

## PREMIER SPONSOR ARTICLE SERIES

## Climate Tech for the New Disruption



Disruption has always been around us, but we are moving to a new “survival of the fittest” digital era. At Allianz Global Investors, we have identified key themes – from climate tech to AI – that are driving this new shift in a profound way, making disruption a critical factor for investors to build into their portfolios.

Disruption is no longer just a tech-sector phenomenon: Transformative advances in hardware and software – and the sheer proliferation of data (Exhibit 1) – are pushing disruptive forces into more sectors and areas of our lives than ever before – and at an exponential rate.



This is leading to a kind of “digital Darwinism” – a global phenomenon that will sweep some businesses aside, allow others to secure a dominant market share and potentially even affect the world’s geopolitical order.

Like the evolutionary process after which it’s named, digital Darwinism is a shift at the cellular level, and it’s changing the world we live in. But there’s good news for investors. Not only can you invest in and benefit from growth and profit opportunities – you can also contribute to positive real-world outcomes.

Exhibit 1: Data generated globally per day

2.5  
quintillion bytes2,500,000  
terabytes

1 terabyte = 75 million pages of printed text

Source: “Perspective on the amount of data contained in 1 gigabyte” from CloudNine.com

We have identified three key investment themes for the new disruption:

**Climate Tech**

(related topics: e.g., Clean tech and Carbon Capture)

**Data and Connectivity**

(related topics: e.g., Metaverse and Cybersecurity)

**Man and Machine**

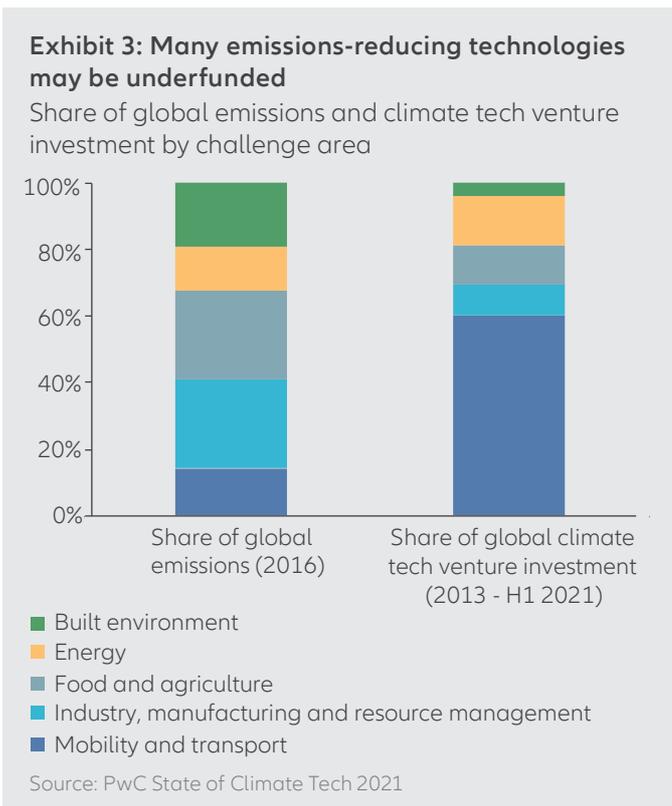
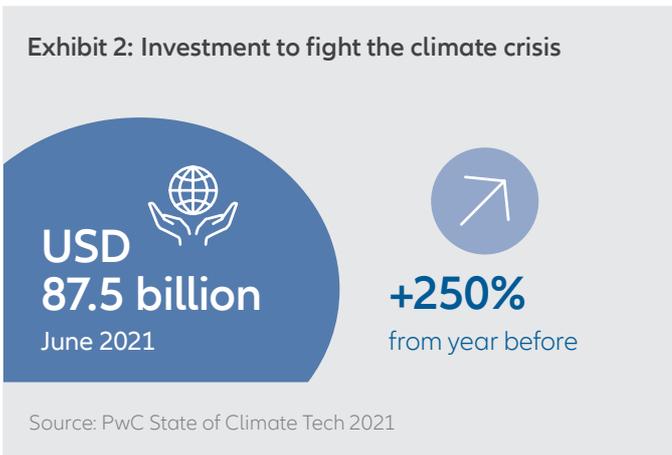
(related topics: e.g., Genomics and Nanotech)

In this paper, our discussion focuses on the Climate Tech’s investment opportunity.

