# Ecofin Global Utilities and Infrastructure Trust plc (EGL.LN)

AGM 2 March 2022

# EGL’s Portfolio Manager

## Jean-Hugues de Lamaze

*Managing Director and Portfolio Manager*

Portfolio Manager, Ecofin Global Utilities and Infrastructure Trust plc and the Ecofin Sustainable Listed Infrastructure UCITS Fund.

Joined Ecofin as Portfolio Manager in 2008. 32 years of experience in equities and utilities/infrastructure; 15 years as a specialist PM (Ecofin, UV Capital) and, previously, 17 years on the sell-side as a research analyst (Goldman Sachs, Credit Suisse, Enskilda). Director of Direct Energie S.A., 2012-2019.

Education: INSEAD (Paris), Institut Superieur de Gestion (Paris), LLB from Paris II Assas University, CFAF (certified European financial analyst).

## Ecofin

*The bridge connecting ecology and finance*

Ecofin is a sustainable investment manager founded in 1991 with $1.8 billion AUM.

Ecofin’s objective is to deliver strong risk-adjusted returns as a specialist in global infrastructure and energy transition thematics.

Ecofin combines expertise across public and private equities, private debt as well as social impact investing.

Our London investment team is highly experienced and composed of individuals who have worked together for an average of 9 years.

# Strategy overview

**An alternative income strategy featuring capital preservation and exposure to global growth**

| Global | Income | Growth |
|---|---|---|
| Diversified across geographies, sub-sectors and investment themes<br><br>*Balance North America/pan-Europe* | Invested in securities with attractive yields and inflation protection<br><br>*Portfolio yield c. 4%* | Growth-oriented infrastructure businesses and utilities<br><br>*DPS growth +5-7% p.a.* |

**Target total return:** 6-12% per annum

**Achieved total return*:** 11.6% per annum

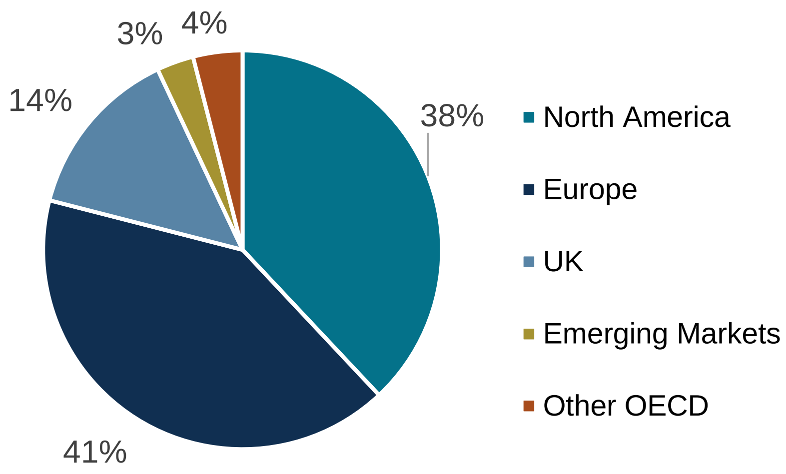
**A mix of regulated and growth-oriented business segments:**

**Electric & Gas Utilities:**
Generation, Transmission & Distribution of Electricity, Gas and Liquid Fuels and Renewable Energies

**Environmental Services:**
Water Supply, Wastewater, Water Treatment and waste management

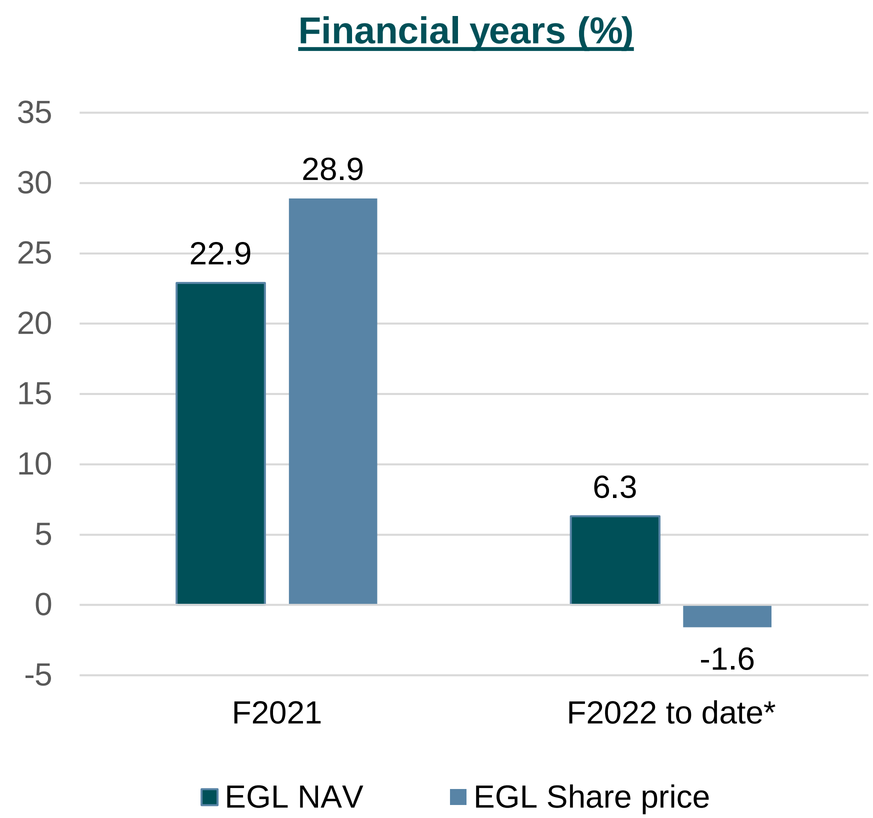
**Transportation Infrastructure:**
Roads, Railways, Ports and Airports

