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The September Sessions | Episode 5
Evy Hambro, Managing Director and Global Head of Thematic and Sector Based Investing, Fundamental Equity at BlackRock

For the final episode of our September Sessions, we welcome Evy Hambro into the SmarterMarkets™ studio. Evy is Managing Director and Global Head of Thematic and Sector Based Investing, Fundamental Equity at BlackRock.

SmarterMarkets™ host David Greely sits down with Evy to discuss how to put investment capital to work by investing in companies that are providing the materials we need to support the energy transition at scale, and how to find those companies that are best positioned to profit from the changing energy landscape as we move from brown to green.

Evy Hambro (00s):
We're trying to back businesses that will improve. And I think that that's a big distinction between the traditional way of doing sustainable ESG-based investing versus what we're doing. The traditional way is backward looking and we're looking forward. So we're looking at the windscreen rather than looking in the rear view mirror, and I think by backing improvers, it gives you the opportunity set to get positioned in them before they start to receive the benefits that come through on their journey to being better valued as a business.

Announcer (27s):
Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building Smarter Markets be the antidote?
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David Greely (01m08s):
Welcome back to the September Sessions on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Evy Hambro, Managing Director and Global Head of Thematic and Sector Based Investing, Fundamental Equity at BlackRock. We will be discussing how to put investment capital to work, investing in companies providing the materials we need to support the energy transition at scale, and finding those companies that are best positioned to profit from the changing energy landscape as we move from brown to green. Hello Evy, welcome to SmarterMarkets.

Evy Hambro (01m 41s):
Hi Dave. Thank you very much for having me on.

David Greely (01m 43s):
Oh, thanks so much for joining us. I've been looking forward to talking with you. You're a portfolio manager and we discuss a lot on SmarterMarkets about the need and the challenges to get investment flowing to the materials and the commodities needed to support this energy transition, and that is what you're doing at BlackRock through your Brown to Green Materials Fund. And so I wanted to start off asking you, why did you start that fund, what opportunity did you see for it?

Evy Hambro (02m 12s):
Yeah, so we, we've been investing in, in commodity related securities since 1988. That was our first fund and, you know, we've grown and diversified the products and, and things over time and so, you know, we're always thinking about what's next and I think what's become increasingly clear to us when we look at the energy transition and we think about it in its simplest form, the kind of conclusion you come to relatively quickly is that we're moving away from fossil fuels and we're effectively replacing them with materials. A lot of that to do is with metals and if we continue to produce those commodities and materials that are essential for the transition in the same way that we've always produced them, then by eliminating fossil fuels for energy generation and replacing them with materials which are produced by burning fossil fuels, then we're not actually gonna make a big difference to the world.

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Evy Hambro (03m 11s):
So we thought about that as a concept and we realized pretty quickly that it was essential that the supply chain of the materials to the kind of end product consumers, you, the builders of renewable infrastructure and, you know, electric vehicles and so on, that supply chain needed to evolve and needed to evolve away from the carbon intensive production processes that they've been doing for yeah, in some cases hundreds of years and if the businesses could evolve away from that, there would be consequences, a lot of them positive for, especially for the environment but with the way that these products are being priced, you know, if they can be produced with lower levels of carbon intensity and moving towards net zero, then maybe they could be priced differently as well. We also started to see a number of governments around the world start to offer incredibly low cost capital to groups that would, you know, that needed money to decarbonize.

Evy Hambro (04m 06s):
And therefore we started to realize that maybe this low cost capital would allow the businesses to start kind of, you know, scratching away at a better multiple, you know, and we'd seen a similar pattern come through in the utility spaces as utilities that have moved away from fossil fuels to renewables, ended up trading at, you know, much, much higher multiples and so we thought that there was an interesting source of alpha and therefore performance, if we could capture this strategy, which is a long dated opportunity, and it's not gonna, you know, we're not gonna decarbonize the world in the next, you know, 12 months. It's and therefore having a very long dated theme that had, you know, huge numbers attached to it, if you could just capture a small part of that, then that would be pretty value accretive to the businesses that were benefiting from that trend. So we've spent the last two years looking, looking at how we would best do this, what systems we would need to have in place to identify businesses that were, you know, improving and becoming greener. How we would start to report that information back to back to clients, you back testing the model portfolio, seeing how it had performed and, and things and eventually we kind of managed to get our way through all of the regulatory processes and, and bring it to market in in June of 2023.

