Excerpt from Investment Week, October 27, 2022
https://www.investmentweek.co.uk/sponsored/4058926/event-voice-invesco-invesco-global-clean-energy-ucits-etf

Event Voice: Invesco Global Clean Energy UCITS ETF

Why did you launch the ETF and what were you trying to achieve for investors? How could it fit in investors' portfolios?

We launched the Invesco Global Clean Energy UCITS ETF in March 2021 for investors who wanted more direct exposure to the transition to a low-carbon economy than they were likely to achieve with broad ESG funds. We also wanted to provide investors with an investment that offered more diversification - in terms of number of holdings and spread across small, mid and large caps - than competing funds currently available on the market, as well as access to the expertise of a specialist in the field of clean energy.

Investors could use this thematic ETF in a core-satellite approach or for tactical allocation as they would use technology-focused funds. It could be more compelling for many investors to gain exposure across the entire clean energy space instead of investing in a specific area such as solar or wind.

The ETF is an Article … investment under SFDR.

Where are the opportunities for investors in gaining access to this theme?

You can make a strong investment case for clean energy, now and for the longer term. Some countries are already investing heavily in solar, wind and other renewables to bolster their energy security and reduce carbon emissions, while others have similar plans for the coming years. The number of companies involved in this transition is greater than many people might think, and our ETF aims to gain exposure to the entire ecosystem but with a focus on pure plays rather than companies earning only a marginal amount from ….

Companies in the ETF are assigned to one of seven sectors based on their primary business activity. The largest exposures within the index are currently: solar, energy storage, energy efficiency and wind, followed by energy conversion, biofuel/biomass and other renewables. The exposure to each sector could change over time as different technologies develop and become more or less relevant compared to alternatives. Wind and solar are currently leading the way, and in many parts of the world are now cheaper for utility-scale electricity generation than fossil fuels. Hydrogen will likely be important for industries that can't be electrified, and these technologies could be cost competitive in ….

How is the ETF constructed and reviewed?

The fund aims to achieve its objective by buying and holding, as far as possible and practical, all the securities in the WilderHill New Energy Global Innovation

Index in their respective weightings. The fund will aim to rebalance its holdings whenever the Reference Index is rebalanced. The ETF is passively managed.
The index is constructed by California-based WilderHill, a firm specialising in clean energy index solutions. The firm's co-founder, Dr Rob Wilder, has been involved with environmental activism and clean energy for 30 years, so he brings passion, conviction and a deep knowledge base to exploration and identification of the companies involved and emergence of different technologies. The firm's index advisory committee is comprised of prominent individuals from the worlds of climate science, technology, politics and communications.
Stocks in the investment universe are screened on size (market cap greater than $100m) and liquidity (30-day average daily trading volume greater than $1m). Companies breaching UN Global Compact Principles, having severe controversies or involved in harmful business practices are excluded from consideration. The investment advisory committee then identifies companies best positioned to drive decarbonisation based on fundamental analysis, e.g., revenue, earnings, assets; a requirement to have the primary part of the business activities focused on new energy innovation; and without exposure to coal or oil and only minimal exposure to natural gas.
Companies are weighted equally for diversification and to ensure every constituent can make a material impact. The index is reviewed and rebalanced quarterly.

What is your engagement with the companies in which you invest and how do you measure and report impact to clients?

We believe engagement is important for active and passive portfolios. We actively engage with companies we hold in our portfolios, with members of Invesco's global ESG team combining with our active managers to meet senior management of as many of the companies as possible. We also vote on relevant issues, with our passive funds aligning with the largest shareholder from our active managers. Where there is no active holding, we will vote …
We publish the relevant ESG metrics of each ETF on the Invesco website. This transparency can help investors monitor and better understand the fund's ESG characteristics, including ESG Rating, ESG Quality Score, Carbon Intensity and percentage of potentially controversial business involvement (0% for this ETF). ESG data is sourced from MSCI ESG Research.
Our ESG team also publishes an in-depth stewardship report, detailing the firm's proxy voting and engagement results over the period.

Investment risks

For complete information on risks, refer to the legal documents.

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