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Ecofin Global Utilities and Infrastructure Trust plc

Marten & Co webinar 26 May 2021

EGL’s Portfolio Manager

Jean-Hugues de Lamaze

Managing Director, Ecofin Advisors Limited

Portfolio Manager, Ecofin Global Utilities and Infrastructure Trust plc and the Tortoise Sustainable Listed Infrastructure UCITS Fund

- 32 years of experience in equities and utilities/infrastructure; 15 years as a specialist PM and, previously, 17 years on the sell-side as a research analyst
- Director of Direct Energie S.A. 2012-2019

History:

Ecofin/Tortoise	2008 to date	London
UV Capital LLP (Founder)	2005 – 2008	London
Goldman Sachs	2002 – 2005	London
Credit Suisse First Boston	1996 – 2002	London
Enskilda Securities	1989 – 1996	Paris

Education:

INSEAD
Institut Superieur de Gestion, Paris
LLB, Paris II Assas University
CFAF certified financial analyst

ESG Investing

2021 Awards
BEST ESG INVESTMENT FUND: INFRASTRUCTURE
Runner-up: Ecofin Advisors Limited

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2020
In association with aic The Association of Investment Companies
FINALIST
INFRASTUCTURE

INVESTMENT WEEK
SPECIALIST INVESTMENT AWARDS 2020

Finalist for Best Specialist Infrastructure and Utilities Fund

EXTEL SURVEYS
•IDENTIFYING EXCELLENCE

2018
Top 10 Buy-side Individual - All Sectors
Jean-Hugues de Lamaze
Top 3 Buy-side Firm - Utilities
Ecofin Limited
Top 3 Buy-side Individual - Utilities
Jean-Hugues de Lamaze

Strategy overview

An alternative income strategy featuring capital preservation and exposure to global growth

Global	Income	Growth
Diversified with respect to geography, sub-sector and investment themes *Balance North America/pan-Europe*	Invested in securities which produce a yield *Portfolio yield c. 4%*	Growth-oriented infrastructure businesses and utilities; inflation hedge *DPS growth +5-7% p.a.*

Target total return: 6-12% per annum

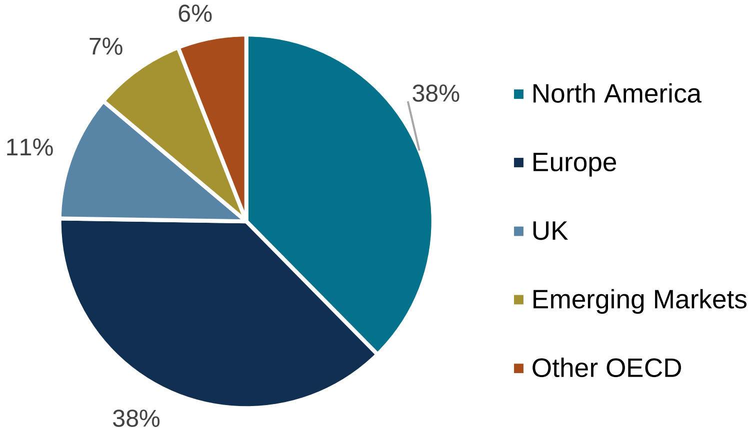
A mix of regulated and growth-oriented business segments:

Electric & Gas Utilities:
Generation, Transmission & Distribution of Electricity, Gas and Liquid Fuels and Renewable Energies

Transportation Services:
Roads, Railways, Ports and Airports

Environmental Services:
Water Supply, Wastewater, Water Treatment and waste management

Geographical allocation (% of Portfolio)



Since inception (to 30 April, 2021): **NAV** and **share price** total returns of **11.0% per annum** and **16.9% per annum**, respectively

Characteristics of the investment universe

Economic infrastructure offers unique characteristics that make it an attractive asset class for investors

- Core assets respond to essential needs
- Asset-backed services
- Solid regulatory frameworks
- Quasi monopolies/ high barriers to entry
- Fixed-term contracts

- Defensive asset class → Low volatility and low beta
- Competitive environment under control of regulators → Strong cash flow generation
- Protection of companies' operating environments and inflation hedge → Secure earnings base
- Predictable and sustainable cash flows → Secure, above market average dividend yields

Why now?

We are incrementally positive on the outlook for listed infrastructure:

Renewables growth acceleration driven by economics and policy

1. Renewables economics continue to improve, and in 2020 wind and solar further consolidated their position as the cheapest sources of electricity globally. At the same time, climate policies are becoming increasingly ambitious. In 2020, economies representing nearly 50% of global GDP – including the EU and China – committed to reach net zero emissions, with the US likely to follow suit under a Biden administration in 2021. Renewables growth is set to further accelerate;

Decarbonisation commands a shift in business models

2. Decarbonisation is pushing rapid change in Utilities' business models, typically through transformational transactions such as mergers, spin-offs, acquisitions and disposals. Such corporate actions have offered significant value-creation opportunities in Europe (for companies such as RWE) and are set to present substantial opportunities in the US, where the restructuring momentum has notably lagged behind;

Transportation infrastructure geared to economic recovery

3. Transportation infrastructure offers gearing to an economic recovery, having been among the worst hit sectors in the wake of the Coronavirus pandemic. Numerous vaccines are now being administered globally and with unprecedented global fiscal stimulus in place, recovery in these stocks could be imminent.

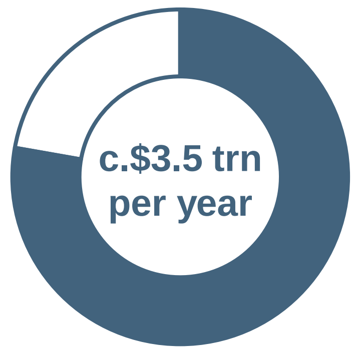
1. Why now: Infrastructure capex and energy transition underpin profitable growth (1)

Infrastructure globally requires a major step up in investment as a significant proportion is obsolete, in poor condition or inadequate to cope with the rapid development of renewable energies

The world today invests...

...in economic infrastructure.

The world needs to invest...



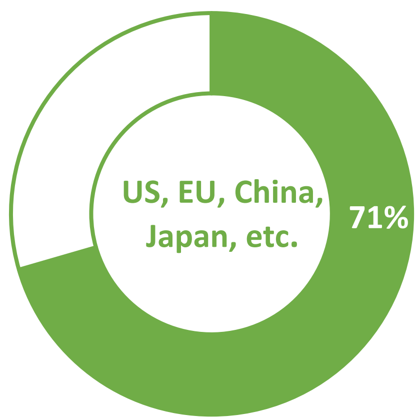
...to sustain the current growth run rate.

The world would need to invest...

...to meet the UN's Sustainable Development Goals.

The **policy environment is rapidly becoming much more supportive**

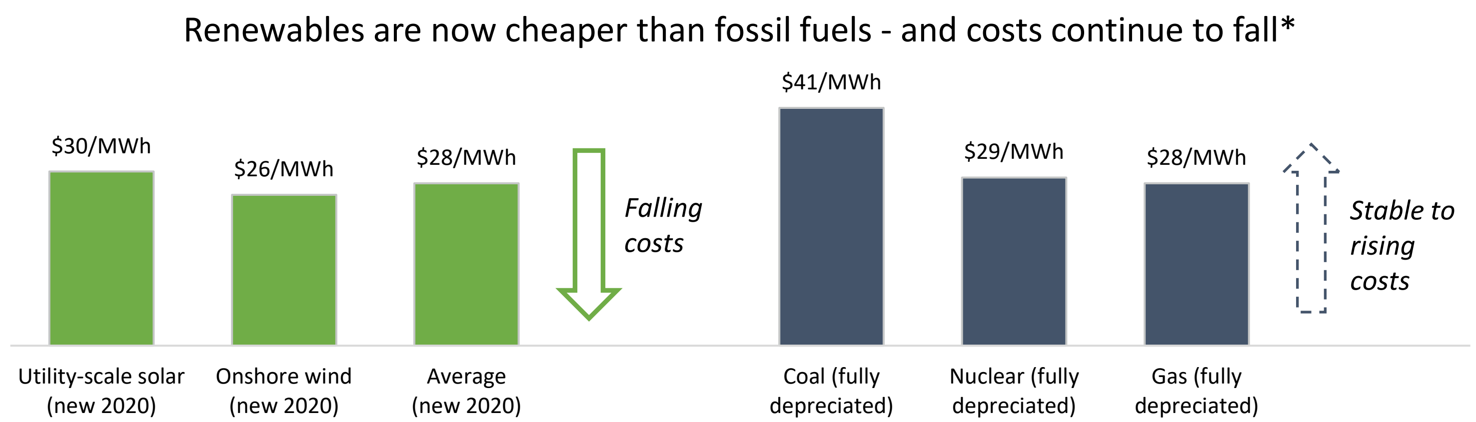
In 2021, with the US re-joining the Paris Agreement, >70% of global GDP is committed to full decarbonisation



