

# Foresight Global Real Infrastructure (Lux) Fund

## Fund Commentary

Foresight

31 May 2024

The Fund invests in developed market “real infrastructure” companies that own or operate critical infrastructure assets which ensure the smooth functioning of economies, and that provide a net social or environmental benefit. The Manager takes an active approach to investing in infrastructure companies with high quality, predictable and inflation linked cash flows from strong counterparties. The Fund seeks to achieve a positive total return in excess of UK CPI+3% over any 5-year period.

7.64%

Monthly Performance

(24.32%)

Total Return Since Inception<sup>1</sup>

€21.2m

Fund Size at 31 May 2024

Class A Acc (EUR). Past performance is not a reliable indicator of future results. <sup>1</sup> The Fund's inception date is 29 October 2021

## Market Update

- The proximity of inflation to Central Bank targets amidst growth pathways diverging across the US and Europe continue to frame the trajectory of market expectations for interest rates. Across both economies, the respective central banks remain cautious of services inflation.
- The current macro environment has continued to create valuation gaps in the market, resulting in institutional capital actively seeking to acquire attractively priced assets trading at a discount.
- The Fund remains well-positioned in companies that continue to benefit from structural growth drivers with strong cashflow visibility.

## Portfolio News

- Brookfield Renewable Partners (BEP) recently announced a 10.5 GW framework agreement with Microsoft to develop renewable energy projects between 2026 and 2030, focusing on solar, onshore wind, and battery storage in the US and Europe, with potential expansions in APAC, India, and LatAm. This deal exemplifies the robust demand from corporations for clean power, driven by AI and data centre growth. Concurrently, BEP, in partnership with Brookfield Global Transition Fund II and Temasek, is negotiating to acquire the French renewable Independent Power Producers (IPP) Neoen, which has an 8GW portfolio and a 20GW pipeline. This acquisition aligns with BEP's \$8 billion capital deployment strategy and supports the Microsoft agreement. The transaction is expected to finalise in the first half of 2025.
- Canadian-listed IPPs reported impressive results during the period. Northland Power Inc. (NPI) showcased strong performance in both earnings and power generation, driven by its offshore and onshore portfolio, while also maintaining its 2024 guidance. Similarly, Boralex (BLX) delivered robust earnings and results with the company well-positioned for further expansion in Canada, benefiting from strong tailwinds and a healthy balance sheet. BLX is equipped for organic growth, bolstered by significant government support for renewables and upcoming requests for proposals (RFPs). These results highlight the underlying need for renewable energy generation to meet growing environmental and energy demands.
- UK investor and developer of primary care properties Assura (AGR) recently announced a 20/80 joint venture (JV) with Universities Superannuation Scheme Limited (USS) to invest in essential NHS infrastructure across the UK. Assura will retain a 20% stake and serve as the property and asset manager. The JV will begin with a portfolio of seven assets, valued at £107 million and seeded by AGR, with plans to expand to £250 million within three years and potentially reach £400 million. This JV highlights the opportunity for investment in high-quality healthcare infrastructure across the UK and showcases AGR's market credibility as a chosen partner in this initiative.
- UK-based investor in onshore and offshore wind projects Greencoat UK Wind (UKW), held a Capital Markets Day (CMD) to outline its long-term strategy and opportunities for asset enhancement. Management highlighted its high-level of active management, which includes ~£140m in value-added enhancements and optimisation initiatives to date. These efforts include increasing generation output, negotiating a better price for output, asset-level changes to assumptions, and diligently managing operating expenses. The company remains committed to exploring new



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avenues for revenue optimisation, including asset life extensions, while also prioritising capital allocation plans towards share buybacks and dividend increases.

## Portfolio Changes

- A full divestment of HICL Infrastructure PLC occurred during the period challenging. The proceeds of the sale have been reallocated to digital infrastructure stocks which offer better risk-adjusted returns.

Source: Foresight Group, Company Reports, June 2024.

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