

LWM FUND SPOTLIGHT

JLEN ENVIRONMENTAL ASSETS GROUP LIMITED

INVESTMENT OBJECTIVE

JLEN aims to invest in a diversified portfolio of environmental infrastructure that supports more environmentally friendly approaches to economic activity whilst generating a sustainable financial return. It seeks to integrate consideration of sustainability and environmental, social and governance management into its activities, which help manage risk and identify opportunities.

INCEPTION DATE

31st March 2014

FUND FACTSHEET

<https://www.trustnet.com/factsheets/T/k8oj/jlen-environmental-assets-group-limited-ord-npv/>

MANAGEMENT

Manager Name	Start Date
Chris Tanner	2014
Chris Holmes	2018
Edward Mountney	2022

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
2.74	0.22	-15.41	11.18	-9.57	66	78	18.79

OTHER DATA

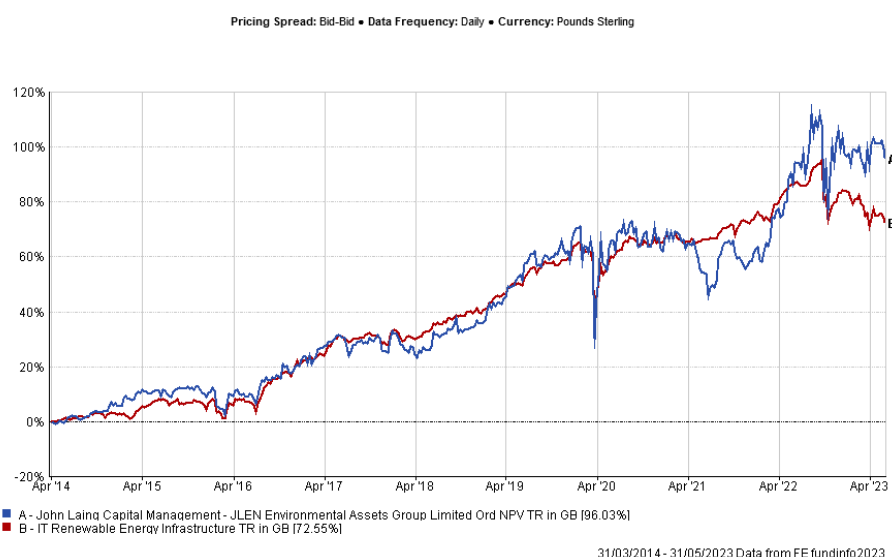
Benchmark	AIC Renewable Energy Infrastructure
Fund Size	£812.33 million
Fees	Base fee at the annual rate of 1.0% of the Adjusted Portfolio Value up to and including GBP 0.5bn and 0.8% of the Adjusted Portfolio Value over GBP 0.5bn. No performance fee. It can be terminated with 12 months notice

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> Dividend yield currently 6.53%. Direct investment into a portfolio of 42 assets. Inflation protection. Diversified portfolio of assets. Managed by Foresight Group who are specialists in this area. At the forefront of change. 	<ul style="list-style-type: none"> Direct ownership could bring additional risk. Crowded market could squeeze future profits.

