

# Ecofin Global Utilities and Infrastructure Trust plc (EGL)

As of 31/10/2019

## Performance (as of 31 October, 2019)

(all total returns in £)	1 M %	3 M %	6 M %	1 Y %	3 Y %	Since Admission* %
<b>Net Asset Value</b>	-4.5	2.0	12.3	23.7	34.5	36.7
<b>Share Price</b>	0.5	9.1	18.3	31.2	47.1	62.7
FTSE All-Share Index	-1.4	-2.1	0.4	6.7	19.2	19.6
FTSE ASX Utilities	3.2	9.6	9.9	10.0	-6.4	-7.8
MSCI World Index	-2.6	-3.0	4.7	11.7	34.6	39.7
MSCI World Utilities Index	-4.8	1.3	10.9	21.1	33.2	36.6
S&P Global Infrastructure Index	-3.6	-1.7	7.0	19.2	24.3	26.9

\*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

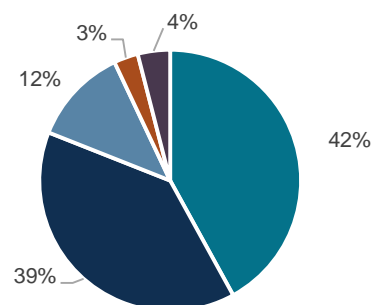
The Company distributes quarterly dividend payments of 1.6p per share, or 6.4p per share per annum. The first interim dividend was paid in December 2016; thereafter, quarterly payment dates fall on the last business day in February, May, August and November.

## As of 31 October, 2019

Net assets	£152,757,985
NAV per share	166.27p
Share price	156.25p
Premium/(Discount)	(6.0%)
Gearing	6.5%
Yield*	4.1%

\*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	22
Transportation	14
Integrates	41
Renewables (incl. YieldCos)	<u>23</u>
	<b>100</b>

## 10 Largest holdings

	% of Portfolio	Country
NextEra Energy	7.5*	US
Iberdrola	4.7	Spain
Enel	4.5	Italy
EDP	4.3	Portugal
SSE	4.3	UK
Engie	3.8	France
Exelon	3.7	US
RWE	3.5	Germany
National Grid	3.3	UK
Covanta	<u>3.0</u>	US
<b>Total (44 holdings)</b>	<b>42.6</b>	

\*common shares and convertible preferred stock

## Manager's comments

- The approaching date for the UK's departure from the EU dominated markets domestically and the steepening of yield curves globally led to a change in sector leadership in equity markets in October. EGL's sectors paused, after a series of strong monthly advances, while broad equity indices rose (at least in their local currencies). The portfolio's value declined by 0.8% in local currency terms and the NAV declined by 4.5%, in line with the relevant comparable indices. As the portfolio is unhedged, most of the setback in the NAV was related to Sterling which gained 5.3% against the US dollar and 2.9% versus the Euro during October.
- Infrastructure shares, especially utilities, underperformed the broad averages during the first few weeks of October as longer term bond yields increased in the US and Europe by some 20 basis points. The benchmark 10-year US government bond yield subsequently retreated and closed the month only 5 basis points higher (at 1.68%); comparable benchmark 10-year yields rose by 10-20 basis points across Europe (+15bps in the UK) during the month.
- In local currency terms, utilities closed the month about 0.8% lower in the US and Continental Europe, underperforming rising equity markets, whereas the reverse was true in the UK. A skittish FTSE All-Share declined by 1.4% but UK names in the portfolio – SSE, Pennon, National Grid, Drax – all contributed positively to the NAV and the FTSE Utilities Index rose by 3.2%. Year-to-date, UK utilities (+16.0%) have now outperformed the FTSE All-Share (+12.7%). The Continental European book was a bit weaker predominantly due to EDF where nuclear outages were extended at two reactors and power production guidance was therefore shaved for this year. There was also some profit-taking in RWE and Iberdrola, two of the best performing European utilities this year, despite a solid earnings report and encouraging guidance from Iberdrola and the sector generally.
- US utilities (regulated names especially but also integrates, water/waste and gas/pipelines) felt the brunt of a steepening yield curve for most of October and the sector declined by 0.8% in local currency terms (-5.7% in £ terms). Fires were affecting risk/reward calculations for Californian utilities and sentiment more widely. Sempra, the Southern California-based energy infrastructure company whose operating companies include SoCalGas (the largest natural gas distributor in the country) and San Diego Gas & Electric, side-stepped this pressure and has continued to perform well; a constructive California rate case outcome has been helpful, the company's rate base is expanding and guidance has been raised for this year. Midstream/pipeline stocks had a poor month because even though current earnings are solid, there is concern that forecasts for 2020 could be trimmed if weakness in commodity prices persists. Shares in Williams, EGL's only midstream holding, fell 7% as management talked down 2020 growth due to weak commodity prices affecting its gathering & processing division in the North East. Sustainable waste management company Covanta reported Q3 results and a dividend which were both in line with expectations but the shares fell sharply later in the month. The company is experiencing some headwinds with low power prices and low scrap metal prices; on the positive side, tipping fees and volumes at their incinerators continue to rise at a healthy rate. Dominion Resources, a very large electricity and natural gas supplier based in Virginia, is a newly added name in the portfolio. Dominion's shares have been laggards in the sector due at least partly, we think, to its participation in the controversial Atlantic Coast Pipeline joint venture. We expect some asset sales and debt reduction and a retrenchment to the regulated parts of its business (where it has long-term contracted assets with de minimus commodity exposure) and, in turn, an improved valuation.
- The small 'Rest of world' allocation gained over 6% in October reflecting strong performance from the two Hong Kong-listed holdings, Beijing Airport and Huaneng Renewables (which is in the process of being privatised).
- Gearing has been held toward the lower end of the historical range and on 31 October it was 6%.

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 [www.tortoiseadvisors.co.uk](http://www.tortoiseadvisors.co.uk)

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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: 6 November, 2019