Q1 2026 Commentary

EdenTree Green Impact Infrastructure Fund

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Performance	3 months	6 months	1 year	3 years	ITD*
Fund Performance (B Class)	2.9%	1.0%	5.4%	-11.6%	-10.9%
IA Infrastructure**	8.5%	10.0%	17.0%	22.0%	17.3%
Sector Quartile	4	4	4	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.03.2026
*Inception date: 28.09.2022

Market review

After a volatile 2025, green infrastructure enjoyed a relatively strong start to 2026. At the end of January, the UK government confirmed the outcome of its Renewables Obligation (RO) indexation consultation, confirming that indexation of RO certificate buy-out prices will move from RPI to CPI from April 2026. While this change implies a downward revision to expected cash flows for many green infrastructure businesses, the government opted for the less onerous of the two core proposals. As a result, although several holdings experienced negative NAV impacts, the clarification of the outcome provided upwards support to share prices.

The most significant geopolitical development during the period was the US and Israel-led strike on Iran, which resulted in the death of Ayatollah Khamenei and subsequent disruption to oil shipments through the Strait of Hormuz, which is a chokepoint for global oil supply. As a result, Brent crude prices nearly doubled, rising from just over $60 per barrel in early January to a peak of more than $118 by the end of the quarter. UK gas prices followed a similar trajectory, increasing from below £0.71 per therm (a unit of heat energy) to peak at more than £1.56 per therm over the same period.

The conflict weighed on investor risk appetite and heightened concerns that the pace of interest rate cuts could slow – or even reverse. UK 10-year gilt yields were particularly volatile, fluctuating from a low of less than 4.3% to almost 5% during the quarter. While rising yields generally place downward pressure on infrastructure asset prices, this was counterbalanced by more direct operational tailwinds for renewable energy generators. In the UK, and to a lesser extent Europe, electricity prices are set at the margin by gas, meaning higher gas prices tend to translate into better realised power prices and improved cash returns for renewable generation assets.

Performance and activity

The EdenTree Green Impact Infrastructure Fund delivered a positive total return in the first quarter of 2026. All three financial segments within the Fund – Secure Income Potential, High Return Potential and Diversifiers – delivered positive returns over the period, with Diversifiers continuing to generate the strongest returns.

Across the Green Impact Infrastructure Framework categories, Water (represented by the Fund's small holding in Cambi) delivered the strongest returns, while Natural Capital (represented by a single holding, Holmen) delivered the weakest returns. Overall, performance dispersion across the portfolio was wide, with the top-performing names delivering performance driven by stock-specific factors.

Cadeler was the Fund's top-performing holding, delivering a total return of almost 24%, with the company benefitting from strong demand for offshore wind installation. The market was seemingly surprised by this due to negative political rhetoric around wind energy development in the US – a small market for Cadeler compared with other regions. New contract announcements in markets such as Taiwan and Japan reinforced confidence in the company's growth outlook. Cadeler also published full-year results during the period, with revenues of €620m, up from €249m the previous year, and a backlog standing at €2.8bn, up from €2.3bn. While these figures highlight strong operational momentum, they should be viewed in the context of a rapid expansion in fleet capacity – which doubled from five to ten vessels during 2025 – as well as further equity-funded growth announced towards the end of the period, resulting in execution risk.

Bluefield Solar Income Fund also delivered a strong quarterly return of over 23%, amid press speculation that its ongoing sale process has generated wide interest. Rumoured bidders include Octopus Energy, the Universities Superannuation Scheme and I Squared Capital.

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Among noteworthy detractors was the Fund's small exposure to EU carbon allowances. Following a near-20% rise in euro terms in 2025, the vehicle used for this exposure (SparkChange Physical Carbon) declined over the first quarter. This reflected both the risk-off market environment sparked by the conflict in Iran and political statements expressing concern that the carbon allowance regime could hinder the competitiveness of European manufacturing. Ultimately, the European Commission confirmed ongoing support for the Emissions Trading System. While questions remain around the potential extension of free allocations and delay of planned supply tightening, long-term forecasts from specialist analysts still point to much higher carbon prices over the years ahead, supported by Europe's binding 2040 climate targets.

Despite a period of weaker performance, we have maintained conviction in the Fund's core holdings. In light of what seemed to be a bourgeoning recovery in these, we kept our allocations fairly steady and undertook no major transactions in the portfolio over the period, other than taking advantage of strength in Cadeler to slightly trim the position.

Outlook

The green infrastructure sector appears to be stabilising following significant repricing over the past few years. Two market themes have converged, which have provided a positive start to the year for the sector, strengthening the case for owning hard assets that can produce, store or move clean energy.

The first theme is the conflict in Iran and the resulting upwards pressure on power prices, as well as the potential for more indirect benefits to battery energy storage businesses, given their ability to trade on potentially widening intraday power spreads. These dynamics may extend beyond the near term. As we saw following the onset of the war in Ukraine, during power price spikes, energy generators have the capacity to lock in higher contractual prices for longer, as their customers seek to secure supply in an uncertain market.

The second theme is what has come to be known as the HALO theme – Heavy Asset, Low Obsolescence. It refers to "old economy" businesses with little exposure to technology disruption. The idea is that companies whose value is grounded in owning heavy assets, which we will need for the foreseeable future, should be relatively immune to AI disruption. Moreover, the AI hyperscalers themselves, like Microsoft, Alphabet and Amazon, have net zero commitments, yet have seen emissions rise sharply as a result of rapid data-centre expansion to support the AI boom. This is, in turn, increasing demand for low-carbon energy.

Taken together, we believe these themes should continue to provide a supportive backdrop for green infrastructure in the months and years ahead.

Performance Discrete Rolling 12 months	12 months to 31/03/2022	12 months to 31/03/2023	12 months to 31/03/2024	12 months to 31/03/2025	12 months to 31/03/2026
Fund Performance (B Class)			-14.0%	-2.5%	5.4%
IA Infrastructure**			-2.9%	7.4%	17.0%
Sector Quartile			4	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
*Inception date: 28.09.2022
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Firm Reference Number 527473.

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