# A Guide to UK-listed Infrastructure Investment Trusts

April 2022

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## Executive summary

- Listed, closed-end investment companies (Investment Trusts) allow investors access to usually illiquid asset classes with the benefit of stock market liquidity.
- Investment Trusts listed on the premium segment of the London Stock Exchange (LSE) comply with the UK and Europe's highest standards of regulation and corporate governance.
- Investment Trusts on the LSE have a history dating back over 150 years.
- They offer a proven legal structure which is attractive to a wide range of institutional and retail investors.
- Their closed-end structure avoids the conflict between holding longer-term assets and the need for more immediate liquidity.
- Multiple trading channels offer intraday liquidity for Investment Trusts in the secondary market.
- Investors gain low-cost exposure to a more diversified set of growth opportunities. An Investment Trust mandates legal, financial and technical due diligence to external Tier 1 suppliers, benefitting from their knowledge, experience and professional indemnity insurance. This is the lowest cost, most efficient and safest solution for investors to invest in real assets, in particular the infrastructure sector.
- A total of GBP15.1 billion equity was raised on the London market by investment companies in 2021, the highest amount ever in a calendar year, beating the previous record of GBP10.4 billion in 2014.
- 2021 fundraising was led by investment companies in the Renewable Energy Infrastructure sector, which raised GBP3.4 billion. This was followed by the Infrastructure and Growth Capital sectors, which raised totals of GBP2.1 billion and GBP2.0 billion respectively.
- The current market capitalisation of all 22 LSE-listed Renewable Infrastructure Investment Trusts is a little over GBP16 billion.
- The average premium of the share price to NAV for all LSE-listed Renewable Infrastructure Investment Trusts (not weighted by size) is +5.22%, with an average premium four months after launch date of 3.49% compared to the launch price at IPO.
- We believe the outlook for LSE-listed Renewable Infrastructure Investment Trusts is very positive and their advantages for investors are under-appreciated. Over the next few years, there is the potential for transformative change in the sector, with Infrastructure Investment Trusts (InvITs) doing for Infrastructure what Real Estate Investment Trusts (REITs) have done for the property sector – making it accessible, low cost, liquid, and with strong corporate governance in a well-regulated legal framework.

## Background

Listed, closed-end investment companies, Investment Trusts, are for investment purposes only. They allow the shareholder to allocate capital to a broader portfolio of assets, rather than to a single holding, while benefiting from the liquidity of the stock market.

Investment Trusts are companies in their own right, quoted on a Stock Exchange, with an independent board of directors. They have a closed-end structure, which means there is a fixed number of shares in issue. Whereas unit trusts and open-end investment funds have to keep investing when new money flows in, or may have to sell assets if investors decide to exit, Investment Trusts are not exposed to inflows and outflows of capital. Closed-end investment funds do not face the challenge that traditional open-end funds face between the desire to hold illiquid assets, such as debt, infrastructure and real estate for the long term, and the typical investor requirement for shorter-term liquidity. Due to the fixed number of shares in issue, there has to be a buyer for every seller and, of course, vice-versa.

## Difference between an Investment Trust and a closed-end Investment Company/Fund

Both an Investment Trust and a closed-end Investment Company/Fund are closed-end funds with a fixed number of shares in issue, so they are not subject to subscriptions and redemptions. And in both cases, the sole purpose of the company is to invest shareholders' funds. However, an Investment Trust is actually just one kind of investment company: a UK resident company approved by HM Revenue and Customs under Section 1158 of the Corporation Tax Act 2010. This sets out three conditions which must be met throughout an accounting period if a company is to be approved as an Investment Trust:

- The business of the company consists of investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds.
- Each class of shares making up the company's ordinary share capital are admitted to trading on a "regulated market".
- The company is not a Venture Capital Trust (VCT) or a UK Real Estate Investment Trust (REIT).

Investment Trusts pay the standard tax on their investment income, but not on capital gains. This is to make sure that shareholders in Investment Trusts are not taxed twice: once on the underlying investments, and again on the Investment Trust shares themselves. Under HMRC rules, for Investment Trusts to be exempt from paying capital gains tax on their investments, they must pay out at least 85% of the investment income they receive each year from shares or securities as dividends to their shareholders.

## History

Investment Trusts have a long history on the London Stock Exchange (LSE), dating back to the 19th century. The first Investment Trust was established in 1868 as the Foreign & Colonial Government Trust (now the Foreign & Colonial Investment Trust) in London. The initial portfolio comprised of 18 'foreign and colonial' government bonds from across the world, specifically in the more developed markets of Europe, South America, the Middle East, US and New Zealand. Over 150 years later, it is still listed on the LSE and has total assets of GBP5.2 billion.

Amongst other long-established Investment Trusts, the Scottish American Investment Trust was set-up in 1873 to fund the construction of the railways to bring together the United States of America, and is the oldest InvIT. The Scottish Mortgage Investment Trust was initially launched in 1909 to offer mortgages to rubber plantation owners in Malaysia who wanted to benefit from increasing global demand for rubber and today has total assets of GBP18 billion.

This long history is testament to the resilience of London-listed Investment Trusts. Today there are around 400 Investment Trusts, including some of the UK's longest-established and most successful funds. 26 of the Investment Trusts currently listed on the LSE have been in existence for more than 100 years.

## Current market situation

Whilst Investment Trusts have withstood the passage of time, with a proven legal and regulatory structure, they are also uniquely suited to today's market conditions where investors are seeking exposure to an ever-wider range of investment opportunities. The London-listed investment fund market provides investors with exposure to a broad range of geographies and asset classes via a single listed investment fund. There are over 450 closed-end investment funds listed in London, standing at over GBP244 billion in market capitalisation and representing over 70 sub-sectors.

## The London Investment Fund market

The London Stock Exchange provides a platform for diverse investment strategies to access deep pools of capital from institutional and retail investors. From welcoming funds in traditional sectors such as equites, to alternative asset classes including royalties, renewable infrastructure, property and private equity, the London-listed fund market is consistently innovating to provide global investors access to unique strategies through a listed fund structure. The London trust market offers:

- A well-established and knowledgeable international/global investor base with strong understanding of the fund market.
- An efficient mechanism of growing a trusts through further issuances which enables trusts to grow in size as their strategy evolves.
- Multiple trading channels offer intraday liquidity for trusts in the secondary market.
- A full ecosystem of advisers including banks, law firms, accounting firms and fund administrators that provide support throughout the life as a listed investment fund.

## Why invest in renewable energy infrastructure real assets through Investment Trusts?

Having decided to invest in sustainable or renewable energy infrastructure, there are several ways for an investor to implement this strategy: one can buy shares in an Investment Trust, buy shares in an independent power producer or buy shares in a listed industrial company which has some infrastructure assets. We believe the arguments for buying an InvIT are compelling:

- **Certainty** of valuation provides the cheapest and least risky way to gain exposure to the asset class

  Investment Trusts such as TLEI hold real assets and, often, have access to a pipeline of additional real assets. Quite simply, an InvIT is a 'pure-play' proposition, providing a dedicated and well-defined investment strategy from established sector experts. There is a legal and regulatory obligation to publish independent Net Asset Values on a regular basis, usually quarterly, whilst a growing number of independent research houses produce their own estimates of intra-cycle changes to NAV. This transparency and regulatory certainty is in contrast to assets held within a publicly listed company which has no requirement to publish valuations on a per-asset basis and which has full discretion over what information it provides to investors.

- **Clarity** on future strategy with well-defined, dedicated project and asset holdings

  As an ever-larger number of listed companies seek to establish their green credentials and highlight their net-zero commitments, investors can be attracted by the potential of these new divisions, business and operating segments. Unfortunately, when it comes to real business and not just a marketing exercise, an investor would still have to pay for the business that he or she did not want. Companies don't spin-off the opportunities they are pivoting towards, thereby forcing investors to pay a premium for unwanted legacy assets. And, whilst a listed company may switch its business plan and operational focus entirely, an InvIT is legally bound to follow the investment policy and investment restrictions outlined in its prospectus, thereby offering much greater certainty and continuity.

- **Confidence** which comes from a listing on the largest Stock Exchange in Europe

  In a few countries, there are some listed Independent Power Producers (IPP) or Non-Utility Generators (NUG); an entity that is not a public utility but owns facilities to generate electric power for sale to utilities and end-users. Such companies have been established in Germany, Canada and the United States, whilst their use in Asia has been generally confined to Taiwan, Pakistan and India. An investor seeking exposure to the Renewable Energy Infrastructure sector might seek one of these, but valuations are more opaque, earnings multiples may vary considerably and the local stock exchange listing may not inspire the same confidence or trading liquidity as the premium segment of the London Stock Exchange. Reporting risk can be substantially reduced when buying an InvIT and a fund which submits itself to the rigours of the EU's SFDR Article 9 requirements should offer the highest level of comfort to an investor.

