16
<i>World ex China</i>	18	22	32	18	29	32	33	32	27	29	40	43	36	38	33	45
<b>Offshore wind installations (annual)</b>																
China	0	0	0	0	0	1	1	1	2	3	4	14	5	8	7	12
UK	1	0	1	1	0	1	0	1	2	2	1	1	3	1	0	3
Germany	0	0	0	0	0	2	0	2	0	2	0	1	0	1	1	1
RoW	0	0	0	1	0	0	0	1	0	1	2	1	1	2	6	3
<b>Total offshore</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>17</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>19</b>
<i>Change</i>	1	-1	1	1	-1	4	-4	3	0	3	-1	10	-8	3	2	5
<i>World ex China</i>	1	0	1	2	1	3	0	4	3	5	3	3	4	4	7	6
<b>Total wind installations</b>	<b>36</b>	<b>40</b>	<b>48</b>	<b>35</b>	<b>50</b>	<b>65</b>	<b>56</b>	<b>53</b>	<b>50</b>	<b>63</b>	<b>100</b>	<b>101</b>	<b>88</b>	<b>103</b>	<b>124</b>	<b>145</b>
<i>Change</i>	-2	4	8	-13	16	15	-9	-3	-2	12	38	1	-13	15	21	21

Source: BP, IEA, BNEF, Guinness Global Investors estimates, December 2024

We see a near 60% increase in installations to around 200 GW by the end of the decade, with onshore growing at 6% per annum and offshore growing at 20% pa. The starting point for the industry is healthy, with industry-level book to bill (the ratio of new orders to existing sales) at c.1.2x on a trailing 12-month basis as of Q3'24, comfortably above 1.0x. This suggests that the industry has a strong pipeline of work.

We finally remain encouraged by the potential of the Offshore sector to drive growth in the wind industry, as we enter the second half of the decade. Within Europe alone, there is c.26 GW of awarded and approved capacity set to come on-stream by 2030, the equivalent of 2-3 years of onshore growth globally. We would expect this to grow and note that there are 9.2 GW of projects tendered offshore France in November 2024 that will soon join this backlog.

Trailing 12-month European wind book to bill



Source: company data, Guinness Global Investors estimates, December 2024

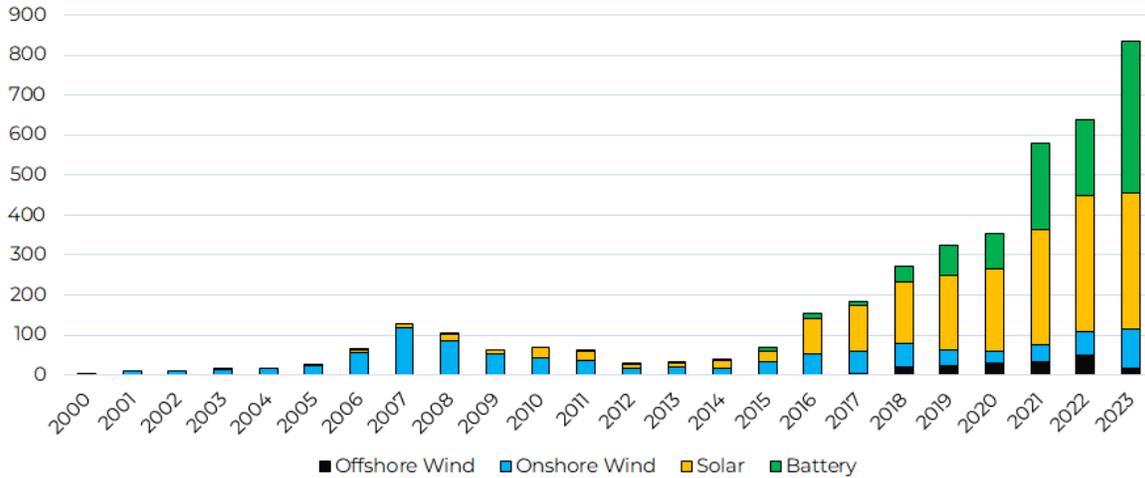
## Global power grids

**Global power grids** will have to be substantially upgraded and extended to cope with higher wind and solar generation as electricity demand inflects upwards. This includes high-voltage transmission (covering large distances), medium-voltage distribution (covering shorter distances) and low-voltage equipment (used within buildings). Within high and medium-voltage applications, we continue to see strong growth in transmission and distribution (T&D) spending. The Edison Electric Institute calculated US T&D investment at \$95bn in 2024, up 9% versus 2023. We expect a healthy outlook for US grid investment, averaging 8-10% growth per year to 2030, as network owners and operators look to replace and upgrade ageing infrastructure (typically 30-50 years old or over), harden the grid against extreme weather and build out new capacity.