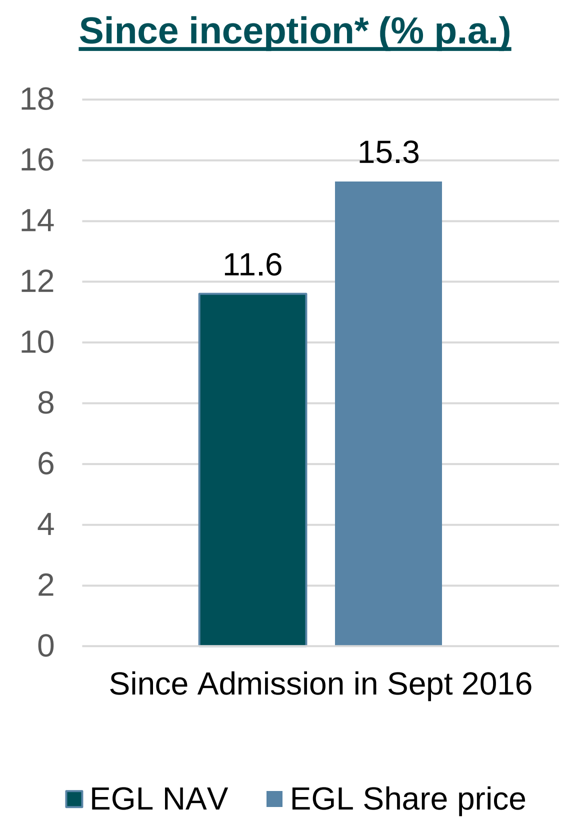
**Geographical allocation** (% of Portfolio)




*NAV total return since inception (to 28 February 2022); **share price total return of 15.3% per annum.**

# NAV and share price performance (total returns)




**EGL is growing:**

- Block-listing facility permits issuances in response to daily demand
- Issuance since April 2020: 9.4mn new shares, or £16.8mn, at a premium to NAV

* To 28 February 2022

# Performance vs indices (to 28 February 2022)

| (all total returns in £) | 3 M % | 6 M % | 1 Y % | 3 Yrs % | 5 Yrs % | Since Admission* % | Since Admission* % per annum |
|---|---|---|---|---|---|---|---|
| **Net Asset Value** | **1.4** | **4.0** | **23.2** | **56.5** | **84.7** | **82.0** | **11.6** |
| **Share Price** | **1.2** | **3.4** | **17.2** | **68.2** | **110.4** | **116.8** | **15.3** |
| S&P Global Infrastructure Index | 6.5 | 7.1 | 19.0 | 18.0 | 25.6 | 29.8 | 4.9 |
| MSCI World Utilities Index | 3.3 | 2.3 | 18.2 | 24.9 | 39.3 | 44.5 | 7.0 |
| MSCI World Index | -4.6 | -1.9 | 15.8 | 50.7 | 68.0 | 88.2 | 12.3 |
| FTSE All-Share Index | 3.9 | 2.4 | 16.0 | 18.4 | 25.6 | 33.9 | 5.5 |
| FTSE ASX Utilities | 10.1 | 14.9 | 42.0 | 51.4 | 35.5 | 31.2 | 5.1 |

[1] Since admission to trading on the London Stock Exchange on 26 September, 2016

# Our investment philosophy

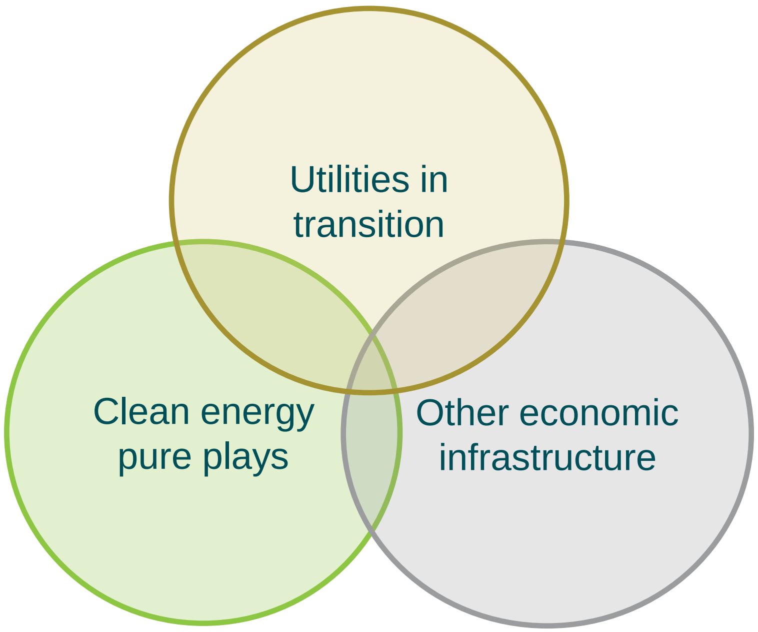
*Capturing value from the energy transition*