  In addition, Investment Trusts offer several other notable benefits to investors:

- Economies of scale
  - Self-management of a renewable infrastructure investment portfolio can be expensive, especially in markets overseas, as the investor has to pay for a dedicated team on the ground in the target jurisdictions covering deal origination and execution, legal, technical and financial due diligence costs, transaction costs, asset valuation costs, other fees such as travel and research as well as the ongoing asset management costs, which can be a drag on investment performance. With Investment Trusts, all the investors pool their money and benefit from economies of scale. This is the lowest cost and most efficient solution for investors.
- Outsourcing of due diligence
  - Investment Trusts listing on the premium segment of the LSE must comply with the UK's and Europe´s highest standards of regulation and corporate governance. This attracts a broader range of investors through greater transparency and additional investor protection.
  - Investing in infrastructure assets through a traditional GP/LP structure places all the burdens, obligations and costs of regulatory compliance on the LP. The LP has to do all the due diligence and is legally responsible for all the representations. By contrast, an Investment Trusts mandates this due diligence to external Tier 1 suppliers, benefitting from their knowledge, experience and professional indemnity insurance.
  - Investors effectively outsource their own due diligence to the investment banking and legal professionals who bring Investment Trusts to market. This is the safest solution for investors.
- Dividend smoothing
  - Investment Trusts are able to retain up to 15% of their net income each year, giving them the ability to smooth these payments over the years. This provides funds to sustain dividend payments during tougher stock market or economic conditions; a process known as 'dividend smoothing'. The Association of Investment Companies (AIC) highlights 21 Investment Trusts that have increased their dividends every year for 20 years or more. Of these, 10 Investment Trusts have a track record of more than 40 years of consecutive annual dividend growth.
- Gearing
  - Investment Trusts, being companies, can borrow money to make additional investments. This allows the Trust to take advantage of a long-term opportunity without having to sell existing investments. Not all investment Trusts use gearing. Many of those that do use modest levels. It is a decision taken by the investment manager and the board of directors. The gearing policy of the company may change from time to time. It is regularly reviewed by the board and investment manager.
- Acting in the best interests of investors
  - An investor in an Investment Trust becomes a shareholder in that company, with more rights and protection than unit holders in funds such as unit trusts. The investor has the right to vote on issues such as the appointment of directors and key company policies, as well as the ability to attend the Annual General Meeting (AGM) and table motions to be discussed. Each Investment Trust has an independent board of directors, which has been appointed to look after shareholders' best interests.
- Liquidity
  - There is ample intraday liquidity with market-maker support of all listed funds.

Generally illiquid investments, like infrastructure, are well suited to an Investment Trust structure. Since managers are able to take a longer-term view regarding their asset holdings, they don't need to sell assets to meet the needs of those selling shares. As a result, Investment Trusts often hold alternative assets such as unquoted shares, forestry, infrastructure and residential and commercial property.

Investors are not always aware of these companies, partly because they are subject to advertising restrictions, so they can be less prominent in trade publications for financial advisers, and partly because they cannot pay commissions.

## LSE Investment Trust sectors

The LSE divides investment funds into 12 sectors: Global, North America, Debt, UK, Asia Pacific, Emerging Markets, Hedge Funds, Sector Specialists, Private Equity, Europe, Infrastructure and Property. These 12 sectors are then further divided into more than 70 sub-sectors such as US Smaller Companies, Technology or Real Estate Debt. Our particular focus at ThomasLloyd is the Infrastructure Renewables sub-sector.

## LSE Renewable Energy Investment Trusts

There are 22 Renewable Energy Investment Trusts listed on the London Stock Exchange, ranging in market capitalisation between GBP77 million (Aquila Energy Efficiency) and GBP3,620 million (Greencoat UK Wind). We have analysed the market structure and trading dynamics of this sub-sector and the results are set out in Table 1 below, sorted by date of launch. Taking the 22 Renewable Energy Infrastructure Investment Trusts, the aggregate average daily volume for the second half of 2021 was 14.56 million shares, or an average 662,000 per trust. The total daily volume represents 1.13% of the total amount of shares outstanding of 12,837 million. Looking at the individual trusts, daily turnover varies between 0.02% of the total outstanding shares (Greencoat Renewables) and 0.42% (Atrato Onsite Energy). These averages, however, disguise a distribution which is characterised for each trust by one or more very large daily volume spikes. To take the case of Ecofin US Renewable Infrastructure as an example, the average daily turnover is 127,000 shares, but on October 18th this jumped to 5,444,000. Yet, over the 120 trading days of H2, there were only five, which saw volume above 500,000 shares. Amongst the biggest trusts in terms of market capitalisation, there is a much more even distribution of trading volumes. Greencoat UK Wind and The Renewables Infrastructure Group, for example, have an average daily turnover of 0.14% and 0.11% respectively, which is almost exactly at the median point (0.12%) of the 22 trusts examined here. When looking at the highest daily volume as a percentage of the outstanding total shares, there is a much wider distribution of outcomes. The figures vary between 0.09% (Greencoat Renewables) and 4.92% (Atrato Onsite Energy). It is striking, but unsurprising, that the three largest funds by market capitalisation are all at the lower end of the range.

**Table 1: Turnover statistics for LSE Renewable Energy Investment Trusts**

| Trust name | Ticker | Market cap (GBP mn) | Shares Out-standing (mn) | Average daily turnover (# of shares) in H2 2021 (mn) | Average daily turnover as % of outstanding | Highest daily turnover (# of shares) mn | Highest daily turnover as % of outstanding | Average Share Price in 2022[1] |
|---|---|---|---|---|---|---|---|---|
| Greencoat UK Wind | UKW | 3,620 | 2,300 | 3.12 | 0.14% | 16.42 | 0.71% | 147.61 |
| Bluefield Solar Income | BSIF | 662 | 496 | 0.77 | 0.16% | 2.34 | 0.47% | 127.11 |
| The Renewables Infrastructure Group | TRIG | 3,390 | 2,500 | 2.78 | 0.11% | 11.96 | 0.48% | 133.25 |
| Foresight Solar Fund Limited | FSFL | 733 | 610 | 0.88 | 0.14% | 9.85 | 1.62% | 106.03 |
| JLEN Environmental Assets | JLEN | 600 | 662 | 0.82 | 0.12% | 2.85 | 0.43% | 108.11 |
| Next Energy Solar Fund | NESF | 635 | 589 | 0.72 | 0.12% | 6.87 | 1.17% | 103.05 |
| Greencoat Renewables | GRP | 1,312 | 1,090 | 0.27 | 0.02% | 0.99 | 0.09% | 115.47 |
| Gore Street Energy Storage | GSF | 559 | 481 | 0.73 | 0.15% | 4.90 | 1.02% | 115.61 |
| SDCL Energy Efficiency Income Trust | SEIT | 1,208 | 989 | 0.97 | 0.10% | 19.57 | 1.98% | 117.27 |
| Gresham House Energy Storage | GRID | 674 | 438 | 0.49 | 0.11% | 2.69 | 0.62% | 135.53 |
| US Solar Fund | USF | 304 | 332 | 0.13 | 0.04% | 2.66 | 0.80% | 90.70 |
| Aquila European Renewables Income | AERI | 414 | 408 | 0.24 | 0.06% | 1.79 | 0.44% | 102.50 |
| Octopus Renewables Infrastructure | ORIT | 650 | 565 | 0.61 | 0.11% | 2.54 | 0.45% | 108.97 |
| Triple Point Energy Efficiency Infrastructure Company | TEEC | 90 | 100 | 0.06 | 0.06% | 0.10 | 0.10% | 92.22 |
| Downing Renewables & Infrastructure Ltd | DORE | 151 | 137 | 0.09 | 0.07% | 0.54 | 0.39% | 104.72 |
| Ecofin US Renewables Infrastructure | RNEW | 134 | 125 | 0.13 | 0.10% | 5.44 | 4.36% | 101.80 |
| VH Global Sustainable Energy Opportunities Trust | GSEO | 354 | 312 | 0.35 | 0.11% | 4.06 | 1.30% | 109.90 |
| Aquila Energy Efficiency | AEET | 77 | 100 | 0.05 | 0.05% | 1.04 | 1.04% | 83.61 |
| HydrogenOne Capital Growth | HGEN | 130 | 129 | 0.42 | 0.33% | 1.84 | 1.43% | 104.65 |
| Harmony Energy Income | HEIT | 228 | 210 | 0.22 | 0.11% | 2.12 | 1.01% | 102.57 |
| Atrato Onsite Energy | ROOF | 167 | 150 | 0.63 | 0.42% | 7.39 | 4.92% | 108.72 |
| ThomasLloyd Energy Impact Trust[2] | TLEI | 118 | 150 | 0.08 | 0.05% | 0.67 | 0.45% | 118.30 |

[1] As at April 26th 2022
[2] Incl. seed asset contribution

# Renewable Energy Investment Trust investors

## Asset Managers

| Name | Total in Pound Sterling |
|---|---|
| BlackRock[2] | 787,847,918.00 |
| Investec | 408,712,379.00 |
| M&G[2] | 373,128,272.00 |
| Baillie Gifford & Co | 366,622,755.00 |
| **Schroders Group[1]** | 351,270,312.00 |
| Fidelity | 276,793,557.00 |
| **Liontrust Asset Management[1]** | 142,928,880.00 |
| **Alliance Trust PLC[1]** | 116,420,192.00 |
| **Privium Fund Management[1]** | 106,552,906.00 |
| Vanguard Group[2] | 85,986,641.00 |
| Artemis Investment Management | 66,204,330.00 |
| Janus Henderson | 59,600,763.00 |
| CG Asset Management Ltd | 49,596,431.00 |
| Jupiter Fund Management | 42,552,535.00 |
| **Brevan Howard[1]** | 20,000,000.00 |
| BMO Asset Management | 6,827,520.00 |
| Deka | 4,000,000.00 |
| DWS[2] | 1,950,922.00 |

## Banks

| Name | Total in Pound Sterling |
|---|---|
| BNY Mellon | 890,663,250.00 |
| **ABN AMRO Group[1]** | 189,646,849.00 |
| Bank Safra Sarasin | 180,064,276.00 |
| HSBC[2] | 63,790,328.00 |
| **Halifax[1]** | 34,622,434.00 |
| **UBS[1]** | 29,164,737.00 |
| **Barclays PLC[1]** | 23,130,349.00 |
| **Credit Suisse[1]** | 21,384,875.00 |
| Royal Bank of Canada | 20,826,596.00 |
| **Credit Agricole Group[1]** | 15,898,712.00 |
| Banque Lombard Odier & Cie | 15,685,390.00 |
| Pictet | 12,900,893.00 |
| Handelsbanken | 12,183,552.00 |
| Union Bancaire Privee | 8,631,224.00 |
| BNP Paribas | 7,900,316.00 |
| State Street | 5,906,821.00 |
| Commerzbank | 5,016,989.00 |
| **Julius Baer Group[1]** | 4,681,810.00 |