## Climate and Technology

In May 2021, US climate change envoy John Kerry claimed that half of the reductions necessary to achieve net-zero emissions “are going to come from technologies we don’t yet have”. “Climate tech” advancements – from artificial intelligence (AI) powered marketplaces for carbon offsets to improved power transmission infrastructure – can help reduce the impact of global warming.

According to PwC (Exhibit 2), in the year leading up to June 2021, USD 87.5 billion was invested in companies combating the climate crisis, compared with USD 24.8 billion the year before. And since 2013, more than 60% of all venture capital funding has poured into technologies related to mobility and transport – an area that includes electric vehicles (See Exhibit 3).



There also seems to be a disconnect between the amount of greenhouse gas (GHG) emissions that certain sectors produce compared with the funding they receive. For example, only 9% of funding went to manufacturing during the same period, even though it contributed 29% of GHG emissions. This could give investors a prime opportunity to fund new climate-focused technologies.

## Rethink how portfolios are constructed

In this low-yield environment, where growth and income potential are at a premium, it's important to take a different approach to portfolio construction – one that may be able to capitalise on disruptive opportunities. Perhaps in addition to core diversified portfolios, investors should consider these areas:

- **Thematic investing** can help investors capitalise on opportunities emerging from this wave of disruption. Using a thematic lens can provide a window into future opportunities, a new prism alongside traditional ways of classifying investments by sector or geography.
- **Sustainability** in all its guises is an essential consideration for investors today – particularly the need to combat climate change, which is one of the dangerously disruptive forces in the world. Fortunately, investors can align their portfolios with investments that can help effect real-world change. “Green” and “blue” bonds can help finance projects specifically associated with climate change and ocean conservation. But sustainability has also moved beyond climate, and now impacts every area of our lives. Investments aligned with the UN’s Sustainable Development Goals can help align countries, organisations, companies and individuals from around the world to help protect the planet, end poverty and improve life for communities globally.
- **Disruption and sustainability** go hand-in-hand from an investment perspective. When seeking to identify the winners of this era of disruption, it is more critical than ever to use sustainability factors to assess the true roots of resilience, success and longevity for the companies we invest in.

“What investors need to look at is not only buying renewables and core substitutions but buying the enablers, the companies that facilitate the mitigation of or adaptation to climate change, through their technologies and processes. The climate crisis can only be addressed through the massive use of new technologies and new processes.”

*Virginie Maisonneuve, Global CIO Equity  
Allianz Global Investors*

## Important Information

Data is sourced from Allianz Global Investors, as of 31 December 2021, unless otherwise stated.

The material is for reference only. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this video but should seek independent professional advice.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

There is no guarantee that these investment strategies and processes will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

This material has not been reviewed by the Securities and Futures Commission of Hong Kong. Details are sourced from Allianz Global Investors Asia Pacific Limited. Issued by Hong Kong Retirement Schemes Association.

AdMaster ID:

### About HKRSA

The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to promote the interests and best practices of retirement schemes in Hong Kong including provident and pooled retirement funds. The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members, providing a forum for discussion of issues of current and topical interest.

### About Allianz Global Investors

Allianz Global Investors is a leading active asset manager, managing EUR 673 billion in assets for individuals, families and institutions worldwide. Active is creating value with clients - every step of the way. By investing for the long term, our goal is to elevate the investment experience for our clients.

#### Active is: Allianz Global Investors

Source: Allianz Global Investors, data as at 31 December 2021

### Disclaimer

This document is intended to be for information purposes only and it is not intended as promotional material in any respect. It does not constitute any solicitation and offering of investment products. The views and opinions contained herein are those of the author(s), and do not represent views of the Hong Kong Retirement Schemes Association (the "HKRSA"). The material is not intended to provide, and should not be relied on for, investment advice or recommendation. Information contained herein is believed to be reliable, but the HKRSA makes no guarantee, representation or warranty and accepts no responsibility for the accuracy and/or completeness of the information and/or opinions contained in this document, including any third party information obtained from sources it believes to be reliable but which has not been independently verified. In no event will the HKRSA be liable for any damages, losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection with your use of this document or your reliance on or use or inability to use the information contained in this document. This document has not been reviewed by the SFC. Any link to other third party websites does not constitute an endorsement by the HKRSA of such websites or the information, product, advertising or other materials available on those websites and the HKRSA accepts no responsibility for the accuracy or availability of any information provided by linked websites.