Winterflood

Fund Insight

Foresight Environmental Infrastructure (FGEN)

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March 2026 | Winterflood Research | researchcontact@winterflood.com

Dashboard

For relevant definitions, please see our Infrastructure Primer

Team & Strategy

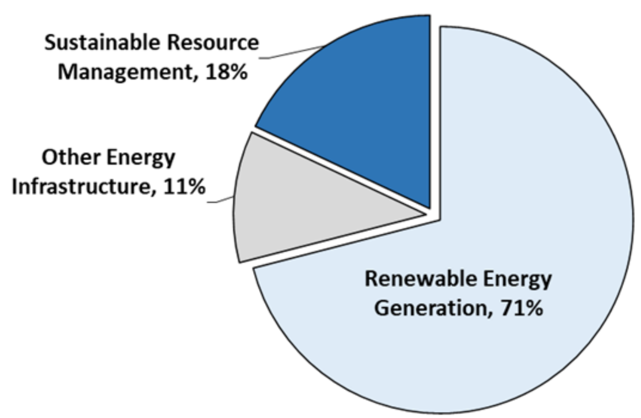
Investment objective: FGEN aims to generate attractive returns, through investment in a diversified portfolio of private infrastructure assets.

Team: FGEN is managed by Foresight Group LLP, an infrastructure and private equity investment manager with £13.6bn AUM, £10.7bn of which is in real assets. Chris Tanner, Edward Mountney and Charlie Wright are investment managers.

Strategy: The investments generate stable, long-term and predictable income with an element of growth whilst supporting the drive towards decarbonisation and sustainable resource management.

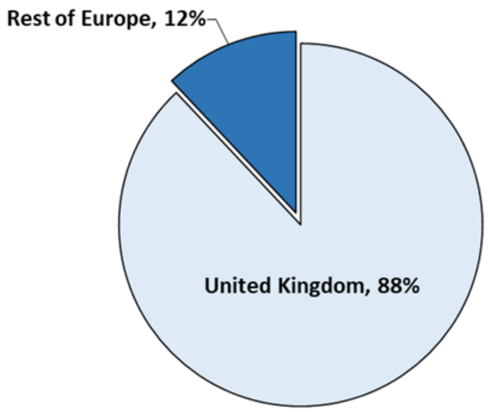
Dividend policy: FGEN has an uninterrupted dividend growth track record since IPO in 2014 and is targeting continued growth, with a dividend target of 7.96p for FY26.

Portfolio: Sector Breakdown (%)



Source: FGEN, Winterflood Securities. Data as at 30 September 2025

Portfolio: Geographic Breakdown (%)



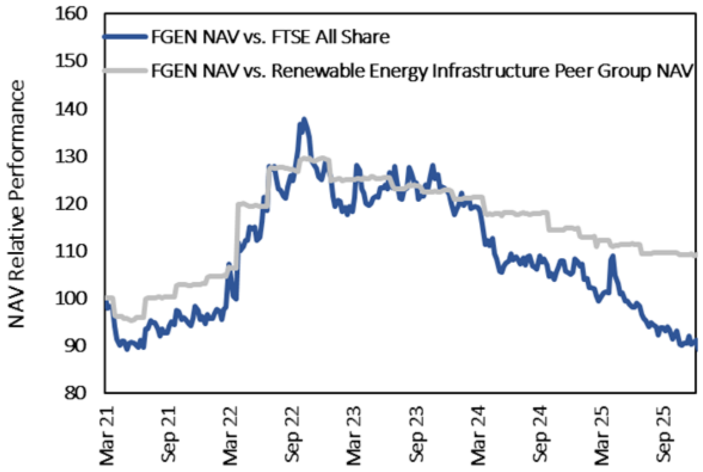
Source: FGEN, Winterflood Securities. Data as at 30 September 2025

Key Figures

£436m	Market Capitalisation (27 Feb 2026)	39	No. of Assets (30 Sep 2025)
-32%	Discount to NAV (27 Feb 2026)	54%	Top 10 (% of NAV) (30 September)
1.15%	Ongoing Charges (% of NAV) (30 Sep 2025)	11.3%	Dividend Yield (27 Feb 2026)
30.9%	Total Gearing (% of GAV) (31 Dec 2025)	2nd	1Y NAV TR Peer Group ranking (27 Feb 2026)

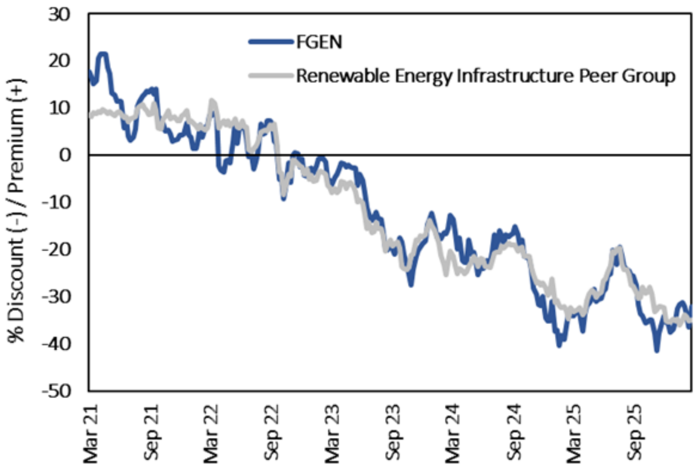
Source: FGEN, Morningstar, Winterflood Securities.

Performance



Source: Morningstar, Winterflood Securities. Data as at 27 February 2026

Discount / Premium (%)



Source: Morningstar, Winterflood Securities. Data as at 27 February 2026

Note: *Past performance is not a reliable indicator of future results*

Our Insight

Advantages:

Diversified Technologies: FGEN's technological diversification is a differentiator compared to other Renewable Energy Infrastructure funds, with nine technologies contributing more than 5% each towards total portfolio value, and wind and solar combined accounting for only 38% of portfolio value.

Revenue Profile Mix: FGEN's asset diversification also results in a forecast revenue mix that is relatively stable; while current portfolio revenues are expected to grow and then peak in the 2030s, they are forecast to remain around last year's level until the late 2030s. Life extensions could also push back the peak revenue date.

Conservatism: Combined portfolio and fund level gearing of 30.9% is lower than many peers at 40%-50% (with investments such as anaerobic digestion or biomass ungeared). The conservative approach also applies to the weighted average discount rate of 10.1%, which is amongst the highest in the sector.