Source: Ecofin Advisors Limited and Bloomberg, BNEF 2020

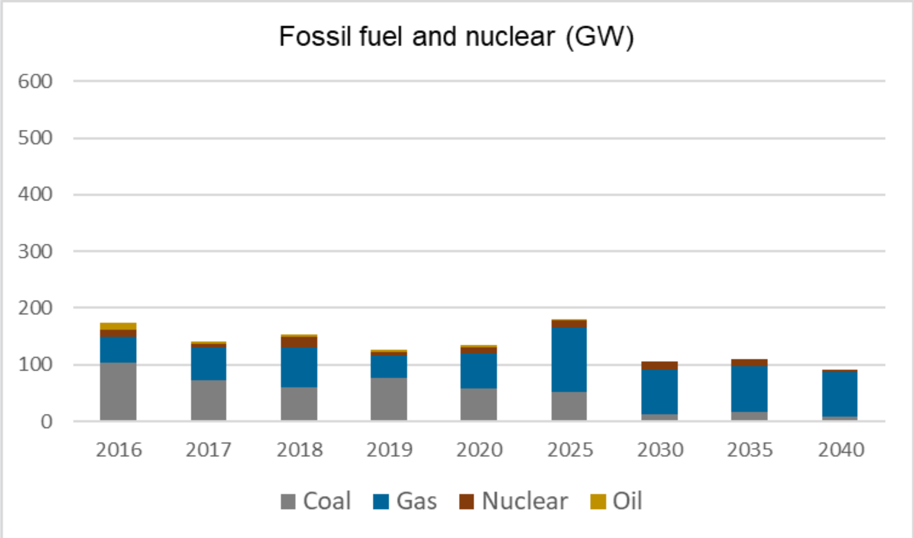
1. Why now: Infrastructure capex and energy transition underpin profitable growth (2)

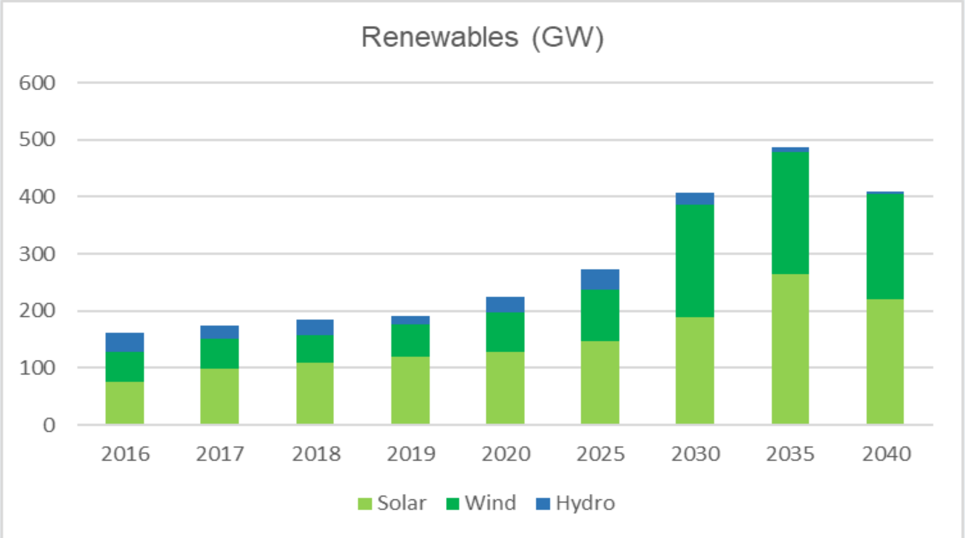
Renewables economics underpin an acceleration in capacity installations globally…



Wind & Solar % of installed capacity	
Today	**2040**
19% of 7,659 GW	**52% of 16,184 GW**

…and annual installation rates for renewables have overtaken those for fossil fuels and nuclear



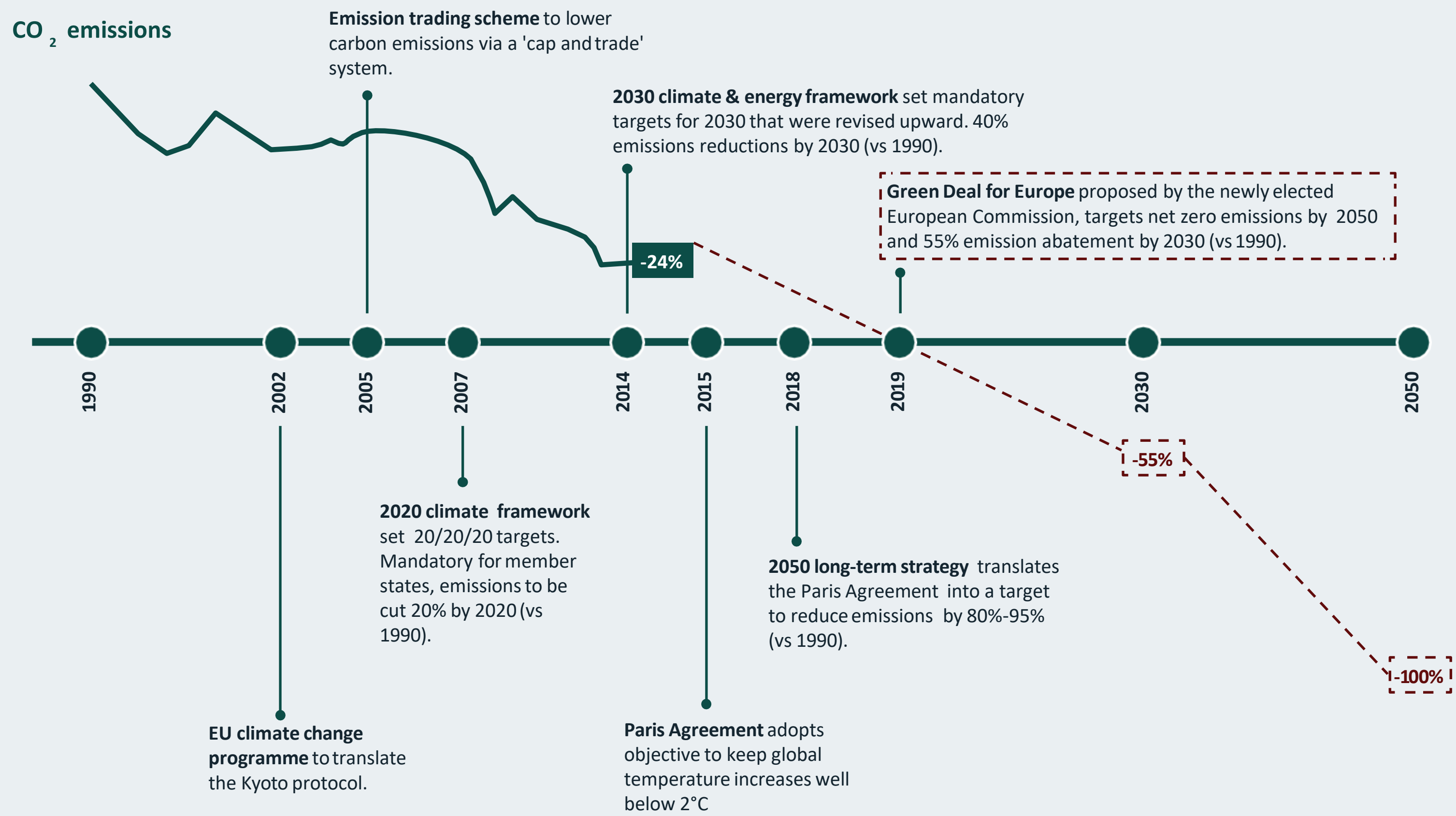


Sources: Ecofin Advisors Limited and Bloomberg, BNEF 2020 I Lazard, Energy & Climate Intelligence Unit, World Bank | *Data refers to the Levelised Cost of Energy for each technology.

