

Gresham House Energy Storage Fund plc

Q4 Factsheet - 31 December 2019



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

The Fund continued to perform well in the fourth quarter, delivering 2.62% in NAV total return and 3.85% in share price total return. For the period since the IPO in November 2018 to 31 December 2019, the Fund delivered 6.48% in NAV total return and a share price total return of 11.15%, with the shares consistently trading at a premium to NAV. The NAV per share finished the period at 100.79p.

Performance from inception was driven by cash generated by the portfolio and project level value enhancements. We note that at time of writing, the share price is currently at 96.5p due to the effect of the coronavirus pandemic on listed markets.

The Fund met the 2019 dividend target of 4.5p per share, including the final dividend of 1.0p per share which was paid to investors on 20 March 2020. Dividend cover for the period from IPO to 31 December 2019 was 1.1x. The Board is pleased to be able to reaffirm the Fund's dividend target of 7.0p per share for the financial year ended 31 December 2020.

Cashflow is expected to grow over 2020 driven by deployment of capital into new projects, Capacity Market contracts starting, and cost reductions. Acquisitions made in December are currently held at cost in line with the Fund's valuation policy. These are expected to be accretive to NAV when valued in line with the methodology applied to all other projects in due course.

Post period end a £31.2 million fundraising was completed successfully and due diligence on the c.50MW "Potential Acquisition" is underway. In addition, the Fund signed conditional Share Purchase Agreements to acquire the 50MW Thurcroft and 50MW Wickham projects. These are conditional on commissioning.

Portfolio activity & market outlook

We are excited by developments in the electricity market in terms of renewable deployment, favourable regulatory changes, increasing confidence in the revenue outlook, from both trading and frequency services and cost reductions.

In Q4 2019, the Fund added 99MW by acquiring three projects; Glassenbury (40MW), Cleator (10MW) and Red Scar (49MW). These projects have battery sizes ranging from c.35 minutes at Glassenbury and Cleator to 1 hour 30 minutes at Red Scar. All three projects have symmetrical import and export capacity.

Glassenbury and Cleator benefit from Enhanced Frequency Response (EFR) contracts running until January 2022. EFR and FFR, which is more common, are frequency services provided to National Grid to improve grid stability.

We have c.190MW of capacity in the immediate pipeline; Thurcroft and Wickham Market are 50MW each and are in advanced stages of construction; a 10MW upgrade of the Glassenbury site; and the c.50MW 'Potential Acquisition' project to be acquired with funds raised in Q1

2020. In addition, the Fund has exclusivity over a further project in Scotland which will be acquired subject to funding, towards the end of 2020.

Our focus for 2020 is on cost improvement, operational uptime and revenue conversion from trading and other services, as well as further integration of acquisitions to strengthen cash generation and cement our position as the leading Energy Storage fund in GB.

The effects of the Coronavirus pandemic are still unfolding. However, we have ensured the operational integrity of all projects and not witnessed any impact on revenues from the sharp moves in power prices, as our revenues are driven by the fluctuations in the intraday supply and demand of electricity rather than the absolute level of power prices, as well as frequency service contracts which earn availability payments. We have, however, experienced some delay to the Wickham and Thurcroft project commissioning dates (both targeted Q2 2020): guidance from Ofgem has ensured the connection and commissioning of these projects is still progressing.

Key facts as at 31 December 2019

| | |
|---|--|
| Share price (mid-market): | 107.5p |
| NAV per share: | 100.79p |
| Market capitalisation: | £219.6m |
| Net assets: | £205.9m |
| Mgt. fee: | 1.0% net assets <£250m 0.9% net assets from £250m-£500m 0.8% net assets >£500m |
| Ongoing Charges Figure: | 1.43% |
| 2020 target dividend per share ¹ : | 7.0p |
| Shares in issue: | 204,270,650 |

| | Q4 2019 | YTD | Since inception |
|--------------------------|---------|-------|-----------------|
| Share price total return | 3.85% | 7.91% | 11.15% |
| NAV total return | 2.62% | 6.44% | 6.48% |

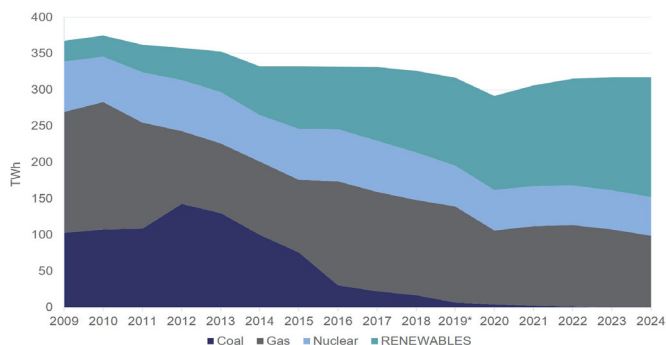
Key information

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

newenergy.greshamhouse.com/funds/esf

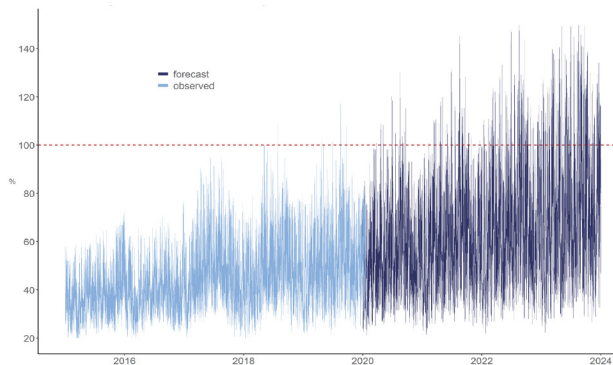
1. This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target return should not be taken as an indication of the Fund's expected or actual current or future results. The Fund's actual return 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

GB electricity generation by technology



Sources: 2009-2019 - BEIS: Fuel used in electricity generation and electricity supplied - March 2020
2020-2024 - Gresham House New Energy Research

Low carbon generation as % of electricity demand



Source: Elexon, and Gresham House New Energy Research

The charts above illustrate the rising market penetration of renewables at the expense of baseload coal and gas generation and the impact this is having on load factors for baseload generation. These trends point to rising instability and power volatility, which is beneficial for battery energy storage systems.

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 ³ | Kent | 10 | Expected Q3 2020 |
| Potential Acquisition ⁴ | Scotland | 30 | Expected Q4 2020 |
| Total | | 190 | |

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. Remains subject to planning consent
4. To be acquired subject to funding

Fund Manager

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