Yield: With a target FY26 dividend per share of 7.96p, the 11% prospective dividend yield is attractive and should be covered between 1.20x-1.30x times, despite the Growth assets (c.18% of portfolio value) not currently contributing to dividend cover due to their investment ramp-up.

Challenges:

Power Market Exposure: Renewable Energy Infrastructure funds have struggled over the past three years with NAV reductions due to lower generation output and power price forecasts. FGEN's total power market exposure comprises 48% of revenue NPV[1], with more volatile merchant exposure[2] just 24%.

Contribution From Subsidies: 50% of FGEN's revenue NPV is derived from renewable power market subsidies (24%), renewable heat subsidies (12%) or renewable energy/transport (green) certificates (14%). While these are generally stable (and often inflation linked) revenue streams, they are not contractually guaranteed and could be exposed (both positively and negatively) to policy change.

Limited Capacity For New Investments: The scope for new investments is limited by the conservative approach to gearing, as well as the fact that the shares are trading at a discount to NAV, which restricts the ability to issue equity for cash. Capital recycling of existing assets (in particular the c.18% of portfolio value in Growth assets currently in ramp-up) will be the key source of funding for new investments.

Our Insight:

Lower Volatility Portfolio: FGEN offers a portfolio that is diversified both by technology and revenue source, limiting exposure to UK power markets, regulatory frameworks and weather systems. This reduces its NAV sensitivity to power prices and generation output. For example, over the six months to 30 September 2025, underlying energy generation and portfolio cash distribution was ahead of budget in a period when UK wind resource was especially low.

Growth Assets: The Growth Assets (The Glasshouse, CNG Fuels and Rjukan – currently c.18% portfolio value) are delivering capital growth as they operationally ramp up. Their targeted disposal over the next few years could fund investments that extend the group's revenue / cash flow profile without impacting near-term dividend cover (as they are not currently contributing to the dividend).

Defensive Yield & Balance Sheet: FGEN trades on a 32% discount to NAV (as at 27 February), in line with the 33% average of its Renewable Energy Infrastructure peers. This is despite it having delivered better underlying generation and cash flow performance, with a relatively low level of gearing. The prospective dividend yield of 11.1% is higher than the 10.5% average of its peers, despite a relatively high and stable post debt amortisation targeted dividend cover of 1.2-1.3x.

[1] Revenue net present value – discounting back forecast revenue applicable to each project by a specific discount rate
[2] Project revenue that is not secured by long-term contracts and is instead subject to market-driven wholesale prices

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Team & Strategy

Team & Strategy

Team: FGEN is managed by Foresight Group LLP, an infrastructure and private equity investment manager with £13.6bn of AUM, £10.7bn of which is in real assets. Chris Tanner has been the investment manager since IPO, with Edward Mountney joining as manager in 2022 (having been involved with FGEN since 2016) and Charlie Wright joining as manager in 2024.

Objective: To invest in environmental infrastructure assets that deliver stable returns, long-term predictable income and opportunities for growth while promoting the efficient use of resources. This should provide long-term NAV growth and fund a progressive dividend.

Philosophy: The FGEN approach covers: renewable energy generation, such as wind farms, solar parks and anaerobic digestion (AD) plants; other energy infrastructure such as energy storage, cleaner transportation and heat; and sustainable resource management initiatives across the waste and water sectors. This balanced portfolio substantially de-risks exposure to fluctuations in weather patterns as well as diversifying the revenue base.

Process: FGEN invests across three key pillars of environmental infrastructure: renewable energy generation (71% of portfolio value as at 30 September 2025); other energy infrastructure, such as battery storage and low carbon transport (11% of portfolio value); and sustainable resource management (18% of portfolio value).

Risk Management: While there are no technology specific concentration restrictions, FGEN aims to invest in a diversified spread of investments, including geographically (although at least 50% of the portfolio will be based in the UK). There are restrictions on new investments into assets that would increase the exposure to development assets to >5% NAV and any single investment acquired cannot be greater than 30% of the NAV immediately post acquisition.

Dividend: The 7.96p target dividend for the financial year to 31 March 2026 (+2.1% year-on-year) would mark the 11th year of dividend growth since the 2014 IPO, with FGEN already recognised as one of the AIC's "next generation of dividend heroes".

Gearing: Combined gearing of 30.9% of Gross Asset Value as at 31 December2025.

Fees: The fund charges a tiered annual management fee, with the fee basis split 50%/50% between NAV and market capitalisation from October 2025. The ongoing charges ratio for FY27 is expected to be 1.03% on this basis. *Note: shareholders do not pay these costs directly.*

The Managers Say:
"A balanced and diversified portfolio that's less exposed to individual risk factors"

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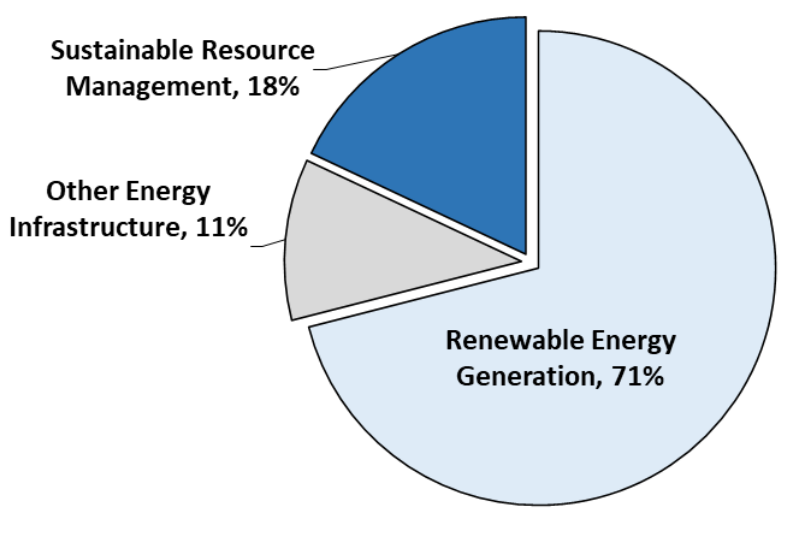
Portfolio

Portfolio: Sector & Geography

Sector: As at 30 September 2025, Renewable Energy Generation assets comprised 71% of the portfolio value. Other Energy Infrastructure (batteries and low carbon transport) contributed 11% and Sustainable Resource Management (waste and wastewater concessions, controlled environments for agriculture and aquaculture) accounted for 18%.