## Insurance Companies

| Name | Total in Pound Sterling |
|---|---|
| abrdn Group[2] | 342,775,993.00 |
| Legal & General Group[2] | 279,833,185.00 |
| Prudential PLC | 208,368,243.00 |
| Old Mutual | 103,761,011.00 |
| Aegon NV | 103,167,261.00 |
| Aviva | 98,534,909.00 |
| **Sanlam[1]** | 53,950,139.00 |
| Irish Life | 42,892,581.00 |
| SWISS RE | 35,370,896.00 |
| AXA | 16,050,000.00 |

## Pension Funds & Endowments

| Name | Total in Pound Sterling |
|---|---|
| CCLA (Church of England) | 195,174,632.00 |
| Swedish Pension Funds (AP Fonden) | 127,796,845.00 |
| West Yorkshire Pension Fund | 82,079,489.00 |
| South Yorkshire Pensions Authority | 65,745,023.00 |
| Border to Coast Pensions Partnership | 54,949,942.00 |
| East Riding Yorkshire Council | 40,927,752.00 |
| Tesco PLC Pension Scheme | 23,298,086.00 |
| John Laing Pension Trust | 21,982,157.00 |
| SIM UK Charities | 21,594,053.00 |
| Managed Pension Funds Ltd | 7,951,692.00 |

## Wealth Managers

| Name | Total in Pound Sterling |
|---|---|
| **Valu-Trac Investment Management[1]** | 480,233,199.00 |
| Rathbones Group | 459,511,316.00 |
| Tilney Group | 315,017,245.00 |
| Brewin Dolphin | 220,751,556.00 |
| Quilter PLC | 217,994,134.00 |
| **Charles Stanley[1]** | 189,804,371.00 |
| JM Finn & Co Ltd | 125,183,779.00 |
| Close Brothers Group PLC | 124,695,677.00 |
| Brooks Macdonald | 49,679,563.00 |
| St James's Place | 27,112,830.00 |
| **WH Ireland Group[1]** | 12,573,847.00 |
| **Jarvis Investment Management[1]** | 9,975,114.00 |

## Investment Platforms

| Name | Total in Pound Sterling |
|---|---|
| **Hargreaves Lansdown[1]** | 251,542,400.00 |
| **Interactive Investor[1]** | 151,630,192.00 |
| **AJ Bell Securities[1]** | 124,607,379.00 |
| Dolmen Butler Briscoe | 89,484,471.00 |
| Cenkos Securities PLC | 49,278,979.00 |
| **EQ Investors[1]** | 28,327,171.00 |
| **FIL Investment Services UK[1]** | 18,416,529.00 |
| Interactive Brokers LLC | 12,855,750.00 |
| **Winterflood Securities Ltd[1]** | 9,343,860.00 |
| Pilling & Co Stockbrokers | 8,428,578.00 |
| **IG Markets[1]** | 5,739,554.00 |
| Bestinvest Brokers PLC | 903,925.00 |

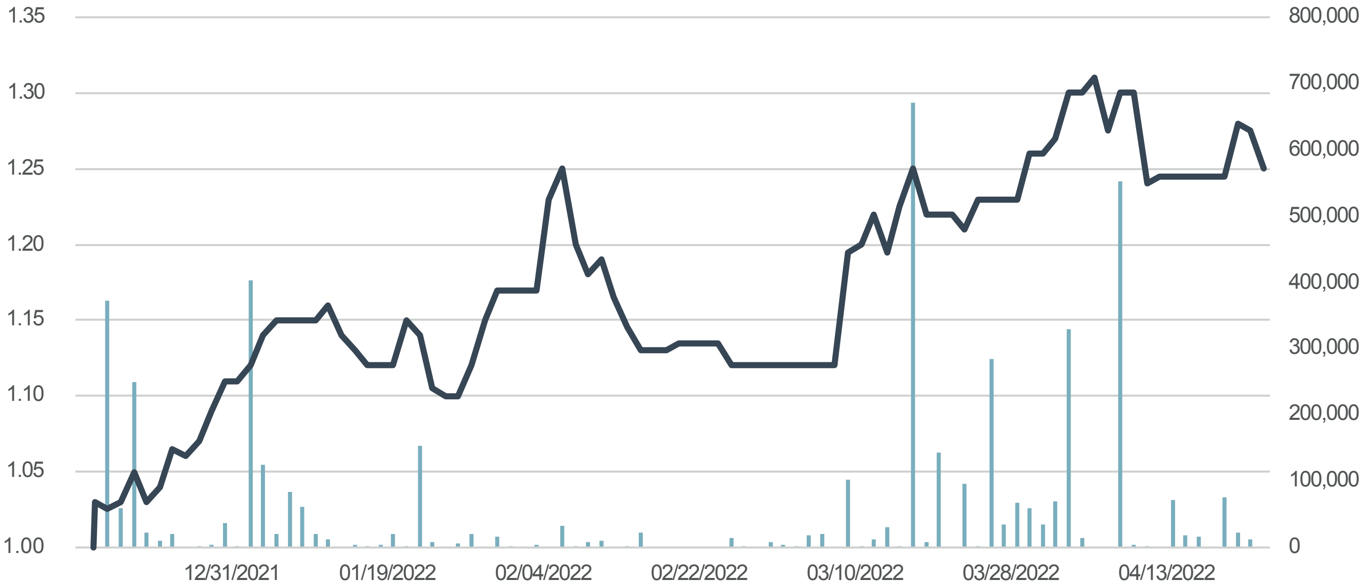
Source: Bloomberg, data as of 26.04.2022

1) Investors in ThomasLloyd Energy Impact Trust
2) Majority of passive managed funds

## Liquidity of LSE-listed Renewable Energy Investment Trusts including ThomasLloyd Energy Impact Trust

Our analysis of trading volumes shows there is sufficient liquidity in the market to absorb both average daily trading volumes and the spikes in activity, which are a recurring feature across all the trusts examined here. For three of the Renewable Investment Trusts, the highest daily cash turnover in H2 2021 was in excess of GBP10 million and their average daily volume spike was almost GBP16 million.

**Chart 1: TLEI share price (lhs) and turnover statistics (rhs)**




For the ThomasLloyd Energy Impact Trust (TLEI), we observe that in the post-launch period to April 24th 2022, total volume was 4,615,739 shares with an average daily volume of 51,285. However, this has not been an even distribution: whilst there have been 9 days on which total volume traded exceeded 100,000 shares and the largest daily volume was 670,162 on March 16th, there were 21 days on which volume was zero and no shares traded at all.

Though daily data on the name or type of investor is not available, we can analyse from regulatory filings the evolution of the share register on a quarterly basis. In Table 1, we anonymise the holder's name other than the majority shareholder UK Foreign & Commonwealth Development Office (FCDO) simply to keep the analysis in the abstract, though this information is publicly available through sources such as Bloomberg or Morningstar.

**Table 2: Evolution of TLEI share register since launch**

| Holder | Q4 2021 | Q1 2022 | April 4 2022 | Change end-21 to date | Holder |
|---|---|---|---|---|---|
| UK foreign commonwealth development office | 32,321,899 | 32,321,899 | 32,321,899 | 0 | UK foreign commonwealth development office |
| A | 20,000,000 | 20,000,000 | 20,000,000 | 0 | A |
| B | 8,700,000 | 8,700,000 | 8,700,000 | 0 | B |
| C | 8,556,900 | 8,646,702 | 8,646,702 | 89,802 | C |
| D | 8,473,600 | 8,473,600 | 8,473,600 | 0 | D |
| E | 8,091,856 | 7,238,835 | 7,238,835 | -853,021 | E |
| F | 6,800,000 | 6,800,000 | 6,800,000 | 0 | F |
| G | 5,876,910 | 6,574,565 | 6,574,565 | 697,655 | G |
| H | 2,100,000 | 2,100,000 | 2,100,000 | 0 | H |
| I | 2,000,000 | 1,875,000 | 1,875,000 | -125,000 | I |
| J | 1,907,320 | 1,749,546 | 1,749,546 | -157,774 | J |
| K | 1,902,244 | 1,470,267 | 1,470,267 | -431,977 | K |
| L | 1,241,190 | 1,340,000 | 1,340,000 | 98,810 | L |
| M | 1,236,676 | 875,453 | 875,453 | -361,223 | M |
| N | 900,000 | 865,561 | 865,561 | -34,439 | N |
| O | 780,000 | 780,000 | 780,000 | 0 | O |
| P | 643,800 | 640,445 | 640,445 | -3,355 | P |
| Q | 620,413 | 633,700 | 633,700 | 13,287 | Q |
| R | 615,000 | 628,785 | 628,785 | 13,785 | R |
| S | 450,000 | 425,155 | 425,155 | -24,845 | S |
| T | 133,676 | 349,085 | 349,085 | 215,409 | T |
| U | 122,689 | 136,800 | 136,800 | 14,111 | U |
| V | | 100,000 | 100,000 | 100,000 | V |
| W | | 87,107 | 87,107 | 87,107 | W |
| X | | 81,258 | 81,258 | 81,258 | X |
| Y | 65,000 | 65,000 | 65,000 | 0 | Y |
| Z | 50,000 | 50,000 | 50,000 | 0 | Z |
| AA | | 42,709 | 42,709 | 42,709 | AA |
| BB | 38,000 | 38,000 | 38,000 | 0 | BB |
| CC | 33,000 | 33,000 | 33,000 | 0 | CC |
| DD | 24,070 | 24,070 | 24,070 | 0 | DD |
| EE | 133,676 | 22,228 | 22,228 | -111,448 | EE |
| FF | 21,169 | 21,169 | 21,169 | 0 | FF |
| GG | 0 | 20,000 | 20,000 | 20,000 | GG |
| HH | 13,190 | 14,440 | 14,440 | 1,250 | HH |
| II | 13,193 | 13,193 | 13,193 | 0 | II |
| JJ | 450,000 | 1,000 | 1,000 | -449,000 | JJ |
| KK | 100,000 | 0 | 0 | -100,000 | KK |

We observe several developments on the share register, where significantly reduced holdings (defined as greater than 80,000 shares) are highlighted in red and increased holdings are in green. Nine shareholders who were on the register at end of December 2021 have subsequently reduced their holdings by at least 80,000, with E a seller of 853,021 shares and JJ a seller of 449,000 shares in Q1 2022. Other notable sellers included K who reduced their holding by 431,997 and M who reduced by 361,223.