**EGL's portfolio is positioned to deliver attractive total returns by selecting the companies with the greatest exposure to secular growth trends stemming from the world's accelerating energy transition.**

We have an **unconstrained universe with no exclusion criteria**. Our ESG analysis is **highly stock specific** and contributes toward superior shareholder returns through **positive selection:** invest in **improving ESG profiles** and avoid companies with **major ESG risks.**

- **Total return mindset**
- **Structural growth**
- **Transitioning business models**
- **Invest through positive selection**
- **Avoid major pitfalls**

**EGL Investment Universe**



# The opportunity: secular growth

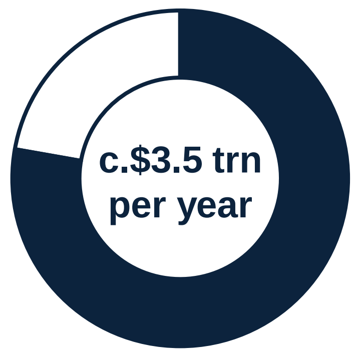
*Energy transition underpins sustainable and profitable growth*

**Infrastructure globally requires a major step up in investment as a significant proportion is obsolete, in poor condition or inadequate to cope with the world's rapid decarbonisation needs.**

**The world today invests...**


**...in economic infrastructure.**

**The world needs to invest...**




**...to sustain the current growth run rate.**

**The world would need to invest...**


**...to meet the UN's Sustainable Development Goals.**

**Global policymakers** are taking significant steps to **accelerate the energy transition**. This suggests that we are at a **turning point in infrastructure spending on renewables and other clean energy infrastructure**.

**As of 2021**
**c. 90% of the world's GDP**
**(responsible for 88% of emissions)**
**has committed to**
**net zero emissions**

Source: Bloomberg, BNEF, Energy & Climate Intelligence Unit Net Zero Tracker

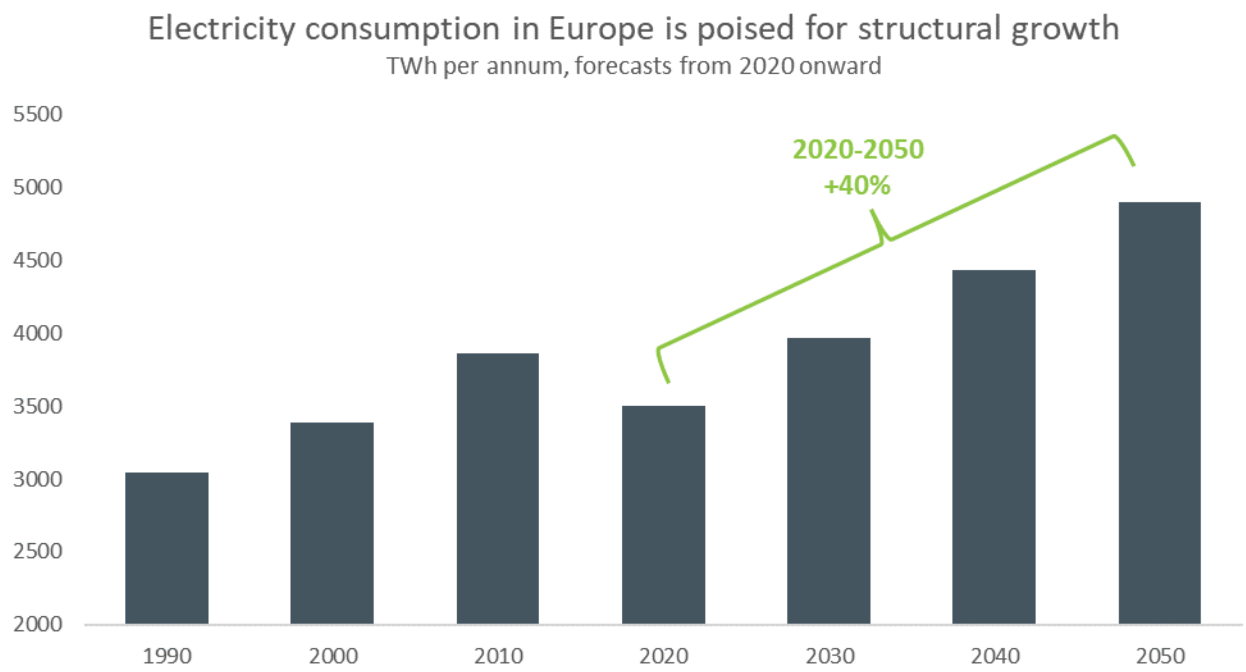
# The opportunity: secular growth

*Moving to a greener, more electric energy mix*

We see **two main secular trends** in the infrastructure space **driving investments and value creation for decades** to come:

- **Decarbonisation** – the substitution of fossil fuels with renewable energy, mostly in the form of renewable electricity.
- **Electrification** – the increase of electricity's share in the global energy consumption mix.