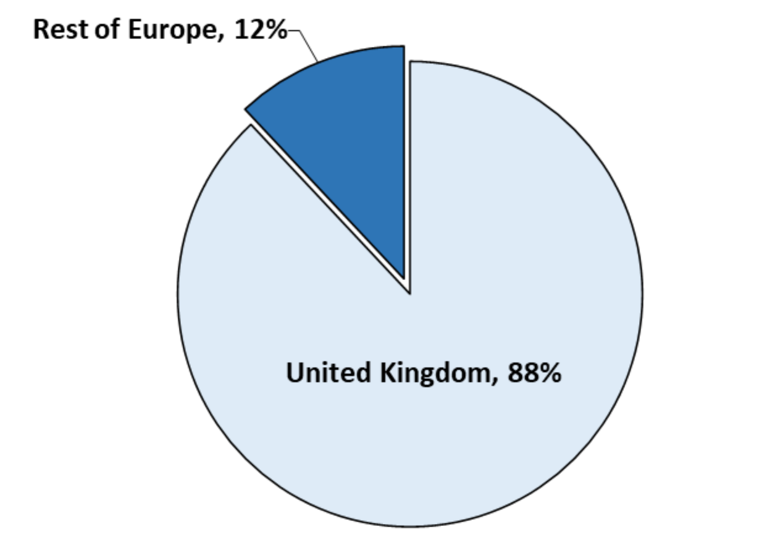
Geography: As at 30 September 2025, 88% of the portfolio by value was based in the UK, with the remaining 12% in Rest of Europe (principally Norway, through the Rjukan aquaculture facility, and Italy, through the ETA energy from waste plant). Investment restrictions require over 50% of the portfolio by value to be based in the UK, with the remainder located in the European Union or OECD countries.

Sector Allocation (% of Portfolio)



Source: FGEN as at 30 September 2025

Geographic Allocation (% of Portfolio)



Source: FGEN as at 30 September 2025

The Managers Say:

"We are diversified across weather patterns, forms of feedstock, both intermittent and baseload generators and power and gas pricing"

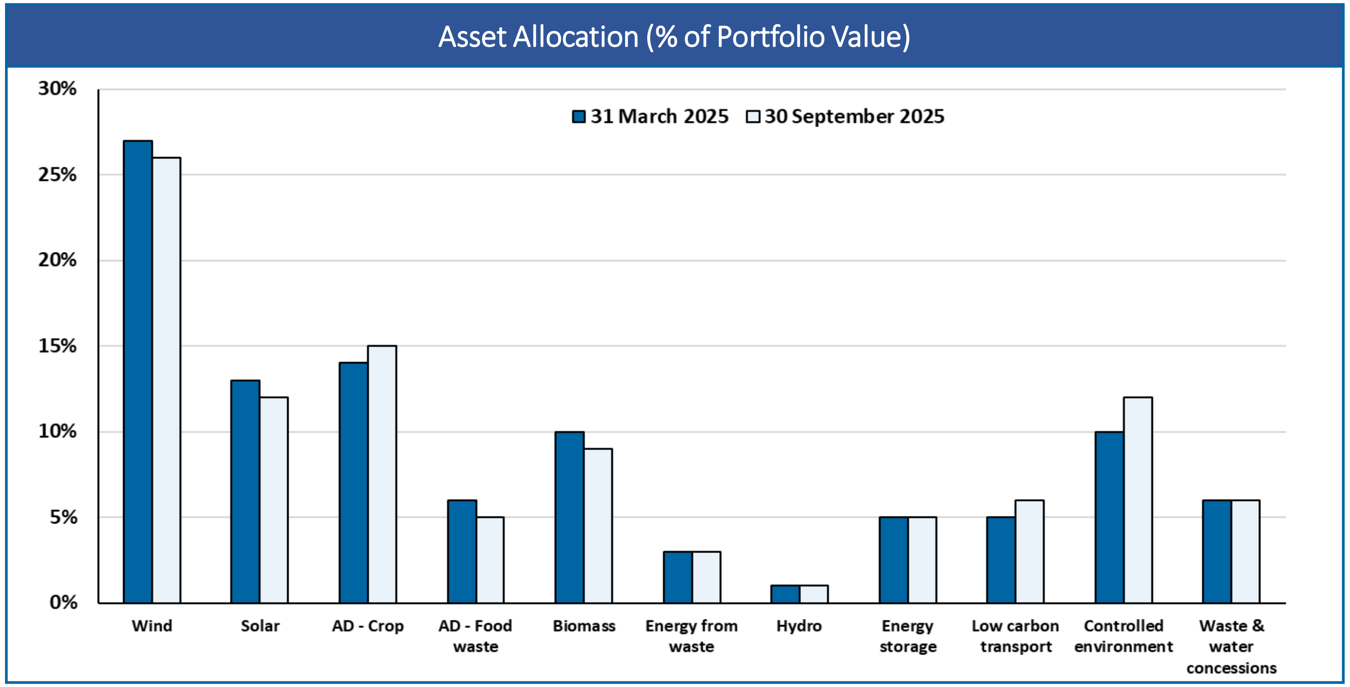
Portfolio: Sector Split

Renewable Energy Generation (71%): Wind assets comprise the largest single technology exposure at 26% of portfolio value (as at 30 September); with Crop Anaerobic Digestion (AD) plants at 15%; Solar 12%; Biomass 9%; Food AD plants 5%; Energy from Waste 3%; and Hydro 1%.

Other Energy Infrastructure (11%): This part of the portfolio comprises Energy storage (5%) and Low carbon transport 6%.

Sustainable Resource Management (18%): This part of the portfolio comprises Controlled environment (12%) and Waste & water concessions (6%).

Nine technologies contribute more than 5% each towards the portfolio value total. Growth assets, which are currently in ramp-up phase, account for c.18% of the portfolio.



Source: FGEN as at 30 September 2025

The Managers Say:
"FGEN is really an infrastructure-based proposition, aiming to deliver stable returns, predictable income, and opportunities for growth"

Portfolio: Top Ten Holdings

Concentration: The portfolio includes 39 assets located across the UK and mainland Europe, with no single asset accounting for more than 10% of portfolio value. Further diversification is added through a €23m investment in Foresight Energy Infrastructure Partners (FEIP), which has a separate portfolio of 14 additional environmental infrastructure projects.