On the other side of the ledger, G who was already the eighth largest holder increased their total by 697,655 in Q1 2022 whilst C and L increased their exposures by 89,802 and 98,810 respectively.

Holder T more than doubled their original position by adding 215,409 shares in Q1 2022 whilst three holders who were not on the register at end of Q4 2021, bought in aggregate 268,365 shares in Q1 2022.

We cannot know the exact date(s) on which the transactions noted above were executed, although there were spikes in LSE-reported volumes in early January and the second half of March 2022. The biggest drawdown – defined as a drop from the prior peak – was an 11% decline from 1.25 on February 7th to February 24th but by March 16th this had been completely reversed with a move back to 1.25. Within just a further 3 weeks, the share went on to make a post-launch high of 1.31.

**The most obvious point to make is that none of this activity has had a net negative impact on the TLEI share price.**

## Post-launch liquidity of two largest UK Renewable Energy Investment Trusts

Peer group analysis is complicated by the unique status of TLEI – the first LSE-listed Renewable Infrastructure Investment Trust dedicated solely to fast-growing economies in Asia. If we take the largest UK Renewable Energy Investment Trust as a benchmark, we observe that at the end of the quarter in which it made its GBP300m stock market debut back in July 2013, the share price of The Renewables Infrastructure Group (TRIG) had fallen from a post-IPO high of 104.6 to just 100.1. It was pressured lower by a spike in trading volume on September 20th, which saw 10.4 million shares trade. After another spike to 6.64 million on November 21st that year, the next 8 months to its 1-year stock market anniversary saw average daily volumes around 290,000.

Whilst this TRIG daily volume figure of 290,000 is around 6 times higher than TLEI currently sees, it should be noted that there were more than double the amount of shares issued in TRIG's IPO. A like-for-like comparison would suggest that TRIG volume settled around triple that seen thus far in TLEI.

## Why TLEI turnover is lower than two largest peers and why we expect it to increase

Several factors explain the relatively low turnover. ThomasLloyd is exclusively an impact investor and we evidence the socio-economic transformations our investments in renewable energy in Asia have made in our Impact Reports, published annually. We focus on four of the United Nations' seventeen Sustainable Development Goals (SDGs); 7,8,11 and 13. These are Affordable and Clean Energy, Decent Work and Economic Growth, Sustainable Cities and Communities, and Climate Action. By their very nature, these SDGs are not short-term in nature and require patience as well as commitment and skill to deliver. ThomasLloyd's investors share our vision and values and understand that impact is a long-term play, requiring patient capital. Our investors are long-term and strategic, not short-term and speculative. They are not merely looking for a quick return on investment capital.

At the time of the IPO in December 2021, amidst generally uncertain conditions for listed equities and bonds globally, only a very few dedicated retail investment platforms allowed for new IPO subscriptions and the TLEI InvIT therefore had only a very low initial retail investor participation. As at April 2022, TLEI is available on all relevant UK retail investment platforms (almost 20 of them) and we have already seen a pick-up in retail participation as evidenced in the analysis of the date in Table 2.

Looking forward, the TLEI prospectus outlines a 'placing programme' of up to US$600 million ordinary shares in aggregate with an approved capital of up to US$1 billion. Other InvITs which have returned to market many times since launch have seen an increase in liquidity commensurate with their increased share issuance. We see no reason why this experience would not be repeated as and when TLEI returns to market at some future date. As an InvIT becomes more 'investable' due to larger size, the volume of public independent reasearch also increases, which in turn generates higher trading volumes in the secondary market. A virtuous circle then ensues.

**A shareholder may buy or sell shares in an InvIT at any time intra-day, as the InvITs shares are traded on the London Stock Exchange. While such open market trading is the accepted method of buying and selling, there may be times when there is a significant trade, and therefore, in order to protect shareholder value and interests, and protect against share price volatility, the InvITs broker or other market participants may organize a private bookbuild, designed to match supply with demand.**

**As noted later on page 21, placement programmes can be a repeated and are a very common feature of the InvIT landscape, allowing a trust to return to market regularly to raise fresh funds. This primary market issuance demonstrates clearly the level of investor demand relative to existing supply, and shows the ability and willingness of investors to absorb newly issued share placements. It shows, too, how secondary market turnover can understate the true liquidity situation.**

## Renewable Energy Investment Trust share price performance post-IPO

We have analysed the post-IPO performance of 22 LSE Renewable Energy Investment Trusts. They are listed in Table 3 in chronological order of their IPO, with Greencoat Wind (UKW) the first to come to market in March 2013 and ThomasLloyd Energy Impact Trust the most recent in December 2021.

The vast majority of these Trusts were issued at a price of GBP100p. Where the issue price was different, the price has been rebased and normalised to 100.

Of the 22 Trusts analysed here, 19 were trading at a premium to the issue price within a week, two fell and one was unchanged. The average premium was 1.96%. After one month of stock exchange trading, 19 of the 22 were trading at a premium to the issue price. The average premium was 3.40%. After three months of trading, 18 of the 22 were trading at a premium to the issue price. The average premium was 3.72%. All the trusts analysed here have four months of trading as three were listed in November and December 2021. After these first four months of trading, 16 of the 22 trusts were trading at a premium to the issue price. The average premium was 3.49% with ThomasLloyd Energy Impact Trust by far the highest at 24.5%.

The early-life trading figures for the 22 RE Investment Trusts are impressive, and would be more so if the sample excluded Downing Renewables & Infrastructure (DORE) and Foresight Solar Fund (FSFL). The former traded consistently at a discount to its IPO price in its first 6 months. Launched in December 2020, it slipped steadily to a low of 94.9 in mid-May 2021 and did not regain its issue price until late August. FSFL, meantime, took 8 months to trade back above its issue price in October 2013 but after falling to a low of 92 in February 2016, it subsequently went on to reach a high of 126.5 in January 2020.

With the exception of these two trusts, the evidence shows, investors would be better rewarded for participating at IPO than at any of the post-launch time intervals analysed here. For a longer-term strategy, we believe the opportunity to participate in subsequent capital raisings should allow investors to purchase shares in much greater volume and at a lower price than that prevailing in the market at the time of the new share issuance.

