

Long Position IXC

iShares Global Energy ETF

Overview

- IXC tracks a market-cap-weighted index of global energy companies.
- Like the global energy market in general, it loads up on the oil and gas refining market, creating a top-heavy fund dominated by mega-caps like Exxon
- Management fees: 0.46%
- Tracking error: 0.38%
- We expect the ETF to reach its price target within the next 6-9 months.

Thesis

- We believe the market has been too short term with respect to its outlook on the ETF and consequently has undervalued the asset.
- The temporary panic that has arisen as a consequence of both the covid-19 crisis, and the supply war with OPEC+ has resulted in an overreaction by the market.
- Fear and panic, possibly resulting from extreme volatility within the sector in recent months has brought about a delayed response in the price of the asset.
- Consequently the market has not responded accordingly to good news within the sector.

Valuation

- Looking deeper in the ETF, we can see that Exxon Mobil Corporation and Chevron Corporation hold 25% of the ETF.
- The stock prices of these 2 equities are half of what they were 1 year ago (32.82 USD and 71.15 USD), and both are increasing, which indicates that the ETF price will follow this trend.
- The sooner the vaccine for Covid-19 is distributed, the sooner these stocks will rise.

Catalysts

- Large scale production of the vaccine will stimulate global demand for energy.
- An agreement within OPEC+ to control the supply of oil.

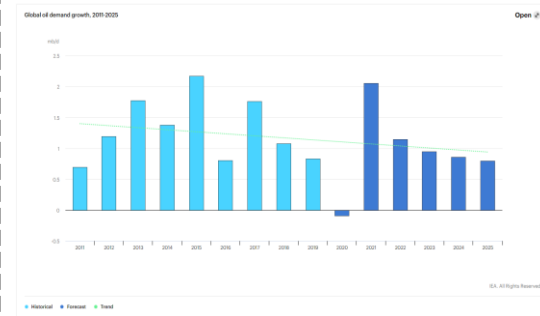
Risk & Logistical Concerns

- Biden's green mantra, including a pledge to make the US carbon neutral by 2050.
- Further supply disagreements between OPEC+, may drive down oil
- A move towards renewable energy, implies a long-term downward trend in the ETF.

Author Information

Name: Peter Coyle
Email: coylep2@tcd.ie

Name: Fernando Victoria
Email: victorif@tcd.ie



The International Energy Agency forecasts a huge increase in oil demand on 2021 with respect to 2020. As seen on the table, this will be a short-term growth.



ETF Price in the last year