Q3 2025 Commentary

EdenTree Green Infrastructure Fund

Performance	3 months	6 months	1 year	3 years	ITD*
Fund Performance (B Class)	-5.6%	4.4%	-5.6%	-14.6%	-11.8%
IA Infrastructure**	2.9%	6.3%	6.1%	10.3%	6.6%
Sector Quartile	4	3	4	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.09.2025
*Inception date: 28.09.2022

Market review

The third quarter of 2025 proved challenging for UK-listed green infrastructure stocks, with share prices under pressure despite several positive fundamental developments. One such development was the UK Department for Energy Security and Net Zero (DESNZ) confirming the UK electricity system would retain a single national wholesale price rather than adopting a zonal pricing model. This benefitted companies such as Greencoat UK Wind and The Renewables Infrastructure Group, which have wind assets in Scotland that would likely have suffered under a zonal pricing regime.

The Bank of England continued to cut rates, bringing the Base Rate to 4.00%. Looking at market dynamics over the last few years, you would have expected this to favour infrastructure investment trusts, but the long end of the yield curve has remained stubbornly high, dampening the effect of lower rates on infrastructure valuations.

Sentiment for renewables was damaged by the offshore wind developer Ørsted (not held) announcing it would seek a DKK60bn equity raise, citing “material adverse development in the US offshore wind market”, which pushed its share price down more than 25%. Subsequently, The Trump administration issued an order requiring Ørsted to halt work on its Revolution Wind project off the coast of Rhode Island, further deepening negative sentiment around offshore wind. The stock experienced a partial recovery after a US federal judge called the government action “arbitrary and capricious” and granted a preliminary injunction to lift the stop-work order and allow construction work to continue. Nevertheless, Ørsted’s shares continued to trade in a much lower range than previously, and sentiment for the sector as a whole remained subdued.

Performance and activity

The EdenTree Green Infrastructure Fund suffered a sharp reversal of previously strong year-to-date performance in the third quarter. Towards the end of July, returns for the Fund had been notably positive for the year to date. However, this momentum faltered over the remainder of the quarter. In our view, there were no fundamental factors relevant to our holdings to justify such a sharp reversal.

Over the period, we saw the worst performance from the High Return Potential category of our financial framework. This was counterbalanced by positive performance from our Diversifiers, as this category continues to perform its intended function. Within the green infrastructure framework, we saw the most negative performance from Energy Storage and Efficiency, with positive returns from Circular Economy, Water Management and Complementary Assets.

At an individual stock level, our Energy Storage holdings Gore Street Energy Storage and Gresham House Energy Storage performed poorly over the period. Gore Street Energy Storage’s share price declined around 23% amid a chaotic activism campaign from one of its largest investors RM Funds. RM Funds sought to replace Chair Pat Cox and Non-Executive Director Caroline Banszky with Brett Miller, the restructuring specialist currently overseeing the wind-down of Ecofin US Renewables, and another candidate. RM Funds expressed that Gore Street Energy Storage’s persistent discount reflected a subscale portfolio and a fragmented, geographically diverse portfolio, preferring an opportunity to divest “non-core assets”. We conducted significant due diligence on the proposals, and we were not able to find any material points of alignment. We have engaged with Gore Street Energy Storage’s board on multiple occasions and found it to be responsive to our engagements. We believe the persistent discount to NAV is an industry-wide issue. We also believe that what RM Funds identified as a negative aspect of the business (a geographically fragmented portfolio) is in fact a positive aspect (a diversified portfolio with exposure to a number of different grids). We believed it was in our investors' best interests that a responsive and experienced board remained in place, and that the international portfolio of battery assets remains in a listed vehicle that can allow public market investors to participate in economic value-creation and positive environmental impact. Despite Gresham House Energy Storage's poor performance over the quarter, the company experienced several positive events, such as fully energising its funded portfolio after its West Bradford site was energised and announcing a new debt facility with reduced margin and contracted cash flows from the portfolio expected to cover operational costs, interest and debt payments.

Our top-performing holdings were Canadian Solar Infrastructure and Cadeler, alongside our investment in EU carbon allowances. Canadian Solar Infrastructure benefitted from a tender offer from Hulic Co. ultimately resulting in their building a stake of just under 14% of the business. The tender offer was at a purchase price of JPY 89,930 per investment unit, representing an approximately 19% premium to the share price prior to the announcement. We believed the tender offer undervalued the business and did not participate. Indeed, by the end of the period under review, the share price had risen to JPY 97,000. Although this was formally a financial transaction, we would still see this as a positive sign of strategic interest in the business.

As mentioned in the market review, holdings Greencoat UK Wind and The Renewables Infrastructure Group performed positively over the quarter from the announcement that the UK electricity system would retain a single national wholesale price.

There was no noteworthy portfolio activity over the period.

Outlook

While there is negative sentiment emanating from a US government that is hostile to renewable energy, there are also supportive developments coming out of the US. During US President Donald Trump's State Visit to the UK in September, Keir Starmer announced a new commitment from US tech companies to build cloud and AI Infrastructure in the UK, with Microsoft alone indicating it could invest $15 billion in UK infrastructure related to AI in the four years to 2028.

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. Alongside the UK, Ireland is at the epicentre of AI hyperscalers' data centre ambitions in Europe, and we have strong exposure to this through our holding in Greencoat Renewables, which has signed several long-term Power Purchase Agreements with big tech companies and data centre operators on favourable terms, locking in positive exposure to this theme.

The UK government recently published CfD terms for Auction Round 7, where it raised the capped strike price for offshore wind to £113/MWh from £102/MWh and extended the CfD duration to 20 years from 15 years, demonstrating that there is still strong government support to encourage the buildout required to meet its CP30 targets.

We maintain a positive outlook for the green infrastructure asset class, with potential for share price recovery followed by a possible resumption of longer-term characteristics for infrastructure with steady returns from underlying income.

Performance Discrete Rolling 12 months	12 months to 30/09/2021	12 months to 30/09/2022	12 months to 30/09/2023	12 months to 30/09/2024	12 months to 30/09/2025
Fund Performance (B Class)			-13.9%	5.0%	-5.6%
IA Infrastructure**			-8.4%	13.4%	6.1%
Sector Quartile			4	4	4

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

Past performance is not necessarily a guide to future returns.

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