David Greely (05m 18s):
And I wanted to ask you about the types of companies you're investing in because think it fits in with your point about how companies are evolving and then also how do you find these opportunities. I know you talk about investing in what you call emission reducers, enablers and green leaders. Could you explain to us what puts a company in one of those three categories in your view?

Evy Hambro (05m 43s):
Yeah, so one of the kind of challenges about being an innovator, I suppose, is that you have to kind of, you know, write the rules and, and things. It's, you know, there isn't an index to help you invest and say whether you want to have more in your portfolio or less in your portfolio than, than there's in an index. There aren't any peer funds that you could look at to see how they're doing it. So when you're kind of starting these things from scratch, you really have to spend a lot of time working on the kind of portfolio construction and so when we, when we looked at the opportunity sets, we started off by saying, well, let's have a look at MSCI the ACWI index and then work out where are the highest emitting parts of that investment universe.

Evy Hambro (06m 22s):
And, you know, very quickly you end up in traditional energy and utilities and materials and so materials account for 17% of global emissions and then we said, well, okay, we've got all this data around emissions, but which of these sub-sectors of the universe are going to benefit from the transition and by seeing rising demand for what they produce and you kind of then immediately narrow down into the materials area and then we say, well, how are we gonna tell people about this. How are we gonna describe the kind of businesses we're backing and so we thought, well, you know, there are obvious groups that are leading the way. They have advantage business models you know, it might be a commodities producer that has all of its energy from renewable sources, from hydropower or so on. It might be a, a materials producer that has fantastic distribution arrangements and therefore can, you know, quickly deploy innovative new technology around decarbonization to, you know, get product out to their customers in a very, very efficient way and so on.

Evy Hambro (07:16):
So, or they're just leading the way in terms of, you know, emissions reduction and so that's kind of how you would classify the green leaders. You know, the enable is kind of two areas. These are the companies that are producing the commodities that are essential for the transition itself. So, you know, an example might be a company producing lithium, which is, you know, enabling the transition by supplying the lithium that will go into the batteries and so on. Or it could be an equipment or technology company that is enabling the

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decarbonization process of materials production. So if you are thinking about a simple example of moving away from diesel powered trucks to electric powered trucks and so on, that's how we classify the enablers and then emissions reduces is a very rigid formulaic approach to assess whether or not companies have robust, credible, well-financed plans to decarbonize themselves, and then if they meet a certain amount of commissions reduction over certain time periods, and they would qualify in that regard.

Evy Hambro (08m 09s):
So that's how we broke down the universe and we're very aware that, you know, over time, you know, our definitions are gonna evolve and as the area becomes better Understood. You know, I guess one of the key things about you thinking about this approach is that you are doing something very differently to how people typically look at sustainable investing or ESG related lenses. You know, most ESG processes are backward looking. You're taking historic data to decide whether or not a company is, is good effectively, and then you would include it and if it's bad, then you would exclude it. What we're trying to do here is do this in the opposite, we're trying to back businesses that will improve and I think that that's a big distinction between the traditional way of doing, you know, sustainable ESG based investing versus what we're doing, you know, the traditional way is backward looking and you know, we're looking forward, so we're looking at the windscreen rather than looking in the rear view mirror and I think by backing improvers, it gives you the opportunity set to get positioned in them before they start to receive the benefits that come through on their journey to being better valued as a business that would, you know, qualify for other people to invest in because of their processes being, you know, orientated in a different way.

David Greely (09m 21s):
That's such an important point of instead of looking to punish for past behavior, how do you encourage the change in behavior that we need to have on a large scale to make this energy transition happen you know, innovation is hard. How difficult is it to change that mindset with investors of, it's not the way they've looked at this in the past, these aren't categories that are tried and true, this is a, a learning process. Do people engage with that or is there a lot of risk aversion?

Evy Hambro (09m 53s):
Yeah, it's a great question and the answer is tough. You know, it's an education process, but we've done it before and we have high conviction that we'll be able to do it again. So in 2019, we launched a fund that was exposed to the circular economy, exactly the same process. You know, at the time speaking to clients about circular economy, most people were like, well, what is the circular economy. How do you just decide whether a business is circular. I mean, there are obvious names like a recycling company, but, you know, trying to broaden a universe to think about that and so we had a, you know, a very, very similar challenge. You know, we spent a lot of time going out meeting with clients, describing to them how we were constructing portfolios, how we're identifying and classifying circularity, how we to points of materiality to decide whether or not a business was truly exposed to, to these themes.

