



## Ecofin Global Utilities and Infrastructure Trust

Investment companies | Update | 22 August 2023

### Utilities and infrastructure at low tide

In recent months, macroeconomic conditions have weighed on the utilities and infrastructure sectors and on the returns generated by Ecofin Global Utilities and Infrastructure (EGL). Now, as the peak of interest rates draws nearer and economic growth stutters, the tide may be about to turn in the trust's favour. EGL's manager, Jean-Hugues de Lamaze highlights the strong earnings of the companies in its portfolio (see pages 5 and 6), which have made some of these look even more undervalued.

In common with most London-listed investment companies, EGL has experienced some modest widening of its share price **discount to net asset value (NAV)** recently. The board is tackling this with share buy backs, but the current above-average discount does provide an opportunity for investors to get exposure to the trust at attractive levels.

### Developed markets utilities and other economic infrastructure exposure

EGL seeks to provide a high, secure **dividend yield** and to realise long-term growth, while taking care to preserve shareholders' capital. It invests principally in the equity of utility and infrastructure companies which are listed on recognised stock exchanges in Europe, North America and other developed **OECD** countries. It targets a dividend yield of 4% a year on its net assets, paid quarterly, and can use gearing (borrowing) and distributable reserves to achieve this.

Sector	Infrastructure securities
<b>Ticker</b>	<b>EGL LN</b>
<b>Base currency</b>	<b>GBP</b>
<b>Price</b>	<b>173.0p</b>
<b>NAV</b>	<b>189.8p</b>
<b>Premium/(discount)</b>	<b>(8.8%)</b>
<b>Yield</b>	<b>4.5%</b>



Most of the companies that the Ecofin team follow closely are looking cheap relative to history



US utilities are attractively valued on average



Global infrastructure is trading at a material valuation discount to global equities





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<b>Domicile</b>	<b>United Kingdom</b>
<b>Inception date</b>	<b>26 September 2016</b>
<b>Manager</b>	<b>Jean-Hugues de Lamaze</b>
<b>Market cap</b>	<b>201.2m</b>
<b>Shares outstanding (exc. treasury shares)</b>	<b>116.276m</b>
<b>Daily vol. (1-yr. avg.)</b>	<b>275,647 shares</b>
<b>Net gearing</b>	<b>9.7%</b>

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## At a glance

### Share price and premium/(discount)

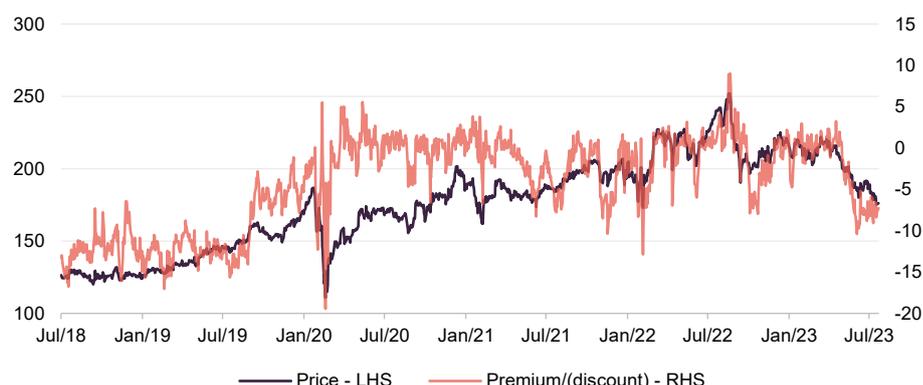
Share price discounts to NAV have been widening across the investment companies sector and – especially relative to funds focused on **renewable energy** and **infrastructure** – while it has been affected, EGL has held up relatively well.

That is likely a reflection of EGL's twin appeal, both as a source of income and in terms of the capital growth that the trust has been able to deliver since launch.

### Performance over five years

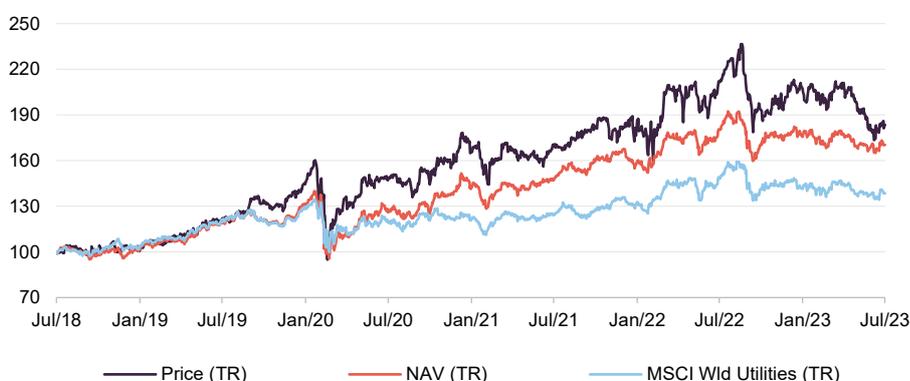
After the significant relative outperformance of both the MSCI World Utilities and S&P Global Infrastructure indices in 2020/2021, EGL's NAV has held its own against these performance benchmarks subsequently. However, as discussed, EGL's share price performance has been affected by a widening discount.

### Time period 31 July 2018 to 21 August 2023



Source: Morningstar, Marten & Co

### Time period 31 July 2018 to 31 July 2023



Source: Morningstar, Marten & Co

Year ended	Share price total return (%)	NAV total return (%)	MSCI World Utilities total return (%)	S&P Global Infra total return (%)	MSCI World total return (%)
31/07/2019	21.5	19.0	19.6	14.5	11.6
31/07/2020	22.3	5.9	(0.4)	(17.1)	0.6
31/07/2021	14.7	16.8	4.0	13.1	28.1
31/07/2022	24.4	22.8	20.3	23.3	4.3
31/07/2023	(13.5)	(5.7)	(7.1)	(4.2)	7.9

