

# Battery Solutions: an exciting theme for your 2024 portfolio

Publié le 17 janvier 2024

**Mobeen Tahir**

Director, Research

The [WisdomTree Battery Solutions UCITS ETF \(VOLT\)](#), built in partnership with Wood Mackenzie, offers investors an exciting opportunity to capture the widespread adoption of batteries in energy storage, as well as transportation. The strategy invests in up to 37 different subsectors across four categories of the battery value chain: raw materials, manufacturing, enablers, and emerging technologies. Therefore, it gives investors a thoughtful, yet diversified, exposure across a wide spectrum of innovations. But what makes VOLT a promising investment opportunity for 2024?

## 1. Falling interest rates conducive for this high growth theme

Battery solutions is a high growth theme. In 2023, VOLT did exactly what you would expect from it in an environment of rising interest rates. For the first 10 months of the year, VOLT was down almost 19%<sup>1</sup>. In November, when markets became more optimistic about a monetary policy pivot, the fund was up almost 11%. And in December, the much anticipated dovish pivot from the US Federal Reserve finally arrived with officials suggesting rates could fall as much as 75bps in 2024. This monetary policy backdrop paves the way for VOLT to thrive.

## 2. Peak pessimism over China could catalyse a turnaround

China represents around three-quarters of the world's battery market and [cannot be ignored when investing in this theme](#). VOLT caps China's exposure at 25% just like all other countries (except the US, which is capped at 50%). As of 12 December, China held the highest weight in the strategy at just under 22%. There has been a lot of negative sentiment towards China in 2023, given the year started with inflation expectations around China's reopening and economic recovery. Since then, however, expectations have moderated and 2024 starts with much more modest expectations. This means the skew of risks for Chinese stocks is now to the upside.

## 3. Peak pessimism over metal prices promises upside

Another related story is that of metal prices. Energy transition metals were in a bear market in 2023 largely because of the two points noted above: rising interest rates and negative sentiment towards China, the largest commodity consumer in the world. Raw materials, which refers to the mining of materials like lithium, cobalt, nickel, and others, suffered due to this headwind. Despite strong underlying fundamentals of progress in the energy transition, macro pressures have weighed on these commodities. A turnaround

in metal prices, which could be triggered by falling rates and improving sentiment around China, could provide meaningful support to VOLT.

#### **4. Strong underlying fundamentals offer a lot of hope**

Poor market performance has masked the fact that the battery story is on the charge. According to Wood Mackenzie, the US storage market hit a new high in Q3 2023, installing the most capacity in a quarter to date with 7,322MWh becoming operational<sup>2</sup>. Similarly, according to Bloomberg New Energy Finance (BNEF), China's storage build has accelerated in 2023 and could add as much as 21GW/44GWh of new storage capacity this year, twice its cumulative storage installations as of the end of 2022<sup>3</sup>. And, although energy storage can mean a variety of things, batteries represent a large share of all energy storage additions currently. Similarly on transport, global plug-in electric car sales are expected to exceed 13 million in 2023, up from 10 million in 2022. Thus, the fundamentals of the theme remain strong. When the macro headwinds dissipate, we expect the underlying strength to translate into gains for companies within the theme.

#### **5. Possibility of outsized returns from numerous rapidly emerging technologies**

The battery theme encapsulates an array of exciting emerging technologies. From batteries being used in [decarbonising aviation](#) to [mobile energy storage](#), VOLT casts the net wide across a broad spectrum of promising innovations, any of which can deliver outsized returns for investors if the technology moves from the margins to the mainstream. And, for many such innovations, it is not a question of if, but when. In 2023, Toyota garnered a lot of attention from markets on its claimed breakthrough with solid-state batteries. Roughly a quarter of VOLT's exposure is in such emerging technologies. Due to their strong growth prospects and market interest, which can sometimes drive performance, they often feature notably among the top 10 holdings in VOLT. Given the pace of technological progress in this space, emerging technologies could be among the biggest contributors to VOLT's performance in 2024.

#### **6. A smart process that embeds expertise and sets investors up for success**

In a rapidly evolving theme, we believe that embedding industry expertise can be very advantageous. Partnering with Wood Mackenzie has helped us develop the concept of the battery value chain. It allows us to select and weight stocks based on their relevance and attractiveness in the battery theme, rather than their market capitalisation. It also enables the strategy to evolve as the underlying themes evolve. While such expertise cannot always guarantee strong performance, nothing can, they can ensure we offer investors a thoughtful exposure that is representative of the theme and allow them to make informed decisions about where the megatrend is headed.

1 Source: Bloomberg, referring to the performance of VOLT for the first 10 months of 2023.

2 Wood Mackenzie 13 December 2023 <https://www.woodmac.com/press-releases/us-energy-storage-installations-set-new-record-in-q3-2023/>

3 Bloomberg New Energy Finance (BNEF) as of 23 November 2023.

4 InsideEVs, as of 09 December 2023.

**Related blogs**

- + [Five cutting-edge innovations redefining battery technology](#)
- + [Two technologies that enable renewable hydrogen energy](#)
- + [IEA's bullish outlook for electric vehicles and what it means for investors](#)

## Important Risks Related to this Article

### IMPORTANT INFORMATION

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.**

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this

document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund. Investors should read the prospectus of WT Issuer ("WT

Prospectus") before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares.

### **Notice to Investors in Switzerland**

**Qualified Investors** This document constitutes an advertisement of the financial product(s) mentioned herein. The prospectus **and the key investor information documents (KIID) are available from WisdomTree's website** <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

### **For Investors in France**

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

### **For Investors in Malta**

This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

### **For Investors in Monaco**

This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.