Evy Hambro (10m 42s):
You know, and then we also had the benefit with that particular strategy of working with an external partner who is a, you know, a group called the Ellen MacArthur Foundation, who's the world leader in understanding the economy and, you know, that fund was, you know, has been a big success and I think so, and we've got other examples as well. So we have conviction that we're gonna be able to go out and work with clients to explain to them what brown to green is. I think brown to green's pretty well understood as a concept or a brand or a name and materials as well understood. But I think the big difference is saying you have an approach to allocating portfolios, and you have certain different parts that you look at your kind of, I don't know, your multi-asset or your model portfolios, and you say, well, this bit is global equities or fixed income and so on.

Evy Hambro (11m 26s):
And we adopt a, an approach to sustainability of this and you go in there and you say, actually, well, you know, we're going doing something completely different and they're like, well, crikey, yeah, I get it. That sounds common sense, but I've now got to find a way of a space to include it in and I think that's the challenge that we face today in going out there and, and speaking to clients. Because, because we're doing it differently. It doesn't fit the model, we don't necessarily think that our approach is, you know, everybody has to do it, but we think there's a role for it. We hope that we're right and we're early in terms of thinking about a shift in, in investing in this way and maybe other people will start to kind of flatter us and, and do the same thing and if that's the case, then by being early, I think we're, we'll be able to kind of get ahead of the curve and, and, and capture a lot of value.

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David Greely (12m 10s):
And another part of the investment model that's changing is, I think if you went back a few years, a lot of investors, when they would hear ESG or impact, they would think, I'm gonna, accept lower financial returns in return for doing something that's more socially beneficial but you brought up an important word earlier, alpha, which is generating better than normal returns because these companies, you know, it's a changing world and there are companies that are better positioned to do well in that changing world, whether it's they have access to lower carbon energy like hydro, whether it's governments, consumers want to support that brand, support their actions, and that gives a lower cost of capital or higher sales. How do you see that switch occurring, and to what extent is it of people moving towards, hey, this is an opportunity to earn better returns as opposed to having an element of philanthropy to it?

Evy Hambro (13m 10s):
Yeah, I think people's tolerance for, for sustainable investing being as your word philanthropy, I think that that disappeared a while ago. I think people have a return expectation, full stop and whether they try to achieve that through sustainable orientated portfolios or the opposite, I don't know, I think, but the return expectation is that I don't think there's much tolerance for lower returns from, from different strategies just because they're, they're sustainable orientated, if anything over the last few years they've had superior returns to sustainability, not in the last 12 months, but over the prior years before that. I mean, yeah, there was some fantastic returns from these businesses. I think what we hope, and we have some pretty high conviction around this, is that the, the, the sources of alpha that we're targeting, as I touched on earlier on, are pretty differentiated.

Evy Hambro (13m 56s):
So we think that we should be able to capture those over and above market exposure. And so if we think about, say for example, lower cost of capital, you know, we know that businesses are being offered very, very low cost capital for access to commodity supply. We know that governments are, have been historically, unbelievably complacent about commodity supply, are now increasingly concerned about where they're gonna get some of these commodities from and lots of this debate around, you know security of supply and critical minerals and so on, and the development of the US, the European Green deal, all of these plans around the world, you know, I think that's based around a kind of waking up that, you know more and more of these commodities come from and not necessarily where they're dug out of the ground from, but where they're processed from is, is all orientated back to China.

Evy Hambro (14m 49s):
And, you know, this move around, you know, supply chain resilience on shoring of industry back into developable economies in particular, you know, that is around security of supply concerns and so that cost of capital reduction is available today. It's not reflected in valuations, but it is available and I think as people start to realize that the cost of decarbonization is gonna be lower because governments are gonna support it. I mean, in Europe, you know, for every euro you spend, you're, you're typically getting a Euro of grant from the European government. So your cost of capital is 40, 50% lower than you probably what you, you previously thought. But over and above that the, the actual returns that you can get from those investments are gonna be superior because in part because of the lower cost of capital, but also because the business models are evolving.

