

All data as of February 29, 2024

# Brookfield Global Renewables and Sustainable Infrastructure

## UCITS Fund Monthly Commentary

Global equities finished February higher, as a resilient U.S. macro and earnings backdrop and continued market enthusiasm for artificial intelligence (AI) drove gains. The MSCI World Index rose 4.28%, its fourth straight monthly increase, with North America, Asia Pacific and Europe up 5.17%, 2.22% and 1.57%, respectively. The S&P 500 Index gained 5.34%, also rising for a fourth month in a row. The 10-year U.S. Treasury yield increased to 4.25% from 3.91% at the end of January, as inflation data contributed to a hawkish repricing of Federal Reserve pivot expectations. West Texas Intermediate Crude Oil finished the month at \$78.26, up from \$75.85 at the end of January, while the Bloomberg Commodity Index fell 1.47%.

### Performance and Attribution

For the second consecutive month, the sector declined amid concerns around elevated interest rates. For a full summary of what contributed and detracted, please see below.

#### Top Contributors:

- Water & Waste Infrastructure (infrastructure-like). Waste management companies continued to rally, following strong performance in 2023.
- Water & Waste Infrastructure (broader value chain). A position in a water technology company outperformed during the period.
- Clean Technology. A company focused on the electrification value chain outperformed during the period.

#### Top Detractors:

- Renewable Power & Infrastructure (infrastructure-like). Primary detractors included renewable power producers in across the globe, which were negatively impacted during the period by rising interest rates.

### Portfolio Positioning and Outlook

Falling inflation, subsiding supply chain headwinds, and a normalizing interest rate environment set the stage for an improving renewable power investing environment in 2024. Coupled with this better fundamental backdrop, we believe today's attractive valuations offer a very enticing entry point into the asset class.

We expect growing positive sentiment toward listed renewables and sustainable infrastructure amid several specific tailwinds we see supporting the group this year and beyond: declining equipment costs, improving costs of capital and continued demand for renewable deployments.

We continue to highlight the importance of diversity within the renewables and sustainable infrastructure universe. Beyond "pure-play" renewables companies like power generators, wind turbines and solar panels, the universe includes waste management companies tied to the concept of a circular economy. We believe these companies have shown their ability to provide diversification to a renewables portfolio.

We made the following position changes during the period:

- Initiated a position in a climate and energy solutions company based on what we view to be positive developments in the heating, ventilating and air conditioning "HVAC" market, and the implications for company growth.
- Initiated a position in a Northeastern U.S. utility given what we believe was an attractive market value dislocation, coupled with potential company-specific catalysts around offshore wind auctions and asset sales. Conversely, we decreased exposure to a Midwest U.S. utility, based on our view of a better risk/reward opportunity.
- Decreased exposure to a U.K. renewable power generator, largely due to declining power prices in the U.K.
- Lastly, we exited a company focused on the U.S. solar residential market, based on deteriorating demand fundamentals, which we believe will take time to rebound. Conversely, we added a position to a company focused on providing solar tracker and software solutions to utility-scale power projects. We believe fundamentals are supported by lower installation costs and projections for installations in the coming years.

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### INDEX DEFINITIONS

The Bloomberg Commodity Index is a broadly diversified index that tracks the commodities markets through commodity futures contracts.

The MSCI World Index is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets.

The S&P 500 Index is an equity index of 500 widely held, large-capitalization U.S. companies.

The U.S. 10-Year Treasury Note is a debt obligation issued by the United States government that matures in 10 years and pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

West Texas Intermediate Crude Oil is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.