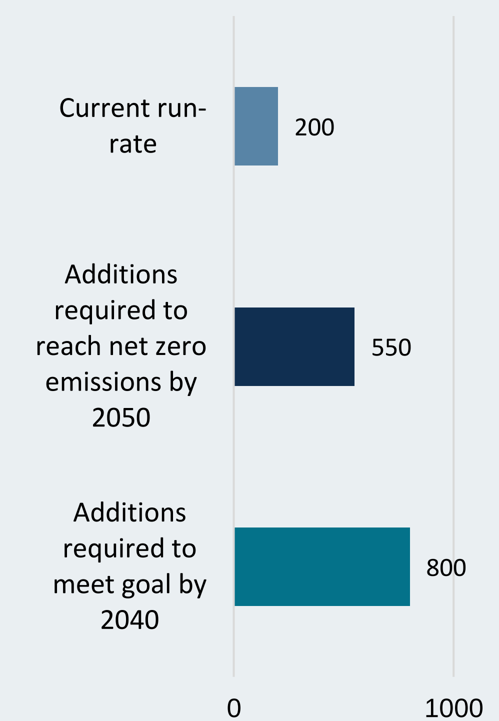
1. Why now: Infrastructure capex and energy transition underpin profitable growth (3)

These estimates will prove to be too conservative; net zero emissions targets by 2050 will require significantly faster adoption of renewables

Climate emergency tops the newly elected European Commission leadership's agenda
Timeline of EU climate policy landmarks



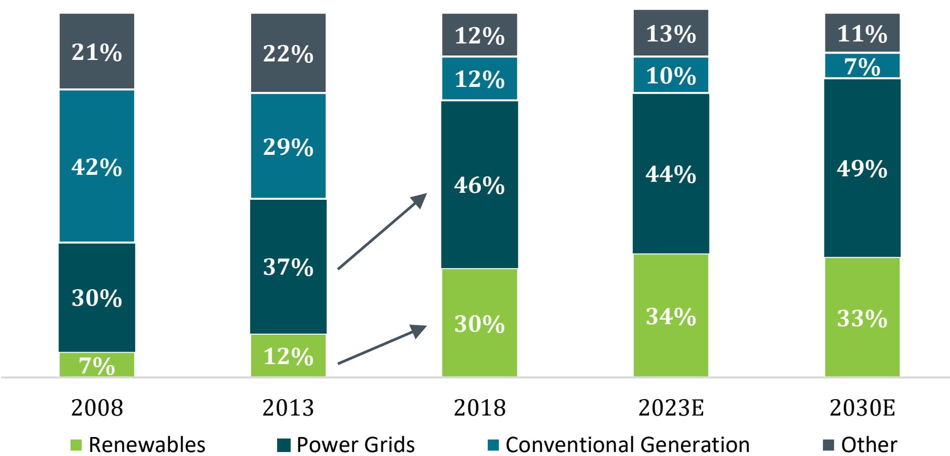
Renewable capacity additions per year (GW) required to meet net zero emissions goals



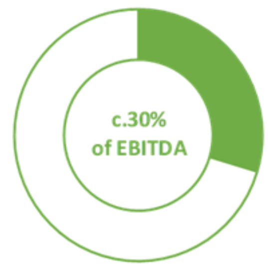
2. Why now: Evolving business mixes will drive value creation (1)

Utilities are rapidly adapting business models to a world which increasingly prioritises decarbonisation…

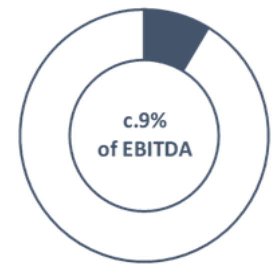
EBITDA split by activity for European Utilities



While Europe's 10 largest Utilities derive nearly a third of EBITDA from renewables on average…

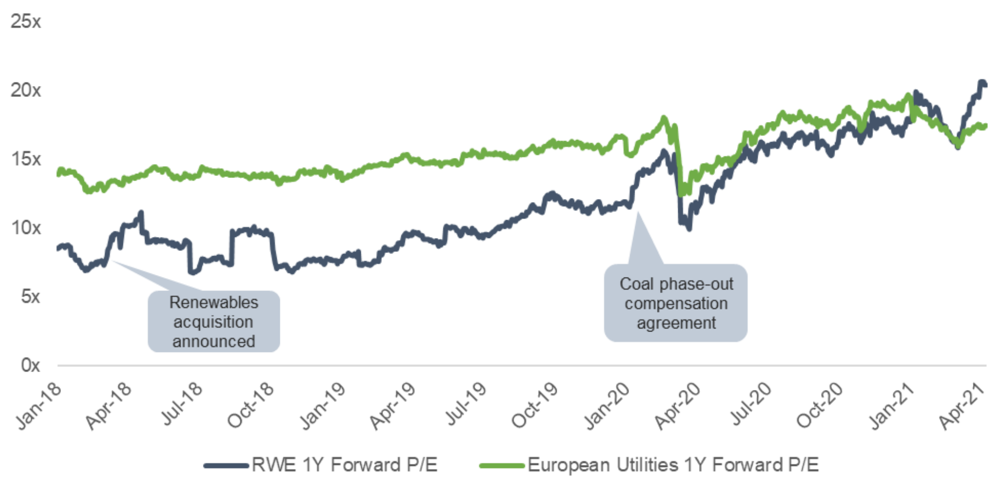


…for the top 10 US Utilities the same ratio is much lower at <10%.



…with shifts in **capital allocation** offering opportunities to **unlock significant value.**

RWE re-rated >150% from a deeply discounted valuation though a transformational reorganisation of its portfolio



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Sources: Bloomberg, Goldman Sachs, Company data

2. Why now: Evolving business mixes will drive value creation (2)

Adding value by investing in companies "in transition"

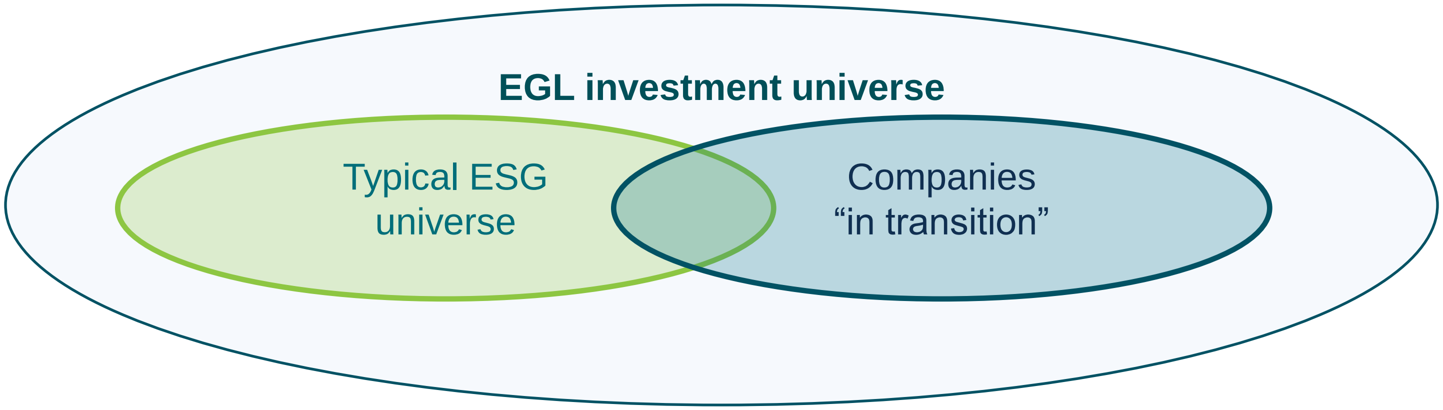
Companies "in transition" are firms on the verge of **substantial improvements in their growth trajectory and ESG profile,** driven predominantly by **directional shifts in capital allocation.** These include:

- Companies pursuing **radical transition through transformational deals** – acquisitions, disposals or spin-offs – set to dramatically improve their fundamental growth prospects and ESG footprint. We leverage our **specialist expertise** to assess stocks which have suffered due to uncertainty caused by challenged business models, and invest where the **underlying value of the business is highly compelling** both pre- and post-transaction. Examples: **RWE, Orsted, Brookfield Renewable**

- Companies pursuing **gradual transition through directional shifts in capital allocation,** away from their legacy activities (such as fossil fuels) and towards businesses with underlying secular growth trends (such as renewables and electricity networks). We invest where the prospective **growth opportunities are largely underappreciated** and where an **attractive yield** is available while we wait for growth prospects to materialise. Examples: **Enel, Iberdrola, Drax, NextEra**

Most ESG funds cannot invest in companies in transition due to **strict ex-ante screening criteria.**

EGL is uniquely positioned to tap these opportunities by relying on an **unconstrained investment universe** (no exclusion criteria) while **screening all prospective investments systematically across ESG criteria** to identify and avoid major risks.