FUND PERFORMANCE

Performance from 31st March 2014 – 31st May 2023



Pricing Spread: Bid-Bid • Currency: Pounds Sterling

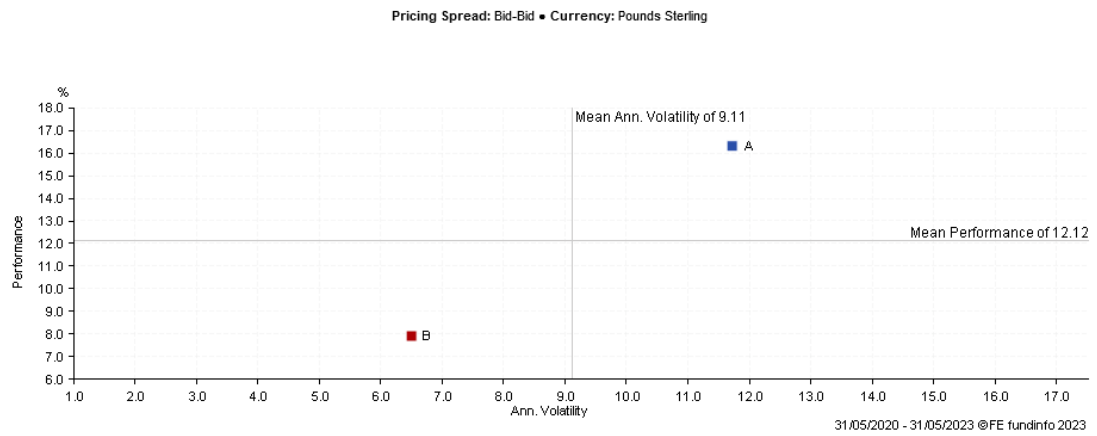
Customise Columns	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Sector											
IT Renewable Energy Infrastructure TR in GB	-12.23	4.09	5.40	2.06	16.12	5.65	9.48	12.58	4.75	4.25	14.62
John Laing Capital Management JLEN Environmental Assets Group Limited Ord NPV TR in GB	-9.50	21.02	-1.88	-1.08	23.01	2.15	9.20	9.36	5.64		

Customise Columns	1m	3m	6m	1yr	3yr	5yr
Sector						
IT Renewable Energy Infrastructure TR in GB	-1.52	-3.80	-5.02	-7.43	7.93	29.74
John Laing Capital Management JLEN Environmental Assets Group Limited Ord NPV TR in GB	-2.97	0.68	-2.83	2.69	16.31	56.28

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



Key	Name	Performance	Annualised Volatility
A	John Laing Capital Management - JLEN Environmental Assets Group Limited Ord NPV TR in GB	16.31	11.72
B	IT Renewable Energy Infrastructure TR in GB	7.93	6.50

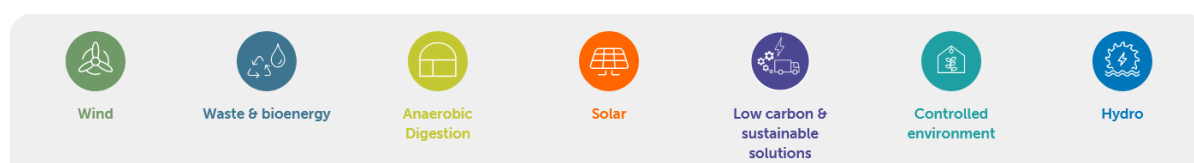
LWM FUND ANALYSIS

This is a pure play into infrastructure and in most cases the trust has 100% ownership of the assets. It operates a four-stage process:

1. Acquisition
2. Development, construction, and maintenance
3. Enhancement
4. Hold / exit

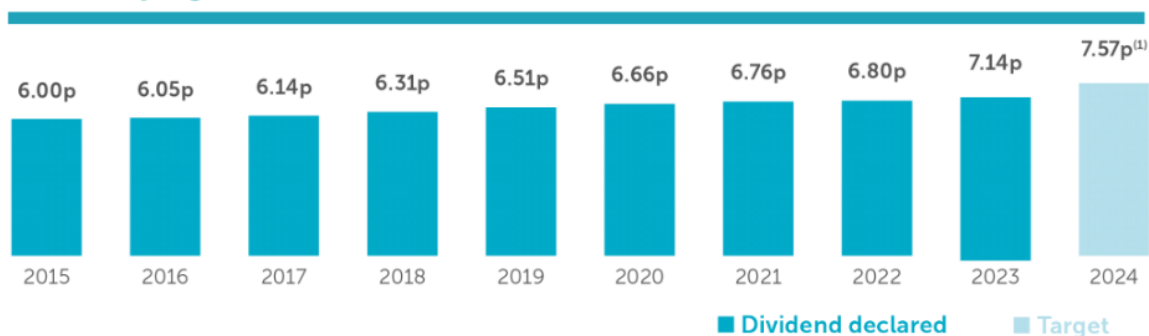
In terms of exiting a position, they will consider opportunities which generate value for shareholders.

