Press Release
For immediate release

Invesco expects strong demand for climate-conscious commodities strategies in 2024

- Investor approaches to climate are becoming more nuanced, and are finally being applied to asset classes like commodities;
- Investors have been underinvested in commodities; now they are looking to increase exposure, while factoring in potential positive impacts from the green transition;
- An ETF approach to climate and commodities provides direct, liquid exposure suitable for a broad range of investor types;
- Commodities are attractive on a 5–10-year outlook, while climate-conscious commodities investing has potential over this time horizon and longer.

London, 27 February 2024 – Enthusiasm for climate-conscious investment strategies will grow in 2024 according to Invesco. At an event titled '***Commodities: The final frontier of climate investing***', Invesco experts debated the challenges and opportunities for investors to diversify into commodities while addressing ESG, and more specifically, climate-related concerns.

"This year we are going to see investors becoming more nuanced in their approach to climate," said **Sam Whitehead, Head of EMEA ESG ETF product management at Invesco.**

"That includes looking at the datasets they use, forward alignment of investment strategy to certain temperatures, consideration of transition risks and opportunities, and how they incorporate these considerations throughout their portfolios. That's not just in core equity exposures, where this is more advanced, but in areas where it's more difficult to integrate, such as government bonds, equity sector funds, or even commodities."

The speakers identified that investors have traditionally been underweight commodities, and so have not benefitted from their diversification, inflation protection, safe haven and upside qualities. But that is starting to change following the events of recent years according to **Paul Syms, Head of EMEA fixed income ETF product management at Invesco:** "Those with long memories will recall that the global financial crisis took commodities into a strong bear market."

He continued: "Since Covid-19 we have seen inflation spike aggressively and commodities have served their role as an inflation hedge. We have also seen rising geopolitical tensions, with events such as war constricting supply and spiking energy prices.

“Investors have been underinvested in commodities for many years and, over that time, the green transition has picked up pace. Given commodities are crucial in facilitating the transition – an electric car requires four times as much copper as a petrol or diesel car, for example – the investment opportunity looks increasingly attractive.”

There are a number of ways to apply a climate lens to commodities investing, but exchange traded funds provide the simplest direct exposure, according to **Sam Whitehead:** “You can gain indirect exposure to commodities by investing in the shares of producers, and apply an ‘ESG’ lens by engaging at company meetings and influencing positive change. Or you can physically hold commodities where you’ve placed responsible restrictions on the supply chain, though such an approach can typically only be applied to precious metals and may come at an increased cost.”

According to **Whitehead:** “Our ETF solution overweights commodities with less carbon-intensive production processes and underweights those with a more carbon-intensive journey to the factory gates, offering direct, liquid exposure to commodities in a way that is SFDR Article 8 compliant.”

Summarising the outlook for the intersection of commodities and green investing, **Paul Syms** identified the opportunity for investors is a long-term one: “I’m not expecting a massive bull-run in the next six to 12 months, but rather that this will be a compelling opportunity over five to ten years and beyond.

“Commodities tend to work in super cycles, and we are still in the early stages of a strong market for the asset class, where it’s likely that demand for gold will remain high and energy prices will be elevated off the back of geopolitical tensions. But beyond that, there are much greater opportunities from the green transition, which will increase demand for industrial metals, for example for electric vehicles.

“Against this backdrop, there is an enormous opportunity to bring commodities and climate-related investing into better alignment, and we believe ETFs are the right vehicle to give investors access to this opportunity.”

About the Invesco Bloomberg Commodity Carbon Tilted UCITS ETF

The Invesco Bloomberg Commodity Carbon Tilted UCITS ETF is Europe’s first Article 8 carbon-tilted commodity ETF. It offers, diversified exposure to 24 commodities across seven sectors, aiming to achieve a meaningful reduction in green-house gas emissions through tilting each commodity per unit of production.

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Invesco Bloomberg Commodity Carbon Tilted UCITS ETF: The Fund's ability to track the benchmark's performance is reliant on the counterparties to continuously deliver the performance of the benchmark in line with the swap agreements and would also be affected by any spread between the pricing of the swaps and the pricing of the benchmark. The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Exposure to commodities might result in the Fund being more impacted by natural disasters and tariffs or other regulatory developments. This may result in large fluctuations in the value of the Fund.

The fund might purchase securities that are not contained in the reference index and will enter into swap agreements to exchange the performance of those securities for the performance of the reference index.

The Fund may perform differently to other commodity funds, such as underperforming in comparison to other commodity funds that do not seek to weight commodity futures based on their respective GHG Emissions.

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