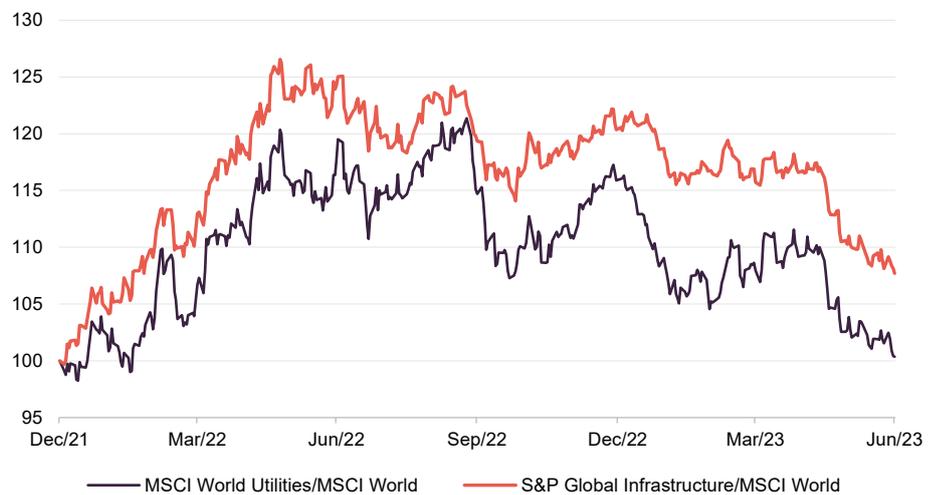
Source: Morningstar, Marten & Co

## Background

Readers may wish to refer to our earlier notes, a list of which is provided on page 19

Global utilities and infrastructure have been underperforming wider market indices for some time now. Jean-Hugues feels that parts of EGL's investment universe are consequently attractively valued. Figure 1 shows (in the dark purple colour) the performance of a global utilities index (MSCI World Utilities) relative to the return on the wider market as represented by the MSCI World Index. It also shows the return of a global infrastructure index (in this case the S&P Global Infrastructure Index) against the same index.

**Figure 1: Utilities and infrastructure performance relative to global equities (MSCI indices)**

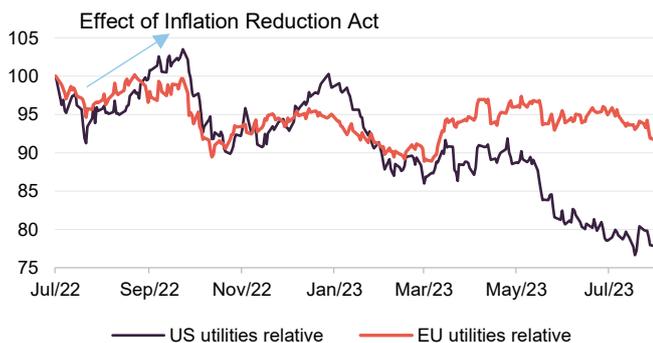


Source: Morningstar, Marten & Co

US utilities are attractively valued on average

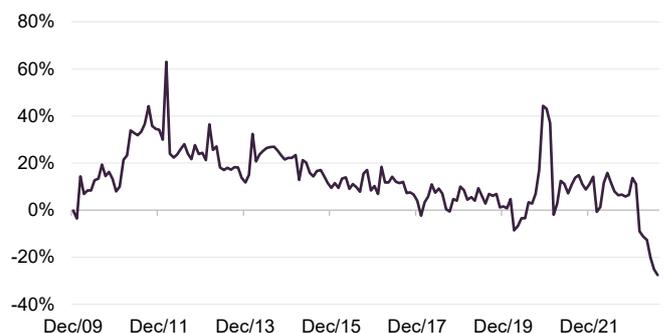
On a relative basis, as Figure 2 shows, US utilities have underperformed EU ones, despite an initial boost following the passing of the Inflation Reduction Act, which we mentioned in our last note, and which is providing considerable support for the measures that encourage the shift to net zero carbon emissions in the US.

**Figure 2: Performance of utilities relative to wider market (MSCI indices)**



Source: Bloomberg, relative price performance indexed to 100 on 01/07/2022

**Figure 3: Global infrastructure price/earnings (P/E) ratio relative to global equity P/E ratio**



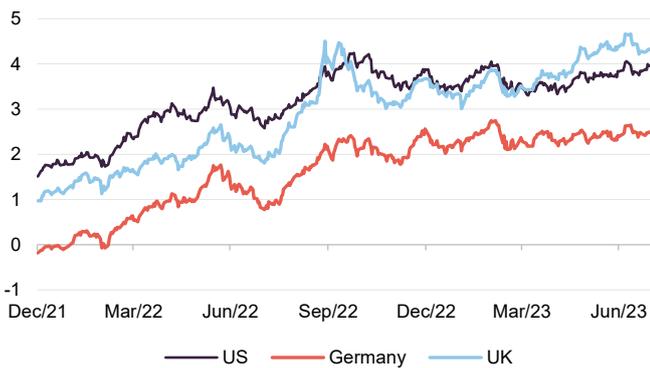
Source: Bloomberg, monthly forecast price/earnings ratio of S&P Global Infrastructure relative to S&P Index

The recent underperformance of US utilities against the wider US market is likely a reflection of the narrow group of AI-related companies driving US markets higher. However, as we discuss later, Jean-Hugues believes that US utilities are attractively valued on average.

Global infrastructure trading at a material valuation discount to global equities

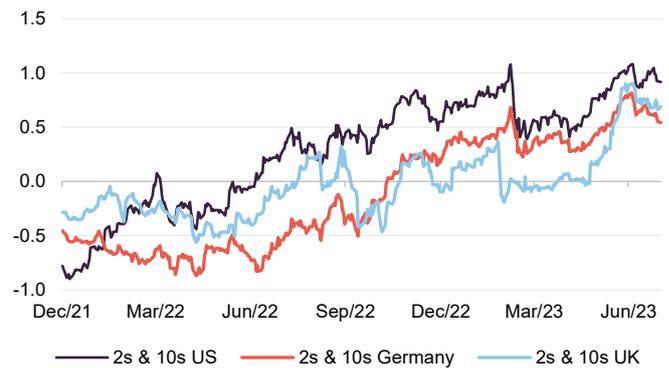
As Figure 3 shows, based on relative forecast price/earnings (P/E) ratios, infrastructure is looking cheap too. A lot of the reason for that has been rising interest rates. Figure 4 illustrates the shift in 10-year government bond yields in EGL's major markets. However, as is illustrated in Figure 5, which charts the gap between yields on government bonds maturing in two years relative to those maturing in 10 years, short-term rates have been rising faster than long-term ones and the result is an inversion of **yield curves**, which historically has been a strong indicator of a recession.

**Figure 4: 10-year government bond yields in US, Germany and UK**



Source: Bloomberg

**Figure 5: Spread between 2-year and 10-year government bonds in US, Germany and UK**



Source: Bloomberg, monthly forecast price/earnings ratio of S&P Global Infrastructure relative to S&P Index

Nevertheless, at an operational level, on the whole utilities are doing well, as Figure 6 illustrates. During this unusually-long period of underperformance for utilities, analysts have actually been raising their earnings estimates, especially in Europe.