Weightings: The combined value of the top ten assets equates to 55% of the total portfolio value. This has reduced from 60% in 2019 but has generally ranged between c.45% to 55%.

Top 10 Holdings	Sector	% of Portfolio Value
Cramlington	Biomass	9%
Rjukan	Sustainable Resource	7%
CNG Fuels	Other	6%
Glasshouse	Controlled Environment	5%
Amber	Solar	5%
Llynfi	Wind	5%
Dungavel	Wind	5%
ELWA	Waste	5%
Vulcan	Crop AD	5%
Burton Wold	Wind	3%
Total		**55%**

Source: FGEN as at 30 September 2025

Quality: Cramlington has remained the largest single asset since September 2021 and has been the most successful investment to-date. Adjusted for dividend payments, the individual asset valuations have remained relatively stable.

Comparison: While the more mature (and dividend paying) renewable energy generation assets have reduced in portfolio weight, the Growth assets (Rjukan, CNG Fuels, Glasshouse) now comprise c.18% of the total portfolio value.

The Managers Say:

"Our three Growth assets are now the largest assets in the portfolio behind Cramlington"

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Performance, Rating & Yield

Performance

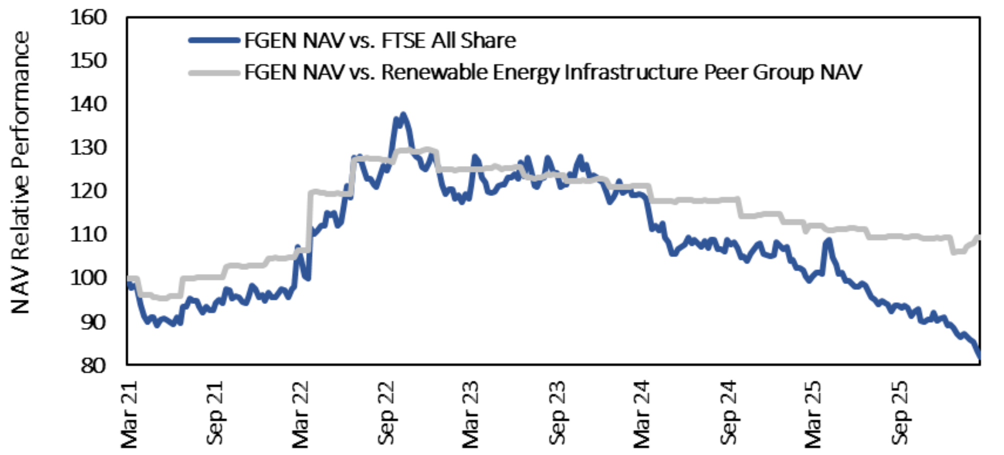
Note: *Past performance is not a reliable indicator of future results*

Track Record: On a NAV total return basis, FGEN has outperformed its Renewable Energy Infrastructure peer group over the past five years (+54% vs +39%). While the NAV total return has lagged over a one year basis (+5% vs +8%) , the FGEN share price return has been superior as the discount has narrowed following the publication of the interim results in November 2025. On a one-year basis FGEN experienced a +13% share price total return, which ranked in the top five share price returns of the 17 funds in the AIC Renewable Energy Infrastructure sector over the period.

Market Conditions: The Renewable Energy Infrastructure sector has struggled against a backdrop of rising interest / discount rates, reduced power price forecasts and increased government policy uncertainty. FGEN has not been immune to these factors, with both the FGEN and peer group average NAV total returns lagging the total return of the FTSE All Share. However, these macro pressures should now be abating (e.g. UK/European interest rates appear to have peaked) and FGEN's portfolio value is now more skewed towards its Growth assets, where future value is likely to be driven more by operational ramp-up rather than market conditions.

Drivers: The fund's NAV total return for the nine months to 31 December 2025 was +4%. Within the portfolio, for the six months to 30 September 2025, underlying[3] energy generation was +0.5% ahead of budget and underlying[3] portfolio cash distributions were +2% ahead of budget.

5-Year Relative NAV Performance



Source: Winterflood Securities, Morningstar as at 27 February 2026

	Total Return (£)					
	1m	3m	6m	1y	3y	5y
FGEN (NAV)	1%	2%	4%	5%	4%	54%
FGEN (Share Price)	0%	11%	-4%	13%	-21%	-8%
FTSE All Share	7%	12%	18%	28%	51%	89%
Renewable Energy Infra Peer Group (NAV)	-2%	2%	4%	8%	19%	39%

Source: Winterflood Securities, Morningstar as at 27 February 2026

[3] Underlying generation and distributions adjusted for compensated outages and timing

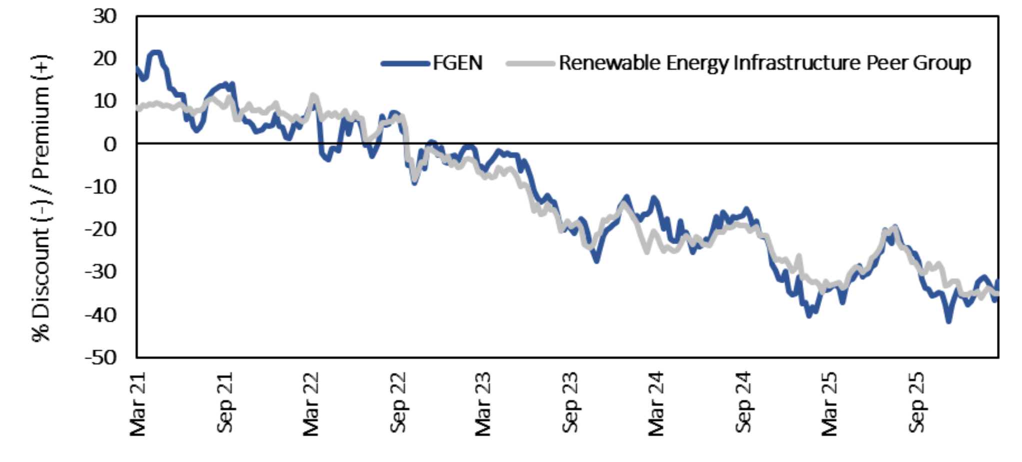
Rating & Yield

Rating: The fund traded at a -32% discount to NAV as at 27 February 2026, broadly in line with its 1-year average discount. This compares to a Renewable Energy Infrastructure peer group weighted average discount of -33% at the end of February.

