

How to invest (even now) in an electric car

What with wind, battery, copper and nuclear, the green mobility market is creating many opportunities. The strategies of a Banor fund manager

by **Gabriele Petrucciani**

Mobility in the future is looking more and more electric. The Global EV Outlook 2021 estimates that there will be 145 million non-polluting cars on the road in 2030 (at the end of 2020 the figure was just over 3 million). This is a clear sign of the gathering pace of energy transition, along with the planned halt to the sale of petrol-driven cars in Europe by 2035. "There is a fundamental need to decarbonise travel and transport", says Will Smith, advisor to the Banor SICAV North America Long Short fund. "From cars through to trucks, there is a need for electric solutions, and this is the direction we are heading".

Investment in the energy transition is set to increase worldwide, which will inevitably create buying opportunities in the markets. "The biggest area of investment to focus on is the battery sector, for powering electric vehicles, certainly, but mainly for renewable energy storage, which would increase the chances of decarbonising our economy," suggests Smith. "Another area to look at is nuclear power. If we really want to decarbonise, nuclear power must play a key role. This is a very thorny issue for countries like Germany, which decided to close its plants and shift towards fossil fuel energy production in the wake of Fukushima. I don't think the Germans have a word for 'nuclear Renaissance', but I'm willing to bet that they'll invent one in the next few years".

From wind to copper

In the case of wind energy, Banor's expert sees interesting opportunities in the infrastructure sector: "If we compare a coal power plant with a wind power plant, there is an obvious need to build more plants because wind turbines produce less energy than coal. So there will be an increased demand for the copper cables needed to carry electricity. One of the companies benefiting from this trend is Italy's Prysmian Group, which specialises in manufacturing cables for use in the energy sector". And Prysmian is one of the stocks in which the Banor SICAV North America Long Short fund has invested, alongside other companies such as the American company Wolfspeed, a semiconductor company specialising in silicon carbide — an element essential for the fast charging of electric vehicle batteries. "Rapid battery charging technologies are the very essence to electric vehicles being accepted as a replacement for petrol vehicles", says Smith.

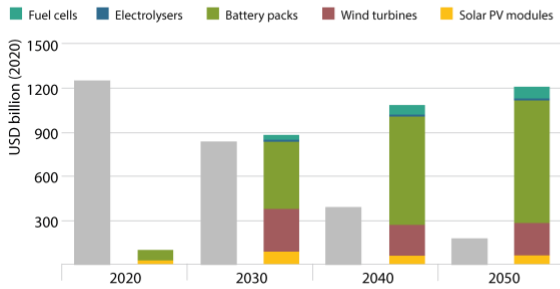
"In general, we focus on companies that have unique offerings, are experiencing revolutionary, transformative growth and are not being properly valued by the market. We ESG screen stocks before they come into the fund, because for us it makes no sense to invest in energy transition and then choose companies that take a wrong, polluting path towards that result".

Inflation and risks

However, while the green revolution brings with it several investment opportunities, the risks on the horizon should not be underestimated. First up is inflation. "Sustainable energy is still very costly to produce, and the increase in the consumer price index is eroding the margins of many activities in the energy transition", concludes Smith. "This can be a problematic situation for the company, but it is possible to selectively identify areas that will be able to deliver their full potential with the energy transition".

BATTERIES CENTRAL TO THE TRANSITION

Estimated market sizes of oil and clean tech in IEA NET ZERO scenario



HUGE GROWTH IN BATTERY DEMAND

Battery demand by end use, 2019-30E

