

Gresham House Energy Storage Fund plc

Q1 Factsheet - 31 March 2020



Gresham House
Specialist asset management

Summary

Gresham House Energy Storage Fund plc (GRID or the Fund) seeks to capitalise on the growing intraday supply and demand imbalances caused by Great Britain's ever increasing reliance on renewable energy. The Fund aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Energy Storage Systems (ESS) located in Great Britain, which primarily use batteries to import and export power, accessing multiple revenue sources available in the power market.

The Fund targets a Net Asset Value (NAV) total return of 8.0%+ per annum, once the Fund is fully invested, before leverage and net of Fund expenses, and a target dividend of 7.0p per Ordinary Share¹. Returns are not correlated to the absolute level of wholesale power prices and are not dependent on any subsidies.

Financial highlights

During the quarter, the Fund delivered a share price total return of -13.6%. This was due to a combination of the dividend payment of 1.0 pence per share and a 14.4% drop in the share price to 92.0 pence at the end of March 2020. The decline in the share price is linked to market sentiment around COVID-19. Since the end of the quarter, the share price has recovered strongly and at close of business on 7 May 2020 was trading at 101.5p.

GRID has not encountered any obvious impact on trading activities due to COVID-19. However, as previously announced, we still foresee potential minor impacts on the commissioning dates of our next two 50MW projects, Thurcroft and Wickham. These are still scheduled for commissioning in H1 2020.

The NAV total return for the period was 1.7%. The NAV per share rose to 101.5 pence at the end of the quarter. The NAV increase was driven by the assets acquired in December being valued at fair market value offset in part by a more conservative set of forecasts driven by lower inflation assumptions, as well as, reflecting more cautious figures given that the current third party forecasts used were published some time before the lockdown.

Having met the 2019 dividend target of 4.5 pence per share, a Q1 2020 dividend of 1.75 pence per share will be paid in June, as announced. The Board is also pleased to reaffirm the Fund's dividend target of 7.0 pence per share.

The Fund successfully raised gross proceeds of £31.2 million, just ahead of the substantial public equity market dislocation, from the issuance of ordinary shares at a price of 104.0 pence per share, to complete the c.50MW "Potential Acquisition". This is an existing operational project and its acquisition is expected to close during Q2 2020, with further details to be announced.

Portfolio activity & market outlook

GRID had a busy start to 2020 completing both the integration of the projects acquired in December 2019 and the ramp up of the seed projects which we upgraded in H2 2019. This activity has more than doubled operational capacity to 174MW. Revenues have correspondingly stepped up, with an upward trend in revenues from Asset Optimisation.

This revenue increase will continue in line with portfolio growth expectations to around 364MW during 2020.

Outlook

Despite headlines about falling energy demand and low power prices, we have not seen a discernible impact on revenues at this time. Asset Optimisation revenues are driven by volatility in power

prices rather than absolute power price levels.

We are encouraged by the trends for 2020 which include more renewables in the generation mix. In our view, these mark the beginning of the end for the excessively large, gas-fired power plant fleet. This fleet normally operates at a c.30% load factor in normal times but is currently operating at less than 20%. Both trends contribute to greater power price volatility.

In addition, there is a growing demand from National Grid for frequency and other services. This is allowing battery storage to compete effectively in wider areas of the market which either didn't exist before or were previously the domain of large-scale fossil-fuelled generators.

Key facts as at 31 March 2020

Share price (mid-market):	92.0p
NAV per share:	101.5p
Market capitalisation:	£215.5m
Net assets:	£237.9m
Mgt. fee:	1.0% net assets <£250m 0.9% net assets from £250m-£500m 0.8% net assets >£500m
Ongoing Charges (2019):	1.43%
2020 target dividend per share ¹ :	7.0p
Shares in issue:	234,270,650

	Q1 2020	YTD	Since inception
Share price total return	-13.61%	-13.61%	-3.98%
NAV total return	1.70%	1.70%	8.29%

