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Ecofin Global Renewables Infrastructure UCITS Fund (EGRIU)

Q1 2024 QUARTERLY COMMENTARY

MSCI ESG RATINGS: AA (CCC | B | BB | BBB | A | AA | AAA)

Represents the aggregate rating of EGRIU's holdings as of 31 March 2024. Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission; no further distribution permitted. See last page of the factsheet for additional information on the rating.

Fund performance (NAV as of 31 March 2024)

QTD	-5.0%
YTD	-5.0%
ITD	-21.8%

Since inception date is 31 December 2021

The fund's NAV decreased by 5.0% for the first quarter of 2024.

The broad clean sector (S&P Global Clean Energy Index -10.2%), European Utilities (STOXX Europe 600 Utilities USD -6.9%) and renewables developers & operators performed poorly in the first quarter while U.S. utilities delivered a positive performance (S&P 500 Utilities Index +4.6%). European renewables and utilities were affected by falling power prices while most renewables companies globally continue to experience a derating due to fears of lower returns going forward.

U.S. utilities have stabilised in a high interest rates environment and it seems that we are witnessing a renaissance of nuclear power, for the following reasons: 1) nuclear offers 24/7/365 decarbonised electricity that can mitigate the intermittency of wind and solar, 2) the Production Tax Credit in the Inflation Reduction Act (IRA) provides a floor tariff for nuclear electricity, which supports investing to extend the life of the plants and create further value over the long-term, as well as reduces the need for hedging, 3) datacentres are increasingly attracted to connect directly to the nuclear plants and seem ready to pay a premium to wholesale power prices to secure their insatiable need for green power. These attributes are particularly beneficial for unregulated nuclear plants which benefits Constellation, Public Service Enterprise, Dominion, and NextEra, among others.

European power prices have been depressed by falling natural gas prices as we have experienced a mild winter and an absence of recovery in energy demand. That has affected companies with generation exposed to spot prices and hedged prices as the market expects a lower power price capture when the hedges expire. On the positive side, solar panel prices have collapsed thereby supporting solar deployment with lower electricity tariffs but stable returns.

The public market seems to be ignoring the positive underlying signals, such as stable renewables development returns, the impact of AI on electricity demand growth, as well as low valuations and attractive yields. However, private equity and mergers and acquisitions (M&A) have been recognizing value with KKR making a takeover offer for Encavis, a German renewables company, at a 54% premium to the unaffected price (following its offer for Greenvolt in December) and Iberdrola offering to buy the minorities in Avangrid at a 6.7% premium. The KKR offer price for Encavis, which we own in the portfolio, implies a multiple that is more than 20% over the multiples of European peers such as Neoen, ERG, or EDPR.

In terms of decarbonisation impact, at the end of the quarter, CO_2 emissions are 71% lower per EUR 1 million invested in the fund compared to EUR 1 million invested in the MSCI World Utilities Index.*

**As of 31 March 2024. Source: Ecofin Advisors Limited*

Top five contributors	Performance driver
Public Service Enterprise Group (PEG)	PEG, a regulated U.S. utility, was a positive contributor for the period. PEG reported solid 2023 results at the high-end of the 2023 guidance range, marking the 19th consecutive year PEG delivered results that met or exceeded guidance. PEG is also a likely beneficiary of AI and datacentre demand for carbon-free electricity generated by its nuclear plants.
NextEra Energy Inc (NEE)	NEE, the parent of Florida Power & Light (FPL) and largest renewables developer in the U.S., benefited from the Federal Election Commission (FEC) notifying FPL that it voted to close its file on a complaint alleging campaign finance violations, thereby removing an overhang on the stock.
Constellation Energy Corp (CEG)	CEG is the largest carbon-free electricity generation company in the U.S, with substantial nuclear generation. The name has been a top performer for 2024. During the quarter, CEG reported solid FY 2023 financials and CEG forecasted strong earnings growth for 2024 and beyond as demand for baseload carbon-free power from datacentres is rising and has the potential to attract higher prices.
Dominion Energy Inc (D)	D, a regulated U.S. utility, was a positive contributor for the period. D announced an agreement to sell a 50% interest in its Coastal Virginia Offshore Wind project which is credit positive. The market was sceptical that the company could attract any interest at a good price.
Encavis AG (ECV)	German-based Encavis, a renewables company, reversed course and became a top contributor for the month of March. The name rode high as KKR confirmed a takeover offer for Encavis, at a 54% premium to the unaffected price.

Bottom five contributors	Performance driver
ERG SpA	ERG, a 100% renewables company, was a top detractor for the month of March. The name reported 2023 earnings before interest, taxes, depreciation and amortization (EBITDA) at the high end of expectations but provided a disappointing 2024 guidance due to falling power prices.
ReNew Energy Global PLC (RNW)	ReNew Energy Global a leading renewable energy company in India was a detractor for the period. It seems that the stock was dragged down with the sector as there was no company-specific news.
Clearway Energy Inc (CWEN)	Clearway Energy Inc, a large owner-operator of U.S. renewables assets, reported mediocre 2023 results due to poor renewable resources continuing in the fourth quarter. However, the company reiterated guidance of 5 to 8% cash available for distribution (CAFD) growth p.a. to 2026 without any need for equity and a 7% dividend increase in 2024.
EDP Renovaveis SA(EDPR)	EDPR is a global renewables company. The name reported solid FY earnings in February, with high-capacity additions in 4Q 23, and strong asset rotation gains amidst a challenging context for renewables. Falling power prices seem to be the culprit for the stock performance.
EDP - Energias de Portugal SA (EDP)	EDP is a leading Portuguese electricity utility firm. EDP provided 2024 guidance in line with expectations, but the stock was dragged down by EDPR and fears that low power prices might dampen its medium-term outlook.

Negative contribution from Europe and APAC, with some positive contribution from North America.

Additions and Eliminations:

During the period, we had no additions and exited BKW AG.

Outlook

High levels of U.S. interest rates and the expectation of delays and smaller magnitude of cuts in interest rates continue to be headwinds. It however seems increasingly likely that interest rates will be cut in the U.S. and Europe before yearend as inflation abates.

AI and datacentres are becoming more prominent in supporting the expectation of electricity growth going forward, in addition to new demand from electric vehicles. As an illustration, each new potential 1000 watt (W) chip would annually consume more power than a UK home and about 80% of a U.S. home. Moreover, datacentre owners are showing the willingness to pay a premium for reliable and green electricity, which indicates the start of a recognition that electricity is not plentiful, and that the combination of uninterrupted and green attributes is not a commodity.

We also believe that valuations don't reflect the growth the sector should experience in the coming years, which is supported by the quantum increase in investments in the grid we are witnessing.

Disclaimers

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Investments in the Ecofin Global Renewables Infrastructure UCITS Fund ("the Fund") should only be made following receipt of a copy of the full Prospectus, current Fund Supplement and relevant KIID, which may be obtained by contacting the Fund's Management Company, Equity Trustees Fund Services (Ireland) Limited ("Equity Trustees") and they are also available on the Ecofin website under UCITS. A subscription form can also be obtained from Equity Trustees.

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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.

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