Share Buybacks: The £30m share buyback programme (£20m announced in August 2024 and extended to £30m in March 2025) completed in September 2025 (£19.2m in FY25 and £10.7m in H1 FY26). This was 1.7p accretive to NAV per share (1.1p in FY25 and 0.6p in H1 FY26). No new share buyback programme has been announced following this completion, with greater emphasis placed on the value accretive opportunities of the new investment programme.

Dividends: The H1 FY26 dividend increased by +2.1% year-on-year, from 3.90p to 3.98p, in line with the target growth of +2.1% to 7.96p for FY26 and broadly in line with the long-run average increase of 2.6% p.a. H1 cash dividend cover (post debt amortisation) was 1.22x and the FY26 dividend of 7.96p is expected to be covered between 1.20x-1.30x. The Board expects dividend cover to exceed 1.0x over FY26 to FY29, even under a severe downside energy price scenario of £40/MWh. The 7.96p FY26 dividend target represents a dividend yield of 11.1% as at 27 February.

5-Year Discount History



Source: Winterflood Securities, Morningstar as at 27 February 2026

	Dividends (p)											
	FY26E	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Dividend per Share (p)	7.96	7.80	7.57	7.14	6.80	6.76	6.66	6.51	6.31	6.14	6.05	6.00
Dividend Growth YoY	2.1%	3.0%	6.0%	5.0%	0.6%	1.5%	2.3%	3.2%	2.8%	1.5%	0.8%	
CAGR FY15-26E	2.6%											

Note: FY26E is the target dividend for FY26, but has not yet been declared

Source: FGEN, Winterflood Securities as at 31 December 2025

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Peer Group

Peer Group: Metrics

Rating: As at 27 February 2026, FGEN was trading at a 32% discount, broadly in line with the 34% weighted average of its direct peer group, represented by the funds listed in the table below.

Yield: As at 27 February, FGEN had a historical dividend yield of 10.9%, slightly above the peer group weighted average dividend yield of 10.6%.

Cost: FGEN's ongoing charges ratio (OCR) for the year to 31 March 2026 is expected to be 1.08%, which is in line with the peer group weighted average. FGEN's OCR should fall further to 1.03% for the year to March 2027 (assuming no change in NAV), given that the fee basis is now split 50%/50% between NAV and market capitalisation, effective from October 2025.

		Premium (+) / Discount (-)	Average Premium (+) / Discount (-)	Z-Score	Market Capitalisation	Dividend Yield	Gearing (+) / Net Cash (-)	Net Issuance	Ongoing Charges
Ticker	Name	(NAV)	12m	12m	(£m)	12m	%NAV	12m	%NAV
BSIF	Bluefield Solar Income Fund	-31.3%	-28.2%	-0.4	461	11.5%	86.0%	0.0%	1.0%
FSFL	Foresight Solar Fund	-37.3%	-28.9%	-1.3	349	12.6%	66.7%	-2.6%	1.2%
GSF	Gore Street Energy Storage	-42.4%	-39.9%	-0.4	264	8.2%	15.8%	0.0%	1.5%
GRP	Greencoat Renewables (€)	-31.8%	-29.3%	-0.9	655	10.0%	91.2%	0.0%	1.1%
UKW	Greencoat UK Wind	-28.4%	-24.8%	-0.7	2,050	10.8%	67.2%	-4.8%	1.0%
GRID	Gresham House Energy Storage	-36.0%	-35.8%	0.0	421	n/a	25.7%	0.0%	1.1%
FGEN	Foresight Environmental Infrastructure*	-32.1%	-31.1%	-0.2	449	10.9%	40.2%	-3.1%	1.1%
NESF	NextEnergy Solar Fund	-38.6%	-31.2%	-0.9	297	16.4%	112.8%	-0.6%	1.2%
ORIT	Octopus Renewables Infrastructure	-42.1%	-35.0%	-1.3	285	11.3%	80.5%	-6.9%	1.2%
SEIT	SDCL Efficiency Income Trust	-44.7%	-41.1%	-0.6	532	13.1%	73.8%	0.0%	1.1%
TRIG	Renewables Infrastructure Group	-35.2%	-30.9%	-0.7	1,604	11.2%	73.8%	-3.9%	0.9%
USF	US Solar Fund ($)^	-50.3%	-42.7%	-1.9	73	8.1%	74.6%	0.0%	1.5%
	Average	-37.5%	-33.2%	-0.8	620	11.3%	67.4%	-1.8%	1.2%
	Weighted Average	-34.2%	-30.4%	-0.7		10.6%	69.0%	-2.7%	1.1%

Source: Winterflood Securities, Morningstar as at 27 February 2026

* Denotes a corporate client of Winterflood Securities

Peer Group: Performance

Note: *Past performance is not a reliable indicator of future results*

NAV Total Return: As at 27 February 2026, FGEN had the strongest NAV total return of its direct peers over a 5-year period (+54% vs peer group average +30%) as well as the second strongest over a 3-year period (+4% vs -5%). Over the past year, FGEN has had the second highest NAV total return (and the highest outside of the two battery funds) and has also featured in the top five (out of 12 funds) in each of the individual performance periods shown below.

Share Price Total Return: As at 27 February 2026, FGEN had the third-best share price total return over a 5-year period (despite the strongest NAV total return performance). Over the past year, FGEN had the third best share price performance (+13% vs peer group average +3%).

