

# Ecofin Global Utilities and Infrastructure Trust plc (EGL)

As of 31/12/2018

## Performance (as of 31 December, 2018)

(all total returns in £)	1 M %	3 M %	6 M %	1 Y %	2 Y %	Since Admission* %
Net Asset Value	-4.5	-2.7	-0.3	0.4	15.5	9.3
Share Price	-1.7	4.5	8.5	0.0	27.7	27.8
FTSE All-Share Index	-3.7	-10.2	-11.0	-9.5	2.3	6.2
FTSE ASX Utilities	-4.9	-3.1	-8.9	-6.5	-16.3	-20.5
MSCI World Index	-7.5	-11.3	-5.7	-2.6	9.1	17.0
MSCI World Utilities Index	-2.1	3.0	5.4	9.3	14.7	14.3
S&P Global Infrastructure Index	-2.8	-2.7	-3.2	-3.8	5.3	6.4

\*26 September, 2016. As at 13 September, 2016, the value of the assets attributable to EGL, further to the reconstruction of Ecofin Water & Power Opportunities plc (EWPO), was £124,528,000 or 135.54p per share. By 26 September, 2016, the date of admission of EGL's shares to trading, the value of the Company's assets had increased to £129,200,000 or 140.63p per share and the mid-market price of the shares was 113.00p. 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 authorized UK investment trust. EGL invests primarily in the equity and equity-related securities of utility and infrastructure companies which are listed on recognized 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

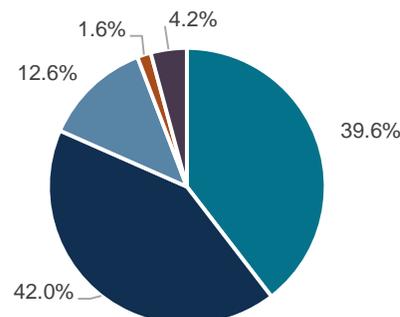
In October 2016 the Company announced that it would target quarterly dividend payments of 1.6p per share, or 6.4p per share per annum. The first interim dividend was paid in December 2016; thereafter, quarterly payment dates fall on the last business day in February, May, August and November.

## As of 31 December, 2018

Net assets	£127,966,783
NAV per share	139.29p
Share price	128.50p
Premium/(Discount)	(7.7%)
Gearing	14.9%
Yield*	5.0%

\*Yield is based on dividends paid (annual) as a percent of the share price. Initial quarterly dividend of 1.6p per share was paid in December 2016; subsequent interim dividends of 1.6p per share have been paid on the last day of February, May, August and November.

## Geographical allocation (% of portfolio)



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

## Sector allocation

	% of Portfolio
Regulated utilities	18.2
Infrastructure	15.6
Integrated utilities	44.5
Renewables (incl. YieldCos)	<u>21.7</u>
	<b>100.00</b>

## 10 Largest holdings

	% of Portfolio	Country
NextEra Energy	6.1	US
Iberdrola	5.0	Spain
Exelon	4.7	US
Enel	4.5	Italy
EDF	4.5	France
Covanta	3.8	US
NextEra Energy Partners	3.4	US
Algonquin Power & Utilities	3.4	Canada
Terraform Power	3.2	US
National Grid	<u>3.1</u>	UK
<b>Total (41 holdings)</b>	<b>41.7</b>	

## Manager's comments

- Equity markets closed 2018 on a very sour note. The Company's share price remained fairly steady but the NAV declined by 4.5% in December, surrendering November's strong gain due principally to pressure on large US holdings Covanta (waste management), Williams (energy infrastructure) and NextEra Energy, and UK names. The MSCI World Utilities Index declined by 2.1% in sterling terms. Sterling was almost unchanged against the US dollar and about 1.3% weaker versus the Euro during December.
- In a difficult year for capital preservation, the Company's NAV rose by 0.4% on a total return basis and the price of the shares was unchanged (also on a total return basis).
- The interest rate backdrop changed remarkably quickly over the last 6 weeks of the year. Although, as anticipated, the Federal Reserve raised interest rates in December, 10-year US Treasury yields declined by about 30 bps, closing the month near 2.7%, some 65bps below their November highs. Comparable German Bund and UK Gilt yields declined by 15 basis points during the month to 0.16% and 1.19%, respectively, cementing year-over-year declines in 10-year government bond yields and signalling expectations for easier monetary policies ahead. In this environment, the divergence in performance between utilities and infrastructure companies' shares continued, not least because utilities proved to be a relative haven in markets succumbing to doubts about prospective growth.
- The portfolio's US and UK holdings were hardest hit last month. November's leaders – NextEra Energy, Covanta, Algonquin – were amongst the worst performers in December, National Grid and Drax both fell c. 8%, while Williams Companies and Suez each declined by 12%, the latter after Engie stated it had no intention of changing its ownership in Suez which disappointed the market. Gearing drifted higher as share prices declined, reaching 15% at year-end.
- As it turned out, the utilities sector was one of the best performing sectors globally in 2018, led by some margin by US utilities until early December, and the stand-out returns were found amongst power generators. Sterling's weakness against the US dollar in particular (-5.6% in 2018) amplified the returns from US utilities for UK investors (see local currency returns below). As the year progressed, the expected growth profile of utilities improved – on an absolute and relative basis – as the global economic upswing began to look exhausted. The flattening of yield curves in Europe and the US have been a helpful backdrop recently too. Encouragingly, compared with other defensive sectors, European utilities are cheaper on a P/E valuation basis while offering equivalent growth.

(total returns in local currency)	December	2018	Since EGL's incep.
FTSE ASX Utilities	-4.9	-6.5	-20.5
Euro Stoxx Utilities	1.6	5.1	25.1
S&P 500 Utilities	-4.0	4.1	12.5

- Infrastructure names of all sorts suffered a de-rating in 2018 and the S&P Global Infrastructure Index underperformed the MSCI World Index and utilities. The catalysts seemed to be concerns about re-nationalisations or contract revisions for major European infrastructure concessions further to the collapse of Genoa's bridge, and a slowdown in air traffic volumes after years of strong growth. While some infrastructure names still appear expensive relative to reduced growth prospects, Ferrovial and Italy's ENAV are core holdings with attractive valuations and higher than average growth in free cash flow and dividends.

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:	1.25% p.a.

## 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: 10 January, 2019