

Portfolio Manager Q&A: Tailwinds for Renewables

We recently sat down with Joseph Idaszak and Iñigo Mijangos, co-portfolio managers for Brookfield's Listed Global Renewables & Sustainable Infrastructure Strategy (GRSI), to learn more about key trends they see driving future opportunities across renewable energy, what sets their renewables investing approach apart, and more. Please find excerpts from the conversation below.



JOSEPH IDASZAK
Director,
Portfolio Manager



IÑIGO MIJANGOS
Managing Director,
Portfolio Manager

Q. What significant renewable power trends do you find most exciting?

A: The clean energy sector has experienced an aligning of the stars over the past couple of years, with a number of tailwinds setting the stage for the next decade. We are well underway on the global transition toward a world that runs on renewable power, spurred by economics and public initiatives. But along the way, we need to consider customer bill affordability issues, which have recently sparked government intervention. In the race to achieving affordable and reliable energy, politicians will be forced to make difficult decisions. Recent policy initiatives are all pointing in the right direction—helping to bridge the delicate balance of renewable power, customer affordability and security of energy supply.

The landmark U.S. Inflation Reduction Act (IRA) in 2022 significantly expanded economic incentives for clean energy projects, driving a new wave of growth opportunities. We see tax incentive adjustments serving as a catalyst for increased manufacturing production and development of wind & solar in the U.S., as well providing new incentives for existing nuclear, clean hydrogen, and stand-alone battery storage. The early days of the European Union's

proposed response to the IRA, the “Green Deal Industrial Plan,” offers incentives for European companies to keep manufacturing of key products and technologies (batteries, wind turbines, solar panels, etc.) local, likely spurring spending across Europe.

Q: How do you expect companies in your investment universe will capitalize on these trends?

A: The IRA is like a steroid shot in the arm to renewables development, and companies that have assets within the U.S. are poised to benefit. Many of our investments overseas have U.S. portfolios, and we are monitoring to see how they can take advantage of this legislation. The IRA should also help to expand the future universe of companies that would be investable within the portfolio.

Q: What is unique or different about Brookfield's approach to renewable infrastructure investing in listed markets?

A: As infrastructure investors and pioneers in listed renewables investing, we focus where we have expertise, favoring infrastructure companies and their approach to the energy transition. We invest

in companies that own and operate renewable power and infrastructure assets. We believe these assets are key to a successful transition to a cleaner tomorrow.

While we believe these companies are the backbone of the global renewables opportunity, we also selectively gain exposure to companies that manufacture goods and provide services that support infrastructure activities. These companies tend to be less defensive, but they may offer greater upside during periods of market expansion. We believe our unique approach provides a sustainable-growth solution with potentially lower risk.

Q: How do you track and measure the impact of your investments in the portfolio?

A: We utilize our environmental, social and governance-centric approach to identify companies with industry-leading growth prospects that have the potential to produce positive results beyond solid financial performance. Our disciplined, active approach centers around intensive environmental, social and governance (ESG) analysis and fundamental analysis. Our focus is on productive interaction with management teams to actively discuss sustainability targets and initiatives designed to bring the world closer to net zero.

We actively manage our portfolio toward emissions reductions, tracking our pathway to net zero while collecting key data points across E, S and G. The portfolio is aligned to the United Nations’ Sustainable Development Goals. While we actively track business activities toward five of the 17 goals, all of our investments generally must align to Climate Action, which is Goal 13.




Q: What role can GRSI play in a diversified global portfolio, and what priorities do your clients seek to tackle with an allocation to GRSI?

A: We find that numerous clients incorporate GRSI into their real asset allocation as a complement to traditional infrastructure, while others perceive it as a lower-volatility alternative to other clean energy or impact portfolios. In every instance, GRSI empowers our clients to showcase immediate progress toward achieving their net-zero targets.

We have noticed that a significant number of our clients aim to leverage the renewable thematic but have been searching for a way to mitigate volatility. Our emphasis on infrastructure-like businesses offers an appealing blend of growth, stability and reduced volatility, including when compared with other active and passive options in the renewables space. Our approach starkly contrasts with many climate-oriented strategies that tend to be more cyclical, primarily due to higher allocations toward “concepts” rather than “cash flows,” and this has been a key differentiator for our strategy.

By choosing to invest with Brookfield, you can experience the unique benefits of our approach to renewables and the energy transition. Our deep expertise in real assets and the favorable backdrop for renewable assets combine to create a compelling investment opportunity, striking what we believe is the right balance between risk and reward.

INVESTMENTS MUST ALIGN WITH THREE OF OUR FIVE CHOSEN UN SUSTAINABLE DEVELOPMENT GOALS

	13 CLIMATE ACTION 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	7 AFFORDABLE AND CLEAN ENERGY 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	6 CLEAN WATER AND SANITATION 
Renewable Power & Infrastructure	Green	Green	Green	Green	White
Water & Waste Infrastructure	Green	Green	White	White	Green
Clean Technology	Green	Green	Green	Green	White

The column labels represent our five chosen United Nations’ Sustainable Development Goals, and the rows represent the investments meeting each goal.

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