		NAV Performance (Total Return)						Price Performance (Total Return)					
Ticker	Name	1M	3M	6M	1Y	3Y	5Y	1M	3M	6M	1Y	3Y	5Y
BSIF	Bluefield Solar Income Fund	1%	2%	2%	-3%	-2%	38%	12%	14%	-6%	0%	-26%	-13%
FSFL	Foresight Solar Fund	1%	2%	-2%	-2%	-1%	51%	2%	-1%	-18%	-9%	-27%	-5%
GSF	Gore Street Energy Storage	1%	2%	-10%	-6%	-7%	23%	-4%	-17%	-6%	15%	-35%	-27%
GRP	Greencoat Renewables (€)	-2%	-1%	1%	-6%	7%	35%	3%	-4%	-2%	-6%	-22%	-17%
UKW	Greencoat UK Wind	-4%	-3%	-3%	-5%	-3%	49%	-1%	-2%	-8%	-7%	-22%	5%
GRID	Gresham House Energy Storage	0%	-1%	6%	5%	-22%	32%	-2%	-8%	6%	54%	-52%	-22%
FGEN	Foresight Environmental Infrastructure*	1%	2%	4%	5%	4%	54%	-1%	9%	-4%	12%	-21%	-8%
NESF	NextEnergy Solar Fund	-4%	-2%	-3%	-4%	-10%	25%	5%	5%	-16%	-12%	-32%	-16%
ORIT	Octopus Renewables Infrastructure	-4%	-3%	-3%	-3%	2%	26%	1%	-1%	-17%	-9%	-29%	-33%
SEIT	SDCL Efficiency Income Trust	1%	2%	0%	4%	1%	20%	-2%	-18%	-8%	13%	-28%	-33%
TRIG	Renewables Infrastructure Group	-5%	-4%	-1%	-4%	-7%	22%	1%	-7%	-8%	-2%	-31%	-26%
USF	US Solar Fund ($)^	1%	1%	1%	5%	-24%	-15%	-4%	-9%	-15%	-11%	-51%	-58%
	Average	-1%	0%	-1%	-1%	-5%	30%	1%	-3%	-9%	3%	-31%	-21%
	Weighted Average	-2%	-1%	-1%	-3%	-4%	35%	1%	-3%	-8%	1%	-28%	-14%

Source: Winterflood Securities, Morningstar as at 27 February 2026

* Denotes a corporate client of Winterflood Securities

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Appendix: Renewable Energy Infrastructure Primer

Renewable Energy Infrastructure Primer

Renewable Energy Generation Technologies (71% of FGEN Portfolio Value as at 30 September 2025)

The **EU Renewable Energy Directive** defines renewable energy as: *"energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas"*. This can be distinct from low carbon energy which could also incorporate nuclear power generation. Renewable energy generation can relate to power or heat and the generation profile can be categorised as baseload (generally stable) or intermittent. FGEN has direct investment exposure to seven different renewable energy technologies, as well as geothermal and green hydrogen production exposure through its investment in Foresight Energy Infrastructure Partners (FEIP).

Anaerobic Digestion (Crop): Anaerobic digestion (AD) facilities that recycle energy crops, by using natural bacteria to break down the material, producing biogas (a renewable mix of methane and carbon dioxide) and digestate (a nutrient-rich soil enhancer). FGEN's Crop AD plants produce biogas for heat rather than power.

Anaerobic Digestion (Food): Recycling food waste to produce biogas and digestate. FGEN's Food AD plants use the biogas to generate baseload renewable power.

Biomass: Renewable energy produced from organic material such as agricultural crops, wood and animal waste. FGEN's biomass facility (Cramlington) utilises waste wood to principally generate baseload renewable power, as well as some heat output.

Energy from Waste (EfW): A method of generating baseload energy from mixed residual commercial or municipal waste (after the waste has been sorted for recycling). Only the energy generated from the recently grown materials (e.g. food, paper, wood) is considered renewable and is therefore a partially renewable energy.

Geothermal : Geothermal energy is the heat generated and stored in the ground and by generating steam or hot water can produce baseload renewable heat / power.

Green Hydrogen: Green hydrogen is primarily generated through electrolysis, a process where electricity from renewable sources such as wind or solar is used to split water (H_2O) into hydrogen (H_2) and oxygen (O_2). In contrast, traditional (grey) hydrogen is derived from fossil fuels and emits significant CO_2.

Hydropower: A renewable energy source that generates electricity by harnessing the energy of falling or flowing water to spin a turbine. Run-of-river hydro projects may have little storage capabilities and are therefore more weather (rain) dependent / intermittent in contrast to controllable (reservoir/pumped storage) projects.

Solar Photovoltaic (Solar PV): A solar PV system is composed of multiple solar cells, usually made of silicon, which absorb photons from sunlight and create a flow of direct current (DC) electricity. This DC electricity is then converted to alternating current (AC) using an inverter, making it usable for the electricity grid.

Wind: The use of onshore or offshore wind turbines to convert the kinetic energy of wind into electrical energy (historically mechanical energy with windmills).

Note: **Highlighted** terms are defined in the Glossary

Renewable Energy Infrastructure Primer

Other Energy Infrastructure (11% of FGEN Portfolio Value as at 30 September 2025)

Other energy infrastructure includes non-energy generating assets that support the transition towards net zero, driven by increased demand for electrification.

Energy Storage: While there are a number of different energy storage technologies available, FGEN has directly invested in a number of operational and developmental lithium-ion battery projects and also has exposure to pumped hydro and lithium-ion battery storage projects through its investment in Foresight Energy Infrastructure Partners (FEIP). Both technologies share similar revenue streams, including the wholesale power price spread (between the low import and high export power price) and grid stability revenues, but the technologies may differ in duration (pumped storage hydro projects typically have greater energy storage capacity and therefore a longer duration vs the typical one to two hours from batteries), investment cost (batteries are relatively cheaper and easier to deploy) and asset life (batteries typically have a 10-15 year lifespan and their capacity degrades over time with charging cycles compared to a potentially perpetual life of a hydro scheme).

Low Carbon Transport: There are a number of different energy storage technologies available, including: battery powered electric vehicles (EVs), biofuels (typically blended with traditional fuels – e.g. standard petrol in the UK has been E10 or 10% biofuel blend since 2021), hydrogen (Transport for London has 20 hydrogen fuel cell buses), renewable gas and e-fuels (synthetic fuels produced from a combination of green hydrogen and captured CO_2). FGEN has invested in CNG Fuels which is a leading supplier of renewable biomethane to heavy goods vehicles (HGVs) and operates 16 refuelling stations in the UK, serving the likes of Tesco, DHL and Amazon.

Sustainable Resource Management (18% of FGEN Portfolio Value)

Sustainable resource management involves developing and implementing methods for using and protecting resources such as water, energy and raw materials, as well as managing waste streams.

Controlled Environment: A controlled environment is an engineered environment where specific parameters such as temperature, humidity, light intensity, atmospheric composition, and nutrient delivery are precisely regulated and maintained within defined thresholds. FGEN has exposure in this sector in agriculture (The Glasshouse – a 2.4-hectare advanced glasshouse which is co-located with an existing FGEN anaerobic digestion facility that supplies low-carbon heat and power) and aquaculture (Rjukan – a land-based recirculating aquaculture facility in Norway that is producing premium trout).