**Chart 2: Post-IPO Share Price Performance of LSE Renewable Energy Investment Trusts**

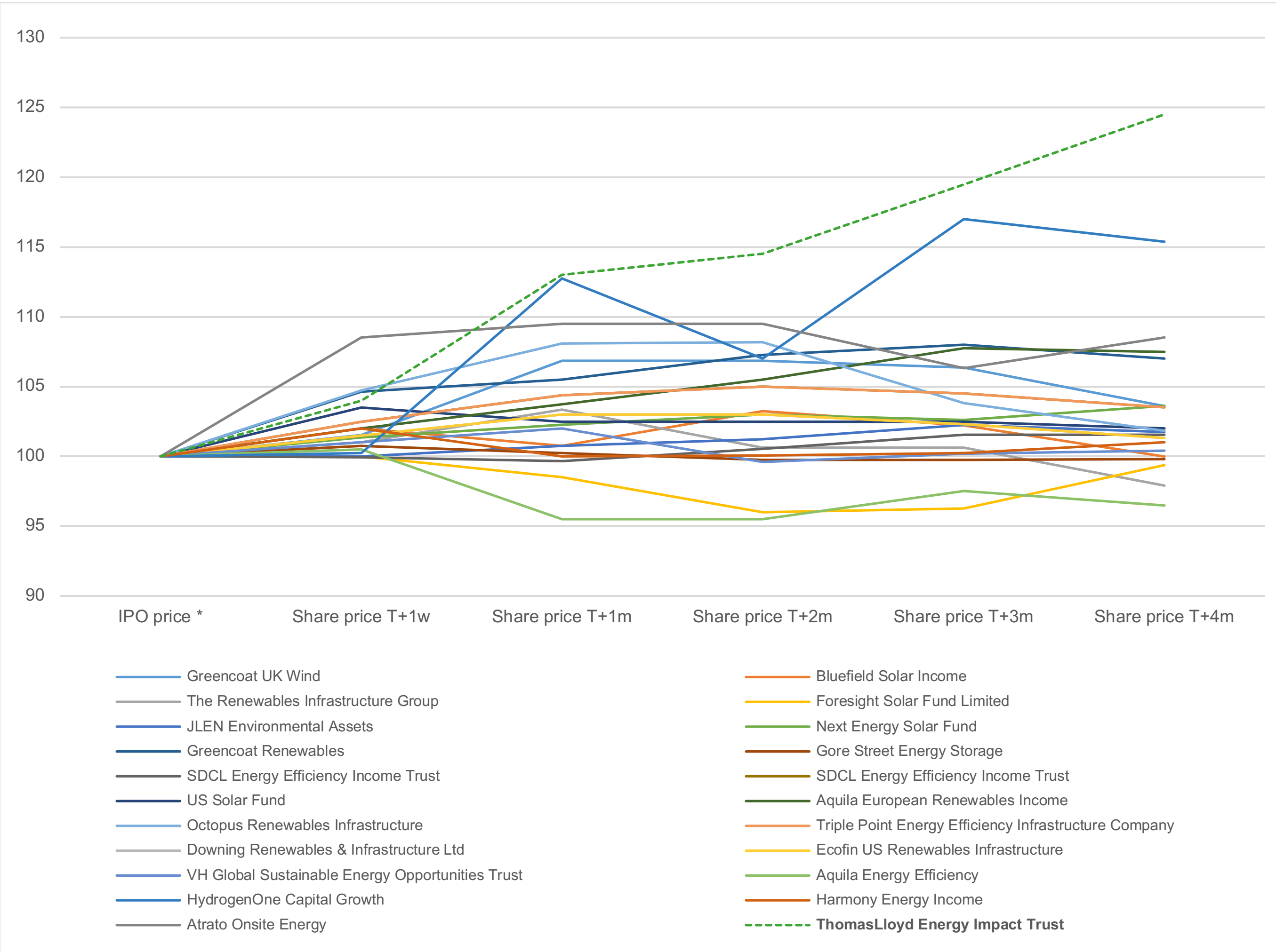


**Table 3: Post-IPO Share Price Performance of LSE Renewable Energy Investment Trusts**

| Trust name | Ticker | Market cap (GBP mn) | Shares Outstanding (mn) | Launch date | IPO price[1] | Share price T+1w | Share price T+1m | Share price T+2m | Share price T+3m | Share price T+4m |
|---|---|---|---|---|---|---|---|---|---|---|
| Greencoat UK Wind | UKW | 3,620 | 2,300 | 27 Mar 2013 | 100 | 101.51 | 106.85 | 106.85 | 106.36 | 103.62 |
| Bluefield Solar Income | BSIF | 662 | 496 | 12 Jul 2013 | 100 | 101.99 | 100.74 | 103.24 | 102.24 | 99.99 |
| The Renewables Infrastructure Group | TRIG | 3,390 | 2,500 | 29 Jul 2013 | 100 | 101.00 | 103.35 | 100.63 | 100.63 | 97.91 |
| Foresight Solar Fund Limited | FSFL | 733 | 610 | 29 Oct 2013 | 100 | 100.00 | 98.50 | 96.00 | 96.25 | 99.37 |
| JLEN Environmental Assets | JLEN | 600 | 662 | 31 Mar 2014 | 100 | 100.00 | 100.75 | 101.25 | 102.25 | 101.75 |
| Next Energy Solar Fund | NESF | 635 | 589 | 25 Apr 2014 | 100 | 101.37 | 102.25 | 103.00 | 102.62 | 103.62 |
| Greencoat Renewables[1] | GRP | 1,312 | 1,090 | 25 July 2017 | 100 | 104.62 | 105.50 | 107.25 | 108.00 | 107.00 |
| Gore Street Energy Storage | GSF | 559 | 481 | 25 May 2018 | 100 | 100.75 | 100.25 | 99.75 | 99.75 | 99.82 |
| SDCL Energy Efficiency Income Trust | SEIT | 1.208 | 989 | 12 Dec 2018 | 100 | 99.95 | 99.66 | 100.56 | 101.55 | 101.55 |
| Gresham House Energy Storage | GRID | 674 | 438 | 13 Nov 2018 | 100 | 102.50 | 103.00 | 103.00 | 103.00 | 103.25 |
| US Solar Fund[1] | USF | 304 | 332 | 16 Apr 2019 | 100 | 103.50 | 102.50 | 102.50 | 102.50 | 102.00 |
| Aquila European Renewables Income[1] | AERI | 414 | 408 | 5 Jun 2019 | 100 | 102.00 | 103.75 | 105.50 | 107.75 | 107.50 |
| Octopus Renewables Infrastructure | ORIT | 650 | 565 | 10 Dec 2019 | 100 | 104.71 | 108.08 | 108.18 | 103.81 | 101.83 |
| Triple Point Energy Efficiency Infrastructure Company | TEEC | 90 | 100 | 19 Oct 2020 | 100 | 102.50 | 104.40 | 105.00 | 104.50 | 103.50 |
| Downing Renewables & Infrastructure Ltd | DORE | 151 | 137 | 10 Dec 2020 | 100 | 99.00 | 99.50 | 98.10 | 97.60 | 96.40 |
| Ecofin US Renewables Infrastructure[1] | RNEW | 134 | 125 | 22 Dec 2020 | 100 | 101.50 | 103.00 | 103.00 | 102.30 | 101.30 |
| VH Global Sustainable Energy Opportunities Trust | GSEO | 354 | 312 | 2 Feb 2021 | 100 | 101.00 | 102.00 | 99.60 | 100.20 | 100.40 |
| Aquila Energy Efficiency | AEET | 77 | 100 | 2 Jun 2021 | 100 | 100.50 | 95.50 | 95.50 | 97.50 | 96.50 |
| HydrogenOne Capital Growth | HGEN | 130 | 129 | 30 Jul 2021 | 100 | 100.25 | 112.75 | 107.00 | 117.00 | 115.40 |
| Harmony Energy Income | HEIT | 228 | 210 | 9 Nov 2021 | 100 | 102.00 | 100.00 | 100.05 | 100.25 | 101.00 |
| Atrato Onsite Energy | ROOF | 167 | 150 | 23 Nov 2021 | 100 | 108.50 | 109.50 | 109.50 | 106.30 | 108.50 |
| ThomasLloyd Energy Impact Trust [1,2] | TLEI | 118 | 150 | 14 Dec 2021 | 100 | 104.00 | 113.00 | 114.50 | 119.50 | 124.50 |
| **Average** | | | | | | **101.96** | **103.40** | **103.18** | **103.72** | **103.49** |

[1] Adjusted from issue price of 1
[2] Incl. seed asset contribution

## Share price relative to Net Asset Value (NAV)

We have analysed the latest NAV declarations of the 22 Renewable Investment Trusts and compared them to the then prevailing share price. We see that 17 of the trusts were trading at a premium to NAV, with a range between 0.06% (RNEW) and 27.6% (TLEI). Four trusts were trading at a discount to NAV with one exactly unchanged (AERI). These figures are presented in Chart 3 and Table 4. The simple average premium to NAV, not weighted for market capitalisation, is 5.22%.

