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Buy-rated Companies Mentioned in This Report:

Utilities

- NextEra (NEE - \$295.70)

Prices and opinion ratings as of market close 9/15/20 and subject to change. Source: Reuters.

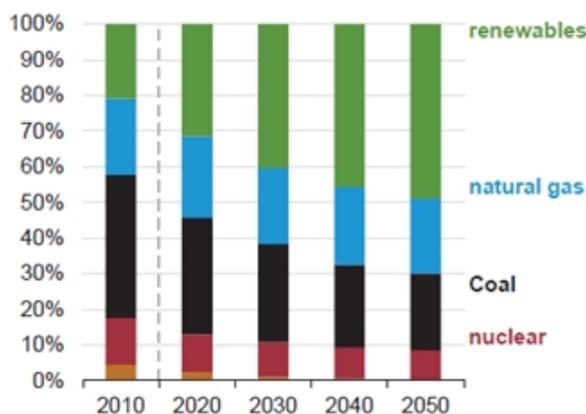
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Alternative energy is defined as energy generated without depleting natural resources or harming the environment, avoiding the use of fossil fuels and nuclear power. The fastest-growing sources are wind and solar power. Various companies are involved in the industry in some fashion, whether as suppliers or users. Some component providers for wind farms, for instance, are large multinational industrial companies, such as GE or Siemens. But massive, diversified companies like these are not purely alternative-energy companies for investors seeking renewable exposure. Many of the other suppliers and/or marketers of renewable power are small, undiversified and unprofitable. We do not cover any of these companies. However, several companies that we do cover profit from the increasing penetration of cleaner energy. We will examine this issue from the perspective of both energy and utility companies.

Worldwide, renewable power has grown substantially over the past decade. This impressive growth has been driven by both solar and wind generation. China is the largest contributor to renewables growth, accounting for over one-quarter of the world's renewable generation. Due to this rapid growth, renewables have increased their share of global power generation over the past decade from approximately 20% to 30%. Despite efforts to reduce carbon emissions, coal remains a dominant fuel for power generation, accounting for over a 30% share, though down from roughly 40% a decade ago. Natural gas is the second-most used fuel and has steadily increased over the past two decades, while oil and nuclear have declined. According to the U.S. Energy Information Administration, renewables will become the largest source of global energy consumption by 2050.

Share of net electricity generation, world percent



Source: Source: U.S. Energy Information Administration

Global Outlook for Alternative Energy

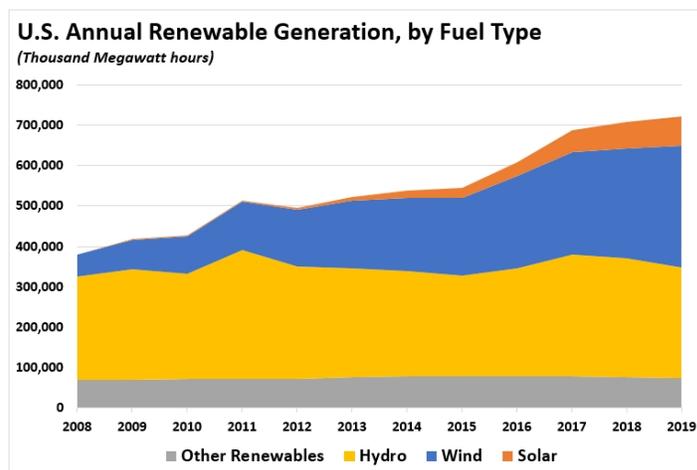
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Impact of Alternative Energy on Oil & Gas Companies

Globally, **oil and gas producers** face an impending crossroads. Their legacy business of supplying fossil fuels faces headwinds as citizens and governments around the world demand a lower-carbon future. Given the continued growth in renewables, we expect global oil demand growth to slow in the coming years and potentially peak in the next decade or two. However, global natural gas demand will likely remain strong for several decades to come. Among the global integrated oil and gas companies that we cover, the European companies are leading the way in transitioning towards an energy future that is less carbon-intensive. Investments in renewables by the integrated oil and gas companies will continue to expand, but will not likely be significant growth drivers in the next decade.

Impact of Alternative Energy on Utilities

In the **utility** industry, most companies are targeting an increasing share of renewable power in their portfolios. This is driven by fears of climate change, environmentalists pushing for cleaner air, state mandates or voluntary goals, and, simply, decreasing costs. Given the push for cleaner power, there have been a number of coal plants shuttered in the past several years. Older nuclear plants also face competitive pressures. Almost all new power generation facilities in the U.S. are expected to be either natural gas-fired or renewables.



Source: Edward Jones, U.S. Energy Information Administration

In a somewhat roundabout way, building new power plants benefits utilities' profits. If they can build or acquire a renewable power source, they are permitted to earn a return on it. Couple this with states, large corporations, and many residential customers pushing for cleaner power, and you get a favourable environment for utilities to add renewable power.