The strategy has a broad mix of assets and currently holds 42. The mandate allows the management to access a broad exposure of infrastructure assets:



It offers investors a high degree of inflation linkage, with 62% of lifetime portfolio revenues contractually linked to RPI. The current yield is circa 6.5% p.a. This is fully covered by cashflow.

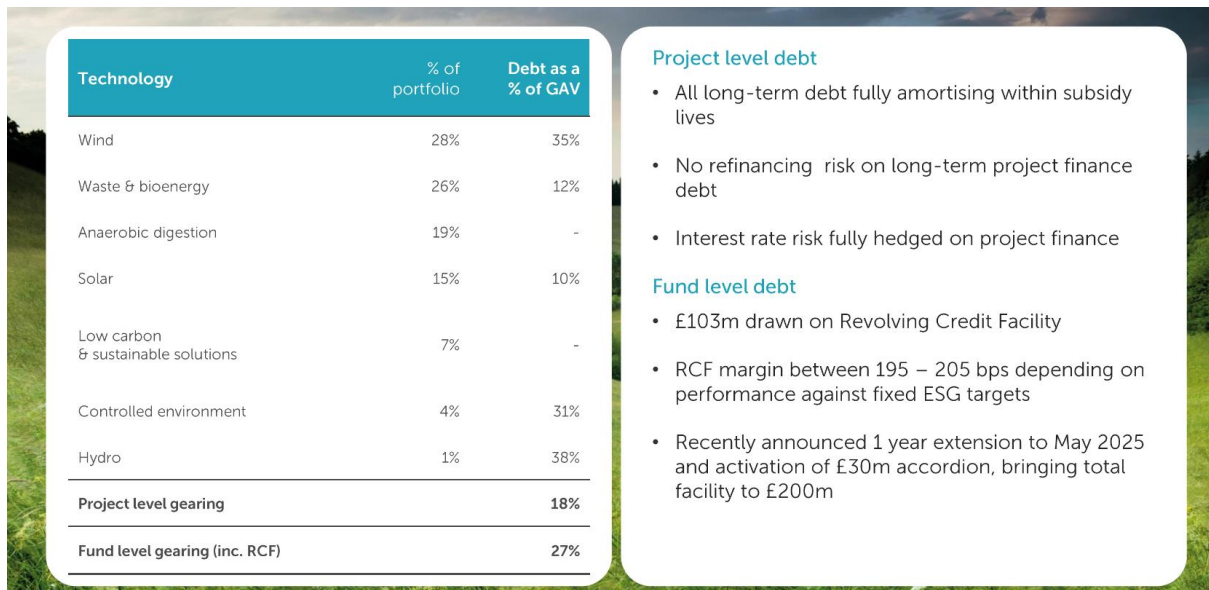
Dividend progression



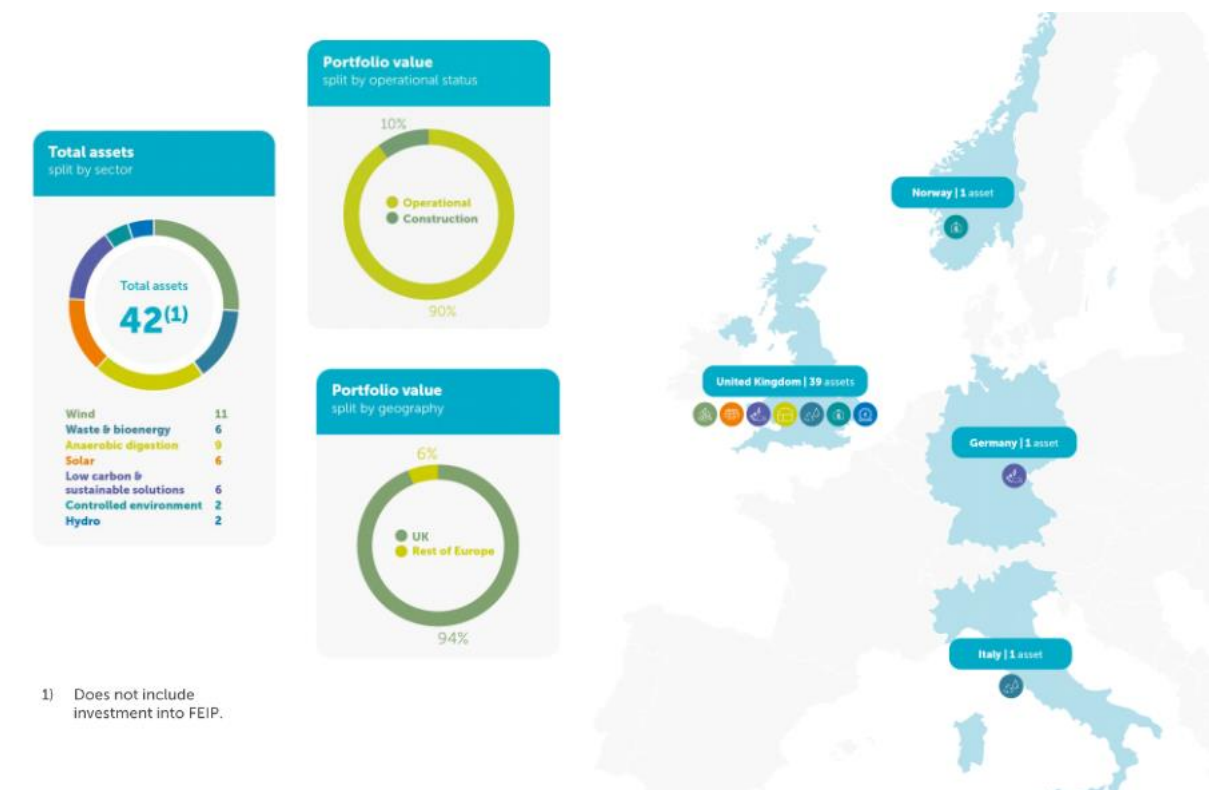
Effectively the aim is to provide a growing dividend / yield and at the same time grow capital. The trust has delivered a total return of 7.61% p.a. since launch. After dividends the return is 1.75% p.a.

Below is a summary of the debt used within the trust. This doesn't seem to carry significant risk for investors.

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Most of the assets are operational, however there are some in construction. The strategy is also mainly focused on the UK, with some exposure to Europe.



There is an argument that this may bring single country risk, although the UK needs to move to controlling more of its energy market and therefore the opportunities remain strong. It is also important to reflect that the strategy offers a broad base of assets.

One area they see as a growing part of the portfolio is hydrogen.

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1



Renewable energy storage

- Hydrogen offers low cost grid balancing by utilising excess, variable renewable energy to generate hydrogen for storage responding to peaks in demand
- In larger volumes, hydrogen can also serve as longer term energy store responding to monthly or seasonal demand fluctuations.

2



Energy carrier and transporter

- Electricity grids have limitations such as high cost, losses over long distance, and planning/development complexity
- Hydrogen offers an alternative method of moving energy from A to B

3



Decarbonisation of hard-to-abate sectors

- Some parts of the economy, such as steel, chemicals, or heavy transport, are not suitable for electrification
- Hydrogen offers an energy profile suitable for many of these purposes and is usable in a way that is highly comparable to natural gas

The team are active in searching out new opportunities and will adjust the portfolio accordingly. Wind and solar are two areas where they see less opportunities and although they might be involved in early stage development, they see better opportunities across areas such as biomass, low carbon transport, battery storage and hydrogen.

Below are details of the assets in construction.