**Figure 6: Analysts are upgrading utilities' earnings estimates, especially in Europe**

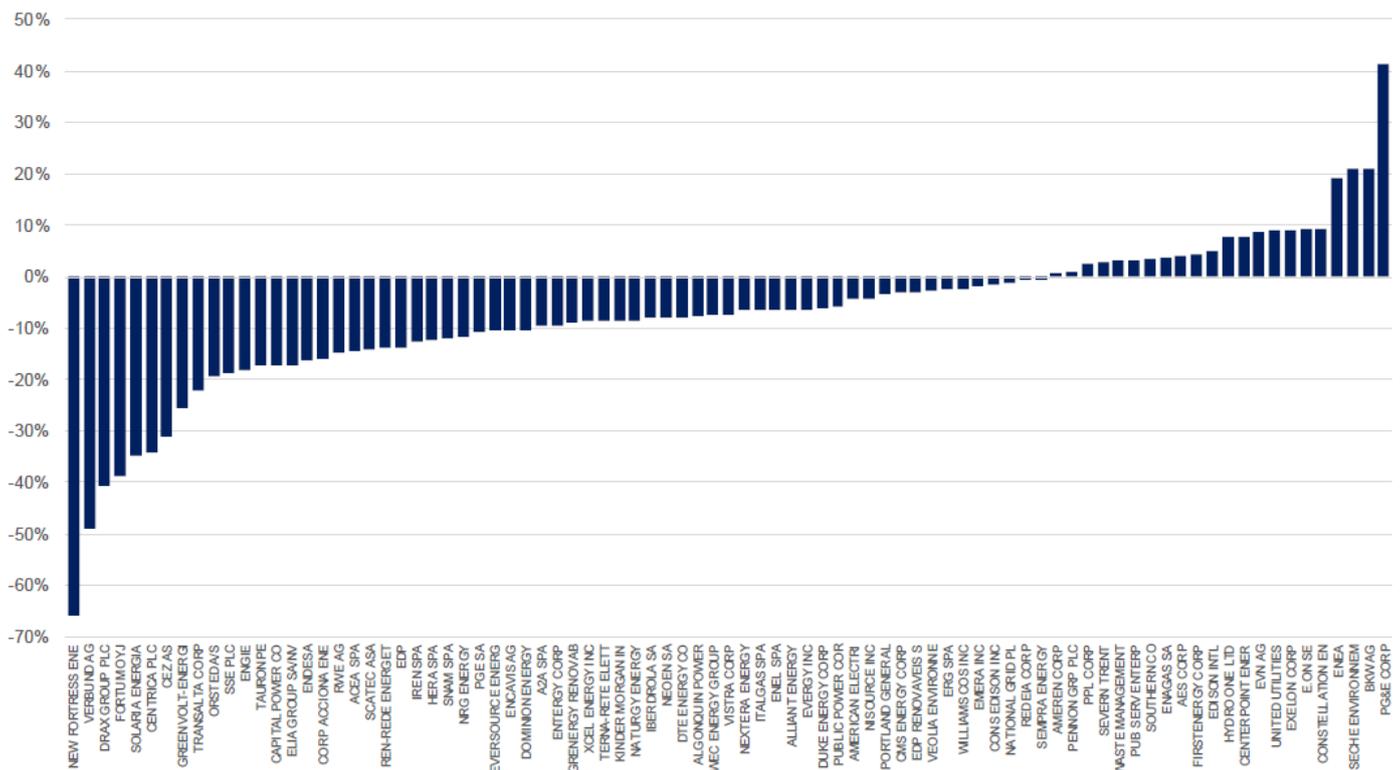


Source: Bloomberg, via Ecofin. Earnings revisions indexed to 100 on 01/07/2022

Most of the companies that the Ecofin team follow closely are looking cheap relative to history

With relatively strong fundamentals coupled with share price weakness, most of the companies that the Ecofin team follow closely are looking cheap relative to history. Figure 7 uses EV/EBITDA ratios to show how current valuations for these companies compare to five-year averages. Around three quarters of this universe is trading below its long-term average.

**Figure 7: Current one-year forward EV/EBITDA vs. five-year average**



Source: Bloomberg, via Ecofin

Power prices remain elevated relative to history

As we show in Figures 8 and 9 below, power prices have come back sharply – roughly halving over the first half of 2023. Nevertheless, Jean-Hugues points out that even after the falls, power prices remain elevated relative to history. Ukraine may have caused them to spike, but they were already rising in advance of the invasion given very slim reserve margins.

Other factors have been at play, such as the effect of the phasing out of coal plants, generally low rainfall levels in some markets leading to shortfalls in hydro production, and the failure to replace an ageing nuclear fleet, which means that older power stations are being shuttered before new plants come online.

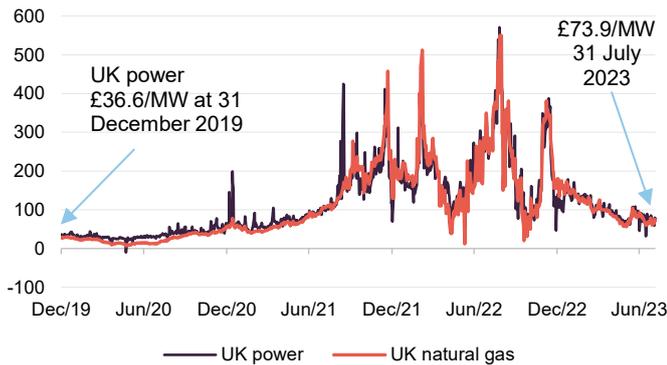
Falling power prices are good news for governments too, which had felt pressured to act by imposing windfall taxes, price caps and the like to cushion consumers.

Generators have been locking in high power prices where possible, and now have good visibility of their earnings for the next couple of years.

Watch out for possible new price spikes this winter

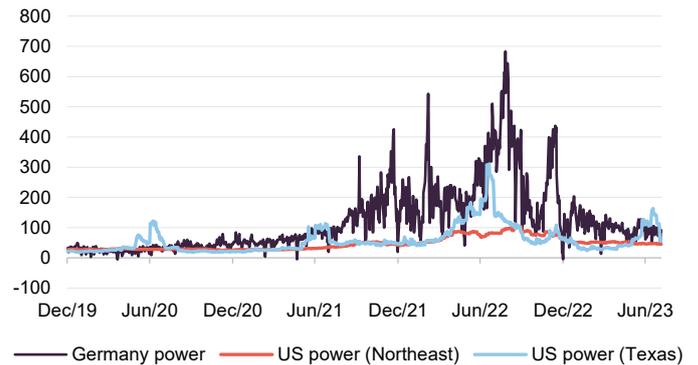
Nevertheless, we are not out of the woods yet. Some regulators are concerned about possible supply/demand imbalances for this winter, which could lead to new price spikes.