Evy Hambro (15m 35s):
You know, if you're gonna go to an automotive o e m and say, right, you know, I can supply you with a million tons of carbon free steel or carbon free aluminum, they're gonna pay a big premium for access to that because of course OEMs are gonna compete on price, but they're also gonna compete on their value proposition and part of their value proposition is gonna be the carbon footprint of a vehicle in the same way that a house builder might be doing something similar as well and many other, you know, fast moving consumer goods and so on. So I think the kind of landscape on competition is gonna be, is gonna have a greater focus on the environmental footprint of production as well as consumption and so those supply, the decarbonization of those supply chains is gonna release value to those who can capture it. So I think some of the business models out there are actually going to be providing returns over and above market opportunity and if you're going in at a really low point, which is what, you know, the valuations seem to imply today, then you know, some of the risks that on the downside is, is actually probably not that great.

David Greely (16m 35s):
And I wanted to dig in with you a little bit into the distinguishing the environmental footprint, because there's been this paradox in mining and materials, you know, while some producers are mining in a lower carbon, more environmentally responsible way, as you said, for example, having access to hydropower overall, I think it's fair to say that investors view the sector broadly as decidedly not green. You know, they are responsible for a lot of emissions, but these metals and materials are also critical if we're gonna transition to

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that greener lower carbon energy system. I'm curious, you know, how are you trying to overcome this tension with your investors and also with your investments?

Evy Hambro (17m 16s):
Yeah, so I mean there's the two elements to that, I guess investors and the companies we're investing in. So starting off with investors, I think it's an education process. We're doing our best to, to help people understand the way that we're looking at businesses and how we're deciding which ones to, to allocate capital and which ones not. Not to, you know, we have access to all of the information everybody else does with regards to what they think about whether or not they're good or bad, the data on emissions and water use and social and, and so on. So yeah, we have our own processes that allow us to go through that and we spend more time today speaking to our clients around why we invest in businesses over and above valuation. Something that's very different to the past where our clients were less interested in that information.

Evy Hambro (17m 57s):
It's actually nothing, it's not much new for us because we've always seen doing that work as a way of managing risk. You know, for businesses well regarded or badly regarded than, you know, your capital that you've invested in, it is gonna be impacted by their reputation, whether that's an environmental reputation or a social reputation or a governance related issue you know, those are all risk factors that you need to, you need to understand. So in part, it's down to us to help our clients understand the way we're doing things and some clients will like that and others won't and that will give us the opportunity to, you know, by their backing, do what we want to do with regards to the companies, you know, that's really around stewardship and engagement and so, you know, we do spend a lot of time with businesses both at the executive level and the, and the board level for with regards to, to stewardship and governance.

Evy Hambro (18m 42s):
But we also spend time with businesses out of the office in the field assessing, you know, when we go to see assets and so on around the world, you know, how they're doing and we won't just visit, you know, a factory or a steel plant or a concrete facility or, you know, or mines when we go there, we won't just meet with the executives running it, we'll meet with the local communities and local government representation to understand some of the, the risks that we need to get hold of and so I think by engaging with companies and explaining to them how we are, you know, analyzing them and then them asking us questions about what we would like to see them do differently, you know, we hopefully, and if we do this outside of the media spotlight when not on the front page of a newspaper, then you can probably have quite a lot of success by engaging in, in, in that way.

David Greely (19m 28s):
I want to follow up on that point with you, but first I'm curious, as part of that education effort, as part of the broader education effort that's out there, are you seeing investor attitudes towards the materials sectors changing at all?

Evy Hambro (19m 41s):
I think that the bit that would accelerate investor interest is if the industry had the confidence to speak with one voice and it had the data that allowed them to show themselves on a level playing field and so we need a standardization of reporting of data to be able to show who is doing well and who's behind and I think if we can do that then the industry can move forward as one because, you know, the tide's coming in and everybody needs to get better, but if everyone's reporting it differently, we can't see where, where groups sit relative to each other and then if the industry speaks with one voice, rather than company A saying they're better than company B and company B saying they're better than company A, you know, you've, you've kind of lost the debate. What you need to do is you need to put in place a single voice to say we're doing something that the world needs. You know, we're doing it in a way that by putting these standards in place and reporting in place in a way that you can assess whether or not you think, you know, the different businesses are doing well or, or behind. I think that would be a huge step forward in helping people understand and getting comfortable with allocating capital in this area because without people allocating capital in this area, there will not be enough production of the materials that we need to be able to decarbonize the world.