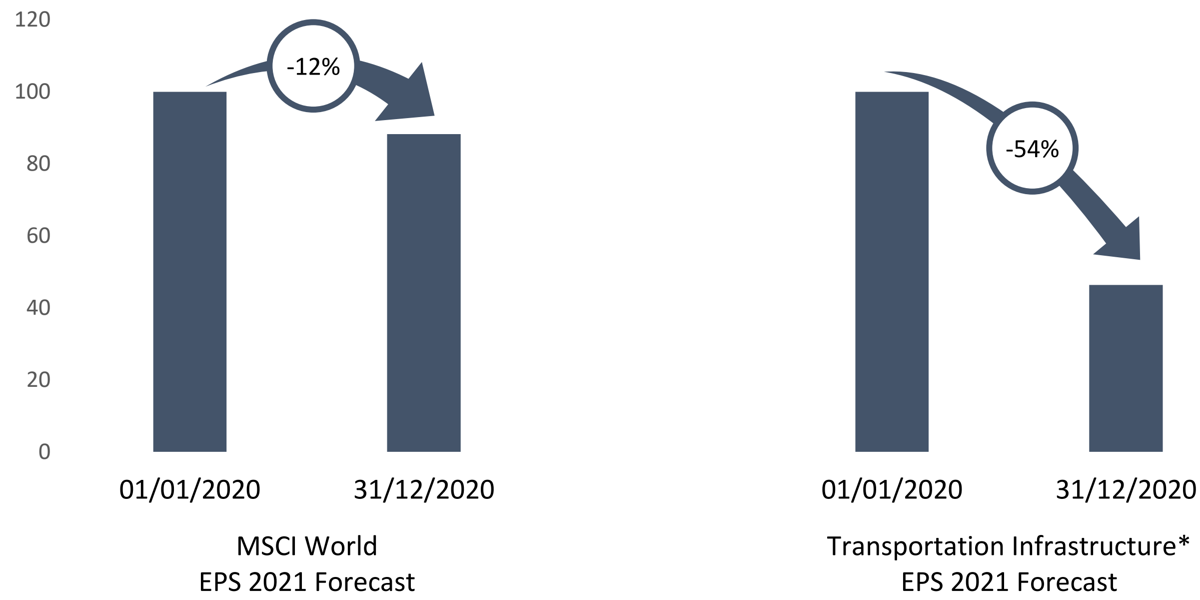
3. Why now: Transportation infrastructure offers gearing to economic recovery

In terms of fundamentals, transport infrastructure stocks are heading into the post-COVID recovery **as one of the sectors worst affected** by the pandemic.

During the course of 2020, transport infrastructure stocks suffered **negative earnings revisions of >50%**, compared to much more muted downgrades for the overall market of just over 10%.

The potential for a return to greater global mobility through improved testing (which could facilitate a restart of international travel) and the growing momentum behind global vaccination programs represents a major opportunity for transport infrastructure stocks, which could benefit from **material earnings upgrades over the coming 6-12 months.**

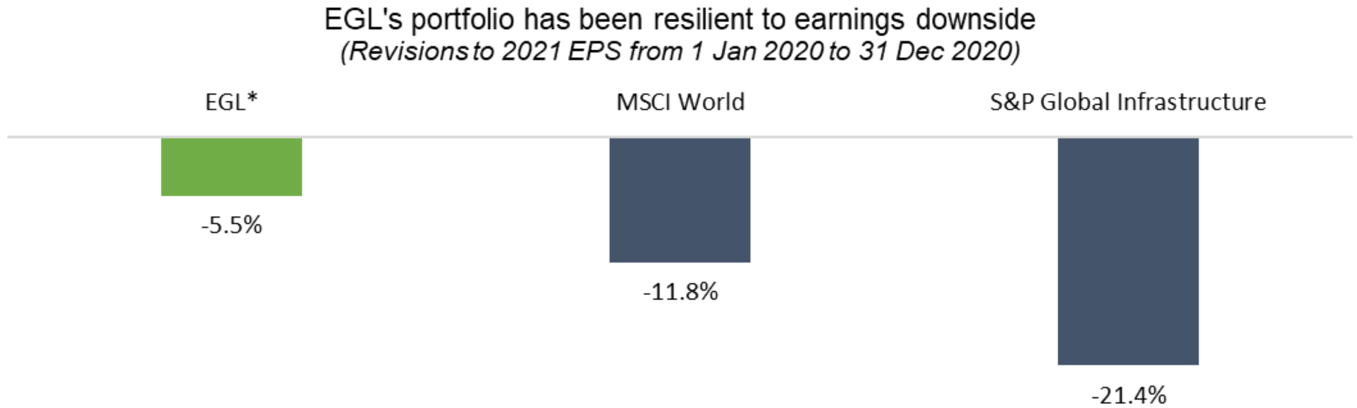
Earnings downgrades for transport infrastructure stocks have been much more significant than the broader market



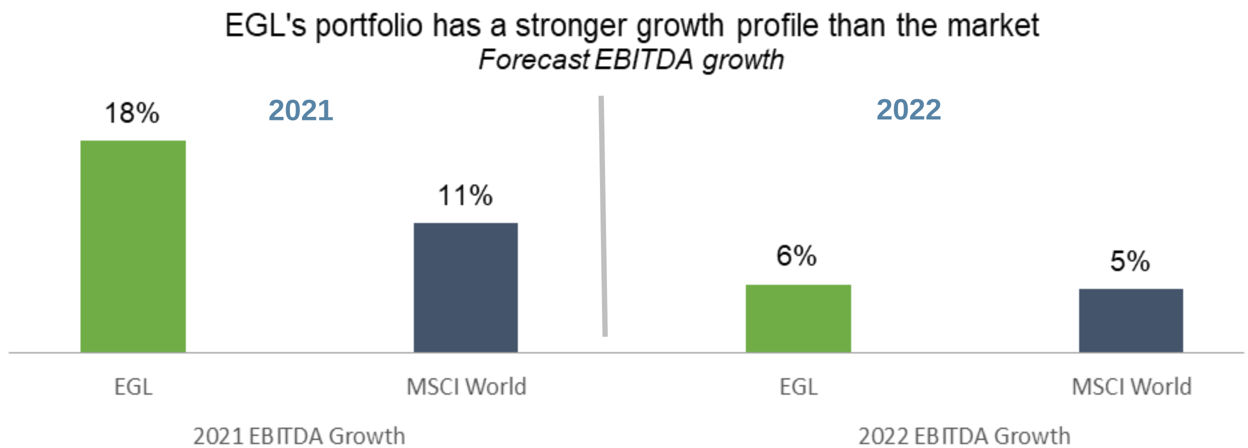
*Transport infrastructure stocks included in the S&P Global Infrastructure Index
Sources: Bloomberg

A portfolio with resilient earnings and attractive growth

EGL's portfolio weathered the pandemic relatively well, compared to both the market and listed infrastructure as a whole, displaying **significant earnings resilience** in highly uncertain times.



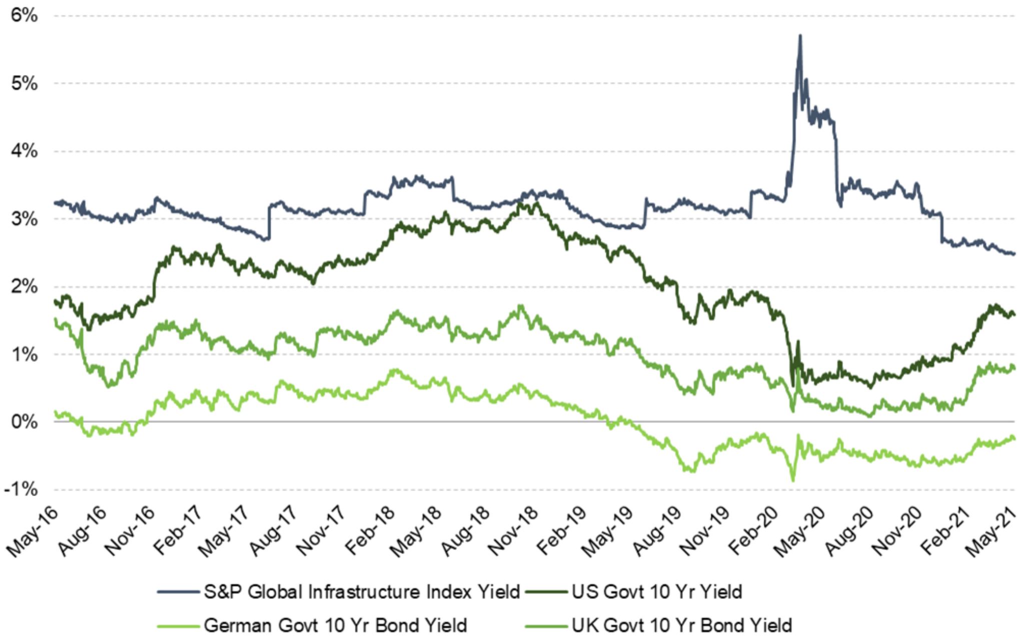
Notwithstanding its defensive nature, the portfolio also offers **very attractive growth potential** which exceeds the growth projected for the market.



