

Greencoat UK Wind Plc – May 2023

LWM FUND SPOTLIGHT GREENCOAT UK WIND PLC

INVESTMENT OBJECTIVE

To provide investors with an annual dividend that increases in line with RPI inflation while preserving the capital value of its investment portfolio in the long term on a real basis through reinvestment of excess cash flow by investing in UK wind farms predominantly with a capacity of over 10MW.

INCEPTION DATE

27th March 2013

FUND FACTSHEET

<https://www.trustnet.com/factsheets/T/j6yi/greencoat-uk-wind-plc/>

MANAGEMENT

Manager Name

Start Date

Stephen Lilley

Laurence Fumagalli

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
14.55	0.13	-15.29	13.13	-10.57	67	83	29.98

OTHER DATA

Benchmark	AIC Renewable Energy Infrastructure Sector
Fund Size	£3.70 billion Total Assets £5.93 billion Total Gearing (31/12/2022) £1.78 billion.
Fees	0.98%

BULL POINTS (PRO)

- Dividend of 5.15%.
- Commitment to grow dividend annually.
- Focus on protecting capital.
- Uncorrelated to other asset classes.
- Pipeline of investments.
- Specialist investment team.

BEAR POINTS (CONS)

- £250 million of gearing is due to be repaid over 2023 and 2024. If refinanced this will be at a higher rate.
- New investment in Hornsea One has £680 million of debt which will be repaid over the life of the contract.
- Valuations based on long term assumptions.
- Risk is effectively that valuations are over optimistic, and cost of gearing restricts future returns and income.

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FUND PERFORMANCE

Performance from 27th March 2013 – 30th April 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



27/03/2013 - 28/04/2023 Data from FE fundinfo2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

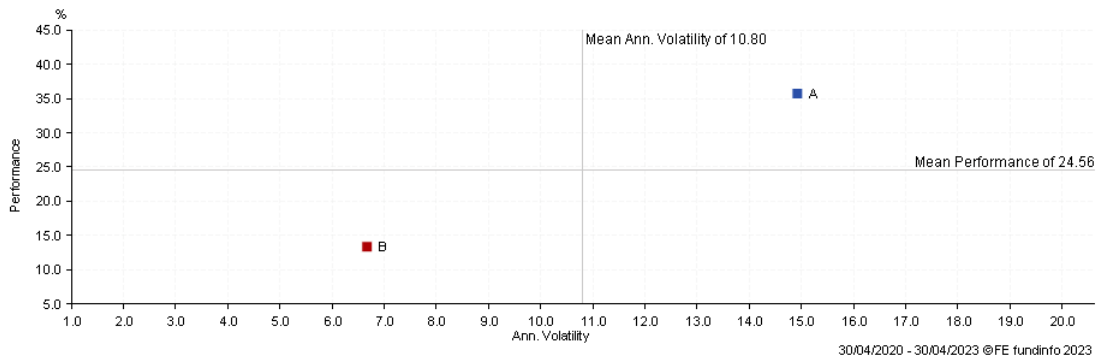
Customise Columns	2023 ↑↓	2022 ↑↓	2021 ↑↓	2020 ↑↓	2019 ↑↓	2018 ↑↓	2017 ↑↓	2016 ↑↓	2015 ↑↓	2014 ↑↓	2013 ↑↓
Greencoat Capital LLP											
Greencoat UK Wind PLC ORD 1P TR in GB	4.33	13.53	10.67	-6.20	25.41	8.33	8.36	17.40	4.38	14.11	
Sector											
IT Renewable Energy Infrastructure TR in GB	-3.95	4.09	5.40	2.06	16.12	5.65	9.48	12.58	4.75	4.25	14.62

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

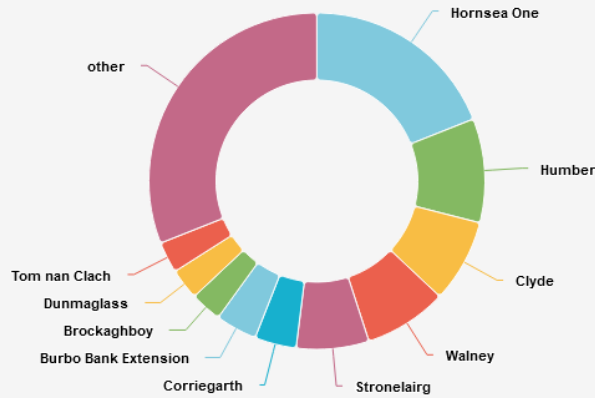


Key	Name	Performance	Annualised Volatility
A	Greencoat Capital LLP - Greencoat UK Wind PLC ORD 1P TR in GB	35.73	14.92
B	IT Renewable Energy Infrastructure TR in GB	13.39	6.67