Waste and Wastewater Concessions: Concession-based projects benefit from inflation-linked long-term contracts with public-sector counterparties. These include concessions relating to waste management for the East London Waste Authority (ELWA – concession expiry in 2027) and a wastewater treatment facility in Scotland (Tay – concession expiry in 2029).

Note: **Highlighted** terms are defined in the Glossary

Renewable Energy Infrastructure Primer

How does a discount rate impact valuation?

FGEN's portfolio is valued using a discounted cash flow (DCF) model. This requires forecasting future cash flows, and then determining the present value of future cash. Assuming £1 today is more valuable than £1 next year (as the money could be invested and/or earn interest in the meanwhile), to arrive at an accurate valuation estimate, future income streams must be 'discounted' to account for the '**time value**' of money. This is achieved by using a discount rate. The higher the estimated time value of money, for example representing high prevailing bank deposit rates, the lower the present value of future cash inflows.

How are discount rates calculated?

There are several methods for calculating a discount rate, and we note that this is essentially a subjective exercise. Commonly, a discount rate consists of two components: a '**risk free rate**' (representing the return offered for investments with minimal risk, i.e. 10-year sovereign bonds yields) and a '**risk premium**' (an estimate of the additional return required to cover the risk profile of the relevant investment). These components may be determined from assumptions, forecasts, or stem from market observations (i.e. if the value of a recent market transaction for a similar asset is known, this can form the basis of the risk premium calculation).

How does this apply to FGEN?

The FGEN managers note that *"the discount rates used in the valuation exercise represent the Investment Manager's and the Board's assessment of the rate of return in the market for assets with similar characteristics and risk profile. The discount rates are reviewed on a regular basis and updated to reflect changes in the market and in the project risk characteristics"*. In addition to macro-driven changes, *"the Investment Manager also considers project-specific changes – such as the completion of major milestones on construction phase investments."*

The Weighted Average Discount Rate (WADR) applied to each of the operational sectors within the FGEN portfolio is displayed in the adjacent table. As this represents a blend of levered and unlevered investments, the relevant gearing of each sector is also shown.

Weighted Average Discount Rate (WADR) by Technology

	Unlevered discount rate	Levered discount rate	Sector WADRs	Gearing
Wind	8.0%	8.8%	8.7%	37%
Solar	7.2%	8.0%	7.4%	20%
Anaerobic digestion - crop fed	8.6%	—	8.6%	—
Anaerobic digestion - food waste	9.8%	—	9.8%	—
Biomass	10.3%	—	10.3%	—
Energy-from-waste	10.0%	—	10.0%	—
Hydropower	—	8.0%	8.0%	45%
Waste and wastewater concessions	—	8.9%	8.9%	20%
Battery storage	10.3%	—	10.3%	—
Weighted average			**10.1%**	**18.1%**

Source: FGEN as at 30 September 2025. Individual technology analysis excludes construction and early-stage operational assets (e.g. low carbon transport) albeit these are included within the overall weighted average calculation

Note: **Highlighted** terms are defined in the Glossary

Renewable Energy Infrastructure Primer

Valuation sensitivity to long-term generation output assumptions

Base case forecasts for intermittent renewable energy projects assume a "P50" level of electricity output based on reports by technical consultants. The P50 output is the estimated annual amount of electricity generation (in MWh) that has a 50% probability of being exceeded – both in any single year and over the long term – and a 50% probability of being underachieved. Hence the P50 is the expected level of generation over the long term.

The P90 (90% probability of exceedance over a 10-year period) and P10 (10% probability of exceedance over a 10-year period) sensitivities reflect the future variability of wind, hydropower and solar irradiation and the uncertainty associated with the long-term data.

How does this apply to FGEN?

The change in the portfolio valuation resulting from a shift in assumption from P50 to P10 (higher generation) or P90 (lower generation) is shown in the adjacent table.

For FGEN, an assumption of a lower P90 generation output for the wind assets would reduce NAV per share by -3.6p (+3.6p for higher P10), for the solar assets would reduce NAV per share by -1.2p (+1.2p for higher P10) and for the hydro assets would reduce NAV per share by -0.2p (+0.2p for higher P10).

While this suggests a combined -5.0p/+5.0p NAV sensitivity (c.5%), this is materially less than other Renewable Energy Infrastructure peers (e.g. **Greencoat UK Wind (UKW)** NAV P10/P90 sensitivity is c.13.5p per share or c.10%).

In addition, the lack of correlation between wind, hydro and solar variability implies that it is very unlikely that all technologies would experience a P90 generation shortfall at the same time. The positive portfolio effect from investing in a diversified asset base is also supported by portfolio uncertainty benefit analysis performed by a third-party technical adviser.

Valuation Sensitivity to 10-Year Wind / Solar / Hydro Output Assumptions

30 Sep 2025 (unaudited)			
Energy yield: wind	P90 (10 year)	Base P50	P10 (10 year)
Change in portfolio valuation	Decreases £22.4m	£751.9m	Increases £22.4m
Change in NAV per share	Decreases 3.6p	104.7p	Increases 3.6p
Energy yield: solar	P90 (10 year)	Base P50	P10 (10 year)
Change in portfolio valuation	Decreases £7.4m	£751.9m	Increases £7.5m
Change in NAV per share	Decreases 1.2p	104.7p	Increases 1.2p
Energy yield: hydro	P90 (10 year)	Base P50	P10 (10 year)
Change in portfolio valuation	Decreases £1.0m	£751.9m	Increases £0.9m
Change in NAV per share	Decreases 0.2p	104.7p	Increases 0.2p

Source: FGEN as at 30 September 2025

Note: **Highlighted** terms are defined in the Glossary

Renewable Energy Infrastructure Primer

Valuation sensitivity to long-term energy price assumptions

The project cash flows used in the portfolio valuation reflect contractual fixed price arrangements under Power Purchase Agreements (PPAs), where they exist, and short-term market forward prices for the next two years where they do not.

After the initial two-year period, the project cash flows assume future electricity and gas prices in line with a blended curve informed by the central forecasts from three established market consultants, adjusted for project-specific arrangements and price cannibalisation (the lower price captured by renewable output compared to the baseload power price given generation is more likely to occur during periods of low power prices, as high renewable output tends to depress power prices).

How does this apply to FGEN?