**Chart 3: Share Price Relative to NAV of LSE Renewable Energy Investment Trusts**

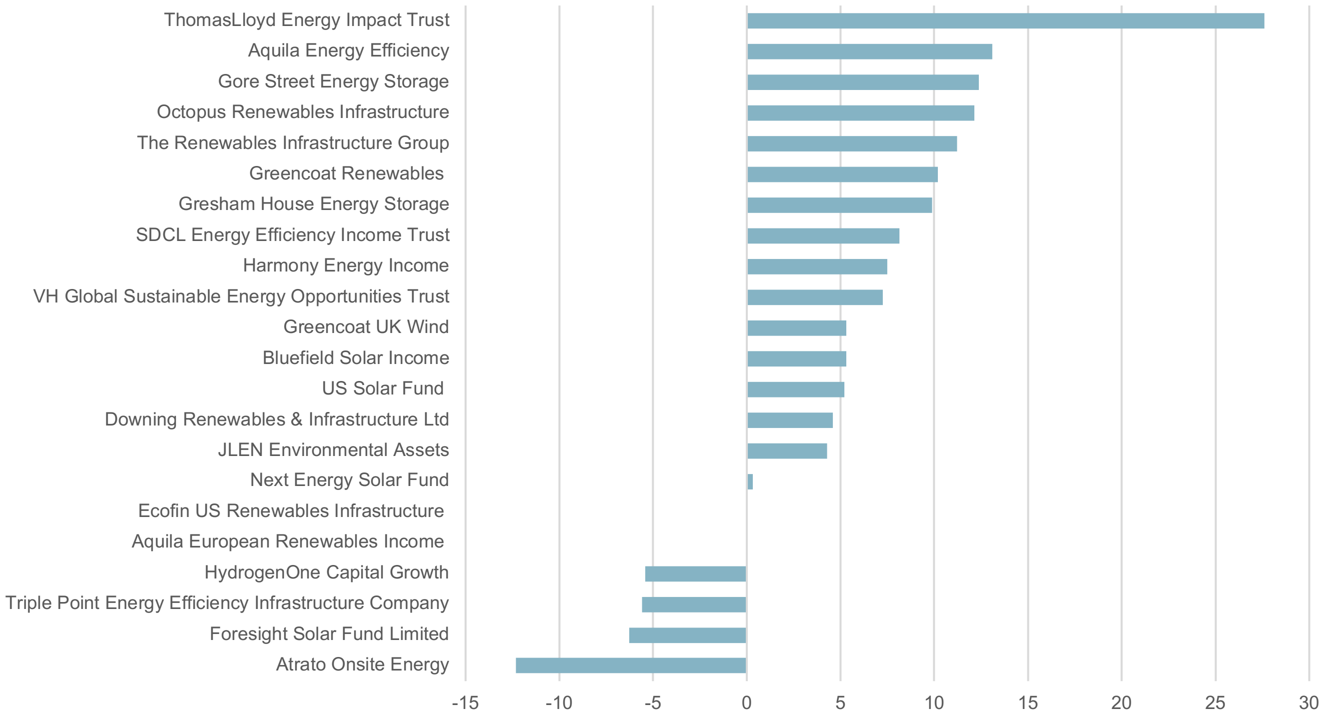


**Table 4: Share Price Relative to NAV of LSE Renewable Energy Investment Trusts**

| Trust name | Ticker | Launch date | Latest available NAV | Share Price at NAV date | Premium / Discount to NAV |
|---|---|---|---|---|---|
| Greencoat UK Wind | UKW | 27 Mar 2013 | 133.5 | 140.6 | 5.3 |
| Bluefield Solar Income | BSIF | 12 Jul 2013 | 117.18 | 123.4 | 5.3 |
| The Renewables Infrastructure Group | TRIG | 29 Jul 2013 | 114.3 | 127.14 | 11.2 |
| Foresight Solar Fund Limited | FSFL | 29 Oct 2013 | 108.2 | 101.4 | -6.3 |
| JLEN Environmental Assets | JLEN | 31 Mar 2014 | 100.7 | 105 | 4.3 |
| Next Energy Solar Fund | NESF | 25 Apr 2014 | 101.28 | 101.6 | 0.3 |
| Greencoat Renewables[1] | GRP | 25 July 2017 | 105.28 | 116 | 10.2 |
| Gore Street Energy Storage | GSF | 25 May 2018 | 101 | 113.5 | 12.4 |
| SDCL Energy Efficiency Income Trust | SEIT | 12 Dec 2018 | 104.5 | 113 | 8.1 |
| Gresham House Energy Storage | GRID | 13 Nov 2018 | 109.89 | 120.75 | 9.9 |
| US Solar Fund[1] | USF | 16 Apr 2019 | 96 | 101 | 5.2 |
| Aquila European Renewables Income[1] | AERI | 5 Jun 2019 | 102 | 102 | 0.0 |
| Octopus Renewables Infrastructure | ORIT | 10 Dec 2019 | 102.56 | 115 | 12.1 |
| Triple Point Energy Efficiency Infrastructure Company | TEEC | 19 Oct 2020 | 94.79 | 89.5 | -5.6 |
| Downing Renewables & Infrastructure Ltd | DORE | 10 Dec 2020 | 99.2 | 103.75 | 4.6 |
| Ecofin US Renewables Infrastructure[1] | RNEW | 22 Dec 2020 | 98.94 | 99 | 0.1 |
| VH Global Sustainable Energy Opportunities Trust | GSEO | 2 Feb 2021 | 105.83 | 113.5 | 7.2 |
| Aquila Energy Efficiency | AEET | 2 Jun 2021 | 97.4 | 110.2 | 13.1 |
| HydrogenOne Capital Growth | HGEN | 30 Jul 2021 | 100.8 | 95.35 | -5.4 |
| Harmony Energy Income | HEIT | 9 Nov 2021 | 100.5 | 108 | 7.5 |
| Atrato Onsite Energy | ROOF | 23 Nov 2021 | 111 | 97.4 | -12.3 |
| ThomasLloyd Energy Impact Trust [1,2] | TLEI | 14 Dec 2021 | 98 | 125 | 27.6 |
| **Average** | | | | | **5.22** |

[1] Adjusted from issue price of 1
[2] As disclosed in prospectus

## Infrastructure funds' performance during periods of market stress and market decline

### Background

There are a number of infrastructure indices which aim to measure the performance of listed infrastructure companies. They vary in size and scope and some are specific to individual geographies or sectors. There are three main global infrastructure indices, each with different methodologies and sampling, but all of them backed by reputable and well-respected investment industry practitioners.

**The S&P Global Infrastructure Index** is designed to track 75 companies from around the world, "chosen to represent the listed infrastructure industry while maintaining liquidity and tradability". Constituent stocks must be listed on a developed market exchange, have a minimum market capitalisation of USD250 million and a minimum float-adjusted capitalisation of USD100 million. The index is comprised of three sectors – energy, transportation and utilities – with total weights respectively of 20%, 40% and 40%. Individual stock weights are capped at 5%.

**The Stoxx Global Broad Infrastructure Index** comprises 153 stocks and "offers a diversified representation of companies that generate more than 50% of their revenue from selected infrastructure sectors". None of the 5 supersectors – communications, energy, government outsourcing/social, transportation & utilities – can have a weight greater than 30%, no country can have a weight greater than 40% and no individual stock can comprise more than 5% of the index.

**The MSCI World Core Infrastructure Index** captures large and mid-cap securities across the 23 Developed Markets (DM) countries and is designed to represent the performance of listed companies within the developed markets that are engaged in core industrial infrastructure activities. The index is constructed by identifying securities that belong to a specific set of eligible sub-industries from the Global Industry Classification Standard (GICS®). The weight of each sub-industry is capped at 15% to provide more diversification and the weight of any security is capped at 5% to reduce concentration.

**Methodology**

We begin by analysing the performance of these three main indices during recent periods of market stress. The obvious hurdle is that in a such a relentless QE-fuelled bull market for stocks, there have been relatively few market drawdowns. Whether we take the S&P 500 index or the MSCI World index, there have been only three drawdowns greater than 10% in the past four years; in the final three months of 2018, the first three months of 2020 and the first four months of 2022. We characterise the first two of these as times of 'stress', marked in red on Chart 4, when the drop was both substantial and sudden, and the most recent period as one of 'decline', shown in green, when the fall was less pronounced and more prolonged with a peak-to-trough decline of 13% from the January 2022 high.

**Table 5: Periods of market stress Q4 2018 and Q1 2020**

| | Q4 2018 | Q1 2020 |
|---|---|---|
| MSCI World Index | -17.4% | -33.9% |
| S&P 500 | -19.6% | -33.8% |

Not including dividends

**Chart 4: S&P 500 and MSCI World Indices**


Although the three main listed infrastructure indices (and by inference all the funds which seek to replicate them) have different composition, their performance is largely driven by the broader market. Chart 5 shows the three infrastructure indices plus the S&P 500 and MSCI World, with all five rebased to Jan 1 2018 = 100 to help visualisation.

**Chart 5: S&P 500 and MSCI World Indices, plus three main listed infrastructure indices**


Not including dividends

**Table 6: Performance of major Infrastructure indices in Q4 2018 and Q1 2020**

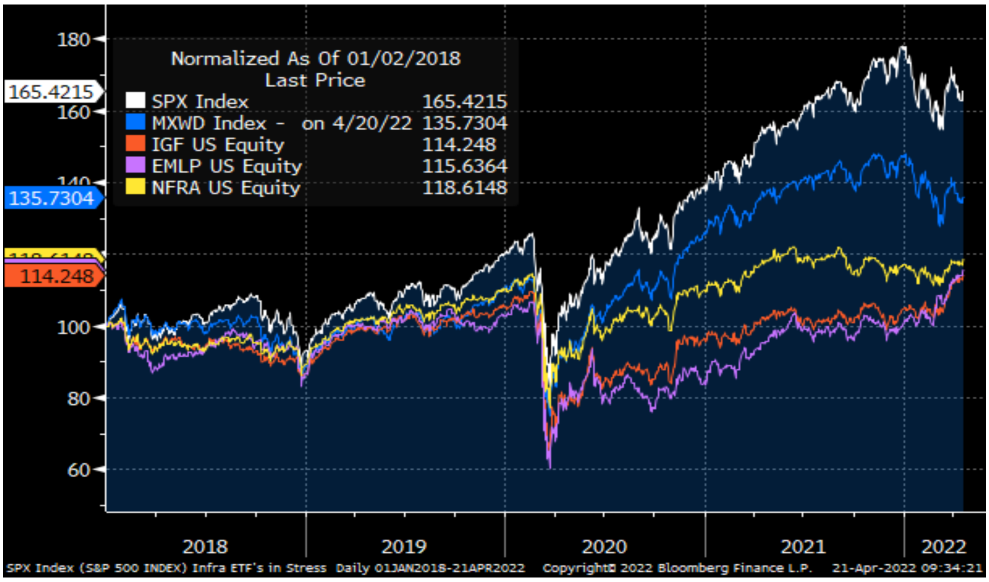
| | Q4 2018 | Q1 2020 |
|---|---|---|
| MSCI World Index | -17.4% | -33.9% |
| S&P 500 | -19.6% | -33.8% |
| Stoxx Global Infrastructure | -8.7% | -32.6% |
| S&P Global Infrastructure | -7.1% | -42.7% |
| MSCI World Core Infrastructure | -7.9% | -35.7% |

Not including dividends

We see from Table 6 that the three main infrastructure indices outperformed the broader market in Q4 2018 and either matched or underperformed in Q1 2020, with the underperformance most marked in the case of S&P Global Infrastructure which lagged by a huge 8.8 percentage points. In fact, however, in 2018 both the S&P Global and Stoxx Global indices began to decline before the broader market fell. The S&P Global Infra index fell -13.3% from its peak to trough whilst the Stoxx Global Infra index lost -12.3%.

We now expand the analysis to look at the performance of the three largest global infrastructure Exchange Traded Funds in these two periods of market stress. Chart 6 shows, as expected, that these ETF's were not immune to the broader market sell-off.

**Chart 6: S&P 500 and MSCI World Indices, plus three main infrastructure ETF's**




Not including dividends

If we look in more detail at the two periods of stress, we see that two of the three main ETF's outperformed the broader market in Q3 2018 (though with the caveat as above that all had peaked earlier in the year) and that two of the three significantly underperformed the broader market in the COVID-crash of Q1 2020. Indeed, the two largest ETF's underperformed by 8.3 and 9.8 percentage points respectively.

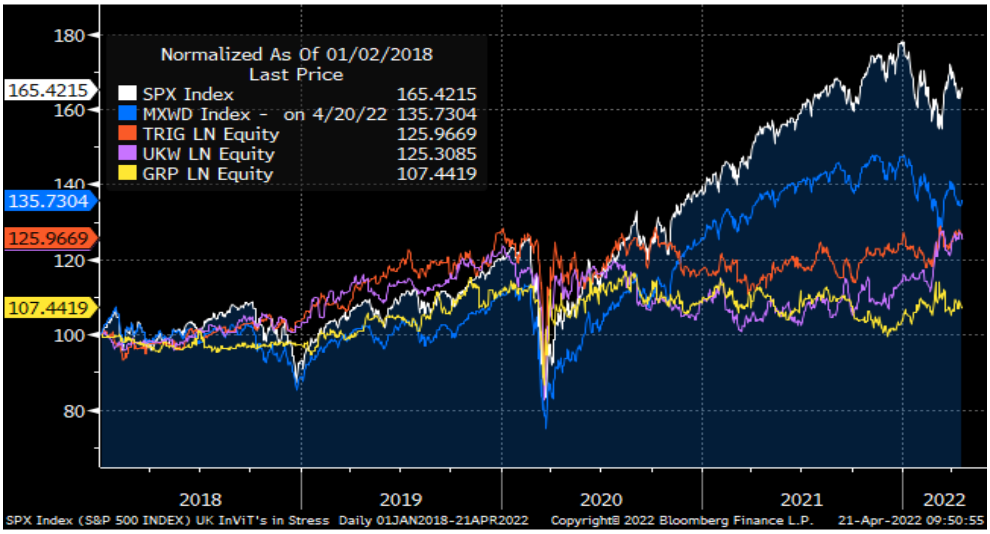
**Table 7: Performance of major Infrastructure ETF's in Q4 2018 and Q1 2020**

| | Q4 2018 | Q1 2020 |
|---|---|---|
| MSCI World Index | -17.4% | -33.9% |
| S&P 500 | -19.6% | -33.8% |
| iShares Global Infrastructure | -9.3% | -42.1% |
| First Trust N. America Infra | -13.4% | -43.6% |
| FlexShares Stoxx Global Infra | -9.9% | -32.9% |

Not including dividends

Having looked at how the main listed infrastructure indices and the ETF's which broadly track them performed in the two most recent periods of market stress, we then look at the performance of the three largest London-listed Renewable Infrastructure Investment Trusts in Q4 2018 and from the S&P peak on February 12th 2020 to its recent trough on March 23rd 2020.