Sources: Bloomberg | *EGL 2021 EPS revisions (%) calculated as the average of the median of EPS revisions for portfolio constituents on 1 Jan 2020 and on 31 Dec 2020.

Valuation opportunity: 30-year lows vs bonds

Listed infrastructure dividend yields are attractive vs government bond yields



U.S. regulated utilities are attractive compared to corporate bonds

Source: Bloomberg

Valuation opportunity: discount to equity markets

Utilities' valuations are now c. 10% cheaper than pre-COVID, while the market has become c. 15% more expensive

EGL has re-rated only modestly relative to the market and global infrastructure index (2FY EV/EBITDA)

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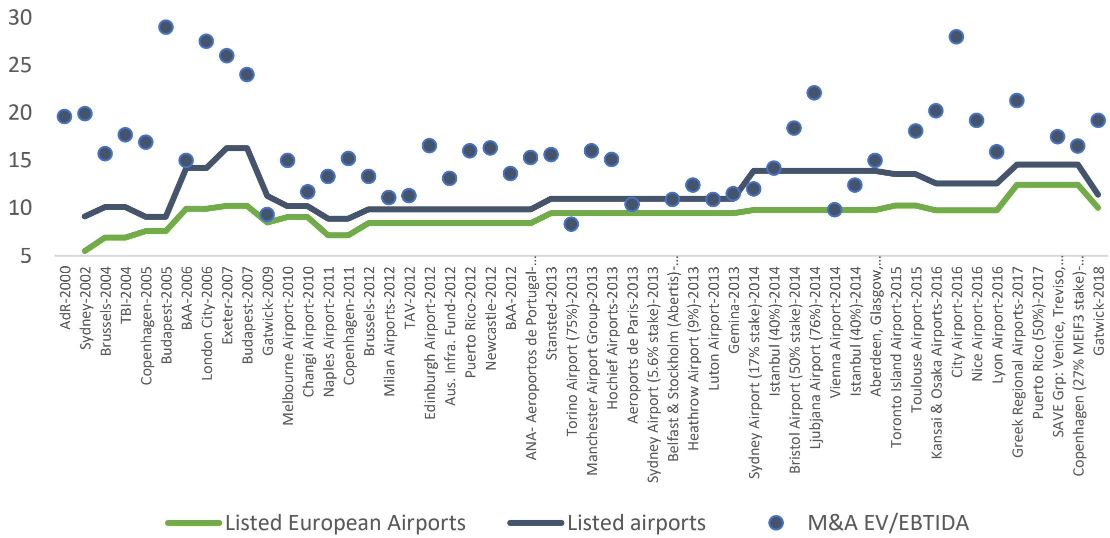
Source: Bloomberg

Valuation opportunity: listeds vs private equity

As competition for private assets is strong, listed infrastructure allocations – which are liquid and cheaper – should attract more attention

Global airports (EV/EBITDA) (Pre-Coronavirus)



Source: Exane

M&A average = **16x**

Listed average = **12x**

Listed European average = **9x**

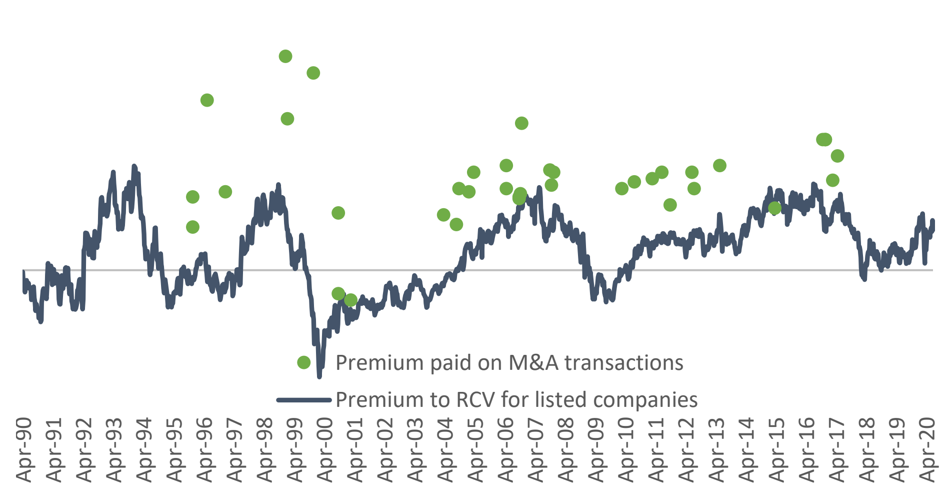
- <10 listed airports in OECD markets
- Scarcity of investment opportunities for bidders

Source: Macquarie

M&A average = **30%**

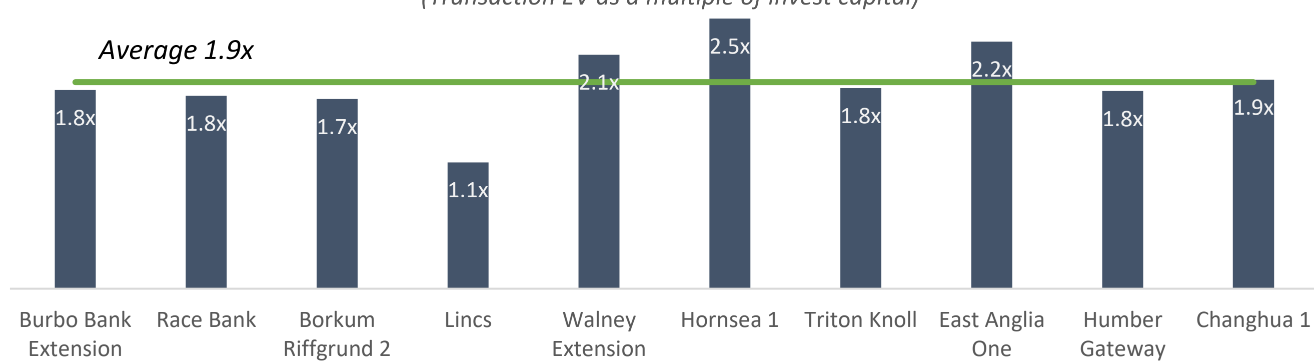
Listed average = **5%**

UK water (premium to RCV)



...and more recently offshore wind farm downs

(Transaction EV as a multiple of invest capital)



Source: Goldman Sachs

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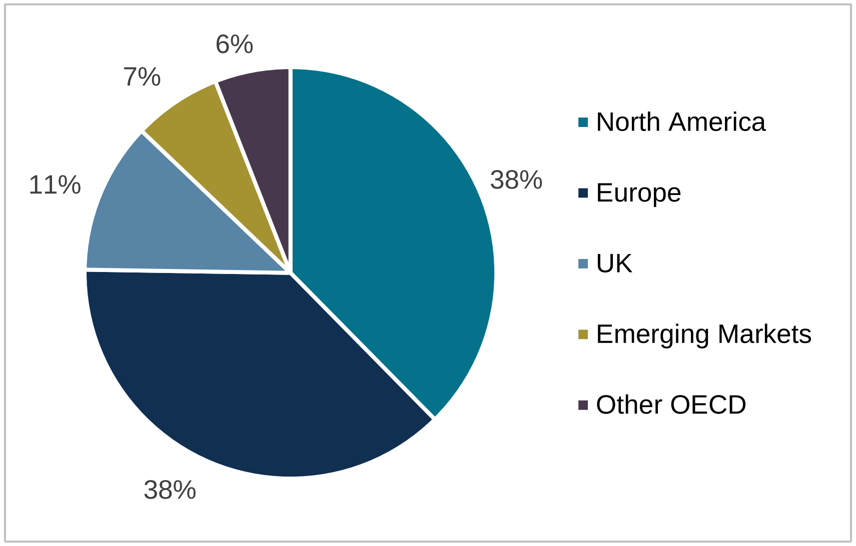
Performance (to 30 April 2021)