David Greely (20m 56s):
So are you thinking of like ultimately something that would sit alongside traditional financial statements like balance sheets and income statements, but would be about carbon footprints and practices?

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Evy Hambro (21m 07s):
Yeah, I think so. I mean, if we kind of walk forward into the future, I can see the London Metal Exchange, for example, having a price for copper and then a price for copper, you know, for green copper and there's gonna be a price differential whether one trades at a premium to the other or one becomes the market price and the other one goes to a discount. I don't know how people will look at it, but there's gonna be a price difference because there's gonna be a value in use and, you know, a light vehicle traditional internal combustion engine vehicle has about 60% of its emissions over the life of the vehicle that come from the burning of the fossil fuels you know, 40% of the emissions come from the manufacturing process, you know, so we can take the fuel out and replace it with electricity, and then we can get the electricity instead of from carbon orientated sources to from renewables, and the 60% can disappear, but it's the 40% that's still gonna be there.

Evy Hambro (21m 58s):
And if there are gonna be more of these things on the road, then we're just gonna have more emissions attached to the manufacturing process, which actually is not gonna net, net have the big reduction that we're chasing and so I think, you know, the area, as I said earlier on, the area of competition is gonna be who can, and this is the hard bit, who can decarbonize that last 40% and so if you're an electric vehicle manufacturer and you've got the cars in the showroom and people wandering around and you can say, look, this is 100% carbon free and this is why because we bought, you know, copper from this company and this mine and this aluminum and this steel and these battery materials and so on and we can charge differently from that. Somebody's got to capture that price differential. It's a little bit like you go into the supermarket and saying, right, where did this meat come from you know, how is that meat produced or the wheat and so on and people want to know more about how something's made, where the ingredients came from, how they were produced and I think there's value in, in that and I think that we're gonna, we're seeing more and more of that coming through in the material space.

David Greely (22m 55s):
And I wanted to come back with the conversations you're having with companies and your experience with companies, because I'm interested in how are they approaching the energy transition and in particular, is it the necessary but more narrow focus on decarbonizing their supply chains or are they more broadly rethinking their overall business models. I think of the circular business, the circular strategy.

Evy Hambro (23m 20s):
Great question. I think, you know, if you go back five years ago and you looked at a company's capital expenditure plans, there was very little being allocated to decarbonization and there was probably more orientated to volume growth or you know, balance sheet and so now, you know, there is, you know, strict competition in plans between allocating to decarb versus growth because I think that the economics attached to the decarbonization have improved. So efficiency of the technologies has got better, the costs of the, of them have become more acceptable and can generate, you know, positive returns compared to your earlier conversation around, you know, philanthropy and ESG. I think they're actually financial good financial returns. I think some of the business models are becoming clearer in terms of what someone's prepared to pay for a decarbonized product versus a non-decarbonized one and so I think when you put all of that together, there is a financial justification.

Evy Hambro (24m 18s):
I think some of the ambitions around decarbonization that were put out a few years ago might be a little bit overzealous. I think as technologies improve and we get better battery chemistry, better efficiency, you know, greater access to renewables and so on, I think the decline of emissions curve is still gonna be steep, but I think some of the goals might orientate a bit in terms of timing, but I think for good financial reason in many of these businesses. So I think the whole area is becoming better understood and I don't see companies backtracking from commitments, which I think is where you were going with your question. If anything, I think there is greater emphasis on trying to achieve those commitments and I think that one of the, the bits I would refer to in that regard is that we're seeing more and more executive compensation plans include links to decarbonization goals.

David Greely (25m 11s):
And I wanted to ask you because one of the things that has slowed some progress or speeded it up in other circumstances, there's the attitudes and actions of regulators, media coverage, consumers. When you think about the progress being made and the pace it's being made at, how are you seeing that being affected by some of these more external influences?

