Q2 2026 Commentary

EdenTree Green Impact Infrastructure Fund

Performance	3 months	6 months	1 year	3 years	ITD*
Fund Performance (B Class)	8.9%	12.0%	3.8%	2.7%	-3.0%
IA Infrastructure**	3.1%	11.9%	16.7%	29.6%	20.9%
Sector Quartile	1	2	4	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.06.2026
*Inception date: 28.09.2022

Market review

The policy backdrop during the second quarter was mixed. The UK Chancellor's April budget confirmed that the Electricity Generators Levy (EGL) would rise from 44% to 55% (levied on wholesale electricity sold above the current benchmark price of £82.61/MWh) and that Carbon Price Support (a fossil fuel tax introduced in 2013) would be removed. However, the latter had been anticipated for some time and will not come into effect until April 2028. The increase in the EGL was announced alongside the launch of a new wholesale contracts-for-difference regime, which is set to be extended to operational assets. This could help to stabilise longer-term cash flows for energy generators, potentially allowing investment trusts to discount future cash flows at lower rates and reduce financing costs.

Data released during the second quarter also showed UK forward power prices moving higher during the first quarter, particularly at the front end of the curve. This benefitted companies with near-term power price exposure, such as Greencoat UK Wind. Battery revenues in Great Britain fell during the first quarter, although this followed a period of strength after the start of the US-Iran conflict in February. Overall, the sector navigated a potentially challenging period well and emerged in relatively good shape.

Performance and activity

The EdenTree Green Impact Infrastructure Fund delivered a strong positive return in the second quarter of 2026. Within the financial segments of the Fund, positive performance was concentrated in the Secure Income Potential segment while the Diversifiers segment detracted. In terms of the Green Impact Infrastructure Framework categories, the biggest contribution came from our core Energy Generation holdings while Natural Capital (represented only by our holding in Holmen) was the only segment that detracted.

The top-performing holding was Foresight Environmental Infrastructure, although we saw strong performance from Octopus Renewables, Gresham House Energy Storage, Foresight Solar and Bluefield Solar. Foresight Environmental Infrastructure reported a net asset value (NAV) increase over the first quarter of the year, ahead of its peers, while robust dividend cover supported a dividend yield of more than 10%. The company also held a Capital Markets Event, where it provided greater clarity on its approach to its growth assets and the potential for future capital recycling.

Bluefield Solar received an all-cash offer from Drax at a 28% premium to its share price prior to the offer period commencing in November 2025, and a 17% premium to the share price at the previous close. The proposed deal stipulates that Bluefield shareholders will be able to receive the last declared dividend, which makes the overall offer equivalent to a discount of 9% to the 31 March 2026 NAV. It is disappointing that the offer was below NAV, but in the current context, at the end of a lengthy bidding process and with the anticipation of immediate liquidity, it is understandable that the board recommended the deal, and it has resulted in strong near-term performance.

Among noteworthy detractors were Holmen and Canadian Solar Infrastructure Fund. Holmen's share price declined after its first-quarter results missed analyst expectations amid difficult market conditions driven by international conflicts, weak construction demand and cautious consumers. Despite these headwinds, we continue to see value in Holmen's more than a million hectares of productive forest land. Canadian Solar Infrastructure suffered worsening sentiment following a power outage at its Fukuyama-shi plant and a report of theft of uninsured electric cables. However, the company also reported annual results that saw higher-than-expected power generation, leading to net income rising 7.5% year-on-year.

We have maintained conviction in our core holdings after a period of negative performance and have seen this start to pay off this year. We have kept allocations fairly steady, and we undertook no major transactions in the portfolio over the period. We did reduce our exposure to Bluefield Solar after the deal was announced and added marginally to Holmen on share price weakness. We opted not to sell our entire holding in Bluefield Solar because there is still meaningful upside if the acquisition completes. However, the recommended cash offer for the business moves the thesis from one of long-term cash-generation to one of deal-spread arbitrage, which is not aligned to our core investment process, compelling us to hold a smaller position.

Outlook

The central long-term investment case for the sector remains intact, underpinned by an energy transition that will require substantial investment over many years. The sector continues to offer an attractive combination of tangible assets, inflation-linked income and structural growth. Recent performance across both the sector and the Fund has been encouraging, and we believe there is scope for further rerating, rewarding investors who have remained patient through a prolonged period of disappointing market performance despite the underlying quality of the assets.

We believe one of the most significant drivers of future rerating could be the rapid buildout of AI infrastructure. While interest rates, asset valuations, geopolitics and energy prices remain important influences, AI infrastructure is a new force capable of changing the shape of long-term power demand in a way that favours renewable energy. This is particularly relevant for green infrastructure assets exposed to markets where data centre demand and corporate power purchase agreements already play an important role in electricity consumption, such as Ireland.

Our priority for the second half of the year is to remain disciplined, allowing the recovery in listed infrastructure valuations to continue while retaining the flexibility to add new opportunities where we identify quality assets at reasonable valuations. In areas where public market discounts to underlying asset values remain stubbornly wide, private market buyers continue to provide support. We believe green infrastructure is well positioned to deliver both positive environmental outcomes while capturing the financial upside from what seems to be not just a durable but an improving clean energy demand tailwind

Performance Discrete Rolling 12 months	12 months to 30/06/2022	12 months to 30/06/2023	12 months to 30/06/2024	12 months to 30/06/2025	12 months to 30/06/2026
Fund Performance (B Class)			-3.9%	3.0%	3.8%
IA Infrastructure**			0.5%	10.4%	16.7%
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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