(total return in £)	1 M %	3 M %	6 M %	1 Yr %	3 Yrs %	Since Admission[1] %	Since admission % p.a.
EGL NAV	**2.4**	**1.7**	**15.0**	**29.2**	**52.8**	**62.0**	**11.0**
EGL Share price	**3.4**	**0.3**	**15.8**	**23.0**	**72.8**	**105.1**	**16.9**
S&P Global Infrastructure Index	3.1	7.9	15.4	17.2	15.5	19.0	3.8
MSCI World Utilities Index	2.8	3.7	3.9	11.0	33.8	36.9	7.1
MSCI World Index	4.5	10.0	21.1	32.8	50.2	77.4	13.3
FTSE All-Share Index	4.3	10.6	28.4	25.9	7.7	25.2	5.0

[1] Since admission to trading on the London Stock Exchange on 26 September, 2016

Portfolio profile (30 April 2021)

By geography (% of portfolio)



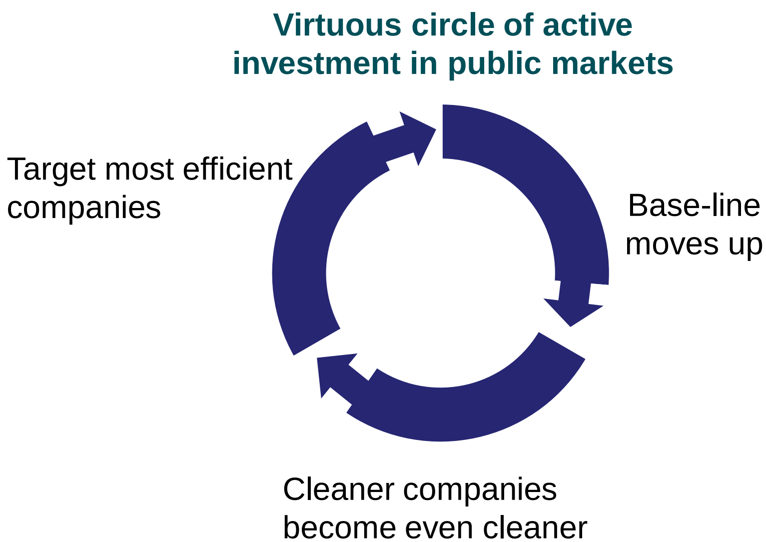
- Over-weight Europe vs North America
- Circa 13% in 'Rest-of-World'
- Underweight pure regulated names in favour of Integrateds with sound earnings and dividend growth potential
- Confidence in 6-12% per annum total return (capital plus dividends) over the medium term; portfolio currently yields 4.0% (4.5% including gearing) and we expect 5-7% annual dividend growth from portfolio holdings over the longer term

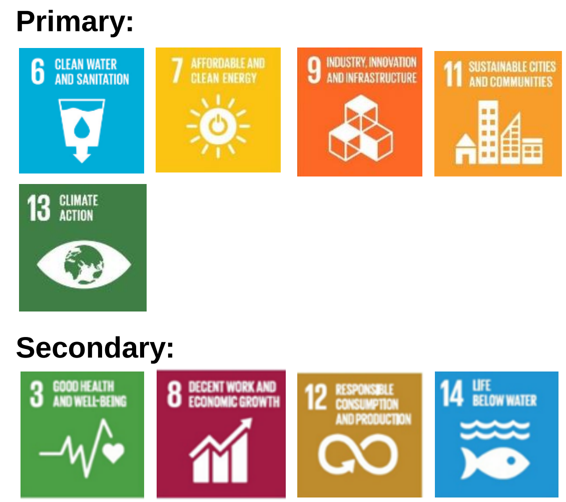
10 Largest holdings	Country	% of portfolio
NextEra Energy[1]	US	5.4
Iberdrola	Spain	5.4
Enel	Italy	4.5
RWE	Germany	3.6
SSE	UK	3.4
EDP	Portugal	3.2
Edison International	US	3.0
China Longyuan	China	3.0
Exelon	US	3.0
EDF	France	3.0
Total (of 43 holdings)		**37.5%**

1. Common shares; portfolio also holds the issuer's convertible preferred stock.

Sub-sectors	% of portfolio
Pure regulated utilities	21%
Transportation	12%
Integrateds	39%
Renewables/YieldCos	28%

Responsible investing





Research

- Focus on sustainability is driven by belief that companies with a thorough understanding of and strategy around ESG issues are more capable of mitigating risks and enhancing their performance over the long-term
- Research process integrates traditional fundamental analysis and a study of ESG factors which we believe may affect stock valuations and shareholder value
- Proprietary database of all global owners of power generation assets, developed with CarbonAnalytics, compares each company's emissions with those of its country's grid, helps to assess ESG risks for each company, and permits impact reporting (emissions-avoided data) for certain mandates

Engagement

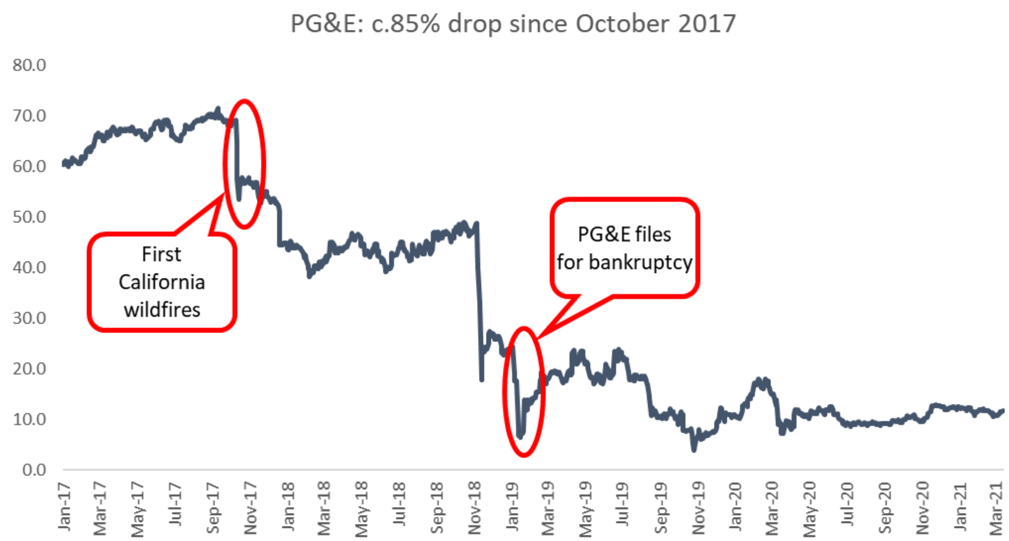
- Constructive engagement during site visits and regular meetings with management; dialogue helps to ensure mutual understanding and response from management if we raise issues/concerns
- Engagement and proxy voting is an integral part of our active management of portfolios; case-by-case assessment for decisions relating to proxy voting, corporate actions and events

ESG analysis is fundamental: avoiding pitfalls

- Unlike most ESG mandates, **EGL does not adopt ex-ante exclusion criteria** on its investment universe
- Instead, we screen prospective investment ideas through **multiple ESG criteria to identify potential risks** and are comfortable to side-step consensus sell-side 'buy' recommendations
- Historically, this approach has allowed us to identify value-enhancing transformational capital allocation decisions (e.g. RWE) and to **avoid some of the major pitfalls** in the investment universe

Case Study: Pacific General & Electric (PG&E)

- Californian utilities, especially PG&E, were favoured by **most sell-side research analysts throughout 2017** on the basis of California's early drive to decarbonise and a consequently strong outlook for investments in the electricity grid, leading to accelerated asset base growth. **During 2018, most analysts continued hold a positive stance** highlighting PG&E's relative value and overdone wildfire liability concerns
- However, **our team's ESG analysis** identified **severe environmental risks,** with uncertain regulatory/legal outcomes and potentially unlimited liability for **wildfire damages** particularly concerning
- We owned PG&E across several Ecofin-managed funds (not EGL). We **fully exited the positions in October 2017** immediately after the first wildfires
- In January 2019, **PG&E filed for Chapter 11 bankruptcy** owing to outsized wildfire liabilities



Carbon performance

Emissions performance of EGL's portfolio
(by Ecofin Advisors Limited with CarbonAnalytics)

- Electricity generators in EGL's portfolio generally have CO_2 emissions which are significantly below the average emissions of their relevant electricity grid and the companies sitting in the global utilities index
- At the end of March, EGL's electricity generators' emissions were **33% less** than the MSCI World Utilities Index per $mn invested