**Figure 8: UK power and gas prices**



Source: Bloomberg

**Figure 9: German and US power prices (two regions)**



Source: Bloomberg. Northeast is PJM Western Hub, Texas is ERCOT

## Manager's views

The traditional perception of utilities as a bond proxy has had a significant influence on returns

Jean-Hugues says that the utilities and infrastructure sectors have experienced an interesting year. The main driver of share price moves has been the macroeconomic environment rather than company fundamentals (a tale that we have heard from a number of managers across different sectors). The one exception to this has been the excitement around progress in AI, an area that EGL has no meaningful exposure to. In the case of the utilities sector, the traditional perception of utilities as a bond proxy, and as long-duration assets with defensive characteristics, has had a significant influence on returns.

Jean-Hugues feels that in equity investors' minds, at least, the risk of recession has eased over the course of 2023 and the consensus is for a soft landing. However, this is less true of bond investors where, as we illustrated in Figure 5, yield curves remain inverted (usually a good indicator of economic contraction) in key markets such as the US, Germany and the UK.

Jean-Hugues is reasonably optimistic but wary of a UK recession

Jean-Hugues believes that there is a very broad consensus amongst equity investors that we are close to the peak of interest rates, but expectations are that both rates and inflation will remain well above recent levels. He is reasonably optimistic but thinks it would be risky to be overly confident. Jean-Hugues is wary of a UK recession, for example.

The peak of US interest rates is likely to be a turning point

The peak of US interest rates is likely to be a turning point for sentiment towards the utilities and infrastructure sectors.

Having said that, Jean-Hugues's focus is still very much on bottom-up stock selection.

Climate change impacts factored into analysis, and portfolio companies have geographically diverse asset bases

Inflation Reduction Act should start to impact on earnings

Power grids are key to the energy transition and need significant investment, and this creates opportunities for EGL

Yieldcos looking more attractive post-share price falls

We asked Jean-Hugues about the impact of climate change on hydro and wind (there seems to be a trend towards lower wind speeds as the atmosphere warms). He pointed out that reservoir volumes have largely recovered in countries such as Portugal from 2022's lows. This is less true in Spain, but reservoirs are close to historical levels across Europe. However, he noted that some companies such as EDP Renovaveis and NextEra Energy had seen their earnings impacted by lower-than-normal wind resource. This is another input that the team is factoring into their analysis.

The Inflation Reduction Act provided a fairly short-term boost to sentiment towards US utilities. However, Jean-Hugues expects this will soon start to feed through into earnings, and will be very beneficial for some companies. The scope and impact of the EU equivalent is harder to ascertain as EU countries are yet to agree its final form. Leading countries have very different energy mixes and different vested interests. Germany has been trying to move ahead unilaterally on some fronts, but Jean-Hugues thinks that the effect of this has been limited so far.

Jean-Hugues does note that whereas permitting for some projects had been proving a bottleneck, this situation seems to be improving.

The other significant bottleneck is the problem of securing grid connections. However, this represents a significant opportunity for companies such as SSE and National Grid (discussed on page 10) and is one reason why Jean-Hugues has been adding to those positions. These companies also benefit from inflation pass-throughs and are insulated from power price fluctuations, which adds further to their attractions. Other ways that EGL has exposure to this theme are through integrated utilities in Europe, US companies such as Exelon (which recently spun out its Constellation nuclear business – see page 10) and Edison International, a Californian utility discussed on page 12).

As we get closer to the peak of interest rates, Jean-Hugues has been adding to positions in [yieldcos](#). In that area, TransAlta recently bid C\$1.38bn for the balance of TransAlta Renewables that it did not already own. The price offered was a 20% premium to the undisturbed price. Nevertheless, the offer was well below the price in December 2022 and well down on its January 2021 peak – these yieldcos seem undervalued.

Given the inflation issue, regulated utilities in jurisdictions that have adopted models that allow inflation to be passed-through to customers – such as the UK and Italy – look more attractive. By contrast, regulated utilities operating in a regime such as that of Spain, which does not allow for any inflation adjustment, are more challenged. Jean-Hugues also notes that infrastructure assets such as toll roads and, to a lesser extent, airports have reasonably strong pricing power.

## Asset allocation

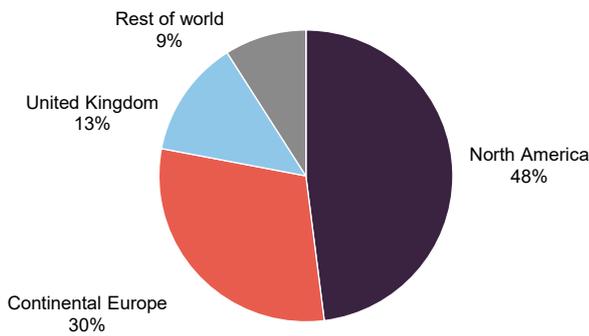
Comparing EGL's exposures at the end of October 2022 (the data available when we last published) and the end of July 2023, EGL has more exposure to North America and the UK which has come at the expense of a lower exposure to continental Europe.

There is a new allocation to environmental services at the end of July 2023 that was not present at the end of October 2022. In reality, this represents a redesignation of

some names that were previously ascribed to other sectors such as Veolia and American Water Works, plus a new position in China Water Affairs (discussed on page 13).

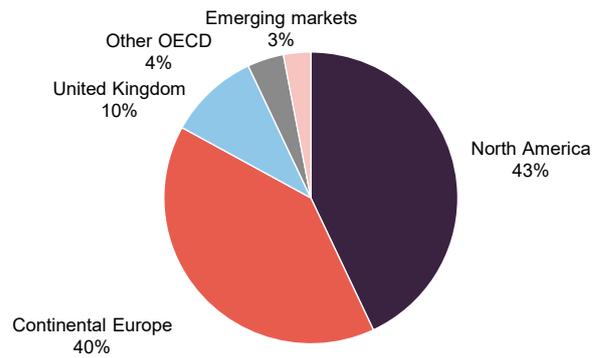
The number of holdings as at the end of July 2023 was 43, unchanged from October 2022.

