Hydrogen Certificate
(H2C)

March 2023

Strategy

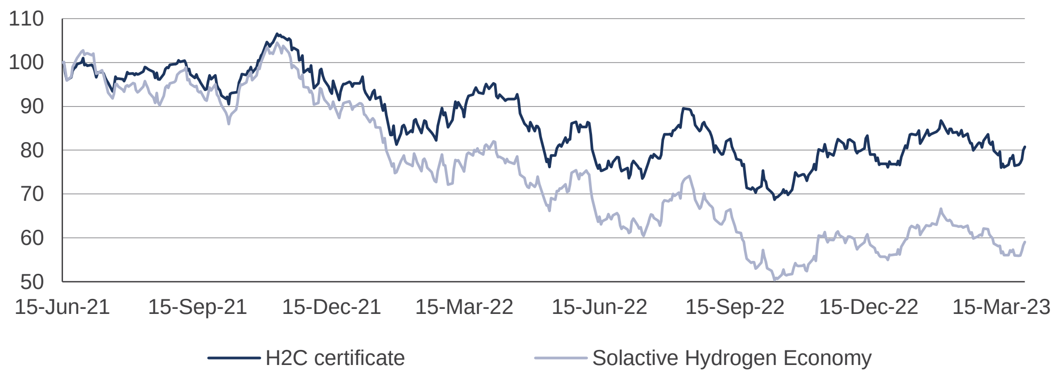
Thematic global equity exposure to best capture the developments of the hydrogen economy.

Concentrated portfolio of 25 - 30 stocks that demonstrate above-average thematic exposure, based on materiality assessment. The stock selection process includes proprietary quantitative screens and qualitative evaluation.

Diversified exposure across 4 hydrogen buckets: Core (direct hydrogen sales, electrolysers, fuel cells), Infrastructure (clean power – upstream – and H2 transportation – downstream), Decarb users (hydrogen as a feedstock/fuel/heat) and Tech enablers (intangible know how that can facilitate the deployment of hydrogen).

Performance[1]

	MTD	YTD	Since certificate inception
H2C certificate	**-1.2%**	**5.1%**	**-19.2%**
Solactive Hydrogen Economy	-2.6%	5.3%	-40.9%



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	10.0%	-3.4%	-1.2%										**5.1%**
2022	-11.9%	6.9%	5.4%	-8.5%	-1.2%	-11.8%	11.1%	-1.7%	-13.3%	4.7%	8.0%	-4.5%	**-19.3%**
2021						-0.6%	-2.0%	2.3%	-5.9%	8.8%	-4.0%	-2.7%	**-4.8%**

Comment

In March the hydrogen strategy posted a negative performance of -1.2%, compared to -2.6% for the benchmark Solactive Hydrogen Economy.

Utilities (overweight versus benchmark) outperformed, with Iberdrola (+8.3%), Snam (+7.8%) and Xcel Energy (+5.3%) among best performances in USD terms. “Pure Plays” (underweight versus benchmark) underperformed, with Plug Power (-21.2%), Fuelcell Energy (-14.7%) and Powercell Sweden (-13.7%) the worst 3 performers.

Key Information

Structure
Open-end actively managed certificate (SSPA category: Tracker certificate, 1300)

Issuer
Zürcher Kantonalbank, Zurich (S&P AAA)

Investment Manager
Rothschild & Co Bank AG, Zurich

Asset class
Equities

Portfolio management strategy
Active

ISIN
On request

Currency
USD

Inception date
15-Jun-2021

Dividend policy
Net dividend reinvested

Liquidity
Daily

[1] Risk and return data is calculated net of fees.

Past performance is not a reliable indicator or guarantee of future performance.

Market update

According to BloombergNEF Research, government funding for hydrogen (H2) continues to grow.

Funding for H2 totals $146 billion to 2030, up by 46% from January 2022. This total consists of $76.4 billion in targeted support for the sector and $69.4 billion in technology-neutral funds to which H2 projects can apply.