31 March, 2021	Share of electricity generation from coal	Share of electricity generation from renewables[1]	CO_2 emissions compared to relevant grid[2]	tCO_2 per $mn invested
EGL	**9%**	**36%**	**-34%**	**498**
MSCI World Utilities Index	18%	20%	-12%	745

1. Renewables = Wind, Solar, Hydro, Biomass
2. Computation of CO_2 emissions of the grid in which the companies operate

Summary

- Infrastructure assets are essential for society and economic growth
- Investment in sustainable economic infrastructure must be accelerated; the UN's Sustainable Development Goals, Europe's Green Deal and the US's stimulus plans will be propellants
- Cash flows are healthy and more predictable
- Attractive risk & return profile; outlook for portfolio holdings' EPS and DPS are, in our view, amongst the most solid in the prevailing environment
- As competition for private assets is strong, listed infrastructure allocations – which are liquid and cheaper – should gather greater attention
- Ecofin has a strong performance record in listed economic infrastructure

Target total return of 6-12% per annum over the long term

Appendices

Investment team

STRATEGY INVESTMENTTEAM

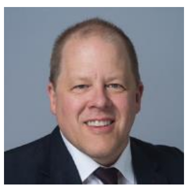
Jean-Hugues de Lamaze
Managing Director, Senior Portfolio Manager
31 years experience
Joined Ecofin 2008
- Co-founder and CIO of UV Capital LLP
- Previously with Goldman Sachs and Credit Suisse First Boston
- Institut Superieur de Gestion; Paris II-Assas University, LLB; INSEAD International Executive Programme
- CFAF certified financial analyst
- Country of origin: France

Matteo Rodolfo
Investment Analyst
4 years experience
Joined Ecofin 2020
- Previously a European utilities analyst at Goldman Sachs, London; also worked for Mesirow Financial and the ECB
- University of Bath, M.Sc. (Hons)
- Country of origin: Italy

RISK

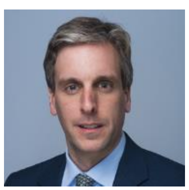
Gilles Schlutig
Head of risk – Listed Ecofin strategies
18 years experience
Joined Ecofin 2014
- Previously equity derivatives trader at various US banks and quantitative portfolio manager at IKOS
- Ecole Centrale Paris, MSc
- Country of origin: France

LISTED EQUITIES INVESTMENTTEAM

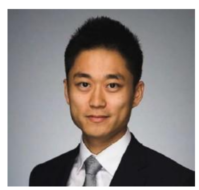


Matthew Breidert
Senior Portfolio Manager and Managing Director
27 years experience
Joined Ecofin 2006
- Previously with Millennium Partners, SG Barr Devlin and Cornerstone Energy Advisors
- University of Illinois-Urbana Champaign, BS Ecology; Washington University, MBA
- Country of origin: USA

Michel Sznajer, CFA
Portfolio Manager and Director
27 years experience
Joined Ecofin 2016
- Previously with Silvaris Capital Management, Wellington Management, Goldman Sachs and Bain & Company
- Brussels University, MSc
- Country of origin: Belgium

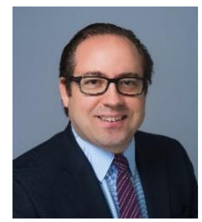


Max Slee
Portfolio Manager and Director
15 years experience
Joined Ecofin 2009
- Previously a member of the clean energy team of the Clinton Foundation and Lazard Corporate Finance
- Brown University, BA
- Country of origin: United Kingdom



Ethan Zhang, CFA
Investment Analyst
7 years experience
Joined Ecofin 2019
- Previously an analyst at Berenberg and PwC
- Imperial College, BSc; University of Oxford Business School, MSc
- Country of origin: China

TRADING



Michael Vollant
Head of international trading
21 years experience
Joined Ecofin 2000
- LLB, Universite Pantheon Assas, Paris; Institut Superieur de Gestion, international business degree
- Country of origin: France

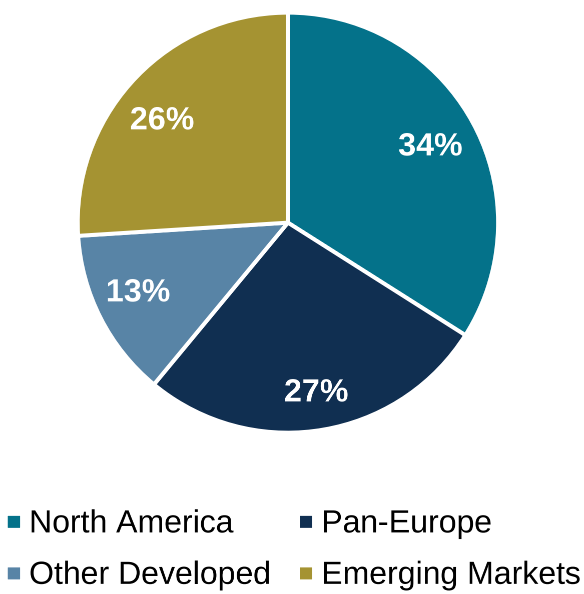
Listed infrastructure universe (by GICS*)

By GICS sector classifications:

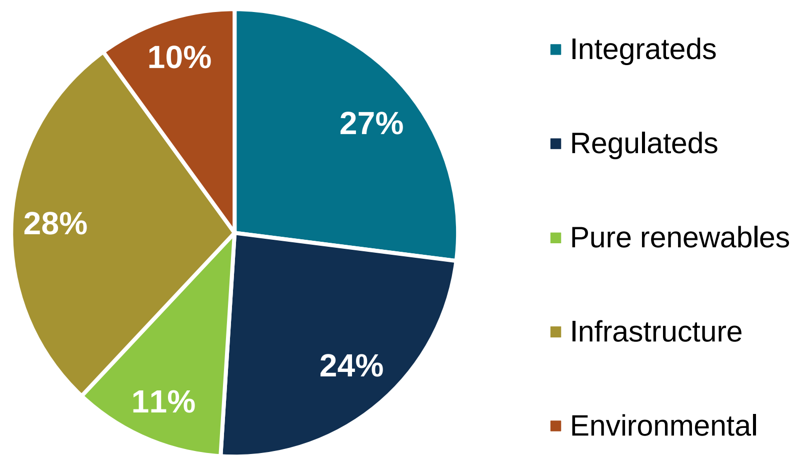
	North America	Pan-Europe	Other Developed	Emerging Markets	Total
No. of companies	127	102	49	96	**374**
Market cap. ($ '000)	1,750	896	233	501	**3,380**

