THIS IS A MARKETING DOCUMENT

Ecofin Sustainable Listed Infrastructure UCITS Fund (ESLIF)

Q4 2023 QUARTERLY COMMENTARY

MSCI ESG RATINGS AA

Represents the aggregate rating of ESLIF's holdings as of 31 December 2023. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission; no further distribution permitted. See last page of the factsheet for additional information on the rating.

Please note that this Ireland domiciled Ecofin Sustainable Listed Infrastructure UCITS Fund ("ESLIF") was launched 23 February 2022. A UCITS fund with the same strategy and investment management team as ESLIF was previously launched under Luxembourg domiciliation in August 2019 ("Lux Fund"); however, due to platform onboarding issues in Luxembourg, Lux Fund was placed into liquidation in early June 2022 after the largest investor had transferred its investment to ESLIF.

Performance

Over the quarter, the NAV total return was 5.7% compared with the S&P Global Infrastructure Index's 6.1% (total return in Euros). Over the period since ESLIF's inception in February 2022, the NAV total return is 2.7% versus the benchmark index's increase of 9.0%.

As of 31 December 2023

(All total returns in EUR)	3 months %	6 months %	1 year %	Since inception* %
ESLIF NAV	5.7	-3.8	-5.3	2.7
S&P Global Infrastructure Index	6.1	1.1	2.2	9.0

*24 February 2022

For information purposes, performance information for the Lux Fund from its inception on 6 August 2019 to 31 May 2022 is provided below. Although both ESLIF and Lux Fund are managed by Ecofin Advisors Limited to the same strategy, Lux Fund's performance information DOES NOT constitute ESLIF's performance and it is provided for background information purposes only.

Performance of Lux Fund from August 2019 to 31 May 2022 (Lux Fund was closed in early June 2022)

(All total returns in EUR)	2019 %	2020 %	2021 %	2022 %	Since inception* %
Lux Fund NAV	10.8	4.1	21.0	3.3	44.1
S&P Global Infrastructure Index	8.7	-14.2	19.5	14.0	27.1

*6 August 2019

Market overview

After late September's and early October's watershed in the renewables sector with U.S. 10-year bond yields nearing 5%, a recovery emerged later in October for listed infrastructure, particularly the U.S. utilities segment which had performed so poorly year-to-date. Equity markets rallied enthusiastically for most of November and December too with some better news on inflationary pressures encouraging longer term government bond yields quite significantly lower (to just under 3.9% on the 10-year Treasury yield by year-end) and prompting some expectations for rate cuts early in 2024.

Listed infrastructure participated in the fourth quarter upswing (S&P Global Infrastructure Index +6.1%), nearly matching the MSCI World Index's 6.4% increase (total return in €). Renewables specialists, especially the U.S. laggards, were revived by the prospect of relief on rates and the portfolio's best performers towards year-end (in December) included NextEra Energy Partners, AES Corp and Edison International. Pan-European diversified utilities continued to perform well during the quarter. For these large integrated utilities, power prices were declining from 2022's crisis levels but power retail and trading businesses were thriving. European transportation and environmental services, which offer sound pricing models with contractual inflation hedges, performed relatively well too.

We had a stream of strong earnings reports from portfolio holdings during the quarter. Renewables specialists defended returns and, with few exceptions, utilities continued to meet or beat expectations (American Electric Power, Constellation Energy Corp, AES Corp) and reaffirmed or raised forward guidance, growth rates and capex plans. Some companies in the portfolio (Xcel Energy, Alliant Energy and Southern Co) raised capacity needs, driven by accelerating power demand growth, and sales growth forecasts.

Companies were benefitting from power prices which, although lower than 2022, remain well above pre-Ukraine crisis levels. Engie, for example, recently reported forward selling prices for a large proportion of its volumes for the next three years at prices between €100/megawatt-hour (MWh) (2023) and €152/MWh (2025). These significantly exceed prices used in analysts' earnings forecasts. Meanwhile, power purchase agreement (PPA) data shows that renewables operators overall are able to pass through the effects of cost inflation to customers while contracted power prices for new projects are adjusting upward to reflect the higher cost of capital and overall equipment costs to maintain project returns.

