

# Ecofin Global Utilities and Infrastructure Trust plc (EGL)

As of 31/01/2020

## Performance (to 31 January, 2020)

(all total returns in £)	1 M %	3 M %	6 M %	1 Y %	3 Y %	Since Admission* %
<b>Net Asset Value</b>	6.8	7.2	9.4	26.3	55.6	46.4
<b>Share Price</b>	6.6	10.2	20.2	40.7	69.4	79.2
FTSE All-Share Index	-3.2	2.2	0.0	10.6	18.3	22.3
FTSE ASX Utilities	5.2	15.8	26.9	23.9	15.0	6.8
MSCI World Index	-0.1	3.3	0.1	17.7	34.0	44.3
MSCI World Utilities Index	6.3	5.8	7.2	23.7	46.2	44.5
S&P Global Infrastructure Index	2.1	3.1	1.4	17.8	31.2	30.9

\*26 September, 2016.

Source: Bloomberg. Performance is shown on a total return basis, i.e., assuming reinvestment of dividends.

## Yield, diversification, low volatility

Ecofin Global Utilities and Infrastructure Trust plc (EGL) is a closed-end investment company domiciled in the UK whose shares are listed and traded on the London Stock Exchange. The Company carries on its business so that it qualifies as an authorised UK investment trust. EGL invests primarily in the equity and equity-related securities of utility and infrastructure companies which are listed on recognised stock exchanges in European countries, the United States and other developed, OECD countries although it may invest up to 10% of its assets in companies whose equity securities are listed on stock exchanges in non-OECD countries. It may also invest up to 10% of its assets in debt securities, which are typically traded on over-the-counter markets.

**Investment objective:** The Company's investment objectives are to achieve a high, secure dividend yield on its investment portfolio and to realise long-term growth in the value of the portfolio for the benefit of shareholders while taking care to preserve capital.

**Yield:** The Company targets a dividend yield of at least 4% on net assets using gearing and, if necessary, reserves to augment the portfolio yield.

**Gearing:** EGL may borrow up to 25% of its net assets to earn a higher level of dividend income and to offer shareholders a geared return on their investment. The Company pursues a flexible gearing policy, borrowing in major currencies at floating rates of interest under a facility which allows the Company to repay its borrowings at any time without penalty.

## Dividends

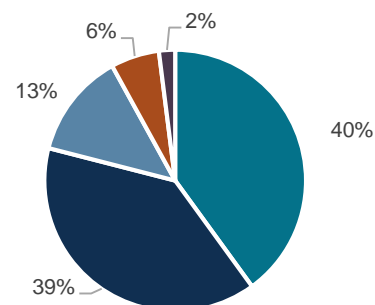
The Company announced in December 2019 an increase in the quarterly dividend rate to 1.65p per share (6.6p per annum), effective from the payment on 28 February, 2020. Quarterly dividend payments were previously 1.6p per share, or 6.4p per share per annum. Quarterly payment dates fall on the last business day in February, May, August and November.

## As of 31 January, 2020

Net assets	£162,189,974
NAV per share	176.54p
Share price	170.50p
Premium/(Discount)	(3.4%)
Gearing	7.4%
Yield*	3.8%

\*Yield is based on dividends paid (annual) as a percent of the share price.

## Geographical allocation (% of portfolio)



- North America
- UK
- Emerging markets
- Cont. Europe
- Other OECD

## Sector allocation

	% of Portfolio
Regulated utilities	21
Transportation	15
Integrates	43
Renewables (incl. YieldCos)	<u>21</u>
	<b>100</b>

## 10 Largest holdings

	% of Portfolio	Country
NextEra Energy*	5.5	US
EDP	4.9	Portugal
Enel	4.6	Italy
SSE	4.6	UK
Iberdrola	4.5	Spain
RWE	4.1	Germany
Engie	4.0	France
National Grid	3.8	UK
Exelon	3.6	US
EDF	<u>3.0</u>	France
<b>Total (42 holdings)</b>	<b>42.6</b>	

\*common shares; the portfolio also holds the issuer's convertible preferred stock