We expect both trends to support a **steady and sustained increase in electricity consumption for decades to come**, reversing the trend of decline seen since 2010 as a result of ongoing energy efficiency gains.




Sources: IEA, McKinsey

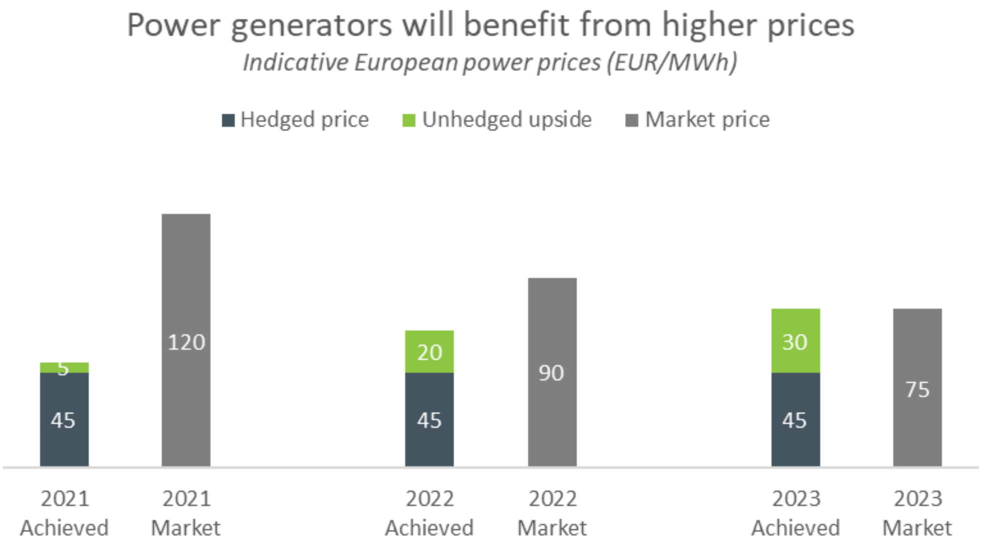
# The opportunity: enhanced returns

*Dual benefit of rising commodity prices in the short term*

**Commodity prices have increased sharply, producing a dual benefit for our portfolio companies: higher revenues and margins through higher achieved power prices, and an expanded renewable investment opportunity through improved economics.**

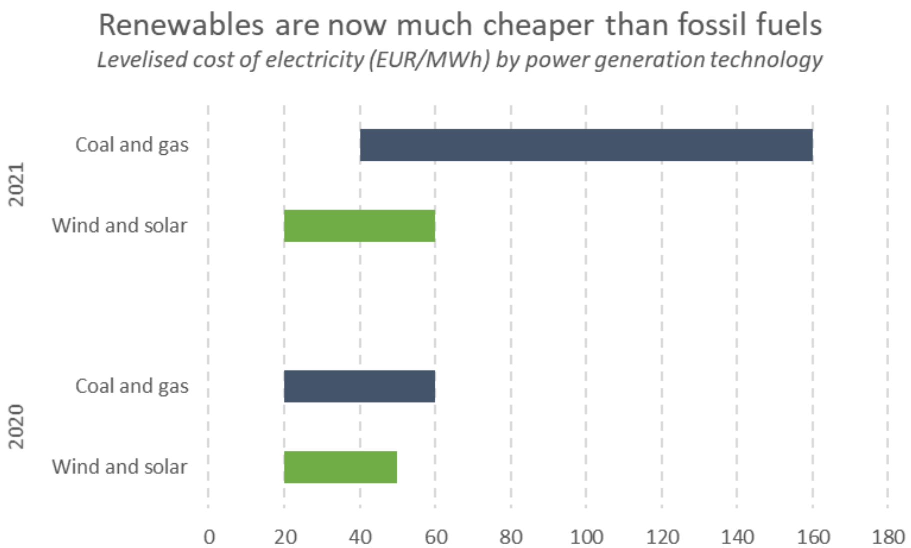
## Higher achieved power prices

- Within a broadly **de-risked** sector, **some utilities retain significant exposure to power prices**.
- Market prices at **decade highs** supports **both the top line and margins** of fixed cost power generators like **Drax and RWE**.
- In many instances, the **full upside** from higher power prices remains **underappreciated by consensus**.




## Improved economic competitiveness of renewables

- **Renewable costs** have risen **very marginally** compared to higher commodity prices.
- This **materially increases renewables' economic competitiveness** compared to fossil fuel alternatives.
- We expect this to translate into **improved pricing power** for renewable developers when signing bilateral contracts (PPAs).

