

## Invest in the hydrogen economy through the ETFS Hydrogen ETF (ASX Code: HGEN).

### Introducing HGEN

HGEN invests in hydrogen companies around the world. Sometimes called the “Swiss army knife” of decarbonisation, hydrogen is being explored as a way of cleaning up sectors of the economy that have proved hard to rid of fossil fuels in the past. HGEN tracks the Solactive Global Hydrogen ESG Index, which contains 30 hydrogen companies in developed markets, Taiwan and Korea. It invests in companies from across the value chain, including hydrogen fuel cells, refuelling stations, electrolyzers and more.

Turning hydrogen green, and then using green hydrogen to decarbonise industry, is sometimes called the “hydrogen economy”.

### The hydrogen industry

The hydrogen industry is made up of specialised components including:

- **Fuel cells:** are like the engine that is used to turn hydrogen into electricity and energy. They can be used in car engines, in central heating, or in other areas like data centres.
- **Electrolyzers:** are machines that zap water with electricity and split it into its component gases hydrogen and oxygen. They are crucial for producing green hydrogen.
- **Refueling stations:** are kind of like petrol stations but for hydrogen. They are where ships, or other vehicles refuel their hydrogen tanks.
- **Ammonia:** is the main ingredient in fertilisers, used in agriculture. It is created by reacting hydrogen with nitrogen from the air.
- **Green hydrogen:** is made from water using renewable electricity. It differs from other “colours” of hydrogen – such as grey, brown and blue – in that no fossil fuels are consumed in its creation.

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### DID YOU KNOW?

- Hydrogen has three times the energy potential of petrol on a weight-for-weight basis.
- Hydrogen produces only water vapour when it is combusted and no greenhouse gases.
- Green hydrogen is created by zapping water with electricity to split it into hydrogen and oxygen.

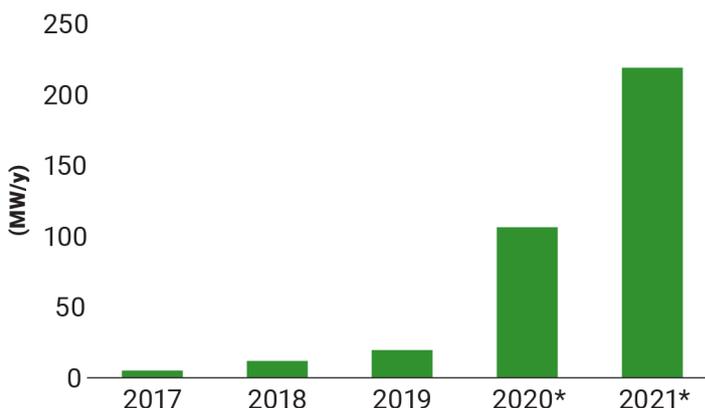
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### What is the hydrogen economy?

Hydrogen is being explored by governments and investors as a way of removing carbon dioxide from a lot of industries – like steelmaking, ammonia production, shipping – that are heavily polluting. For example, coal is burnt in blast furnaces as a reduction agent when creating steel. But hydrogen can be used as a substitute while producing no carbon dioxide emissions.

Hydrogen is not new. But today more than 95% of it comes from fossil fuels like methane and coal. What is new – and potentially exciting – is the growth of green hydrogen, which is created by using clean energy to split water into hydrogen and oxygen. Green hydrogen promises a quiet energy revolution, as it can remove fossil fuels from hydrogen production.

### Global electrolyser capacity additions



Source: IEA, as of July 2021, \*figures are announced capacity additions

### How HGEN works

- ✔ HGEN tracks the Solactive Global Hydrogen ESG Index.
- ✔ The index is made of 30 hydrogen businesses in developed markets plus Korea and Taiwan.
- ✔ Hydrogen companies are identified by Solactive using natural language processing, which reads through companies' public documents, websites and media releases to determine their primary business activities.
- ✔ Identified hydrogen companies are screened for ESG considerations including fossil fuels and controversial weapons involvement and then split between pure-play and non pure-play using FactSet's RBICS sector classification system.
- ✔ Those in RBICS sub industries: Fuel Cell Equipment, Technology Providers, Thermal and Chemical Processing Machinery Makers are identified as "pure-plays". Those outside these sectors are non-pure plays.
- ✔ The top 30 companies by market capitalisation are picked, with the weights of pure-plays capped at 10% and the weights of non-pure plays capped at 4%.

### Reasons to consider HGEN

- 1. Growth potential** The hydrogen economy is very early in its development.
- 2. Diversified access** Avoid stock picking and capture the growth of the industry.
- 3. Decarbonisation** Invest in the technology enabling a move away from fossil fuels.

### How to use HGEN in a portfolio

- ✔ To express long-term strategic or short-term tactical views on the hydrogen economy.
- ✔ To hedge against disruption to fossil fuel companies, which often feature in investor's portfolios.
- ✔ To aid portfolio diversification via investment in industries that are largely absent from the Australian market.

### Snapshot

<b>ASX Code</b>	HGEN
<b>Bloomberg Code</b>	HGEN AU Equity
<b>IRESS Code</b>	HGEN.AXW
<b>Benchmark</b>	Solactive Global Hydrogen ESG Index
<b>Management Cost (%pa)</b>	0.69%
<b>Rebalance Frequency</b>	Semi-annually
<b>Distribution Frequency</b>	Annually
<b>W-8 BEN Form Required</b>	No

For more information on the ETFS Hydrogen ETF (**ASX Code: HGEN**), please speak to ETF Securities.

#### Client Services

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#### Disclaimer

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