After 20 years of flat electricity consumption, we see demand growth of around 2-3% per year due to data centres, AI querying, reindustrialization and electrification. Political support will be required to make this happen and we stress that the outlook here is very robust regardless of what President Trump achieves with the IRA. The inflection started in 2024 in the US, but we expect pressure in Europe as well, where – despite the region being 12-24 months behind the US – data centre capacity is still forecast to grow at 20% per year to reach 35 GW in 2030. Three meaningful bottlenecks to this growth exist, relevant both in a US and a global context, and provide opportunities for companies to make superior margins:

- **Labour:** Bernstein estimates that the US will need 50% more linemen by 2035, forecasting a 12,000-worker shortage if the industry continues to grow at its historic rate. Experienced engineers are in short supply.
- **Transformers:** The average US transformer is 35-40 years old and the US imports around 80% of its large transformers. Supply chains are stretched with prices up 60-80% since early 2020 and lead times tripling to c.150 weeks since 2021. Electrical equipment manufacturers, especially US domestic manufacturers, are well placed.
- **Permitting:** The Lawrence Berkley National Laboratory sees the US interconnection queue at its highest level on record, while WoodMac expects that permit applications from as far back as 2020 will not be approved until later this decade. The opportunity for superior margins could last for a few years.

US cumulative interconnection queue



Source: Generation, Lawrence Berkeley National Laboratory, December 2024

These are long-term trends that will require multi-year investment programmes and it is therefore not surprising that **nuclear power** came back into consideration in the US as concerns grew about grid stability. While not necessarily considered to be a ‘renewable’ power source, and despite its chequered past, nuclear power will play a role in the global energy transition and there is no credible net zero scenario which doesn’t forecast growth in ‘carbon-free’ nuclear. The 2024 nuclear renaissance saw hyperscalers sign deals to restart old reactors, support small modular reactors (SMRs) and invest in start-up companies developing nuclear fusion technologies.

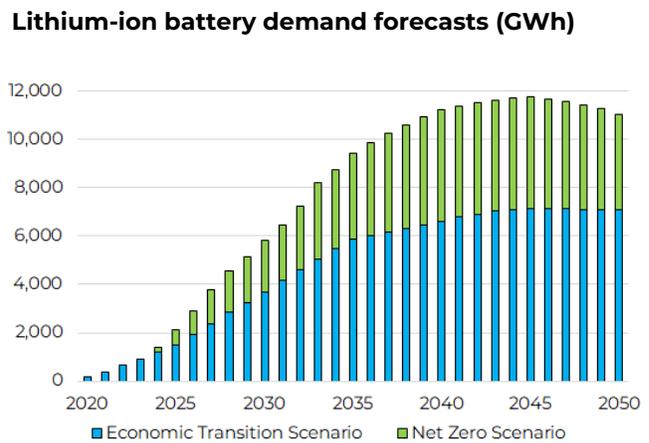
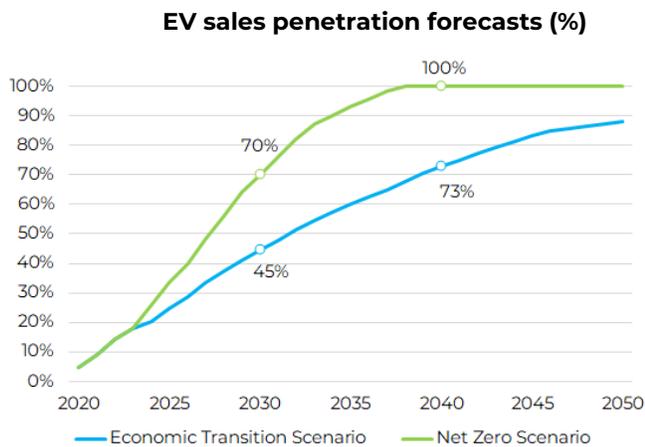
A key focus remains SMRs, which are frequently touted as a solution to provide baseload low-carbon power generation. However, as far as we are aware, only two SMRs are currently in operation globally: one in Russia (in a maritime setup) and the other in China. With limited information about either, the development schedule and the underlying economics of both are unclear. From what we know, we think SMRs in the US will not be cheaper than gas or renewables-based power generation. In late 2023, NuScale cancelled its planned SMR Carbon Free Power Project (CFPP) in Utah as its costs escalated (requiring 9 c/kWh to be economic, after a 3 c/kWh IRA subsidy) and its start date slipped (back to 2029, from an original plan of 2026). While carbon-free baseload power at \$9 c/kWh could certainly be considered ‘economic’, we would expect project delays and cost overruns to take this substantially higher.