Germany ranks first with $21.3 billion it will allocate between 2023-26 to support industry decarbonization using H2.

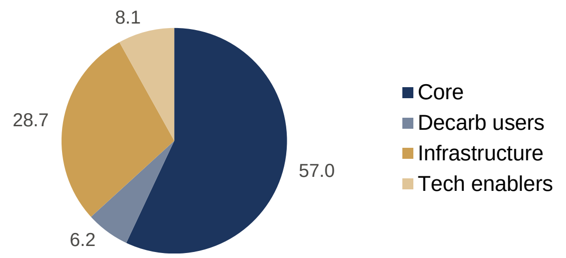
India became one of the first emerging markets to support H2 as it will start a $2.4 billion subsidy scheme for H2 production, electrolyzer manufacturing and R&D initiatives.

But the US may outspend other countries thanks to the tax credits offered in its Inflation Reduction Act. While the US government expects to spend $13 billion, the credits have no budget limit.

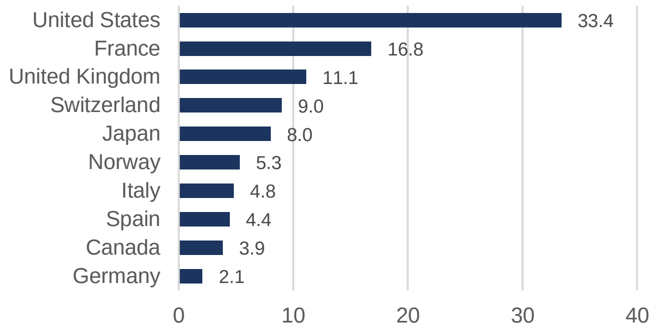
Portfolio rebalancing

We reduced Toyota (-1.9%) to add Bayerische Motoren Werke – BMW (+1.9%) to the portfolio.

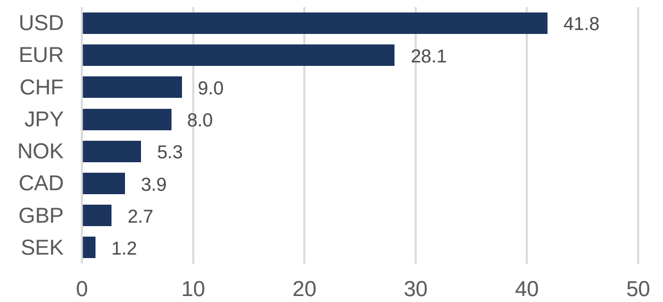
H2 "bucket" allocation (%)



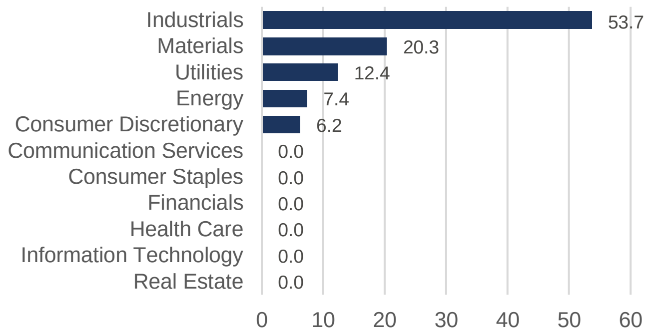
Country allocation (%)



Currency allocation (%)



Sector allocation (%)



