



Performance Q4-2015

Wind energy stocks: the gainers and losers

The EF-I RE25 investment strategy is designed to track the performance of 25 clean energy companies that are publicly traded Globally and includes companies engaged in the clean energy value chain. The developments in Q4- 2015 of the EF-I RE25 shows that while Chinese wind companies plunged, the strong performance by European wind companies drove the EF-I RE25 5.6 percent higher.

The *EF-I RE25 investment strategy* of renewable energy companies forged ahead in the last quarter of 2015 to close at 208,36 on the 31th December. Its 5.6% gain in the last three months of the year was equal to the *MSCI World Index*, which was also up 5.5%. **Wind** was the hottest sector, rising by 4,53%. From value chain perspective the companies in energy re-assembly were the winners with a gain of 9%. The companies in energy R&D lost 0,7% over the last quarter of 2015.

In 2015 the general sentiment towards clean energy was strong. According to BNEF, renewable energy installation in 2015 was up 30 percent compared to the same period in 2014, setting a record for the most installation of renewable power capacity in a year.

Historical Performance



Companies listed in Europe saw gains of 7.6%, compared with a decrease of 13% in Asia. The Danish wind turbine manufacturer, Vestas Wind Systems A/S, which is benefiting from a booming wind industry, led the gains in the **Wind** sector. In the last quarter the shares were up 27.3%. Only in the first nine months of the year the manufacturer already took 6,276 megawatts of orders. More than 40 percent of announced orders this year have been in the U.S., a market with a specific unpredictable history due to tax credits that Congress repeatedly allowed to expire before renewing again. The latest credit expired at the end of 2014, though projects that were initiated before can still qualify for the tax credit if they complete the project within two years. This gives the Danish manufacturer scope for orders in its biggest market through next year. Next to Vestas Wind Systems A/S also Nordex AG and Gamesa Corporación Tecnológica, which are also companies that develop, manufacture and market multi-megawatt wind turbines, benefitted from a profitable wind business and saw gains of 21.1%.

The top three biggest fallers in the EF-I RE25 strategy were China Longyuan Power Group Corp Ltd, Harbin Electric Co Ltd. and China Everbright Intl. losing 35.8%, 27.3% and 20.1%, respectively of their stock value. All three companies are based in China and in the last quarter the Chinese stock market has experienced some wild swings. Next to the drop in the whole Chinese stock market China Longyuan Power Group Corp Ltd, which is engaged in the designing, development and construction of wind farms in China lost big due to the fact that China



proposed to reduce the tariffs for wind farms by as much as 5.8 percent in 2016 from current levels and by another 19 percent in 2020 from the 2016 tariff levels. The mismatch between surcharges and what the government pays out to developers of renewable projects could therefore be the main source of this loss. Harbin Electric Co Ltd. is also active in the production and sales of power generation equipment for wind power, explaining its higher loss.

Clearly, in the last quarter of 2015 **Wind** has proven to be the driving force behind the EF-I RE25 strategy positively and negatively.