PORTFOLIO BREAKDOWN

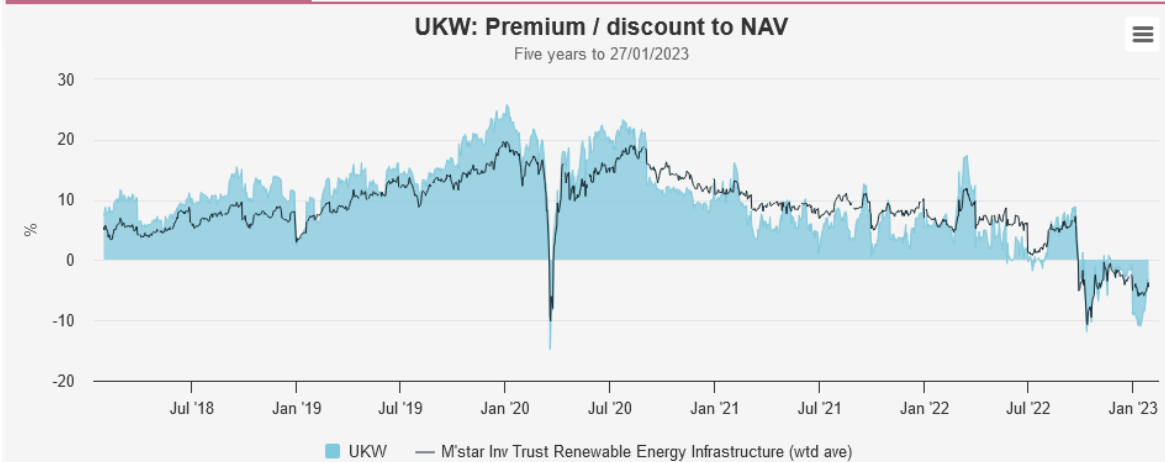
UKW: Top ten investments

as % of portfolio at 31/12/22



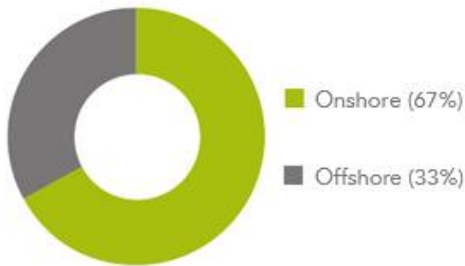
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PREMIUM/(DISCOUNT) TO NAV