## Manager's comments

- Early gains across developed equity markets were tempered by mid-month as the outbreak of the coronavirus worsened and provided ample excuse for concern and profit-taking. PMI data points briefly permitted recession fears to fade until the IMF reduced its expectations for global growth in 2020 (since its October report) and the virus's potential to damage economic growth in China and globally sank in. Benchmark 10 year government bond yields dropped significantly over the course of the month: -25bps in North America; -22bps in the UK; and -15-20bps across the Continent. The MSCI World Index declined slightly (-0.1%) while the S&P Global Infrastructure Index and MSCI World Utilities Index rose by 2.1% and 6.3%, respectively (all total returns in sterling). Sterling softened against the US dollar (to 1.31), reversing December's gains, but gained 0.8% versus the Euro (overall reducing the NAV by c. 60bps last month) as the UK formally left the EU.
- EGL's NAV increased by 6.8% in January, outperforming the relevant indices which were themselves exceptionally strong. Relatively safe havens outperformed resoundingly as yield curves flattened (and in some cases inverted) and the Company's positioning in its sectors was on point.
- Continental European utilities (+8.5%) led a strong pack and outpaced the broad EuroStoxx Index by 11% during the month. The portfolio's largest pan-European holdings were very strong performers: EDP (+11%), Enel (+9%), RWE (+16%) and Veolia (+12%). In the UK, where the FTSE All-Share fell by 3.2% as sentiment soured for cyclical, utilities rose by 5.2% as nationalisation risk continued to fade (UK utilities have returned 15.8% over 3 months). The same dynamics played out in North American markets too where utilities beat the S&P 500 by nearly 7% and the portfolio's holdings of NextEra Energy and Terraform Power especially were major contributors to the NAV's increase. Investor attention on sustainability and decarbonisation is no doubt helping to maintain momentum for EGL's holdings whose business models have been recast to focus on renewables and the energy transition. A great number of the large greener electric utilities are included in increasingly popular sustainability indices.
- Power prices have been quite strikingly weak globally in the last few weeks reflecting declines in natural gas and other fuel commodities and mild temperatures on both sides of the Atlantic. While private renewable energy operators – particularly in the UK – are sounding more cautious and their share prices have been under pressure, the utilities that EGL invests in typically have diversified business models and relatively little exposure to merchant power (their large-scale renewables operations are generally fully contracted). Looking longer term, while the increasing penetration of low cost renewables potentially places downward pressure on power prices, tight reserve margins in most markets and government policies on carbon present a counter-balance.
- Two weak spots in the portfolio in January were US gas distribution company Williams and Beijing International Airport reflecting, respectively, a slump in natural gas prices and the impact of travel restrictions to/from China.
- With the NAV's increase and the completion of the sale of Snam Rete Gas, gearing has declined to just over 7%.

TICKER: EGL

SEDOL: BD3V464

ISIN: GB00BD3V4641

## Key risk factors

All financial investments involve an element of risk. The value of your investment and the income derived from it will vary and there can be no assurance that the investment manager will be able to invest the Company's assets on attractive terms, generate investment returns for investors or avoid investment losses.

The Company focusses on investments in two sectors, the utilities and infrastructure sectors, and accordingly an investment in the Company's shares may be regarded as representing a more concentrated risk than the investment in the shares of a broadly diversified, generalist investment trust or fund.

The Company may employ gearing. Whilst the use of gearing should enhance the NAV per share when the value of the Company's underlying assets is rising, it will have the opposite effect when the underlying asset values are falling.

The Company invests to a considerable extent in securities which are not denominated or quoted in Sterling, the Company's base currency. Movements in exchange rates will, therefore, have an effect, favourable or unfavourable, on the return on an investment in the Company's shares.

## Gearing

The Company may make use of gearing to enable the Company to earn a high level of dividend income and to offer Shareholders a geared return on their investment. The Directors believe that the use of gearing is justified given the nature of most of the companies in which the Company invests; that is, companies which provide essential services, operate in regulated markets and within stable regulatory frameworks, and pay dividends. Whilst the use of gearing should enhance the net asset value (NAV) per share when the value of EGL's underlying assets is rising, it will have the opposite effect when the value of its assets is falling. As a result, the volatility of the Company's NAV will increase when gearing is being used which may also increase the volatility of the Company's share price. The nature and term of any borrowings are the responsibility of the Directors, while the amount of any borrowings is at the discretion of the Investment manager.

EGL may borrow amounts equal to 25% of its net assets. Any borrowings will be flexible, short-term borrowings in major currencies at floating rates of interest under a Prime Brokerage facility with Citigroup which allows the Company to repay its borrowings at any time without penalty.

For more information, please see [uk.tortoiseadvisors.com](http://uk.tortoiseadvisors.com)

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## Company details

Portfolio manager:	Jean-Hugues de Lamaze
Date of admission:	26 September, 2016
Traded:	London Stock Exchange
Dealing currency:	Sterling
Issued share capital:	91,872,247 shares
Investment management fee:	1% p.a. of net assets

## Financial calendar

Year-end:	30 September
Results announced:	May (half-year); December (final)
AGM:	March
Dividends paid:	Last day of February, May, August & November

## NMPI status

The Company conducts its affairs so that its securities can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products, and intends to continue to do so. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.

## Individual Savings Account ("ISA")

The Company's shares are eligible to be held in an ISA account subject to HM Revenue & Customs limits.

Released: 5 February, 2020