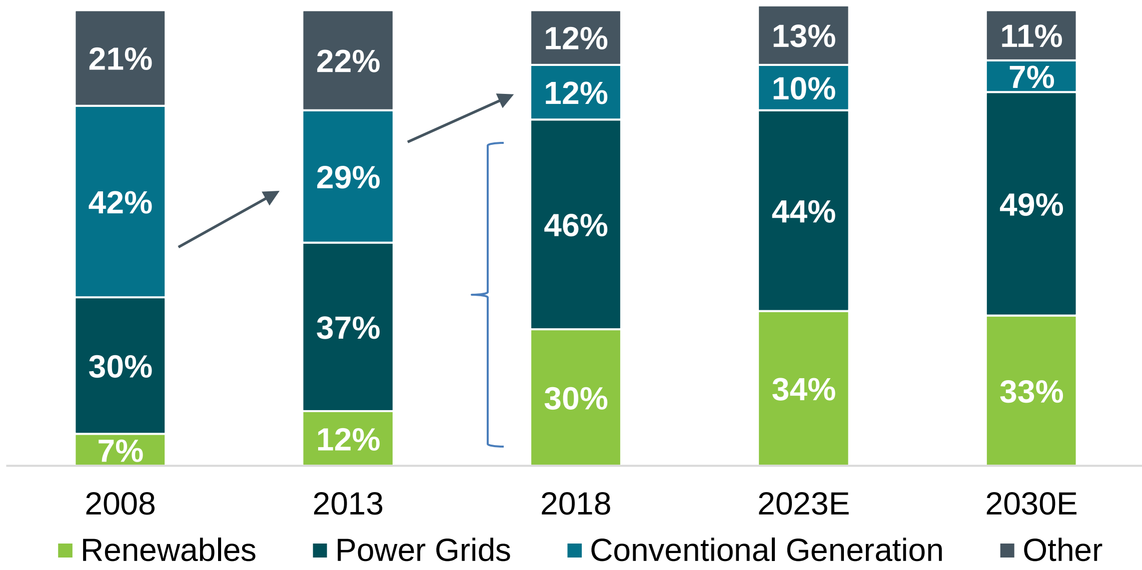


# The opportunity: enhanced returns

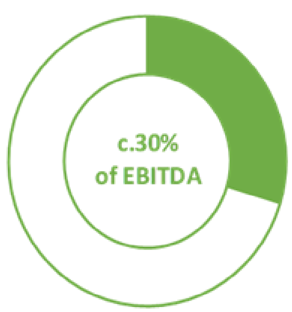
*Evolving business mixes drive value creation in the long run*

**Utilities are rapidly adapting business models** to a world which increasingly prioritises decarbonisation…

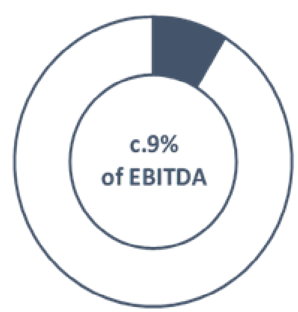
**EBITDA split by activity for European Utilities**




While Europe's 10 largest Utilities derive nearly a third of EBITDA from renewables on average…




…for the top 10 US Utilities the same ratio is much lower at <10%.



