

BlackRock

Time to take action

BGF Sustainable Energy Fund

Climate change is a significant long-term risk for investors' portfolios and, to date, much of the public debate has focused on this. We believe investors should also consider the opportunities that increasing efforts to limit carbon emissions will create.

The **BlackRock Global Funds (BGF) Sustainable Energy Fund** is focused on capturing opportunities created by the transition to a lower carbon global economy, across power, transportation and the built environment. We expect the sector to deliver above market earnings growth and believe that, in many instances, this is not reflected in valuations.

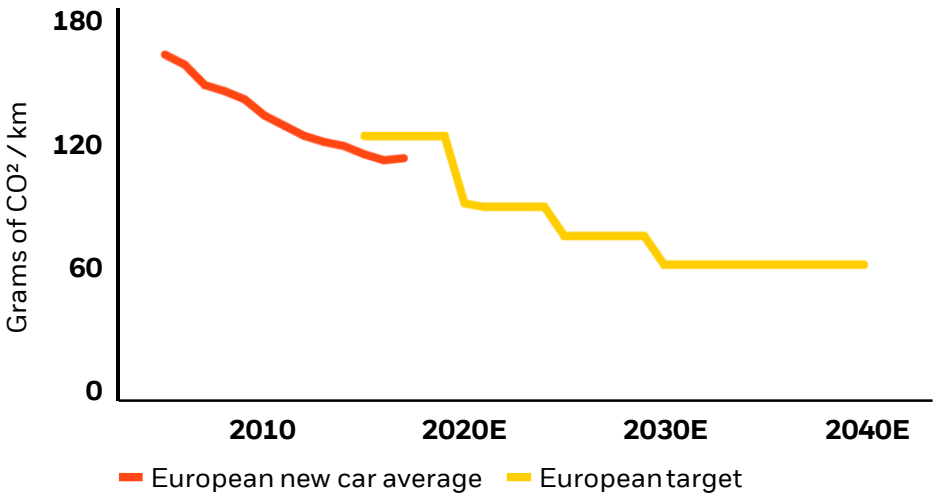


What is driving the theme?

Regulation

Governments are supporting the transition to a lower carbon world

Regulatory targets in Europe for new cars¹



Society

Society wants to reduce carbon emissions

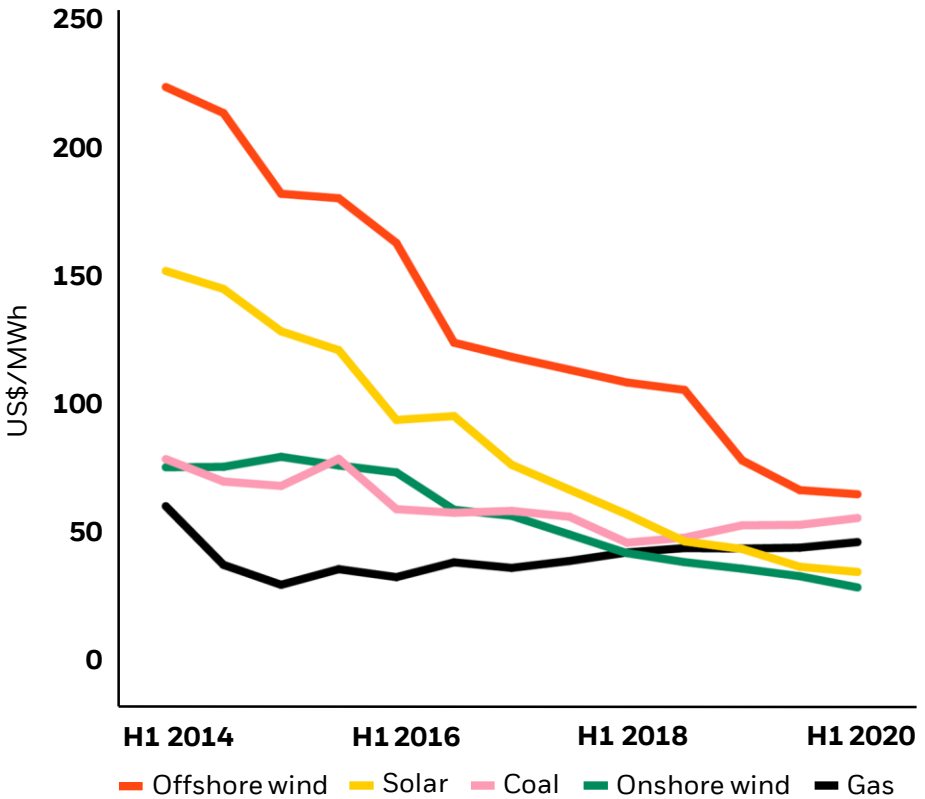
“Across the globe, millions join biggest climate protest ever”
The Guardian, 20th September 2019.

1 Source: Credit Suisse and ACEA, April 2019.
For illustrative purposes only. Subject to change. There is no guarantee that any forecast will come to pass.

Economics

Lower carbon solutions are becoming increasingly cost competitive

Continued cost declines of renewables²



2 Source: BlackRock using data from Bloomberg NEF, May 2020. For illustrative purposes only.

Why the BGF Sustainable Energy Fund?