**Figure 10: Geographic allocation as at 31 July 2023**



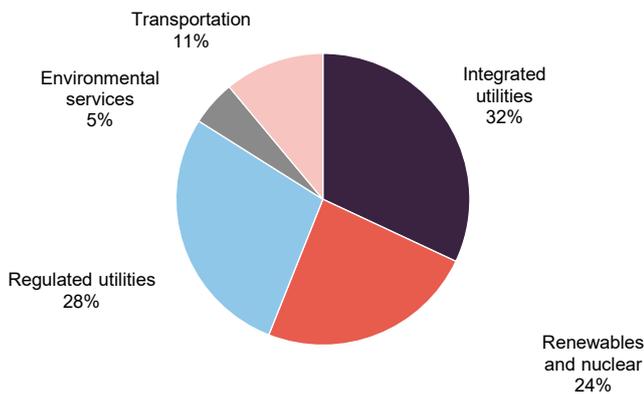
Source: Ecofin Global Utilities and Infrastructure Trust

**Figure 11: Geographic allocation as 31 October 2022**



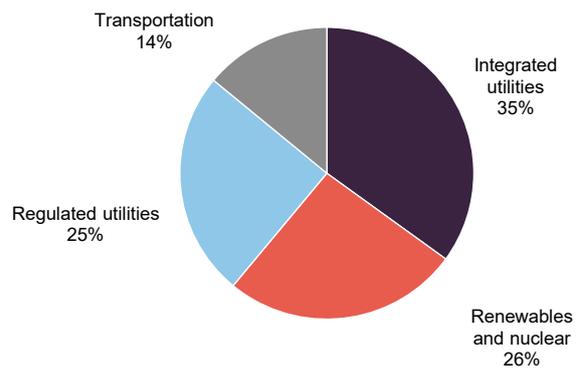
Source: Ecofin Global Utilities and Infrastructure Trust

**Figure 12: Sectoral allocation as at 31 July 2023**



Source: Ecofin Global Utilities and Infrastructure Trust

**Figure 13: Sectoral allocation as 31 October 2022**



Source: Ecofin Global Utilities and Infrastructure Trust

Jean-Hugues has been taking profits and trimming positions on some stocks to fund a reduction in EGL's gearing. At the end of July 2023, this stood at 9.7%. Higher interest rates have increased EGL's cost of debt (it pays a margin over SONIA) and this has raised the hurdle to justify using gearing.

## Top 10 holdings

Since we last published, National Grid, ENAV, Exelon, DTE and Drax have moved into the list of EGL's 10 largest holdings, and RWE, Constellation Energy, Endesa, Engie and EDF have dropped out. RWE was a position reduction, Jean-Hugues felt that the stock could continue to suffer from its large exposure to power generation. The next three of those that dropped out were trimmed as they performed well. In the case of Endesa, Jean-Hugues was also concerned about political uncertainty in Spain and a difficult pricing environment. Jean-Hugues still likes Engie but took advantage of a strong rally in its share price. EDF was nationalised (as discussed in our last note – see page 8 of that note).

Readers interested in other names in the top 10 should see our previous notes (see page 19 for a list of these).

**Figure 14: Top 10 holdings as at 31 July 2023**

Holding	Sector	Country	Allocation 30 June 2023 (%)	Allocation 31 October 2022 (%)	Percentage point change
NextEra Energy	Renewable energy	US	6.5	7.5	(1.0)
SSE	Integrated utilities	UK	4.3	3.9	0.4
American Electric Power	Integrated utilities	US	4.1	3.9	0.2
National Grid	Networks	UK	4.1	2.5	1.6
Exelon	Integrated utilities	US	3.7		
Enel	Integrated utilities	Italy	3.7	3.0	0.7
AES Corp	Renewable energy	US	3.4	2.7	0.7
ENAV	Transportation	Italy	3.1	1.5	1.6
DTE Energy	Integrated utilities	US	3.1	2.1	1.0
Drax	Regulated utilities	UK	2.9		
<b>Total of top 10</b>			<b>38.8</b>	<b>36.6</b>	

Source: Ecofin Global Utilities and Infrastructure Trust, Marten & Co

**Figure 15: National Grid (GBp)**



Source: Bloomberg

## National Grid

National Grid ([nationalgrid.com](http://nationalgrid.com)) is a longstanding position within EGL's portfolio which we have discussed in earlier notes (see page 15 of our October 2021 note, for example). However, the manager added to it in March 2023 as he became more optimistic about the positive drivers of investment in networks. The growth in renewables requires considerable investment in power grids and hence an expansion of the company's regulated asset base. Jean-Hugues also felt that the company was attractively valued and offered a combination of defensiveness and inflation protection.

Growth for the company's US and UK businesses is underpinned by the Inflation Reduction Act and the UK's Net Zero Strategy. The bulk of the company's cash flows now come from the US and Jean-Hugues suggests that on some measures National Grid looks like a cheap US utility.

**Figure 16: ENAV (EUR)**



Source: Bloomberg

## ENAV

ENAV ([enav.it](http://enav.it)) has a natural monopoly of air navigation services in Italian airspace. It is a regulated business (c. 96% of income) and one that benefits from the ability to pass the effects of inflation through to its customers.

ENAV gets paid for every plane that takes off or lands in Italy (over 2m flights each year) regardless of aircraft occupancy. It is a beneficiary of the easing of COVID restrictions as volumes have returned to normal levels. It is also due to be compensated for its loss of business during the COVID period. The company is estimating 3.9% CAGR in air traffic over the period from 2019 to 2040.

Jean-Hugues added to the position following a price setback in March 2023. As a relatively small company and one which has no listed competitors globally, he feels that it is being overlooked by other investors. However, this should rectify itself in time. In the meantime, it offers an attractive dividend yield (currently around 5.4%).

**Figure 17: DTE Energy (USD)**



Source: Bloomberg

## DTE Energy

Jean-Hugues describes Michigan-based DTE Energy ([dteenergy.com](http://dteenergy.com)) as a traditional US utility and one which offers a relatively 'safe' way (in terms of regulatory and interest rate risk) to gain exposure to US utilities. The attraction is DTE's relatively low valuation, modest (6%) earnings per share (EPS) and 8% EBITDA growth, coupled with a dividend yield of about 3.6%.

DTE is transitioning its portfolio of generation assets from coal to gas and renewables. It is also developing energy storage projects. In renewables, it has a decade-long \$11bn project that is intended to deliver over 15GW of renewable energy.

**Figure 18: Drax (GBP)**



Source: Bloomberg

## Drax

Drax ([drax.com](http://drax.com)) produces power from biomass, hydro-electric and pumped hydro storage assets across four sites in England and Scotland. It also operates a global bioenergy supply business with manufacturing facilities at 13 sites in the United States and Canada, producing compressed wood pellets for its own use and for customers in Europe and Asia. However, it has been criticised for logging primary forest in Canada (primary forests – those which have never been logged – are said to be some of the densest, wildest and most ecologically significant forests on Earth).