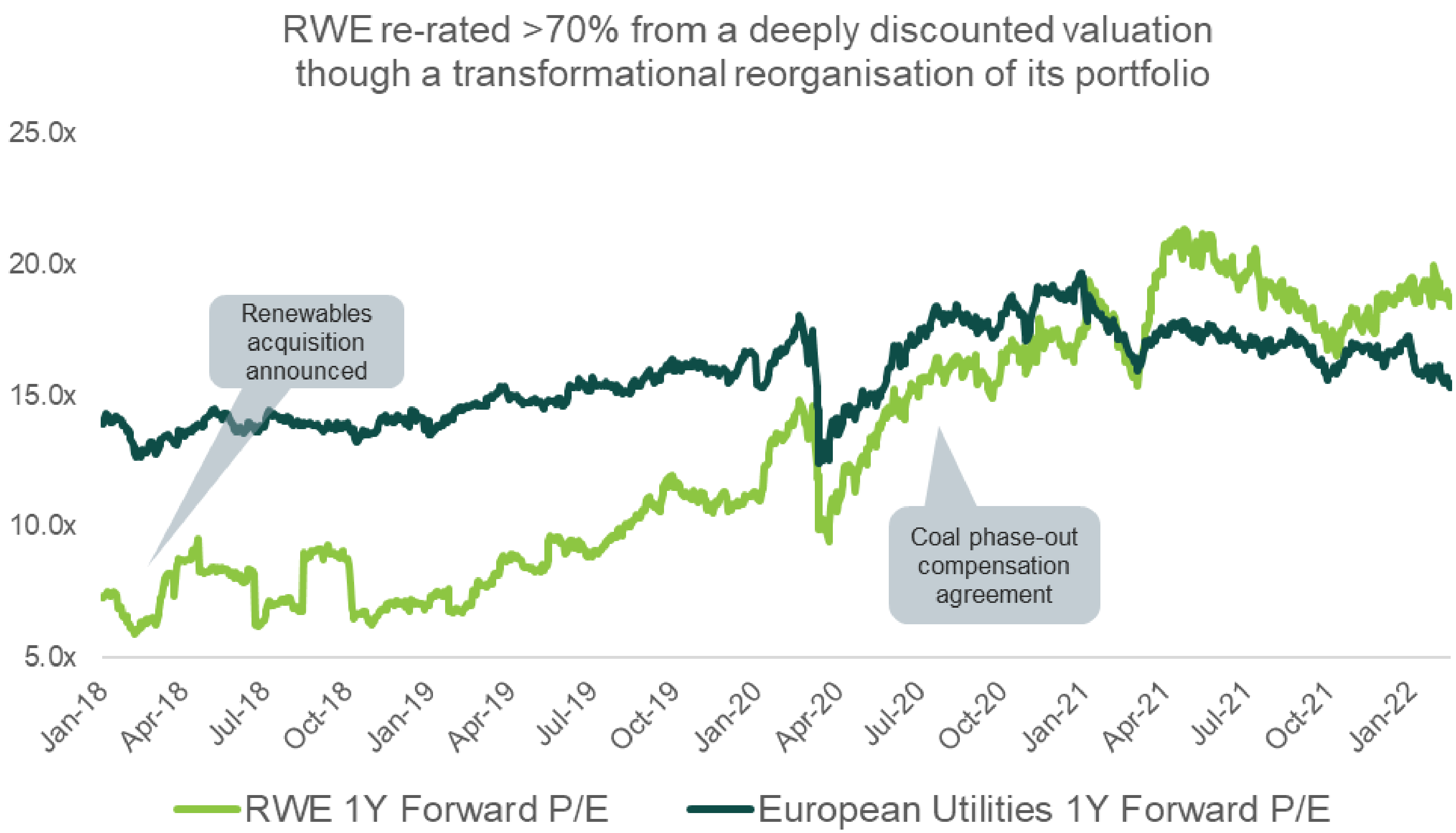

ecofin

Sources: Bloomberg, Goldman Sachs, Company data

# The opportunity: enhanced returns

*Evolving business mixes drive value creation in the long run*

…with shifts in **capital allocation** offering opportunities to **unlock significant value.**






Sources: Bloomberg, Goldman Sachs, Company data

# The opportunity: inflation hedge

*Infrastructure as a source of inflation protection*

As owners of **essential assets**, listed infrastructure companies provide a uniquely attractive risk profile in times of rising inflation, often combining **inflation indexing with strong pricing power and cyclical exposure.**

## Inflation indexing

Most of our portfolio companies benefit from regulated and/or contracted cash flows which are directly or indirectly indexed to inflation.

Examples: Terna, National Grid, Pennon.

## Pricing power

Even without inflation indexing, our companies typically benefit from strong pricing power as they operate essential infrastructure.

Examples: Veolia, Drax, Ferrovial.

## Cyclical tilts

Power generators typically see their margins expand in periods of inflation due to positive exposure to commodity prices.

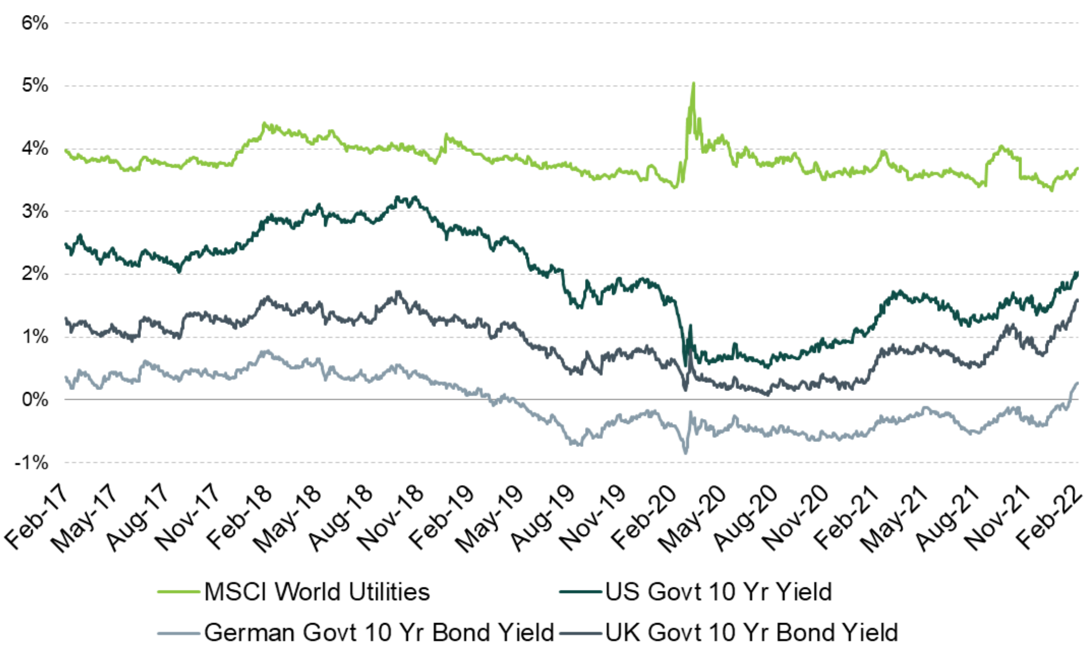
Examples: RWE, Exelon.