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Evy Hambro (25m 32s):
Yeah, clearly there, they, there's a sentiment element. You know, I'm sure there's ESG at any cost. It might have been more of a focus a few years ago than it is today. I think it's, you know, there's definitely a focus of the speed has to be affordable, and I think there's probably, you know, the pendulum's swung very, very far and has come back a bit, but I don't think it's changed the direction of travel. If anything, I think the direction of travel is better entrenched, but there's probably more analysis around how we achieve it and more deliberate decisions around capital allocation to try and get the best returns from that process as well as the emissions reduction and I think that that is really, really healthy for everybody. I think, you know, the media coverage, the government influences and so on, I think those are important, but I think the societal demands for change are so great. It would be very, very difficult to start going backwards.

David Greely (26m 32s):
Yeah. Now, I wanted to dig in a little bit with you on this question of credibility because a big challenge for companies and their investors has been developing and assessing the credibility of climate action and energy transition plans. Obviously being accused of green washing can have a big impact on a company and its share price and at times, you know, this can make it seem like the prudent course of action for a CEO or investor is to do nothing instead of something, even though we all need to be doing something. So I was curious, how do you approach assessing the credibility of a climate action or energy transition plan as an investor?

Evy Hambro (27m 11s):
Yeah, I think there's, there's lots of different sub components of that. I don't think there's one way of doing it and one of the things that we try to do is to get under the skin of the business and assess its culture. You know, are people really committed to it. Is this part of the, part of the DNA when you, you know, you don't just meet the CEO, you try and meet other people in the firm at, you know, different tiers of responsibility and you need to kind of really get into the work their way of thinking and, you know, and if they're kind of, it's saying something different about the goal than the company is saying, then, you know, there's a cause for concern. So I think that's part of the analysis. It's, it's less quantitative, more qualitative, but I think nonetheless it's an important part.

Evy Hambro (27m 51s):
I think obviously the data is, is essential, but I think when you look at the kind of commitments around improvement, you know, you need to start looking at things like, you know, how much money is the company spending or relative to the cost of these plans, you know, are the timeframes likely to be real. Is the technology they're using going to be something that's, you know, out of date in a couple of years, and therefore they should be waiting to use the next iteration of that to that's gonna be, you know, I guess lower cost, better, you know, efficiencies and so on. So I think it's just, it's a question of understanding things and I think that to us, you know, we're not gonna hold a company to account because they've made a commitment to get to X% by 2030. You know, if they're at, you know, that if they've missed it by 10%, you know, instead of they've reduced by 30%, they've reduced by 27%.

Evy Hambro (28m 38s):
That's not the end of the world, you know, and there's probably very good reason why they might be a little bit slower because they've deliberately made a decision to build the next thing when they can afford it, rather than borrowing lots of money at high interest rates to do it, or they've had a, a permitting process delay or whatever it might be you know, so as long I, I think it's a question of just understanding the journey, and it's really important that the companies are open and transparent around some of the challenges they might face on that journey and to keep investors up to date, you know, don't, you know, make a commitment around a certain date and say nothing for three or four years, you know, keep us informed on the journey, and I think you're gonna be, people are gonna be much more supportive if there is a need for change.

David Greely (29m 17s):
And I wanted to ask you about another challenge in investing in the energy transition. So, you know, assessing credibility is one, and it sounds like that that is similar to what you would do with any other company you got to understand the personality and character of the management and where they're thinking, and then you have to have data to back up the claims. Another challenge though, is a lot of people see the issues, they see the gap between the materials we need and the materials we have, but many of the opportunities to invest, they're just not investible yet you know, there are important energy transition commodities that lack liquid futures markets. There are companies and project developers working at that leading edge, but they're private, not public companies, not. How do you think about finding the investible opportunities and how do you think about growing your opportunity set over time?

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Evy Hambro (30m 09s):
Yeah, I think we're very lucky. We're part of BlackRock, so we have, we get to see most things and I think if we want to go and engage with a company, you know, one of the advantages of being in an organization like this is, you know, it's, it's relatively easy to reach out to them and to get ahold of a meeting or somebody in the firm might already have a relationship and so on. So I think if from that point of view, the kind of corporate access is hopefully an advantage through time. I think also being in a large organization, you know, there's lots of idea generation and idea sharing and so on. Another element is as I said earlier on, is getting out of the office, you know, getting out into the field, meeting the businesses, hearing what's going on, you know, going and seeing a, an actual physical asset, talking to the people and you know, you sitting there and the engineers or the plant operator are saying, you should see what they're doing down the road.