To improve its green credentials, Drax is exploring options to develop carbon capture and storage (CCS), which it aims to integrate into its biomass plant at the Drax Power Station by 2030. Drax plans to build two biomass-fuelled plants with associated CCS in the US. It has also secured planning permission for a 600MW expansion of its Cruachan Pumped Storage Power Station.

Half-year figures covering the first six months of 2023 showed a more than doubling of EPS from 20p to 46p and a hike in its dividend from 8.4p to 9.2p (it is targeting 23.1p for the full year, up 10% on the previous year). This was despite wildfires impacting on wood pellet production. Strong cash flow is being used to reduce leverage in the short-term, as well as to complete a share buyback programme, which Jean-Hugues sees as justified by Drax's current undervaluation.

**Figure 19: Southern Company (USD)**



Source: Bloomberg

**Figure 20: Edison International (USD)**



Source: Bloomberg

## Other new holdings

### Southern Company

Like DTE, Southern ([southerncompany.com](https://southerncompany.com)) offered a way to increase EGL's exposure to relatively cheap US utilities. It is one of the largest constituents of the sector by market cap and is one of the US's largest clean energy producers (although renewables makes up 16% of its portfolio – about the same proportion as coal or nuclear, and much less than gas, which is just over 50%). Jean-Hugues says that it offers the prospect of about 7% EPS growth, and a good dividend yield. It should also be a beneficiary of the investment that is going into the sector on the back of the Inflation Reduction Act.

Southern has been developing two additional nuclear reactors at its existing Vogtle plant in Georgia; on completion this will be the largest nuclear plant in the US. Unit 3 became operational at the end of July 2023 and Unit 4 is scheduled to come on stream around the end of the year. Overruns on the build costs for Vogtle have been weighing on Southern's earnings.

A mild winter impacted on Southern's earnings (as customers needed less heating) for the first six months of 2023 – the largest negative EPS impact from weather in the company's history.

### Edison International

Edison International ([edison.com](https://edison.com)) is a specific play on the investment required to upgrade California's power grid. It is a holding company for Southern California Edison (SCE), one of the largest electric utilities in the US, and energy consultants Edison Energy.

The core of the utility is its wires business, which has over 125,000 miles of transmission and distribution lines. The utility's regulated asset base is forecast to grow at 6–8% per annum over the next five years. Driving that, the California Independent System Operator (CAISO) estimates that \$30bn needs to be invested in the State's transmission system up to 2040 and \$54bn in the CAISO area's energy storage capacity.

In light of the wildfire-related bankruptcy of Pacific Gas and Electric, SCE is devoting considerable effort to mitigating the risk of wildfires, coating/burying cables, for example. In March this year, SCE said that the probability of wildfires associated with its utility equipment had been cut by 75%–80% since 2018.

**Figure 21: China Water Affairs (HKD)**



Source: Bloomberg

## China Water Affairs Group

Jean-Hugues was keen to increase EGL's exposure to China ahead of an expected economic recovery associated with the lifting of COVID restrictions in the country. Although he acknowledges that the recovery has been disappointing so far, recent economic stimulus announcements are moving in the right direction to support a recovery. China Water Affairs ([chinawatergroup.com](http://chinawatergroup.com)) is one of China's largest integrated water operators, providing raw water, tap water, sewage treatment and related services.

Jean-Hugues sees the possibility of the company spinning off its Silver Dragon water supply business via an IPO. He feels that this would help highlight the hidden value within that business.

The stock looks to be very cheap, trading on about 5.7x historic P/E ratio and a 5.2% dividend yield even after a recent rally in its share price.

**Figure 22: Xinyi Energy (HKD)**



Source: Bloomberg

## Xinyi Energy

Jean-Hugues bought a position in Xinyi Energy ([xinyienergy.com](http://xinyienergy.com)) in May 2023 to replace apportion in wind developer China Longyuan Power Group, which was fully exited at the same time. The company is an operator of 36 solar farms with a total capacity of 3.3GW in Central, Eastern and Southern China. He feels that there is plenty of potential for it to expand its portfolio as China continues to transform its generation mix. 1.7GW of Xinyi's existing solar farms are supported by feed-in-tariffs with the balance, including any new projects, subsidy-free.

Supply chain bottlenecks had been putting pressure on capex costs, but these are easing. In its interim results to end June 2023, the company said that solar photovoltaic (PV) module prices and installation costs were both falling once again and that it intended to speed up construction of new solar farms over the second half of the year.

Recent interim results, covering the first six months of 2023, were held back by the weakness of the Chinese Renminbi relative to the Hong Kong Dollar. The dividend was cut to increase cash available to fund its pipeline of investments, but this was not taken well by investors.

## Performance

**Figure 23: EGL's NAV total return relative to benchmark indices, over five years to 31 July 2023**



Source: Morningstar, Marten & Co

Up-to-date information on EGL is available on the [QuotedData](#) website.

After the significant relative outperformance of both the MSCI World Utilities and S&P Global Infrastructure indices in 2020/2021, EGL's NAV has held its own against these performance benchmarks subsequently.

**Figure 24: Cumulative total return performance over periods ending 31 July 2023**

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	From launch <sup>1</sup>	Volatility <sup>2</sup> (%)
<b>EGL NAV</b>	(4.0)	(3.8)	(5.7)	35.3	70.4	91.8	11.7
<b>EGL share price</b>	(13.0)	(10.6)	(13.5)	23.5	83.6	125.1	19.6
<b>MSCI World Utilities</b>	(4.0)	(2.9)	(7.1)	16.3	38.5	51.3	11.8
<b>S&amp;P Global Infrastructure</b>	(3.3)	(4.0)	(4.2)	33.6	26.8	39.3	10.5
<b>MSCI World</b>	6.2	6.6	7.9	44.1	61.8	108.3	13.5
<b>MSCI UK</b>	(1.9)	0.8	6.8	48.5	20.4	44.3	12.0