**Chart 7: S&P 500 and MSCI World Indices, plus three largest LSE-listed Renewable Infrastructure Investment Trusts**




Not including dividends

The first point to note is that the average decline for the three largest LSE InvITs of -26.7% was substantially less than the -33.8% average of the S&P 500 and the MSCI World Indices. We see from Table 8 that all three significantly outperformed in the 2018 market drawdown (by an average of almost 15 percentage points) and in the 2020 sell-off all three outperformed by an average of 7.1 percentage points.

**Table 8: Performance of three largest LSE- listed Renewable Energy Infrastructure Trusts in Q4 2018 and Q1 2020**

| | Q4 2018 | Q1 2020 |
|---|---|---|
| MSCI World Index | -17.4% | -33.9% |
| S&P 500 | -19.6% | -33.8% |
| Renewables Infrastructure Group | -4.8% | -26.4% |
| Greencoat UK Wind | -4.0% | -30.0% |
| Greencoat Renewables | 0.7% | -23.6% |

Not including dividends

The true measure of resilience for the Renewable Infrastructure Investment Trust sector, however, is not just share price performance relative to the broader market in times of market stress, but the speed with which the market can reprice to the reality of an unchanged underlying Net Asset Value. Table 9 below shows that just 10 days after the market low of March 23rd 2020, the three largest LSE-listed Renewable InvITs were trading at an average of 93.1% of their level at the prior market peak on February 19th. By contrast, the S&P 500 index was trading at just 78.6% of its peak and the MSCI World at 77.4%. The bounceback for the LSE-listed Renewables InvITs was significantly greater in both scale and speed.

**Table 9: S&P 500 and MSCI World Indices, plus three largest LSE-listed Renewable Infrastructure Investment Trusts in 10 days after market low**

| | Share price or index level at market peak on Feb 19 2020 | Share price or index level at market peak on Mar 23 2020 | Share price or index level on April 6 2020 (10 days after market low) | Percentage increase (10 days after market low) | Share price or index level on April 6 2020 (as % of peak on Feb 19) |
|---|---|---|---|---|---|
| MSCI World Index | 580 | 384 | 449 | 16.8% | 77.4% |
| S&P 500 | 3,386 | 2,237 | 2,663 | 19,0% | 78.6% |
| Renewables Infrastructure Group | 136.7 | 95.5 | 128.1 | 28.8% | 93.7% |
| Greencoat UK Wind | 145.8 | 102.0% | 135.0 | 32.4% | 92.6% |
| Greencoat Renewables | 1.21 | 1.02 | 1.12 | 9.8% | 92.9% |

Not including dividends

We now look at the performance of LSE-listed Renewable Infrastructure Investment Trusts during the most recent market decline since the S&P 500's peak on January 3rd 2022; the period marked in green in Chart 4.

**Table 10: Performance of three largest LSE- listed Renewable Energy Infrastructure Trusts plus TLEI in 2022**

| | Q1 2022- date |
|---|---|
| MSCI World Index | -13,6% |
| S&P 500 | -13,0% |
| Renewables Infrastructure Group | 0,2% |
| Greencoat UK Wind | 6,9% |
| Greencoat Renewables | 0,6% |
| ThomasLloyd Energy Impact | 11,6% |

Not including dividends

Table 10 shows the three largest UK Renewable Energy Investment Trusts (InvITs) have all delivered positive absolute performance since the peak of the S&P500 Index, albeit two of them were very marginal. Greencoat UK was the best of the three largest with an 6.9% increase over the period, though this was outstripped by the ThomasLloyd Energy Impact Trust (TLEI) which delivered an 11.6% return. Relative to the main market indices, the outperformance was substantial.

**Conclusion**

**Although the sample size is small, there is clear evidence that listed infrastructure indices and the funds that track them significantly underperformed the broader market during the severe bout of stress in Q1 2020. The three largest LSE-listed Renewable Infrastructure Investment Trusts fared much better during this period, having significantly outperformed the broader market in Q4 2018. More importantly, these InvITs then showed their resilience by bouncing back much more quickly and sharply than the broader market as the reality of unchanged underlying Net Asset Values became appreciated.**

**In the most recent period of market decline which began in early January 2022, infrastructure as an asset class has performed tremendously well, both in absolute and relative terms. The theoretical attractions of the asset class: diversification, non-correlation and protection against inflation are evidenced here in the real world. Infrastructure is performing exactly as academic and financial market theory would suggest.**

## Legal and regulatory review

### 1. Eligible investment for a UCITS

Closed-end investment funds are eligible for investment by a UCITS to the extent they qualify as transferable securities within the meaning of article 2.1(n) of EU Directive 2009/65/EC (the "**UCITS Directive**") and articles 2(1) and 2(2) of EU Directive 2007/16/EC (the "**Eligible Assets Directive**").

In accordance with Article 2.1.(n) of the UCITS Directive transferable securities refer to:

- shares in companies and other securities equivalent to shares in companies; or
- bonds and other forms of securitised debt; or
- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange.

Article 2(1) of the Eligible Asset Directive foresees that the reference to transferable securities in article 2.1 (n) of the UCITS Directive shall be understood as a reference to financial instruments which fulfil the following criteria:

- the potential loss which the UCITS may incur with respect to holding of those instruments is limited to the amount paid for them;
- their liquidity does not compromise the ability of the UCITS to redeem its shares at the request of its shareholders;
- reliable valuation is available for them in the form of accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
- appropriate information is available for them in the form of regular, accurate and comprehensive information to the market on the security or, where relevant, on the portfolio of the security;
- they are negotiable;
- their acquisition is consistent with the investment objectives or the investment policy, or both, of the UCITS in accordance with the UCITS Directive;
- their risks are adequately captured by the risk management process of the UCITS.

For the purposes of points b) and e), and unless there is information available to the UCITS that would lead to a different determination, financial instruments which are admitted or dealt in on a regulated market in accordance with points a), b) or c) of Article 50(1) of the UCITS Directive shall be presumed not to compromise the ability of the UCITS to redeem its shares at the request of its shareholders and shall also be presumed to be negotiable.

Article 2.2 of the Eligible Asset Directive specifically foresees that transferable securities shall be taken to include units in closed-end funds constituted as investment companies, as unit trusts or under the law of contract which fulfil the following criteria:

- they comply with the criteria listed above (article 2(1) of the Eligible Asset Directive);
- they are subject to corporate governance mechanisms applied to companies;
- they are managed by an entity which is subject to national regulation for the purpose of investor protection (this would not apply to self-managed closed-end investment funds).

In Luxembourg, the CSSF has issued a chart which helps determining the eligibility of other funds for investment by a Luxembourg UCITS, listing more specifically the Luxembourg provisions that would need to be complied with (which are basically a copy paste of the European rules listed above.

## Important commercial mechanics of UK-listed Investment Trusts

### 1. Discount control

The board of directors of an Investment Trust may adopt certain measures in an effort to manage any sustained and significant imbalance between buyers and sellers of the Investment Trust shares, which might otherwise lead to the shares trading at a material discount to the NAV per share. These measures include, but are not limited to, the following:

- *Ad hoc share buybacks* – the company may seek shareholder approval to have a general authority to make market purchases of up to 14.99% of its ordinary shares in issue, in accordance with the Companies Act 2006 and the Listing Rules. The board of directors will have complete discretion as to the timing, price and volume of ordinary shares purchase.
- *Triggered share buybacks* – share buybacks are undertaken by the company on the occurrence of specific events or triggers, for example, if the ordinary shares trade at or below a set average discount to the NAV for a number of months. This still requires share buyback authority from shareholders.
- *Tender offers* – the company may seek shareholder approval to make market purchases of 15% or more of its ordinary shares by way of tender offer to all shareholders. These purchases may be made by the company itself or with a financial intermediary acting as principal in buying the tendered shares and then selling them to the company.

Another option, which would not involve the company buying back its own shares, would be the manager using a certain proportion of its fees to buy shares in the market.

### 2. Discontinuation policy

An Investment Trust's articles of association often provide for shareholders to vote on whether the company should continue to exist (a "**continuation vote**") and / or cease to continue in its present form (a "**discontinuation vote**").

The articles of association may require the board of directors to propose a shareholder resolution for a continuation vote or discontinuation vote periodically (for example, every three or five years) or where the ordinary shares trade at a discount in excess of a set percentage to the NAV. This can be an ordinary resolution or special resolution.

If a continuation vote resolution is not passed, or if a discontinuation vote resolution is passed, the board of directors will be required to put forward proposals for the reconstruction, reorganisation or winding up of the company to the shareholders for their approval. The key difference between a continuation and discontinuation vote resolution is the default position if not enough shareholders vote in favour of it (i.e. the company continues in the case of a discontinuation vote resolution but not in the case of a continuation vote resolution).

