

EdenTree Green Infrastructure Fund

Q2 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	10.6%	9.8%	3.0%	-6.5%
IA Infrastructure**	3.4%	5.9%	10.4%	3.6%
Sector Quartile	1	2	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 30.06.2025

MARKET REVIEW

The second quarter of 2025 saw a welcome return to strong performance for listed green infrastructure, albeit after a volatile start.

In April, US President Donald Trump announced plans to introduce significant tariffs on US trading partners. Although referred to as “reciprocal”, these measures weren’t based on the tariffs other countries apply to the US. Instead, they were linked to the size of the US’ trade deficit with each country. Typically, tariffs make foreign goods and services more expensive, elevate input costs for local producers and dampen economic activity, paving the way for both recessionary economic conditions as well as higher inflation. In reaction, equity markets fell sharply, including listed infrastructure markets.

However, roughly a week after this announcement, Trump announced the US would pause the implementation of new tariffs for certain countries. Markets recovered after this announcement, with investors interpreting this to mean Trump would likely back down from imposing the most stringent tariffs.

During the period, the Bank of England cut rates by 25 bps to 4.25%, while the Swiss National Bank cut rates to 0.00% to counter currency strength. These dovish developments were seen as positive for infrastructure asset valuations.

Meanwhile, the UK government appeared likely to reject zonal pricing reforms, lifting sentiment for Scottish wind-exposed names, which would otherwise likely have seen a reduction in revenues. Merger and acquisition (M&A) activity remained supportive, with a notable – albeit related-party – bid for Downing Renewables & Infrastructure Trust (not held) highlighting latent value in listed green infrastructure.

PERFORMANCE & ACTIVITY

The EdenTree Green Infrastructure Fund delivered a strong total return over the second quarter, reflecting a strong rebound from the volatile first quarter.

Top contributors to the Fund’s performance over the period included Elis, The Renewables Infrastructure Group (TRIG) and Octopus Renewables Infrastructure Trust (ORIT). Elis hosted its first capital markets day since 2017, demonstrating how the business is targeting steady top-line growth and margin progress in the years ahead, with new growth objectives focusing primarily on organic growth. TRIG and ORIT seemed to benefit from a flight to safety from uncertain trade policy; as infrastructure investors, it seems natural to us that investors would turn to infrastructure assets as potential safe havens due to their economically insensitive business models and inflation-linked revenues.

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The worst performing stocks in the portfolio over the quarter were the ones that arguably have greater exposure to global trade, such as Cadeler and Holmen. While an immediate all-out trade war seems to have been averted, uncertainty over trade policy is still seen as a negative for these companies. While we continue to monitor underlying business performance, we still believe in the long-term investment theses for these businesses. Sentiment for Cadeler seemed to take a hit from its customer Ørsted cancelling the development of its Hornsea 4 offshore wind farm project. However, Cadeler is poised to benefit from the receipt of a sizable termination fee in relation to this, as well as being free to recontract the vessel assigned to this project into a potentially higher day-rate environment.

We initiated a new position in Gresham House Energy Storage towards the end of May, allocating the position to the High Return Potential category within the Fund's financial framework. We believe the company is making good progress since changing its business model to stabilise its revenue potential in 2024. We believe Gresham House Energy Storage is likely to benefit from a structurally improving revenue environment as National Grid improves conditions for battery utilisation in the grid's balancing mechanism. We also believe the battery assets are attractive to strategic buyers.

News relating to positive environmental outcomes related to the Fund/from our holdings included the following:

- This quarter, we conducted impact engagements with portfolio holdings GCP Infrastructure and Elis. These engagements focused on assessing and enhancing sustainability practices, and ensuring alignment with our environmental, social and governance criteria. Through collaborative discussions and strategic initiatives, we aimed to encourage positive change where necessary and otherwise support existing good practice.
- Our holding Foresight Environmental Infrastructure released its annual report this quarter. In this, the company reported that for FY24/25, its assets generated 1,272GWh of renewable energy, treated 34.7 billion litres of wastewater and diverted 703,470 tonnes of waste from landfill.
- Our holding National Grid also published annual results. The company integrated its annual progress update against its Responsible Business Charter commitments into its annual report and accounts for the first time. Some developments were disappointing, such as increasing greenhouse gas (GHG) emissions due to factors outside of the company's direct control, but the firm remains committed to its Climate Transition Plan. Other developments were more encouraging, such as National Grid having connected 3,016MW of renewable capacity in 2024/25.

OUTLOOK

Following the strong performance of infrastructure stocks over the year-to-date, clients have asked us what has changed to drive this recovery. The truth is that not much has changed from a fundamentals perspective. Listed infrastructure businesses are continuing to generate strong cash flows from resilient business models, just as they have done throughout the recent years of negative sentiment. Contrary to some investors' concerns, the rising interest rate environment did not lead to the negative business impacts on infrastructure stocks that some market participants had anticipated. With sufficient time having passed and infrastructure assets continuing to demonstrate resilience, cautious investors appear to be reassessing their stance. This shift in sentiment comes just as interest rates have begun to stabilise and may be approaching a turning point.

We have long argued that the disconnect between share prices and the values at which the underlying assets are transacting in private markets cannot be maintained without it leading to opportunistic M&A. We have now seen a number of such deals, and we would not be surprised if there were more to come.

We continue to see the rapid growth of artificial intelligence (AI) as supportive of green infrastructure, as large tech companies with net zero goals continue to increase their demand for clean energy. We maintain a positive outlook for the asset class, with potential for an ongoing share price recovery followed by a possible resumption of longer-term characteristics for infrastructure with steady returns from underlying income.

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PERFORMANCE DISCRETE ROLLING 12 MONTHS	12 Months to	12 Months to	12 Months to	12 Months to	12 Months to
	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025
Fund Performance (B Class)				-3.9%	3.0%
IA Infrastructure				0.5%	10.4%
Sector Quartile				4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.

Past performance is not necessarily a guide to future returns.

*Inception Date: 28.09.2022

**As the Fund will invest in companies involved in the ownership, operation or maintenance of infrastructure assets, investors may compare the Fund's performance to the Investment Association Infrastructure Sector. Funds in this sector must have at least 80% of their assets (directly or indirectly) in companies involved in the ownership, operation or maintenance of infrastructure assets (including but not limited to: utilities, energy, transport, health, education, security and communications). However, the Manager is not bound or influenced by the Sector category when making investment decisions.

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A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

For further information please speak to your normal EdenTree representative, visit www.edentreeim.com or call our support team on **0800 011 3821**

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