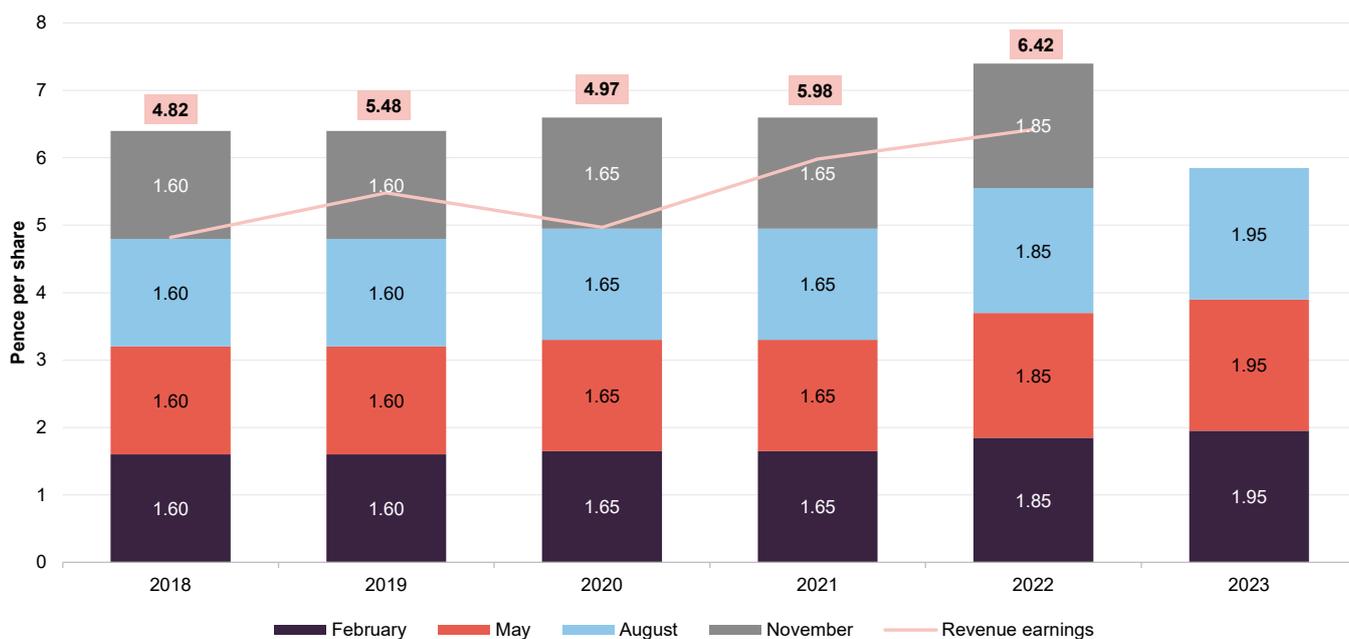
Source: Morningstar, Marten & Co. Note 1) EGL was launched on 26 September 2016. Note 2) Volatility is the annualised standard deviation of daily returns over five years.

Figure 24 highlights the underperformance of Utilities and Infrastructure relative to wider benchmark indices that we discussed earlier in the note. However, the key takeaway from the table is the impressive outperformance of EGL over the medium-to-long term, both in NAV and share price terms.

## Dividend

As Figure 25 shows, EGL has tended to pay an uncovered dividend in recent years, supplementing its revenue income with modest amounts from its distributable reserves. These reserves are substantial, amounting to £117.0m at the end of September 2022, and therefore there is little likelihood in our view that the board would feel it was unable to pay its target dividend, as is evidenced by its actions in 2020 when COVID knocked companies' distributions.

**Figure 25: EGL revenue income and dividend by financial year (ended 30 September)**



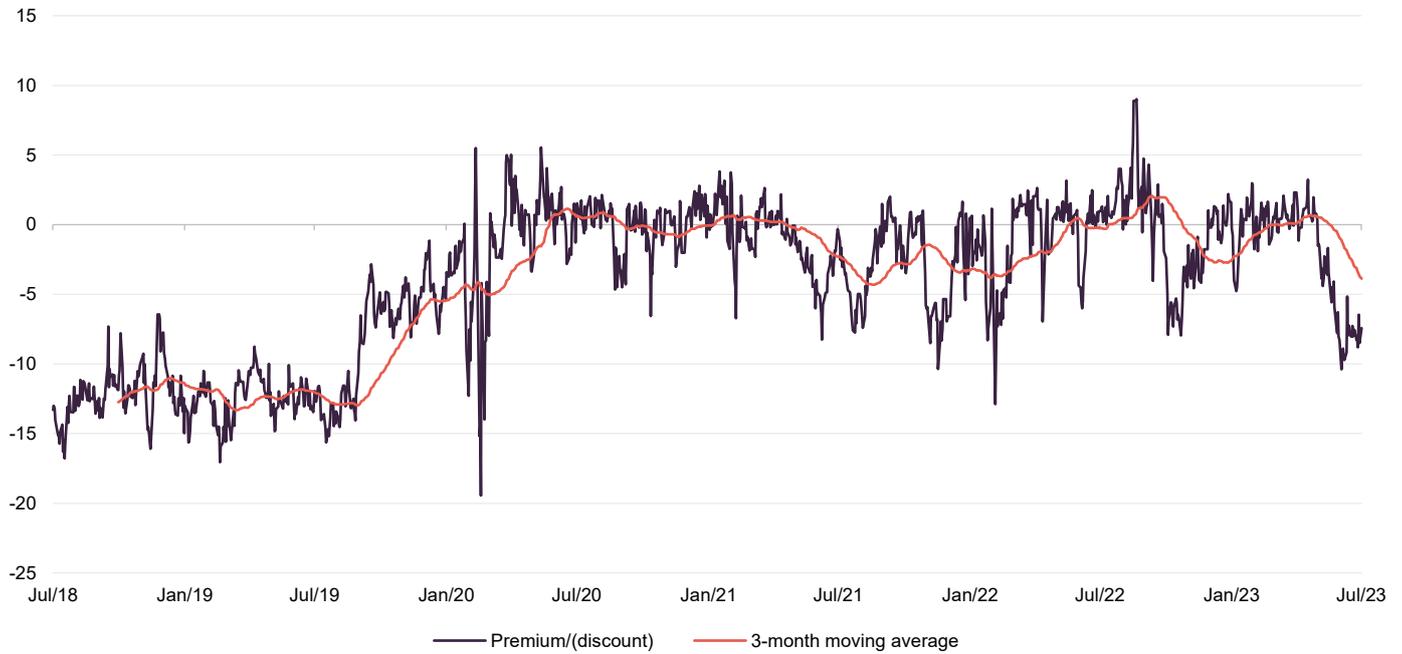
Source: Ecofin Global Utilities and Infrastructure Trust

## Premium/(discount)

Over the 12 months ended 31 July 2023, EGL's shares have traded between an 10.4% discount to NAV and a 9.0% premium. The average over that period was a 1.1% discount. As at 21 August 2023, EGL was trading at an 8.8% discount.

Discounts have been widening across the investment companies sector and – especially relative to funds focused on renewable energy and infrastructure – EGL has held up relatively well. That is likely a reflection of EGL's twin appeal both as a source of income and in terms of the capital growth that the trust has been able to deliver since launch.