Evy Hambro (30m 59s):
Really interesting new stuff and you going, so ideas come from everywhere and I think that the, you know, sitting around in an office and not seeing anybody is probably the worst way to do stuff. You're getting out and about traveling, meeting people, meeting clients, you know, doing things like this. You know, ideas come from lots of different sources and so I don't have any doubt that we're gonna have enough to look at. If anything, we probably got too much to look at. I think it's about sizing, the sizing, the exposure appropriately for the risk that you're taking. That's the challenge and hopefully we, you know, we've done it for long enough that we're, we're, we're not too bad at that.

David Greely (31m 32s):
Well, I wanted to thank you, Evy, for sharing your insights and your experience with us, but before I let you go, I wanted to ask you a big picture question you know, which is, how do you see the opportunities for investors to put capital to work, transforming our energy system from brown to green, evolving over say the next 5 to 10 years?

Evy Hambro (31m 54s):
Yeah. We like to think about this space in terms of identifying themes that, you know, you could classify as, as kind of, some people describe them as fast rivers, you know, so if you are in the fastest part of the river, then the chances are you're gonna be able to get where you want to go to most efficiently and what we're trying to do in that is in those fast service, is trying to find that source of alpha or return that's gonna be, that's gonna help us on the, on delivering the journey for the client and with regards to the way we're looking at themes is that the last thing you want to do is be really, really early or be really, really late and so identifying, trying to spot where you are at the inflection point of change, where the kind of adoption rate, the market share, et cetera, etc. of the incumbent is going to be disrupted because that change is coming through and the new player, the disruptor, is gonna capture a lot of value from that change.

Evy Hambro (32m 46s):
The timing on that is essential and so if you can get as close as possible to that inflection point, then that should substantially de-risk the journey that you're going on and so for us, we think in regards to Brand Green we are absolutely at that inflection point. The business models are changing, the cost of capital is falling, you know, the opportunity set, the underlying demand is growing rapidly. The valuations are at a low point. So we think we hope, and I'll probably live to regret saying this we really hope that we've, we've got the timing as good as possible for our clients in this regard. We know we're early in terms of the education. We know we're early in terms of explaining a different way to invest and look at improving businesses rather than ones that are already good, but we think from a fundamental point of view, the underlying business is it's exactly the right time and if in three or four years' time from now, I'm wrong, I'm totally happy to eat my humble pie and come back on the show and, and say that But I really have a lot of confidence around our timing in, in this one, just because, you know, we got so many tailwinds from the way that we're, we're seeing things,

David Greely (33m 56s):
Couldn't agree more. We'd love to have you back, and I hope it's for a victory lap and not humble pie.

Evy Hambro (34m 02s):
Great. Thank you very much. That was a great pleasure to do that today.

David Greely (34m 05s):
Thanks again to Evy Hambro, Managing Director and Global Head of Thematic and Sector Based Investing, Fundamental Equity at BlackRock. We hope you enjoyed the episode. This concludes our series, the September Sessions on Smarter Markets. Please join us

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next week for our new podcast series, Commodities in Asia. In this series, we'll be discussing the current state and future ambitions of the commodities markets in Asia, across energy, metals, agriculture, and carbon. We'll be talking with the leading voices of the Asian commodities markets to help us better understand how we can work together to build the next generation of truly global, smarter markets. We'll be starting off with our guest Amreeta Eng, Executive Director at Enterprise Singapore, and we'll be discussing how Singapore has become a center for commodities trading and the broader commodities industry. We hope you'll join us.

Announcer (34m 58s):
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Announcer (35m 47s):
That concludes this week's episode of SmarterMarkets by Abaxx. For episode transcripts and additional episode information, including research, editorial and video content, please visit smartermarkets.media. Please help more people discover the podcast by leaving a review on Apple Podcast, Spotify, YouTube, or your favorite podcast platform. SmarterMarkets is presented for informational and entertainment purposes only. The information presented on SmarterMarkets should not be construed as investment advice. Always consult a licensed investment professional before making investment decisions. The views and opinions expressed on SmarterMarkets are those of the participants and do not necessarily reflect those of the show's hosts or producer. SmarterMarkets, its hosts, guests, employees, and producer, Abaxx Technologies, shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on SmarterMarkets. Thank you for listening and please join us again next week.

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