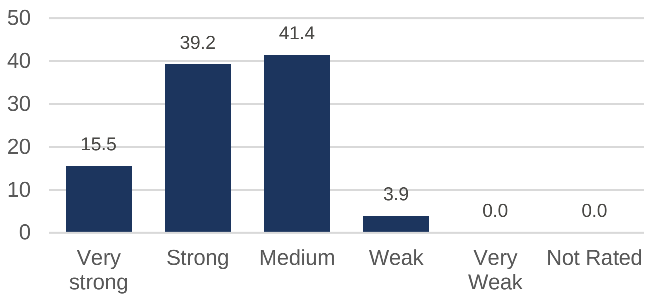
Top 10 holdings

Rank	Company name	Country	Sector	H2 ”bucket”	Weight
1	Linde PLC	United Kingdom	Materials	Core	8.5%
2	Air Liquide SA	France	Materials	Core	8.0%
3	ABB AG	Switzerland	Industrials	Core	7.7%
4	IDEX Corp	United States	Industrials	Infrastructure	6.5%
5	Bloom Energy Corp	United States	Industrials	Core	6.3%
6	SNAM S.p.A.	Italy	Utilities	Infrastructure	4.8%
7	AECOM	United States	Industrials	Tech enablers	4.8%
8	Emerson Electric Co	United States	Industrials	Infrastructure	4.6%
9	Iberdrola SA	Spain	Utilities	Infrastructure	4.4%
10	Toyota Motor Corp	Japan	Consumer Discretionary	Decarb users	4.2%

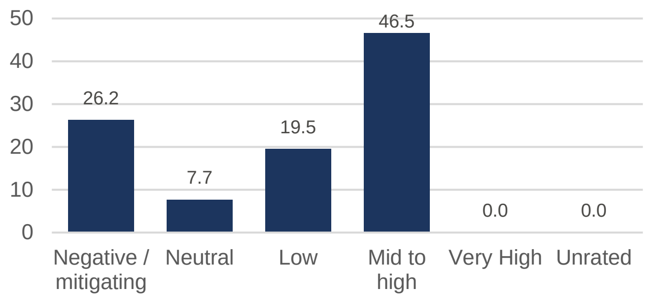
ESG portfolio characteristics

Portfolio ESG track record	Strong	**Portfolio carbon exposure**	Low
Portfolio average rating	AA	**Average CO_2 sales intensity**	422.3

ESG – Position distribution (%)



Carbon – Position distribution (%)



Largest positions

Company name	Weight	ESG track record	MSCI ESG rating	Carbon exposure risk	CO_2 sales intensity
Linde PLC	8.5%	Medium	A	Mid to high	1225.4
Air Liquide SA	8.0%	Medium	A	Mid to high	1491.7
ABB AG	7.7%	Strong	AA	Neutral	14
IDEX Corp	6.5%	Strong	AA	Low	16.8
Bloom Energy Corp	6.3%	Medium	BBB	Negative / mitigating	190.3
SNAM S.p.A.	4.8%	Strong	AA	Mid to high	380.9
AECOM	4.8%	Strong	AA	Negative / mitigating	5.5
Emerson Electric Co	4.6%	Medium	A	Mid to high	43.9
Iberdrola SA	4.4%	Very Strong	AAA	Low	344.3
Toyota Motor Corp	4.2%	Medium	A	Mid to high	26.3

Remarks

- The ESG track record and the MSCI ESG Rating measure how well a company performs on environmental, social and governance issues compared to other companies (peers) in the same industry. The importance of the 3 different factors varies by industry. Companies with a below average ESG track record / MSCI ESG Rating are considered riskier since they are more likely to be impacted by factors such as controversies, new social and environmental regulations, bad reputation, litigation risk, poorly motivated work force and financial mis-management.
- The Carbon Exposure Risk measures the probability and severity that a company is negatively impacted by climate change. Climate change exposure can be physical, for example through extreme heat or flooding, policy related, for example through the introduction of a carbon tax, or technological, for example through competitors developing greener products. The risk is a function of the company's exposure to climate change and of how well the company is managing that exposure.
- The CO2e Sales Intensity measures how much CO2 equivalents are emitted by a company per USD 1 million sales in the most recent reporting year as reported by MSCI ESG Research. The emissions are direct emissions generated by sources owned or controlled by the company and those from the generation of purchased energy.
- The ESG distributions in the charts exclude money market and derivative positions such as foreign currency forwards.

Important information