Of the utilities we cover, we believe the biggest beneficiary of this trend is Buy-rated NextEra Energy (NEE). It is the leader in the U.S. in both wind and solar power and has a massive backlog of projects. NEE builds renewables (on an unregulated, or competitive, basis) for other utilities that don't have the financial capability or expertise to do it themselves, for small municipalities or co-operatives that supply power, and, increasingly, for large companies like Amazon or AT&T. It usually owns the asset and sells the power to the counterparty via a long-term contract. NEE also has a large and growing renewable platform for its regulated utility in Florida. We believe this opportunity will drive profits for NEE for many years to come.

Investors have always been concerned with how much of this trend is driven by government subsidies. Currently, the tax credits for both wind and solar are slated to sunset over the next several years. However, with costs continuing to decline and many utilities claiming they can now produce power using renewables on a cost-competitive basis in certain geographies, we do not see this movement abating.

Almost every utility in North America is now utilizing renewables to some extent, and, as coal, nuclear and natural gas plants age and become more expensive to operate, we see more renewables in our future. Threats trying to capture some of the profits, like

rooftop solar or third-party developers, do currently exist outside the traditional utility model; however, we believe utilities have the infrastructure, relationships and expertise to remain at the center of the system. We believe utility capital spending, which drives earnings and dividend growth, will remain healthy, supplemented by renewables spending. But we do not think it will lead to a significant increase in growth rates, as utilities must continue to balance spending with keeping customer bills in check.

Utilities have underperformed other sectors as the market has recovered, creating opportunity. In our view, historically low interest rates should support utility stocks because many investors buy the stocks for their healthy dividend yields. However, it is difficult to see renewables growth, or any other catalyst, driving yields significantly higher.

In summary, we believe renewable energy will continue to grow. While this will change the mix of energy sources we use, our belief is that the global integrated oil and gas companies we cover should be able to cope with it. They have small but growing investments in renewables. Additionally, third-party sources are forecasting oil and natural gas to continue to grow for decades to come. Meanwhile, many utilities will benefit from the trend. As they replace older nonrenewable power plants with wind and solar, earnings power improves, supporting dividend growth.

We do not recommend any companies whose success is entirely tied to renewables. These companies tend to be small and volatile, and most would not meet our investment criteria. We prefer a more conservative, diversified investing approach. This would include many regulated utilities with growing renewable portfolios.

Please see the full opinions of the individual companies mentioned in this report for additional information, including valuation and risks.

Required Research Disclosures

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Mike Doyle, CFA and Jennifer Rowland, CFA

Analysts receive compensation that is derived from revenues of the firm as a whole which include, but are not limited to, investment banking revenue.

Buy (B) - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers.
Hold (H) - We believe the stock is fairly valued and total return potential

is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action.
Sell (S) - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. FYI - For informational purposes only; factual, no opinion.

The table below lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies that have been investment banking clients within the past 12 months. As of: September 16, 2020

	BUY	HOLD	SELL
Stocks	51%	45%	4%
Investment Banking Services	4%	1%	0%

Other Disclosures

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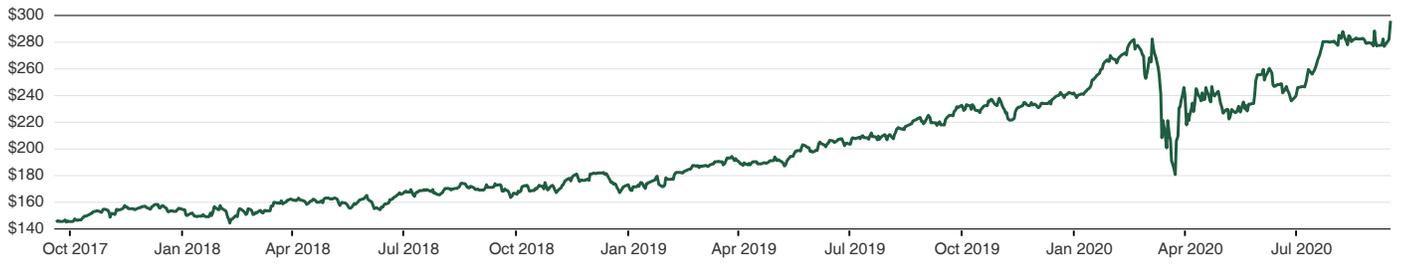
Special risks are inherent to international investing including those related to currency fluctuations, foreign political and economic events.

Dividends can be increased, decreased or eliminated at any time without notice.

An index is not managed and is unavailable for direct investment.

Member - Canadian Investor Protection Fund

3-Year Rating and Price History for: NextEra Energy (NEE) as of 09/15/2020



Source: Reuters