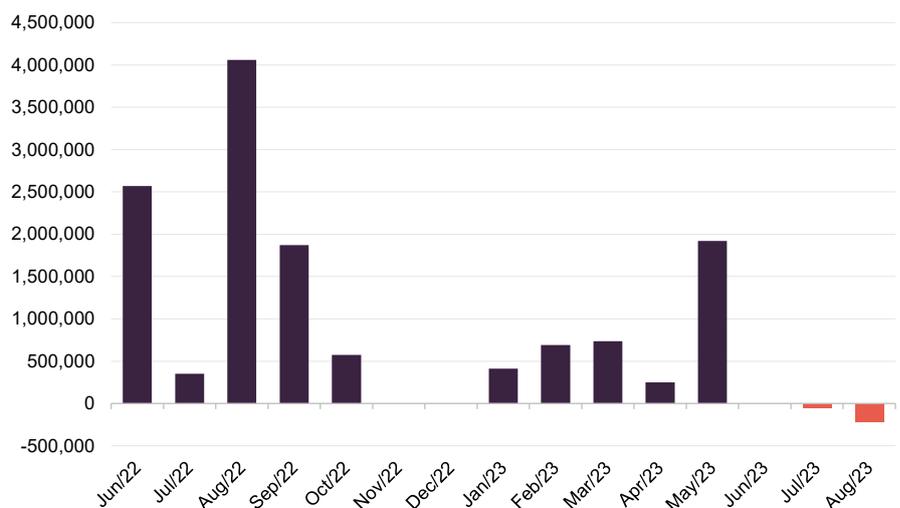
**Figure 26: EGL premium/(discount) over five years to end July 2023**



Source: Morningstar, Marten & Co

The step change in EGL’s discount that occurs from September 2019 is a subject that we first discussed in our October 2019 note (see previous publications on page 19).

**Figure 27: EGL share buybacks and issuance**



Source: Marten & Co

EGL has powers to issue and repurchase shares and the board has been using these to help moderate volatility of both EGL’s premium and the discount. We have been pleased to see the trust grow over the past few years and encouraged by the

board's willingness to repurchase shares since the discount has reappeared in recent months.

## Fund profile

### Developed markets utilities and infrastructure exposure with an income and capital preservation focus

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Further information regarding EGL can be found on the manager's website:

[uk.ecofininvest.com/funds/eco-fin-global-utilities-and-infrastructure-trust-plc](http://uk.ecofininvest.com/funds/eco-fin-global-utilities-and-infrastructure-trust-plc)

Ecofin Global Utilities and Infrastructure Trust Plc is a UK investment trust listed on the main market of the London Stock Exchange (LSE). The trust invests globally in the equity and equity-related securities of companies operating in the utility and other economic infrastructure sectors. EGL is designed for investors who are looking for a high level of income, would like to see that income grow, and wish to preserve their capital and have the prospect of some capital growth as well.

Reflecting its capital preservation objective, EGL does not invest in start-ups, small businesses or illiquid securities, as these may involve significant technological or business risk. Instead, it invests primarily in businesses in developed markets, which have 'defensive growth' characteristics: a beta less than the market average; dividend yield greater than the market average; forward-looking EPS growth; and strong cash-flow generation.

It also operates with a strict definition of utilities and infrastructure as follows:

- electric and gas utilities and renewable operators and developers – companies engaged in the generation, transmission and distribution of electricity, gas, liquid fuels and renewable energy;
- transportation – companies that own and/or operate roads, railways, ports and airports; and
- water and environment – companies operating in the water supply, wastewater, water treatment and environmental services industries.

EGL does not invest in telecommunications companies or companies that own or operate social infrastructure assets funded by the public sector (for example, schools, hospitals or prisons).

### No formal benchmark

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EGL does not have a formal benchmark and is not constructed with reference to any index.

EGL does not have a formal benchmark and its portfolio is not constructed with reference to an index. However, for the purposes of comparison, EGL compares itself to the MSCI World Utilities Index, the S&P Global Infrastructure Index, the MSCI World Index and the All-Share Index in its own literature. We are using a similar approach here, but are using the MSCI UK Index to represent the UK market. Of the three indices, we consider the MSCI World Utilities to be the most relevant – although it should be noted that this index has a strong bias towards US companies.

## Manager

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Ecofin is a sustainable investment firm founded in 1991 with \$2.3b of assets under management at 30 June 2023. Its objective is to deliver strong risk-adjusted returns as a specialist in global infrastructure and energy transition thematic. Ecofin combines expertise across public and private equities, and private debt, as well as social impact investing.

Ecofin Advisors Limited is EGL's investment manager and AIFM. Ecofin Advisors is a subsidiary of TortoiseEcofin Investments, LLC, a privately-owned US-based firm which owns a family of investment management companies. At the end of June 2023, TortoiseEcofin had approximately \$9.1bn of client funds under management.

EGL's senior portfolio manager is Jean-Hugues de Lamaze. He has worked for Ecofin since 2008 and has managed both EGL and its predecessor, Ecofin Water & Power Opportunities (EWPO), since March 2016. Prior to joining Ecofin, Jean-Hugues co-founded UV Capital LLP and served as its chief investment officer. Previously, he oversaw the Goldman Sachs European Utilities research team and prior to that he was a senior European analyst and head of French Research & Strategy at Credit Suisse First Boston.

Jean-Hugues's professional career began at Enskilda Securities. He is a CFAF-certified analyst and a member of the French Financial Analysts Society, SFAF. Jean-Hugues completed the INSEAD International Executive Programme, graduated from Paris-based business school Institut Supérieur de Gestion and earned a LLB in Business Law from Paris II-Assas University. He was voted Top 10 Buy-Side Individual – All Sectors and Top 3 in the Utilities category in the 2018 Extel survey.

Jean-Hugues leads a team of seven investment professionals. This team has worked together for an average of 10 years. Jean-Hugues is also able to draw on extensive resources in Kansas City.

Well-resourced team.

## Previous publications

**Figure 28: QuotedData's previously published notes on EGL**

Title	Note type	
Structural growth, low volatility and high income	Initiation	23 May 2017
Delivering the goods	Update	9 November 2017
On the contrary...	Update	29 March 2018
Staying nimble	Annual overview	15 October 2018
Unrecognised outperformance	Update	11 April 2019
Compelling three-year track record	Update	17 October 2019
Resilient income	Annual overview	25 June 2020
A wealth of opportunities	Update	16 December 2020
Happy birthday to ya!	Annual overview	28 October 2021
A portfolio for all seasons	Update	22 November 2022

Source: Marten & Co

Readers interested in further information about EGL may wish to read some of the earlier notes that we have published, a list of which is provided above.



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