1 Benefit from the transition to a lower carbon economy

The Fund can invest in any company that benefits from the transition to a lower carbon economy. Currently, the three key areas of focus are clean power, energy efficiency and clean transportation. Examples of companies the team looks at in transportation include those supplying key components or technology for electric vehicles or those supporting the build-out of the related charging infrastructure. Within energy efficiency, the team includes companies that offer products that reduce energy consumption in buildings or industrial applications. Finally, within clean power, the team invests in companies that own renewable energy projects as well as those manufacturing the related equipment.

Risk: There can be no guarantee that the investment strategy can be successful and the value of investments may go down as well as up. Investment process is subject to change and is provided here for illustrative purposes.

Clean power

Examples:

- Clean utilities
- Renewable energy technology

Energy efficiency

Examples:

- Insulation
- Smart buildings
- Industrial efficiency

Clean transportation

Examples:

- Electric vehicle manufacturers and related sub-suppliers
- Suppliers of emissions-reduction equipment for vehicles with traditional internal combustion engines

For illustrative purposes only.

2 A forward-looking investment strategy

The BGF Sustainable Energy Fund is one of the longest-running energy transition funds in the world³. For a company to be included in the Fund, the team typically looks for at least 25% of revenues to come from sustainable energy-related businesses and for such to be a key growth driver for the business. Investment is based on three pillars: business fundamentals, valuation, and environmental, social and governance (ESG) considerations—with all three being as equally important. The investment process involves a combination of bottom-up analysis of individual companies and a top-down macro overlay, with a view to also avoid emotive ‘hype’ stocks.

³ Source: BlackRock, as at September 2021. Investment process is subject to change and is provided here for illustrative purposes.

How we pick stocks

Fundamentals

**Sector
specialists**

**Company
meetings**

**Site
visits**

Valuation

Screens

**Financial
modelling**

**Research
templates**

ESG

**Formal
exclusions**

Ethix screens

Engagement

Risk: This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This is for illustrative and informational purposes and is subject to change. It has not been approved by any regulatory authority or securities regulator. The environmental, social and governance (“ESG”) considerations discussed herein may affect an investment team’s decision to invest in certain companies or industries from time to time. Results may differ from portfolios that do not apply similar ESG considerations to their investment process.

3

A sustainable solution for portfolios

The Fund follows a four-layered approach to ESG. Firstly, it will not invest in companies that are classified in the following sectors (as defined by the Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas. Secondly, the team uses a combination of ESG data, which is incorporated into BlackRock's Aladdin system, and fundamental ESG research. Thirdly, the portfolio is screened on a quarterly basis for controversies related to the 10 UN Global Compact Principles³. Finally, the team works closely with BlackRock's Investment Stewardship and BlackRock Sustainable Investing teams. Where necessary, the team may engage directly with companies on ESG issues. The Fund's aim is to maximise total returns and we believe that diligent ESG analysis is a key pillar to achieving this goal.

The UN Sustainable Development Goals that the Fund is most closely aligned with are:



4 Source: United Nations Global Impact.

Risk: While proprietary technology platforms may help manage risk, risk cannot be eliminated.

BlackRock's thematic platform

The BGF Sustainable Energy Fund is one of BlackRock's Active Equity Thematics products. The following is a list of the full range of themes:

Active

Circular economy

FinTech

Future of transport

Next generation technology

Nutrition

Sustainable energy

Passive

Ageing population

Agribusiness

Automation & robotics

Digitalisation

Digital security

Electric vehicles & driving technology

EM consumer growth

Global clean energy

Global timber & forestry

Global water

Healthcare innovation

Inclusion & diversity

Smart city infrastructure

We also offer a product that invests across BlackRock's entire thematic platform

Multi-theme

Incorporating the Megatrend themes

Source: BlackRock, September 2021. For illustrative purposes only.

The team

Alastair Bishop and Charles Lilford

co-manage the Fund and have been covering the sustainable energy sector for 17 and 16 years, respectively. They are supported by a dedicated analyst, Lindsay Sinclair, and five product strategists.

The team also collaborates with the broader

Active Equity platform,

which contains over

200 investors

exchanging ideas and gaining local insights from colleagues located all over the world.



Alastair Bishop
Portfolio manager



Charles Lilford
Portfolio manager

Source: BlackRock, as at September 2021.

Key features

Investment Objective

The Sustainable Energy Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of sustainable energy companies. Sustainable energy companies are those which are engaged in alternative energy and energy technologies including: renewable energy technology; renewable energy developers; alternative fuels; energy efficiency; enabling energy and infrastructure. The Fund will not invest in companies that are classified in the following sectors (as defined by Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas.

Holdings

30–50 stocks

Fund launch date

15 March 2001

A2 USD share class ISIN

LU0124384867



Source: BlackRock and Morningstar, as at 31 August 2021

IMPORTANT:

- The Fund's investments in equities could incur significant losses due to higher fluctuation of equity values. The Fund's investments are concentrated in the alternative energy and energy technologies sectors. This may result in greater volatility than more broad-based investments.
- The Fund is subject to currency risk, emerging market risk, foreign investments restrictions risk, small-cap companies' volatility and liquidity risks and contingent convertible bonds risk and risk associated with investing in sustainable themes or sectors, and ESG investment policy risk.
- The Fund may use derivatives for hedging and for investment purposes. However, usage for investment purposes will not be extensive. The Fund may suffer losses from its derivatives usage.
- The value of the Fund can be volatile and can go down substantially within a short period of time. It is possible that a certain amount of your investment could be lost.
- Investors should not make investment decisions based on this document alone. Investors should refer to the Prospectus and Product Highlights Sheet for details including risk factors.

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