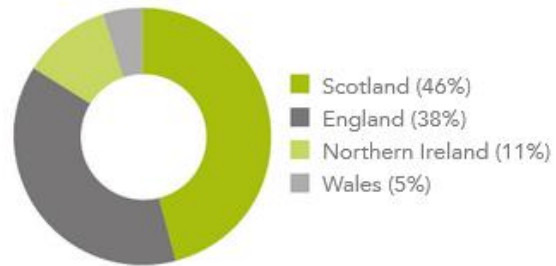


Source: Morningstar

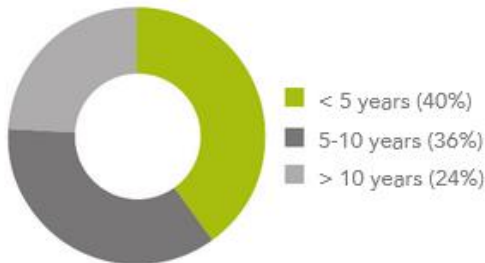
Onshore/Offshore



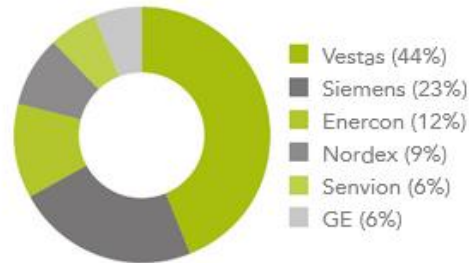
Geography



Asset Age



Turbine Manufacturer

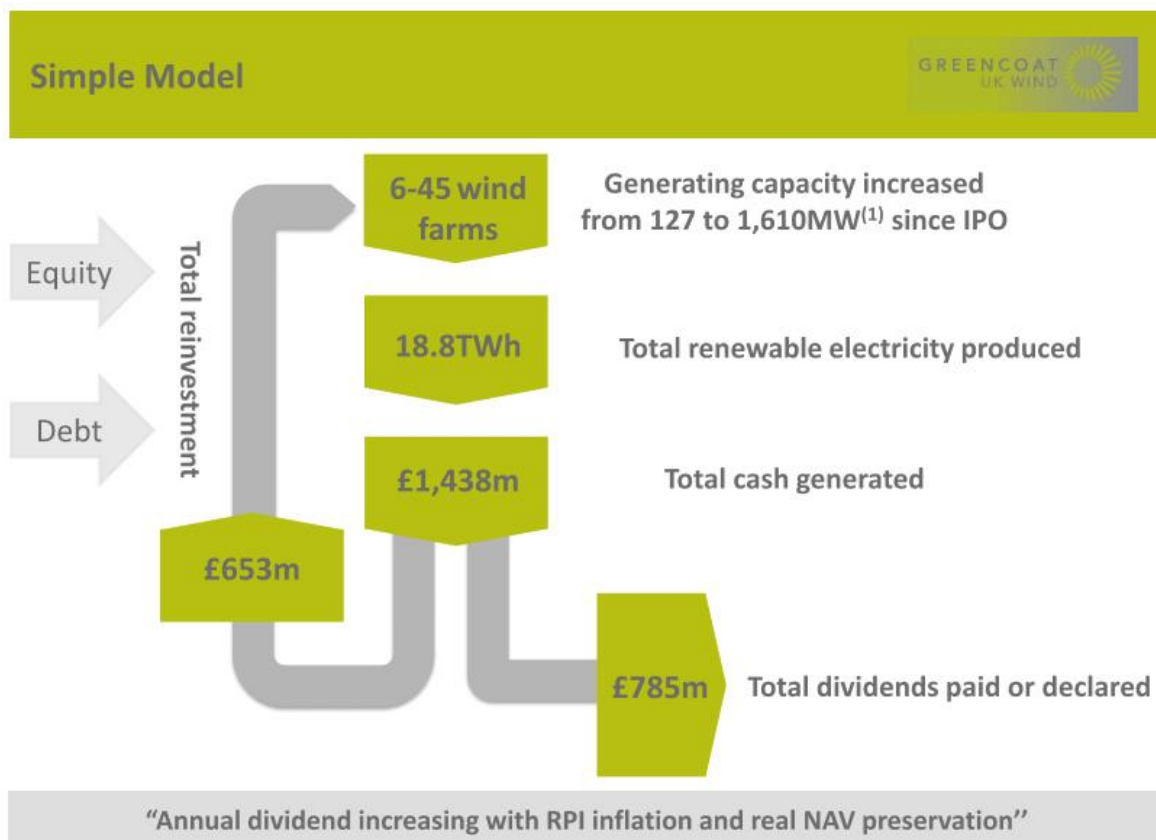


LWM FUND ANALYSIS

This is an alternative investment strategy which should deliver returns uncorrelated to other asset classes, including equities. The strategy was the first renewable infrastructure fund to list on the London Stock Exchange. It looks to invest in operating onshore and offshore UK wind farms.

Schroders Greencoat are the managers. They were set up in 2009 and are the largest renewables investment manager in the UK and Europe. In addition to this strategy, they manage a UK Solar and UK Bioenergy and Heat Trust. They also manage a European and US renewable infrastructure investments.

The primary objective is to provide shareholders with an annual dividend that increases in line with inflation. This is achieved through a focused strategy of investing only in wind farms and only in the UK.



The energy generated is around 6% of the market share and has around 56% invested in onshore wind farms, with the balance offshore.