Performance attribution

The 5 best and worst contributors to the NAV during the quarter were:

Company	Avg. net exposure	NAV contribution %
Top 5:		
Enel SpA	4.0	0.6
SSE PLC	4.1	0.6
RWE AG	3.5	0.6
AES Corp	2.8	0.6
National Grid PLC	4.3	0.4
Bottom 5:		
China Water Affairs Group Ltd	2.5	-0.5
Exelon Corp	4.2	-0.3
Xinyi Energy Holdings Ltd	1.1	-0.2
Ameren Corp	2.8	-0.2
Endesa SA	1.1	-0.1

Enel SpA and **RWE AG** both released highly anticipated strategic updates. Enel's new three-year plan aims at de-risking the business by reallocating capital to regulated networks and core markets while keeping the balance sheet under control and maintaining an attractive growth profile (5 to 8% earnings per share (EPS) compound annual growth rate (CAGR)). RWE also delivered a robust update, including a fully funded €55 billion investment plan which will allow a trebling of the group's renewables installed capacity by 2030. **SSE PLC's** fully funded five-year capex plan was upgraded by nearly 14% driven by accelerated power transmission investments, providing visibility on growth targets to 2027 (13 to 16% EPS CAGR over the next 5 years).

AES Corp reported solid earnings and a 4% dividend increase and was able to report continued progress on its asset sale process which fortifies its funding plan.

National Grid reported earnings in line with expectations, reiterated forward guidance and boosted its five-year capital expenditure plan slightly. We expect renewables deployment and electrification to support structural asset base growth for at least two decades (double digit Regulatory Asset Base (RAB) and EPS growth).

Exelon Corp and **Ameren Corp** underperformed following unusually harsh Illinois rate case decisions: low electric ROEs and rejection of the companies' grid investment plans. Exelon has submitted a revised plan and both companies may shift capital investment to other regions/jurisdictions, but in view of the restrictive ruling and potential risk to Exelon's 6 to 8% p.a. growth target, the holding in Exelon was reduced.

China Water Affairs Group Ltd and **Xinyi Energy Holdings Ltd** shares continued to be weak along with Chinese equities generally. Fundamentals were unchanged and share valuations are extremely low. We added to both of these small positions.

Endesa SA's underperformance can be explained by the combination of a lacklustre strategic update and risks of further government intervention in Spain – both potentially putting the company's earnings and dividends under pressure.

Portfolio changes

We took profits in some European holdings which had performed relatively well (Enel, SSE), and exited Endesa, which funded additions primarily in U.S. utilities which as a sector had had their worst relative performance in over 30 years. The takeover of TransAlta Renewables completed in early October, returning cash to the portfolio.

Specifically, we increased positions in AEP, NextEra Energy Partners and Southern Co, and a new name, Vistra Energy, was added to the portfolio. Vistra has a well-diversified integrated model with over 90% fully dispatchable generation (i.e., power supplied to the grid can be turned on or off as required) and broad exposure to Inflation Reduction Act (IRA) tailwinds. Operating throughout the U.S., Vistra has an important role in providing baseload power which becomes increasingly critical as we decarbonise (its generation fleet includes natural gas, nuclear, coal and solar facilities). Additionally, 46% of its generation capacity is in Texas where we expect structurally higher power prices as reserve margins tighten even further as baseload capacity is replaced by renewables. Fundamentals are attractive (well above average free cashflow yield, relatively low debt to Earnings before taxes, interest, depreciation & amortization (EBITDA) ratio, limited exposure to higher rates with all outstanding debt at fixed rates), and we expect continued strong EPS momentum. We also added to RWE and ENAV during the quarter.

Yield

The yield on the portfolio was 4.5% as at 31 December (4.8% as at 30 September). We expect the portfolio will deliver another above average rate of increase in income from investments. Long term, we continue to anticipate growth in income from investments closer to 5 to 7% per annum.

Strategy

At present, long term interest rates are driving equity markets and there is plenty of uncertainty on the medium-term global growth and geopolitical outlook. Many pure renewables and some utility share valuations have de-rated so significantly that they ascribe little value to growth; scepticism regarding both growth and yield at the same time is overly pessimistic. These sectors need a peak in interest rates and bond yields to stabilise the net present value of operating cash flows, the value of growth and to rekindle investor optimism. Nonetheless, with the earnings outlook we're observing, there are compelling investment opportunities at current levels.

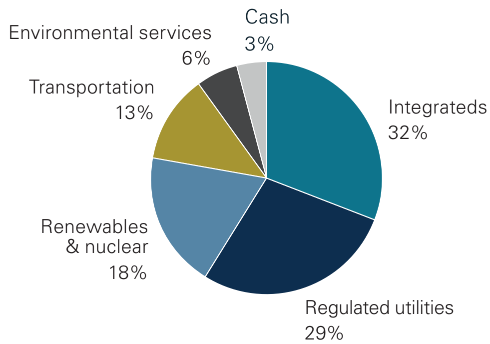
Decarbonisation and electrification trends have strong momentum with key drivers such as increasing renewables, manufacturing re-shoring and energy efficiency driving investment. Corporates and consumers will continue to replace carbon-emitting energy sources with renewables, ensuring renewables growth at a reasonable rate of return. Power purchase agreement (PPA) prices have been increasing in Europe and the U.S. to reflect, and more than offset, higher capital expenditure and financing costs, according to LevelTen Energy. This implies better pricing power and higher internal rates of return today than in 2020. Utilities are forward selling power for the next few years at prices which are significantly higher than those embedded in brokers' forecasts which mostly assume that power prices will revert to historical levels.