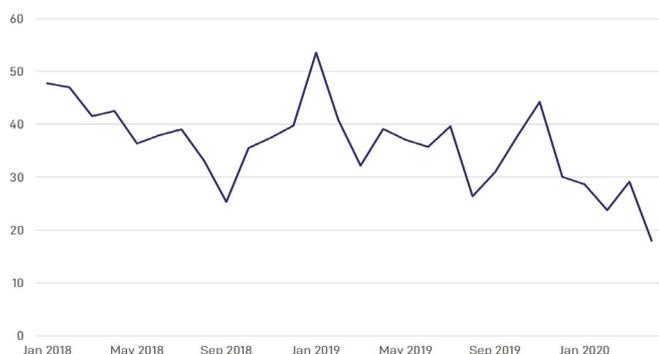
Key information

Ticker:	GRID
Listing:	LSE Specialist Fund Segment
ISIN:	GB00BFX3K770
Dividend frequency:	Quarterly
Year end:	31 December

newenergy.greshamhouse.com/funds/esf

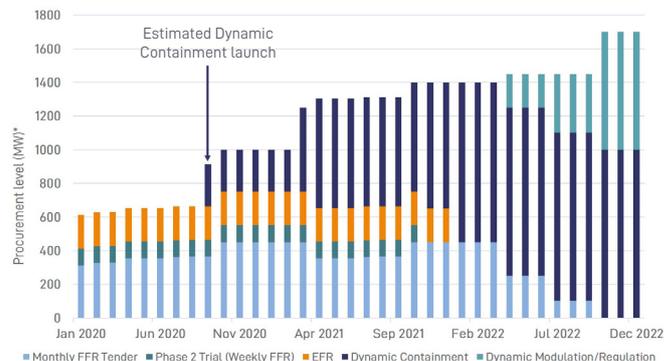
¹ This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target return should not be taken as an indication of the Fund's expected or actual current or future results. The Fund's actual return will depend upon a number of factors, including but not limited to the Fund's net income and the Fund's ongoing charges figure. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund

Load Factor of Combined Cycle Gas Turbines (%)



Source: Aurora EOS, as at 21 April 2020

UK FR services outlook 2020-2022



Source: National Grid ESO, Gresham House New Energy
*Forecast levels are estimated by Gresham House New Energy

The Chart on the upper left shows the falling load factor for the c.26GW CCGT fleet. As coal plants are no longer contributing meaningfully to the generation mix, CCGT's are likely to be increasingly marginalised by further increases in renewable generation. The chart on the upper right shows our current assessment of likely demand for frequency response services by National Grid over time, starting, in the near term, with the launch of the new Dynamic Containment service.

Current portfolio

Project	Location	MW	Acquisition date
Staunch	Staffordshire	20	November 2018
Rufford	Nottinghamshire	7	November 2018
Lockleaze	Bristol	15	November 2018
Littlebrook	Kent	8	November 2018
Roundponds	Wiltshire	20	November 2018
Wolverhampton	West Midlands	5	August 2019
Glassenbury	Kent	40	December 2019
Cleator	Cumbria	10	December 2019
Red Scar	Lancashire	49	December 2019
Total		174	

Pipeline

Project	Location	MW	Commissioning ¹
Wickham Market	Suffolk	50	Targeted Q2 2020
Thurcroft	South Yorkshire	50	Targeted Q2 2020
Potential Acquisition	Not disclosed	50	Expected Q2 2020 ²
Glassenbury extension	Kent	10	Expected Q3 2020
Exclusivity Pipeline Project ³	Near Edinburgh	30	Expected Q4 2020
Total		190	
Total Portfolio and Pipeline		364	

In addition to the above, the Manager has identified over 250MW of additional pipeline.

1. Expected commissioning dates are indicative and based on most recent conversations with relevant Distribution Network Operators (DNOs) and assume no major commissioning delays due to COVID-19 personnel availability
2. This project has already been commissioned and this is the expected purchase date
3. To be acquired subject to funding

Fund Manager

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