Criteria:
- Current market cap. > $500mn
- Average daily value traded > $1mn

Universe: Snap-shot % by region

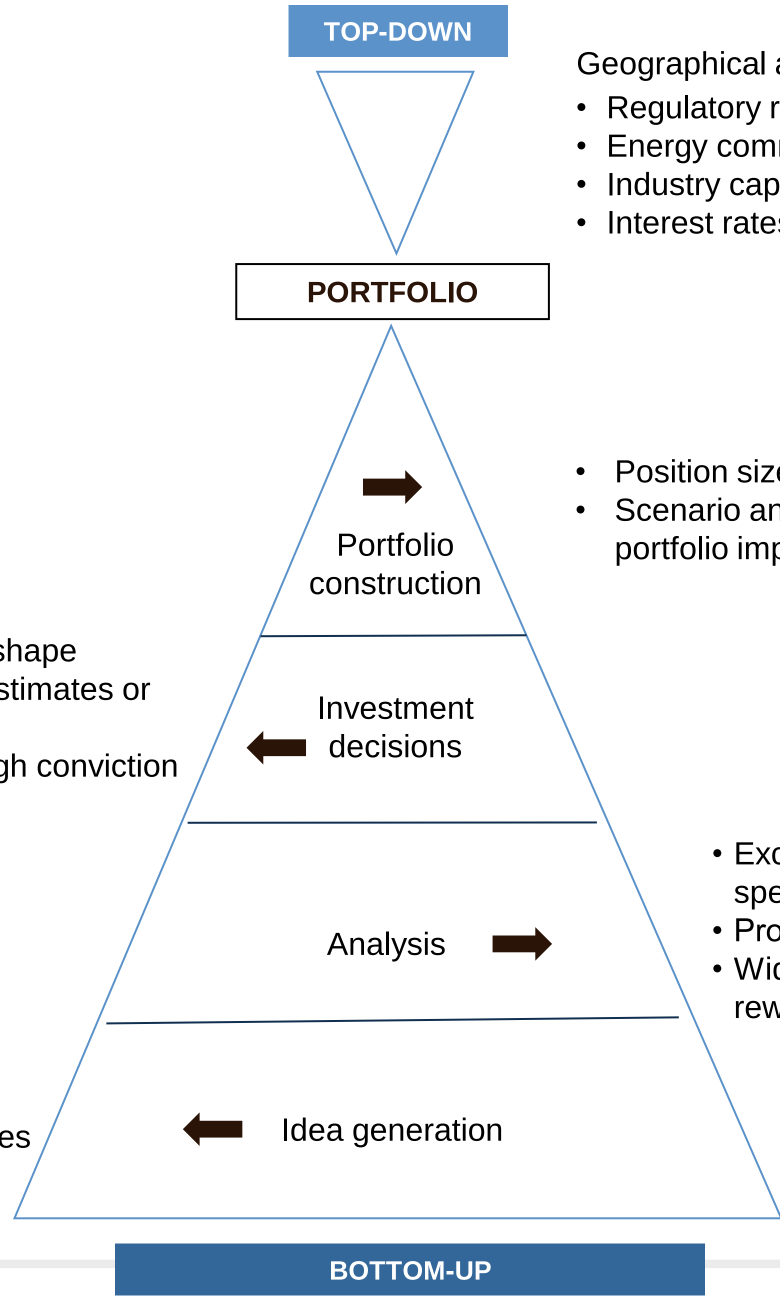


Universe: Snap-shot % by sub-sector



*Global Industry Classification Standard (GICS); industry classification system developed by MSCI and Standard & Poors to assign every company to an economic or industry group.

Investment process



Geographical and sector positioning

- Regulatory regimes and trends; government energy policies
- Energy commodity prices
- Industry capex trends
- Interest rates and credit market conditions

- Position size determined by risk/reward assessment
- Scenario analysis/stress testing by risk team to assess portfolio impact

- Catalysts are key: earnings results re-shape expectations; changes to consensus estimates or competitive landscape
- Ideas challenged by team to ensure high conviction

- Excellent access to managements as a sector specialist
- Proprietary modelling/comparison to 'street'
- Wide range of valuation metrics used to assess risk/ reward including assessment of ESG factors

- Industry drivers & sub-sector trends direct research effort; investment themes identified in the value chain

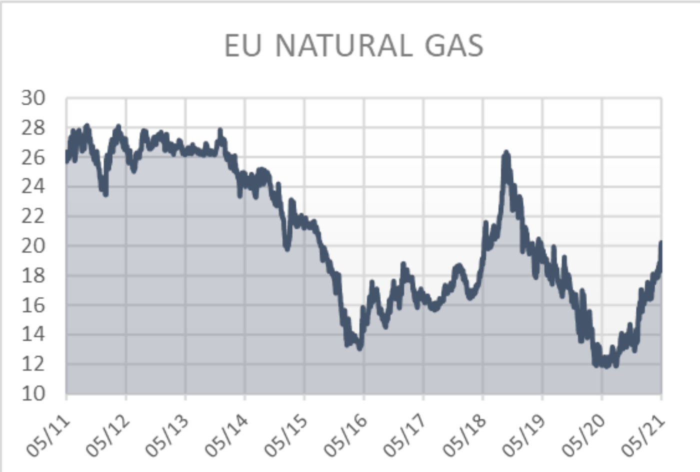
Investment process

Qualitative analysis	Quantitative analysis	Relative value analysis
Company strategy and growth prospects	Proprietary modelling of earnings and cash flows	Peer analysis
Business model and risk assessment	Balance sheet strength and credit rating	DCF, regulated asset base and multiple analysis
In-depth regulatory analysis	Sensitivity analysis	Total return approach; capital appreciation and dividend prospects
Management strength	Sustainability and carbon assessment	
ESG factors		
Energy transition thematic		

Rigorous assessment and management of entry/exit share price levels

Supportive upward trend in commodity prices

NAT. GAS



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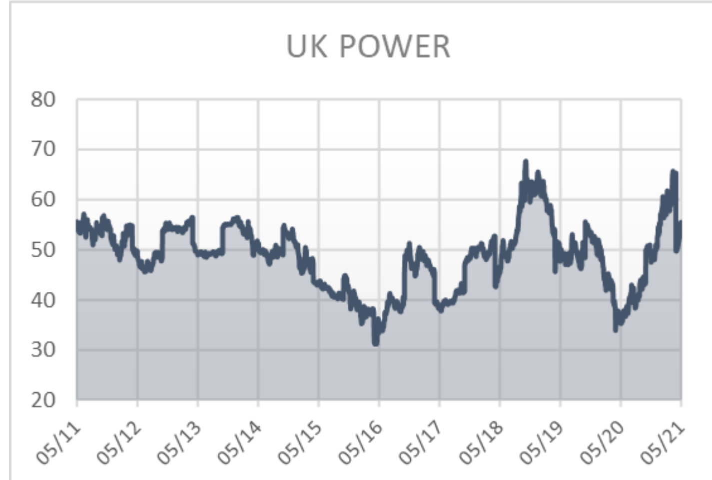

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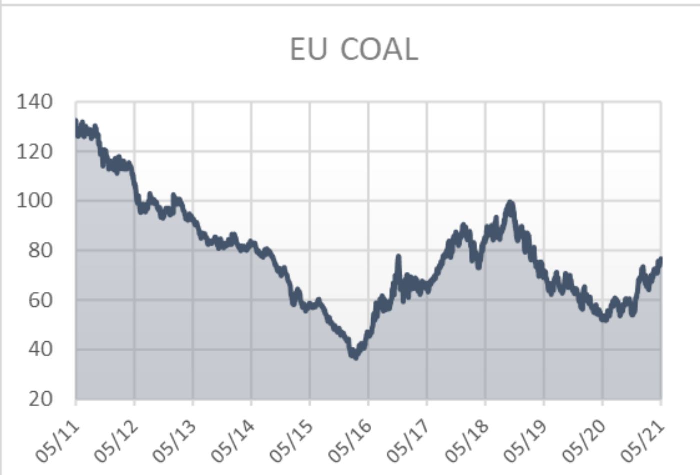
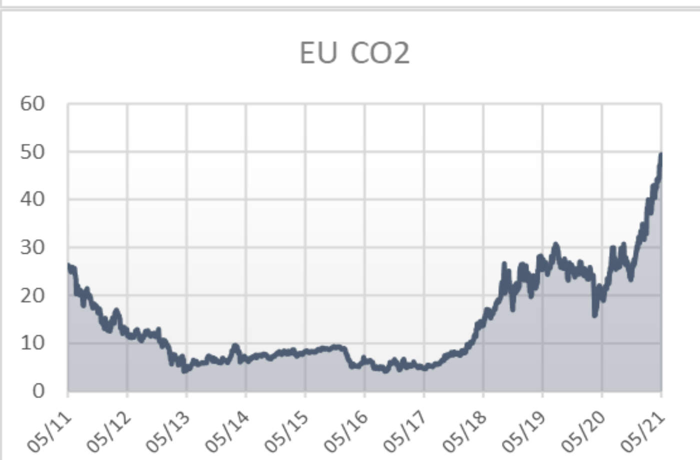


GERM.

CO_2



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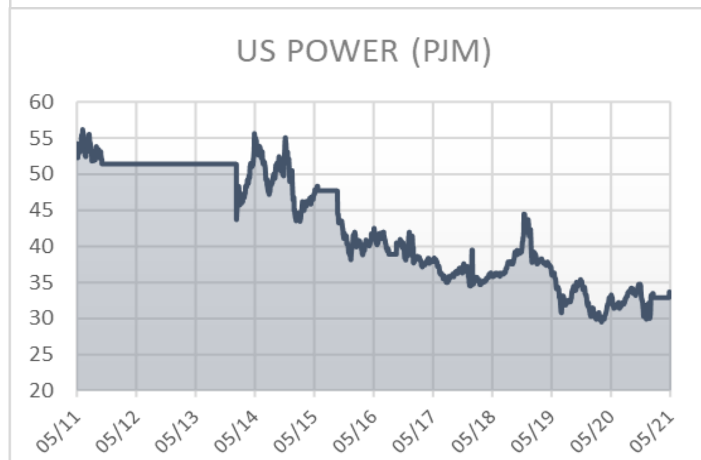

Contact details

Ecofin Advisors Limited
Burdett House
15 Buckingham Street
London WC2N 6DU
United Kingdom
Tel: +44 20 7451 2929

Elspeth Dick, CFA
Investor Relations
+44 20 7451 2921
edick@ecofininvest.com

Michael Hart
Marketing
+44 20 7451 3023
mhart@ecofininvest.com

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