



Analytics

EF-I RE25 and RobecoSAM Smart Energy Funds at a Glance

By Mehtap Kiliç

Despite the storminess of the sector “renewable energy investments” have found their way into the portfolios of many investors who seek to transform the current centralized and fossil based energy system to a sustainable one. There are many alternative energy funds in the market and they have diversity in performances. We compare two renewable energy funds and focus not exclusively on investment return but also on investment risk. From a risk-return perspective in the long run EF-I RE25 shows to be a solid performing renewable energy fund.

Alternative energy stocks have generated high returns in 2015 however especially in the last quarter of 2015 the stormy global market induced the stocks to experience some turbulence. Two funds active in alternative energy investing are the *EF-I RE25* and the *RobecoSAM Smart Energy Fund*, which both include stocks of companies in the global market.

PERFORMANCE

[%]

	EF-I RE25	RobecoSAM Smart Energy	BM
YTD	0,11	-3,21	-0,32
1M	0,26	2,60	-1,73
3M	5,55	12,33	5,47
6M	-11,88	-4,94	-3,23
1Y	0,11	-3,21	-0,32
2Y p.a.	7,70	-3,29	2,48
3Y p.a.	22,84	1,04	9,26

The three-year annualized return of 23 percent shows that in the long term the EF-I RE25 performed better than the overall market (9%) as RobecoSAM Smart Energy was worse off with a return of 1 percent. However in the last year and especially in the last three months RobecoSAM Smart En-

ergy outperformed the market with a return of 12 percent against a market return of 5,5 percent. The EF-I RE25 did not beat the benchmark, the *MSCI World*, which was also up 5.6 percent.

STATISTICS

	EF-I RE25	RobecoSAM Smart Energy	BM
Volatility [%]	16,97	13,69	10,94
Information ratio	1,26	-1,04	
Sharpe ratio	1,35	0,01	0,69
Jensen Alpha	0,0007	-0,0002	
Beta	1,05	0,99	
Tracking Error [%]	12,31	8,19	
Correlation	0,67	0,79	

Comparing funds on returns alone, though, does not account for risk. The best way to compare these funds is to do so on a risk-adjusted basis, i.e., determine their respective Jensen Alphas, which are the risk-adjusted returns¹. Computed for the last three years EF-I RE25 shows a positive (0,0007) and RobecoSAM Smart Energy a negative Alpha (-0,0002). Meaning that EF-I RE25 outperformed its benchmark and RobecoSAM Smart Energy underperformed. If we take a closer look at the risk measures we observe that EF-I RE25 with a beta (systematic risk) of 1,05 is apparently 5 percent more volatile than the market as is RobecoSAM

and also exceeds the performance of RobecoSAM Smart Energy (0.01). This indicates that the positive investment returns of EF-I RE25 are not only the result of the excess risk. The actual performance in terms of active return can be detected with the Information ratio. EF-I RE25 has an Information ratio of 1.26 whereas RobecoSAM Smart Energy generates an Information ratio of -1.04. Showing that EF-I RE25 indeed generates a higher active return², given the amount of risk that it has been taking.

Participating in the global shift to renewable energy through investing in companies engaged in the sector is highly valuable, however before choosing a renewable fund it is quite important not to focus solely on the investment return but also to take the investment risk into account while making your decision.

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EF-I RE25 Fund

The EF-I RE25 invests equally weighted in 25 clean energy companies that are publicly traded globally and includes companies engaged in the clean energy value chain. The investment strategy is designed to include only the companies that are leaders in the renewable energy industry coming from biomass, wave and tidal, photovoltaic, solar power, geothermal energy, wind energy, hydropower or the fuel cell sector.

RobecoSAM Smart Energy Fund (UCITS)

RobecoSAM Smart Energy Fund (UCITS) invests worldwide in companies providing technology, products and services in the area of future-oriented energy, such as renewable energies, decentralized energy supply and energy efficiency. The aim of the fund is to achieve the highest possible returns over the long term.

¹ The excess return of the index is regressed against a market - risk free rate (beta) factor.

² The active return is the difference between the return of the fund and the return of MSCI World.