Acquisitions is part of the strategy and they have transacted with 20 sellers to date. Care is taken to ensure any investment is right for shareholders and the wider aim of the trust. They will not chase purchases at just any price. Recent investments and commitments are shown below:

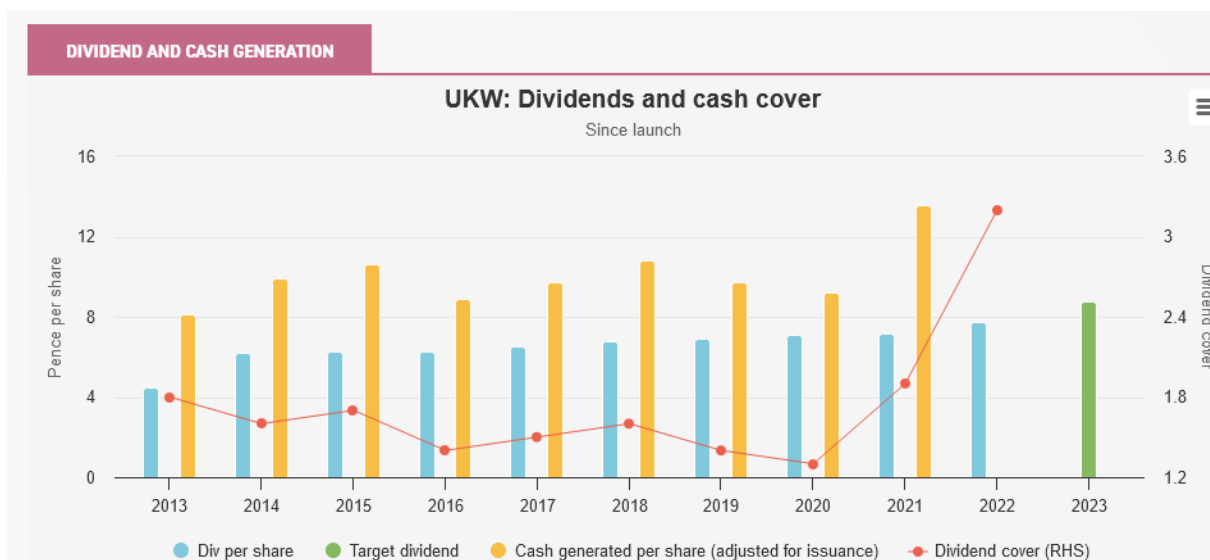
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Wind Farm	Seller	Net MW	Investment	Comment
Investments				
Twentysilling	Statkraft	37.8	£51.2m	Commitment made in 2019
Hornsea 1	GIP	150.0	£402.5m equity + £699.4m debt	12.5% stake in world's largest wind farm negotiated over a 6 month period
Commitments				
Kype Muir Extension	Banks Renewables	33.5	£12.0m remaining ⁽¹⁾	Using balance sheet to secure transaction – with completion expected in Q2 2023
South Kyle	Vattenfall	235.0	£320.0m	Completion expected in Q2 2023

The trust uses a mixture of gearing and this is currently around £1.78 billion. The fixed term borrowings are set to mature over the coming years (up to 2030), with around £250 million to be reviewed in 2023 and 2024. This means the borrowing costs will be higher and therefore this could impact future growth / dividends.

One of the attractions of the trust is the dividend, which is currently 5.4%. This was attractive when bond yields were low, but these have risen recently and therefore investors may turn from this type of investment back to bonds.

The strategy has a strong track record of delivering dividend progression in line with inflation.



They are conservative, ensuring there is enough cash to deliver the dividends. With rising rates impacting borrowing this could impact future cash flows and therefore the question is whether dividends remain sustainable.

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For investors it is important to recognise the risks associated with interest rates and borrowing. Clearly the trust has not been tested in this type of environment. On the flip side, the UK is committed to finding alternative sources of energy, and this company are leaders in this area. Therefore, this is investing in an increasingly growing part of the market.

In summary, this is a strategy that is uncorrelated to other investments. The team are primarily looking to deliver a growing income stream for investors but at the same time protect capital. There are risks to consider around interest rates and the cost of borrowing, but this should be considered alongside the growing need for alternative energy sources and the position of this company within that market.

The source of information in this note has been provided by Schroders Greencoat and is correct as of May 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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