FGEN's exposure to wholesale power and heat prices is mitigated by the practice of having a substantial proportion of generation for both electricity and gas on fixed price arrangements for durations ranging from six months to two years. As at 30 September 2025, 63% of expected generation for Winter 2025 (October 2025-March 2026) had been hedged at a fixed price, with around 25% of the output for FY27 (Summer 2026 and Winter 2026) already hedged at that date.

Sensitivity analysis is also provided for higher and lower energy prices. The sensitivity of the portfolio to movements in electricity and gas prices over the whole life of the portfolio (for each year of the asset life) is shown in the adjacent table. As at 30 September 2025, a 10% +/- change in both electricity and gas prices compared to the base scenario would change the NAV calculation by approximately -5.3p / +5.4p or around 5%.

As a result of the diversified nature of FGEN's portfolio, this energy price sensitivity is materially less than peers – e.g. the NAV sensitivity for **Greencoat UK Wind (UKW)** for a 10% movement in power prices is c.10%.

Energy Price Hedging (% of Expected Generation)

	Winter 2025	Summer 2026	Winter 2026	Summer 2027
Wind	87%	29%	33%	19%
Solar	54%	54%	100%	—
Biomass	—	—	—	—
Energy-from-waste	41%	—	—	—
AD - electric	100%	92%	83%	—
AD - gas	78%	26%	17%	14%
Weighted average	63%	24%	25%	11%

Source: FGEN as at 30 September 2025

Valuation Sensitivity to Long Term Energy Prices

30 Sep 2025 (unaudited)			
Energy prices	Minus 10%	Base	Plus 10%
Change in portfolio valuation	Decreases £33.1m	£751.9m	Increases £33.8m
Change in NAV per share	Decreases 5.3p	104.7p	Increases 5.4p

Source: FGEN as at 30 September 2025

Note: **Highlighted** terms are defined in the Glossary

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Glossary & Disclaimer

Glossary

Investment Trust Terminology:

- **Continuation Vote:** A shareholder vote at an (annual) general meeting of shareholders, proposing the (dis)continuation of the investment trust. If shareholders vote against continuation, typically, the investment trust Board is obliged to publish wind-down proposals within six months of the vote.
- **Discount/Premium to NAV**: The percentage difference between the share price of an investment trust and its NAV per share. A positive difference is a Premium to NAV, while a negative difference is a Discount to NAV.
- **'Enhanced' Dividend:** Term used to describe a dividend (partially) paid from capital reserves, rather than from revenue reserves.
- **FCF Yield**: Free Cash Flow (FCF) Yield is the ratio of forecast free cash flow per share to the current share price.
- **Gearing:** The debts of a fund, used as leverage to increase exposure, expressed as a percentage of NAV.
- **NAV:** Net Asset Value, the difference between a fund's assets and liabilities.
- **Net Issuance:** In the context of this report, the term Net Issuance is used to indicate net share issuance (net share buybacks if negative) over the last 12 months as a percentage of current Market Capitalisation. Excludes issuance/buybacks resulting from IPOs, Tenders, Redemptions, Share Conversions, Consideration Shares and Treasury Share cancellations.
- **Ongoing Charges:** Annual percentage reduction in shareholder returns as a result of a fund's recurring operational expenses, assuming markets remain static and the portfolio is not traded.
- **P/E Ratio**: Price to Earnings (P/E) ratio is a company's share price divided by its earnings per share.
- **Total Return:** Investment returns over a given period, assuming any dividends paid over this period have been reinvested.
- **Z Score:** Statistical indicator of current Discount/Premium deviation from 12-month average.

For more, see https://www.theaic.co.uk/aic/glossary

Glossary

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Renewable Energy Infrastructure Terminology:

- **Concession:** A contractual arrangement in which a government grants a company exclusive rights to operate a public utility for a given period of time. The company typically receives a fee charged to the users of the utility. In exchange, the company constructs and/or invests in and/or maintains the asset.
- **Compensated Outages:** Outages may be compensated for under liquidated damage clauses if they result from a contractual breach (e.g. lower than agreed level of availability).
- **Dividend Cover**: Dividend cover can be reported on a gross (pre debt amortisation) or net (post debt amortisation) basis, as portfolio and fund level debt can be structured on an amortising (regular repayment) or bullet (final repayment) structure. An amortising structure reduces near term cash available for distribution and therefore dividend cover.
- **Discount Rate**: The rate used to discount future cash flows to arrive at their present value, in order to account for the time value of money.
- **EU Renewable Energy Directive**: The EU Renewable Energy Directive is the legal framework for the development of renewable energy across all sectors of the EU economy.
- **Inflation Indexation:** In contracts, indexation refers to the periodic (typically annual) adjustment of contractual payments, rebased on a chosen price index.
- **Life Extension:** An increase in the assumed useful economic life of an asset, either from an increase in its technical life or an improvement to its longer-term commercial outlook.
- **Operational Ramp-Up:** The strategic increase in production or capacity (greenfield development or enlarged facilities) to meet demand, launch products or enter new markets.
- **Power Purchase Agreements (PPAs):** A long-term (typically 10-25 years) contract between an electricity generator and a buyer, defining the sale of power at pre-negotiated prices.
- **Real Assets:** Tangible investments with intrinsic value due to their substance and physical properties; including commodities, real estate, and infrastructure.
- **Renewable Subsidies / Certificates:** Renewable projects may receive revenue support in the form of renewable heat/power subsidies as well as environmental certificates.
- **Risk-Free Rate:** The interest rate an investor expects to earn on an investment that carries minimal risk (e.g. high-grade sovereign bond yields).
- **Risk Premium:** The additional return above the risk-free rate required by an investor to compensate for the risk profile of the relevant investment.
- **Time Value of Money:** The concept that a sum of money is worth more today than the same sum in the future due to its earnings capacity, inflation, and uncertainty.

For more, please refer to the Corporate Finance Institute (CFI) [Renewable Energy resource page]

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- Past performance is **not indicative** of future results.
- Levels and bases of **taxation** may change.
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- **Look at the Key Links** (see panel on right) for further information of the risks and explanation of key terms.
- **Investment trusts** can use **gearing** which can offer the chance to boost the trust's profit but also **increases the risk**.

Key Links

- → **Glossary of Key Terms**
- → **AIC Guide to Investment Trusts**
- → **Key Information Document** (FGEN)
- → **Prospectus** (FGEN)
- → **Factsheet** (FGEN)
- → **Homepage** (FGEN)
- → **Sustainability & ESG Report** (FGEN)

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