So, beyond restarting idled nuclear plants, nuclear power does not appear to be set for meaningful growth. We expect the first power from new SMR facilities to come after 2032, but even then, it is unlikely that SMRs have any meaningful impact until the late 2030s, in our opinion. This leads to a situation where global power grids will need to be extended and strengthened in order to cope with higher levels of variable renewable power.

## IMPLICATIONS OF A NET ZERO SCENARIO

Throughout this document, we refer to our base-case energy transition scenario that reflects our understanding of the industry’s current capacity and plans to provide decarbonisation solutions. This scenario is not consistent with net zero and we highlight the following changes across our subsectors that would be required to deliver a net zero transition:

- Within **efficiency**, annual improvements in energy intensity would need to quadruple from 1% in 2024 to average 4% per year out to 2030 globally. For buildings, this translates into efficiency, electrification and end-use investment increasing to around \$850bn per year this decade (from \$340bn today). For industry, investment must step up from \$50bn in 2024 to \$125bn per year out to 2030. It is worth noting that our base case scenario already assumes significant energy efficiency gains with world energy demand forecast to grow at 1% per year, half the historic rate of 2% per year.
- **Alternative fuel** production growth would need to more than double by 2030 from 2023 levels (implying 11% per year growth) and then double again by 2050. SAF would have to grow from 0.3% of global jet fuel in 2024 to around 10% in 2030 (substantially higher than our base case 2030 estimate of around 2%).
- For **electric vehicles** and **batteries**, BNEF estimate that in a net zero scenario, global EV penetration rates must hit 70% by 2030 with 100% of vehicles sold being electric by 2040 (versus their current 'base case' economic transition estimates of 45% and 73% respectively). This translates into global battery demand of 5.8 TWh in 2030 compared to 1.2 TWh today, almost 60% higher than their base case assumptions, which themselves imply an annual growth rate of 20% per year from current levels.



Source: BNEF, Guinness Global Investors, December 2024

- **Solar** and **wind** generation by 2050 would need to be more than double the levels anticipated under our base case scenario, which already assumes a 4x increase in the wind generation base and a 10x increase in the solar base.
- For **power grids**, net zero would require global grid investment to grow at around 14% per year to the end of the decade, more than doubling from around \$370bn today to over \$800bn by 2030, 50% higher than our base case estimate.
- Under a net zero scenario, **nuclear** power capacity needs to expand by around 15 GW every year to the end of the decade, reaching 545 GW by 2030. Despite this only constituting 30% growth from current levels, new installations must outpace a wall of retirements from power plants installed in the 1970s and 1980s which are now coming to the end of their useful lives.
- According to McKinsey, annual **investment** on low-emissions technologies would need to increase from about \$1.5trn to around \$7trn over the next three decades, while annual investment in renewable capacity in 2025-2030 would need to be triple the 2023 levels in order to achieve 16% per annum renewable growth required near term to achieve a NZE trajectory.

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If you decide to invest, you will be buying shares in the Funds and will not be investing directly in the underlying assets of the Funds.

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The documentation needed to make an investment, including the Prospectus, Supplement, the Key Investor Information Document (KIID), Key Information Document (KID) and the Application Form, is available in English from [www.guinnessgi.com](http://www.guinnessgi.com) or free of charge from the Manager: Waystone Management Company (IE) Limited 2nd Floor 35 Shelbourne Road, Ballsbridge, Dublin D04 A4E0, Ireland; or the Promoter and Investment Manager: Guinness Asset Management Ltd, 18 Smith Square, London SW1P 3HZ.

Waystone IE is a company incorporated under the laws of Ireland having its registered office at 35 Shelbourne Rd, Ballsbridge, Dublin, D04 A4E0 Ireland, which is authorised by the Central Bank of Ireland, has appointed Guinness Asset Management Ltd as Investment Manager to this fund, and as Manager has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

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A summary of investor rights including collective redress mechanisms is available in English here: <https://www.waystone.com/waystone-policies/>

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#### Structure & regulation

The Fund is a sub-fund of Guinness Asset Management Funds PLC (the "Company"), an open-ended umbrella-type investment company, incorporated in Ireland and authorised and supervised by the Central Bank of Ireland, which operates under EU legislation. If you are in any doubt about the suitability of investing in this Fund, please consult your investment or other professional adviser.

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### WS GUINNESS SUSTAINABLE ENERGY FUND

#### Documentation

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General Enquiries: 0345 922 0044

E-Mail: [wta-investorservices@waystone.com](mailto:wta-investorservices@waystone.com).

Waystone Fund Services (UK) Limited is authorised and regulated by the Financial Conduct Authority.

#### Residency

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#### Structure & regulation

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### **GUINNESS SUSTAINABLE ENERGY UCITS ETF**

#### **Documentation**

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#### **Structure & regulation**

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