Battery Energy Storage System ("BESS")				
Project	West Gourdie	Sandridge	Lunanhead	Clayfords
Site location	Dundee	Wiltshire	Angus	Buchan
Technology	Lithium-ion	Lithium-ion	Lithium-ion	Lithium-ion
Project size	50MW	50MW	50MW	50MW
Status	Operational	Construction in progress	Ready to build	Ready to build
Target operations start date	June 2023	H1 2024	H2 2024	H2 2024
Total investment amount	£21.2m	£12.7m	£16.4m	£14m



CNG refuelling stations			
Project	Newton Aycliffe	Corby	Bangor
Site location	Newton Aycliffe	Corby	Bangor
Technology	CNG refuelling station	CNG refuelling station	CNG refuelling station
Project size	14 dispensers	13 dispensers	13 dispensers
Status	Construction in progress	Construction in progress	Construction in progress
Target operations start date	H1 2023	H2 2023	H1 2024
Total investment amount	JLEN has committed up to £25m towards the development of the CNG refuelling network.		



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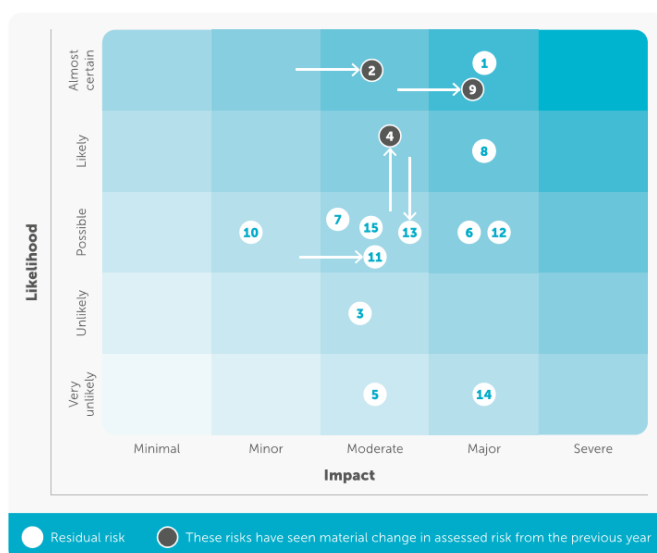
Controlled environment		
Project	CE Rjukan project	CE Glasshouse project
Site location	Rjukan, Norway	Co-located with existing AD
Technology	Controlled environment	Controlled environment
Project size	8,000 tonnes of trout p.a.	2.1 hectares
Status	Construction in progress	Construction in progress
Target operations start date	H1 2025	H2 2023
Total investment amount	£40m	£26.7m



Green Hydrogen	
Project	Thierbach green hydrogen project
Site location	Borna, Germany
Technology	Green hydrogen electrolysis with co-located battery storage
Project size	6,000 tonnes (over 200,000MWh) of green hydrogen p.a.
Status	Construction in progress
Target operations start date	H1 2025
Total investment amount	€5.7m



Risk is at the heart of the management of the strategy:



- 1 Inflation
- 2 Interest rates
- 3 Acquisitions and pipeline
- 4 Funding of acquisitions and future equity fundraising
- 5 Future of UK capital spending and other target geographies
- 6 Reputational
- 7 Volume of wind, solar and rainfall resource
- 8 Volume and cost of feedstock resource
- 9 Power prices
- 10 Cyber risk
- 11 Portfolio valuation
- 12 Changes to tax legislation and rates
- 13 Changes in regulation and government support
- 14 Operational risks
- 15 Climate change

