

Foresight Global Real Infrastructure (Lux) Fund

Fund Commentary

Foresight

31 March 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.

0.68%

Monthly Performance

(28.14%)

Total Return Since Inception¹

€19.75m

Fund Size at 31 March 2024

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

Market Update

- Major central banks continue to navigate 'soft landings', standing firm in the face of fluctuating market expectations regarding policy rate cuts. The Federal Reserve Open Market Committee members polled an average expectation of 75bps of cuts in 2024, unchanged from December 2023, as GDP data revisions and manufacturing PMIs demonstrate robustness in the face of restrictive policy.
- As CPI continued to fall in Europe and the UK, the respective central banks remain cautious of domestic wage growth and services inflation. Nonetheless, gilt yields retreated slightly over March in the face of a weak growth outlook, falling inflation and looser employment data.

Portfolio News

- Encavis (ECV) received a take-out offer by KKR for EUR 17.50 per share, representing a 57.5% premium to the last price on 1st March 2024. This reflects the appeal of ECV's portfolio of wind and solar renewable energy assets across Europe, particularly at depressed share price levels, positioning it as a take-out candidate. This offer aligns with the ongoing trend in the industry, where well-capitalised private entities are seizing opportunities presented by attractively priced assets and growth pipelines.
- The Renewables Infrastructure Group (TRIG) announced several asset disposals at favourable valuations, including its 50MW Irish onshore wind farm, Pallas Wind Farm in Kerry, to an undisclosed buyer for EUR62 million, reflecting a 15% premium. Additionally, TRIG sold two onshore wind farm assets in Scotland, The Forss and Little Raith (32MW), for a total consideration of £51m, representing a 4% premium. These premiums are calculated in relation to the company's last published portfolio valuation as of 31 December 2023. The asset disposals form a strategic component of the company's portfolio enhancement plan aimed at optimising its construction and performance portfolio, while concurrently reducing its floating-rate debt.
- Cellnex (CLNX) hosted its capital markets day (CMD), where the company outlined its governance and management updates, emphasising its capital allocation strategy and future plans. Management discussed market insights and growth opportunities, revealing a significant backlog and reaffirming targets until 2027. The company aims to prioritize dividends and buybacks until 2030, while emphasising colocation growth within its Towers segment. In addition, CLNX recently received a credit rating upgrade from S&P to BBB- from BB+, credited to its commitment to deleveraging and robust earnings.
- Northland Power (NPI) also hosted a CMD where the company outlined its target EBITDA CAGR of 7-10% for 2023-2027, primarily driven by its construction pipeline. Management emphasised the priority of three ongoing fully funded projects, which include Oneida, Hai Long, Baltic Power and plans for increased capital recycling over the next two years. This has already been demonstrated by the \$205 million sale of the Mexican La Lucha solar facility, seen as a strategic exit from a challenging non-core market. Overall, the CMD offered shareholders with few groundbreaking announcements but reaffirmed management's dedication to their stated strategies.
- Greencoat Renewables (GRP) achieved gross dividend cover of 2.7x, due to strong cash generation over FY23. The Board announced a 6.74c per share dividend target for FY24, a 5% increase on FY23 with the Company confirming



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base dividend cover of 2.1-2.3x over the next 5 years, due to the high levels of inflation-linked, contracted revenues across the portfolio.

Portfolio Changes

- KKR's offer to take portfolio holding Encavis private led to a significant rally in the company's share price, resulting in an increased position within the fund. (+2.64% to 4.23%).

Source: Foresight Group, Company Reports, April 2024.

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