# The valuation gap

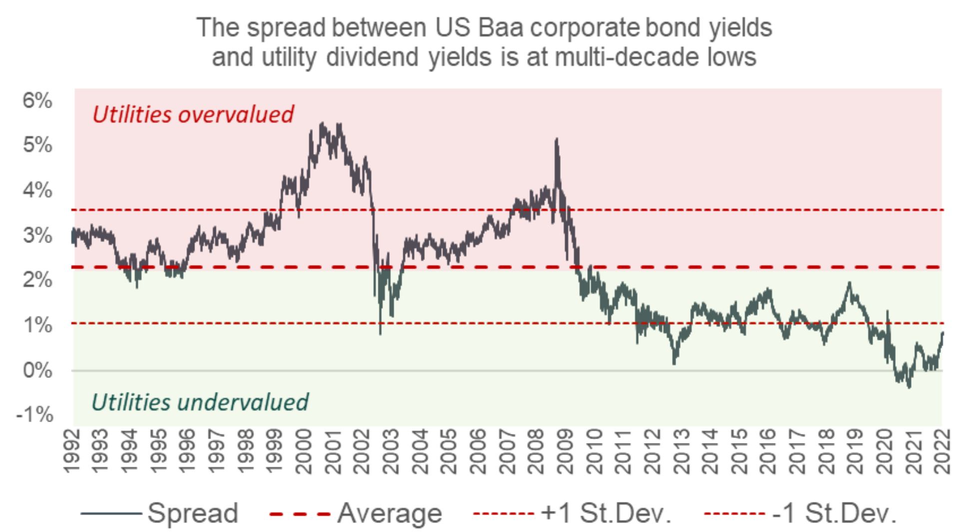
*Utilities relative yields – a 30-year perspective*

Notwithstanding its **newly found growth**, the utilities sector remains a **source of income** for many investors. The relative yields of the sector look the **most attractive they have in decades** (RHS chart), and the **spread to risk free rates remains significant** despite recent yield increases (LHS chart).

**Global utilities dividend yields are attractive vs government bond yields**




**U.S. regulated utilities are attractive compared to corporate bonds**




Source: Bloomberg

# Summary

- Ecofin has a **long and successful track record** of investing in **global sustainable listed infrastructure.**
- We identify **superior risk/reward opportunities** as **specialists**, with a unique focus on identifying **utilities in transition**.
- We approach our investments with a **total return mindset**, always striking a **balance between structural growth and income**.
- We rely on **positive selection** for our **ESG implementation**, investing in companies with the most **attractive direction of travel** and avoiding those with the most significant risks.

**2021**
**Investment Company of the Year (WINNER)**

2021
Best Specialist Equities Trust (Runner-up)

**2021**
Best ESG Investment Fund: Infrastructure (Runner-up)

**2020**
Investment Company of the Year (Finalist)

**2020**
Best Specialist Infrastructure and Utilities Fund (Finalist)

**Jean-Hugues de Lamaze (2018)**
Top 10 Buy-side Individual - All Sectors
Top 3 Buy-side Individual - Utilities

**Ecofin (2018)**
Top 3 Buy-side Firm - Utilities

# Appendices

# Key performance indicators

| KPIs | **As at or year to 30 September 2021** | As at or year to 30 September 2020 | As at or year to 30 September 2019 | As at or year to 30 September 2018 | As at or period to 30 September 2017 |
|---|---|---|---|---|---|
| Change in: | | | | | |
| NAV[1] | 22.9 | -2.6% | 27.4% | 4.8% | 7.2% |
| Share price[1] | 28.9 | 5.6% | 32.3% | 1.1% | 20.9% |
| Premium/(Discount) to NAV at year-end | 1.5% | (3.3%) | (10.7)% | (13.6)% | (9.9)% |
| Average premium/(discount) to NAV during the year | (1.3)% | (2.6)% | (12.3)% | (11.3)% | (12.2)% |
| Revenue return per share | 5.98p | 4.97p | 5.48p | 4.82p | 4.75p |
| Dividends paid per share | 6.60p | 6.55p | 6.40p | 6.40p | 6.40p |
| Dividend cover[2] | 90.6% | 75.9% | 85.6% | 75.3% | 74.2% |
| Ongoing charges ratio | 1.43% | 1.48% | 1.68% | 1.99% | 1.68% |

1. Total return, assuming reinvestment of dividends
2. Proportion of dividends paid to shareholders which is covered by net revenues