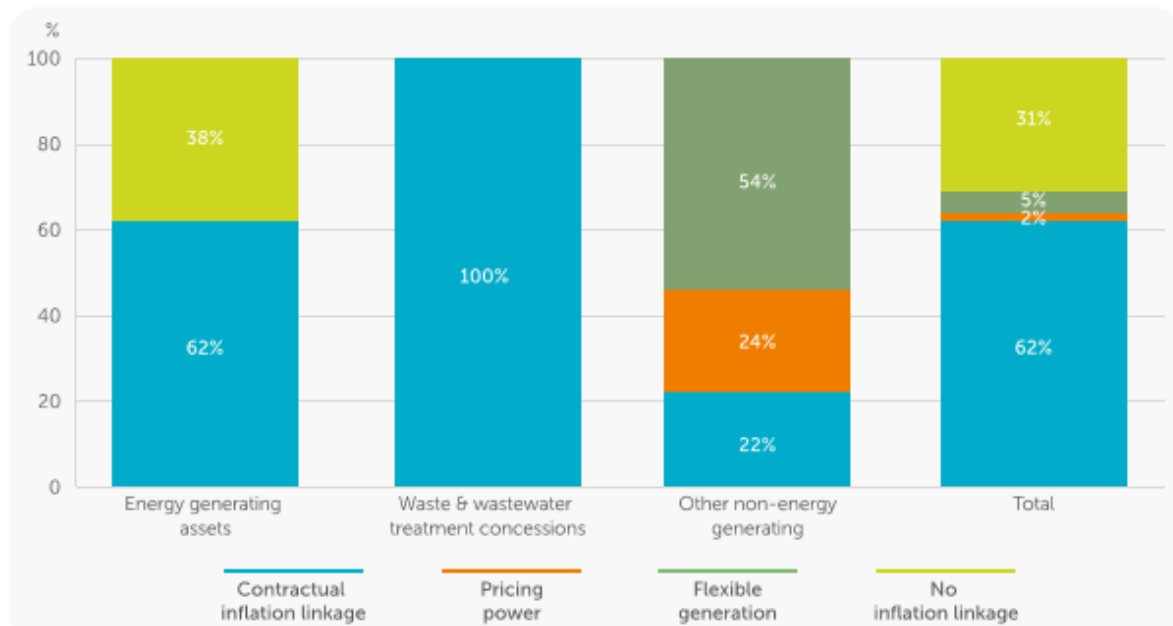
If we look at Interest Rates we see that these have risen significantly. This has impacted the discount rates used for valuing infrastructure assets. The trust has some interest rate exposure and therefore interest payments have increased.

To mitigate the risk of rising rates, finance costs are fixed at the time of the contract being signed, significantly reducing interest rate risk. The revolving credit facility is intended as short-term finance prior to being repaid with capital raise proceeds. The company hasn't been able to pay down this balance due to the current markets and therefore these costs have risen.

The revolving credit has increased from £53.6 million to £103.5 million between 2022 and 2023.

In terms of inflation, around 62% of the assets have contractual inflation linkage.

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In summary, this is a well-managed infrastructure strategy, playing into a growing theme that will be around for many years to come. They are direct holders of the assets and have added five acquisitions, meaning they have a total of 42 assets. There is a degree of inflation protection and although there has been an increase in interest rate costs, the dividend continues to increase and is covered by cash flow.

Below provides a good summary of the financial and ESG objectives of the strategy.

Financial objectives

Predictable income growth for shareholders
Provide investors with a progressive dividend.

Preservation of capital over the longer term
To preserve the capital value of the portfolio over the long term on a real basis through active management of the portfolio and the reinvestment of cash flows not required for the payment of dividends.

Investment, growth and diversification
To invest in infrastructure assets, projects and asset-backed businesses that utilise natural or waste resources or support more environmentally friendly approaches to economic activity, support the transition to a low carbon economy or which mitigate the effects of climate change.

ESG objectives

Promote the efficient use of resources
To invest into projects that manage the availability of natural resources, whether through utilisation of renewable resources, increasing resource or energy efficiency, or reusing or recovering waste.

Develop positive relationships with communities in which JLEN works
To encourage positive relationship-building between portfolio assets and the communities in which they sit.

Ensure effective, ethical governance across the portfolio
To manage portfolio assets in a way that promotes ethical, effective governance.

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The source of information in this note has been provided by Foresight / JLEN and is correct as of June 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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