### 3. Anti-dilution protection for existing shareholders at subsequent issuances

The dilution of a shareholder's existing holdings on the issue of new shares can occur either through economic dilution (i.e. a reduction in returns) or voting rights dilution. There are two key mechanisms which help to protect a shareholder's existing holdings from being diluted, as further detailed below:

a) C Shares

The issue of new equity in the form of "C" shares has developed as a common market practice for Investment Trusts, particularly for those which cannot invest secondary issue proceeds within a short period of time.

C shares are usually offered at a fixed issue price of GBP1.00 per share. The proceeds of the issue are held in a separate pool of assets, distinct from the assets underlying the ordinary shares, until the C shares convert into ordinary shares. Conversion typically occurs when the C share issue proceeds are fully or substantially invested, or at a pre-determined long-stop date by which it is expected that issue proceeds should have been substantially invested. The principal advantage of segregating the C share asset pool from the ordinary share asset pool until conversion is that it avoids 'cash drag' for existing ordinary shareholders by ensuring that current shareholders remain fully exposed to the existing assets.

b) Pre-emption rights

Shareholders have pre-emption rights under the Listing Rules and Companies Act 2006, which require a company which is proposing to allot equity securities to first offer them to each holder of ordinary shares pro rata to their existing holding of ordinary shares. However, shareholders may disapply such pre-emptive rights, by way of special resolution, which will therefore remove this anti-dilution protection on a subsequent issuance of shares.

## Additional capital raising

Rather than raise a very large amount of capital in one instalment with an Initial Public Offering (IPO) of shares, it has become an increasingly common practice to institute a 'placement programme' on IPO which allows an Investment Trust to return to the market multiple times to raise further funds. To take the example of The Renewables Infrastructure Group (TRIG), which had its IPO on the LSE in July 2013, the fund has raised additional capital on at least 20 further occasions; the most recent of which was a GBP257 million raise in March 2022. From an initial GBP300 million at IPO, the fund's total market capitalisation has grown to GBP3,390 million in April 2022.

The benefit of a placement programme – in contrast to the strategy of a typical Limited Partnership (LP) structure – is that capital is raised only when it can be readily and quickly deployed. This avoids the problem of 'cash-drag' which can often hinder the performance of a traditional LP fund.

## Outlook for Investment Trusts

A total of GBP15.1 billion equity was raised on the London market by investment companies in 2021, the highest amount ever in a calendar year, beating the previous record of GBP10.4bn in 2014. The 2021 fundraising was led by investment companies in the Renewable Energy Infrastructure sector, which raised GBP3.4 billion. This was followed by the Infrastructure and Growth Capital sectors, which raised totals of GBP2.1 billion and GBP2.0 billion respectively.

With a current market capitalisation of all 22 LSE-listed Renewable Infrastructure Investment Trusts a little over GBP16 billion, this sector is growing in size, maturity and investability.

As the Association of Investment Companies (AIC), noted in January 2022, "It has been an enormously busy year for investment companies, most notably on the fundraising front, with a record £15 billion raised. The record number of mergers this year suggests that investment company boards are also responding to investor demand for larger, more liquid investment companies that can deliver the benefit of economies of scale to shareholders."

We believe the outlook for LSE-listed Investment Trusts is very positive and their advantages for investors are under-appreciated. Over the next few years, there is the potential for transformative change in the sector, with Investment Trusts doing for Renewable Energy what Real Estate Investment Trusts (REITs) have done for the property sector – making it accessible, low cost, liquid, and with strong corporate governance in a well-regulated legal framework.

Launched on the premium segment of the LSE in December 2021, the ThomasLloyd Energy Impact Trust PLC is the first impact-focused UK offering to be dedicated to investing in sustainable energy infrastructure projects that can help alleviate Asia's growing climate change issues. We can find no other Investment Trust with such a sector and geographic focus. Trusts specialising in sustainable and renewable energy tend to have a European, US or global investment focus. There are none with an Asia-specific sustainable infrastructure investment mandate.

The future for Renewable Energy is brighter than ever and a London Stock Exchange listed Investment Trust is a compelling way to gain exposure to this asset class.

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## Annex 1

**Einordnung des ThomasLloyd Energy Impact Trust PLC in Deutschland**

**Art der Kapitalanlage**

1. Geschlossener Nicht-EU-AIF,
2. der von einem EU-AIFM verwaltet wird und
3. dessen Anteile (Aktien = Wertpapier) an einem geregelten Markt
4. in einem Mitgliedstaat der OECD (Vereinigtes Königreich) notiert sind und
5. Infrastrukturinvestitionen (vgl. Art. 164a Solva-II-DVO) mit Bonitätsbewertung einer Ratingagentur mit Sitz in einem Drittland mittels Eigenkapital, Anleihen oder Darlehen tätigt,
6. wobei der Investitionsgrad nicht durch Hebelfinanzierungen auf Ebene des AIF erhöht werden kann und
7. sich die Infrastrukturwerte außerhalb von EWR und OECD befinden
8. einschließlich der Möglichkeit eines Treuhändersperrvermerks.

**Taugliche Investoren**

1. OGAW, die in Infrastruktur-Anlagen investieren wollen,
2. AIF, die in Infrastruktur-Anlagen investieren wollen,
3. Stiftungen (rechtsfähige Stiftungen, nichtrechtsfähige Stiftungen, Stiftungsverein, Stiftung der öffentlichen Hand),
4. Versicherungsunternehmen unter Solvency-II-Richtlinie (Solva-II-RL),
5. Kleine Versicherungsunternehmen unter AnlVO,
6. Pensionskassen und Pensionsfonds (bAV),
7. Sterbekassen (Lebensversicherung) und
8. Versorgungswerke.

**Anlageklasse für**

1. **OGAW(-Dachfonds)**

   **Wertpapier**, weil Anteil im Sinne des § 193 Absatz 1 **Nummer 7** KAGB mit **Anlage-/ Emittentengrenze** bis zu 10% bei OGAW und bis zu 20% bei OGAW-Dachfonds (§ 207 KAGB gilt nicht, weil Nicht-EU-AIF).

2. **AIF/Spezial-AIF**

   Vermögensgegenstand im Sinne des § 261 Absatz 1 **Nummer 7**, weil Wertpapier/Anteil iSv 193 Absatz 1 Nummer 7 KAGB mit **Anlage-/Emittentengrenze:** maximal 30% bei **Publikums-AIF** wegen Währungsrisikobegrenzung nach § 261 Absatz 4 KAGB; **Spezial-AIF** richtet sich nach Anlagestrategie.

3. **Stiftungen**

   Notierte Aktien (Einkünften aus Kapitalvermögen) mit ausschließlichen Investitionen in Infrastruktur(unternehmen), wobei sich die **Anlagegrenze** nach der Anlagestrategie richtet.

4. **Versicherungen** (ohne Look-Through)

   **Typ-1-Aktien** wegen Notiz an einem geregelten Markt im OECD (Art. 168 Absatz 2, 168 Absatz 1 Buchstabe c) Solva-II-DVO) – und Sitz des Verwalters in EU

   **Privilegierter Investmentfonds=Typ-1-Aktien:** da von EU-AIFM verwalteter Nicht-EU-AIF, der in einem EU-Mitgliedstaat vertrieben werden darf/könnte und der nicht hebelfinanziert ist (Exposure ist nicht größer als NAV); also ein privilegierter Investmentfonds nach Art. 168 Absatz 6 Buchstabe (c) ii) Solva-II-DVO jeweils mit Stressfaktor von 39%.

5. **Versicherungen** (mit Look-Through-Ansatz)

   **Qualifizierte Infrastrukturinvestitionen** im Sinne des Artikel 164a Solva-II-DVO, wobei teilweise **Investmentgrade Rating** vorliegt.

   **Wichtig:** Die Infrastrukturwerte sind außerhalb EWR- und außerhalb OECD-Mitgliedstaat gelegen, deshalb **keine qualifizierte Investition in Infrastrukturunternehmen** im Sinne des Art. 164b Solva-II-DVO und **qualifizierte Infrastrukturinvestition** im Sinne des Art. 164a Solva-II-DVO setzt zusätzlich eine Zertifizierung der im Drittland ansässigen Ratingagentur oder ein Rating durch eine externe Ratingagentur (ECAI) voraus.

6. **Kleine Versicherungsunternehmen, Pensionskassen und Sterbekassen**

   **Sicherungsvermögensfähige Aktien/Anteile** an geschlossenen ausländischen Investmentvermögen, das von einem zugelassenen EU-AIFM verwaltet wird – § 2 Absatz 1 Nummer 13 Buchstabe b) 2. Alternative AnlVO.

   **Mischung:** maximal 35% in Aktien sowie nachrangige Verbindlichkeiten einschließlich Genussrechte von notierten Unternehmen.

   **Streuung:** 1% des Sicherungsvermögens mit der Möglichkeit der Durchrechnung auf die Anteile des AIF an den Zielgesellschaften unter Beachtung der Regelungen für die Kongruenz von Währungsinvestitionen.

7. **Pensionsfonds**

   **Sicherungsvermögensfähige Aktien** an geschlossenen ausländischen Investmentvermögen, die von einem zugelassenen EU-AIFM verwaltet werden – § 17 Absatz 1 Nummer 13 Buchstabe b) 2. Alternative PFVA – Pensionsfonds-Aufsichts-VO.

   **Folge:** Keine gesetzliche Beschränkung beim Grundsatz der Mischung, entscheidend ist der jeweilige Pensions-plan und BaFin kann Anpassung vornehmen.

8. **Versorgungswerke**

   Richtet sich nach Recht des jeweiligen Bundeslandes mit Verweis auf AnlVO, also **sicherungsvermögensfähige Aktien** an geschlossenen ausländischen Investmentvermögen, die von einem zugelassenen EU-AIFM verwaltet werden.

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