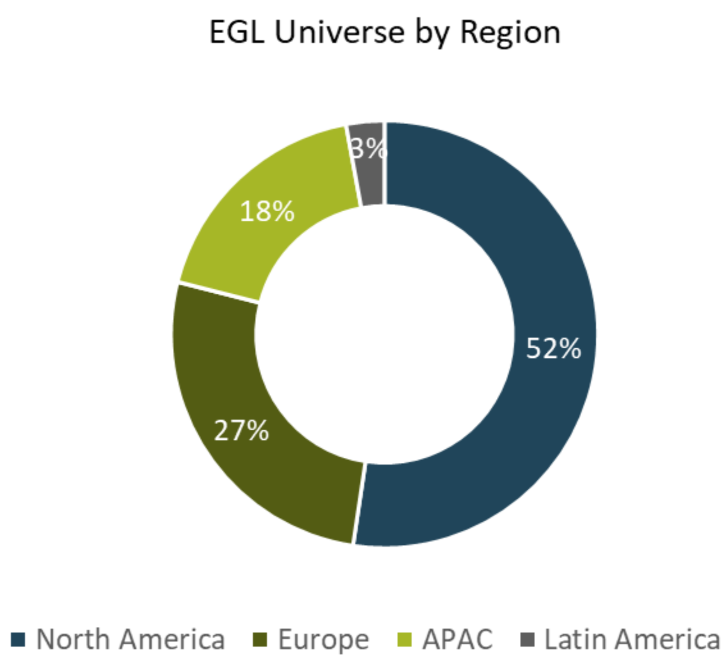
# Listed infrastructure investment universe

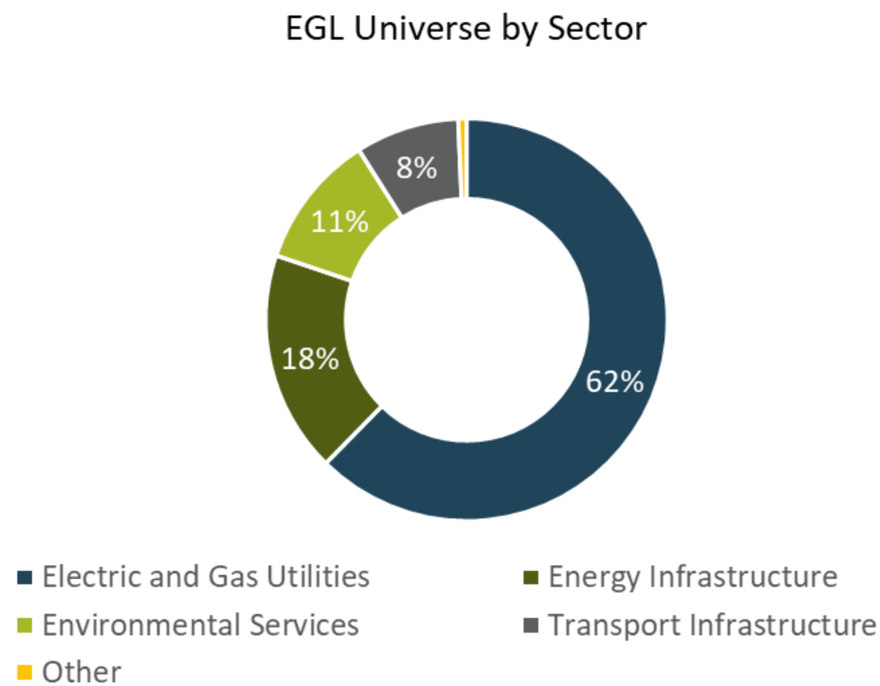
| Universe overview | North America | Europe | APAC | Latin America | Total |
|---|---|---|---|---|---|
| No. of companies | 139 | 90 | 132 | 34 | **395** |
| Market cap. ($ '000) | 2,024 | 1,017 | 697 | 109 | **3,847** |

**Inclusion criteria:**

Market cap >$500mn

Average daily volume >$1mn



# Carbon performance

**Emissions performance of EGL's portfolio**
(by Ecofin Advisors Limited with CarbonAnalytics)

- Electricity generators in EGL's portfolio generally have $CO_2$ emissions which are significantly below the average emissions of their relevant electricity grid and the companies sitting in the global utilities index
- We do not set firm ex-ante limits on fossil fuel exposure and invest in companies in transition to better growth and ESG profiles (rather than permitting only 'clean' stocks). Nevertheless, at a portfolio level our approach delivers an emissions profile which is well within the spectrum of typical impact funds
- At the end of December, EGL's electricity generators' emissions were 14% less than the MSCI World Utilities Index per $mn invested

| 31 December, 2021 | Share of electricity generation from coal | Share of electricity generation from renewables[1] | $CO_2$ emissions compared to relevant grid[2] | $tCO_2$ per $mn invested |
|---|---|---|---|---|
| **EGL** | **12%** | **30%** | **-25%** | **567** |
| MSCI World Utilities Index | 18% | 19% | -13% | 661 |

1. Renewables = Wind, Solar, Hydro, Biomass
2. Computation of $CO_2$ emissions of the grid in which the companies operate

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