We continue to take advantage of the diversity in ESLIF's investment universe. The portfolio now has more exposure to electric transmission and distribution with, for example, SSE, National Grid, Terna, a Rome-based pure play high-voltage transmission owner/operator, and Edison International, one of the largest pure electric transmission and distribution companies in the world. These businesses are highly regulated, have some upside protection to inflation and interest rates via their regulated return on capital models and are key enablers of the decarbonising of the grid. They are spending capital on interconnections to newly built renewables assets and to manage the consequent loads on grids. Environmental services and transportation infrastructure services add some economic sensitivity but debt costs are generally well hedged, revenues (tolls, for example) are mostly inflation-linked, changes to allowed returns on capital effectively offset rising bond yields, and valuations are low.

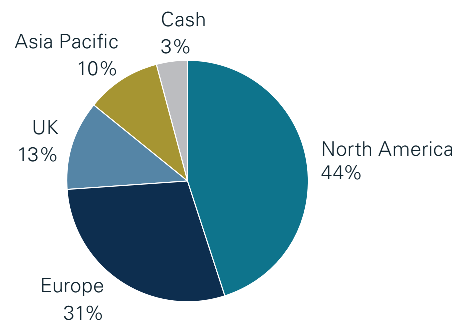
As of 31 December 2023

Portfolio exposure (% of NAV)

By sector



By geography



Due to rounding, totals may not equal 100%.

The fund continues to screen well in terms of carbon emissions, i.e., tonnes of CO_2 emitted per megawatt hour of electricity generation. For this strategy, Ecofin does not set firm limits on fossil fuel exposure and invests in companies transitioning to better growth and environmental, social and corporate governance (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. As of 31 December, this portfolio’s electricity generators had CO_2 emissions which were 5% below the average emissions of the electricity grids in which the companies operate, largely because of a relatively small reliance on coal (c. 12% of the mix), and 18% lower than those of companies in the global utilities index (as measured in tCO_2/\$million invested). On a forward-looking basis, specifically due to our focus on companies in transition, the portfolio’s emissions profile looks even better, with almost all companies having committed to both a full phase-out of fossil fuels in the medium term and a net zero emissions target in the long run.

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Past performance is no guarantee of future results. Returns may increase or decrease due to currency fluctuations.

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The MSCI ESG Fund Ratings is designed to assess the resilience of a fund's aggregate holdings to long term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks.

- AAA, AA: Leader- The companies that the fund invests in tend to show strong and/or improving management of financially relevant environmental, social and governance issues. These companies may be more resilient to disruptions arising from ESG events.
- A, BB, BB: Average- The fund invests in companies that tend to show average management of ESG issues, or in a mix of companies with both above-average and below-average ESG risk management.
- B, CCC: Laggard- The fund is exposed to companies that do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These companies may be more vulnerable to disruptions arising from ESG events.

The Fund ESG Rating is calculated as a direct mapping of "Fund ESG Quality Score" to letter rating categories.

- 8.6- 10: AAA
- 7.1- 8.6: AA
- 5.7- 7.1: A
- 4.3- 5.7: BBB
- 2.9- 4.3: BB
- 1.4- 2.9: B
- 0.0- 1.4: CCC

The "Fund ESG Quality Score" assesses the resilience of a fund's aggregate holdings to long term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks, based on a granular breakdown of each issuer's business: its core product or business segments, the locations of its assets or revenues, and other relevant measures such as outsourced production. The "Fund ESG Quality Score" is provided on a 0-10 score, with 0 and 10 being the respective lowest and highest possible fund scores.

The "Fund ESG Quality Score" is assessed using the underlying holding's "Overall ESG Scores", "Overall ESG Ratings", and "Overall ESG Rating Trends". The "Fund ESG Quality Score" is equal to the "Fund Weighted Average ESG Score". MSCI calculates the "Fund Weighted Average ESG Score" of the underlying holding's "Overall ESG Scores". The Overall ESG Scores represent either the ESG Ratings Final Industry-Adjusted Score or Government Adjusted ESG Score of the issuer. Methodology for the issuer level scores are available in the MSCI ESG Ratings Methodology document.

The stated rating only applies to the Institutional share class and other share class ratings may differ.

For more information please visit https://www.msci.com/esg-fund-ratings